



UNIVERSITY OF GOTHENBURG  
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Master's Degree in International Business and Trade

# The Tension Between Growing and Maintaining Artistic Freedom

- A multiple case study of Swedish craft breweries' internationalisation process

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## **Abstract**

There is an assumption among the established internationalisation theories that a firm wants to grow and become more profitable. However, this might not be applicable to all industries. This study explores this problem through a multiple case study of six Swedish craft breweries. A goal ambiguity between growing and maintaining artistic freedom arises for the breweries as the competition in the home market has increased. In these cases, the breweries have decided to focus on growth and profitability before artistic freedom. Even though most of the breweries value artistic freedom, this has been partly neglected as more resources are allocated to the growth of the firm. The findings of this study show that growth seems to be a necessity to stay competitive in the beer industry market, and thus the tension between growth and artistic freedom is not as large as previous research have suspected. To maintain some of the artistic freedom, export is the natural choice of internationalisation mode as the breweries maintain a large part of the control of their product. To follow the existing internationalisation models would mean that the firm wants to continue the internationalisation process and subsequently move some of the manufacturing activities to the foreign market. However, to set up own subsidiaries abroad would mean a too large loss of control for many breweries, meaning that they do not follow traditional internationalisation models fully.

**Keywords:** Craft brewery, Craft beer, Craft industries, Tension, Art vs Commerce, Network theories, Internationalisation, Artistic freedom, Mentality, Goal ambiguity, Gothenburg

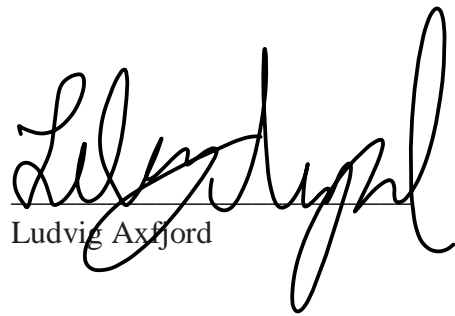
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## **List of Abbreviations**

BA - Brewers Association

CEO - Chief Executive Officer

EU - European Union

IPA - India Pale Ale

IT - Information Technology

SEK - Swedish Krona

UK - United Kingdom

US - United States (of America)

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# 1. Introduction

## 1.1 Background

According to 2018 figures from SCB (2018), the number of Swedish breweries has been growing rapidly since 2010 with an 816% increase in seven years. In 2010, there were 42 breweries in Sweden and 2017 there were 392 breweries. In percentual change, this made the brewing business the fastest growing business in all of Sweden (SCB, 2018). Even if the industry has been booming, it is far from certain that it will keep growing. Anna-Karin Fondberg, CEO of the Swedish Brewery Association, predicts that this sharp increase in breweries will level out in the future, as some will shut down and some will be acquired by larger breweries (DI, 2018). However, people nowadays tend to buy more expensive and crafted beer than the traditional lager beer from international macrobreweries such as Carlsberg and Heineken, or the Swedish equivalent, Spendrups. Non-lager beer has increased in popularity from 2.8% to 8.6% in Sweden the last ten years and according to Fondberg (DI, 2018), there are no signs of that the interest in craft beer will decrease (SCB, 2018; DI, 2018).

It is not only in Sweden that craft breweries are booming. Especially in the United States (US), the craft breweries have claimed a large share of the beer market. The small and independent craft breweries obtained 12% of the total beer market in the US in 2015. After North America, Europe is the second largest market for craft breweries and craft beer. With the rapid expansion in these markets, the demand is not growing as quickly and is closing into a saturation stage. Other markets that are relatively untapped now become of interest for craft breweries, where opportunities arise to export to less mature markets, such as Asia and Eastern Europe (Cision, 2018).

There are both possibilities and obstacles for Swedish craft breweries to internationalise, something that should become more common among the Swedish craft breweries in the future since the increased competition in the home market force breweries to reach outside borders. Foreign markets would, on one hand, provide access to a much larger potential customer base, which provides possibilities to become more profitable. On the other hand, it takes a lot of time and resources to establish your brand in a foreign market. A certain dedication is needed as the

brewery should participate in beer festivals, do collaboration brews and be active in social media to expose its brand (Beernews, 2018a; Beernews, 2019a; Cision, 2018).

A microbrewery is, for obvious reasons, a brewery that brews less beer than a macrobrewery. But where the line is drawn is a bit diffuse in Sweden. The Brewers Association (BA) in the US has tried to make an attempt to define where the limit is for a microbrewery. In order to “allow” a microbrewery to brew bigger batches or higher volume, without turning into a macrobrewery, the term was rephrased to craft brewery. For a beer to be considered a craft beer, it must fulfil three criteria: the brewery has to be small, the brewery must be independent, and the brewing process must be of traditional character (%Hops, 2016). According to BA’s criteria, Spendrups, which is one of Sweden’s largest breweries and has a third of the Swedish beer market share (99bottles, 2019; Spendrups, n.d.a) would be a microbrewery, which shows the big differences in volumes brewed between the US breweries and Swedish breweries (%Hops, 2016).

Microbreweries often call themselves craft breweries as they find value in the small, craftsman-like brewing process that they do. To call themselves a craft brewery is to enhance that the crafting process is still very much a vital part of the organisation and that every batch is unique (Café, 2015; Expressen, 2013). The term highlights that the importance is not in a certain amount of beer brewed, and thus the term craft brewery will be used throughout the thesis to avoid the dilemma of when a microbrewery turns into a macrobrewery when it comes to internationalisation.

One might presume that a psychological barrier hinders the craft companies to internationalise, basically that they do not want to grow too big (Tregear, 2005). Köping, Lantz and Stenström (2008) discuss the wish for being *the entrepreneur*, but since the economic aspects are important in order to sustain the profitability and ensure the company’s future, the balance between financing and maintaining the artistic freedom becomes a tug of war. Even though craft breweries value the crafting process, many of them want to expand their businesses. Smaller breweries have begun to seek to expand their volumes as they have seen a rise in demand which motivates the breweries to grow (Stockholm Direkt, 2018; Skånska Dagbladet, 2015; Barometern, 2017). That there is a willingness to export among some of the craft breweries in Sweden is evident. In January 2019, seven Swedish craft breweries, with an interest in export, showcased their beer on the large food

and drinks fair, Grüne Woche in Berlin, Germany (Sveriges Småbryggerier, 2019). Further evidence for this trend show that some newly established craft breweries have incorporated a higher focus on exports as one of their main strategies (Beernews, 2019b).

### 1.1.1 The Art of Craft Brewing

For many craft brewers, the process of creating a recipe, brewing the batch, sampling the beer, and then tweak the recipe to be just right, is an art form. Some breweries consider the creativity behind a craft beer as equal to the creativity behind art and music. (Collective Arts Brewing, n.d.). The artistic attributes of craft brewing could, however, lead to some tension with the commercial side of the business. The two striding ambitions which affect an artistic business are that they on one side want profit, and on the other artistic freedom (Köping, Lantz & Stenström, 2008). As globalisation has grown stronger, the market and the competition in creative industries has expanded, resulting in that the economic aspect has become more important for artists since smaller businesses often compete with larger corporations. There is evidence that executives within organisations tend to a larger degree have economic backgrounds rather than cultural experience. The target goals in these creative craft companies often also show a shift in focus as they are more grounded in financial terms, where terms such as “profit” or “sales” are more commonly used than goals mentioned in cultural terms (ibid.).

## 1.2 Problem Discussion

To explain the internationalisation process and the barriers for a craft brewery with the research existing as of today, there might be a divergence between theory and practice. Currently, the internationalisation theories are focused on factors such as competition, network building and finances (Leonidou, 2000; Johanson & Vahlne, 2009). The research conducted within the internationalisation field, which has resulted in these often-cited theories, has mainly been based upon larger firms (Johanson & Vahlne 1977; 2009). Although, there is also existing research and theories focusing on smaller firms that go international at an early stage, these are called “born globals” (Oviatt and McDougall, 1994; Madsen and Servais, 1997; Knight and Cavusgil, 2004). However, the theories concerning born globals are not relevant for the craft brewery as breweries

seldom start up with the ambition of going abroad directly after their establishment, but are rather a small firm with artistic visions, often with a focus on the local market. The existing theories assume that the firm has the ambition to expand across borders and to grow, something that might not be the case for the craft beer industry.

Fillis (2002a; 2004) argues that craft firms do not follow the traditional expanding mentality of a smaller firm because of the special characteristics of the different craft industries. Fillis (2002a; 2004), therefore, dismisses the existing frameworks as not suitable for craft firms and calls on more research on the subject to more readily be able to explain the behaviour of the craft firm when it comes to expanding abroad. While the more common barriers, like high competition and lack of resources, might still be in place, Fillis (2002a; 2004) believes that the creativity and the attitude of the manager plays a much larger role in the decision on going abroad for craft firms. Since the existing theories do not emphasise these aspects enough, Fillis (2002a; 2004) does not see them as suitable for explaining the barriers for small craft firms. Although Fillis (2002a; 2004) identified this problem as early as 2002 and 2004, there has been little advances in research of this particular field.

There are few other researchers who have tried to unravel the unique traits and mentality of the craft firm and how it impacts their growth ambitions. Tregear (2005) researched craft food producers in the United Kingdom (UK) and the tension between growth and keeping the desired lifestyle. Tregear (2005) found that a firm might be able to both grow and pursue the desired lifestyle in right market conditions, but if competition increases, the manager must choose between either becoming more competitive or to keep the lifestyle but lose market shares. The findings of the study showed that managers try to fulfil both of these ambitions, but sooner or later the manager must make a choice on which direction the company should move in. Tregear (2005, p.11) defines pursuing quality of life as: "*Pursuing quality of life implies, for example, living in a geographic area that restricts market access, or engaging in types of production or distribution that are less efficient, compromising profitability.*". In this thesis, the challenging goal for profit and growth is not quality of life per se, but instead the artistic freedom which is often the main reason for breweries to compromise profitability. Chaston (2008) found a somewhat different result from his research on why small creative firms did not take part in support programs to a larger extent.

Through researching the mentality of small craft companies in the UK, he found that growing their business was not a main goal for the firms, instead they pursued to maintain their artistic freedom.

A dilemma between growing and maintaining the craft characteristics and artistic freedom is existent for companies within craft industries. However, this dilemma is not accounted for in the traditional internationalisation theories that are often used in research today. Some research has been done to try to understand the impact of the dilemma the managers face and the decision of internationalising, however, this research have not yielded any clear results on the impact. Craft brewing as a specific industry has not, to the best of our knowledge, been researched in regard to industry-specific internationalisation barriers. There is a need for studies that acknowledge the special mentality within craft industries and how that mentality affects the decisions made in regard to internationalisation decisions.

### 1.3 Purpose of the Study

The purpose of the study is to better understand the special mentality of a small craft brewery that affects its internationalisation process. Existing internationalisation theory might not be enough to comprehend the tension craft breweries experience between growing and keeping the artistic freedom. Through our research, we aim to shed light on this overlooked aspect and its importance for the internationalisation decision and strategy for craft breweries.

### 1.4 Research Question

*How does the artistic mentality of the craft brewery affect the internationalisation process?*

### 1.5 Delimitations of the Study

We will use the term “craft brewery” instead of “microbrewery” as our delimitation will be based on whether the breweries consider themselves a craft brewery or not. This to be able to capture the mentality of a craft brewer instead of us labelling them. We have decided to not look into the whole beer industry but rather the craft beer industry. Further on, this thesis is also only focused on

Swedish craft breweries within the Gothenburg area where all six craft breweries have internationalised through exporting. We are aware that there are many other craft breweries, but due to our research question and purpose of the study, we decided to focus on breweries which have successfully managed to internationalise.

