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INTERNATIONALIZATION OF FINNISH HANDICRAFT BUSINESSES

– A Turku region business case study



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INTERNATIONALIZATION OF FINNISH HANDICRAFT BUSINESSES – A TURKU REGION BUSINESS CASE STUDY

Handicraft businesses present potential to increase the number of exporting firms in Finland. Internationalization is a great effort for micro-sized enterprises, where the decision-maker often has to allocate time and resources between different tasks. Internationalization projects and networks of handicraft/design businesses have come to meet these businesses halfway. Joining a project however is no guarantee of success in international markets. Certain prerequisites need to be met before internationalization can take place.

This study takes a closer look at five micro-sized handicraft/design enterprise's efforts towards internationalization. It observes the methods and different factors that affect internationalization decisions, implementation and their success.

In this study five factors were identified that affect a handicraft enterprise's motive for internationalization. Six factors were identified that affect the success for internationalization.

KEYWORDS:

Handicraft businesses, internationalization

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SUOMALAISTEN KÄSITYÖYRITYSTEN KANSAINVÄLISTYMINEN – TAPAUSTUTKIMUS TURUN ALUEEN KÄSITYÖYRITYKSISTÄ

Käsityöyritykset ovat piilevä voima kotimaan viennin kasvattamiselle. Mikrokokoiselle yritykselle kansainvälistyminen on suuri haaste, sillä päätöksentekijän on varsin usein jaettava aika ja resurssit eri tehtävien kesken. Jotta kansainvälistyminen olisi yrityksille vaivattomampaa, on luotu erilaisia kansainvälistymishankkeita ja käsityö/design -yritysten verkostoja. Nämä hankeet ja verkostot eivät kuitenkaan itsestään takaa menestystä, vaan yrityksiä on täytettävä tietyt ehdot ennen kuin kansainvälisille markkinoille voi onnistuneesti lähteä.

Tämä tutkimus syventyy tarkemmin viiden eri mikrokokoisen käsityöyrityksen kansainvälistymispyrkimykseen. Se havainnoi yritysten käyttämiä kansainvälistymismetodeja ja kansainvälistymispäätöksiä, niiden toteuttamiseen ja onnistumiseen vaikuttavia tekijöitä.

Tutkimuksesta havaittiin viisi tekijää, jotka aktivoivat käsityöyritykset kansainvälistymään. Kuudella tekijällä havaittiin olevan vaikutus kansainvälistymisen onnistumiseen.

ASIASANAT:

Käsityöyritykset, kansainvälistyminen

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LIST OF ABBREVIATIONS (OR) SYMBOLS

SME	Small and medium sized enterprise
BG	Born Global
KTM	Kauppa- ja teollisuusministeriö (Ministry of trade and industry)
YTR	Tilastokeskuksen yritys- ja toimipaikkarekisteri (Business registry)
ESF	European Social Fund – European Union’s financial instrument for supporting employment in its member states
€	Euro; Official currency of the Eurozone
EC	European Commission
EEA	European Economic Area
Oy	Osakeyhtiö (private joint-stock company)
Ky	Kommandiittiyhtiö (limited partnership business entity)
TUAS	Turku University of Applied Sciences
USA	The United States of America

1 INTRODUCTION

Although there is a vast amount of studies that focus on the internationalization of SMEs, I have recognized a need to focus on the line of handicraft enterprises. As a distinct yet very diversified group of entrepreneurs there are many and quite specific challenges to overcome before a firm can successfully start to export. With only 5% of handicraft enterprises being exporters (see Lith 2005, 33), handicraft businesses are still quite an untapped source of potential exports.

From the fall of 2009 until the end of 2012 I worked as a project assistant for the *Nature-Craft* -project which aimed at enhancing the export of Finnish handicraft. The handicraft businesses were from Southwest-Finland. The project focused mainly on the German markets. As a participant in a project that aims to enhance the export of Finnish handicraft, my goal is to increase our understanding of a handicraft entrepreneur's motives behind the decision to start internationalizing and also, what factors are necessary for succeeding.

Johanson and Vahlne's (1977) internationalization process model - commonly known as the "Uppsala model"- and Wiederheim-Paul *et al.* (1978) pre-export model has been used as the basis in this study. Although the Wiederheim-Paul *et al.* (1978) pre-export model has been criticized for being outdated because it does not take "Born Globals" (businesses that start internationally from the very beginning) into consideration (see Simic 2011, 2) the theory should serve this study well, as with the exception of one, the rest of the enterprises that I interviewed have started with sales to the domestic market only. These theories will be introduced in more detail in chapter 2.

I hope that the findings of this study can work as a briefing to handicraft entrepreneurs who plan on internationalizing and to anyone who is collaborating with these entrepreneurs towards the goal of internationalization.

1.1 Research questions

The goal of this study is to answer the following research questions concerning Finnish handicraft workers:

Q1: What triggers the motive for a Finnish handicraft business to internationalize?

Q2: What are prerequisites for a Finnish handicraft business to successfully internationalize?

1.2. Handicraft and handicraft businesses

In Finland the term “handicraft” is commonly understood as the designing and producing of products that emphasize the maker’s artistic quality and creativeness (Raoul and Äyväri 1998). Handicraft businesses in turn are defined as businesses that produce products by hand or with the help of hand operated machines (Luutonen and Äyväri 2002, 23). In 2003 there were approximately 9 400 handicraft businesses in Finland that employed 14 000 individuals (see Lith 2005, 13). About 75% of the handicraft businesses employ only one individual (Lamberg 2010, 65). In a one-person handicraft business a lot of roles need to be filled by one person only: design, production, marketing and finance (Luutonen and Äyväri 2002, 74).

Above all the will to growth in a small handicraft enterprise is dependent on the personality and personal goals of the entrepreneurs themselves, meaning that the expansion of activities may not be one of the entrepreneur’s goals. They may well be satisfied with being independent, providing for themselves and their family. (Lith 2005, 28)

These businesses’ products have to compete with products that are a result of mass and serial production (Käsi- ja taideteollisuusliitto ja kauppa- ja teollisuusministeriö 2001, 16). Also the price-quality ratio, the nature of the product (handicraft) and originality affect the purchase decision (Luutonen and Äyväri

2002, 15). With the rise of ecological trends the appreciation of handicraft rises as well (Luutonen and Äyväri 2002, 95).

A division of handicraft businesses to different branches is shown in table 1.

Branch (Nace 2002)	Business register 2003, %	Businesses started 1996–99 (verohallinto), %	KTM-report 2004 (Tietoykkönen Oy), %
Carpentry and woodworks	14,4	11,4	22,5
Furniture	14,4	11,0	20,6
Clothing	12,2	17,2	8,6
Metallurgy	12,1	11,6	9,3
Textiles	9,4	13,8	11,6
Book binding and printing	8,1	5,6	10,0
Ships and boats	5,1	5,4	3,9
Games, toys etc.	4,7	6,1	0,0
Clocks and goldsmithery	4,3	3,0	0,0
Leather	2,7	2,1	8,1
Stone	2,5	2,1	5,3
Footwear	2,3	1,3	0,0
Ceramics	1,6	2,8	0,0
Sports equipment	1,4	1,6	0,0
Glas	1,0	1,1	0,0
Musical instruments	0,8	1,3	0,0

Table 1. Division of handicraft businesses to branches (Lith 2005)

KTM's study on Finnish SMEs (2004) reveals that the markets for handicraft are mainly domestic, with foreign markets catching only 1% of the whole market share. Only 5,2 % of the 9400 micro sized handicraft businesses were exporters. Half of the businesses sold nationwide, about 30% inside their counties and about 25 % only locally. (Kauppa- ja teollisuusministeriö (*KTM*) 2004)

According to research about 3% of the handicraft businesses invested strongly and about 10% to a lesser degree on internationalization. International orientation was stronger outside the capital city region which is explained by the outside region's smaller local markets. (KTM 2004; Lith 2005, 39)

Roughly 60% of the internationally oriented businesses wanted to develop their skills and readiness for export on their own, while every fourth wanted to cooperate with other SMEs as a network towards the goal of internationalization. About 10% wanted to export indirectly via a network of big enterprises. Close to 80% report that they would need the help of a third party to start international activities. Export-enhancing projects were seen as a good solution, although many handicraft businesses reported that they felt as though the projects did not take into account the handicraft businesses' starting points when matching them together with other businesses on the same project (KTM 2004; Lith 2005, 39).

