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Managing cultural specificity and cultural embeddedness when internationalizing: Cultural strategies of Japanese craft firms

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Abstract

When entering international markets, manufacturers of consumer products are expected to adapt their products in order to meet local consumption practices. Doing so, is particularly challenging for producers of culturally-specific products – that is, products that are little known, understood and valued outside their original cultural milieu – whose operations are often deeply embedded in local conventions and traditions.

To examine how SMEs navigate tensions between the cultural specificity of products and the cultural embeddedness of operations when expanding internationally, we conducted a multiple case study of Japanese producers of heritage craft located in Kyoto. Our findings reveal three strategies available to address these tensions – namely, selective targeting, cultural adaptation, and cultural transposition – and highlight the pivotal role played by local distributors and foreign designers, serving as cultural intermediaries, in bridging domestic and foreign cultural practices and meaning systems.

Our findings portray product adaptation as an ongoing process that unfolds along with a firm's international expansion, as producers and intermediaries explore ways to bridge cultural differences. They illuminate the lengthy process of learning and unlearning, adjusting and rethinking that underlie managers' efforts to strike a balance between standardization and adaptation as they internationalize.

Keywords: SME internationalization, product adaptation, cultural differences, export intermediaries, craft, authenticity, cultural intermediaries, product design, cultural industries, Japan

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INTRODUCTION

When the owner-manager of a Japanese producer of *tatamis* (i.e. traditional Japanese rush-covered straw mats) travelled abroad, he first noticed that overseas Japanese firms had very old *tatamis*. He also noticed that Japanese food and culture were becoming increasingly popular. Finally, he noticed that foreigners used *tatamis* as decorations and carpets, which was different from the traditional usage in Japan. He started to think that with a little imagination, we can begin to use traditional crafts very differently (Kyoto prefectural government, officer)

Recounted by one of our interviewees, this anecdote illustrates how, when a firm's products and operations are grounded in its domestic traditions, internationalizing requires managers to reflect on the receptivity of foreign customers to objects that they may not fully understand, and to explore opportunities to adapt the way products are designed, produced and/or sold, to bridge domestic and foreign values, traditions and preferences.

Researchers tend to agree that – especially in the case of consumer products – some adaptation in product size, packaging, pricing or communication may be required in the presence of cultural differences between home and host market, because these differences may induce consumers to undervalue foreign products that they are unfamiliar with and/or do not seem to fit their consumption practices (Friedmann, 1986; Obadia, 2013). Expanding in foreign markets in the absence of adaptation may be particularly problematic for products characterised by *cultural specificity*, understood as the extent to which a product is valued according to criteria that are typical of a particular culture, as opposed to common to various cultures (Schroeder, Borgerson, & Wu, 2017; Fan & Tan, 2015).

High cultural specificity characterizes products that are involved in consumption practices that are original – and, to some degree, unique – to a particular culture, and/or the significance and use of which are less known (or less appreciated) outside the original cultural milieu (Fan & Tan, 2015). Examples of culturally-specific products might include, for instance, Greek/Turkish coffee pots, Kabuki theatre, or Norwegian lutefisk (white fish pickled in lye) – products that require some degree of knowledge specific to a particular cultural context in order to be used, understood and/or appreciated. On the contrary, products that are low in cultural specificity – that is they are widely used across cultures, address basic functional needs, and do not require knowledge specific to any particular culture in order to be used or enjoyed (Merz, He & Alden, 2008) – tend to require less adaptation. Examples for these products may include sneakers, cars, or even advanced electronics such as tablets and mobile phones

(although some of the software developed for these products may address culture-specific needs or preferences).

Adapting culturally-specific products, however, may be challenging due to the *cultural embeddedness* that frequently characterizes their operations. By this term, scholars refer to “the ways shared understandings and meanings come to give form to organization activity, structures, and process” (Dacin, Ventresca & Beal, 1999: 328). While, in a broad sense, it could be argued that all of a firm’s activities are to some extent culturally embedded, we turn to this concept to highlight how some producers conduct their operations within a strong and deeply-held place-specific system of cultural norms, conventions and traditions that define the appropriate way in which a product should be designed, manufactured, and delivered (Asakawa, Ito, Rose & Westney, 2013). Recent research has shown the reluctance of firms whose competitive advantage rests on highly institutionalized practices and processes, to adapt their offer to international markets (Arikan, Koparan, Arikan, & Shenkar, 2019). High cultural embeddedness, however, may hamper adaptation to foreign preferences not only by making it difficult for producers to consider deviations from traditional product forms and production methods but also by restricting their ability to alter their products without risking resistance among staff or reputational losses on the domestic market.

The combination of cultural specificity and cultural embeddedness provides an interesting context that amplifies the impact of cultural differences on successful internationalization. The difficulties that producers of such products encounter may be exacerbated by the relatively small size that often characterizes these firms. Past research on how internationalizing firms address the adaptation vs standardization dilemma has largely focused on large and well-resourced multinational enterprises (MNEs). Based on this research, scholars widely assume that internationalizing firms can either target global, homogenous customer segments (e.g. Arikan et al., 2019) or bridge cultural differences by relying on the local knowledge of their subsidiaries to adapt and tailor their offer to each foreign market (Doz, Bartlett & Prahalad, 1981; Poulis & Poulis, 2013; Prahalad & Doz 1987; Santos & Williamson, 2015). The latter option, however, may not be available to small and medium-sized enterprises (SMEs), whose limited resources hamper the establishment of foreign units, and induce them to turn to export

intermediaries instead to access local market knowledge and develop local marketing strategies (DeNoble, Castaldi & Moliver, 1989).

Export intermediaries facilitate the transfer of goods and services from the exporter's home market to the target market by being responsible for the downstream value-chain activities in international markets. Past research has widely acknowledged the important role of these intermediaries in facilitating the internationalization of SMEs (Grazzi & Tomasi, 2016; Peng & Ilinich, 1998). This literature, however, has largely black-boxed how they support product adaptation to foreign markets, besides highlighting their role in supplying local market knowledge and information that the exporting firm lacks (e.g. DeNoble et al., 1989).

How, then, do SMEs navigate tensions between the cultural specificity of products (limiting appeal to foreign costumers) and the cultural embeddedness of operations (restricting adaptation to foreign markets) when expanding internationally? To answer this question, we conducted a multiple case study of Japanese craft firms located in Kyoto. Our findings point to three strategies that these firms undertook when internationalizing. The first, which we term *selective targeting*, was characterized by the relative awareness of the cultural specificity of one's products, but the refusal to adapt them, focusing efforts instead on potentially receptive segments of foreign markets. The second, *cultural adaptation*, was characterized by a reflexive engagement with one's specificity and embeddedness to envision opportunities to partially adapt one's products to foreign preferences and consumption patterns. The third one, *cultural transposition*, relied on the use of aesthetic or technical elements from one's tradition to envision entirely different products that could be marketed to both national and international markets. These strategies benefited in different ways from local distributors and/or foreign designers serving as *cultural intermediaries* – that is, individuals who support the development and sales of products of high symbolic value by helping making these products meaningful for target consumers (cf. Bourdieu, 1984; DuGay, Hall, Janes, Mackey & Negus, 1997).

By highlighting the interconnectedness between strategic decisions about product adaptation and the embeddedness of one's operations, and showing how the former evolve based on interaction with other parties, we address a recent call for a heightened sensitivity to context and dynamism when examining

the international pursuit of entrepreneurial opportunities for growth (Reuber, Dimitratos & Kuivalainen, 2017). Whereas prior research on adaptation vs standardization explored the various contingencies that may make either option preferable (e.g. Cavusgil & Zhou, 2013), our study adopted a process angle, and our findings portray product adaptation not as a single, clear-cut decision but as a part of the international expansion strategy of an SME that evolves over time.

Whereas prior research, focused on MNEs, revealed the crucial role of subsidiaries in balancing local adaptation and global standardization, our findings begin to unpack how small-scale producers of culturally-specific products can do so in the absence of comparable resources and structural arrangements. In this respect, our findings unveil a range of strategies available to these firms to overcome general barriers to the internationalization of SMEs, such as lack of understanding of foreign markets or inability to identify foreign business opportunities (Leonidou 2004; Paul, Parthasarathy & Gupta 2017), as well as the particular challenges arising from cultural differences. In particular, our findings articulate the role played by export intermediaries and foreign designers – serving as cultural intermediaries – in enabling local responsiveness and the proactive pursuit for new market opportunities, and begin to unpack the micro-level activities through which these intermediaries help bridge domestic and foreign cultural systems.

THEORETICAL BACKGROUND

International Business scholars have long debated whether a firm's products should be standardized for cost efficiency or adapted to better meet the needs of host markets (for early contributions, see Buzzell, 1968; Jain, 1989; Terpstra 1972; Wiechmann 1976). Although some early works argued that, due to globalisation, the needs of customers would homogenize, thus facilitating the sale of standardised products (Levitt 1983), later studies showed that some degree of product adaptation may nevertheless be required for successful internationalisation (Chung 2003; Cavusgil, Zou & Naidu, 1993). The focus of scholars has then shifted from establishing the superiority of one strategy over the other, to uncovering the characteristics of industry, market, company or product that determine how choosing one or the other will affect performance (Birnik & Bowman, 2007). Rather than viewing product

adaptation as the selection between two extreme alternatives, scholars now conceptualize the decision as choosing a position on a continuum ranging from fully adapted to fully standardised products, depending on a number of contingency factors (Douglas & Wind 1987; Vrontis Thrassou, & Lamprianou, 2009).

Product adaptation seems to be particularly important in the presence of cultural differences between home and host market (Cavusgil et al., 1993). As Jain observed, “the products people buy, the attributes they value, and the principals whose opinions they accept are all culture-based choices” (1989: 73). Consumers in different national markets may significantly differ in purchasing habits and consumption patterns (De Mooij, 2019) as well as in the meanings they assign to a given product (Friedmann, 1986). These differences may be reflected, for instance, in the average frequency and volume of purchase, preferred product features, or conventional usage occasions. Products designed to successfully meet the tastes and lifestyles of domestic customers, therefore, may not be equally successful when exported.

When confronted with new types of foreign products or services imported from abroad, consumers may misinterpret them, mis-categorize them, and eventually fail to appreciate them, by relying on past, familiar experiences to interpret the unfamiliar ones that they are exposed to (Obadia, 2013). Delmestri and Wezel (2011), for instance, show that the diffusion of multiplex cinema across European countries was delayed because of cultural-cognitive differences across countries. This research shows the inherent difficulty of turning the novelty associated with foreignness into an advantage, even when firms possess firm-specific perceptual advantages such as internationally recognized brands.

This difficulty seems particularly intense for products characterized by high *cultural specificity* (Fan & Tan, 2015; Schroeder, 2017), the appreciation of which – despite longstanding predictions about the convergence of markets and tastes (Levitt, 1983) – remains contingent to practices, knowledge, tastes, and traditions that are specific to a cultural group. The culturally-specific value of these products may be associated with their incorporation in collective traditions, festivities, or celebrations (Fan & Tan, 2015), as well as mundane, daily rituals, entrenched habits or the expression of personal and collective identities (Jakubanecs & Supphellen, 2016).

The appeal of these products outside the original cultural group may be limited insofar as it requires consumers to possess specific cultural knowledge that makes these products meaningful (and valuable) for them. In the absence of such knowledge, foreign consumers may fail to distinguish potential uses for such products, to value their symbolic or aesthetic properties, or appreciate features that make them different (and possibly superior) from alternative ones available locally (Tan & Sousa, 2013).

Cultural specificity may characterize a broad range of products: food and beverages that are considered local delicacies – or even local heritage or pride – but are at odds with more general gastronomic tastes or alimentary conventions; appliances and utensils, the use of which is limited to culturally-specific grooming or cooking practices; clothing or decorative objects that reflect highly idiosyncratic aesthetic canons; cultural products and artistic performances embedded in traditions largely unknown outside a group's boundaries. Foreign customers may assess these products based on different aesthetic preferences, or fail to capture the meaningfulness of historical or cultural references. The resonance of these products with cultural values or collective identities may also elude consumers outside the original group¹. While – as our study suggests – it is possible for such products to enjoy some limited and/or transient fortunes outside their domestic markets, as exotic curiosities or temporary fads, more durable entry into foreign markets may be circumscribed to migrant communities, knowledgeable connoisseurs, or passionate fans, or require alterations to the way in which products are designed or communicated to increase their local appeal.

Adapting culturally specific products to foreign markets, however, may become problematic when cultural specificity is coupled with *cultural embeddedness*. By cultural embeddedness, we refer to the extent to which the ways in which products are designed and produced or services are shaped by institutionalized conventions, norms, and traditions that are particular to the home country (see

¹ It is important to note that cultural specificity is contingent to the relative distribution of the relevant cultural knowledge in international markets (Fan & Tan, 2015). Cultural specificity, in this respect, can be considered as varying to a degree, depending on how familiar consumers around the world are with the culture of origin. It is therefore possible that, over time, because of the combined effect of international migration and travel, cultural exchanges, international media, and/or the very efforts of domestic producers to internationalize, products – such as stovetop coffee makers, pizza, opera, whisky, or jazz music – that might have once been specific to a culture become increasingly known, understood, appreciated, and possibly appropriated by many others (see Merz et al., 2008).

Asakawa et al., 2013, for an illustration of how the cultural embeddedness of Japanese services hampered their successful internationalization), as opposed to operations, such as most industrial manufacturing, where design and production are mainly informed by economic and functional criteria, and largely build on “culture-free” scientific and technical knowledge that is more easily transferable and replicable from one culture to another.

Cultural embeddedness, we argue, may restrict a producer’s latitude of action in a number of ways. First, as institutional theorists point out, it may be difficult for firms operating in a highly institutionalized environment to envision alternatives to the current institutional arrangements (Fitjar & Rosendal, 2016). For example, Schmitz’s (1999) study showed how the performance of individual firms in a Brazilian shoemaker cluster was highly contingent on the historically-formed relationships with the other stakeholders in the cluster, such as the suppliers and buyers as well as competitors and associations. Second, the alteration of consolidated ways of designing, producing or consuming these products – traditional forms, decorations and materials; time-honoured rituals and techniques, well-established patterns of consumption and use, etc. – may encounter the resistance of the staff or the local community, who may feel that important cultural traditions are being violated and collective identities threatened (Sasaki, Ravasi, & Micelotta, 2019). Third, breaking away with conventions and traditions may put a producer at risk of losing legitimacy on the domestic market, and possibly even international ones, as the respect of traditional techniques and production methods is often essential to the perceived authenticity of a producer and its products (Arikan et al., 2019; Beverland, 2004; Guy, 2002).