## 1.6 Thesis Structure

This thesis will consist of six chapters, a list of references and an appendix. Below the chapters' outline will be briefly described.

1. *Introduction* - The first chapter of the thesis will consist of a background for the chosen topic as well as a problem discussion to motivate to why the choice of topic was made. Thereafter, the purpose of the study will be presented and culminate with the research question. A delimitation will also be provided.

2. *Theoretical Framework* - In the second chapter, theories and models within the internationalisation field and also barriers to internationalisation, relevant for this thesis, will be presented. Following is theories of art and craft as commerce. The chapter will conclude in a conceptual framework with important takeaways which will be further used in the analysis.

3. *Methodology* - The third chapter will consist of the *how* and *why* this thesis has been formed and conducted in the way it has. Motivations for the choices and methods which have been made and used, and also an account of how the data collection process has been executed, will be found in this chapter.

4. *Empirical Findings* - In the fourth chapter, our collected empirical data gathered through qualitative interviews will be presented. A deep delving into the six cases will be made, one by one, and finished off by a sum up of the most important takeaways from our multiple case study.

5. *Analysis* - In the fifth chapter, an analysis will be made of the empirical findings. The data will also be put in relation to the applied theoretical framework from chapter two in an attempt to find an answer for the research question.

6. *Conclusion* - In the last chapter of this thesis, the main findings will be presented and the research question will be answered. This chapter will also highlight limitations to the study as well as provide suggestions for further research.

## 2. Theoretical Framework

*We have identified relevant theories that will help us analyse the problems within our chosen industry. In order for us to analyse how and why craft brewery chooses to internationalise, we need to have an understanding of how the internationalisation of the firm is described by scholars. The literature regarding internationalisation and its barriers are quite extensive and sophisticated. Thus, our research does not aim to contribute to the theoretical framework of internationalisation but instead use the existing theories to research an untapped market in the form of the craft beer industry. The rapid growth, adolescence, and special characteristics of the craft beer market makes it an interesting one to research as it is not yet known to which extent the existing internationalisation theories are applicable on the industry.*

### 2.1. The Internationalisation Theories

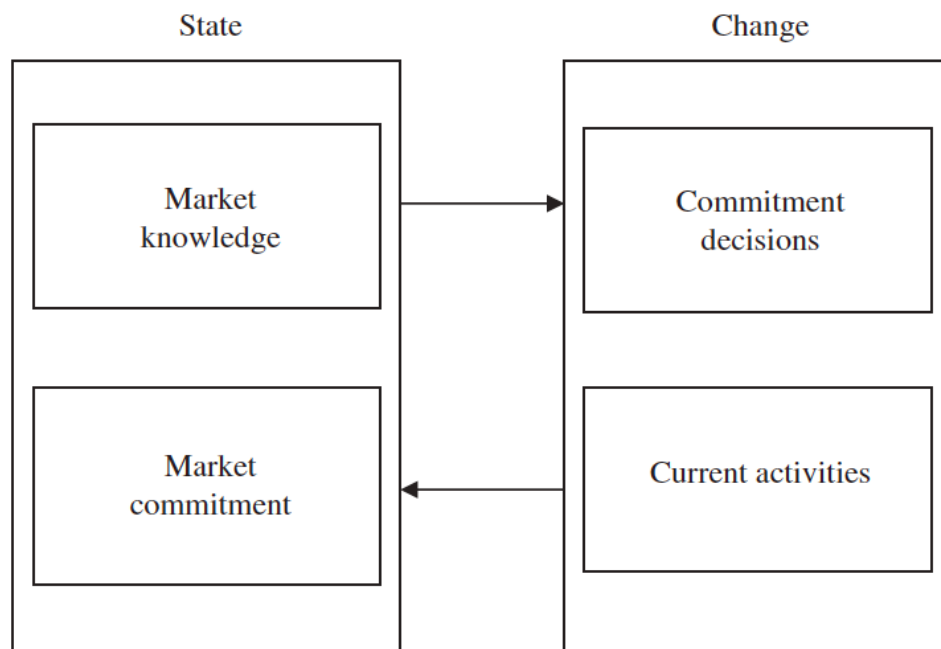
#### 2.1.1 The Uppsala Model

The Uppsala Model made by Johanson and Vahlne (1977), is based on a study of a firm's internationalisation process and the model has its focus on the increased involvement in a foreign market and how the knowledge is obtained and developed. The Uppsala Model has two distinguished directions in the internationalisation process: one is focusing on the firm's consecutive establishment of operations at new foreign markets, and the other is focusing on the firm's increased involvement in one individual foreign market.

Johanson and Vahlne (1977) describe the internationalisation of a firm to be following certain steps. Usually, the internationalisation process starts by setting up export to a foreign market and gradually moving towards licensing or using a sales agent. The next step found in the model is to establish a foreign sales subsidiary and later on to either move or set up manufacturing activities in the foreign market. Through this gradual internationalisation, the acquired knowledge developed by this process will help the firm further in its commitment to the foreign market. The model presumes that the lack of knowledge of the foreign market is a barrier for internationalisation, and a dilemma is that the knowledge needed is to be found within, and as a result of, the activities operated in the foreign market (Johanson & Vahlne, 1977).



Johanson and Vahlne (1977) also bring up the liability of foreignness as a potential barrier to internationalisation, which implies the risk of being seen by the industry-active actors as a foreigner and not belonging in the new market. They (Johanson & Vahlne, 1977) emphasise that in order to avoid this liability of foreignness when entering a market, the firm has to assess the psychic distance between the home market and the potential new market. Psychic distance means a distance between the two markets in terms of educational, cultural and industrial development, language differences and practice of business. Markets with low psychic distance are more attractive to the firm than those with a high psychic distance. (Johanson & Vahlne, 1977).



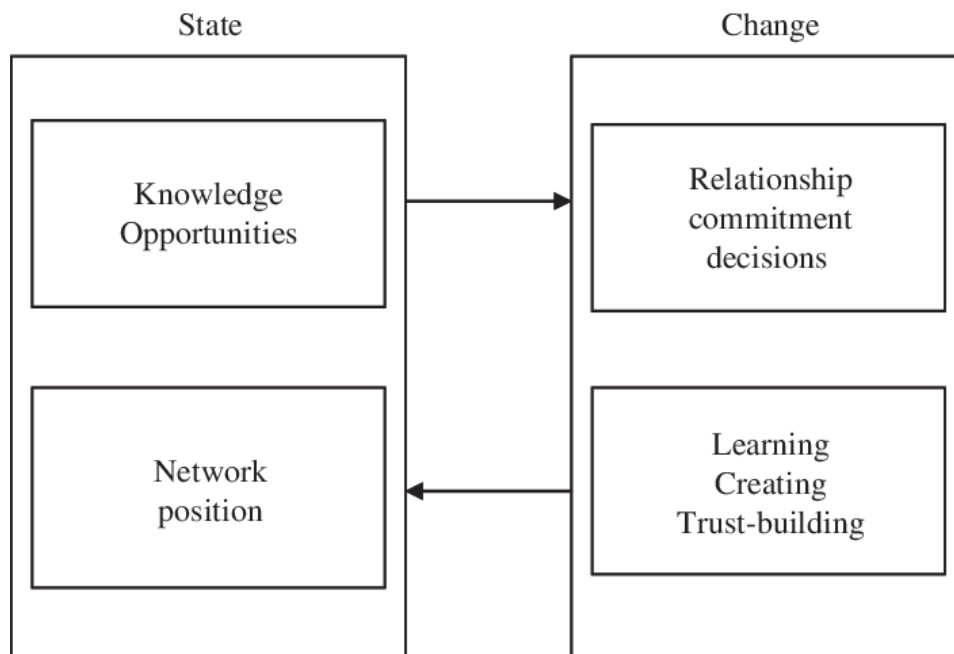
**Figure 1:** *The Basic Mechanism of Internationalisation - State and Change Aspects*  
(Johanson, Vahlne; 1977, p.26)

In Figure 1, the left part is representing the firm's current position, the state aspect, when it comes to market knowledge and market commitment. The right part is instead representing the change aspects in a firm and how commitment decisions and current activities turn market knowledge into market commitment. The model is dynamic and all four factors influence and affect each other. Based on the market knowledge coming from the current activities in a foreign market, the firm can learn how to best make commitment decisions in order to increase foreign market commitment.

According to the authors (Johanson & Vahlne, 1977), the market commitment depends on the psychic distance; if the psychic distance is big, there will most likely be a higher risk involved when making a market commitment (Johanson & Vahlne, 1977).

### 2.1.2 Network Theories

In the revisited Uppsala Model (Johanson & Vahlne, 2009), they have updated the model to adapt to the advances which have been made in theoretical practices since 1977. The revisited model brings up the pattern of connected firms that forms a network of relationships as the key point of how markets are built. It is crucial for a firm to be inside the business network (of relevance for the firm) in order for experiencing a successful internationalisation process and avoid liability of outsidership, which implies the risk of not managing to get into the important network of industry-active actors in the new market. The firm can still manage to internationalise physically to new markets, but as long as they are outside of the network, the knowledge sharing and opportunities which arise within the network will not be accessible to the firm. This is an update from the old Uppsala model where the psychic distance and liability of foreignness were highlighted as the main barriers to overcome (Johanson & Vahlne, 1977; 2009).



**Figure 2:** *The Business Network Internationalization Process Model, the 2009 Version*  
(Johanson, Vahlne; 2009, p.14)

In the updated version of the Uppsala model, seen in Figure 2, the state aspects still visualise the current position for the firm, however the model is now adjusted to adapt to the network perspective for a firm and are therefore represented by knowledge opportunities and the network position instead of market position and market knowledge, since the authors (Johanson & Vahlne, 2009) believe that this is where the internationalisation now takes place. The change aspects have been updated to learning and creating knowledge that together with trust-building may have an important impact on which relationship commitment decisions to take. As the model from 1977, the same goes for the revised model in regard to the model being dynamic and the aspects affecting each other (Johanson & Vahlne, 2009).

#### 2.1.2.1 Opportunities and the advantages of networks

The perks of being within a network of relationships are that it can spur knowledge creation, as well as trust and commitment building. The importance of networks and the mutual commitment between the firm and its counterpart in order for successful internationalisation is considered as one of the most important findings of the revisited model according to the authors (Johanson & Vahlne, 2009). This is in line with what Håkansson and Snehota's (1989) wrote in their article "No Business is an Island"; the authors emphasise the requirement of a reciprocal commitment in a business relationship between two parties. They discuss that both knowledge and capabilities can be the outcomes of such a relationship where the parties are dependent on each other. This interdependence amongst actors within a segment creates a network since a company is not only dependent on its counterpart, but also the counterpart's relations to third parties (Håkansson & Snehota, 1989).

In a similar manner that Johanson and Vahlne (2009) argues that networks being the true facilitator for knowledge creation and opportunities, Ardichvili, Cardozo and Ray (2003) elaborates on the importance of networks, especially for entrepreneurs in smaller firms. The entrepreneur needs to be able to identify opportunities to take part in networks to be able to expand their operations. These networks are of essence when considering overseas operations as these networks will facilitate easier access to the foreign market. The critical prerequisite for being successful abroad

might therefore not be the characteristics of the product, but rather the entrepreneurs' access to different social networks (Ardichvili, Cardozo & Ray, 2003).