1.3. Definition of internationalization

The definition of internationalization has changed over time. Johansson and Vahlne (1977, 23) define it as a process in which a firm gradually increases its involvement and commitment to international markets. Welch and Luostarinen (1988, 84) argue that the term "internationalization" has not been clearly defined but they propose as definition "*the process of increasing involvement in international operations.*" Ghauri and Cateora (2009, 1/7) define international marketing as "*the performance of business activities that direct the flow of a company's goods and services to consumers or users in more than one nation for a profit.*"

What is most common for the different definitions is that internationalization is seen as a firm's process of shifting focus and effort in varying degrees from the domestic market to international markets.

1.4. Nature Craft Southwest-Finland

I worked from 2009 to 2011 as a project member, later project assistant on the project *Nature Craft Southwest-Finland*. It was co-ordinated by the *Turku University - Brahea Center for Training and Education* and funded by the *ESF*. The project was part of the nationwide *Nature-Craft Finland* -project. All of the participating enterprises in this branch of the project were from Southwest-Finland. The total count of participating enterprises was 10, out of which 7-8 participants were actively taking part.

The mission of the project was to:

- raise the number of exporting firms in Southwest-Finland
- raise quality awareness of the enterprises
- develop and strengthen marketing and sales skills of the enterprises
- develop the enterprises' products to better meet market demands
- create an electronic network with other *Nature-Craft* –regions
- provide an opportunity of nationwide networking for handicraft enterprises
- find channels to retailers from Central Europe for the enterprises

During its course the project organized for lecturers from the *Turku Chamber of Commerce and Customs* to give lectures on the nature and obligations of export, figures and facts on the target country and the choosing between different distributor types. Regular meetings were held to keep all participants informed on current and future events.

1.4.1 International events

Markets

For Christmases 2009 and 2010 the project organized Christmas market sales in Hanover, Germany. The market sales were executed in co-operation with *Kalevala Spirit Ltd.* which raises a Finnish Christmas village in Hanover since more than ten years. In the first year of the project in 2009, *Nature Craft* had a

small cottage of its own at its disposal and in the second year in 2010 a bigger cottage was shared with *Kalevala Spirit*. Students of the *Turku University of Applied Sciences* (me included) were selling and marketing the *Nature Craft* products. The main purpose of the market sales was to test market the products and record any comments from customers. Invitations were sent to potential distributors and visits were made to local resellers but due to the fact that it was peak season and resellers had made their purchase plans for the next year in fall already, no-one showed real interest.

Exhibitions

In September 2010 the project attended the *CADEAUX - Trade Fair for Gifts and Life Style* in Leipzig. That year 410 enterprises from 15 different countries had their stands at the fair and the exhibition received 19.800 expert visitors – a good place for building a network (Leipziger Messe 2010). Most of the *Nature Craft* entrepreneurs attended *CADEUAX* in person. Additionally to international exhibitions, domestic exhibitions were arranged in Turku for networking purposes.

Sales representative trips

In May and November of 2011 sales representative travels were undertaken. The first travel was in May and went to Rostock and the second was in November and targeted Hamburg-Berlin. The goal of these two trips was to visit potential resellers.

The Rostock visit was executed in co-operation with sole trader *BiBeRe*, who organized a stand for the project at the *Baltic Future* –exhibition. The exhibition was not handicraft/design-oriented, rather the project used the stand as a base for visibility and invited visitors. Potential resellers were invited to the exhibition and some of them were visited at their places of business. A few promising contacts were found.

The Hamburg-Berlin visit was planned and executed in co-operation with the *German-Finnish Chamber of Commerce*. One of their representatives joined us on the trip. Some of the visits had been scheduled in advance with the resellers but most visits were cold calls. Despite of the quite late timing of the Hamburg/Berlin trip, the resellers received us sales representatives warmly and showed interest in the products and enterprises. Many promising contacts were found.

During and after the trips the participating entrepreneurs were encouraged to get in contact with the potential distributors as soon as possible. However, no effort was made to exploit these contacts that had been established for them – even though the project staff was on standby for any translation or other help.

2 THEORETICAL FRAMEWORK

2.1 Uppsala model of internationalization

Johanson and Vahlne (1977) developed an internationalization model from empirical observations on a database of international Swedish owned affiliates and industry studies on Swedish firms in international markets. It is based on empirical observations from studies in international business at the University of Uppsala and shows that Swedish firms start with small steps to internationalization. Internationalization typically starts with exports to a foreign country via an agent, then moves on to sales via a subsidiary and later perhaps even start production in the host country.

Commonly known as the “Uppsala model”, Johanson and Vahlne’s (1977, 23-31) this internationalization model is a model of knowledge development and increasing foreign market commitment. Internationalization is a learning process during which commitment to the new market rises as learning takes place. The learning is divided into two categories – objective and subjective learning. Objective learning can be taught and subjective learning is a result of experience.

The model argues that a firm initially starts its international expansion with exports to countries that are physically close and share a culture similar to that of the domestic market. Johanson and Vahlne (1977) use the terms “physical distance” and “psychic distance.” Physical distance means the geographical distance between the domestic and foreign markets. Psychic distance covers aspects such as language, culture and politics, all of which can pose a barrier for transactions if the differences are too difficult to overcome. From the learning and experience from export activities or even operations in a host country, the psychic distance to another country can be shortened and the firm can take steps to move on to more distant markets. (Johanson and Vahlne 1977)

In 2009 the model was revised with an additional important factor which affects a firm's internationalization decisions: Networking. The firm gains new knowledge as information is shared within its network of interconnected relationships. It is to a large extent these relationships that the firm learns from, builds trust and commitment, all of which are essential for the internationalization process. (Johansson and Vahle 2009, 1414-1415).

2.2 Pre-export model

From the findings from studies on 75 Australian firms Wiersheim-Paul *et al.* (1978) created a pre-export model to explain the process of a firm's movement from non-export to its first export order. They argue that a firm's pre-export activities start from the birth of the firm and that all firms start as non-exporters with selling only to local markets (Wiedersheim-Paul *et al.* 1978, 47).