Diligent commitment to local traditions and social pressure in the local community may secure some producers a premium position in foreign markets, to the extent that they manage to build a distinctive collective reputation for the country (Arikan et al., 2019; Bertacchini & Borrione, 2013) or region of origin (Ger, 2000; Guy, 2002). In the absence of this effect, however, cultural embeddedness may effectively hamper the capacity of a producer to adapt its offering in an early stage of their internationalization process, when, because of cultural specificity, some degree of detachment from the home culture may be important to meet foreign tastes (Fan & Tan, 2015; Patichol, Wongsurawat & Johri, 2014) and accommodate expectations in host countries (Asakawa et al., 2013).

The difficulties that producers of culturally-specific products encounter when internationalizing may be amplified by the limited size that frequently characterizes them. Successfully adapting products to appeal to foreign customers requires not only marketing experience (O'Donnell & Jeong, 2000) and international expertise (Cavusgil & Zou, 1994) but also a profound understanding of the local cultural context (Magnusson et al., 2013). Indeed, research shows that adapting a marketing strategy in culturally different markets when lacking understanding of the local context can have negative effects on performance (Evans, Mavondo & Bridson, 2008).

Past research, largely conducted in multinational enterprises, has pointed to the crucial role performed by local subsidiaries in finding a balance between global standardization and local responsiveness (Katsikeas, Samiee & Theodosiou, 2006; Kostova, Marano & Tallman, 2016; Subramanian & Hewitt, 2004; Venaik & Midgley 2019). Collaboration between headquarters and subsidiaries is considered essential to this balancing act, as the former are more knowledgeable about opportunities for adaptation, while the latter are more knowledgeable about the local needs (Doz et al., 1981; Prahalad & Doz, 1987). A successful dialogue possibly leads to multiple layers of local adaptation to address the needs of diverse customer groups (Poulis & Poulis, 2013). Due to their small size and limited resources, however, SMEs are able to create a local presence at the time of foreign market entry only in exceptional cases (Aldrich & Auster 1986; Maeklbürger, Schwens, & Kabst, 2012).

The internationalisation of SMEs is usually characterised by limited foreign market knowledge and scarce financial and managerial resources (Leonidou, 2004; Paul et al., 2017), which decreases their abilities to understand the needs of host markets and adapt their products accordingly (Hollender, Zapkau & Schwens, 2017). Therefore, to be locally responsive, SMEs often need to rely on knowledgeable export intermediaries, serving as middlemen that facilitate the transfer of goods and services from the exporter's home market to the target market by being responsible locally for downstream value-chain activities (Balabanis, 2000; DeNoble et al., 1989). Collaboration with these intermediaries can be crucial for successful adaptation to the host markets, as market/product-specific local decisions will mostly rely on information filtered through the intermediary.

Indeed, research on the internationalization of SMEs indicates that their limited resources constrain adaptation (O’Cass & Julian, 2003), especially in markets that they are unfamiliar with (Fuchs & Köstner, 2015). Family-owned SMEs, in particular, tend to exhibit comparatively lower foreign sales, with the exception of those firms operating in global niches, where they can sell standardized products worldwide even in the absence of cross-cultural skills and international marketing support (Arikan et al., 2019; Hennart, Majocchi & Forlani, 2019).

Collectively, these studies point out that, whereas product adaptation seems important for the successful internationalization of SMEs, it is difficult for them to do so successfully in the absence of support from local intermediaries. These studies consistently argue that export intermediaries are an important source of local market knowledge, but fall short of examining in depth how these intermediaries can effectively perform this crucial role. This lack of depth and detail appears particularly problematic in the case of culturally-specific and culturally-embedded products, where it is not sufficient for intermediaries in the host country to be knowledgeable about the local market and culture to provide effective support, but some degree of familiarity with the culture in the home market of the producer may be essential to facilitate local sales.

Our research aimed at shedding more light on strategies available to managers in small and medium-sized enterprises to navigate tensions between the cultural specificity of products and the cultural embeddedness of operations when expanding internationally, with a particular focus on how collaboration with intermediaries help them both address these tensions and overcome constraints posed by limited size and resources. To do so, we conducted a multiple case study of Japanese craft firms. We reconstructed their decisions and actions since their very early attempts to sell abroad, searching for emerging patterns across cases in whether, when and how products were adapted, and with what implications for international sales.

RESEARCH METHOD

Our study followed prescriptions for interpretive case-study research (Stake, 1995; Welch et al., 2011), and grounded theory building (Glaser & Strauss, 1967). The ten firms we studied were all located in

Kyoto, and belonged to the heritage craft sector. By craft, scholars refer a broad range of economic activities characterised by some degree of manual labour (Jenkins, 1978) – “a skill of making things well” (Sennett, 2008: 8) – and a variable combination of traditional and newly invented skills that are often part of the heritage of local communities (Blundel & Smith, 2013; Francisco, 2007: 979). Craft production tends to be highly embedded in local traditions and infused with cultural symbolism (Kroezen & Heugens, 2019; Sasaki et al., 2019).

While some craft products – especially in the domain of food and beverage – have become highly popular even outside their original cultural boundaries, others may require some degree of cultural knowledge to facilitate aesthetic appreciation (Jenkins, 1978; Kida & Takayama, 2010) or to recognize their cultural significance (Micelli & Sacchetti, 2014; Patichol et al., 2014). As our cases also illustrate, in the absence of this knowledge, foreign customers may be reluctant to pay the premium price often associated with the quality materials and the labour-intensive, small-scale production that characterizes these products. External pressures and/or inner compulsion to be faithful to local customs and traditions, however, may make it difficult for some craft firms to adapt to foreign tastes (Beverland, 2004; Francisco, 2007), inducing scholars to argue that successful internationalization often requires craft firms to simultaneously maintain cultural embeddedness while at the same time, to some degree, distancing from it (Guy, 2002). We thus considered the craft sector as an ideal setting – an “extreme” case (Pettigrew, 1990) – to examine our research question.

The roots of the heritage craft sector in Kyoto go back to the “court industry” in which skilled craftspeople produced and offered tools and equipment necessary for the politics and ceremonies of the Imperial court during Heian period (794-1185). For centuries, crafts products have also been used by religious organizations, historically the primary domestic market for these products, and in traditional cultural practices, such as flower arrangement or the tea ceremony. The heritage craft sector is thus credited for having supported the preservation of the local identity and cultural traditions, leading political and religious institutions, in turn, to confer a high social standing to this sector (Sasaki et al., 2019).

Economically, however, the viability of the traditional craft sector has been declining for decades. The demand for traditional high-end, handcrafted products increased during the “Japanese economic miracle” (1954-1973), and peaked sometime between 1970 and 1990 depending on the sector. It decreased, however, in the following decades, because of the increasing inflow of Western culture and products, changing consumer tastes (Kyoto City Traditional Industry Revitalization Committee, 2005: 9-10), the diffusion of mass-production and mass-consumption, and the expansion of large shopping malls across the nation (Takamura, 2012). Between 2006 and 2017, the number of employees in the traditional fabrics and textile craft in Kyoto decreased from 3824 to 1865, and revenues decreased from 38 to 20 billion Yen (Kyoto City Traditional Industry Activation Promotion Plan, 2018: 11-14).

Facing a shrinking domestic demand, Kyotoite craft firms have been increasingly looking at international opportunities to compensate diminishing revenues from their traditional market. This internationalization effort started approximately in the early 2000s by displaying products at international gift fairs and exhibition (*Kyoto Newspaper*, 2019), following the encouragement of the Kyoto prefectural government (Kyoto City Traditional Industry Activation Promotion Plan, 2018: 8). The small size and lack of resources and experiences of the traditional craft firms, however, slowed down these efforts (*Monthly Textiles*, 2017: 2).

Our study focused on ten producers of various craft products, including Buddhist altar fittings, lacquerware, traditional dolls, and woodblock printing and art books (see Table 1).

Insert Table 1 about here

The ten firms belonged to an association of producers of traditional craft products that had been founded with the purpose of promoting the internationalization of its members (two of the twelve members refused us access). Members primarily used the association for social networking and legitimation. They met over dinner twice a month, at times inviting representatives of local government and institutions. Their efforts, however, were only minimally coordinated – sometimes some members would attend the same trade exhibition, and occasionally, members who had an established presence in one market supported other members’ efforts by supplying information or making channels available to them – and indeed their internationalization paths followed different routes, as explained later.

The ten firms were all small or medium-sized – their employees ranging between five and 90 (see Table 1) and their internationalization efforts were constrained by limited resources – not only financial ones, but also the time, energy, and attention of owner-managers, who usually carried out these efforts personally. These constraints explain, for instance, the relatively slow pace of these efforts, their focus on a limited number of foreign markets, or the lack of replication of apparently successful strategies in other markets.

Second, they all lamented the difficulties of coping with the cultural specificity of their products and the embeddedness of their operations. The majority of the cases we studied initially tested the international markets by selling their products in international exhibitions, mostly gift shows in the United States or Europe. Informants, however, reported how foreign customers frequently failed to appreciate the differences between original handcrafted products and cheaper local alternatives. Others, reported how few foreign customers were familiar with the use of their products or their cultural symbolism, and mentioned how important it was to encourage them to consider their products as more than mere exotic curiosities, in order to increase their willingness to pay for the premium price that they charged.

At the same time, informants mentioned how the embeddedness of their operations made it difficult for them to address the cultural specificity of their products. According to them, some characteristics of their products or processes that conferred them a particular advantage domestically turned out to constrain their efforts to internationalize (see Appendix A for selected evidence). Some informants, for instance, mentioned how the resilience of past design repertoires and traditional craft skills sometimes hampered internationalization by making it difficult to envision alternatives that could be more appealing to foreign customers. For instance, the owner of Kyobutugu Kōbori, a producer of Buddhist altar fittings, lamented that traditionally there had not been a need to innovate product design, because all temples in Japan adopted the same design as the head-temple in Kyoto. Western clients, however, often expected a customized design. Yet, because of what he described as “old-fashioned views”, as well as pride in their tradition, craftsmen working for the company were reluctant to adapt old products or envision new ones. “Our own employees are proud of the expensive, high-quality products we sell,

and are uncomfortable with us making new products [for export markets], such as *nenjus* accessories” – the international sales manager remarked. As a consequence, he explained, export to Western markets languished.

Strong identification with the local community and long-lasting trust-based relationships with local suppliers and customers also constrained craft firms’ efforts to expand internationally. Several informants reported how they experienced pressures from the local community to prioritize respect for tradition and the preservation of local culture over market expansion and profit making. The vice-president of Kimura Oshidou, for instance, stressed that by changing traditional production methods and long-standing relationships to increase the attractiveness to their products for foreign customers, they might not only damage relationships with local stakeholders but even change the whole industrial structure in an undesirable way. Based on the idea that “without respecting the local community, there is no traditional industry” (Maruwa Shougyou, President), the firms we observed often took a conservative approach to internationalizing because “protecting the local community and its tradition comes first... [and] only after comes the business motivation” (Kyoto Maimu, Owner manager). As an informant explained:

What is important is that we support Kyoto’s local craftsmen.... So it is important to use Kyoto’s craftsmen and materials when collaborating with foreign designers. It has to be in this order, and not the opposite. What is important is to produce in Japan. To have a production site in Japan. (Vice president, Kyoto Okumura)

Data Sources and Collection

Our data consisted of 78 interviews, six months of observation, and 944 pages of archival data (excluding books and on-line material) which was collected between 2015 and 2019. In addition to case-specific data summarized in Table 1, our sources also included interviews with nine intermediaries and three representatives of the Kyoto prefectural government, as well as four books, academic articles (111 pages), and magazine articles (78 pages) about the craft sector in Kyoto, and five reports about the internationalization of the heritage craft industry, which helped us familiarize with the context of our study. To ensure the credibility and trustworthiness of our interpretations, the first author also maintained engagement with the informants throughout the whole process.

Interviews. We conducted interviews between January 2016 and December 2019. In the first round of interviews, the first author asked basic questions about the history, operations and products of the firm, its relations with the local community, and the internationalization process and outcomes. In the spirit of grounded theory (Glaser & Strauss, 1967), the purpose of the second round was to deepen and refine emerging insights from a preliminary analysis. We therefore modified the interview protocol to include questions that addressed directly whether and how internationalization efforts had affected products and production processes, and the relationships with local craftsmen, suppliers, and the community more generally. The third round of inquiry was conducted via e-mail after the first author had left Kyoto, and focused on sharpening emerging interpretations against additional data to ensure the robustness of these interpretations across cases, and the transferability of the emerging insights. A fourth round of data collection dedicated to examine more closely the role of intermediaries, relied on 13 follow-up interviews and email exchanges with prior informants in spring 2019, as well as 17 additional interviews with intermediaries around the world. The length of the interviews ranged from 30 minutes to three hours, with the majority lasting about 1.5 hours. Informants included not just the owner-managers, but also family members of the owner-managers as well as other employees.

Observation. The first author also participated to a total of nine meetings of the association and three international events. Observation informed interview questions and directed archival search. During the meetings, the owner managers and employees involved in internationalization reported about the current situations in different markets and discussed about future internationalization strategies. Both long-term ambitions and short-term plans, such as staffing and layout of the booths for the next trade exhibitions, were discussed in these meetings. The three international events enabled the first author to observe directly how the products of these firms were presented and marketed to foreign customers as part of initiatives that combined cultural and commercial promotion of Japanese products. In addition, participation in the informal social events helped her create a trust relationship with the owner-managers of the case firms.

Secondary data. Collection of secondary data started already before entering the field in autumn 2015. In this phase, the first author examined documents available on the internet, such as companies'

websites, on-line press articles about the companies, the history of the local community, and the craft sector in Kyoto, to form an initial understanding of the context. Between January and June 2016, she collected secondary data in Kyoto, in the form of newspaper and magazine articles, internal memos from company meetings, handouts, catalogues, and books were collected. These documents were particularly useful in re-constructing past events by informants' recollections.