Same as Ardichvili, Cardozo and Ray (2003) brings up the entrepreneurial viewpoint of the network, Schweizer, Vahlne and Johanson (2010) adds to the network model (Johanson & Vahlne, 2009) by highlighting the entrepreneurial facets of the firm. The authors (Schweizer, Vahlne & Johanson, 2010) argue that an entrepreneurial mindset can facilitate internationalisation by identifying and taking advantage of opportunities that arise for the company. By having an entrepreneurial mindset and being willing to take risks by acting on the opportunities given, the company can improve its position in the network. A stronger network position facilitates an easier entry to foreign markets where the mentioned network is active or have relevant experience. Thus, an entrepreneurial mindset makes it easier and more likely for a firm to internationalise (Schweizer, Vahlne & Johanson, 2010).

## 2.2 Barriers to Internationalisation

### 2.2.1 External Barriers

Leonidou (2000) highlight several issues that might cause companies to take the decision not to start exporting. The external barriers that Leonidou (2000) highlights include the much fiercer global competition that companies face when exporting to a new market. Problems in being able to offer their product at competitive prices in foreign markets is another reason why global competition becomes difficult to handle (ibid.). Also, governmental barriers, such as different laws and regulations, which are hindering or at least discouraging, the entry of a foreign firm into the market can be impeding. Furthermore, task barriers must be taken into account which means that there are different customer requirements in different markets and that the demand may vary because of this. For example, religion may inflict upon demand for certain products in some markets. Procedural barriers are also of importance as some countries operate in different ways and the flow of communication can be unfamiliar (Leonidou, 2004).

### 2.2.2 Internal Barriers

The barriers that are connected to exports might also be higher depending on the characteristics of the management within the company, i.e. internal barriers. Experience of the management is one vital aspect and less experience within the industry leads to more vulnerability to export barriers. Companies that are small, also in a financial sense, especially suffers from the export barriers in place. Lack of finances makes it difficult to be competitive on a global market and the differences between markets become a more difficult obstacle to overcome (Leonidou, 2000). Smolarski, Kut and Wilner (2005) state that access to finance is a fundamental part of a successful internationalisation for smaller companies. The financing method does affect the possibility of the firm to be successful abroad. A difficult situation often occurs for companies with low international experience as they tend to watch the export barriers as larger than companies with high international experience. They tend to view lack of resources and financial means, as well as the fierce competition, as especially high obstacles and therefore refrain from going abroad (Leonidou, 2000). The informational barriers can also be significant for the firm since the obtaining of information can prove to be difficult when the firm is small and lacking resources to identify the true potential in a market. The managerial mindset could be an internal barrier in the firm, perhaps the owner does not want the firm to grow outside the domestic borders, or even the city (Leonidou, 2004).

Kahiya (2013) believes that the internationalisation strategy is largely based on the internal barriers of a firm. The management's previous experience and perception about internationalisation determine the actions that the company perform. If the management lacks the skill and knowledge about internationalisation, they tend to take a more cautious approach and internationalise more gradually. If the management has a positive attitude towards internationalisation however, the process tends to be more rapid. This is further enhanced if the management does not have faith in the home market. Hilmersson and Johanson (2016) identify the speed of internationalisation as an advantage in being successful abroad. A slow internationalisation could lead to the fact that companies have to adapt their already existing routines to the foreign market, while a more rapid internationalisation could lead to the company developing an organisational structure that is suitable for internationalising. The effort that comes with changing the organisational structure is

problematic and the flexibility that comes with a quicker internationalisation facilitates an easier transition to a foreign market.

## 2.3 Ambidexterity

As elaborated upon in the problem discussion, craft breweries might face a challenge when they encounter two striding goals in growing larger but still maintaining their local, craft image and processes. This kind of *goal ambiguity* has been covered by Vahlne and Jonsson (2017) who investigated the challenge that management face, whether to pursue profitability today or explore opportunities for profitability in the future. Vahlne and Jonsson (2017) call the process of increasing the profitability today for *exploitation* and the process of seeking out new opportunities for the future for *exploration*. Ambidexterity is the fact that exploitation and exploration are two competing goals for companies and that they often focus on only one of the two due to limited resources. O'Reilly and Tushman (2008) define exploitation as increasing productivity and efficiency to become more profitable while exploration is about the discovery of new opportunities and innovation.

Vahlne and Jonsson (2017) do however not see these goals as necessarily competing with each other but could also support each other as exploitation could help in identifying opportunities through trial and error. Thus, a combination of these two goals seems to be the best way for a company to move forward as the company grow while still being profitable. This ambidexterity shares some common traits with the goal ambiguity of craft companies and can be of importance in trying to understand the dilemma they face. Exploitation share similarities with staying local and pursuing a certain freedom, as it is less profitable in the short run to go abroad due to the investments that must be made. However, exploitation is seen as increasing productivity and become more profitable in the home market, something that artistic freedom does not necessarily generate as it could mean neglecting the most productive operating ways. Exploration, on the other hand, is very similar to the aspect of growth for craft companies.

## 2.4 Art vs. Commerce

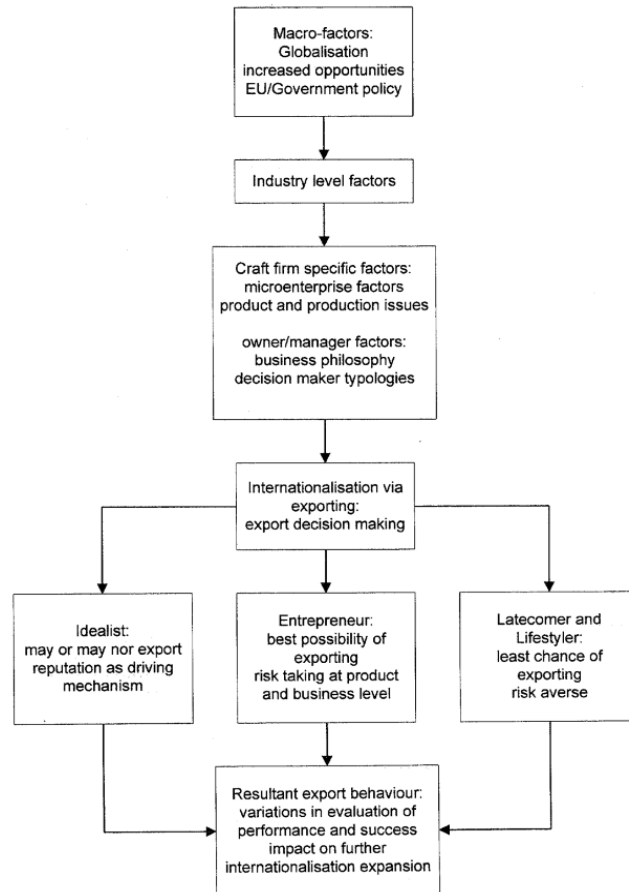
### 2.4.1 The Internationalisation Process for Craft Firms

Fillis (2002b) believes that smaller firms are more dependent on the entrepreneurial spirit of the manager when it comes to the internationalisation process. This entrepreneurial drive gives the firm a competitive advantage through its willingness to seize opportunities that arise. Furthermore, in craft industries, the creativity of the manager and within the firm leads to a competitive advantage, not only in the home market but also abroad. To try to map which characteristics of a manager that leads to a higher chance of internationalising, Fillis (2002b) creates four categories to place managers in. These are *the Lifestyler*, *the Entrepreneur*, *the Idealist*, and *the Late Developer*.

- *The Lifestyler* is a manager that values life quality and does not see the expansion of the business as important. The Lifestyler is not keen to take many risks but could decide to export if the opportunity was offered.
- *The Entrepreneur* is more willing to take risks, both when it comes to business decisions and when it comes to the product produced. The Entrepreneur is more willing to export and does more actively seek out export opportunities to improve incomes. The Entrepreneur also acknowledges the importance of networks and business strategies.
- *The Idealist* sees the product as the most important part of the company and is willing to take risks to experiment with new products. The Idealist also believes that networking is important but does not care much for business strategies. The Idealist is willing to export to raise the awareness of its product and increase its reputation.
- *The Late Developer* is not motivated to export or grow its business. This manager often comes from another industry than crafts and believes in the ideas that he or she have learned in the past. The Late Developer's main purpose is to not feel too much stress in his or her job and would rather run the company at a gentle pace.

As shown in Figure 3 below, several factors have to be in place in order for a manager to consider export as an option. First of all, macro factors such as policies and global opportunities have to be in place, as well as industry-specific factors that allow for companies to expand. Furthermore, the

company must have the needed production capacity in place as well as a competitive product. When these traditional barriers have been overcome, the export decision process begins and this is where the characteristics of the manager decide whether the company starts to export or not according to Fillis (2002b). Whether or not they decide to export, as well as how successful they are through exporting, are decided based on which category type the manager is.



**Figure 3:** *The Process of Smaller Craft Firm Internationalization*  
(Fillis 2002b, p.38)

#### 2.4.2 The Tension Between Art and Commerce

Tregear (2005) finds that entrepreneurs in artistic industries have two main different mentalities, either you can be a craftsman who wants to improve your lifestyle, or you can be an opportunist who seeks out growth. Earlier theories (e.g. Smith and Miner, 1983; Cooper and Artz, 1995) believed that the entrepreneurs pursued one of these two challenging goals, but Tregear (2005) found that entrepreneurs tried to pursue both of these goals simultaneously (i.e. goal ambiguity),

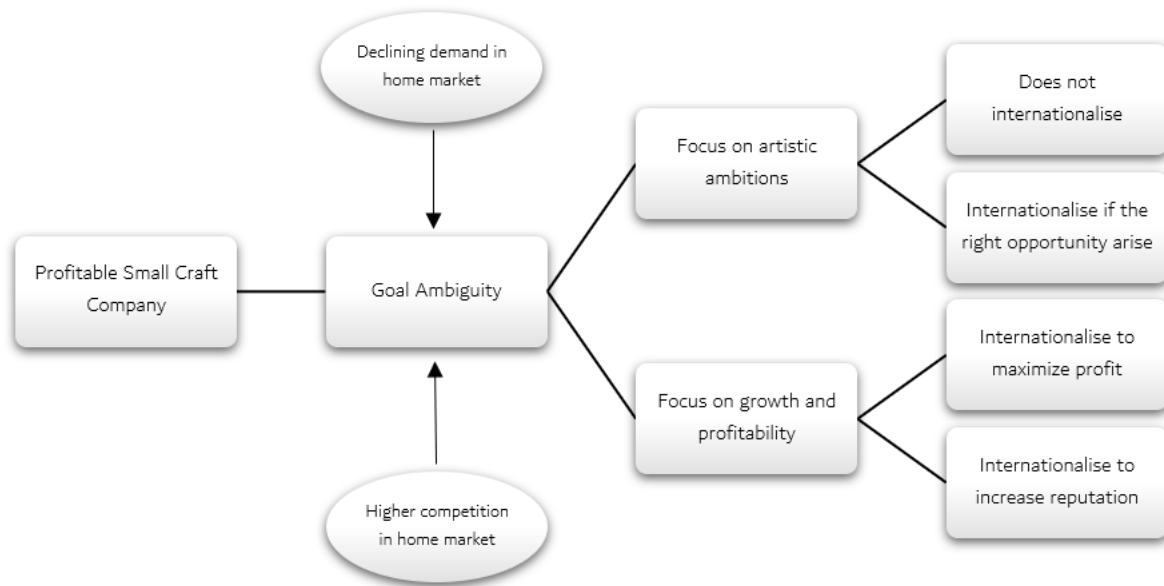


albeit with varying focus over time depending on external and internal factors. This finding is in line with the theory by Vahlne and Jonsson (2017) who argues that the best way to handle ambidexterity is to try to balance the two competing objectives. However, while Vahlne and Jonsson (2017) talk about the conflict between increasing profitability today versus seeking out opportunities for the future, the conflict in craft brewing is about artistic ambitions versus growth and profitability. Thus, it becomes difficult, if not impossible, for craft breweries to achieve both of these objectives if competition increases or demand decreases. As the competition in a craft industry tightens, the firm needs to pursue a strategy of either becoming a niche and small-scale brand that can still be profitable or whether to grow larger and become more profitable through taking market shares also outside the home market (Tregear, 2005).