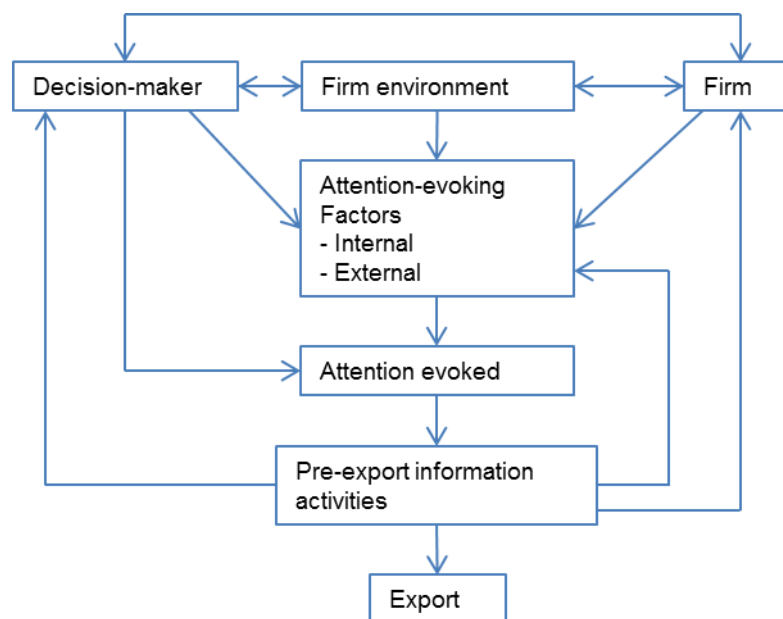


Figure 1. Factors affecting the pre-export activities of the firm (Wiedersheim-Paul *et al.* 1978)

2.2.1 Decision-maker

The model depicts the decision-maker of the firm to be exposed to external and internal attention-evoking factors. The decision maker's perception and response to these stimuli depends much on their characteristics (such as international orientation), the firm environment and the firm. While changes in the environment affect the firm and the decision maker, so does the firm affect the environment. The characteristics of the decision-maker function at two levels. They both influence the factors and the perception of them, which makes the past history and experience (born or living abroad) of the decision-maker important. It is likely that an individual with a high degree of international orientation will have a higher probability both of being exposed to attention-evoking factors and of perceiving them, all of which will affect the firm's pre-export behavior. (Wiedersheim-Paul *et al.* 1978, 48-49)

2.2.2 Firm location and environment

In the domestic market the physical location of the firm, transportation costs for the product and information flow are seen as factors that affect the decision-maker's export decisions (Wiedersheim-Paul *et al.* 1978, 49).

A region where many firms are concentrated in a small area creates a favorable "enterprise environment", which is especially true in cases of information exchange with face-to-face contacts (see Pred 1974). The export start can be seen as especially dependent on familiar face-to-face contacts, as in non-routine decisions individuals tend to reduce risk and uncertainty by relying on known contacts in their information network (see Pred 1976).

Face-to-face contacts may also affect the attitudes of a firm. An environment with exporting firms tends to have a positive impact on other firm's attitudes towards export. (Wiedersheim-Paul *et al.* 1978, 49-50)

2.2.3 Firm characteristics

Wiedersheim-Paul *et al.* (1978, 50-51) selected following factors that they thought to have an important effect on the pre-export behavior of a firm. These factors are: goals of the firm, product line, history of the firm and extra-regional expansion (which is part of the firm history).

2.2.3.1 Goals of the firm

Every firm's basic goals are security and survival. The more unpredictable a firm perceives variations in its sales performance to be, the greater the urgency to find new sources of sales and growth. Raising the perceived risk and uncertainty of current operations (domestic market) lowers the perceived risk and uncertainty of creating and marketing a new product or selling abroad (Wiedersheim-Paul *et al.* 1978, 50).

2.2.3.2 Product line

Wiedersheim-Paul *et al.* (1978, 50) identify the software/hardware relationship of the product as an important factor: The higher the hardware content is, the smaller is the needed information flow between seller and buyer, which raises the likelihood of the seller to be exposed to export stimuli. A high software ratio of the product demands a more extensive flow of information and closer contacts between seller and buyer, which favors already established business connections and decreases the likelihood of an outside firm getting an order (see Håkansson and Wootz 1975).

2.2.3.3 History of the firm and extra-regional expansion

The decision-maker's reception of and response to an export stimulus is not only influenced by their view of the future but by the firm's past as well. Wiedersheim-Paul *et al.* (1978) suggest that a firm might have to go through a type of internationalization process within the domestic market before it is ready to start to export. They propose to make a distinction between local market and distant market rather than domestic market and export market. Even in the

domestic market a firm may move to more “foreign” markets as it starts to sell to more distant regions. By doing that the firm may gain better skills at marketing their product at a distance and extend its communication network, through which the firm is more likely to get exposed to attention-evoking factors, e.g. a fortuitous inquiry from abroad. (Wiedersheim-Paul *et al.* 1978, 51)

2.2.4 Attention-evoking factors

Wiedersheim-Paul *et al.* (1978, 51-53) divide the attention-evoking factors in those that are internal to the firm and those that are external. The distinction provides a framework for examining whether the export of a firm started due to internal or external stimuli (Wiedersheim-Paul *et al.* 1978, 52).

The internal stimuli are divided in two groups of which I see the second one to be relevant for this thesis:

- (1) Unique competence (See Wiedersheim-Paul *et al.* 1978)
- (2) Excess capacity in the resources of management, marketing, production or finance.

The external stimuli are divided in four factors:

- (1) Fortuitous orders from foreign customers
- (2) Market opportunities
- (3) Competition
- (4) Government export stimulation measures. (Wiedersheim-Paul *et al.* 1978, 51-53)

2.2.5 Pre-export information activities

The firm's pre-export activities depend on the above mentioned factors and the three dimensions shown in table 2.

DIMENSIONS GROUP	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

Table 2. Groups of pre-export activity (Wiedersheim-Paul *et al.* 1978)

Wiedersheim-Paul *et al.* (1978, 53-55) place most firms in the domestic group when their pre-export activities begin. They argue that most of them will remain in that group because either their products or location are unsuitable for export markets or because they are content with servicing the domestic market. They stress that the chance of becoming an exporter while showing domestic pre-export activities is small. In order to move to the passive or active groups internal (e.g. new decision-maker, changes in attitudes of the current decision-maker or change in their immediate environment) or external changes (e.g. change in environment that leads to an increase in information collection) need to take place. The ascent from the domestic to the passive or active groups depends on the decision-maker's past experiences. Where positive experiences tend to raise the firm to a passive or active level, negative experiences may result in retreat back to the domestic group. (Wiedersheim-Paul *et al.* 1978)

2.3. Born Globals

Even after 35 years the Wiedersheim-Paul *et al.* (1978) depicts the pre-internationalization phase of a “traditional” firm well. With “traditional firm” is meant a firm that starts with sales to the domestic market and based on experience and learning considers export as an option. What the model however does not take into consideration are the “Born Globals” which are defined as *“business organizations that from or near their founding seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries. The distinguishing feature of these firms is that their origins are international”* (Knight and Cavusgil 2004, 124).

For the part of BGs Boris Simic (2011) found three weak points in the Wiedersheim-Paul *et al.* (1978) pre-export model. First he suggests that decision-makers begin pre-international activities well before inception of the firm and that the attention and perception of external attention-evoking factors is independent from the firm and firm environment. This activity affects the soon-to-be firm’s growth strategy as it leads to recognition of market opportunities. Secondly, unlike “traditional” firms who base their internationalization decisions on experiences in the domestic market, BGs who internationalize almost instantly after inception do not have a past to look on and use as learning base. Thirdly BGs are placed from the start in the “active” group of the Wiedersheim-Paul *et al.* (1978) pre-export activity groups. There is high willingness to start exporting and high information gathering, all of which are not affected by negative experiences. (Simic 2011, 33)

3 METHODOLOGY

For this research I chose a qualitative approach. Case studies as a qualitative approach method have a relatively long history in business research (Eriksson and Kovalainen 2008, 7). This method enabled me to delve into the *why* and *how* of the internationalization process of the businesses that I interviewed for this research. The research questions were not all fixed at the beginning of this research, rather they gave me a scope on which to focus. The questions changed over time and got more focused towards the end of the research. According to Eriksson and Kovalainen (2008) this redefinition of research questions towards the final stages of a research project is not uncommon.

As this is a case study with a small sample that reveals only data on the cases that I studied, any generalization of this data needs to be done with utmost care and consideration of the small sample.

