Supply-demand gap between small exporting creative firms and professional service providers

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Abstract:
Small and medium sized enterprises (SMEs) [1] have a large potential for growth through internationalisation (Onkelinx & Sleuwaegen, 2008). Also small creative firms can benefit from export-related activities but often lack the necessary managerial and legal background and therefore need external support to perform successfully (Nauwelaerts en Franck, 2007). The question can be raised as to which degree specialised services provided by accountants, banks and lawyers are valuable for creative firms with an export focus. Little is known about the content and intensity of specialised services in this context. In order to examine the fit between the supply of financial and legal service providers and the demand by creative entrepreneurs we investigate the contributions by professional service providers during five stages of export (Bilkey & Tesar, 1977; Gençtürk & Kotabe, 2001). Our study builds on previous research on critical success factors of small creative firms, on the value of network relationships for international market entry of small firms and on the role and impact of outsiders. Six propositions are empirically explored. We collected data on furniture designers by executing four case studies and a survey involving 47 companies. Our results demonstrate that professional service providers have to follow up the needs of their clients during all stages of export. Since professional service providers, more specifically accountants, banks and lawyers, are not specialised in creative business management issues, they have difficulties to detect business opportunities. Creative SMEs, from their side, have to learn to express their needs more explicitly in order to be able to get the appropriate support for their managerial and business issues.

Key-words:
small creative firms, internationalisation process, professional specialists, service providers, supply – demand gap

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[1] SMEs are defined as firms with fewer than 250 employees, a turnover of no more than 50 million euros or a balance sheet total of no more than 43 million euros. Source: 3003/361/EC (European Commission), referred by Onkelinx & Sleuwaegen, 2008.

1. Introduction

Small and medium sized enterprises (SMEs) regularly invite outsiders to assist at professionalizing their business (Ramsden and Bennett, 2005). In particular, SMEs turn to knowledge and know-how providers who can play a valuable role in their survival, growth and development. These outsiders can play a special role in connection with innovation and helping the entrepreneur to make the right decisions during the firm's "innovation journey" (Van de Ven *et al*., 1999). Creative SMEs are heavily focussed on the creating process designing new products and services. The existing literature provides various – related – definitions and classifications for the creative industry. Rutten *et al.* (2004) define the creative industry as those sectors where goods and services are produced that are the result of creative labour. Both content and symbolic value are important elements in this definition, in which creative industries play an important role in the development and maintenance of lifestyles and cultural identities in society. Along the same line, Maenhout *et al.,* (2006) define creative firms as firms being totally dependent on creative input and assimilation or processing of creativity to add value in their production chain. In our study of small design firms we follow this definition of Maenhout *et al.,* (2006).

Managers of creative firms tend to loose contact with crucial management issues. Especially their knowledge of the financial and legal aspects of their business can be so limited that they fail to connect with the financial viability of their business, which can lead to serious business problems (Kirby & King, 1997; Nauwelaerts & Franck, 2007). In the light of innovation and more specifically the potential growth of creative SMEs on international markets the question can be raised as to what extent outsiders, and more specifically financial and legal service providers like accountants, banks and lawyers, contribute to export-related success of these firms. Concerning the need for planning of international activities and necessary actions of SMEs, Onkelinx and Sleuwaegen (2008) emphasize that SMEs can benefit from assistance in choosing, planning and executing the right strategy. Professional support in their opinion does not always match the need of entrepreneurs. We are therefore interested in the role of the preferred professional service providers of SMEs – accountants, bank employees and lawyers – to fill in this gap by offering services that can cope with the needs of SMEs. In this study we focus on the need for external assistance or advice by creative firms in their internationalisation activities. Export can be considered as the most successful growth strategy for SMEs (Rasheed, 2005) and therefore raises interesting management issues for small creative firms. In the empirical investigation, we focus on export activities of small furniture firms in Flanders. We investigate the role of outsider assistance, consisting of both the social network (family and business friends) and the contracted professional service network (financial and legal), in their actual export stage. Our study wants to shed light on the potential gap between the needs of creative SMEs and the services provided by outsiders related to creative SME export activities. The results of our study contribute to the literature on the role of the most important outsiders of small firms: the professional service providers and more precisely, financial advisors of SMEs (accountants and bank employees) and lawyers. Research on the outsider role of professional service providers is scarcely present in the literature. Our study also contributes to a better understanding of the growth and internationalisation of creative SMEs.

The remainder of this paper is structured as follows. In the next chapter of this paper we introduce the relevant literature, which has examined critical success factors of small creative firms, the process of internationalisation of SMEs and the use of outsider assistance in relation to important business questions. This leads us to defining stages of export of SMEs, identifying the most frequently used advisors of small firms and formulating our propositions. The six propositions concern timing of export, the preference for specific service providers of small creative firms in the different export stages, and the available information and knowledge on both the supply and demand side. In the third chapter we introduce our conceptual framework. Research setting and data collection follow in chapter 4. In chapter 5 we present our data analyses and results followed by chapter 6 where we summarize our conclusions, discuss the limitations and provide suggestions for future research.

2. Literature review and research propositions

Our study builds on previous research on critical success factors of small creative firms, on the value of network relationships for international market entry of small firms and on the role of external specialists, especially the financial service providers. We give an overview of the literature and mention our corresponding research propositions for this study.

Profile of creative firms

As indicated in the introduction it is clear that the creative industry is not easy to define (Rutten *et al.*, 2004). On the one hand companies in the creative industries tend to have a significantly different business profile in comparison to other SMEs. On the other hand creative firms cannot be treated as a homogenous group, but can be classified along different dimensions (Rutten *et al*., 2004; De Jong *et al*., 2007).

According to De Jong *et al* (2007) creative firms in general innovate more, pay more attention to strategic and marketing issues and seem to be more advanced in their use of human resources practices. Maenhout *et al.*, (2006) define creative firms as firms being totally dependent on creative input and assimilation or processing of creativity to add value in their production chain. They mention seven creative sectors as most important (basic) sectors: the fashion industry, the music industry, printed media, plastic arts, the audio & visual arts industry, architecture & design industry, performing arts and entertainment. De Jong *et al*. (2007) classify features of creative firms in four domains, arts, media & entertainment (M&E), creative business services (CBS) and knowledge intensive business services (KIBS) (table 1). Three domains in this classification were identified in an earlier study by Rutten *et al.* (2004), art, media & entertainment and creative business services.