Which strategy craft companies tend to adopt when facing the challenge of a more competitive market is disputed. Köping, Lantz and Stenström (2008) believe that cultural and artistic businesses have become more and more driven by profit. While the entrepreneur still has artistic ambitions, the global competition where small local companies can compete with global conglomerates has driven the importance of profits forward. Evidence of this trend, according to Köping, Lantz and Stenström (2008), shows that the entrepreneurs and management of creative companies tend to have backgrounds within business more frequently than before. Chaston (2008) on the other hand found that creative businesses were not keen on attending programmes to help them grow and become more profitable. Instead, it was shown that the entrepreneurs preferred to maintain their artistic freedom. These striding findings make it difficult to determine a preferred trait between artistic freedom and growth among craft companies, and even less so among craft breweries due to a lack of industry-specific research.

## 2.5 Conceptual Model

To conceptualise the different theories on craft companies, their internationalisation process and the dilemma they face on how to run their businesses, we have created a conceptual model. In Figure 4 below, the different paths that a craft business can take when facing the goal ambiguity dilemma have been outlined.



**Figure 4: The Goal Ambiguity Dilemma for a Craft Company - Conceptualised**  
*(Authors' own compilation)*

At the first stage, there is a small craft company that have not internationalised but is growing. The company can maintain their artistic freedom and stay local while growing steadily on the home market. Thus, the goal ambiguity at this stage is quite easily managed as the entrepreneur does not have to choose between focusing on artistic ambitions or growth and profitability, but can instead balance both simultaneously. The goal ambiguity becomes critical when there is either a declining demand in the home market or a higher competition in the home market. The firm thus becomes less profitable as they lose market shares due to competition or as the market shares do not generate as much profit anymore due to less demand. At this stage, the company must choose on whether to focus on artistic ambitions or growth and profitability. Entrepreneurs who focus on artistic ambitions keep their business at a small scale, creating unique, niche products which often generates a small, but steady, customer base. Those who choose to focus on growth and profitability seek out opportunities for the company to grow by identifying new customers and new markets (Tregear, 2005).

If an entrepreneur decides to focus on artistic ambitions, they might not internationalise at all. If the entrepreneur instead decides to internationalise, it is because there is an opportunity presented

which is of interest for the firm. The entrepreneur would, however, need to feel ensured that artistic freedom is maintained and also that the internationalisation will not take too much effort or time. The entrepreneurs who focus on growth and profitability want to internationalise as this gives them access to new markets. Some internationalise as the new markets are able to generate profit immediately, while others internationalise to increase their reputation in new markets. These markets are not necessarily profitable right away, but the company sees potential in the market and have hopes to be profitable there in the future.

## 2.6 Summary of Theoretical Framework

In Table 1 below, we have summarised the literature we deem to be of relevance for our theory chapter and a brief comment of the most important takeaways, together with the author or authors.

<b>Internationalisation Theories</b>	<b>Important takeaways</b>	<b>Authors</b>
Uppsala Model 1977	Successive steps in the internationalisation process: Export → Licensing → Agent → Subsidiary → Production in the new market	Johanson & Vahlne, 1977
Uppsala Model 2009	The emphasis of network and being an insider in the relevant business network. Mutual commitment from the firm and its counterpart is vital for successful internationalisation.	Johanson & Vahlne, 2009
Network Theories	Entrepreneurial mindset as an enabler for internationalisation. Sees the opportunity of taking risks.	Schweizer, Johanson & Vahlne, 2010
Network Theories	The importance of the entrepreneur identifying opportunities within networks. The product itself may be of less importance for the successfulness than the entrepreneur's access to the network.	Ardichvili, Cardozo & Ray, 2003
Network Theories	The interdependency within a network can facilitate knowledge and capabilities. The firm is not only dependent on its counterpart but also the relations to third parties.	Håkansson & Snehota, 1989

Ambidexterity	There is ambidexterity between exploiting opportunities to create profit today or exploring opportunities to possibly create profits in the future. These goals do not have to be competing, but could preferably be used in symbiosis.	Vahlne & Jonsson, 2017
<b>Internationalisation barriers</b>		
Barriers to Internationalisation	<ul style="list-style-type: none"> <li>- Previous experience of internationalisation by the management affects the perception of the barriers.</li> <li>- Fierce competition with difficulties to be able to compete with competitive prices in foreign markets.</li> <li>- Lack of finances makes the internationalisation process harder.</li> </ul>	Leonidou, 2000
Barriers to Internationalisation	<ul style="list-style-type: none"> <li>- External barriers, such as governmental regulations and culture, must be taken into account.</li> <li>- Internal barriers, such as the mindset of the manager and limited access to market information is also impeding.</li> </ul>	Leonidou, 2004
Barriers to Internationalisation	<ul style="list-style-type: none"> <li>- A positive mindset to internationalisation will be of benefit to the firm. The process will be faster.</li> <li>- If the faith is lacking in the home market, the will to internationalise will be spurred.</li> <li>- Lack of skill and knowledge of internationalisation will lead to a more slow and cautious approach.</li> </ul>	Kahiya, 2013
Speed of Internationalisation	The speed to internationalisation will benefit the success rate in the foreign market. Organisational benefits since the firm will have no fixed structure moulded by the home market.	Hilmersson & Johanson, 2016
<b>Internationalisation within Craft Industries</b>		
The Craft Industry	The creativity in the firm's management defines the competitive advantage as the mindset of the entrepreneur enables to seek out opportunities. This is the utmost important aspect of deciding when and if to go abroad.	Fillis, 2002a, 2002b, 2004

	Entrepreneur - the main goal for exporting is profit Idealist - the main goal is to raise awareness for the brand or product	
Art versus Commerce	Two rivalrous ambitions for artistic firms, profit versus artistic freedom. The trend is going towards profit due to globalisation and competition with larger corporations.	Köping, Lantz & Stenström, 2008
Art versus Commerce	The craft firm aims to be both profitable and artistically free, but when competition increases or the demand declines, the entrepreneurial manager must prioritise one or the other.	Tregear, 2005
Art versus Commerce	The main objective for an entrepreneur of a small creative firm is to pursue the aspired freedom. To grow their business comes second.	Chaston, 2008

*Table 1: Important Takeaways from the Theoretical Framework Chapter  
(Authors' own compilation)*

## 3. Methodology

*In this chapter, we will account for how the process has unfolded in our choices for methodology. We have used a qualitative approach to our research. We have conducted interviews as we consider this to be the most rewarding way of gaining knowledge of the possibilities or difficulties a small craft brewery may face when considering the option to go beyond the domestic border. The interviews have been semi-structured due to our belief in the value of freedom of the informant; we hoped that the informant would be able to provide us with a more in-depth insight of the challenges that come with internationalising. We will also account for the selection of the cases and theory, as well as how we have worked during our process with the quality of the study and to make sure ethical considerations have been included.*

### 3.1 Scientific Approach

#### 3.1.1 Qualitative Research Method

We have chosen a qualitative approach as it focuses on the *how* and *why* of the problem discussed by being close to the participants and going deeper into the participants' point of view on the subject at hand (Bryman & Bell, 2011; Marschan-Piekkari & Welch, 2004). According to Eriksson and Kovalainen (2008), when formulating the research question, to begin with either *what*, *why* or *how* within the business field, a qualitative approach is the recommended research method. Thus, this approach is suitable when the researcher wants to develop a theory instead of testing one. It is therefore useful when the researcher wants to understand the specific context of the study and is not interested in generalising the results. The somewhat unstructured design of a qualitative approach leads to the fact that the empirical data might be richer and more nuanced (Bryman & Bell, 2011; Diefenbach, 2009). The quantitative approach is useful when you want to test a theory as the results become generalised and the data is collected in hard numbers, therefore the quantitative approach is not of relevance for this thesis (Bryman & Bell, 2011).

Since this research is focused on the mindset and mentality of the breweries the qualitative approach is superior in generating useful empirical data. This is because the empirical data that is obtained from interviews becomes more nuanced when it comes to tone, gestures and the ability

to veer off from the main question. This allows for more rich answers than what would be obtained from a questionnaire. According to Yeung (1995), a qualitative approach is to prefer to understand business networks and decisions which gives us the opportunity to comprehend the mentality of the breweries, which is of essence since the aim of the research is to understand their choices in regard to internationalisation.

### 3.1.2 Abductive Research Approach

The two traditional research approaches are the deductive and inductive approaches. Deductive approach means that the researcher starts by defining the theoretical framework from existing theories to establish a hypothesis. The empirical data is then collected to be able to answer the hypothesis that is the base for the research. When using an inductive approach, researchers instead use their empirical findings as a basis for theory development (Bryman & Bell, 2011). An alternative approach was developed by Dubois and Gadde (2002) called the abductive approach. When using an abductive approach, a theoretical framework is used as a basis but we then continuously move between theory and the empirical material and choose theories to fit our empirical findings. This is possible due to the fact that a qualitative research method can generate answers that the theoretical framework does not cover. Therefore, the abductive approach is useful when the researchers want to discover new aspects of existing theories (Dubois & Gadde, 2002).

For this research, we have drawn inspiration from the abductive approach, since the theoretical framework covers our subject to some extent, but not fully. The craft brewing industry is still a very unresearched industry and therefore a compromise had to be used when selecting theories of interest. Since the theory might not fit the research fully, it is natural to build upon these studies if the empirical data shows new findings. Thus, we continuously go back to the theory to adapt it depending on what sort of empirical data our interviews yield. For example, theory about ambidexterity was brought into the theoretical framework after the interviews had been conducted as we found that we needed more theories that explained the dilemma between different goals, i.e. the dilemma between growth and maintaining artistic freedom.

### 3.1.3 Multiple Case Study

The decision to conduct a case study is based on the intention to get a real in-depth assessment of the situation. Through interviewing several different breweries, and thus conducting a multiple case study, and then compare and analyse their answers, we are able to broaden the perspective of the situation. Furthermore, we read news articles about the breweries and the craft beer industry, as well as visited the breweries' websites to support the findings from the interviews. However, there are some risks concerning case studies as the authors might be subjective or biased, either consciously or unconsciously. There is also a risk of generalising the findings (Diefenbach, 2009; Yin, 2012). By using a multiple case study, we try to mitigate these risks by obtaining data from not only one, but multiple sources, that we can compare and thus triangulate. This triangulation of data, including secondary data collected from news articles, company documents and websites, allows us to get a clearer and fairer view of the situation as it allows us to look at the problem from several different points of views (Saunders, Lewis & Thornhill, 2009). If a single company were to be studied, lesser could be said about the industry as a whole and conclusions could merely be drawn from this single company (Yin, 2012). According to Eisenhardt (1989), a multiple-case study first allows for exploring each case individually, enabling for the identification of case-specific traits, and secondly contrast and compare the discoveries of case-specific traits and conclusions from the different cases. This allows the researcher to identify which traits that seem to be more common among the companies and which traits that seem to be more unique and company-specific (Eisenhardt, 1989). Since the aim of the research is to understand the breweries' internationalisation process, a multiple case study gives a fuller picture of the status.