In order to answer my two research questions I interviewed handicraft entrepreneurs and asked them to explain in their own words, what they think lead to the decision to venture to international markets, what challenges there were and what strategies they used or use to establish and upkeep international business relationships. In qualitative research it is common to use previous contacts and/or convenience sampling procedures (Eriksson and Kovalainen 2008, 51). This same applies to my research: The three first of the interviewed businesses were participants to the *Nature-Craft* project. At the time of the first three interviews the *Nature-Craft* project had come to an end a year ago and I had heard very little of the entrepreneurs since then. I went back to interview the entrepreneurs - revisited the project, looked at the present and inquired about their future plans on international markets. In addition to those three cases I also found it necessary to study businesses that did not participate in the same project. All interviewees were easy to contact via e-mail or phone, but finding the fourth and fifth cases proved to be somewhat challenging.

In order to find new contacts I contacted Raimo Volanen, chairman of *Solmukas ry*. *Solmukas ry* is a network of local handicraft businesses. I made Raimo's acquaintance while on the sales representative travel to Rostock in 2011, more precisely via a return delivery that I transported from a Rostock Finn-shop keeper back to Finland. We sat for a chat at *Solmukas ry*'s shop at *Manilla* down by the Aura River and I got a list of participants in the organization. Unfortunately though I could not get in contact with the ones that I was most interested in and the ones that I could contact were not interested in internationalizing, thus not meeting my criteria for an interview. However thanks to the visit to *Manilla* and *Solmukas ry* I found a business that directed me to the fourth case and the fourth case directed me to the fifth and last case.

All of the interviewed enterprises are micro-sized enterprises (*i.e.* enterprises that employ less than ten persons) in the Turku region and Southwest-Finland. These enterprises are either in the process of internationalizing, have already succeeded in doing that, or they have tried to internationalize but have settled back to servicing the domestic markets. All of the businesses represent a different field in handicraft: Toys, stoneware, candles, textiles and interior design. All of them produce gift articles.

From the interviews qualitative data was collected and compared. The interviews were semi-structured and took place at the entrepreneur's premises. Each entrepreneur was interviewed once and the length of an interview varied between forty-five and ninety minutes. All participants to this research consented on using their own names and enterprise names. Clarifying and additional questions were sent to the interviewees via e-mail in order to collect as much comparable data as possible. To minimize the possibility for false interpretations, the contents of the interviews were sent to the interviewees for reading and confirming.

4 EMPIRICAL FINDINGS

4.1 Johanna K. Design

4.1.1 Firm and product

Johanna K. Design is a one-woman textile and toy manufacturing business in Taivassalo. The enterprise has run since 2004. Johanna Österman, the owner and decision-maker first started with clothing and interior design products out of felt but then moved over to the idea of making stuffed animals. She has not settled to any static product portfolio but changes her product range every now and then. Some models have gotten a firm foothold and have come to stay. Each model has a story of its own written on its label. For production material Johanna has chosen surplus textiles from local textile businesses. About 80% of all material that is used in production is recycled. The products conform to EC requirements and they all wear a CE marking. The CE marking is the manufacturer's declaration that the products meet the applicable EC directives for sales of goods in the EEA. In 2008 *Johanna K. Design* was awarded with the pro-environment-act diploma by *Valonia* (Southwest-Finland center for sustainable development) for the ecological and ethical production of imagination evoking toys. Johanna revealed her annual turnover to lie at about 30 000 € with the share of export being only marginal.

4.1.2 Decision-maker and firm's international experience

Johanna Österman is one of the entrepreneurs I co-operated with during the *Nature-Craft* project. She is an artisan in interior textiles. At the time of the interview she was on parental leave – but still working on a few orders. When asked, if she had any prior international experiences, she mentioned Switzerland as the first country. There was a Finnish lady, who kept a shop in Switzerland and she wanted to sell *Johanna K. Design* there. Her second country of international transaction was Japan. She came across both of these

experiences on her own while attending the *Forma* -trade fair in Helsinki prior to the *Nature-Craft* project in 2007. The *Forma* –trade fair is a professional trade fair for giftware, household articles and interior decorating. It takes place twice a year in Helsinki. The fairs receive in average 4000 professional visitors. (Forma Messut n.d.)

Johanna had never really planned on internationalizing. The *Nature-Craft* project was the first internationalization project she attended. She did not actively seek out the project but the project contacted her and she was interested in trying out how her products would fare on the German markets. Her expectations of doing business with the Germans was that: *“They might share a similar monetary policy like us Finns do and that their purchase power is close to that of ours”* (Johanna Österman).

4.1.3 Firm location and environment

Johanna’s workshop lies close to the center of the Municipality of Taivassalo. The sources of livelihood in Taivassalo are mainly agriculture, forestry, fishery, refinement and service trade. It has only 1680 inhabitants, 55% of which commute to Turku that lies 50 kilometers away. (The Municipality of Taivassalo n.d.)

4.1.4 During the Nature-Craft project

Johanna’s products were first at display and for purchase in Hanover at the Finnish Christmas village in 2009. The products sold very well, especially two models were quite popular. As Germany could be said to be a few steps ahead of Finland when it comes to recycling and being recycling oriented, the choice of material for the stuffed animals was highly regarded by the buyers. Johanna did not visit the market herself, but left the sales and information gathering to the project staff. All product information and leaflets were translated to German and the toys were given German but original names, which seemed to struck a chord with the visitors to the market.

One big event that Johanna herself attended in person was the *CADEAUX* - trade fare in Leipzig. She understands the importance of trade fares to building new business relationships and that it is essential to attend them in person. At the *CADEAUX* -trade fare she met a reseller from Erfurt with whom she has now made a couple of transactions.

When asked if she had gotten in contact with any of the resellers that the *Nature-Craft* project visited during its Rostock and Hamburg-Berlin trips, her answer was negative. While during the trips she got a few try-out or sample orders, she has not been in contact with any of the contacts since then and neither have any of the resellers tried to contact her. Johanna knows that active contact is of high importance but because of many other urgent matters she has not had the time to do any of that. Although Johanna communicates in English, she thinks that language can be a barrier to German speaking customers. She runs a web shop that at the moment is only visible in Finnish. She has the sites translated to German but due to a lag with her service provider she has not gotten the opportunity to upload them yet.

4.1.5 Internationalization at present

What Johanna thinks is the most challenging factor in internationalization is time management - the co-ordination of production and regular business. As a handicraft worker she likes to focus on the product itself, producing and developing. She often wishes that somebody else could read her mail, run the errands from order taking, dispatching and invoicing. In its current state with Johanna being the sole employee, she does not think that her business can make any more revenue from international sales than from domestic sales. With the current production capacity foreign orders would just take away from domestic orders, and even the domestic markets are not all explored and exhausted yet.

Most toys she makes on order but for peak season and marketplace sales there is the need to produce bigger batches. That is when she hires production help from local sewers. This is an interesting feature in that it shows a readiness for

growth as it enables a higher production capacity. This higher capacity is ultimately needed, should Johanna start to get more orders either from domestic or international customers.

For Johanna the *Nature-Craft* project was a refreshing change with lots of learning. If not on parental leave, she would have liked to join a similar project that started right after the *Nature-Craft* project ended. She says that she would not want to try internationalization all on her own but would need the support and resources of a project or other network. The *Forma* – trade fairs have been Johanna's stepping stone for new retailers, but now with her maternity- and parental leave, she has missed out on four trade fairs. For the moment she finds herself content with focusing on retaining her current customers and servicing the local markets. Internationalization is a fulltime job for which she does not have the time right now.