After the field stay, we continued to integrate our data base through on-line interactions in July 2016 – December 2019. The trusted personal relationship that the first author had established during the field visit supported this search. For example, by being connected via Facebook with several owner-managers, she received weekly updates of their activities, such as the launch of new products, photocopies of magazine articles not publicly available on-line, and video clips.

Data Analysis

Our data analysis combined categorizing and connecting strategies (Maxwell & Miller, 2008). We began systematic open coding of our data at the end of the first round of data collection. We first examined transcripts, field notes, and archival materials to form a broad understanding of emerging themes, such as the unique characteristics of the craft products and production processes, and the relationship that these firms had with the local community of Kyoto, and how they influenced the internationalization in both positive and negative ways.

The first author, who is fluent in both English and Japanese, initially transcribed and translated interview data into English to let the rest of the research team independently access and analyse these data. Using English as a common working language was essential for us not to miss the opportunity to benefit from researcher triangulation (see Denzin, 1978) – which we considered important for the validity and robustness of our conclusions. However, not to miss important nuances in the original text, the first author coded the original Japanese versions of the interviews and documents, occasionally pointing out subtle differences between the original terms and the translated versions. As archival data mostly provided factual information, they were analysed directly by the first author, who then disclosed

chronological reconstructions of events (based on these data) with the rest of the team for further analysis.

To gain more fine-grained understanding of the focal firms' internationalisation processes, in line with the earlier studies of craft and design firms (Rindova, Dalpiaz & Ravasi, 2011), we tracked separately how practices of product design, production, and sales changed over time. We used sentences or paragraphs as coding units, and initially labelled each textual expression with simple descriptive phrases, to group them into first-order codes. Then, we grouped first-order codes, which more closely reflected informants' interpretations, into more abstract, second-order analytical codes of more direct theoretical relevance (Locke, 2001).

In a further round of analysis, we moved from categorizing to connecting (Maxwell & Miller, 2008), by organizing codes from the previous round around an accurate chronology of events to track whether and how products and practices changed over time as the focal firms internationalized. Cross-case comparison showed that changes in design, production and sales tended to align and coalesce around what we conceptualized as three different "cultural strategies", and helped us articulate their constitutive components. In this phase, we compared our emerging findings with the broader literature on internationalization, cultural production and cultural embeddedness, culture and international business, and international marketing to link emerging insights to established theoretical ideas, and refine our conceptualization of the patterns we observed.

FINDINGS

The ten cases we studied had begun to internationalize at different points in time and with varied success. Some of these firms still struggled at the time of our study, others had managed to overcome early difficulties and had seen their international sales grow slowly but steadily over the years (we return on this later). Our analysis of how the focal firms addressed the cultural specificity of their products and embeddedness of their operations when internationalizing revealed three different strategies that they engaged in. In this section, we introduce these three strategies, illustrate their implications for how these firms designed, manufactured, and commercialized their products, and articulate in particular the role

that intermediaries played in their implementation. Following common conventions for qualitative research (Pratt, 2009), Appendix A reports complementary evidence to support our analysis.

Selective Targeting

Early in their internationalization, almost all the firms we observed offered their products to foreign customers with no modification to the original design, adopting a strategy that we refer to as *selective targeting* (see Table 3 for a narrative summary of three illustrative cases, and Table A2 in the Appendix for further examples; additional summaries covering all strategies across all cases are available as supplementary material). The only exception was Kyoto Maimu, a producer of accessories made of *kimono* fabric, who did so after the failed attempt to sell products adapted to what they thought local tastes were.

*** Introduce Table 2 here ***

Most informants mentioned how they had been pushed to adopt this strategy because of decline in domestic demand; offering the same products to foreign customer seemed to be a straightforward way to compensate for this decline. These firms, therefore, began to internationalize by selling unmodified, traditional products through trade fairs and exhibitions, or, in one case (Maisendou), through foreign department stores.

To some degree, the adoption of this strategy reflected the lack of international experience of these firms, and the little familiarity they had with foreign markets. As an informant pointed out:

Even by conducting market research in advance, it is impossible to understand what the local market is really interested in. This is partly because traditional products do not have their market categories. This is also a strength, because we sell products that exist only in Japan. ... Yet, it is difficult to sell them as they are. But, deciding how much we should adapt to the local market and how much we should keep Japanese traditions is even more difficult (Maruwa Shougyou, President).

Many owner-managers of craft firms also seemed reluctant to alter products and production techniques, as they felt responsibility for the preservation of local traditions. Some saw adapting products to meet foreign market preference as a betrayal that could not be justified by the potential commercial gains. As the president of Unsoudou, a producer of wood blocks for printing, observed:

I care about my products. And I relate directly with the craftsmen that realize these products. I am strongly attached to our traditions I want to maintain them ... We are not doing business in order to make profit.

The adoption of this strategy, therefore, was associated to the continued reliance on traditional local materials and techniques, which informants saw as a distinctive feature of their offer. For example, the entire range of clothing and accessories offered by Kyoto Maimu used *kimono* fabric from Kyoto:

Our core [feature] is that our products are made of *kimono* fabric. Without *kimono*, our firm would not exist. All our products are based on *kimono*: accessories, shirts, and hats. Our identity is strongly based on the existence of *kimono* (Kyoto Maimu, Owner-manager)

Other informants similarly affirmed their strong commitment to domestic production and the continuation of local tradition. As the international sales manager of Kyobutugu Kobori, a producer of Buddhist altars and accessories, observed:

We have been using almost the same techniques since our foundation. Some traditional techniques are disappearing. We would like to preserve them, and that is why we apply them. We are interested in selling abroad not just the finished product but also the beauty of the local raw materials and the long-lasting production techniques.

In most cases, however, this approach initially failed to deliver commercial results (see Table 2 for examples), as customers frequently found prices excessive and failed to appreciate the high-quality and/or cultural symbolism of the products.

It was only when the refusal to adapt product design or production techniques was combined with the selective targeting of culturally-knowledgeable customers that these efforts began to pay off. By culturally-knowledgeable customers we refer to individuals that possess a level of knowledge and understanding of a foreign culture, lifestyles, and/or traditions that enables them to appreciate culturally-specific products in their original form – and indeed value the authenticity that they are infused with. These customers may include country nationals living abroad or members of migrant communities, or – as in the case of the firms we studied – collectors of folk art, knowledgeable connoisseurs, lovers, or fans of Japanese culture. Some informants, for instance referred to a segment of international customer as “generation *anime*”, who was familiar with and passionate about Japanese animation. As an informant explained:

Generation *anime* is becoming adult and soon they will start to have money. The knowledge about Japan of 50-year old and 20-year old is very different now. So when [the young ones] start to have money, it will create a very good market. (Kimura Oshidou, Vice president)

Some firms also initially sold their products in gift shows to foreign customers who had no knowledge of Japanese culture, but occasionally bought Japanese craft as exotic curiosities. Gift shows, such as NY NOW in New York, Maison & Objet in Paris, or Springfair in Birmingham, UK, are large annual trade fairs where producers of objects for the home and/or gift-giving have the possibility to meet distributors and customers. Owner-managers would often attend these events personally to illustrate their products, and attempt to personally help customers appreciate their value. As the manager of Kyoto Maimu told us:

When we go abroad, we always show how to wear *kimonos* to our customers. We dress them, and sell it to them. We teach how to wear *obi*. We do not use one-touch *obi*, but the real one... In fact, in order to show and communicate the real Japanese culture, I myself need to go to abroad. (Kyoto Maimu, Owner-manager)

Our informants considered these shows a “good way to start internationalizing for the inexperienced craft firms” (Unsoudou, President), but they also pointed out that their commercial potential was usually limited. Only for some of them, gift shows continued to be important sales channels over time:

In the beginning, we had in mind to sell our products to foreign businesses. However, we noticed that for us it is unthinkable to mass-produce... We make all our products by hand, and no two products are the same ... We noticed that gift fairs are actually valuable sale channels, because we are freer to do what we want (Kyoto Maimu, President).

While most focal firms eventually overcame their reluctance and recognized opportunities to modify product design to meet local preferences, some maintained this strategy over time, as they realized that their target customers valued their products, as genuine Japanese craft, more than they expected. Their international sales, however, remained limited.

Cultural Adaptation

After initial attempts to sell their products unmodified to selected segments of the market, six out of ten firms began to explore adaptations of their product design to better fit with the different preferences, lifestyles, and meaning systems of their foreign customers (one, as mentioned earlier, had unsuccessfully tried to do so at an early stage of internationalization). This strategy was primarily driven by the recognition that, with rare exceptions, selective targeting only offered limited opportunities for growth. Managers saw adjusting product features, packaging, or presentation as a way to escape the

growth constraints posed by the somewhat limited size of the target segment of culturally knowledgeable customers who were able to independently understand and value the products. We refer to this strategy as *cultural adaptation* (see Table 3 for a narrative summary of illustrative cases, and Table A3 in the Appendix for further examples).

*** Introduce Table 3 here ***

The firms that shifted their strategies built on prolonged exposure to local customers' choices and tastes (e.g. Kimura Oshidou and Okumura Kikaku) or were encouraged to do so by local intermediaries who helped them see opportunities to adjust their offer (e.g. Isuke Shouten). To implement this strategy, these firms began to collaborate with independent domestic designers to introduce functional or aesthetic modifications to the design of their products (see Table 4 for visual examples).

*** Introduce Table 4 here ***

The vice-president of Kyoto Okumura, for instance, explained that Chinese customers appreciate Japanese *kimono* fabric, but in their culture there were no opportunities to wear such garments:

What we think is good and what foreign customers think is good are different. We need to close this gap. So, we have been making an effort to create traditional products that can be used by foreign customers. For example, we can try to sell *kimonos* in China, but [Chinese customers] cannot wear it on their own. Instead, we modify them [by using the same fabric] to make wallets and bags.

As Table 4 shows, in 2006, Maruwa Shougyou began to produce its *furoshiki* (a square piece of cloth that, in Japan, has been used to wrap and carry things for hundreds of years) in a larger size, and market it internationally as a tablecloth, which managers hoped would be easier for non-Japanese customers to incorporate in their consumption practices. The product was commercially successful in the US and Europe, and was still in the catalogue at the time of our study. Isuke Shouten changed the size and the shape of its traditional lacquerware to design a wine bottle container that could better fit into the range of kitchen tools Western customers used. Kyobutugu Kobori modified their traditional *zazen* tool to connect to the yoga trend in Western societies:

When we go to these foreign exhibitions, we realize what kinds of products [customers] prefer. For example, we noticed yoga was becoming more and more popular, so we created this tool, which is smaller and more practical to use ... So rather than totally changing the product, we are trying to modify them based on the information [we collect] (Kyobutugu Kobori, Foreign sales manager).

At this stage, while introducing alterations to the design of their products, firms maintained the use of traditional material and techniques to new product design, as they believed that the quality of craftsmanship was essential to their foreign customers' appreciation of the products. As an informant explained:

When we go abroad, customers look at our products carefully. What I learned abroad is that what matters is the quality of the product and the sophisticated craftsmanship (Kyobotugu Kobori, Foreign sales manager).

This commitment, however, often posed constraints to the growth of international sales whenever new products encountered the favor of foreign customers. For instance, a craftswoman from Maisendou, a producer of *sensus* (Japanese traditional fans), explained how difficult it was to keep up with growing demand, because production could not be hastened without damaging the quality of the product:

Depending on the product, I paint 40-50 *sensus* a day. ... The most expensive fan for normal usage is around 50,000 yen [*around 450 USD*]. However, there are special *sensus*, made from a tree called *byakudan*, that are twice as expensive ... When it comes to complicated one, it takes many weeks to paint just one. ... I start with the design myself, and decide all the colors myself. ... I have my own room because the sound of footstep is sufficient to make me lose concentration.

Similarly, a craftsman from Kyobotugu Kobori explained how important it was to use natural wood and traditional techniques, which could not be replaced with automated production:

We respect the nature, nature gives us the kindness and calm feeling ... We put the wood into sea water for two years, and then we dry the wood for another two years, because drying with machine does not result in quality that lasts long (Kyobotugu Kobori, Craftsman).

Shortage of skilled labor and the difficulty to transfer sophisticated techniques outside the local community contributed to restrict the ability of craft firms to expand their production capacity to meet foreign demand.

On the distribution front, compared to the previous strategy, cultural adaptation relied more heavily on local intermediaries who were highly knowledgeable and/or passionate about Japanese craft. The craft firms we studied were reluctant to work with large trading companies, who, as a representative of the Kyoto prefectural government explained, cared little about products characterized by relatively uncertain sales and low overall margins. Further, as the president of Isuke Shouten explained, craft products are often expensive – because of the quality of material and craftsmanship – and, even if tentatively adapted to local tastes, proper presentation is essential to justify their high price. Large

trading companies, however, showed little interest in doing that. Hence, craft firms preferred to rely on smaller intermediaries that displayed a particular interest in their products, and were willing, not only to promote them locally, but also to help producers learn about local preferences and adjust their efforts accordingly. These distributors supported a cultural adaptation strategy by facilitating not only the cross-border transfer of goods but also the cross-cultural transfer of meanings (see Table A5, in the Appendix, for illustrative evidence).

In part, specialized distributors helped firms to convey the cultural significance of their products locally, by educating local customers about the particular meaning of objects and the cultural context that they were part of (see Table A5). “Culture and customs differ” – a Malaysian intermediary explained – “and many [customers] don’t understand the purpose of the products in the first place”. Informants explained that their customers tended to have some knowledge of Japan and its culture, and that they built on this basic knowledge to “tell more unusual stories” (Export intermediary, United States) that could increase the attractiveness of the product by conveying its culture-specific meanings. “Our customers usually have a narrow knowledge of Japan, such as practicing martial arts, or manga and anime.” – a Slovakian intermediary explained – “We are like the gate for them to a much richer and broader culture”.

Cultural storytelling. When promoting these products in their stores or at local festivals, intermediaries often used a broad range of communication forms – writings, pictures, videos, etc. – to enrich narratives aimed at vividly portraying the cultural context within which the production and consumption of these products occurred: the time-honored techniques used to manufacture them, and the cultural traditions and daily rituals that gave them meaning. An intermediary from Slovakia remarked: “We do try to educate and introduce our customers to the wider culture of Japan”. As an Italian intermediary explained:

With the majority of our customers, we verbally explain the meaning and origin of the various types of craftwork and other goods. For some categories, we produced some printed cards with the explanations, as these items are frequently purchased as gifts, so those who received the gift would be able to understand what he or she has received.