## 3.2 Selecting Location and Case Companies

Gothenburg is known as the beer capital in Sweden. There are 25 commercial breweries in the Gothenburg area, compared to Stockholm with 16 commercial breweries and Malmö with 10 commercial breweries (SVT, 2019). This cluster-like phenomenon offered a large pool of relevant companies for our research. The proximity of the breweries made it easy to stay in contact with them and follow-up on questions if the need would arise. This made Gothenburg the ideal location to gather our empirical data for this thesis. From the population (in our case the 25 commercial breweries located in Gothenburg), it is of high importance, according to Ghauri (2004), to choose



those cases which are most relevant to the research problem. Following, a justification of the process in which the cases were chosen and why will be made.

A pre-screening of relevant craft breweries to contact for future interviews was made at Gothenburg's Brewers Guild held at Lindholmens Street Food Market on the 2nd of February. This further shows the scope of the cluster since as many as 21 craft breweries originating from Gothenburg were present at the fair. 15 of these breweries proved to be of interest for our research as they all either exported or had considered exporting and were positive to participate in interviews. From these 15 breweries, we made a new assessment of which breweries would be of relevance for our thesis and found nine breweries especially interesting as they had internationalised through exports (in our definition for internationalisation, we have chosen to include any movement of production or goods across a national border, thus export to a foreign market is considered as internationalisation) and had a clear stance on the advantages and disadvantages of growing abroad. Ultimately, five out of these nine breweries were able to participate as the other breweries later declined. A sixth brewery, that did not participate at the Gothenburg's Brewers Guild, was contacted as the brewery was known to us beforehand due to its large presence on the Swedish craft beer market and agreed to participate through an interview.

The criteria for the cases we chose to interview in our thesis were: Gothenburg-based craft breweries, international experience through exports and where exports are a planned part of their operations (which eliminated some breweries that had exported but only once or twice for the experience). The possibility for us to conduct interviews with different breweries in different stages and mentalities towards exporting will provide us with not only the knowledge of *how*, but also *why* to export.

Below, in Table 2, a summary of the interviews will be found in the order they were conducted including with whom the interview was held, title and duration of the interview.

Brewery	Informant	Title/Position	Duration (min)
O/O Brewing	Olof Andersson	CEO, Founder	60
Stigbergets Bryggeri	Oli Banks	Head Brewer	40
Spike Brewery	Mats Wessberg	CEO, Founder	40
Beerbliotek	Richard Bull	Export/Sales Manager, Head Brewer, Founder	30
Poppels Bryggeri	Petter Gunnarsson	Export/Sales Manager, Founder	70
Dugges Bryggeri	Ola Dugge Engström	Brewer and Sales Manager	80

*Table 2: Information on Interviews and Informants.  
(Authors' own compilation)*

### 3.3 Data Collection Method

#### 3.3.1 Data Collection

Non-probability sampling is often used in qualitative research as the selection of informants are often not enough to make sure that it is completely random. Two relevant non-probability sampling methods are convenience sampling and quota sampling. Convenience sampling is when the samples are taken due to its accessibility, in other words, the relevant informants that are most easily accessible will be used. (Bryman & Bell, 2011).

For this research a convenience sample was used as this was deemed to be the most useful method in regard to time, effort, and access to relevant insights. Through attending a beer festival in Gothenburg, we got initial contact with 21 breweries from Gothenburg. Apart from these 21 breweries, we contacted one more brewery in the Gothenburg area that was well-known but did not attend the beer festival. From this initial large pool of possible informants, we selected informants that fulfilled our criteria and wanted to participate, thus, a convenience sample was used.

#### 3.3.2 Primary Data Through Semi-Structured Interviews

The choice to gather data through primary sources is due to the access to first-hand information that the industry actors possess. The information that is needed to answer the research question cannot be gathered through secondary data due to a lack of previous research within the craft

brewery sector (Göteborgs Universitetsbibliotek, 2019). We decided upon having interviews face-to-face due to the invaluable worth in being able to interpret the body language as a complement to the spoken words (Marschan-Piekkari & Welch, 2004).

A semi-structured interview follows a planned set of themes and questions which is of relevance for the research question but gives the freedom to decide when and which question to ask, and also to delve into a theme that proved to be of more relevance in one case or skip a question which turned up irrelevant. A semi-structured interview is therefore also referred to as non-standardised, compared to a structured interview where it is more fixed and standardised (Saunders, Lewis & Thornhill, 2009). With a semi-structured type of interview, the researchers are also given the possibility to ask follow-up questions to the informant's answer. The questions are open-ended which means that they are open to change during the interviews and allows for adaptation to the flow of the interview (Saunders, Lewis & Thornhill, 2009; Peterson, 2004; Bryman and Bell, 2011). We acknowledge that the informants possess the information that we pursue and through giving them the freedom to talk about what they deem important we get a better view of their situation and thoughts. The interview guide works as a basis for every interview, but as the structure is flexible, it allows for company-specific questions if certain elements are regarded as interesting for the research (Saunders, Lewis & Thornhill, 2009).

In our case, a semi-structured interview is the most suitable interview structure. According to Bryman and Bell (2011), when more than one person are conducting the interviews, as is done in our case, a semi-structured interview is preferred to maintain a common base between both researchers and not have too much difference in the interview style or questions. Semi-structured interviews are also preferred when conducting a multiple case study. This is to be able to compare the answers from the different interviews to some degree and make reasonable conclusions. Thus, with these aspects in mind, we decided to create an interview guide and conduct semi-structured interviews. The interview guide which we used as our basis for this thesis can be found in the Appendix in chapter 8.

### 3.3.3 Secondary Data

Conjointly to the primary data, we have also used secondary data such as company documents and reports from the craft breweries in order to access more information about the craft breweries and their international expansion plans. Some of the documents have been classified and will therefore not be included in our thesis due to privacy restrictions. But the documents have been helpful in validating the information we have received during the interviews and thereby also helped us triangulate the data. Furthermore, we have consulted the craft breweries' websites in the process, both to learn about the breweries beforehand the interviews and also during the process of writing to confirm and triangulate our data collected from primary sources. Moreover, we have kept updated on the news sites (such as Beernews) within the craft brewery industry.

### 3.3.4 Assessment and Collection of Theory

The first screening of research included articles that theorised about internationalisation processes or barriers as well as the role of the economy in artistic businesses. These included Johanson and Vahlne (1977; 2009), Schweizer, Johanson and Vahlne (2010), Leonidou (2000), Leonidou (2004), Hilmersson and Johanson (2016), Kahiya (2013), Ardichvili, Cardozo and Ray (2003), Håkansson and Snehota (1989), Köping, Lantz and Stenström (2008) and Vahlne and Jonsson (2017).

In the second phase, a search with relevant keywords was made through the University of Gothenburg's database. The keywords that were used was "internationalisation (including globalisation)", "barriers", "export", "craft", "beer" and "breweries". All of these keywords yielded a lot of results and to reduce the number of results, as well as make it more relevant for our subject, we combined some keywords in our searches. Searches were made for the phrase "craft beer" or "craft brewery" + "internationalisation" which yielded 248 results, "craft beer" or "craft brewery" + "export" which yielded 3,303 results, and "craft beer" or "craft brewery" + "barriers" which yielded 3,214 results. From these results, we got some interesting views on the craft beer industry, such as Garavaglia and Swinnen (2018). Their book "Economic Perspectives on Craft Beer" gives a good insight into the craft beer market and the barriers they might face when starting their business. However, there is no review of the internationalisation process that craft breweries might go through. A lack of relevant internationalisation theories from craft

breweries perspective is evident when looking through the results from this search. In order to get more specific internationalisation theories, we discarded the words “beer” and “brewery” from the search. The search on “craft” + “internationalisation” yielded 5,042 results. From this search, ordered by relevance, we found the research by Fillis (2002a; 2002b; 2004) who is one of few researchers that had looked into the special characteristics of craft industries when it comes to internationalisation. We identified relevant articles by their title and assessed them by reading the abstract to see if it was of relevance. The search also provided us with the works of Tregear (2005) and Chaston (2008) that we found through this approach.

As the third and final step, we reviewed some of the top-ranked scientific journals when it comes to entrepreneurship and international business. This was done to review the latest research of the two most relevant scientific fields for the internationalisation of craft breweries. The journals that were examined within the entrepreneur field were “Entrepreneurship, Theory and Practice”, “Journal of Business Venturing” and “Strategic Entrepreneurship Journal”. Within the international business field, we examined “Journal of International Business Studies”, “Journal of World Business” and “International Business Review”. The examination of recent issues of the aforementioned journals did not, however, produce any articles that we believed would contribute to our research. Thus, no articles were obtained through this final method of literature screening.

### 3.4 Data Analysis Method

Since this thesis is inspired by an abductive research approach, we have been able to go back and forth between the development of our theoretical framework and empirical data, as well as our analysis. The abductive approach allows for the theoretical development parallel to the data analysis if the theory proves to be lacking (Dubois & Gadde, 2002). As we identified more of the issue of tension in our problem when gathering our empirical evidence, it was useful to go back to the theoretical chapter and include additional theory, such as theory on ambidexterity. Furthermore, through listening to the recorded interviews and also through the transliteration of the interviews after conducting them, we laid a foundation for the analysis process. After each interview, we discussed and pinpointed the important takeaways from each case to help us develop the interview guide further and analysis process. The empirical data gathered, both from primary

and secondary sources, was then compared to the theories included in our theoretical chapter to identify if the gathered evidence followed the theories on internationalisation and artistic mentality. By doing this, we could identify similarities and differences between the established literature and the situation of the craft breweries. When analysing, we began with the internationalisation process, how they internationalised, and if they follow the steps of existing internationalisation theories. Thereafter, we decided to analyse the obstacles for expanding abroad which the breweries had identified and whether this followed existing barrier theory. As a final step, we analysed the mentality of the breweries and how their artistic mentality affected their decision on whether to internationalise and how they internationalised. Their view on growth and the tension between art and commerce was also analysed in comparison with existing literature.

## 3.5 Quality of the Research

When conducting a qualitative study, there are a lot of different issues concerning the quality that might arise. In order to ensure the quality of this thesis and its trustworthiness we have gone through four aspects: credibility, transferability, dependability and confirmability (Shenton, 2004).

### 3.5.1 Credibility

The aspect of credibility seeks to ensure that the intention of the study is in line with what is actually investigated and tested. The validity of the study's findings is vital for ensuring the trustworthiness and the credibility of the study (Shenton, 2004; Saunders, Lewis & Thornhill, 2009). To address the issue of credibility, we have sent the data we have concluded in the empirical chapter from each case to each brewery for approval and fact-checking. By letting the informants proofread our takeaways from the interviews we make sure that the knowledge and experience of our informant are not misinterpreted, and also that we do not include anything that is not true or a version of the truth. When conducting a semi-structured and non-standardised interview, this fact checking with the informant allows for both questions and answers to be clarified which adds extra validation and thereby credibility to the study (Shenton, 2004; Saunders, Lewis & Thornhill, 2009). Internal validity may also be increased by the authors' early familiarity with the culture of the case companies, a so-called prolonged engagement (Shenton, 2004). Since we both have used the craft breweries' websites, as well as participating in the Gothenburg's Brewers Guild held at

Lindholmens Street Food Market before the interviews, we hope to have gained a better understanding of the case companies and their culture.