4.2 Kustavin Savipaja Oy

4.2.1 Firm and product

Kustavin Savipaja Oy is a private joint-stock business that manufactures stoneware utility items since 1975 with a focus on tableware. It is a family business and was founded by Aija Paatero and Esa Vuontisjärvi. It has its workshop in Kustavi. The premises are open for visitors. Aside of the production the premises include a shop and a coffeehouse. On the same premises is a candle workshop which will be introduced in the next case. Additionally to the decision-maker, four employees work at the workshop. During peak seasons temporal work force is hired to help run the shop and coffee house. The business gets its orders from resellers, restaurants, private businesses and end users. As the goods are made in handicraft and bigger batches are made to order, it is possible to consider the customer's wishes in different stages of the production. During the years 2007-2011 the firm has made on average an annual turnover of 299 000 € (Taloussanomat n.d.).

4.2.2 Decision-maker and firm's international experience

Kustavin Savipaja Oy is today run by the founders' daughter, Essi Vuontisjärvi. The second generation took over in the year 2003. When asked about the business's international experiences, Essi mentioned that as far as she knows, the *Nature-Craft* project was the firm's first endeavor to internationalize.

At first Essi did not have any criteria about which country to choose but that in order to stay afloat or achieve growth she found it necessary to start to explore opportunities for international sales. She says that this necessity arises from a critical period that gift articles are undergoing: Older gift shop owners who until now have sold tableware go to pension but the newer generations of shop owners are not willing to sell stoneware any longer. In other words the local market is shrinking.

4.2.3 Firm location and environment

The workshop lies in the municipality of Kustavi about four kilometers from the main road (Kustavin tie) and one kilometer from Peterzén's guest harbor that gets international visitors every summer. Signposts guide visitors from the main road and guest harbor to the workshop. Except for the candle shop there are no exporting businesses or businesses in general in the near vicinity. With 3100 summer cottages but only about 890 permanent inhabitants the Municipality of Kustavi is one of the biggest summer cottage regions in Finland (The Municipality of Kustavi n.d.). The Municipality of Kustavi lies about 70 kilometers North-East from the city center of Turku (Fonecta n.d.).

4.2.4 During the Nature-Craft project

Like in case 1 with *Johanna K. Design*, the *Nature-Craft* project approached *Kustavin Savipaja* and thus Germany selected itself as the first country on which to focus. The thought of Germany's big markets was attractive at first.

Throughout the course of the project Essi showed great initiative and participated in many of the events. At the Hanover Christmas market *Kustavin Savipaja* had a shelf of its own and Essi travelled there herself to give instruction on how to stock the goods and present them on the shelves. A great number of goods was sent to the market, which shows optimism in selling the product. The sales numbers were disappointing though, and it took a lot of time to package the goods for dispatching them back home after closing of the market. The goods were found interesting and different from other goods that were on sale at the market. Many questions about the products were asked and potential customers liked especially how the cups felt in their hands when they tried them out but the prices were deemed as too high. On the last days of the first Christmas market sales the prices were dropped and this attracted sales. Dropping the prices on the last days however is not a good custom on the Christmas market because by doing so the visitors will get accustomed to price reductions and start to delay their purchase decisions to the last days where they expect to make better bargains. The Christmas market lasts a month

however and it is recommendable to have sales on all days. This is why the pricing and possible discounts should be kept the same from the start. It is natural that the number of sales will rise towards the closing of the markets. There are the last-minute gift buyers and buyers who visit the market during its course but keep coming back in hopes of lower prices. These shoppers often decide to use their last opportunity to buy the product even if the price has stayed the same.

4.2.5 Internationalization at present

Kustavin Savipaja had its websites translated in German and there they have an announcement that they are looking for resellers in Germany. Essi can communicate in English and a little bit in German as well but thinks that it is unnatural to make business when there is no common language in which to communicate fluently. She has not been in contact with any resellers at the *CADEAUX* -trade fair or the shop keepers that the project visited in Rostock, Hamburg and Berlin. On closer inspection she did not find any of the contacts promising. The size of an order would have to be at least big enough to fill a EUR-pallet. *Kustavin Savipaja* does have an agreement with a courier service provider, but because stoneware is heavy and fragile, shipping costs of a package to Germany are very high.

When the *Nature Craft* project ended, *Kustavin Savipaja* put their efforts of internationalizing to Germany on hold. Essi thinks that the *Nature Craft* project was an enlightening experience but she felt that with all the other members to the project, there was not enough time and resources for deeper focus on the needs and wishes of one business only.

She decided to pursue international sales on her own as well and has been quite successful. Her focus has been on Sweden where *Kustavin Savipaja* has visited the *Formex* -trade fair three times already. With 850 exhibitors and 25.000 national and international visitors it is the largest meeting place for Nordic interior design (Stockholm Visitors Board n.d.). It makes the *CADEAUX* -trade fair look small in comparison. At the *Formex* –trade fair *Kustavin Savipaja*

has gotten a great number of contacts. They have now an agent and over 20 resellers in Sweden and the language poses no problems. She chose Sweden because it seemed much easier and she felt more comfortable with it. She asked the rhetoric question of *“Why do things the hard way, when the neighboring country is right there and so much easier?”*

Kustavin Savipaja reflects the Uppsala model of internationalization by Johanson and Vahlne (1977) quite well. Although at first along with a project they embarked on a mission to a country that they did not much relate to, *Kustavin Savipaja* learned that they were not yet ready for the German markets. Once they knew that they did not want to be dependent on an internationalization project and decided to pursue internationalization on their own, they made a very common choice to focus on a country that is geographically close and culturally very similar and where it is easy to find a common language. With currently 20+ resellers, numerous contacts, common language and an agent who knows the market, *Kustavin Savipaja* gets timely information and the right sort of feedback they need in order to adjust their ways of doing business in a new territory. Partly from customer feedback they got an answer to the question of what consumers want from stoneware. As a result the *PussPuss Company* was created in 2011. It is a new brand of stoneware that gives the consumers what they want – a breath of fresh and modern air.

For now *Kustavin Savipaja* focuses on learning how to manage the Swedish markets. They have not totally given up on the German markets yet. It is not out of question that perhaps as a result of the learning, networking, new brands and product ideas they will move on to Norway, Denmark and Germany.

4.3 Paratiisipaja Ky

4.3.1 Firm and product

Paratiisipaja Ky operates since 2003 at the same premises as *Kustavin Savipaja*. It is a limited partnership candle and soap manufacturing workshop. The workshop is adjoined to a gift shop that sells the candles, soap and a variety of interior design. The decision-maker, Pia Madmoune, hires one employee to work in the production. The main product is high quality scented and non-scented candles that come in many seasonal colors and scents. The raw material is mainly paraffin which originates in Germany but renewable sources like soy and plant based stearin are used in most candles as well. Another product is scented glycerin-based soap bars. The products are sold Finland wide via gift- and interior-design shops.

4.3.2 Decision-maker and firm's international experience

Like the first two cases, Pia was not actively on the look for any internationalization project but was approached by *Nature-Craft Southwest-Finland*. There had been no prior internationalization efforts before joining the project. She joined the project because she wanted to raise her number of sales and like with *Kustavin Savipaja*, the bigger markets were attractive.

4.3.3 During the Nature-Craft project

The candles were received quite well by the buyers at the Christmas market in Hanover. During the sales representative trips several retailers were found who showed interest towards the candles, but Pia did not actively contact any of them. It was mainly because the contacts did not fit *Paratiisipaja's* criteria for a suitable retailer. Mostly the shops were too small, which is why she had reason to believe that there would be no good sized orders. Pia did not like the idea of importers and wholesalers. She wanted to have as few intermediaries as possible, so either sell directly to consumers or via retailer. That way she would not be forced to lower her sales margin.

Although *Paratiisipaja* did not find any suitable retailers in Germany, Pia still thinks that the *CADEAUX* -trade fair in Leipzig was a small success – she saw with her own eyes that there is some interest towards her quality products, and she made some new contacts. Soon after the *CADEAUX* -trade fair there was a small number of inquiries from Germany and small sample orders. These unfortunately remained as small orders and afterwards there were no further transactions.