Table 1: Features of creative firms in four domains[2]

Feature	*Arts*	*M&E*	*CBS*	*KIBS*
Dominant ideology	Artistic Autonomous Fundamental creativity Non-commercial	Popular Market focus Joint production and authorship	Customer focus Functionality of products Applied creativity	Customer focus Repertory or services Combination of sources
Share of subsidies in total revenues	Very high	Partially	Small	Small
Main customers	Governments	Private consumers	Large businesses	Large businesses
Production features	Small-scale Labour-intensive Both individual and collective production User does not influence output	Complex, large-scale User of IT Capital-intensive Open culture, much cooperation	Small-scale Labour-intensive Influence of business cycles Flexible assignments of employees	Small-scale Application of knowledge Labour-intensive Influence of business cycles
Output	Unique products of small series	Standardised	Tailor made	Tailor made within specific knowledge domain
Source of innovation of for non-creative industries	Hardly ever	Occasionally	Frequently	Very often

Firms in our study can be classified as small creative or *design* firms. Design is one of the seven creative sectors mentioned by Maenhout *et al.* In their study Nauwelaerts *et al.* (2008) refer to the

[2] De Jong *et al.*, 2007

Bureau of European Design Association (BEDA)[3] who describes *design* as a broadly transferable process that gives physical shape to people's needs and desires for the future using the designer's creativity and intuition, often assisted by more formal external research, generating future vision. In our study we follow the definition of creative firms mentioned by Maenhout *et al.* This definition is in line with the description of design given by BEDA and in our vision suitable for small furniture design firms.

Critical success factors of small creative firms
Small business entrepreneurs in general need extra resources (new knowledge, additional finance) and cooperation with external parties to develop and implement new ideas and / or change their business (Storey, 1994; Hadjimanolis, 2000; Tidd *et al.*, 2002). In a study focusing on small creative firms, Nauwelaerts & Franck (2007) focus on the *critical success factors* of entrepreneurship within the creative industry. They identify the most important critical success factors, which, when missing can lead to failure for the small creative firms. It concerns a lack of cash at the start, insufficient financial flexibility in all stages of growth and insufficient managerial knowledge and know how, especially in the field of business economics, finance and law. A firm's *export involvement* is also recognised in several studies as an important success factor (Gençtürk & Kotabe, 2001). The costs of internationalization and the characteristics of the products and services are the most important internal barriers. External barriers for SMEs in Europe are laws and regulations and lack of finance (Onkelinx & Sleuwaegen, 2008). Onkelinx & Sleuwaegen state that firms who operate in niche markets use a different internationalization strategy than firms in mass markets. These firms opt for a rapid internationalisation expansion because of the relative short life cycle of their products. Since this recent literature focuses on the importance of a fast internationalisation in relation to success of firms with products with a relative short life cycle, we formulate the following proposition:

Proposition 1:
The chances of success of small creative firms increase when they internationalise their businesses within 5 years from the start.

Value of network relationships for international market entry of small firms
Given the fact that SMEs often have insufficient resources, knowledge and know how concerning all aspects of internationalisation, the support from a network of partners (home and abroad) can be very effective (Etemad, 2004). The most important network partners are current buyers and suppliers. They provide entrepreneurs with relevant information about conditions in foreign markets (Onkelinx & Sleuwaegen, 2008).
Although Donckels and Lambrechts (1997) assume a relation between the development of a strategic support network and the successful growth of the small firm, Mazzarol and Reboud (2006) suggest that entrepreneurs tend to downgrade the importance of external advisors if they feel that commercialisation of innovation meets relatively few obstacles. In most of the cases, SMEs experience the support from multiple organisations (profit and non-profit / governmental organisations). The need of support differs between SMEs and does not always match because of standardisation of information services and promotion. Onkelinx and Sleuwaegen (2008) suggest individual counselling and advice on the following topics: export development, the establishment of subsidiaries abroad, competence development and identification of partners, legal advice and assistance in choosing, planning and deploying the right strategy.

Role of external specialists
Bennett and Robson (1999a) distinguish six main categories of advisors of SMEs: professional specialists (accountants, lawyers, and bank employees), professional generalists (consultants), suppliers and clients, social contacts, business associations and governmental (service) organisations. When we study the network of small creative firms, we take into account both the professional network and the social contacts. We will focus on professional specialists: accountants and

[3] BEDA units and presents approximately 40 public and design institution across Europe (Nauwelaerts *et al.* 2008)

representatives of a bank and law firm and in relation to social contacts on family and (business) friends. Getting value at a low price with a high level of trust and confidentiality and retention of personal control by the owner are mentioned by Bennett and Robson in relation to role of business friends and relatives as advisors of SMEs. A number of studies examine the role and impact of contracted professional service providers in relation to business success of SMEs (Robinson, 1982; Gibb & Dyson, 1984; Bennett & Robson, 1999; Robson & Bennett, 2000; Wren & Storey, 2002; Ramsden & Bennett, 2005). Results of quantitative research into the effects of both public and private advisors show that advisors with a high level of self-regulation *accountants, lawyers* and *banks* reach the highest impact score with respect to the objective, hard impact criteria (Robinson, 1982; Bennett & Robson, 1999, 2005; Bennett, Robson & Bratton, 2001).