### 3.5.2 Transferability

Transferability, or generalisability, is referring to the extent to which the findings are transferable to other research fields, and how representative the findings are for the whole population. Since our study is within the craft brewing industry, a field which is fairly unexplored, the nature of the study will be exploratory and descriptive. This will be reflected in the transferability of the findings, since they may be very industry-specific (Saunders, Lewis & Thornhill, 2009; Merriam, 1998; Shenton, 2004; Yin, 2008). It is not our aim to generalise and find a model applicable to all Swedish craft breweries, but rather to dig deep into the process of internationalising in these specific cases. However, we believe that our findings to some extent can be applicable in other situations, such as within the crafting industries, where the tension between profitability and artistic freedom exist.

### 3.5.3 Dependability

Dependability is relating to reliability and aims for the same, or complementary, findings or conclusions to be drawn if the study were to be conducted again by following the same path of the study, with the methods, cases and theories used in the study. By accounting for all of our processes throughout our study, such as the research design and its implementation, the gathering of empirical evidence and reflecting and evaluating the process of the study, we aim to be transparent with our path leading us to our findings (Shenton, 2004). Through the triangulation of our data, which our cases allow for, we believe we have gotten a more holistic view affecting both the reliability, but also the credibility of the study.

### 3.5.4 Confirmability

To avoid complete objectiveness is, according to Patton (1990), inevitable, since the questionnaires and interviews are conducted by humans. Therefore, to completely avoid the intrusion of the biases of the researchers during an interview is hard to achieve. Confirmability concerns the objectivity and bias and aims to stay as true as possible to the ideas and experiences of the informants rather than those of the researchers (Shenton, 2004). To avoid any further bias, we have recorded the

interviews (after first asking permission from the interviewee) and listened to them again. We have also made a transliteration of each case in order to stay true to the informant's wordings. Five out of six interviews have been conducted in Swedish to allow the informant to describe in a most natural way how the process and thoughts are being handled, which is often easiest in the native language. For a similar reason, the sixth interview was conducted in English as the brewery had a native English-speaking representative. We are also aware of translation biases which may occur when we have been translating our interviews from Swedish to English. To handle an eventual translation error, we have sent our empirical case chapter to our informants for their approval.

### 3.6 Ethical Considerations

When conducting research, especially when it comes to a qualitative study where interviews are being conducted, there are ethical considerations which are of importance to follow. The considerations may differ slightly depending on which source consulted. Bryman and Bell (2011) highlight the four main considerations as to whether there is harm to participants, lack of informed consent, invasion of privacy, and deception. We have also taken into account how to treat information, confidentiality and the use of material (Vetenskapsrådet, 2002). In order to handle these issues, we have been transparent in where we come from and what the purpose of our study is. We have informed the breweries about our research before the interviews, which have given them the opportunity to participate voluntarily. The informants have participated without compensation, and by their own free will. We have also, at the time for the interview, explained the purpose of the research again for full transparency as suggested by Collis and Hussey (2014). To handle the invasion of privacy we have given the interviewees the option to stay anonymous if they want and we have asked if we were allowed to record the interviews, and made sure that the informants know that the recordings will only be used for our own usage for this study. Furthermore, we have sent what we have written based on the interview to the informant so he/she can review it and make sure that no misunderstandings have arisen.



## 4. Empirical Findings

*In this chapter, we will go through the cases one by one and tell their story. All the information written under each case has been gathered during the interviews if not referred to otherwise. Each case will start with a brief background before going into their export strategy, followed by problems and barriers they have experienced during their exports. We will then accord for their thoughts on growing in the future and what they believe the future will hold for craft breweries. In the final part of this chapter, we will summarise the most important characteristics and takeaways from each case in a table to simplify the results for the reader.*

### 4.1 O/O Brewing

#### 4.1.1 Background

O/O Brewing was established in 2013 by two friends. Both founders have university degrees, with one being in System Sciences while the other has a Master of Finance and a Bachelor's in International Business. They have gained international experience through studies abroad and have lived in both Denmark and Argentina. The founders started to brew beer parallel to their studies and later also after their regular working hours. The brewery started by brewing their beers at another craft brewery's facilities in Gothenburg. In 2017, O/O Brewing moved to their own facilities and thus expanded their possible brewing capacity sharply. Another employee has been hired since the establishment, totalling the number of workers to three. Last year, O/O Brewing brewed around 220,000 litres, a number they expect will rise to between 300,000 and 350,000 litres this year. O/O Brewing is ranked as the ninth most popular brewery in Sweden (Untappd, 2019) and their beer Narangi is ranked as the best Swedish IPA currently in production (RateBeer, 2019).

#### 4.1.2 Exporting

Today, O/O Brewing export to markets such as Denmark, Norway, Finland, Estonia, the UK, Germany, Belgium, France, Italy, Spain, Switzerland and Japan. Since its inception, exports have been a goal for the brewery and a natural way to grow. In all of these cases, the importer has

contacted O/O Brewing with a wish to import their beer. The large inflow of requests from importers has put O/O Brewing in a privileged position where they can decide which importer they want to work with.

***“For us, it is all about the brand”***

There is an outspoken strategy for O/O Brewing to keep expanding beyond the Swedish borders. The aim to export their beers to foreign markets was already in the mindset at the founding of the brewery. The most lucrative market is the European market which O/O Brewing sees as a local market for their brewery. They are aware that a brewery of their size could manage by only selling their beer in Sweden, but in line with their strategy, they would rather sell their beer to well-reputed bars in Europe than too many different bars in Sweden. Due to the free movement of goods within the European Union (EU), it enables for an easiness when exporting and makes the internationalisation almost hassle-free.

Today, about 35% of O/O Brewing’s sales derive from export. Even if this relatively high export share has been a part of O/O Brewing’s strategy, they feel some concern with their high dependency on export and the risk that comes with it. Sales through Systembolaget is a much more reliable and stable income source according to our informant, but so far O/O Brewing have not focused their resources on pushing their beers through Systembolaget.

#### 4.1.3 Problems with Export

Administrative issues arise when the export market lies outside of the EU single market, but these are manageable when they have been performed a few times. More considerable problems are those regarding the loss of control when exporting beer over long distances. All in all, O/O Brewing consider the problems to be less impeding than they originally assumed before beginning to export. The general view that they had was that it is difficult to do business due to highly restricted frameworks and taxes on alcoholic beverages, but in practice, the regulations proved to be manageable to grasp. Furthermore, O/O Brewing do not believe it is more difficult for them to internationalise because it is a small craft brewery, rather the opposite. The niche of craft beer is what O/O Brewing believe creates an interest in the overseas markets.

The opportunity to export to China has arisen, but in this case, O/O Brewing have been somewhat reluctant to start exporting. Reasons for this reluctance stems in the problem of maintaining control over the beer and its quality. The effective exporting time to China is two months and thus leads to a small timeframe in which the beer must be sold and consumed, since 80% of the beer that O/O Brewing produce should be drunk within three months to ensure good quality. Furthermore, there are concerns that the Chinese importers do not have the relevant knowledge to ensure that the product receives adequate treatment. For example, promises about a complete refrigerated transportation service have been vague, something that is important for a perishable product such as craft beer. However, the beer exported to Japan has not been a problem for O/O Brewing as the beer have already been sold when it arrives in Japan and merely just “bounces” at the importer. Furthermore, the Japanese importers promise a complete refrigerated transportation service, something which they have managed to deliver. The informant from O/O Brewing states that the quality of the beer that arrives in Japan is just as good as the quality of the beer that arrives in Southern Europe.

#### 4.1.4 Mentality for Growth

***“Our brand is more well-known in Europe than it is in Sweden or even in Gothenburg”***

The problems that O/O Brewing associate with growing bigger mostly regard operational issues. O/O Brewing believes that there might be challenges with keeping control of the brand, logistics problems, as well as problems with recruiting the competencies needed to brew beer of a certain quality. They do not see a challenge with delivering high-quality craft beer even if they keep expanding, however, they acknowledge the fact that some people’s views on that a craft brewery should be small and everything should be done by hand is impossible to achieve. O/O Brewing could consider brewing abroad in a market such as the US but fear the loss of control in doing so. O/O Brewing also does not feel a need to market themselves as a local brewery. With a focus on Europe and an international name, O/O Brewing is more concerned with brewing quality beer than having a local and small-size image.

## 4.2 Stigbergets Bryggeri

### 4.2.1 Background

Stigbergets Bryggeri was founded in 2012 at the bar Kino in Gothenburg as an idea to brew the pub's own beer and the brewing became a reality in 2013. Since then, the brewery has evolved and it took its current shape as a commercial brewery in 2016. Stigbergets Bryggeri has a lot of different nationalities within their organisation, with people from India, South Africa, Chile and the UK to mention a few. The international experience has been present since the foundation, as all of the four founders are of different nationalities. Currently, there are approximately 20 people employed within the brewery.

### 4.2.2 Exporting

Stigbergets Bryggeri's beer can currently be found in many different markets such as the UK, Italy, Spain, Switzerland, Belgium and Denmark. Occasionally, Stigbergets Bryggeri also exports outside of Europe to countries such as Japan and China. Stigbergets Bryggeri started exporting to Denmark after demand grew. By selling through the renowned craft beer brand Mikkeller, the brewery felt assured that their beer would be treated with the highest concern regarding the quality. Also, Stigbergets Bryggeri got a wide exposure as their beers were being sold through Mikkeller's outlets in Denmark. The advantages of the EU are of importance as it, in theory, could only take a few days to ship a pallet of beer due to the free movement of goods within the union. One strategy that Stigbergets Bryggeri has adopted to increase their international presence and recognition is to attend beer festivals all around the world. This is the main method for Stigbergets Bryggeri to attract potential importers of their beer. If Stigbergets Bryggeri has eyed a specific market which it finds interesting, it is more inclined to attend beer festivals there to make a name for itself and attract possible importers.

Currently, about 20% of Stigbergets Bryggeri's sales come from export. The focus on the Swedish market and selling through Systembolaget have been somewhat impeding for growing their exports. The rigid testing from Systembolaget takes a lot of valuable time. Systembolaget often wants samples of a beer two to three months ahead of selling it. Since a hoppy beer cannot stay

fresh for that long, Stigbergets Bryggeri solves the problem by exporting that batch after being tested by Systembolaget. Other than that, it is mostly kegs that are exported as most of the bottles and cans are produced to meet the demand from Systembolaget.

#### 4.2.3 Problems with Export

*“When you first [export] it’s all about looking for what way you know is going to be the safest option when testing the waters”*

When starting to export, worries such as the beer not reaching its destination was in the minds of the brewers, but this has not been a problem. Our informant instead raised the worry when importers buy too many pallets and do not manage to sell it off, after a while, the beer will be quite old and if sold by then it will reflect badly upon the brewery. They have also experienced cases when bars have wanted to return the beer as they consider it not to be fresh enough, as some bars want beer that is only four to five weeks old, or that it does not look as they expected it to look like, and ruled it out as bad without even trying or tasting it. The problem of the age of the beer is not always related to the distributor’s capability of selling the beer to the bars, or the demand for the beer, but rather related to the time and capability from the brewery or the breweries to fill up a container or pallet. Also, exporting over long distances have previously sometimes proved to be difficult for them, e.g. a shipment to the US became burdensome on the brewery as there was a need for both an importer and a distributor, as well as a licensor. The shipment of one pallet of beer took almost seven months, a delivery that would, including the administrative tasks, only take maximum a couple of days within Europe.