By doing so, intermediaries attempted to enhance what scholars refer to as the symbolic (Ravasi & Rindova, 2008) or cultural (Lawrence & Phillips, 2002) value of these products for foreign customers,

thereby increasing their willingness to pay their premium price. This idea was aptly summarized by a Spanish retailer, who remarked that “we not only sell the goods but the concept behind it.” Accordingly, this retailer would occasionally organize cultural events such as *ikebana* classes, tea ceremony events, *shamisen* concerts.

Sharing experiences and emotions. Informants also recounted how they attempted to enhance their storytelling by drawing on personal experiences of the products and the cultural context of which they were part of. A Chinese intermediary, for instance, mentioned the importance of familiarizing oneself well with the background of these products, in order to add credibility and depth to one’s stories:

When it comes to more expensive products, it is important to tell the story. The background stories include the handmade aspect of the products, the meanings behind the labels, use of leaflets, etc. for me it is important to personally go to Japan and see the factories, and accumulate my own experience with the Kyoto culture. In this way, I can tell stories based on experience.

The stories that intermediaries shared often reflected a personal passion for Japanese craft and disclosed genuine emotional response to the products (see Table A5 for other examples):

I take pictures to show the beauty of the product in detail, and for some products I make short videos. Each video is a part of my emotion and a part of my love for each of product I sell and towards Japanese culture. People feel what is done from the heart and what is filled with love. When you put your soul into your business, it resonates. This is one of the most important reasons why Japanese craft (especially hand-made) is so loved and so attractive. In each brushstroke on the body of the *kokeshi* doll, we can feel refined taste, devotion, diligence, and love (Export intermediary, Russia).

Highlighting product distinction. Export intermediaries often helped customers discern differences between original high-quality craft and cheaper products of dubious origins. An intermediary from Spain remarked:

One of the threats is that there are more and more Chinese copies in the market. We try to distinguish [copies from the original] and explain the reason behind the high price in our store.

By doing so, they also helped defend the local image of Japanese craft. As another informant explained: “Confusion is created by a vast quantity of ‘craft’ items sold as Japanese but probably not of Japanese origin. This confusion detracts from the perceived value of [Japanese] goods.”

Importantly, these export intermediaries did not only try to increase the appeal of the original products for local customers by transferring cultural knowledge required to understand and appreciate them. They also used their knowledge and understanding of local customers – their customs, lifestyles,

etc. – to adapt local offering (see Table A5), helping producers select, present, or possibly even design products in order to increase their appeal in the host market.

Repurposing objects. At times, intermediaries suggested alternative uses of craft products that might fit better the lifestyles and tastes of local customers. As a Chinese distributor exemplified:

Also in China we have the tea ceremony. But some customers like to use a sake cup to drink Chinese tea. This is because the size is about the same, and it is high quality and beautiful. On the other hand, traditional Japanese tea ceremony bowls do not sell well, because [to a Chinese customer] they look like soup bowls. So if anyone buys them, it is for decorative purposes. ... In a way, the purpose of use is modified to fit with the Chinese customs. I encourage such way of selling.

A Swedish retailer offered numerous examples, including the use of *hashi* [chopsticks] as hair accessory, *ochoko* [a sake cup] to hold eggs, *washi* [traditional Japanese paper] as interior design, and *kimono* fabric and *obi* [a broad sash worn around waist of a Japanese kimono] as curtain or table cloth.

Suggesting limited modifications to product design. Export intermediaries also used their knowledge and understanding of the local culture – its everyday practices, aesthetic preferences, and symbolism – to suggest minor modifications to how products were designed, packaged or communicated to increase their local appeal. As a Swedish retailer explained, sometimes, even minor changes to how a product was presented could have significant impact on sales:

We don't suggest to Kimura-san to modify the product, but to change the display and explanation. For example, rather than using a standard yellow paper to explain the use of the object in English, we now use a paper (*daishi*) that has gold spread. After this small modification, the product became more popular.

By doing so, they transferred precious cultural insights to inspire minor product modifications that could nevertheless increase the local appeal of a product (see, for instance, the case of the larger-than-normal *furoshiki* sold as a table cloth, mentioned earlier). As an intermediary from Slovakia observed:

Sometimes customers understand better when they find similarities with their own cultures. For example, in Slovakia we have embroidery similar to *shishuu*. ... On the contrary, because we have traditionally blue and white ceramics in Slovakia, our customers do not wish to buy Japanese ceramics that have these colours. They feel they are not traditional Japanese. They prefer ceramics with red and black colours.

At the same time, informants reaffirmed the importance that even these alterations respected the integrity of the products and the work of the craftsmen. As another intermediary, a wholesaler connecting Japanese craft firms with local distributors, explained:

I suggest to redesign *kimonos* into scarfs, skirts, t-shirts... I give indications about the size ... I think I sell well because I can re-design. [But] I cannot easily re-design other craft products. Craftsmen have pride... I myself used to make crafts in the past, so I understand how a craftsman feels. I do not want to interfere with their expertise and tradition... So when local customers ask for weird stuff and make certain requests, I tell them it cannot be done (Intermediary, United States).

Tailoring selection of offering. As the prior quote suggests, when intermediaries could not see opportunities to repurpose objects or would not suggest minor modifications, they nevertheless communicated to producers what types, sizes, patterns, and colours sold well and what did not, to help them select the right products to the right markets. For example, an intermediary from Russia highlighted that not always objects in *kawaii* (cute) style were appreciated by the locals:

When I had dishes in stock in *kawaii* style, buyers kept asking me: Who's this for? For children? All that falls under the *kawaii* style – dishes, accessories, household goods – [in Russia] are perceived childish.

Compared to selective targeting, this strategy seemed to produce, on average, better commercial results. In most firms, the adoption of this strategy increased international sales to six to ten per cent of total sales, with peaks of 15 per cent for Kimura Oshidou, and 70 per cent for Okumura Kikaku, whose international sales soared after the establishment of a directly owned store in a department store in Hong Kong, as revenues for domestic sales declined (see Table 3 for examples).

Cultural Transposition

At the time of our study, three of the focal firms – Maruwa Shougyou, Isuke Shouten, and Kyobutugu Kobori – had begun to explore a third, more sophisticated strategy to address cultural specificity and embeddedness. This strategy – which we refer to as *cultural transposition* – sought opportunities for further growth outside the traditional product-market categories, by collaborating with foreign designers (as opposed to domestic ones) to envision entirely new products (as opposed to extensions or modifications to existing product lines) that flexibly applied traditional techniques or stylistic elements to new products and product lines that could appeal to foreign customers and, ultimately, even domestic ones (see Table 5 for case summaries, Table 4 for visual examples, and Table A4 in the Appendix for further evidence).

*** Introduce Table 5 here ***

Informants explained that they decided to engage in this strategy because they “felt the limitation of just selling the traditional and modified products and wanted to try something more novel” (Isuke Shouten, President). The collaboration with foreign designers was intended to develop products that had “non-Japanese design” (Isuke Shouten, President), but at the same time made use of traditional techniques and materials, thus contributing “to find ways to provide job for the craftsmen” (Kyobutugu Kobori, International sales manager) (see Table A5).

Exploring opportunities for cultural appeal. The newly designed products were quite distinct from the traditional products that the three firms sold in Japan (see examples in Table 4), as foreign designers helped managers identify cultural elements, such as traditional techniques or product aesthetics, that, applied to entirely new product categories, could increase their appeal to foreign tastes and/or imaginary. The Komyo series by Kyobutugu Kobori, for instance, was a collection of “wall art” (see Table 4) that combined techniques usually applied to Buddhist religious items with the creative vision of foreign designers. The company presented the new product as “evoking the history of Kyoto’s temples, Buddhist products, sculptures, lacquer, and the gold leaf technology handicrafts, but in daily-life applications” (Kobori website).

Repurposing traditional skills and materials. As the previous example indicates, foreign designers helped craft producers reach foreign consumers by envisioning alternative ways to use their traditional skills and materials, more appropriate to contemporary or foreign taste and lifestyles. As a designer collaborating with Isuke Shouten explained:

I met Okino-san during a workshop in Paris... The goal was to enhance *urushi* lacquerware with new products conceived by designers. After four days of working we came to the conclusion that the perceived value of natural *urushi* lacquerware was low because of the competition of plastic products. Customers do not understand the real value of this ancestral know how when [a product] stands side by side with a similar one in plastic. We decided to choose a product typology that would support the real value of natural *urushi* lacquer. I began to design a lamp, because of the high added value of this kind of object.

In addition to their traditional Japanese *furoshiki* wrappers, Maruwa Shougyou began producing hand bags developed in collaboration with Finnish designers, the aesthetics of which was “inspired by Nordic nature” while remaining grounded in traditional production techniques. As a Finnish designer working on the new line observed:

As a designer I admired the love for details and simplicity of Japanese traditional craft. I wanted to take the best of that spirit to make a contemporary product. That is to say, a simple and useful product for our modern life. We mostly live in big cities and we need convenient products to carry our daily stuff. We looked for a simple way to keep the *furoshiki* spirit and make it shine through the simplest way to make knots for beginners. That allowed us to invent a new handle that Maruwa patented.

Breaking with traditional aesthetic conventions. Foreign designers also encouraged producers to challenge the constraints of traditional aesthetic conventions about shapes, patterns, colors, or finishes, and to consider alternatives that could appeal to a broader international audience. Based on a collaboration with a French designer, for instance, Isume Shouten released the KOMA product line, which combined the traditional lathe technique with colors and designs new to Japanese traditional lacquerware and considered more “suited to everyday use”. The designer involved in the project explained the time-consuming process of radically changing product form:

I came [to Kyoto] several times, four years in a row. During this time, we changed the aesthetics of the product a lot. We tried different possibilities, before finding the best one. I was there to suggest solutions, to steer the project towards finding new ideas when we encountered an issue.

Cultural transposition, then, shifted focus from foreign customers interested in Japanese culture to targeting a broader audience. Symbolic connections with Japanese culture and tradition were subtler, less apparent. The striped decorations of the KOMA line, for instance, did not belong to Japanese aesthetics; it was only the red lacquerware that decorated the inside of these bowls that connected these objects with their Japanese maker. Similarly, the handbags produced by Maruwa Shougyou used *furoshiki* fabric, but their shape and decoration reflected Western design and aesthetics.

The cultural embeddedness that characterized the operations of these firms, however, required extraordinary efforts from managers to address difficulties arising from designers pushing craftsmen to depart from cultural conventions. These difficulties occasionally caused frictions and delays and required managers into what they described as relentless “negotiation” with craftsmen.

Some difficulties were associated with technical complexities (see Table A4) due to demands from foreign designers that required craftsmen to push the boundaries of what their training and skills conventionally induce them to consider appropriate and feasible. The president of Isume Shouten, for instance, once expressed his frustration at the refusal of craftsmen to accommodate the request of a French designer to have a 43-degree curve in a dish because they claimed that traditional techniques

did not allow them to achieve more than 40 degrees. Eventually, however – after the prolonged insistence of the president himself – craftsmen accepted to question their convictions and eventually managed to produce the desired curve.

Other difficulties were associated with social complexities (see Table A4). These complexities were partly tied to language barriers and cultural differences that at times interfered with communication and slowed down the process. As informants involved in a project at Maruwa Shougyou explained:

The first [difficulty] is the language barrier. It is hard to communicate the detailed nuances. Also, the temporal orientations are different, while Japanese are strict, Westerners are looser, so I cannot control the time well (Maruwa Shougyou, President).

The most difficult part was to communicate with precision in a language which was not our mother tongue... Understanding all the constraint of the Japanese spirit, organisation and production wasn't easy... In France we don't hesitate to say that we don't like an option. In Japan it seems to be different [so] it took some time to understand some production constraint (French Designer, #2).

More importantly, the unconventional use of traditional skills sometimes raised the concern of craftsmen, who initially refused to introduce what they saw as needless change in well-honed techniques or saw their application to different product domains as violating long-standing traditions. An informant at Kyobotugu Kobori, for instance, testified that, when attempting to produce novel products for international market, “the most difficult aspect was [for the craftsmen] to accept the need to be flexible”:

In Buddhist altar equipment, one of the traditional artisanal skills involves painting the wood flawlessly. However, the French designer said that, by doing so, it looks like [the object] is made of plastic. She completely rejected the traditional skills. [To accommodate her request] the craftsmen had to oblige and paint the wood less carefully with some “flaws” to give it a handmade flavor. But craftsmen are proud of their highly polished painting skills, refined in decades of training. So, this adjustment was more difficult than I can express with my words. It was only because of our previous success on international markets that they eventually accepted to be flexible.

Products resulting from these collaborations were not initially marketed domestically, because salespeople were afraid of the potential backlash and reputational damage that might come from objects that broke with conventional uses of traditional techniques in a conservative community like Kyoto (see Appendix A for examples). Indeed, some firms were criticized by customers or competitors. Some tried to mitigate this criticism by pointing out that, while breaking away with tradition, the increased appeal of products abroad helped promote Kyoto and its traditions more generally, and create more work for the craftsmen in Kyoto. The international sales manager of Kyobotugu Kobori, for example, said:

The firm began collaboration with the French designers, and sell products in Europe. This is because the products (such as accessories) that sell well in Asia do not provide much work for the craftsman in-house. Because the domestic market is declining so rapidly, it is important to find a way to apply the traditional craftsmanship in other products.

To successfully market the new products, the three firms compartmentalized the sales function by creating units dedicated to the sales of the two different types of products. One informant explained how they did so to achieve “consistency in branding”:

Right now, there is no bad influence. However, if the new products start to sell well, we might need to create another firm just for them. We need to distinguish it from the current brand. We need to lower the price, while at the same time keeping the quality, so we need to separate the two lines. (Kyobutugu Kobori, International sales manager)

At the time of our study, only Maruwa Shougyou had managed to generate a steady stream of international sales from these products. According to Isuke Shouten and Kyobutugu Kobori, their products had not found the right sales channel yet in the Western markets. The difficulties that these firms encountered, however, did not seem to suggest that this type of strategy was ultimately inferior to others, but likely reflected a combination of limited resources to support large-scale commercialization and/or the lack of familiarity with the distribution in the new sectors they targeted. More ambitious and potentially more rewarding, this strategy also posed new challenges. At the time of our study, the three firms we examined had only begun to explore its implications. All of them, however, showed their commitment to this new endeavour by reorganising their sales operations to support these efforts.