According to recent studies, *accountants* are important contracted advisers of SMEs. Their functioning and impact has been rarely explored by researchers (Gooderham et al., 2004; Everaert et al., 2006). Bennett & Robson (1999) find that 83% of SMEs turn to their accountants for advice and ascribe this to the large degree of trust that they enjoy with their clients. They offer these supplementary services in addition to the statutory accountancy services. In practice there seem to be big differences in the extent to which these extra advisory services of accountants are taken up. A correlation can be found with the quality of the relationship between the accountant and the small business manager (Gooderham *et al*., 2004). In this connection Burke and Jarratt (2004) observe that, in spite of having sufficient knowledge of small firms, an accountant is often not seen as a competent advisor because of the lack of `entrepreneurial spirit`, and the fact that their statutory duties take up a lot of time. Burke and Jarratt (2004) describe the contributions of accountants in the context of strategic decisions as `functional advice sought on entitlements, leases and financial matters`. Gooderham *et al*. (2004) point out that the advisory services of accountants concern areas of knowledge in which the managers of small firms are not sufficiently competent. In this connection Everaert *et al.* distinguish between `explicit knowledge` (`knowing about`) and `tacit knowledge` (`knowing how`) on the part of an accountant. As an example of explicit knowledge they mention `generally accepted accountancy rules`. Tacit knowledge mainly refers to practical knowledge that is hard to transfer. The asymmetry with respect to information, for which the small business managers rely on the accountant, puts the managers in a dependent position and makes it hard for them to assess a possible new accountant (Gooderham *et al.*, 2004). It turns out that accountants can be helpful in the introduction and implementation of changes and that contact with the accountant is valuable with regard to the learning processes taking place (Deakins *et al.* 2001, cited by Gooderham *et al.*, p. 10). It appears that managers of small firms seek the advice of their accountants especially in the case of a high quality service provision and ambitions for growth. Everaert *et al.* (2006) follow Gooderham *et al.* (2004) when they say that additional accountancy tasks (e.g. `business advice to managers`) take place on an ad-hoc basis and that they differ largely in content when small firms are compared. When there is a wide knowledge gap between firm managers and accountants, a manager will be more likely to engage only the accountant as advisor (one-stop shopping). The issue of a multi-stop strategy concerning the use of advisors arises when other sources of advice are consulted besides the accountant (Everaert *et al.*, 2006). In this situation the accountant is used especially because of his technical expertise (e.g. financial / accounting and tax issues). In the case of one-stop shopping, 'trust' seems to be a major element in choosing the accountant as advisor. Advice covers a wide range of subjects (e.g. ensuring succession, resolving family disputes, choosing a financial software package, suggesting cost cuttings, making investment decisions, designing contracts, assisting the company when there is an inspection by the tax authority). In this study we explore the services of financial and legal service providers and social contacts in relation to stages of export. Everaert *et al*. (2006) highlight the high impact of accountants, but, at the same time, they say that it is hard to specify the impact of advice provided by accountants. In previous studies there is more scepticism concerning the role and impact of accountants (Kirby & King, 1997; Kailer & Scheff, 1999; Robson & Bennett, 2000; Ramsden & Bennett, 2005): accountants are not considered as a source of advice pertaining to more broad-based management issues of small firms (Kirby & King), accountants are less important partners in relation to innovation of SMEs (Kailer & Scheff) and the satisfaction level of SMEs concerning advice of friend / relatives is higher than that of accountants (Ramsden & Bennett). For our study we want to know whether accountants are ‘’preferred suppliers’’ in case of export-related demands. We formulate the following proposition concerning ranking of accountants:

Proposition 2:
Accountants are the most preferred professional specialists for small creative firms in relation to export-related questions in the various stages of export.

While previous investigations have primarily focused on the role and impact of accountants as SME advisor, we want to stay open to a larger group of professional service providers. Following propositions are formulated in order to investigate to what extend information (on supply and demand) is attuned between service providers and small creative firms:

Proposition 3:
Small creative firms (the demand side) have insufficient information about the potential services that can be offered by service providers.

Proposition 4:
Service providers (the supply side) have insufficient knowledge on the demands of small creative firms in all stages of export.

Network relationships and stages of export
The network relationship approach to internationalization focuses on relationships as drivers of business opportunities and decisions (Johanson & Mattson, 1988; Prashantham, 2003). Prashantham (2003) assumes a positive role of foreign network relations and mentions client follower ship, information provision, trade leads and provision of advice as important success factors.
Gençtürk & Kotabe (2001) analyse the effect of export assistance by using a stage model with five stages. These stages of export mentioned by Gençtürk & Kotabe are the ones used in our study. They involve: passive involvement, exploratory involvement, experimental involvement, active involvement and committed involvement (see description of stages in Appendix 1). Preliminary interview results point in the direction that content of export-related questions of managers of small creative firms is related to different needs in the different stages of export. Therefore we expect network actors will differ in the five stages of export of small creative firms. This leads us to the formulation of the propositions five and six:

Proposition 5:
Social contacts are preferred advisors for small creative firms in the first stage of export.

Proposition 6:
Services provided by professional specialists (accountants, lawyers & banks) differ across the various stages of export for small creative firms.

3. Research method and data collection

We examine the role of social contacts and professional service providers to solve export-related questions by small furniture design firms in Flanders (Belgium). We started our investigation with a survey in order to get a first insight in our research context, namely small exporting creative firms. Next, we undertook case studies in four carefully selected furniture design firms. The sample involved in the survey consisted of 1556 creative SMEs, members of Flanders Investment and Trade (FIT). The respondents were invited by email, and the survey questions were made available online by means of the survey programme Qualtrics during the period March to April 2010. 140 firms filled in the online survey questions, but only 86 of them were complete and useful. We further made sure we took into account only the furniture designers by inserting two selection questions at the start of the survey. This led to 47 useful responses for our actual analysis. The survey results confirm that the stage model of Gençtürk & Kotabe (2001) is relevant in the context of our research question and that it makes sense

to incorporate it in the framework of the case studies. In addition, the survey responses allowed us to gain insights in which types of professional service firms to invite for our case interviews.
A second data gathering technique consisted of four case studies. Case study research was chosen to examine the activities of service providers in a realistic context (Yin, 2003). Studying interventions of service providers in relation to export is a complex and unexplored area, which further motivates the appropriateness of our case study approach (Eisenhardt, 1989) as a method allowing multi- perspective observation. Theoretical sampling (Eisenhardt, 1989) guided the selection of the four firms. One criterion was to identify firms in furniture design, second they had to be SMEs and third, the firms should be active abroad. Our cases were selected from the design database of the Centre of Entrepreneurship in Creative Sectors (CONCreaS)[4]. Our case study protocol contained different questionnaires[5] for interviewing three owner-managers and one general manager of four creative firms versus three of their service providers. These service providers were selected through snowball sampling (Goodman, 1961; Salganet and Heckathorn, 2004). Only in two of four cases related service providers were willing to spent time for an interview. We conducted semi-structured interviews in the perspective of exploring and finding explanations (Saunders *et al.*, 2004). We interviewed three owner-managers, one general manager, two financial service providers and one lawyer during the period February - May 2010. Data triangulation (Miles & Huberman 1997) was a means to enrich our insights. Apart from the interview material, we also gathered all possible company information, ranging from website information, sector reports to published financial information. During the iterative research process we went back and forth between the data collection and the analysis. Our interviewees were open for follow-up questions to capture elements that came up during the interview process. All interview transcripts and company information were coded[6] and analysed using Nvivo8 software.