Problems have also risen when importers have promised to sell the beer at a specific retailed price but then breaking that promise by selling it to a premium, making Stigbergets Bryggeri’s beers more expensive than the brewery would have wanted. To deal with these problems, Stigbergets Bryggeri tries to sell through distributors that it has good experiences from, or distributors that have a good reputation. Our informant does acknowledge that they lose some control of the brand once it leaves the country, but choosing the right distributor can diminish this risk severely. Selling

through Systembolaget has an advantage in this field as their governmental ownership gives them high credibility.

#### 4.2.4 Mentality for Growth

***“People get kind of scared and worried about like: “ah they’re growing, they’re getting bigger - they’re not going to be as good anymore”. But then quite more often than not, if it’s the company’s desire to stay the same, then the growth and getting bigger usually just means that we can do better quality control”***

Even though Stigbergets Bryggeri cares about being a local brand our informant does not believe that their beer will become worse if they grow, rather the opposite. Investments that can be made in processing techniques and quality control would instead help the brewery in maintaining the same quality continuously. Stigbergets Bryggeri also does not consider itself as a relatively big brewery, even though it is amongst the larger in Sweden, due to the fact that craft breweries in the UK and the US can be a lot bigger than Stigbergets Bryggeri are. The problems that Stigbergets Bryggeri predicts will come with expansion are other issues than people’s view of the brand. The hiring of international sales representatives, quality assurance, as well as marketing, are instead the issues that the management believes lies ahead.

***“When you’re a large macrobrewery you have the equipment and the ability to basically break down a beer into a list of like seventy particular chemical compounds that you can then easily recreate somewhere else that has the same quality control, whereas in the craft beer world if we were to do the same it’s based a lot on trust, that you trust that someone can do the same job as you can”***

Stigbergets Bryggeri never expected to be this popular but want to keep growing abroad if the right opportunities arise. If the distributor can promise a fully refrigerated transport to ensure quality, this would enable Stigbergets Bryggeri to grow on its own terms. The huge American craft beer market is tempting for many breweries but comes with its difficulties. If you export to the US you often need an importer for every state, and thus it is easier to sell your beer if you brew the beer on site through what is called *gipsy brewing* where you brew at another brewery’s facilities.

Stigbergets Bryggeri does not have any plans like these yet, but through collaboration brews that are sold in the US, they are getting their name out there. Collaboration brews are a one-time-only brewing of a batch and not an established beer in the brewery's catalogue. The informant believes that craft breweries might have an advantage when it comes to exporting their product over their larger counterparts, as its beer is more desirable. However, the largest problem that craft breweries face is to ensure the same quality if they open more breweries, especially abroad.

## 4.3 Spike Brewery

### 4.3.1 Background

Spike Brewery was founded in 2014 but started their brewing at commercial scale in 2016. The brewery was started by Mats Wessberg who had previously established several consultancy companies within the IT sector. Mats has a Master's degree within mathematics and computer science, he has no previous international experience. Today, the brewery has six employees and brews at around 250,000 litres per year.

### 4.3.2 Exporting

In 2018, Spike Brewery started to export as a part of the organisation's operational strategy. Before 2018, exporting was rare and only conducted when special occasions or opportunities arose. But as the production now has increased, the capacity and possibility to export have resulted in a 10% export share of the company's total production. Spike Brewery's goal is to reach a 30% export share in the future, with the rest of the sale share being evenly distributed between bars or restaurants and Systembolaget. As of today, approximately 30% is sold through Systembolaget while 60% is sold in bars or restaurants.

***“[Export] has always been the plan. Since Sweden is a relatively small market, it is quite difficult to grow a lot”***

That the brewery would be able to focus a part of their production on export as soon as three years after its inception was not part of the plan. The local market was supposed to be their focus the

two first years and hopefully there would be a possibility to reach outside the Gothenburg area the third year; outside of the city borders they have definitely reached as they are now exporting to Finland, Italy and Spain, but also occasionally to France, the Netherlands, Belgium, Denmark and even to New Zealand. Finland is an important market, due to its proximity and its similar alcohol laws. Finland is also relatively in the same price range on products as Sweden which means that Spike Brewery can expect the same prices to be used in Finland as their home market. Italy and Spain are huge markets for the craft beer industry which makes them both very interesting markets for Spike Brewery and they have aimed to establish on the craft beer map in said countries. Another market which has previously been of interest for the brewery is England, but due to the uncertainty regarding Brexit, the market is of less interest nowadays, although some collaboration brewing with English breweries is still taking place.

#### 4.3.3 Problems with Export

For Spike Brewery, the key to be successful in a new market is to find the right importer and distributor. Most of the times, the importer contacts Spike Brewery and this happen about once every month, but selecting the right associates can be cumbersome. Exporting has not always been trouble-free; one importer from Denmark seemed reliable and Spike Brewery got payments in advance for the beer they exported, which is common before a trusting relationship has been established. When they thought that they could trust the Danish importer they allowed payments to be done after the shipments had been made. This led to Spike Brewery getting scammed when the importer suddenly stopped to pay for the beer they had gotten. As a result of this, Spike Brewery is cautious when selecting importers. Another problem that Spike Brewery has experienced is issues of setting the right pricing since different currencies of Sweden and the importing country may vary and fluctuate quickly over the period when the shipment is being made. Even though the demand for Spike Brewery's beer is high in Spain and Italy, they are not in the same price range level as in Sweden, forcing Spike Brewery to lower their listing prices with approximately 30% in Spain and up to 50% in Italy. When exporting, it is not only important to consider which market to export to, but also at what time the shipment is sent. Different markets have different demand and the demand also varies over the year. For example, to send beer to



Spain in July is pointless since their demand in the market is at the very low and it is too warm. According to our informant, it is the same in Sweden, the market is at its low in January.

***“[The exports] is to 100% to build a stronger brand, since we would earn more money by selling only in Sweden”***

Spike Brewery finds markets within the EU to be easier to export to than they had imagined before starting to export, except for the issues with different currencies. Our informant states that Stockholm and Rome are basically the same thing to send beer to. In contrast, the export to New Zealand was very complicated and the administrative issues were not fully solved until about one year after the shipment was made. Our informant believes that it will probably be quite a long time until they will send beer outside the EU again, and if so, they will probably need to hire a head of export to the brewery.

#### 4.3.4 Mentality for Growth

Spike Brewery is actively trying to be international in their communication, hence the internationally friendly name instead of a locally connected name. Spike Brewery has no special aim for being branded as a local Gothenburg brewery, although for the inhabitants of Gothenburg they want to be recognised as a local brewery because of local pride. But as the local market only consists of 20% of Spike Brewery's sales it becomes less and less important which has led the brewery to focus more on global branding. Hence, all of their communication channels are being conducted in English. Spike Brewery finds it quite difficult to internationalise when being a small craft brewery as they have limited resources and personnel in comparison with larger breweries.

***“A lot of work to break-even is not that fun in the long run”***

Even though there have been some problems associated with exporting, Spike Brewery never doubted going abroad when the opportunity arose. The doubts were instead grounded in whether the brewery had the volumes needed to actually export, doubts that have disappeared with its rapid growth in the last years. The decision to export its beer is part of a strategy to keep growing when the Swedish market becomes too small. The competitive situation in the Swedish craft beer

industry, where many are outspoken local breweries, is also a reason for Spike Brewery to focus some of their efforts abroad. The fear of losing the craft brewing image when growing bigger is not a concern within the brewery as our informant raises the argument that the quality of the craft significantly differs from a macrobrewery.

Currently, the main focus for Spike Brewery regards production volumes. With higher volumes, the production cost per litre would decrease, meaning that the profitability from export markets would be higher. At the moment, Spike Brewery is at a crossroad regarding how to keep expanding; their current facilities cannot handle the rapid expansion and Spike Brewery needs to decide whether to move into bigger facilities or outsource some of the production to an external brewery. By outsourcing some of the production, there is a risk of loss of control as well as uncertainty regarding whether the finished product will be the same as it would have been in their own brewery, but Spike Brewery still have a positive view on this. Spike Brewery already have made a few collaboration brews with different breweries and have good experiences from those cases. Some of these collaboration brews have been abroad which has given Spike Brewery an excellent opportunity to test the market and increase the brewery's presence in the land. This has been Spike Brewery's strategy to expand and test new markets instead of attending beer festivals around Europe. Their attendance at beer festivals has instead been focused on the markets where they already are exporting to in order to strengthen the already established brand, such as Finland.

## 4.4 Beerbliotek

### 4.4.1 Background

Beerbliotek was founded in 2012 and started their commercial brewing in 2013, the brewery was founded by four friends, all of different nationalities. The international experience in the team is therefore high and many have lived in several countries, apart from their native countries. Since its inception, Beerbliotek has grown very much. Today the brewery has nine employees and brews around 350,000 litres per year, with a goal to increase the production even further.

#### 4.4.2 Exporting

Exporting is an important part of Beerbliotek's overall strategy. The brewery is currently exporting to 26 different countries, where Norway, Finland and the UK are the largest target markets. The aim is to have 30% of the sales derived from exports. Beerbliotek sees Sweden as a relatively small market with a high dependency on Systembolaget and thus export has always been in the mind of the founders. Their international background has helped them in establishing contacts abroad, which is, according to our informant, vital when a brewery wants to start exporting. Two of the founders had contacts in Scotland from living there, and now Scotland is one of Beerbliotek's most important markets. By attending beer festivals abroad, Beerbliotek has successfully gained an international presence and made the brand known. The festivals also enable for network building where contacts are being made with people, or companies, who are attending festivals with the mission to find new brands of beer to import. Beerbliotek sees it as a positive aspect to be a craft brewery when it comes to internationalisation as they are more independent and freer to try new ideas.

#### 4.4.3 Problems with Export

Even though exporting is a vital part of Beerbliotek's operations, it comes with a higher workload and a higher risk of complications for the brewery. Our informant especially highlighted destinations outside of the EU, such as New Zealand, Hong Kong and Australia, as troublesome. One issue with long-distance freights is that there are some containers that are being shipped with beers from several different breweries in the Gothenburg area. Thus, Beerbliotek has to await the other breweries before the container can be shipped, leading to that the beer can lose its freshness. Furthermore, there are administrative issues with customs, taxes and paperwork that comes with sending outside the EU. To assure that the beer arrives fresh, Beerbliotek has to send the newest batches with refrigerated transportation which puts strains on the production planning. Also, the importer often wants a whole range of beer, meaning that Beerbliotek has to brew a lot of different brews to meet the importer's demand. Some markets have proven to be of too much trouble to be worth to try to enter; Canada became especially troublesome as problems with the design of the label to meet regulation standards emerged. In the end, the workload did not weigh up the profit of exporting to Canada and ended in Beerbliotek choosing to withdraw from the Canadian market.