Interestingly, in all three cases, these strategies eventually had positive resonance on the domestic market, as the radicalness of the experiment – not a mere variation of traditional products, but the creative exploration of new applications for ancient techniques and materials – attracted the attention of the media, and earned these firms’ visibility and recognition. In all the three firms, the free and unexpected publicity in the domestic market (such as featuring in a TV show about the challenges of product innovation with foreign designers) eventually opened up opportunities to increase domestic sales (see Table 5). In the case of Kyobutugu Kobori, in particular, the new product line sold as much at home as internationally, pushing managers to reflect on the opportunity of spinning the business off and creating a dedicated company.

International Growth as Driver and Outcome of the Three Strategies

All the strategies were ultimately driven by the search for international growth, although this search manifested itself in different ways and took different routes. *Selective targeting* was usually adopted as way to *address a need for growth* – diminishing market demand pushing the craft firms to internationalize, in the hope that additional sales from foreign markets would help them compensate for decline at home. This strategy was initially aimed at replacing decreasing domestic sales with minimal disruptions in domestic operations, as products would still be produced in the same form and in the same way. The commercial potential of this strategy, however, remained limited to particularly receptive niche targets, such as collectors, connoisseurs, or fan communities, that possessed the cultural knowledge required to understand and appreciate the products (and to be willing to pay a premium price for them). In the only case in which this strategy led to substantial international sales, Kyoto Maimu, the high proportion of foreign sales over total revenues reflected the small size of the firm and the gradual reorientation of its efforts from the domestic market to more promising international ones.

At the time of our study, only three firms in our sample stuck to selective targeting – a choice that can be explained by their limited resources and high-risk aversion (Chuo Kagohiro), or their relatively recent engagement in internationalization (Maisendou and Suzuki Shoufudou). In most other cases, this strategy represented a transitory stage towards the exploration of forms of adaptation that could increase the appeal of their offer to foreign customers and expand the target clientele. The sustainability of this strategy, then, ultimately seems to rest on the relative size of the segments that are selectively targeted, and the value that these customers place in the “authenticity” of the products (Arikan et al., 2020; Beverland, 2004). Fan and Tan’s (2015) observation that Singaporean craft products have more difficulties accessing Western markets, but are more easily exported to South-East Asia, where they encounter the favour of the large ethnic Chinese communities, suggest that this strategy may indeed be viable to the degree that sizable receptive audiences exist. Alternatively, this strategy may succeed in those markets or segments that consider the foreignness of a product or a producer *per se* a source of advantage, or consumer spontaneously re-shape the meanings of foreign products to enhance their cultural compatibility (Eckhardt & Mahi, 2004).

In contrast to selective targeting, *cultural adaptation* was driven by increasing confidence and the will to overcome *growth constraints* associated with the previous strategy. This strategy reflected more ambitious growth plans and the willingness to invest more resources in its implementation, such, as for instance, increasing time and attention dedicated by owner-managers to foreign markets. The adoption of this strategy helped firms to cater to a broader foreign clientele and increase their international sales, both in absolute terms and in proportion of total sales. It did not require target customers to possess the necessary cultural knowledge to appreciate and value one's products, and instead, it used export intermediaries to address culture-specific preferences of foreign customers. In fact, it could be argued that this strategy may be more effective with customers who possess only a moderate, if any, knowledge of the domestic culture and tradition of the craft firm, because – as some intermediaries we interviewed mentioned – these customers may more readily accept products that, by having been redesigned to appeal to foreign tastes, may no longer be considered an authentic expression of these traditions². Interestingly, the only case of failed adaptation was Kyoto Maimu, who engaged in this strategy before selective targeting, thereby forgoing the opportunity to learn about local tastes and preferences. In this case, the adapted products – Hawaiian-style shirts made of *kimono* fabric – probably reflected more the managers' imaginary, rather than a deep understanding of American tastes and lifestyle.

Cultural transposition, finally, reflected the highest international growth orientation accompanied with an intent to *explore growth opportunities* in new domains, often requiring producers to enter entirely new product markets or to search for different distribution channels, or implying radical departures from conventional product forms and aesthetics. Compared to the other two strategies, the scope of this strategy is potentially wider, as it may ultimately lead to simultaneously appeal to foreign consumers who do not necessarily possess the cultural knowledge required to understand and appreciate original products, and domestic ones who may value a re-interpretation of cultural traditions that are more compatible with modern lifestyles and tastes.

² See Spielmann (2016) and Magnusson, Westjohn, and Sirianni (2019) for research showing the negative impact of perceived lack of cultural authenticity on consumers' preferences. Furthermore, see He and Wang (2017) and Nie and Wang (2019) for research showing the importance of the perceived compatibility of local and foreign cultural elements on the acceptance of products that mix elements from different cultures.

The unintended domestic resonance of the outcome of these experiments indicate that this strategy – albeit risky, because it takes firms in unfamiliar commercial territories of uncertain return – seems to have the potential to simultaneously address both cultural specificity and cultural embeddedness. It does so as foreign designers bring a fresh perspective that helps managers and craftsmen envision opportunities to serve foreign markets (and indirectly, as we have seen, the domestic one) that break away with conventional templates. At the same time, the incommensurability of new products and traditional ones helps firms escape accusations of betraying time-honoured traditions, as reflected in the fact that, far from being stigmatized, these experiments attracted the attention and the praise of popular media.

Temporal Relationships: Sequential vs. Parallel Adoption of the Three Strategies

The firms in our sample adopted the three strategies somewhat sequentially, possibly reflecting a learning process that enabled managers to gradually explore more sophisticated strategies – pushed by the search for growth opportunities, and within the constraints of their limited resources.

Almost all of them started probing international markets through selective targeting. The only firm in our sample that directly attempted to enter foreign markets through cultural adaptation – Kyoto Maimu – was not successful at first, suggesting that selective targeting may be important, at an early stage, to acquire useful knowledge about foreign markets to direct cultural adaptation. Most of the firms we observed eventually ramped up their efforts and engaged in cultural adaptation to reach a broader potential clientele. However, not all of these efforts were successful, and some firms had to redirect their attention to more similar markets and cultures, to which they could adapt more easily. For example, after its failed attempt to adapt its products to the US market, Suzuki Shoufudou successfully managed to enter the Taiwanese market, which – they discovered – was more receptive to paper-based traditional Japanese products.

At the time of our study, only three firms had explored opportunities to transpose elements of tradition in entirely novel products addressing both foreign and domestic markets. By no means, however, we argue that cultural transposition necessarily represents the “best” or “most successful”

international strategy for firms facing tensions between cultural specificity and embeddedness (in fact, as we mentioned, at the time of our study, performance outcomes were still mixed). Rather, the three strategies we observed represent three forms of increasing engagement with foreign cultures, and increasing detachment from the domestic cultural conventions within which firms operate. Different strategies, in this respect, represent growth opportunities that a given firm may decide to explore or not, depending on available resources and performance ambitions. Indeed, one of our cases, Kyoto Maimu, shows how selective targeting can be an entirely viable course for a firm that has no resources (nor perhaps the growth orientation) to expand international sales further than what the targeted communities currently yield.

It is important to understand that these strategies were not mutually exclusive – indeed, some firms selectively targeted some markets, while adapting to others, and, at the same time, exploring transpositions into novel product line – but can be used in sequence and/or combination to help a firm increase international sales by tapping into only partly overlapping pools of customers. More sophisticated strategies, therefore, did not necessarily replace simpler ones, but were frequently adopted in parallel in different markets – or even co-exist in the same market – depending on the relative cultural differences and/or the extent to which the targeted segments were knowledgeable about the home culture.

For example, at the time of our study, Isuke Shouten had been selling traditional, unmodified products in China since 2010, and adapted products in Europe and in USA since 2007 and 2008, respectively; more recently it had introduced in China new products resulting from cultural transposition, alongside its traditional ones. Similarly, although Maruwa Shougyou's major revenue came from the culturally adapted and transposed products, in parallel, they continued the sales of traditional *furoshiki*. Progression from one strategy to the next, therefore, can be understood not only in terms of the linear replacement of one strategy with another, but also in terms of the gradual enrichment of a portfolio of strategies targeting multiple countries.

Finally, it is important to notice that, consistent with the idea that strategies are partly deliberate and partly emergent (Mintzberg & Waters, 1985), the transition from one strategy to another was not always

the result of deliberate decisions. In some cases, it was the prolonged engagement of managers with a foreign market that led managers to explore potential adaptations; other firms turned to intermediaries for the distribution of the original, unmodified products, and were then prompted by them to adapt them to local cultural tastes. In fact, the very engagement with local distributors was not always the result of deliberate search; occasionally, intermediaries would offer their services, subsequently prompting a shift to a more sophisticated strategy.

Consistent with a notion of strategy as a pattern in a stream of decisions and actions (Mintzberg, 1979), then, what we observed was rarely a deliberate shift from one strategy to the next, but the gradual exploration of alternative paths, as the combined effect of multiple decisions about products, portfolios, and sales channels, eventually led selective targeting to morph into cultural adaptation, or sometimes to co-exist in the same or different markets. To the managers who took these decisions, they did not present themselves as discrete alternative choices to be selected (although, when presented with our analysis, they recognized our classification as effectively portraying the course of action they took).

Accordingly, transitioning from one strategy to the next was not always clearly cut, and some intermediate phases could be characterised by a mix of elements of different strategies. For instance, while the adoption of selective targeting was usually associated with limited use of intermediaries and the direct engagement of owner-managers in international sales and promotion, occasionally some producers did rely on local distributors to sell original, unmodified products. In these cases, these intermediaries supported selective targeting by helping producers liaise with target segments that were already knowledgeable about the products (and they valued it in the original, unaltered form), and/or supporting producers in ‘educating’ potential customers about the meaning and value of products. In the cases we observed, however, this role tended to be the limited in time, usually marking a gradual transition to cultural adaptation. This was because, in order to increase sales, the intermediaries would soon begin to suggest modifications of the local offering – tailoring it to local tastes, adjusting presentation, suggesting alternative uses, etc. – that could increase the local appeal beyond the culturally savvy segment.

DISCUSSION

Our study used the case of ten Japanese craft firms to investigate how SMEs navigate tensions between the cultural specificity of products and the cultural embeddedness of operations when expanding internationally. Our findings point to three strategies available to managers to do so. We refer to these three courses of action as “cultural strategies” because (i) they reflected three different ways of handling the cultural specificity of products and embeddedness of operations, (ii) implied different degrees of adaptation (or lack thereof) of culturally-meaningful features in product design, manufacturing, and communication, and (iii) relied in different ways on intermediaries to bridge cultural differences between host and home markets (see Table 6 for a summary of the three strategies, and Table 7 for a summary of the micro-practices through which intermediaries helped firms addressing cultural differences). While prior research generally focused on whether to adapt one’s product or not, then, we took a step further, to illuminate how to do so, and with what implications for design, production, and sales.

*** Insert Table 6 and 7 here ***

Cultural Differences and the Content and Process of Product Adaptation

Past studies suggest that when exporting culturally-specific products, firms may face difficulties arising from the inability of local customers to understand and appreciate their products, even when they possess firm-specific advantages or country-of-origin advantages (Brannen, 2004; Delmestri & Wezel, 2011). Successful entry in foreign markets, therefore, may require producers to alter their products to better adapt to local customs, preferences, and meaning systems. Because of the cultural embeddedness that frequently characterizes their operations, however, adaptation may not only be difficult to implement, for these producers, but also to envision in the first place.

Research in International Business has begun to move beyond the general assumption that cultural differences require adaptations in product size, functionalities, packaging, name or other features (Buzzell, 1968) to theorize how different meaning systems affect consumption (and indirectly international marketing decisions). It has recognized, for instance, that cultures may differ in how

familiar consumers are with certain product categories, and/or how meaningful these categories are to them (Jacubanecs & Supphellen, 2016). Scholars have also observed that while some product categories (e.g. burger) may have become well-known, accepted and appreciated globally, they may still require adaptation to local customs and values (e.g. lamb burger, vegetarian burger, etc.) to “allow ... consumers to more easily assimilate the product within traditional cultural schemas” (Merz et al., 2008: 176). While our understanding of how cultural differences influence consumption have advanced, however, we know far less about how internationalising SMEs handle potential misalignments between their product and the meaning systems of consumption in host markets.

Our study advances this discussion by highlighting three alternative strategies available to producers of culturally-specific products and examining in-depth their implications for international and domestic operations (see Table 6). By doing so, we move beyond the traditional contraposition between standardization and adaptation, and – in line with more recent developments (Jonsson & Foss, 2011; Merz et al., 2008; Poulis & Poulis, 2013) – we offer a more nuanced portrayal of choices available to this type of firms as they internationalize. One of these choices – cultural transposition – seems to transcend the traditional dichotomy between standardization and adaptation, in that it appears to resolve this dilemma by rejecting this continuum altogether. Instead of trying to increase international sales by incrementally modifying a standardized product to appeal to foreign customers, it explores growth opportunities in entirely new markets. It does so by anchoring the pursuit in the firm’s unique, culturally-embedded resources, rather than in degrees of adjustment to host market culturally-bound preferences, and by partnering with foreign collaborators – who can help relate to unfamiliar meaning systems – to explore novel ways to use these resources to enter foreign markets.

As we do so, we also begin to unpack the mechanisms through which firms adapt to cultural differences by making unfamiliar objects or technologies not only familiar but also valuable. We show how recombining aesthetic and technological elements of culturally-specific products may help to separate the unfamiliar (category, function, possibly aesthetics, etc.) from the potentially valuable and appealing (materials, skills, possibly aesthetics, etc.), retaining the latter in a form that better fit local customs and conventions. By doing so, we extend fledgling research on “cultural mixing”, examining

how different ways of combining foreign and local cultural elements affect consumer preferences (e.g. Nie & Wang, 2020).

Our findings also deviate from prior research by portraying product adaptation not as a stark choice, but an ongoing process that unfolds along with a firm's international expansion – the cumulative result of multiple decisions about how to design, produce, position, present, narrate a product; some deliberate, some improvised; some made at home, some made locally, as producers and intermediaries explore ways to bridge cultural differences and compensate for cultural specificity, overcoming the constraints posed by cultural embeddedness. In this respect, our study begins to illuminate the lengthy process of learning and unlearning, adjusting and rethinking that underlie managers' efforts to strike a balance between standardization and adaptation – or, as we mention, transcend this dilemma altogether – as they internationalize.