4.3.4 Internationalization at present

After some time Pia stopped responding to small inquiries from Germany. Handling of small orders is costly and requires much effort. Another problem is the language. *Paratiisipaja*'s websites are translated in German but Pia does not speak it at all. Whereas it would be possible to use translation services, she does not see it as the right way of making business. For her it is not practical to be dependent on outside help when it comes to communicating with a customer. Communication should work quickly. Another difficult aspect is the shipping of the goods. Pia says that although they are high quality candles, shipping them from Finland adds a lot to the price and in a foreign market that makes it difficult to compete with locally produced similar products.

At present *Paratiisipaja* is not interested in the German markets. One reason for the lowered interest towards the German markets is their simultaneous success in Sweden. Together with *Kustavin Savipaja*, *Paratiisipaja* ventured to Sweden by attending the *Formex* –trade fair. Via the agent that they found as a result of that trade fair they keep making transactions in Sweden.

Paratiisipaja has created a new patented product line called *Lempi*. It is a series of detergents that comprises of dish wash, general detergent and carpet wash. With a rising focus on the development of new and environmentally friendly products, Pia thinks they may have more potential on international markets in the future.

4.4 Klo Design Oy

4.4.1 Firm and product

Klo Design Oy is a textile design enterprise that has its workshop close to the city center of Turku. The enterprise was founded in 2005 by a group of design students. Today it is run by only one of the founding members. Additionally there is an artisan and a tailor who both work for *Klo Design*. For higher production capacity subcontractors are hired. The textile articles range from bags, clothing and accessories to interior textiles. Since its founding in 2005 *Klo Design* has experienced a vast growth in annual turnover. While the turnover in 2007 was 14 000 €, in 2011 it amounted to 184 000 € (see figure 2).

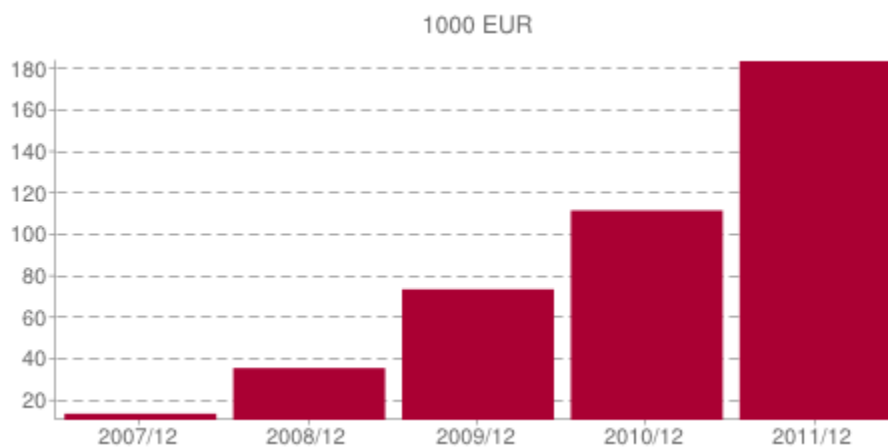


Figure 2. *Klo Design's* annual turnover 2007-2011 (*Taloussanomati*)

4.4.2 Decision-maker and firm's international experience

Today with about 90% of the shares, Dani Aavinen is practically the sole decision-maker in the business. He studied designing at the *Arts Academy* at *TUAS* and studied as an exchange student in Basel, Switzerland, during which he also learned the German language. English poses no problems in communication.

Klo Design was founded with an optimistic intention to sell the design to Japan. It all started from a school project which aimed at creating a collection for the Japanese markets. One of the founding members had lived there, knew the culture and spoke the language. That is why Japan was thought to be a good choice. After the project and actual start up as a firm (rather than school project) followed Norway, Denmark, Germany, France, Hungary and the USA.

The first country they actually exported to was Norway. The retailer from Norway found *Klo Design* at the *Forma* –trade fair in Helsinki. Dani has heard little of this retailer since then, even though he has sent e-mail in that direction.

Klo Design used to have an importer in Japan starting from 2007. The importer visited the *Design Forum* in Helsinki, saw *Klo Design's* products there and contacted Dani via email. Four deliveries were made to the Japanese importer, but each time the delivery size was smaller. The price may have been too high or the products too big sized for the Japanese customers. After a while the importer left for maternity leave and that marked the end of co-operation with the importer.

There was an agent in Denmark in 2008. The agent was found when *Klo Design* sent email to a big list of potential new retailers. The financial crisis of 2008 and high prices of the products made co-operation with the agent difficult. The agent quit after less than a year of trying, during which they managed to get a few small orders from Denmark. Later in 2009 a Danish museum-shop answered an offer sent by email with a purchase order, but that was only the one order and *Klo Design* has not been able to reach them again.

In Germany, Austria and France *Klo Design* has been able to get Finnish shopkeepers to order and sell *Klo Design* products. These retailers were either reached by sending email to them, and some retailers contacted *Klo Design* first with an email.

During the *Turku Design ILMIO* –project, *Klo Design* had a retailer in Hungary, but the co-operation did not continue after the project ended.

From the USA some retailers came to visit Finland and during their stay they visited *Klo Design*. After their visit they placed a few orders. *Klo Design* got an interesting offer in the end of last year, but that is still a work in progress.

Dani points out however that their export sales are very marginal and that international orders are quite irregular. He estimates the share of turnover from exports to be less than 5 %.

Dani has gotten many invitations to internationalization projects, but he shuns them, because they are costly and time consuming. He does not see any immediate profits in joining such a project. While he believes that such projects may bring forth profits in the long run, they require a lot of money and time that he rather invests in something else, like trade-fairs for instance. There is one project that *Klo Design* has been part of – the *Turku Design ILMIÖ* -project. The project was actually Dani's own idea. For 2011 when Turku was European Capital of Culture, he acted as manager for the project in 2010. The aim of the project was to raise the visibility of local design and handicraft businesses. Through its run the project arranged sales exhibitions in Budapest, Berlin, Helsinki and the *Turku Design Festival* in Turku. Also the *Turku Design Now!* -blog was started to update on local design enterprise's activities. The blog has been rather inactive since the quietening down of the Culture Capital. The idea of the project was not international sales *per se* but rather that through the participation to international sales exhibitions and from the news on the blogs, the participating businesses would gain more interest from buyers on the domestic markets – Dani says that we Finns find a domestic product much more interesting, once we see it presented or hear it mentioned somewhere internationally.

One criticism towards internationalization projects that Dani points out is that such projects and their consults often focus on making a marketing and entry strategy to one country only. Another country may need a whole different strategy and project. Dani just looks at similar domestic brands' lists of countries

that they sell to in order to see if *Klo Design* might evoke any interest in a particular country's market.

4.4.3 Firm location and environment

The workshop lies not far from the city center of Turku. *Klo Design* keeps shop at the *Fortuna*-block, close to the *Aura*-river and city center. The shop is called *Turku Design Now!* and it is a joined venture of eight independent design/handicraft businesses. The *Turku Design Now!* –group was formed in 2008.

At the time of the interview, the shop had been opened only a few weeks ago in its new location at *Fortuna*. Prior to that they had kept shop in the *Hansa*-block, a shopping center in the heart of Turku. Several of the businesses in that group are internationally oriented. Turku, being one of the big cities in Finland and a meeting place for many international events, provides a friendly environment for networking and internationalizing.

4.4.4 Internationalization at present

At present Dani focuses on selling directly to consumers and businesses. Retailers and agents cut too big a share, thus forcing to sell for a smaller profit. Next to retailers *Klo Design* has currently several sales representatives in Finland and Dani thinks that the use of sales representatives could also be a choice for future endeavors on international markets. For now though, even if it started off as a "Born Global", *Klo Design's* focus is currently on the domestic markets. International marketing requires a considerable amount of time and money.