4. Introduction of the cases

In this section we first set the scene by introducing Flemish SME question. We next describe a number of characteristics of the survey and case enterprises.

The research context: Belgium and Flanders
SMEs count for about 50 percent of Belgium's national GDP, 30 percent of export and 10 percent of foreign direct investment worldwide. Belgian SMEs represent a share of 58,10 percent in the total Belgian value added. In general, Belgian enterprises are among the most productive in Europe (Eurostat, 2010). In 2009 total employment in Belgium amounted about 2,53 million (full-time equivalent) individuals of which 66,35 percent was employed within SMEs (Eurostat data, 2010). Performance indicators in the study of Nauwelaerts *et al.*, (2008) show that Belgium is an SME oriented economy. In addition, Belgian SMEs are more internationally oriented than their European counterparts: 45 percent of Belgian SMEs import, 24 percent of Belgian SMEs export and 4 percent of Belgian SMEs invest abroad. Comparing with other European countries, Belgium has the highest percentage of SMEs having foreign subsidies or joint ventures bringing income. Proximity to customers, access to financial resources and being a small country are mentioned as reasons for these facts (Nauwelaerts *et al.*, 2008).

Onkelinx and Sleuwaegen (2009) add that SMEs in Flanders are even more internationalized than SMEs in the other Belgian regions: up to 47 percent of the Flemish SMEs in manufacturing industries are internationalized through either import, export or both. Flemish designers are often niche players with a particular strategy: shortly after the start-up of their business, they operate internationally, even often globally, to serve narrow market segments in multiple markets (Onkelinx & Sleuwaegen, 2009). Due to the fact that a specific NACE-code for design companies is not available and creative firms in Belgium tend to register with incorrect NACE-codes, quantifying the creative sector in Belgium is difficult. The Flemish creative sector is small but rapidly growing and highly productive with a high

[4] Concreas is a reseach centre initiated by Lessius Antwerp, see also www.concreas.be.
[5] Questionnaires are available by the authors.
[6] Coding scheme is available by the authors.

rate of self-employment, a growing market potential and engaging a large amount of governmental support (Nauwelaerts *et al*., 2008). In a recent study the added value of the Flemish creative industry (in correlation to the total Flemish economy) is estimated - according to the definition of Rutten *et al*., (2005) - up to 2 percent and the employment rate is 1,36 percent (Maenhout *et al.,* 2006). Compared with other districts, Flanders offers the highest amount of jobs in creative firms in the period 1995-2003.

Introduction of the survey companies

In total, 47 useable answers were analysed to examine the role of professional service providers in small exporting creative firms. We here describe some characteristics of our respondents. First, the ages of the 47 survey firms vary quite a lot: they go from three to 40 years old. The size of the firms ranges from one up to 87 employees. One out of the four furniture design firms in the survey went international from its start-up. 77% of the furniture design firms started internationalize their businesses within 10 years time from the start.

Introduction of the case companies

Furniture design firm number one (FD1) is a small furniture design firm with 5 employees (4 full time equivalents). The owner of the firm started the firm in 1983 and starting a firm was his first business experience. The firm owns a shop in order to show the firms luxury design products and has a design office. The firm won several international design awards and started to export to European countries 10 years ago. The owner-manager is responsible for both managerial and design tasks. FD2 is an innovative firm with 49 employees. The owner-manager started in 1985 in an existing business with 250 employees and transformed the firm in 10 years into a small creative furniture design firm. The main products of the firm are different types and designs for ‘’space making furniture solutions’’ for the business to business market (BtB, profit and non-profit organisations) and private customers (BtC). FD2 has clients all over Europe and is also interested to export outside Europe (China). FD3 is a small outdoor furniture design firm grounded in 2002 managed by two higher educated persons with business experience, an owner-manager and a general manager. FD3 employs several designers and products are made for the business to business market. FD3 is exporting world wide to 45 countries. FD4 is a family owned firm (fourth generation) and specialised in designing and producing furniture for other firms (shops, restaurants), non-profit organisations (libraries) and private customers. FD4 is mainly focussed on the Belgian market: only 1% of the total sales is related to export. Table 2 gives an overview of a number of characteristics of our case companies. The ages of the four firms differ from seven up to 57 years old. The length of their international activity does not correspond with the firm ages. FD3 started as an international firm and this strategy explains the export percentage of 70 – 80%. FD2 started with its export activities after one year and mentioned an export percentage of 40 – 50%. The added value of FD2 is less than that of FD3 although the size of FD2 is smaller than that of FD3. FD1 and FD4 only started their international activities after respectively 17 and 55 years of business and have export percentages ranging from 0 – 10%. Their sizes and added values are smaller, compared to the other two firms. We note that the firms who started exporting immediately or soon after their business start-up, show higher export percentages and average growth rates.

Table 2: Characteristic features of the four furniture design firms (case study)

	FD 1	**FD 2**	**FD 3**	**FD 4**
region	Antwerp	Western-Flanders	Western-Flanders	Limburg
age of firm	27 (1983)	25 (1985)	7 (2003)	57 (1953)
age of internationalisation	10	24	7	2
family firm	no	no	no	yes
size of firm	0 – 10	40 – 50	20 - 30	10 - 20
added value (Euro)	< 100.000	1.300.000 – 1.400.000	1.500.000 – 1.600.000	600.000- 700.000
export percentage	0 % -10 %	40% – 50 %	70%- 80%	0% - 10%
education of owner-manager	architecture (design) higher education	economy higher education	business higher education	economy higher education
stage of export	stage 5: committed involvement	stage 5: committed involvement	stage 5: committed involvement	stage 2: exploratory

As indicated above, we were able to interview a number of professional service providers (SPs) working with the case enterprises. Due to time limitations of service providers we interviewed three service providers: two service providers of FD2 (an accountant, SP1 and a lawyer, SP3) and one service provider of FD3 (a bank employee, SP2). Table 3 describes some of their characteristics. The company ages of the firms of the professional service providers differ from 12 to 42 years old. The relationships with the design firms of our case study differ from 4 to 7 years. Cooperation between SP2 and FD3 exists since FD3 started. FD2 and SP1 and SP3 started their cooperation a few years ago.