Finally, but no less importantly, our focus on the experience of small and medium-sized enterprises offers an alternative perspective to the discussion on product adaptation which has been traditionally dominated by multinational enterprises (e.g. Doz et al., 1981; Katsikeas et al., 2006; Prahalad & Doz, 1987; Subramanian & Hewitt, 2004; Venaik & Midgley, 2019). Even today the majority of research of internationalisation of SMEs is still based on large-scale quantitative studies and by adopting a qualitative, case-based approach we complement this work by shedding light on how this type of firms address the challenges related to cultural differences.

From Export Intermediaries to Cultural Intermediaries

When adopted sequentially, the three strategies that we observed marked an increasingly proactive engagement with cultural specificity and embeddedness. Managers gradually transitioned from mere *awareness* of cultural specificity – leading to a selective search for knowledgeable and receptive audience – to engaging more *reflexively* with cultural differences, for instance, by exploring what elements of design could be modified to increase the compatibility of products with foreign customers' meanings systems and lifestyles, without altering traditional techniques or materials. Reflexivity, in turn, was a pre-condition for *re-contextualizing* cultural elements – an act that required the willingness

to radically break away from cultural conventions to explore ways to recombine elements of domestic and foreign cultural systems into entirely new product offerings.

These observations contrast with the generalized assumption, in International Business studies, that national cultures will largely shape decisions and actions of international managers, offering instead a more agentic perspective. Our findings portray managers not as passively, and largely unconsciously, acting with the system of beliefs and conventions that characterizes their culture, but periodically marshalling this meaning systems (see Giddens, 1984), and engaging more proactively with culture – theirs and their foreign customers’.

Crucial for the success of this proactive engagement, in the cases we analysed, was the role performed by sales distributors and foreign designers, serving in their capacity of cultural intermediaries – agents that operate at the interface between producers of culturally-specific products and foreign markets. In cultural sociology, this term is used to refer to individuals such as product designers or advertisers, who support processes through which products are infused with meanings that make them valuable in the eyes of consumers (Bourdieu, 1984; Du Gay et al., 1997). Similarly, in the cases we examined, the local distributors performed this role by transferring knowledge about the meaning systems that shaped local practices and preferences, and suggesting alterations to the composition or presentation of the offering to make it more understandable and/or appealing within this system. Knowledgeable about Japanese culture and Kyotoite craftsmanship, these distributors also helped transfer to local customers the cultural knowledge required to understand (culturally-specific) products and appreciate their symbolic value (see Table 7).

A second type of cultural intermediaries – product designers – helped the craft firms to envision new uses of traditional skills, materials, and aesthetic patterns that enhanced their significance for foreign customers. Designers’ professional expertise lie in their understanding of signification systems and aesthetic trends (Verganti, 2003). By possessing a more refined knowledge of their own culture than domestic designers do, foreign designers could be effectively harnessed in a trans-cultural co-creation of meaning. By this term, we refer to a collaboration among individuals – managers, craftsmen, and designers – embedded in different meaning systems, to envision products that partly transcend these

systems (by re-combining elements of both in novel ways) while remaining symbolically and/or substantially linked to them.

As this second example illustrates, the concepts of export intermediaries and cultural intermediaries only partly overlap, in that not all cultural intermediaries are also export intermediaries (foreign designers, for instance, are not), and not all export intermediaries also serve as cultural intermediaries (some, for instance, simply support foreign exporters from a logistical standpoint). In this respect, our study contributes to advance research on export intermediaries by examining in depth the micro-level practices through which they help address cultural specificity and embeddedness (summarized in Table 7) and the complexities associated with strategically using them to do so. While we produced these insights through a study of culturally-specific products, it seems reasonable to expect intermediaries to support adaptation in similar ways even in less extreme cases of cultural differences.

These observations are important because they offer unusual insight into how intermediaries help SMEs navigate the cultural dimension of the product adaptation-standardization dilemma. The idea that export intermediaries may help SMEs overcome a “liability of smallness” when internationalizing is well established in International Business studies (Peng & Ilinich, 1998). We know much less, however, about the role they can play in bridging cultural differences. A common assumption behind past studies is that large size enables export intermediaries to perform these functions more efficiently, by taking advantage of economies of scale, scope, and learning in order to compensate for SME’s limited resources (e.g. Balabanis, 2000; Goerzen & Makino, 2007; Peng & York, 2001). In contrast, our analysis suggests that, in the presence of cultural specificity and/or embeddedness, the usefulness of intermediaries for exporting firms may depend more on the depth of their understanding of local and host cultures, than on the scale of their operations.

Past research has largely overlooked the cultural role of export intermediaries. In fact, a rare study of intermediaries in the cultural industries argued the specialized, independent distributors may harm international sales by implicitly signalling product qualities that restrict the commercial appeal and reach of cultural products in culturally distant markets (Kim & Jensen, 2014). In contrast, our study suggests that specialized distributors may add to – rather than detract from – the commercial success of

culturally-specific products, and it articulates the more varied and proactive role that they may play in bridging distant cultural milieus. By doing so, we deepen Benjamin's (1994) original insights about how collaboration between craft producers, intermediaries and trade promotion officials is essential to positioning craft products at the upper end of the market.

Finally, it is important to point out that cultural intermediaries not only facilitate internationalization, but can also shape its trajectory. International strategies, our findings suggest, can evolve along different lines, depending on the particular expertise, goals, and motivations of the intermediaries involved in the process. Whereas large wholesalers, used to handling large volumes of relatively cheap products, may suggest adaptations that remove expensive features to compensate for the limited cultural knowledge of mass consumers (this was the case, for instance, of Isume Shouten in the United States), high-end specialized retailers, conversely, may help producers reach niche segments willing to pay for the premium price of original, authentic products, thereby confining adaptation to product presentation and enhancement (as it was the case of several intermediaries that we interviewed), or supporting selective targeting by helping reach receptive niche segments (such was the case, for example, of Isume Shouten in China).

Informants only mentioned a few cases where they consciously terminated the relationship with an export intermediary because they were unsatisfied with their collaborations. In these cases, the intermediaries ultimately seemed to lack the cultural knowledge required to really understand and appreciate the products, support cultural adaptation or, at least, help producers reach selected, highly receptive targets. These cases were too few to allow robust theorization, but they may point to a fruitful avenue for further research about the conditions that shape success and failure in the collaboration between producers of culturally-specific products and export intermediaries.

CONCLUSIONS

Our study uncovered three different strategies that firms may use to address the adaptability of culturally-specific products and the cultural embeddedness of operations when internationalizing. Our analysis revealed different trajectories that firms followed, as they explored different strategies over

time and in different markets. Shifting from one strategy to another usually reflected the search for growth opportunities in different geographical markets, customer segments, and/or new product/market segments altogether. At the same time, these decisions partly reflected resource availability: while available capacity initially pushed most firms to explore further expansion by investing in more sophisticated strategies, resource scarcity – primarily in the form of limited capacity of craftsmen, and time, energy and attention span of managers – eventually delayed expansion, or induced some to focus on selective targeting, as long as it appeared to generate sufficient revenues and margins to maintain the firm viable. Similarly, the selective entry into new markets, and/or replication of successful efforts into other markets or regions (or lack thereof) could often be explained by the limited time and resources available to owner-managers, who often carried the primary burden of these efforts.

The temporality of the observed decisions largely reflected an underlying learning process. Increasing familiarity with international activities and international markets generally shaped the sequential adoption of the three strategies, with nine firms out of ten adopting selective targeting as they began to internationalize, and introducing adaptations in their products only after having acquired a better knowledge and understanding of local tastes and preferences. Indeed, in the one occasion where alterations were introduced in the absence of knowledge, failure occurred. Future studies may examine in more depth the extent to which alternative routes are possible and viable, and under what conditions can firms successfully “skip” less sophisticated strategies and move straight to more sophisticated ones.

Heritage craft belongs to more general category of cultural industries (Hirsch, 1972; Wang, Gu, Von Glynow & Hirsch, 2020), a range of sectors characterized, among other features, by the predominance of aesthetic, symbolic, and cultural influences in shaping consumers’ choices (Lampel, Lant & Shamsie, 2000; Lawrence & Phillips, 2002). Our study, in this respect, answers a recent call to examine in more depth internationalization strategies in cultural industries (Wang et al., 2020), by beginning to unpack the tensions that small, unbranded producers of culture-specific products as they internationalize.

Our observations about the role of cultural intermediaries, and the relative importance of specialization vs. scale, however, likely reflect, at least in part, the nature of the particular sector in which the firms we analyzed operated. In heritage craft, production tends to be labour intensive and

constrained by the availability of specialized skills, opportunities for economies of scale are limited, and products are ideally positioned in niche premium segments (Benjamin, 1994). In this respect, the investigation of different types of culturally-specific products – ranging from fast-moving consumer goods (e.g. food and beverage) to cultural products (e.g. folk music or performing arts) – may produce a more nuanced understanding, or reveal important contingencies associated with opportunities for economies of scale or replication, the existence of global customer segments, or institutionalized roles and arrangements to establish the quality and or legitimacy of products.

Future research could also investigate whether and how the challenges that internationalizing firms encounter and the solutions available to them change in cases where the cultural specificity of products is not associated with the cultural embeddedness of operations. One could argue that, in these cases, adaptation to local tastes and/or even the local reproduction of operations to directly serve foreign customers should facilitate internationalization. Yet, in the absence of cultural embeddedness, it may be easier for competitors to imitate products; local producers could leverage their superior knowledge of host markets to produce local adaptations that, while possessing the same valuable features of the original products, better fit local preferences and meaning systems. These, however, are only speculations, and more empirical work is needed to shed light on how producers experience and cope with these additional challenges.

Finally, it could be argued that the reluctance to alter products to appeal to foreign customers may reflect peculiar traits of the Japanese – or even Kyotoite – culture: national (or municipal) pride, respect for heritage and tradition, and relentless search for quality and perfection (Sasaki et al., 2019). Yet, this deep embeddedness – and its likely implications for product adaptation – is exactly why we selected this setting as an “extreme” case, where the influence of cultural embeddedness on international operations could be more easily and transparently available. Neither cultural specificity nor cultural embeddedness, however, are exclusive to Japan or the Kyoto region. Zebrowska and Kroezen (2019), for instance, describe the case of a Polish village, where the decision to use traditional embroidery techniques to produce underwear was not well received initially by the local community. Also, some Western products are just as likely to be perceived as odd or undervalued by Eastern customers. Not all

Western cultures, however, may place the same value on tradition or pose the same restrictions to adaptation, offering future comparative studies the opportunity to explore the influence of varying degrees of embeddedness and/or varied configurations of local traditions and conventions on the strategies we described.

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Table 1. Summary of cases and data sources

Case firm	Products	N. of empl.	Start of intern.	Interviews	Other sources (secondary & observation)
Kyoto Maimu	Japanese <i>kimonos</i>	5	2003	Co-owner 1 (2), co-owner 2 (1 + 2 e-mail correspondences)	Homepage
Isuke Shouten	<i>Shikki</i> (lacquerware)	15	2004	President (3 + 3 e-mail correspondences), employee (1), foreign designer (1 e-mail correspondence)	Catalogues, and detailed information about newly launched products (58 pages), Facebook posts and photos of the company (from 2011-2017), homepage
Suzuki Shoufudou	Traditional paper products	80	2004	president (1) export manager (1), employees (2)	Homepage
Kyobutugu Kobori	Buddhist altar fittings	90	2005	Foreign sales manager (3 + 2 e-mail correspondences), president (2), foreign sales assistant (1), employees (3)	Power point slides, a book written by the president, and catalogues (120 pages), 312 on-line articles (the links listed in the homepage from 2002-2016), homepage, factory tour (3 h)
Maruwa Shougyou	Traditional wrapping clothes	10	2005	President (3 + 1 e-mail correspondence), employee (3), foreign designer (2 x e-mail correspondence)	Handouts of event (4 pages), Facebook posts and photos of the company (from 2011-2017), homepage, exhibition (2 h)
Kimura Oshido	Traditional dolls	15	2005	President (2 + 3 e-mail correspondences), employees (2)	Information about traditional production methods (8 pages), Facebook posts and photos of the company (from 2010-2017), homepage, events abroad (2, 5h and 3h)
Kyoto Okumura	Japanese <i>kimono</i> -related goods	5	2008	Vice president (2 + 2 e-mail correspondences)	Facebook posts and photos of the company (from 2011-2017), homepage
Unsoudou	Woodblock printing and art books	11	2008	President (2 + 3 e-mail correspondences)	Power point slides (38 pages), Facebook posts and photos of the company (from 2012-2017), homepage
Chuo Kagohiro	Bamboo and packaging materials	5	2008	President (1), Mother of the president (1)	
Maisendou	Miscellaneous goods and confections	70	2015	Overseas marketing director (1 + 2 e-mail correspondences), craftsman (1), employees (3)	Catalogues and leaflets (10 pages), Facebook posts and photos of the company (from 2015-2017) homepage

Table 2. Selective targeting: Illustrative cases

Company	Trigger	Internationalization activities	Outcome
Kyoto Maimu (Bags and accessories made of <i>kimono</i>)	In 2004, the failure of early efforts to sell products adapted to what managers thought were Western tastes led them to refocus on traditional products. Interaction with customers at the gift fairs also suggested that when customers learned more about the background of traditional products, they were more willing to purchase them.	The firm shifted its international sales to traditional Japanese design, such as <i>kimono</i> , wallets, and accessories, and, in 2007, it reoriented towards B2C gift shows. In 2010, it entered the Italian and French markets, which test sales indicated as the most receptive ones to their products. It began to target events, such as Japan Expo (a convention on Japanese popular culture), and Anime comic contests, where visitors were likely to be interested in Japanese culture. Later, it gradually expanded sales to China, the UAE, Singapore, and Malaysia.	The new strategy paid off, and international sales, in 2016, accounted for 15% of total sales (one third of which in the US), rising to 30% in 2018, after the partial divestiture in the domestic business.
Chuo Kagohiro (Japanese folk crafts)	Internationalization began in 2008, as domestic operations struggled because of decreasing demand. The head of the firm followed the advice of another owner-manager, despite his misgivings about what he saw as a high-risk endeavour.	The firm began exporting traditional products, such as bamboo baskets, and toys made of bamboos, without modification, to European markets (mainly Germany, France and Italy). The owner-manager, however, lamented he had not much time to attend to these efforts, because he needed to oversee domestic operations.	In 2018, international sales accounted for about 1% of the total. Informants attributed this disappointing performance to lack of time and experienced personnel, high risk aversion, and the difficulty of differentiating their bamboo products from cheaper locally-sold ones.
Maisendou (Folding fans)	In 2015, the decision to internationalize was triggered by an expected decline in the domestic market, due to negative population growth.	The firm initially targeted Asian markets (Hong Kong, Taiwan, and Malesia), selling their products through department stores that sold other traditional Japanese products. At the same time, it attempted to enter the United Kingdom and Italy, through sales agents.	Foreign sales steadily increased between 2015 and 2018, but at the end of 2018 they still accounted for only about 1% of the total sales, approximately split 50%-50% in Asian and in Western countries.
Suzuki Shoufudou (Paper products)	In 2015, declining domestic demand pushed the firm to explore international markets.	The firm initially focused its efforts on the Taiwanese market, which they believed to be “culturally Japan-friendly”. They hired Taiwanese salespeople, with the mandate to establish directly owned retail operations in Taiwan, selling traditional products.	The firm was still in an experimental stage at the time of our study. In 2018, international sales accounts for less than 1% (approx. 300,000-500,000 yen) of the total.