4.5 Kotonadesign

4.5.1 Firm and product

Kotonadesign is a one-woman enterprise that started in 2004. The workshop lies for the moment in Vähäheikkilä, Turku. The firm produces plywood framed noticeboards, magnets and other interior design from left-over material. The material is cut with precision and nothing goes to waste. The products are functional and modern plus with their plain and clear cut form they represent Scandinavian design. The notice boards are produced by Mia herself while the packaging and production of magnets is outsourced to domestic workshops. According to Mia her annual turnover has doubled each year since the start of the firm with current annual turnover lying between 100 000 and 200 000 €.

4.5.2 Decision-maker and firm's international experience

Mia Battilana is from educational background a kindergarten teacher. *Kotonadesign* came to being during a time in which she had spent about 10 years at home with her three children. It all started from a left-over case in a workshop whose carpenter Mia knew. She was allowed to take the left-over wood pieces home. At the time she had no plan for the wooden pieces, but soon after an idea of magnets and notice boards came to fruition.

Mia reports that all of her retailers (international and domestic) came to her through the Internet. She has just recently opened a web-shop. Prior sales were made via e-mail. About 40% of the products are being exported. She has an approximated total of 20 international retailers in Norway, Denmark, Sweden, Switzerland, Germany, France, Italy, Spain and Japan. She has an importer in Norway Denmark and Sweden. English as the language of communication has not posed any problems.

Kotonadesign has been to several trade fairs: *Habitare* in Helsinki, *Ambiente* 2012 in Frankfurt am Main and *Maison et objet* 2012 in Paris. As participant to

the *Turku Design ILMIO* –project *Kotonadesign* was presented in Berlin and Budapest in 2010.

Habitare is a trade fair for furniture and interior design which takes place annually in Helsinki. In 2012 it had about 570 exhibitors and received about 56 000 visitors (Suomen Messutarkastus 2012).

Ambiente is one of the biggest exhibitions for furniture and interior design. In 2012 it had 4530 exhibitors from 87 countries and 138 000 visitors, 52% of which were from Germany.

(Messe Frankfurt n.d.)

Maison et objet is an international trade fair for furniture and interior design. It takes place twice a year in Paris. In January 2013 it received approximately 76 000 visitors (SAFI organization n.d.).

Mia told of a noteworthy advice that she got from another design business. That advice is constant visibility on trade fairs. Mia learned that in order to get bigger international customers, a small business has to present itself on the trade fairs for several years in a row. Only after the third or fourth year, once the potential big customer has seen that this particular business is still afloat, will they stop at the stand for a chat. Otherwise they just walk by.

4.5.3 Firm location and environment

Currently *Kotonadesign* has its workshop in Vähäheikkilä, which is not too far away from the city center of Turku. The workshop is only temporary and she is on the look for a bigger place. As in Case 5 with *Klo Desing*, *Kotonadesign* is also part of the *Turku Design Now!* –group and her products are sold at the shop in *Fortuna*-block. By networking with the other members of the group, Mia says that it was then in 2008 that she started to focus on her business in earnest.

4.5.4 Internationalization at present

Mia considers herself lucky when it comes to her business's success. She says that she never had any plans and strategies but just went ahead and did what felt right. Aside of the *Turku Design Now!* –group she has not participated in any other internationalization projects. Now she pursues internationalization on her own by attending international trade fairs. This year *Kotonadesign* will be at the *Formex* –trade fair in Stockholm and *Maison et objet* in Paris. Mia says that with current order backlogs she has enough time at hand to focus on selling and marketing, which takes up a considerable amount of time. She has by far not reached her maximum production capacity, but with all intention to grow, she has also made plans for raising it. There is still a lot to be done on the domestic and international markets after all. She sees the potential for growth as quite likely. With the current production technique Mia estimates that she can still double her output.

4.6. Summary of empirical findings

Firm name	Year of inception	Country of first international sale and year	Time from inception to first international sale	Number of decision-makers	Total number of employees	Current international orientation
Johanna K. Design	2004	Switzerland 2007	3 years	1	1	Low
Kustavin Savipaja	1975; New decision-maker since 2003	Germany 2009	34 years; 6 years from new decision-maker	1	5	High
Paratiisipaja	2003	Germany 2009	6 years	1	2	High
Klo Design	2005	Japan 2005	0 years	1	3	Low - Medium
Kotonadesign	2004	Norway 2005	1 year	1	1	High

Table 3. Summary of empirical data

Table 3 shows each business's year of inception and the year of their first export experience. *Klo Design*, *Kotonadesign* made their first export sales very early from inception. *Johanna K. Design* did not wait long either until she had her first export experience. On the other hand *Paratiisipaja* and *Kustavin Savipaja* (after new decision-maker) took six years until their first export sales. The number of employees seems not to affect the international orientation of the firm. A one-woman business can have high orientation and on the other end it can have a low orientation.

5 DISCUSSION

5.1. Division to groups of pre-export activity

Johanna K Design

Four out of the five firms started in what Wiedersheim-Paul *et al.* (1978) call the “domestic” group in their pre-export model (See Table 2 on page 16). These three firms are *Johanna K. Design*, *Kustavin Savipaja*, *Paratiisipaja* and *Kotonadesign*. They have all started traditionally by selling to the domestic market only.

As Johanna never really planned on internationalizing, it was sort of a side product of the *Forma* -trade fair that she found her first international retailers in Switzerland and Japan, which raised her to the “passive” group. Information collecting on international markets and resource redirecting to enhance export was low. It was not until the *Nature-Craft* –project that *Johanna K. Design* moved on to the “active” group, after which she retreated back to the “passive” group. I would be inclined to place Johanna currently back to the “domestic” group, were it not for the fact that she still, although to a very small extent, has contact with her international retailers.

For decades *Kustavin Savipaja* serviced the local markets only. It was only after the new-decision maker that changes took place. The thought of wanting to start exporting placed the firm to the “passive” group. The same thought applies to *Paratiisipaja*. Upon joining the *Nature-Craft* project and attending the *Formex* –trade fair the two firms moved to the “active” group where they continue to reside today. Considerable amounts of resources are being redirected to enhance export to Sweden (*Formex* –trade fair, agent, product development to meet demands of the Swedish market) and high information collecting takes place via the trade fairs and the agent.

Kotonadesign also started in the “domestic” group but only after a year from inception moved to the “passive” group as a result of fortuitous inquiries and orders from Norway. She continued in the “passive” group until 2010 when the *Turku Design ILMIO –project* took its participants to trade-fairs in Berlin and Budapest. Whereas her previous international resellers had contacted her via email, Mia started to actively seek new contacts on international trade fairs like *Maison et objet* in Paris and *Ambiente* in Frankfurt. This raised her to the “active” group.

As a Born Global, *Klo Design* initially started in the “active” group. Even before the inception of the firm high information collecting and product development to the Japanese markets was taking place. There was active search for international retailers, who were contacted via email. Changes however took place, once the founding members moved on to new challenges one after the other, leaving Dani as the sole decision-maker. Although the firm shifted focus from international markets back to the domestic markets, the *Turku Design ILMIO –project* and contacts from the USA have kept the firm in the “active” group.

5.2. Internationalization methods of the firms

All of the five firms have participated at international trade fairs and bigger domestic trade fairs that attract international visitors. All of them agree that attendance at trade fairs is an important method to gain visibility and raise retailers’ awareness of the firm’s existence and its products.

With the exception of *Kotonadesign*, it is mostly the trade fairs through which the firms have found their retailers or the retailers have found the firms. *Kotonadesign* was mostly found by retailers via her web pages. These fortuitous and positive contacts encouraged the decision-maker to invest on internationalization via attendances at trade fairs, which accounts to some of her current retailers.