Table 3: Characteristic features of professional service providers connected to the four firms

	SP1	**SP2**	**SP3**
profession of SP	accountant	bank employee	lawyer
age of firm of SP	42	12	18
client organisation of SP	FD 2	FD 3	FD 2
duration of client relationship (years)	4	7	7
legal form of firm of	Ltd (limited company)	PLC (public limited company)	Ltd

5. Data analyses and results

In this section we present our data in terms of the degree of internationalisation and in terms of the preferred outsiders including the frequency of contracting and their tasks. We also describe the social contacts in all stages of export of the small furniture design firms involved in this study. We present deliverables of professional service providers and demands of creative entrepreneurs. Based on our analysis, we can discuss the propositions. We start with the data obtained from our survey, to be followed by the discussion of the cases.

Observations based on the survey responses

Table 4 (n = 44) shows that 61% of all respondents of the survey have started to undertake international activities within five years from the start-up. After 10 years 77% have international activities. The survey results therefore support Proposition 1, in the sense that we observe that over 50% of small creative firms in our study have internationalised their businesses within five years from their start-up.

Table 4: Internationalisation decisions of firms in our survey

Number of years after the start	**Number of firms**
≤ 5 years	27
5 – 10 years	7
10 – 15 years	3
15 – 20 years	3
≥ 20 years	4
Total	**44**

Table 5 (n = 42) indicates that 60% of all firms (n=42) reached the stage of committed involvement – the last stage - within 10 years. This indicates that the small design firms in our sample are very active on the international market.

Table 5: Export stages of the survey firms

Stage of export	**Number of respondents in this stage**
passive stage	5 (12 %)
exploratory stage : export < 5% sales	3 (7%)
experimental stage: 5% < export < 20% sales	4 (10%)
active stage: 20% < export < 40% sales	5 (12%)
committed involvement: > 40% sales	25 (60%)
Total	**42 (100%)**

In Proposition 5, we assume that social contacts are the first ones to be asked for advice by small design firms going abroad. Our survey results reveal that not only social contacts but also professional specialists are preferred outsiders in the first stage of export of small furniture firms. 33 firms reacted in this direction: 17 firms mention social contacts and 16 firms mention professional specialists as the preferred outsiders when asked about who they recur to when they have questions concerning their internationalization in all stages of export. In our survey we asked owner-managers to rank their frequency of use of professional service providers.

Although accountants, bank employees and lawyers are mentioned in every stage of export, the (examined) frequency of use in all stages is not the same (see Table 6). Analysing 'frequency of use of professional specialists in all stages of export' we notice that bank employees are the most frequently used professional specialists. Accountants are mentioned in the second place.

Table 6: Frequency of use of professional specialists in all stages of export (survey, n = 47)

	accountant	**lawyer**	**employee insurance firm**	**bank employee**	**external auditor**	**consultant**	**other**
avarage	**3,9**	**2,77**	2,17	**4,41**	1,5	2,52	2,78

The average scores indicate that bank employees are the favourite contact of the furniture designers in their internationalization process, and are consulted even more often than accountants (3,9) and lawyers (2,77). Not only accountancy firms but also banks are important specialist advisors in all stages of export of small furniture design firms. Survey results do not support Proposition 2: accountants are not the only preferred service providers in relation to questions in all stages of export.

Observations based on the case studies

Proposition 1 investigates the speed with which small design firms went on the international market in relation to their success. In 50% of our case studies firms start internationalisation within 5 years. We therefore conclude that Proposition 1 is supported: 50% of small creative firms of our case study and over 50% of our survey will internationalise their businesses within five years from the start. Two of the furniture designers (FD 2 and FD3) from our case studies produce and sell niche products that require finding more substantial markets outside their own small country. The other firms (FD1 and FD4) have international clients but their business is not primarily international oriented. FD1, FD2, FD3 and FD4declare:

'' In our market it is impossible to stay only in Belgium. You have to find as much buying clients as possible. The fairs I visited in 2000 were all international orientated'' (owner-manager of FD1).

"*After taking over the business I decided to go international gradually in order to stay in business. We first wanted to be a strong player on the national market. This is a logic decision if you take into account our small Belgian market. In fact we had no choice; we had to do it in order to survive*" (owner-manager of FD2).

"When starting our business we immediately decided to go international. Our products are made for the international market and having firm agents abroad and visiting international fairs is necessary to meet our clients" (general-manager of FD3).

"*Basically we are not focussed on the international market. We have only one client in France and one client in The Netherlands. We sell them our standard product"* (owner-manager of FD4)..

When discussing the stages of export that our case firms have went through, we learned that three out of the four firms of our case study can be situated in the fifth stage, i.e. the stage of committed involvement in export (Table 2).

All interviewed owner-managers explained that they try to promote their business during international fairs. Their first step abroad consisted of getting into contact with potential international clients during such fairs. Firm owner of FD3 stated:

''a quick entrance on international markets was possible due to participation on international fairs''(owner-manager of FD3).

Firm owner of FD1 mentioned that fairs are expensive and time consuming for a small firm with only five people and preferred internet for doing business after several exhausting fair experiences abroad.

"participation in fairs costs a lot, 20.000 up to 25.000 euro and to earn this with three people is very difficult''(owner-manager of FD1).

In all cases firms decided without help of professional service providers to start with clients on an international market. General Manager of FD3 stated:

"*We decided to start international without help of others''* (general-manager of FD3).

The answers to the question of whether they preferred the help of professional specialists or social contacts in the first, passive stage of export and after the decision to go international were diverse. Table 7 provides an overview.