Table 3. Cultural adaptation: Illustrative cases

Company	Trigger	Internationalization activities	Outcome
Kimura Oshidou (Dolls)	In 2007, as the firm entered the Italian market, encouraged by the Kyoto prefectural government, they decided to modify their offering based on what they felt they had understood from prior efforts.	The firm trialled different designs (e.g. removing certain decorations or details from the products) to test local preferences. More recently they began to sell good-luck items and <i>kokeshi</i> dolls, adapted from traditional ones. Sales began to increase as the firm replaced its offering with “cute” products that customers liked and few other producers offered.	Between 2010 and 2018, international sales grew at an average rate of around 15% annually. In 2018, they accounted for about 15% of the total. Informants attributed their success in France and Italy to the high appreciation of customers for Japanese culture.
Unsoundou (Wood block prints)	Recognizing the difficulty to sell traditional products abroad through gift shows, but determined to increase foreign sales, managers began to explore other solutions, partly inspired by conversations with other craft firms that had begun to adapt their products to foreign tastes.	In 2006, the firm began shifting international sales to design books and miscellaneous goods, such as stickers, notepads, and post cards, marketed in the US and European markets. It also began collaborating with apparel manufacturer Uniqlo to produce t-shirts displaying traditional Japanese prints owned by the firm, such as Hokusai’s popular “The Great Wave of Kanagawa” and “Fine Wind, Clear Morning”, and distribute them internationally.	Sales of miscellaneous goods proved difficult because of high transportation costs, and lack of differentiation from local products. These products were also sold domestically but with limited success. In 2018, international sales , mostly from Uniqlo collaboration and museum gift shops, accounted for about 7% of the total.
Okumura Kikaku (Products with <i>kimono</i> design)	While operating in China, limited success pushed managers to explore alterations to their products that could appeal to local tastes, without losing the sense of authenticity that conferred value to these products.	Between 2008 and 2014, product adaptation manifested, for example, in the use of traditional <i>kimono</i> fabric to produce <i>haoris</i> (<i>kimono</i> -style jackets), wallets, and bags, and in the adjustment of the size of potteries to meet the tastes of Chinese customers. In 2014, the Kyoto prefectural government helped the firm liaise with Japanese department stores operating in China, Hong Kong, Taiwan, Singapore and Malaysia to distribute their products.	In 2014, additional revenues from department stores brought international sales to around 20% of the total, and export operations finally became profitable. Sales increased further and substantially after establishing a directly owned store in the Sogou department store in Hong Kong in 2015. In 2018, they amounted to 70% of total sales.

Table 4. Examples of the evolution of designs from selective targeting to cultural transposition

Company	Selective targeting		Cultural adaptation		Cultural transposition	
Maruwa Shougyou		<p>Traditional <i>furoshiki</i></p>		<p>Large sized <i>furoshiki</i> sold as table cloth (Since 2006)</p>		<p>Hand bag designed in collaboration with Finnish designer (Since 2015)</p>
Isuke Shouten		<p>Traditional lacquerware</p>		<p>Lacquerware modified to a wine bottle cooler (Since 2007)</p>		<p>Design that was re- imported back to Japan</p> <p>Lacquerware designed in collaboration with French designer (Since 2014)</p>
Kyobotugu Kobori		<p>Traditional Buddhist altar equipment</p>		<p>Zazen tool modified to a daily yoga tool (Since 2012)</p>		<p>Komyo series designed in collaboration with French designer (Since 2015)</p>

Table 5. Cultural transposition: Illustrative cases

Company	Trigger	Internationalization activities	Outcome
Isuke Shouten (Lacquerware)	In 2012, the firm began collaborating with foreign designers, because they wanted to go beyond selling existing products (or a minor modification of them) to new markets, and to propose innovative products to a broader market segment.	The firm invited French designers to Kyoto and asked them to provide designs that may sell well in the French and broader European market. The French designers collaborated with the Japanese craftsmen to develop a new series of products that combined modern design and traditional material.	At the time of our study, the international sales for these new products remained minimal, and channels in the US and EU were still under development. These products, however, have sold domestically since 2013, leveraging the foreign approval they received.
Maruwa Shougyou (Furoshiki)	In 2011, through a friend, the president became acquainted with a Finnish designer. At the time, the firm was willing to explore new ways to appeal to the foreign market.	The firm asked the designer to design a <i>furoshiki</i> bag, which they sold through gift fairs and sales channels established in prior years. In 2016, through the Kyoto Contemporary project (a project promoted by the city of Kyoto to deepen collaboration between Japanese and European designers), the firm started to collaborate with a French designer on a new <i>furoshiki</i> bags.	International sales increased steadily since the firm began collaborating with foreign designers: from 5-6% of total sales in 2010 to 7-8% in 2016, and 8-9% in 2018. The new products sold well in Japan too, after a TV show on foreign designed Japanese products drew them to the attention of the public in 2017.
Kyobutugu Kobori (Buddhist tools)	In 2015, the firm began collaborating with French designers on products targeting the European markets. It did so, because products that sold well in Asia did not provide sufficient work for in-house craftsmen, thereby failing to compensate for the rapidly declining domestic demand.	French designers collaborated with Japanese craftsmen to make use of traditional material and the craftsmanship skills in entirely new products such as wall art or a new style for modern Buddhist altars.	International sales for the new product line at the time of our study accounted for less than 1% of the total, and promotional efforts were still under way. Approximately an equal amount of these products was sold domestically, thanks to the high publicity they received from a TV program that explored the challenges on international collaboration in craft and design.

Table 6. The functions of cultural intermediaries: A summary

Function	Micro-level activities
Educating local customers	<p><i>Cultural storytelling</i> Crafting narratives that convey cultural meaning, by disclosing the cultural practices that the product is part of (traditional production techniques, use occasions, cultural events, etc.)</p> <p><i>Sharing experiences and emotions</i> Enriching cultural storytelling with disclosure of personal experiences of and emotional responses to products or their cultural contexts.</p> <p><i>Highlighting product distinction</i> Helping customers discern differences between the qualities of original products and cheaper imitation, to enhance perception of value and willingness to pay.</p>
Adapting local offering	<p><i>Repurposing objects</i> Export intermediaries may increase the appeal of products by envisioning and suggesting novel occasions of use that fit local lifestyles and tastes.</p> <p><i>Suggesting limited modifications to product design</i> Transferring knowledge about local customers that may inspire minor modifications to product design (size, shape, materials, packaging, etc.) to increase local appeal.</p> <p><i>Tailoring selection of offering</i> Transferring knowledge that help producers select subset of products (types, sizes, patterns, colors, etc.) that may be more appealing to local customers.</p>
Envisioning entirely new products	<p><i>Exploring opportunities for cultural appeal</i> Foreign designers help identify specific cultural elements that may be leveraged to infuse new products with appeal to foreign taste and/or imaginary.</p> <p><i>Repurposing traditional skills and materials</i> Foreign designers help envision the application of traditional production techniques in entirely new products that may be more appropriate for contemporary and/or foreign lifestyles.</p> <p><i>Encouraging break with aesthetic conventions</i> Foreign designers encourage alterations in the choice of shapes, patterns, colours, finishes, etc. that may violate existing conventions but be more appealing to foreign tastes.</p>

Table 7. Strategies to address cultural specificity of products and embeddedness of operations: A theoretical summary

	Selective targeting	Cultural adaptation	Cultural transposition
Trigger	Growth need. Stagnating or declining domestic demand induces producers to turn to foreign markets.	Growth constraints. Limited success of selective targeting (because of cultural differences and/or lack of knowledgeable customers) induces producers to experiment with adaptation.	Growth opportunity. Network activation exposes producers to opportunity to explore reconceptualization of offer to enter entirely new product market.
Product design	No adaptation. Products are commercialized in their original form.	Tentative functional or aesthetic alteration of product design to address foreign tastes or use occasions.	Re-use of aesthetic or technological elements into entirely new products.
Production	Continued reliance on traditional material and techniques.	Unproblematic extension of traditional material and techniques to new product design.	Negotiated adaptation of traditional material and techniques to the requirements of new product design.
Sales	Focus on specialized venues (gift shows) and direct online sales (e.g. connoisseurs).	Increasing use of knowledgeable intermediaries (specialized distributors)	Structural separation of international and domestic sales structure (potential convergence later on)
Primary target customer	Knowledgeable customers	Foreigners interested in home culture, or general consumers	General consumers.
Role of cultural intermediaries	Limited. Focus on culturally knowledgeable customers.	Specialized distributors: <i>Educating customers</i> , and facilitating the <i>adaptation of local offering</i> by sharing cultural insights with producers.	Foreign designers: <i>Envisioning entirely new products</i> by breaking conventional aesthetics and repurposing traditional skills and materials .
Compensating for specificity	Targeting knowledgeable customers who can appreciate the value.	Education of foreign customers; adaptation of “augmented product” to local preferences	Applications of production techniques to product types that foreign customers are already familiar with.
Maintaining embeddedness	Absence of adaptation in design and production.	Minimal adjustments in product design; domestic opacity of foreign sales.	Claimed rejuvenation or enhancement of international visibility of local traditions.
Outcome	Growth from access to niche segments of foreign markets (success contingent on existence and size of niche; online sales as lower-commitment solution).	Growth from expansion of product appeal outside specialized segments (success contingent on appeal of adapted product to broader tastes, inclusion in local use occasions, or access to new niche segments)	Growth from access to novel product market in target country and/or domestic market (success contingent to appeal of product to local customers, management of new distribution channel, and domestic recognition)

APPENDIX A

Table A1. Characteristics of craft firms and the challenges they posed to internationalization

Characteristics	Constraints to internationalization (Exemplary quotes)
Reliance on past design repertoires	<p>Craftsmen’s old-fashioned views and pride for tradition restrict design innovation to adapt to the needs and preferences of the foreign customers</p> <p>We see ourselves as ‘the Buddhist altar equipment firm’. We have very stubborn craftsmen. It is hard for us to imagine new designs that fit with our customers’ needs. (Kyobutugu Kobori, International sales manager)</p> <p>Once, a student from Zokei University created some designs for us that we could reproduce. However, that is against our <i>kodawari</i>. We want to make products that are unique, that is made from vintage materials. We don’t want our <i>kodawari</i> to be restricted by others. (Kyoto Maimu, Co-owner)</p>
Reliance on traditional production methods	<p>Traditional production methods result in high quality but expensive products, and limits the number of craftsmen who can perform the skills</p> <p>We have <i>kodawari</i> (traditional methods and principles strictly adhered to) about the quality of our products. (Kyobutugu Kobori, International sales manager)</p> <p>Now the book of Watoji is getting popular again. The demand is so big that we cannot handle the orders. Young craftsmen are not ready yet, so it is hard to handle certain booms. (Unsoudou, President)</p>
Long-term relationship with the local suppliers and customers	<p>Craft firms pressurized by local peers to respect tradition and not to expand operations</p> <p>When a firm has been in operations for a long time, sometimes tradition becomes a burden. Firms in the same union or industry might criticize others when they try to make something new or different. While they do not criticize directly, you hear such things through others. This kind of atmosphere is quite common in the traditional sector in Kyoto. (Maruwa Shougyou, President)</p> <p>By changing traditional production methods and long-lasting relationships, a firm may end up disappointing local suppliers and customers. (Kimura Oshidou, Vice-president)</p>
Traditional skills embedded in the local community	<p>Craftsmen’s skills are embedded in the local community and production cannot be transferred abroad</p> <p>Kyoto has high-quality skills in making Buddhist altar equipment. That is because Buddhist temples have a hierarchical system. The top temple is called Gohonzan. All the Gohonzan are gathered in Kyoto... In the past, there were few craftsmen who could repair the top temples, and many craftsmen came to Kyoto to learn. (Kyobutugu Kobori, International sales manager)</p> <p>I do not want to produce abroad. Although some raw materials like wood and paint colors come from abroad, I think the craftsmen should be Japanese. It is hard to educate foreign craftsmen with our traditional methods and ways of thinking. (Unsoudou, President)</p>
Contribution to the continuity of the local tradition and culture	<p>The need to protect the local traditions prevents firms to pursue purely financial objectives</p> <p>We do not want to make profit in the short term... We want to make products that endure, rather than products that become consumed. They do not have to be replaced. Also, we don’t need to produce much... You cannot understand our business if you only judge it by the numbers. ... I really care about maintaining traditions. (Unsoudou, President)</p> <p>It is really important for us to contribute to society. We are locally rooted, so we need to give back to the local community. (Maisendou, Overseas Marketing Section Director)</p>