All firms had participated in one internationalization project. *Johanna K. Design*, *Kustavin Savipaja* and *Paratiisipaja* attended the *Nature-Craft* –project, whereas *Klo Design* and *Kotonadesign* attended the *Turku Design ILMIO* –project, both of which organized for firm visibility at international trade fairs.

Co-operation is one factor that four of the firms exploit while internationalizing. *Kustavin Savipaja* and *Paratiisipaja* co-operate tightly. They both share an agent in Sweden and participate at trade fairs together which helps in cutting costs that arise from internationalizing efforts. Via the agent they receive feedback from the foreign market.

Klo Desing and *Kotonadesing* co-operate via the *Turku Design Now!* –group. Together with the other six enterprises they have joined forces to navigate on the markets for design. However by attending international trade fairs, like *Maison et objet* in Paris, *Ambiente* in Frankfurt and *Formex* in Stockholm, *Kotonadesign* pursues internationalization on her own as well. *Kotonadesign* also has an importer that partly covers markets of Denmark, Norway and Sweden, through which the firm retains visibility in those regions.

Kustavin Savipaja and *Paratiisipaja* fit Johansson and Vahlne’s “Uppsala model of internationalization” (1977) quite closely. They both focus on the geographically and culturally close Sweden. Simultaneously they tried to enter the geographically as well as culturally more distant Germany, but decided to focus on the closer and easier target instead. They seem to have adopted a strategy of examining and utilize their market opportunities in one country before moving on to the next. During this time a lot of learning takes place, all of which will shorten the physical distance (see Johansson and Vahlne 1977) to the next country of focus. These two firms seem to be the only ones that follow this pattern. In the cases of *Johanna K. Design*, *Klo Design* and *Kotonadesign* the geographical and cultural distances did not seem to affect their internationalizing decisions or order of market entry. *Klo Design* and *Kotonadesign* do not focus on one country but instead search for retailers from every direction at the same time.

5.3. Reasons for internationalizing

Klo Design started from the beginning with every intention to be international, but what is common for all of the five enterprises is that all of them were attracted by the bigger markets.

With the exception of *Kustavin Savipaja*, the other four entrepreneurs think that there are still many opportunities at the domestic markets as well. For *Kustavin Savipaja* international markets are necessary for survival and growth though, as the domestic market is declining.

With *Paratiisipaja's* and *Kustavin Savipaja's* close co-operation, *Paratiisipaja* has gotten influence from *Kustavin Savipaja* and started pursuing internationalization as a result of the other firm's interest on international markets. For both firms the *Nature-Craft* -project gave a good incentive to start internationalizing.

Both *Johanna K. Design* and *Kotonadesign* did not initially plan on internationalizing. Rather through fortuitous inquiries they navigated to the international markets. For *Johanna K. Design* it was mainly curiosity that drove her to join the *Nature-Craft* -project.

Mia from *Kotonadesign* made the realization that her product is so specific and clear cut that it almost sells on its own. The product does not need any explanation, which makes marketing it on international markets as easy as on the domestic markets, so for her there is no reason not to internationalize.

5.4. Challenges or barriers to internationalization

Kustavin Savipaja and *Paratiisipaja* mentioned the shipping costs as a problematic factor. They both face challenges because of heavy and fragile products that need to be packaged with care. The extra care adds to the size and price of the already heavy packages. These two firms share a courier-service -account. In which firm's name that account is, was left unanswered. It is reasonable though to share a courier service account because courier

services offer freight prices according to the number of deliveries and the more deliveries, the lower the prices. *Johanna K. Design* and *Klo Design* mentioned also the shipping costs, but for these two firms the costs were not a big challenge.

Kotonadesign on the other hand found no problems with her shipping costs. She also uses a courier service for inland and international deliveries. Her deliveries are so frequent that she has gotten good freight offers from her forwarder.

Time was mentioned as another factor. *Johanna K. Design* and *Klo Design* found that the amount of time needed for internationalization was a big reason for not pursuing new international contacts. Johanna is busy with retaining her current customers and raising her family. Dani is busy with coordinating between product development, production, shop-keeping and marketing. At the moment different priorities clearly affect the decision-makers' attitudes towards internationalization. For Johanna it is her family and for Dani the focus on direct sales to consumers.

Aside of time, internationalization projects and international trade fairs require a lot of money. Many micro sized businesses do not dispose of such amounts of money and even if they do, they rather invest it on something else. As *Johanna K. Design* and *Klo Design* are focusing on the domestic markets, they prefer domestic trade-fairs, which require far less investments.

From the information that was gathered about *Kotonadesign*, no challenges or barriers could be detected that would affect internationalization. *Kotonadesign* has the necessary resources and willingness to invest on internationalization.

5.5. Summary of discussed factors

FACTORS FIRM NAME	Pre-export activity group Start / Current	Internationalizing methods	Reasons for internationalizing	Challenges or barriers to internationalization
Johanna K. Design	Domestic / Passive	Trade fairs, internationalization project	Fortuitous orders, curiosity, bigger markets	Time, money
Kustavin Savipaja	Domestic / Active	Trade fairs, internationalization project, agent	Declining domestic markets	Shipping costs
Paratiisipaja	Domestic / Active	Trade fairs, internationalization project, agent	Bigger markets	Shipping costs
Klo Design	Active / Active	Trade fairs, internationalization project, agent	Bigger markets	Time, money
Kotonadesign	Domestic / Active	Trade fairs, internationalization project	Fortuitous orders, bigger markets	–

Table 4. Summary of discussed factors

Table 4 shows each firm's pre-export group before its first export experience and the group where they currently reside, their internationalization methods, reasons for internationalizing and challenges they are facing. Common to all five cases is the attendance to international trade fairs and internationalization projects. *Kotonadesign's* cell for "challenges or barriers to internationalization" was left blank because no factors could be identified that exclusively relate to international trade.

6 CONCLUSION

Five handicraft businesses that produce different sorts of giftware have been interviewed. With five cases, all of which represent a different product, this is a small sample. Nonetheless some recurring and coherent findings were made. Caution is advised when implementing these findings to other handicraft businesses.

For research question 1 following five triggers for internationalization were identified:

- Fortuitous inquiries/orders from international markets
- Curiosity
- Bigger markets
- Declining domestic markets
- Invitation to an internationalization project

For research question 2 following six prerequisites for a successful internationalization were identified:

- Time
- Money
- Visibility at trade fairs (domestic and international)
- Networking/ co-operation with other businesses
- Product development to meet market demand
- Working websites for easy contact

Two of the researched businesses were true followers of the “Uppsala Model” (Johansson and Vahlne 1977) whereas the other three did not consider the psychic and physical distances to affect their internationalization decisions, rather they could show interest towards several markets simultaneously.

With the exception of one “Born Global” all other four businesses started from the “domestic” pre-export group (see Wiedersheim-Paul *et al.* 1978). Two of the businesses have experienced change of leadership, both of which have affected the firm’s internationalization behavior. In one case there was an entirely new decision-maker, who started the firm’s first internationalization activities. In the other case there was first several decision-makers out of which only one remained. That sole decision-maker shifted focus back to domestic markets.

Three of the studied cases currently invest on internationalization efforts by attending international trade fairs. Only one entrepreneur thinks that they might join another internationalization project in the future.

6.1. Suggestions for further research

To get more accurate and nationwide data, an elaborate questionnaire could be crafted and sent to handicraft businesses regardless of their current level of internationalization. Further the internationalization projects mentioned in Lith’s (2005) study did not focus on the branch of handicraft businesses but on SME’s in general. Today with several internationalizing projects conducted that focus solely on handicraft businesses it would be interesting to see handicraft business’s current attitudes towards internationalization and internationalization projects.

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