Table 7: Network preference of the case firms during the first, passive stage of export

Network preference	**FD 1**	**FD 2**	**FD 3**	**FD 4**
professional specialists			x	x
social contacts	x	x		x

The owner-manager of FD1 mentioned his contacts with colleagues, especially former school mates, in the same business, while the interviewee from FD2 declared that professional specialists are focussing too much on risk avoidance especially in this first stage.

"I prefer the advice of my colleagues. It is not possible for me to spend a lot of money on advice of external suppliers. Only in a special case for instance when I need contract I will ask my lawyer" (owner-manager of FD1).

"*Because of the fact that accountants, lawyers and bank employees are too much focussed on the various risks they are less motivated to execute a project''*

and

''if they notice project risks service providers only give a negative advise'' (owner-manager of FD2).

In the first, passive stage of export FD3 did consult outsiders and trusted not only on own business experiences and management expertise.

"As soon as we started our export activities we asked advice of internal accountant and external service providers; bank, lawyer, insurance company and a governmental service organisation" (general-manager of FD3).

The general manager of FD3 further declared that experience and availability of service providers play a role when deciding on which outsider to contract. FD4 is not primarily focussed on internationalisation of its business. In relation to first stage of export FD4 asked advice of family members and contracted a professional specialist because of his (specialist) knowledge and know how.

> *"I have daily contacts with my father. I can build on the knowledge of my family. Sometimes I get in contact with colleagues of other firms to ask questions. Governmental service organisations helped me and in a single case I needed help of a specialist, for instance my accountant (to check a client), lawyer (to make a contract) or bank (to make investments possible)" (*owner-manager of FD4).

Table 8 provides an overview of the whole gamma of outsiders (Bennett & Robson, 1999a) our four case study firms recurred to during the first, passive stage of export. FD3 contracts less often outsiders in comparison with the other firms. This can be explained by the fact that the owner-manager and the general manager are both higher educated in the field of marketing and finance. The general manager was already manager of three firms in an earlier stage of his career.

Table 8: Outsider commitment in the first, passive stage of export

Service providers	**FD 1**	**FD 2**	**FD 3**	**FD 4**
1. professional specialists				
accountants	x	x		x
lawyers	x	x	x	x
bank employees	x	x	x	x
2. social contacts				
competitors or other firms	x	x		x
family		x		x
(former) colleagues, friends		x		
3. suppliers & clients / buyers				
clients / buyers	x	x	x	x
suppliers	x	x		

Table 8 shows that professional specialists, accountants, lawyers and banks but also clients / buyers are extremely important in this stage. We examine no connection with characteristic features of the firms demonstrated in Table 2.
Based on both our survey results and the case material, we can conclude that Proposition 5 is not supported. The social contacts are not the preferred type of outsider in the first stage of export of the small furniture designers involved in this study. Both social contacts and professional specialists (accountants, lawyer and banks) are important outsiders in the first stage of internationalization.

In Table 9 we list the services provided by all professional service providers (accountants, lawyers and banks) that came up in our case material. FD3 is the only firm with internal financial and marketing expertise and business experience of the general manager, and this explains that they did not refer to social contacts described in Table 10. As indicated in the Tables 6 and 7, all firms, except FD3 in the first stage, make use of services of accountants, lawyers and banks. These services do not differ in all stages of export.

Table 9: Type of services provided by professional service providers to the case firms in all stages of export

Tasks	FD 1	FD 2	FD 3	FD 4
accountants	- bookkeeping - risk inventory - coaching / guiding - making issues more concrete - feasibility testing - financial possibilities	- bookkeeping	- bookkeeping - financial control (only necessary yearly tasks of accountant)	- bookkeeping - testing credit-worthiness of clients - financial possibilities
lawyers	- contracts	- contracts - foreign law issues - guiding	- contracts	- contracts
bank employees	- loans - insurance	- loans - insurance	- payment issues - (documentary) collection - insurance	- loans

Examining tasks of social contacts (listed in Table 10) we observe that business friends are also recurred to in the case of business issues of FD1, FD2 and FD4. In contrast, FD3 makes use of its own expertise. Under business friends, our interviewees considered the owner-managers of other furniture design firms or firms in a related sector. They did not experience these business friends as competitors because of the uniqueness of their products.

Table 10: internationalization issues discussed with social contacts

tasks	FD 1	FD 2	FD 3	FD 4
business friends	advice (different issues)	cooperation		advice (different issues)
family		- support - business fairs		advice (different issues)
former colleagues, friends		- advice (financial) - consultation		

FD1 and FD4 contact other firm owners to ask them advice concerning several issues: marketing, design or materials. FD4 is a family firm: the owner-manager is the fourth generation in the firm. FD2 cooperates with other firms to develop a new, unique product. Former colleagues (same educational background) and friends have been asked frequently to give financial advice or to give their opinion about several other questions. FD2 stated that personal contact is very important:

> *´´the importance of personal contact in some cases has been underestimated dramatically. Contacts with former study colleagues and other firms but also universities are in my opinion very important. It's important that you phone somebody if necessary ´´*(owner-manager of FD2).

Both FD2 and FD4 explained that they involve family members when trying to solve business problems. In the case of FD2, the family helped with the start-up of the company. The son of the owner-managers lives abroad and represents the firm on international business fairs.

Taking into account both the survey results and the insights provided by the case studies, we find that Proposition 6 has to be rejected, since the services provided by professional specialists (in this study accountants, lawyers & banks) do not differ across the various stages of export. Our case study material allows us to present in Table 11 an overview of contracted professional specialists in all stages of export. In each stage almost the same type of specialists are contracted. This does not necessarily mean that the furniture designers always contacted the same firm, in other words, the accountants, bank contacts and lawyers involved could differ. FD 2 contracted his accountancy firm 4 years ago and his law firm 7 years ago. According to the owner – manager of FD 2 the relationship with service providers is very important and this explains the change of contracted firms. He was not satisfied with his former service provider. The owner – manager of FD 3 contracts his bank already since the start of the firm. The bank employee was a former colleague of the general manager. Although accountants, banks and lawyers are mentioned in every stage of export, the (examined) frequency of use is not the same. In three cases, we noticed that external accountants are mainly contracted as bookkeepers. Only the owner-manager of FD 1 contract the accountant for advice on finance-related export questions and the accountant acts as a coach or advisor.