Table A2. Selective targeting - Illustrative evidence

Second order codes	First order codes and selected evidence
<p>Design: No adaptation. Products are commercialized in their original form.</p>	<p>No modifications to the original design We have not changed much after the internationalization. Japanese products are valued abroad more than we expected. This was encouraging for us. Rather than trying to adapt products to fit the local markets, we prefer to sell standard Japanese products. (Maisendou, Overseas Marketing Director) We sell bamboo baskets. I remember my grandfather making these baskets [...] However, I am not sure if these are unique enough in foreign markets. (Chuo Kagohiro, President)</p> <p>Difficulty of innovating the traditional design We do not have yet strong, original products that can be competitive in B2B markets. We fit better with the B2C market. Actually, we do not want to get into B2B, because for us it is more important to produce authentic Kyoto products that we like. (Kyoto Maimu, Owner-manager) I think tradition can have both merits and demerits. It is a two-sided coin. Some traditional products are in fact, inconvenient to use. Such traditional functions are not always valued abroad. (Representative of the Kyoto prefectural government)</p>
<p>Production: Continued reliance on traditional material and techniques.</p>	<p>Associating core products with local materials We continue making products with old production methods even now. In Yamashina, there is a factory where we show how craftsmen produce the products. (Kyobutugu Kobori, Foreign sales manager) It is rare that a firm handle both the raw materials and the product itself. So handling the production line from beginning to end is also a sales point, and a proof of quality. ... [It is also important] that we make products from local natural materials. (Isuke Shouten, President)</p> <p>Commitment to domestic production We want to increase work for our craftsmen in Kyoto. There is no point of making and selling cheap products. We might consider to produce part of the production in other regions in Japan, but we are not thinking to produce abroad. (Kyobutugu Kobori, President) It is vital to continue production at home, in the local community. Even if a firm decides to go abroad, it is important to leave a strong production base at home. (Maruwa Shougyou, President)</p>
<p>Sales: Focus on specialized venues (gift shows) and direct online sales (connoisseurs)</p>	<p>Targeting Japanese living abroad and non-Japanese with high level of knowledge about Japanese culture The anime generation is becoming adults so we expect the heightened sympathy towards Japanese traditional products around the world. (Internal memo from a meeting, Kimura Oshidou) There are two types of customer segments: Japanese living abroad/people who like Japanese culture, and the rest of the people, which is the majority. It is easier to enter the first segment ... however, the market is not that large. (Isuke Shouten, President)</p> <p>Targeting consumers without knowledge about Japanese culture through gift fairs We could learn a lot in the early stage by attending gift shows. For example, I went around nine countries during the first two years of internationalization. (Kyoto Maimu, Co-owner)</p>

In the past, I could not even think that we would have our products in gift shows in NY or France. Now it has become a norm to be in these events. ... However, these are one-time events, and only rather cheap products sell well. (Isuke Shouten, President)

Table A3. Cultural adaptation - Illustrative evidence

Second order codes	First order codes and selected evidence
<p>Design:</p> <p>Tentative functional or aesthetic alteration of product design to address foreign tastes or use occasions.</p>	<p>Introduction of functional or aesthetic modifications to the design of the products</p> <p>For example, some traditional products like <i>geta</i> (Japanese style traditional sandals) were re-made using the <i>Yuzen</i> pattern that the American people like. (Newspaper article, 2.11.2010)</p> <p>We change our products little by little to adapt to the changing market. ... Being in the traditional sector, we can sell and have an advantage also in foreign markets. However, I feel that we need to adjust our products to fit the local markets better. (Unsoudou, President)</p> <p>Collaboration with independent domestic designers</p> <p>Since we started to internationalize, we have been involving designers to create our products. (Maruwa Shougyou, President)</p> <p>Between 2005-2010, we went through the period of trial and error. We collaborated with external designers from Kyoto to brainstorm and create new products. (Isuke Shouten, President)</p>
<p>Production:</p> <p>Unproblematic extension of traditional material and techniques to new product design.</p>	<p>Protection of traditional production methods while making minor modifications</p> <p>What is important is to use Kyoto's craftsmen, their skills, and materials, but make superficial changes to the products. (Vice president, Kyoto Okumura)</p> <p>We have been protecting the technology of woodblock printing without change since our establishment. We are the only one that publishes books based on woodblock printing. We can make only 100 at a time. [...] We may alter some designs and the way we market it, but it is important for us to maintain the core production technique. (Unsoudou, President)</p> <p>Belief that what foreign customers value is the local craftsmanship</p> <p>In Kyoto's [craft] firms, often the president himself is the craftsman. He himself is in the front line trying to gain new know-how as a craftsman. I heard this is surprising for foreign customers. They become impressed by the level of commitment by the presidents. (Suzuki Shoufudou, President)</p> <p>Chinese people value cultural and company longevity, and the traditional skills, accumulated during the long history. Especially when it comes to more expensive products, it is important to tell the background stories including the handmade aspect of the products and the meanings behind them. (Intermediary, China)</p>
<p>Sales:</p> <p>Increasing use of knowledgeable local distributors</p>	<p>Reliance on mix of wholesale and specialized export intermediaries</p> <p>We continue to participate in exhibitions in the United States, such as New York Now or San Francisco Gift Fair. At the same time, we are expanding our retail network in the country. (Kimura Oshidou, Vice president)</p> <p>With regards to internet sales, we not only use our own websites, but also try to expand on-line sales through our agencies. (Company meeting memo)</p> <p>Use of locally-based Japanese agents for marketing and sales</p> <p>In the UK, more recently, we collaborate with the Japan center. Besides that, we participate in the annual Japan festival, and cooperate with the local embassy to market Kyoto's products. (Kimura Oshidou, Vice president)</p>

Our sales began to increase since we could establish relationship with local branches of Japanese department stores in China and secured retail space.
(Kyoto Okumura, Vice president)

Table A4. Cultural transposition - Illustrative evidence

Second order codes	First order codes and selected evidence
<p>Design:</p> <p>Use of foreign designers to envision re-use of aesthetic or technological elements into entirely new products.</p>	<p>Collaboration with foreign designers</p> <p>Now, in collaboration with Atelier Pelpell, Kobori has applied their expertise to the development of highly versatile wooden tiles for professional applications. With a design that conveys handcrafted artistry, they enable the creation of premium-quality interiors that evoke the history of Kyoto's temples. It is an environmentally friendly building material, made with reused antique wood from the elements of Japanese temples. (Homepage, Kyobutugu Kobori)</p> <p>We collaborate with highly reputable Western designers and promote our products in Paris Maison & Object exhibitions. [...] In Europe, I collaborate with the local designers and sell new products to new markets. ... We are investing a lot in new product development. (Isuke Shouten, President)</p> <p>Re-importing back the innovative designs to the local community</p> <p>Changing products is easier to conduct abroad than at home. While at home it is extremely hard to depart from the traditional design, [but] when the new product sells well abroad, the domestic craftsmen approve the innovation. (Representative of the Kyoto prefectural government)</p> <p>The preferences towards the color of the wood are different in France and in Japan. Therefore, when we re-import, we are careful to accommodate the color that Japanese like. For example, a French designer would choose a different type of wood to show the luxury ... While in both countries we strongly emphasize the handmade aspect, in Japan, we finish the product more finely. (Kyobutugu Kobori, Employee)</p>
<p>Production:</p> <p>Negotiated adaptation of traditional material and techniques to the requirements of new product design.</p>	<p>Technical complexity of collaboration between the foreign and Japanese designers and craftsmen</p> <p>Foreign designers are strict with colors. They have difficulties understanding that it is not easy to come up with different color patterns, because they are made of natural raw materials. Normally, our craftsmen use their experience and senses to create the color, but a designer asked us to create ten different patterns. Reluctantly, our craftsmen accepted to do this, but only because the request came from a designer who had come to visit us in Kyoto from far away. (Isuke Shouten, President)</p> <p>Sometimes foreign designers prefer vivid colours, while we prefer darker colours. (Maruwa Shougyou, President)</p> <p>Social complexity of collaboration between the foreign and Japanese designers and craftsmen</p> <p>Personally, I like Western countries, so I got myself into the complex process of creating new products that are not Buddhist altar equipment, but something different, using our craftsmen's techniques. But this [endeavor] requires multiple social arrangements and negotiations with our foreign counterparts, and it is very time consuming. Yet, it is worth it. (Kyobutugu Kobori, International sales manager)</p> <p>Design is an occupation where we need to adapt every time our idea and coordinate all priorities in order to find a solution that pleases everyone. (French designer working with Isuke Shouten)</p>
<p>Sales:</p> <p>Structural separation of international and domestic sales structure (potential</p>	<p>Rejuvenating domestic craft market</p> <p>Paradoxically, while these products were designed to sell in Europe, they have sold more in the domestic market, thanks to high publicity in a TV program. In France, it is sold in a shop, but we have not experienced successful sales yet. (Kyobutugu Kobori, International sales manager)</p> <p>The products are well sold in Japan as well. Last year a TV program highlighted the products designed by foreigners, and they are popular. So the internationalization effort directly affects the domestic sales as well. (Maruwa Shougyou, President)</p>

convergence later
on)

Structural compartmentalization and modernization of management

During the course of internationalization, the firm has tried to be more flexible and responsive. Also, we employed a Chinese employee who can speak Japanese, Chinese, Korean, and English. This was lucky. (Kyobutugu Kobori, foreign sales manager)

We have to accommodate internal systems to internationalize, and we have hired a person specifically for the purpose of internationalizing. (Maruwa Shougyou, President)

Table A5. Micro-level practices of cultural intermediaries - Illustrative evidence

Second order codes	First order codes and selected evidence
Educating local customers	<p>Cultural storytelling</p> <p>We participate in local festivals to promote Japanese culture and sell our products. We cooperate with the Kyoto prefectural government in doing so. We make the display very traditional Kyoto-style to attract customers. The stores in Kyoto provide us with some decoration material. We also transfer some instructions we get from them to the local staff members. (Intermediary, Malaysia)</p> <p>We not only sell the goods but the concept behind it. For example, <i>fuurin</i> is said to bring good luck. We explain such meanings behind the goods to our customers. (Intermediary, Spain)</p> <p>Sharing experiences and emotions</p> <p>I use blogs and text to explain the meanings and processes. I am objective but also use emotional expression to communicate what I value. I share my love, interest, and hobby. (Intermediary, Slovakia)</p> <p>Young people come to Japanese culture being brought up on comics, <i>anime</i>, computer games and so wise Japanese movie. ... In Russia there is a lot of fans of Hayao Miyazaki and all the production of Studio Ghibli (including me) ... I can remember many beautiful and soulful Japanese games like Shadow of the Colossus, The Last Guardian, Ni no Kuni, Final Fantasy ... If you add up the pieces from the work of all these great artists you gather a mysterious picture of the unknown, but such an atmospheric and attractive world. ... I try to create a unique and mysterious atmosphere, familiar to the customers, to sell the products. (Intermediary, Russia)</p> <p>Highlighting product distinction</p> <p>Confusion is created, and it detracts from the perceived value of the goods, by a vast quantity of craft items sold as Japanese but probably not of Japanese origin. (Intermediary, Italy)</p> <p>Going abroad is a high risk business. For example, gaining patent requires a lot of money. That is why the important thing is to make products that others cannot imitate. Those are products that foreigners think “Japanese products are amazing”. This related with the spirit of <i>kodawari</i> in making products. (President, Suzuki Shoufudou)</p>
Adapting local offering	<p>Repurposing objects</p> <p>Added value from our part comes from the explanations that we give to our customers... also from suggestions for alternative uses for various products like <i>furoshiki</i>, <i>tenugui</i>, etc, that can be adapted to personal use. (Intermediary, Italy)</p> <p>Expensive sake cups sell well in China. Chinese people drink tea using the sake cup because the sizes are the same. Some people collect these expensive sake cups for the purpose of decoration. Also, in China we have local white wine that people like to drink using the sake cup, because we don’t actually have our own cup for that purpose. So our customers change the purpose of the use to fit with the local customs to make sense of it. (Intermediary, China)</p>

Suggesting limited modifications to product design

Modified products sell indeed better. Such as *kokeshi* dolls that are *anime*-like, or *maneki neko* that are *anime*-like. The modern, cute versions often attract customers more than the authentic traditional ones. (Intermediary, Slovakia)

When Americans want weird stuff and make some requests, I say we cannot do it. I am much more concerned with the feelings of the craftsmen than [with satisfying] the buyers. Americans have different preferences depending on the location, Hawaiians like a more colourful style. ... Others like a classic style (*fuji*, *geisha*), but there are things that I cannot ask from the craftsmen. (Intermediary, United States)

Tailoring selection of offering

I pick the products that I like and think sell well, based on my experience. I also advice Kimura-san and others about what sells well. I also let them test market in my retail stores. (Intermediary, China)

Some years ago, we explained to the Kyoo-hoo group that for our retailing it is extremely important to have a renewed and varied production. To maintain our customers' loyalty, it is essential that they constantly find new articles in the shop. For example, different patterns, colours or materials for various types of products, wide variety of paper patterns (hand-made paper sheets, origami paper, etc.), new *kokeshi* doll figures, varying assortment of ceramics etc. (Intermediary, Italy)

Envisioning entirely new products

Exploring opportunities for cultural appeal

We need to adjust our products to foreign markets. It is hard for us to imagine new designs that fit with our customer's needs. So we would like to gain the help of foreign designers to adjust our products to their markets. For example, this series was designed by a Taiwanese designer. (President, Kyobutugu Kobori)

I took very long walks into parks and streets in order to immerge myself into this land. ... I do not recognize myself into this idea of modernity the 20th century has proposed. When I was confronted with traditional [Japanese] culture, it made sense to me. After those four years [of collaboration], I am now considering the traditional culture as a cradle of the 21th century and the germ of a post-industrial time. (Foreign designer #1, France)

Repurposing traditional skills and materials

As designers we wanted to take the best of that spirit to make a contemporary product. That is to say a simple and useful product for our modern lives. (Foreign designer #1, France)

We decided to choose a product typology which was able to support the real value of the natural *urushi* lacquer. I began to design a lamp, with a view on the high added value of that kind of object. (Foreign designer #2, France)

Encouraging break with aesthetic conventions

I came [to Kyoto] several times, four years in a row. During this time, we changed the aesthetic of the product a lot. We tried different possibilities, before finding the best one. I was there to suggest solutions, to steer the project towards finding new ideas when we encountered an issue. (Foreign designer #2, France)

Although we iterated a lot, going from one obstacle to another, Mr Hayashi always trusted us even when he was scared that we would not find a solution. He tried to find the resources in Japan to go in the innovating direction we suggested. With him we visited a lot of Japanese producers like printing factories to enable the creation of a quality product. (French designer #1, France)