> *"I contact my accountant on a weekly basis. I do not regularly contract other service suppliers. The relation with my bank is since the start of my company a hate & love relationship. The bank calls me an artist, a person without structures and solid plans but I don't feel myself an artist''* (owner-manager FD1)

In all cases lawyers are important in connection with contracting. Banks are mainly used in order to make loans possible and arrange insurance issues. In one case, FD3 there is a specialist issue: (documentary) collection. Owner-managers of FD2, FD3 and FD4 stated in relation to the services of their service providers:

> "*As a manager I'm focussed on my core business and we outsource special managerial tasks. I have a daily contact with my accountancy firm and can follow my financial situation by using the internet. My accountant executes his ordinary tasks and other service suppliers will only be contracted if we face special problems. I will never ask my accountant, lawyer or bank for a business advice. They are too much focussed on risks''* (owner-manager of FD2).
>
> '*'we contact our service suppliers on a weekly basis for general business questions and questions concerning documentary credit and collection. In some cases we need our insurance company, lawyer or the governmental service organization''* (general manager FD3).
>
> *''we formally contact our service providers in relation to export once a year. Our accountant and lawyer are personal friends and it is easy to have contacts with them during the year on an informal basis and ask business questions if necessary. With friends this is very easy''* (owner manager FD4).

Table 11: professional specialists involved in each export stage of the case design firms

	passive stage	**exploratory stage**	**experimental stage**	**active stage**	**committed involvement**
FD 1	Accountant Lawyer Bank	Accountant Lawyer Bank	Accountant Lawyer Bank	Accountant Lawyer Bank	Accountant Lawyer Bank
FD 2	Accountant Lawyer Bank	Accountant Lawyer Bank	Accountant Lawyer Bank	Accountant Lawyer Bank	Accountant Lawyer Bank
FD 3	Lawyer Bank Insurance company	Lawyer Bank Insurance company	Lawyer Bank Insurance company	Lawyer Bank Insurance company	Lawyer Bank Insurance company
FD 4	Accountant Lawyer	Accountant Lawyer	Accountant	Accountant	Accountant

Based on our case findings, we can conclude that Proposition 2 is not supported: accountants are not for all firms considered as the most preferred professional specialists in all stages of export.

The case study allowed us to gain better insights in the gap between the supply and the demand for professional support during the internationalization process of design SMEs. According to the service providers (accountant, lawyer and bank employee), they can offer more services than the ones mentioned (and therefore known) by the owner-managers we interviewed (see Table 9). Table 12 gives an overview of the potential deliverables mentioned by the service providers in our study.

Table 12: potential deliverables according to the professional service providers (case study)

accountant	**bank employee**	**lawyer**
1. starting a firm	1. starting a firm	1. legal terms
2. developing a firm	2. payments	2.conduct of a case
3. firm grow	3. credits	3. mediation
4. bookkeeping	4. saving and investment	4. advise
5. business finance	5. insurance	5. contracts
6. private issues	6. documentary credit export	
7. law issues	7. documentary credit import	
8. tax issues	8. documentary collection export	
9. corporate governance	9. documentary collection import	
10. social issues	10. international bank guarantees / securities	
11. administration / business management	11. pension regulations	
12. environmental issues / sustainability	12. rate of exchange / currency / valuta safeguard / hedge	
13. business transfer	13. cash management	
14. liquidation	14. networks	
15. post transfer issues	15. prospects	
16. knowledge of governmental sector		
17. regulations		
18. family business issues		
19. succession planning		
20. foreign trade		

Owner-managers of the small furniture designs firms in our case study do not mention all services offered by professional specialists. If they have questions other than financial or legal, these managers search within their own network of suppliers, colleagues, friends and family for the answers. In their opinion, this procedure costs a lot of time and energy. In Table 13 we finally contrast the actual needs as expressed by the internationalizing design firms (in the left column) with their needs in the opinion of the professional specialists (in the right column). Surprisingly, the professional service providers seem to be very unaware of the needs of their customers. Apart from correctly recognizing their needs in terms of tax administration and advice, they mention completely different expected needs by their customers as the ones mentioned by these design firms themselves.

Table 13: demand for internationalization advice by the case firms

According to managers (FD firms)	According to service providers
1. solving law related problems	1. legal defense
2. tax treatment	2. tax administration
3. documentary credits	3. hedging foreign currency
4. documentary incasso	4. image of foreign partners
5. marketing	5. export documents
6. knowledge concerning law issues	6. solving delayed payments
7. resources related to investments	
8. design & realisation of contracts	
9. knowledge concerning foreign law	
10. financial analyses	
11. realising credits	
12. tax advise	
13. advise foreign currency	
14. administration tasks	
15. pre financing	
16. financial transactions	

Our FD interviewees expressed this gap in the following ways:

> *''I cannot cooperate with my bank employee. This person doesn't understand it… He is not open for taking risks…''* (owner-manager of FD 1)
>
> *''…if spotted risks, banks give you a negative advice and confirm risks and will not show alternatives… My accountant is taking care of financial issues … he is not the person who has to take risky decisions..''* (owner-manager of FD 2)
>
> *''my accountant is only contracted for bookkeeping, the practical side of administration and personnel management..''* (general manager of FD 3)

From the service providers, from their side, we heard the following:

> *'' we have enough specialist knowledge in our bank to answer all kind of questions of our clients sufficiently..''* (SP2)
>
> *"we notice more often that firms believe that they have enough knowledge to make contracts by themselves. They ask only our help when things go wrong. Asking advice in an earlier stage will cost firms less money. It is the same in case of foreign law issues.. too less firms ask our advice.. "*(SP3)

Although accountants deliver additional accountancy tasks (e.g. `business advice to managers`) this is not known to the furniture designers in our case study. Services of professional specialists are known by mouth-to-mouth advertising of clients. These clients, in our case study the owner-managers of the furniture firms seem not well enough informed about all services of professional specialists.
Overall, we can conclude that we find a gap between the services available and demanded from the professional specialists. In other words, we can confirm Proposition 3, since in our study; the small creative firms have insufficient information about the potential services offered by the professional specialists. We can confirm also Proposition 4, in that the professional service providers showed to have insufficient knowledge of the demands by the small creative firms (here furniture design firms) in all stages of export.

6. Conclusions and implications

In this paper, we investigate to which degree professional service firms – accountants, banks and lawyers – and social contacts – family and business friends - provide services to small creative firms in their internationalization process. In the literature review, we identify five relevant stages of export (Bilkey & Tesar, 1977; Gençtürk & Kotabe, 2001) that guided our empirical analysis. In addition, we embed our study in the literature on outsiders' network (Bennett & Robson, 1999a; Onkelinx & Sleuewagen, 2008), in which we focus on the role of the professional service firms and the social contacts. We formulate six propositions that merit empirical research. First, we proposed that the chances of success of small creative firms increase when they internationalise their business within five years from the start. Second, we proposed that accountants are the most preferred professional specialists of small creative firms in all stages of export. Our third proposition states that small creative firms have insufficient information about the potential services that can be offered by service providers and fourth, we proposed that the service providers, from their side, have insufficient knowledge on the demands of small creative firms in all stages of export. Proposition five states that the social contacts are preferred types of outsiders in the first stage of export of small creative firms. And finally, we proposed that the services provided by the professional service providers differ across the various stages of export. For the empirical analysis, we contacted small furniture design firms thanks to our contacts with ConCreas and Flanders Investment and Trade. Our research method consisted of a survey (resulting in 47 useable answers) and a case study involving the owner-managers and a number of professional service providers of four design firms.

The research results show that 77 % of small furniture design firms in our survey internationalise their businesses within 10 years from the start and 61% even within five years. In all four firms of our case study 50% start with export activities within 10 years. This means that proposition one is confirmed. Further, we found in all stages of export that both accountants and bank employees are important preferred service providers of the firms, so proposition two was not supported. The services provided by professional specialists across all stages of export are standard services. At the same time, these professional specialists are not able to list the exact needs of internationalizing, creative firms. On the other hand, entrepreneurs of small furniture design firms do not seem to have sufficient information on services that their professional specialists can offer in relation to export questions although these professionals can offer a substantial amount of export-related services. Two firms in the case study mention a lack of understanding on the side of bank employees. Another two firms are reluctant to ask their accountant advice or help to take a decision. We concluded that our propositions three and four were supported.

The decision to enter the international market is taken by all four firms without the help of any outsider. In the first stage of export, the passive stage, furniture designers start seeking advice. In this stage not only the social contacts but also professional specialists are important advisors, indicating that we did not find support for proposition five. Services provided by professional specialists (in this study accountants, lawyers & banks) do not differ across the various stages of export, so proposition six was also not supported.

Overall, the results show an important gap between the services supplied by the professional specialists and the needs expressed by the creative entrepreneurs in our study.

Our study has a number of interesting implications for practice. Traditional know-how providers, in our study financial and legal professional specialists, have in three of the four cases difficulties to make a connection with needs of their customers. To be successful in the market as a professional specialist it seems important not only to know these customer needs but also to deliver services according (responding) to these needs. In the firms of our case study owner – managers use mouth-to-mouth communication to come in contact with useful outsiders. In this context, we also see some interesting avenues for future research. The demand by the furniture designers indicates that there is a lack of managerial special knowledge and know how on the side of firm owners. Owner-managers of these firms tend to seek help in their own network (business friends, colleagues, family). Only when there is a severe problem, specialists will be called in. In one case the accountant offers more than the standard services. Is this accountant aware of his new advice role (general consultancy role complementary to his role as an expert)? New research can shed a light on the role of service providers who tend to offer new (general consultancy) services in addition to standard services in relation to managerial questions of creative firms and export questions.

Because of its set-up, this study has a number of limitations. The empirical analysis was based on a survey leading to 47 useful responses, and the case studies were undertaken in four firms. The number of companies involved makes it impossible to generalise to the entire sector of furniture designers, so future research can benefit from a study that is able to reach a larger number of respondents. In terms of the case studies, we only involved one respondent per enterprise. We do acknowledge that this individual cannot be representative for the entire firm. Still, owner-managers are often manager and employee at the same time and in this perspective, the interviewees were appropriate respondents to provide information. Service suppliers are in contact with their customer and have in that perspective an appropriate view on the needs of the customers. In their firms, they are project leader and perhaps not aware of strategic discussions in their management team and market perspectives and content of strategic plans. In this study we did not have the opportunity to interview both furniture designers and a professional specialist at the same time. A joint interview could have shed a light on the communication between service supplier and customer and a possibly explanation of the indicated supply-demand gap.

Overall, this study contributes to a great deal to the literature on the role of professional service providers to SMES, in particular in terms of the internationalization process of small furniture design firms. No study has addressed this topic before. Our results demonstrate that professional service providers have to follow up the needs of their clients during all stages of export. Since professional service providers, more specifically accountants, banks and lawyers, are not specialised in creative business management issues, they have difficulties to detect business opportunities. Creative SMEs, from their side, have to learn to express their needs more explicitly in order to be able to get the appropriate support for their managerial and business issues. In order to make the research results stronger, extra data from small creative firms (design, fashion and other creative firms) are needed. New research questions can concentrate on contributions of other contracted service providers (in areas like: consultancy, insurance, law, tax and ICT) or public advisors.

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Appendix 1: stages of export[7]

Stage 1
Passive involvement characterizes the behaviour of firms that display little interest in exporting and foreign market development. Exporting activity is typically prompted by unsolicited inquiries in a reactive manner and involves no effort tot explore the feasibility of exporting.

Stage 2
Exploratory involvement represents the firms that actively explore the feasibility of exporting but currently export less than 5% of total sales.

Stage 3
Experimental involvement occurs when the firm exports on an experimental basis to countries that are geographically close or share a culture similar to that of the home country. Export sales represent a volume greater than 5% of total sales.

Stage 4
Active involvement represents an experienced exporter with an export sales level greater than 5% of total sales.

Stage 5
Committed involvement represents the highest level of involvement of exporting, in which export sales account for greater than 5% of total sales. A committed exporter searches for business opportunities worldwide, most notably in countries that have very different cultures and are farther away form the home country than the firms' current export markets.

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