#### 4.4.4 Mentality for Growth

Even though exporting has its challenges, Beerbliotek wants to keep growing outside the Swedish border. There are thoughts on starting to brew abroad, and both New Zealand and the US are interesting markets to be closer to. Our informant mentions the positive aspect of the lesser impact on the environment which would come from brewing closer to a foreign market but acknowledges that it would be a big change to brew outside their own facilities, something which they have never done before. Brewing in the UK has been on the table as a possibility for Beerbliotek in the future since Scotland and England are two very important markets for them. But the ongoing discussions of Brexit and the unclarity of the outcome has made Beerbliotek put it on hold for a while to wait for the result of Brexit. Beerbliotek does not have any larger concerns about losing control if the beer was to be brewed abroad. Since craft beer is done in batches with new characteristics every time, our informant believes that craft beer is not that much about control. The brewery does not fear to lose the image by growing too large; the informant takes Oppigårds in Sweden as an example, which brews 5 million litres per year, but is still considered by a large majority to be a craft brewery. The brewery does, however, understand that by starting to brew abroad they could lose their Gothenburg-identity.

***“If we were to start brew beer abroad, it would be a bit more difficult to say that we are local”***

The roots in Gothenburg that Beerbliotek has is something that they are trying to highlight, especially abroad. According to our informant, Sweden has a good reputation in the craft beer world, and especially Gothenburg. One marketing strategy that Beerbliotek is implementing in their aim to promote the brewery as a Gothenburg brewery, both in Sweden and but also abroad, is to have branding on the cartons and the beer cans themselves with both text and design with references to Gothenburg. The brewery also tries to highlight it in the communication, so even though Beerbliotek aims to increase the export and grow globally, the brewery sees the worth in at the same time also remain a local brand.

## 4.5 Poppels Bryggeri

### 4.5.1 Background

Poppels Bryggeri was established by 15 friends as a fun project in 2011, with their first commercial batch produced in 2012. The brewery was a reaction to the, at the time, small beer market with few industry-active actors. The founders of the brewery all come from different industry backgrounds, with both engineering and business degrees. However, most of the founders have no significant previous international experience, apart from the CEO who has been an expat in Brazil. Today, the brewery has 17 employees and brews 1.1 million litres of beer per year. Poppels Bryggeri is the second largest craft brewery in Sweden when it comes to sales volumes, only trailing behind Oppigårds Bryggeri.

Poppels Bryggeri identifies as a brewery that suits the middle class well. The brewery defines its beer as a great step into the craft beer world from the traditional macro brewed typical lager beers. The labels on the beer bottles clearly state which beer style it is and Poppels Bryggeri has actively chosen not to have any artistically wild name that could scare off potential new customers. The brewery finds that the middle class is the customer segment that it wants to catch since they to a larger extent want to pair their more expensive dinners with better beverages.

### 4.5.2 Exporting

***“Sweden is only 10 million [inhabitants], [abroad] you get large markets and can send high volumes and build your brand.”***

As of today, Poppels Bryggeri sends 10% of their current production on export to around 30 countries. Poppels Bryggeri did not start its exporting operations until 2016, but since then the expansion has been rapid. The brewery had received offers to export before the exporting operations began in 2016 but declined these requests due to the limitation in production capacity. Poppels Bryggeri’s first export market was Norway, which was found to be quite easy to establish in due to their similar culture and alcohol regulations. The second export market became New Zealand by a coincidence, and after this, our informant jokingly said that Poppels Bryggeri aimed

to take the markets in between. As of 2017, Poppels Bryggeri has especially focused on the Asian market, since more than half of the Earth's population resides in Asia. At this time, Poppels Bryggeri claimed the spot as the second largest brewery in Sweden and with this, distributors around the world started getting interested in Poppels Bryggeri. Before Poppels Bryggeri started to export, 90% of their sales were to Systembolaget while the rest derived from bars and restaurants. Their aim was to achieve 60% sales through Systembolaget, 20% through export and 20% through bars and restaurants. This strategy has now been revised to 60%, 30% and 10% respectively. The increase in percentage on exports is not to be based on a decrease in sales volume in another area, but instead by focusing the increased production on exports.

*“Since we started this, there is no return. We cannot say:  
“we will stop, we will not grow more, it is fine as it is”,  
we have to find new goals all the time.”*

Through a consultancy report, Poppels Bryggeri has identified five key markets within craft beer that will grow most over the upcoming years. These markets are the UK, Germany, Russia, China and the US. The US is a particularly difficult market to establish in according to our informant, as the 50 states have different laws and regulations. Poppels Bryggeri has also concluded that beyond the 30 markets in which it is active, there are only about ten more that would make sense for the brewery to go into. When entering these markets, it has primarily been Poppels Bryggeri that has contacted importers and distributors around the world. Through taking advantage of the help from Business Sweden with market analysis, Poppels Bryggeri has been able to identify markets of interest. When identifying a market, the challenge has been to find the right partner where the brand gets the possibility to grow strong. Poppels Bryggeri regularly attends beer festivals abroad in order to grow the network and the exposure of the brand.

#### 4.5.3 Problems with Export

Asia is an interesting market for Poppels Bryggeri due to its size and potential, even so, it is more difficult to export to Asia than within Europe. The long distances create problems as transportation time often is around 40-50 days and needs to be refrigerated. Because of this, Poppels Bryggeri wants the shipments to Asia to be large so the brewery does not have to ship deliveries that often,

and thus a whole container has to be filled up. To be profitable in Asia, Poppels Bryggeri needs to send large volumes, which helps to build the brand in the region. It is not as profitable as selling through Systembolaget however, which is the most profitable outlet for Poppels Bryggeri. But since the potential of the Asian market is very promising, as there is a huge, growing, middle-class customer segment, Poppels Bryggeri still sees the opportunity for future profits. Furthermore, culture clashes can be difficult to mitigate, and language barriers are often present when exporting to most Asian countries. Currently, Poppels Bryggeri is in the final stages of negotiations with an importer in China, a deal that has taken two years to complete. Within Europe, Poppels Bryggeri finds it much easier to export. The administrative burden is less intense since a certificate of origin is necessary when exporting outside the EU according to our informant. Another hazard with exporting to countries outside of the EU is protective custom tariffs. There are certain countries where you might have to pay additional tariffs when your delivery arrives in the country, which is not included in the standard tariff fees. Within the EU there are no complicated documents or customs that interfere with the exports. Also, a shipment to Germany can take as little as two or three days, meaning that Poppels Bryggeri can send only a few pallets and not risk as much with the shipment.

#### 4.5.4 Mentality for Growth

***“We have never made it a secret that we want to grow and become large, which have been frowned upon in some camps”***

Our informant believes that one of the keys behind Poppels Bryggeri’s success is the different backgrounds and responsibilities that the co-owners have. With this success, Poppels Bryggeri has grown to the second largest craft brewery in Sweden and, according to our informant, probably one of the 20 largest craft breweries in Europe. This motivates Poppels Bryggeri to keep growing and become one of the ten largest breweries within Europe. To grow too large is however nothing that concerns Poppels Bryggeri. The owners of the brewery know that some people might see the brewery as too commercialised, but they still believe that they can please the large masses as they believe that people are more concerned about the quality of the ingredients and the beer itself than the size of the company. Poppels Bryggeri does not have a special focus on the local market, nor

does the brewery identify as a local brewery. Already at the inception, the founders thought about the international market as they named the company Poppels, which could work all over the world. Even though exporting was then only but a dream, they made sure not to have any limitations if they wanted to grow beyond the Swedish borders. To brew in a foreign market is not of interest at this time for Poppels Bryggeri as they consider it to be a big challenge and the margins are small.

***“Market economy is constructed in a way that weak players are eliminated and strong players grow stronger. But earlier it has been possible for many to start up and get it going anyway, but those times have passed”***

When first entering into the internationalisation stage of the company, the founders had no previous experience and no particular thoughts or expectations to what would be easy, or what would become hindrances to internationalisation when exporting. Our informant claims that he could probably write a book about how to do it by now, but at the same time, the journey to internationalisation is not something you can learn by reading, but rather have to learn by doing. However, the previous experience within sales by the Sales and Export Manager has clearly helped in the process. Now, our informant claims that he can almost predict whether or not a market will have potential before negotiations begin, something that has proven to be of importance in the case with pricing. Some countries have a very low price range where Swedish craft beer just cannot compete with the pricing of local beer. A premium beer will simply not be sold in the volume needed to be profitable at said market. Germany, for example, has a history of cheap beer and would be a hard market to penetrate just some years ago, with beer priced over €1 is considered expensive. However, our informant believes that with the younger generation who travels, they bring back new customs to the country and the demand for foreign craft beer has risen. According to our informant, the German beer market today consists of 0.5% craft beer; however, in 2011 the craft beer market was only 0.5% of Sweden’s total beer market and today, eight years later, the craft beer stands for around 10-12%. This rapid increase in Sweden shows promise for the craft beer industry in a market such as Germany.

***“If you take another brewery that is more standard, then it is maybe three friends where everyone thinks it is fun to brew but no one***



*wants to sell, no one wants to do financial control, no logistics,  
no economy; in other words, it does not work in the long run”*

The 10-12% market share that craft beer has captured has primarily been taken from larger breweries, such as Spendrups and Carlsberg. In 2009, there were only about 17 breweries in Sweden, as of today there are approximately 400 breweries (SCB, 2018). Many of the newer breweries were started to meet the new trend which demands a more locally crafted product and to know where the beer was brewed. As a reaction to this, the larger breweries have established their own craft brands to try to compete for the upcoming demand for craft beer (Spendrups, n.d.b; Carlsberg Sverige, n.d.). Due to the larger breweries' economies of scale, they can produce craft-like beer at a much lower cost than its competitors. This has led to a more competitive situation on the craft beer market where breweries cannot charge too much if their beer does not meet the expectations needed for a premium price. Our informant states that a price of above SEK 30 would make you lose about 98% of all potential customers. This new competitive situation has put more pressure on the traditional craft breweries to produce quality beer at a competitive price.

## 4.6 Dugges Bryggeri

### 4.6.1 Background

Dugges Bryggeri was founded in 2005 and currently employs eleven people full-time. The brewery moved to its current location in 2012, where the brewery's maximum capacity is 1.6 million litres per year. In 2018, 800,000 litres were brewed, a number Dugges Bryggeri hopes will increase to 1 million litres in 2019. Dugges Bryggeri's signature beer style is sour beer which is also the brewery's most sold style.

### 4.6.2 Exporting

Currently, half of Dugges Bryggeri's sales come from Systembolaget, 23% comes from licensing, 12% from a distributor, 12% from export, and 3% from direct sales to two specific bars in Gothenburg. Even though export was not part of the plan at the inception, it is today a significant part of Dugges Bryggeri's sales. Dugges Bryggeri is only directly involved in the exports going to

the US and Australia, the rest of the exports are handled by the brewery's distributor Brill & Co. Dugges Bryggeri has worked with Brill & Co since 2008 and they handle distribution both in Sweden and abroad. The decision to use a distributor is based on the management team's belief that they do not have the resources necessary to handle the planning associated with exports. Dugges Bryggeri finds it convenient since the exports often consist of small volumes with many different kinds of beers. When the distributor instead is the one who sets up the pallets, keeps inventory and does the documentation, it enables for Dugges Bryggeri to focus on other areas, such as product development. Our informant claimed that if the exports instead were to be only one type of beer and in large volumes, Dugges Bryggeri would feel that it would be more suitable to handle the export by the brewery itself.

***“Even if we would have more control and earned a bit more money, it [to use a distributor] is a decision we have taken to focus on especially product and process”***

The US has been an important export market for Dugges Bryggeri for a long time. The brewery shipped its first pallet in 2010 and it started to become a big export market in 2012. It is currently the largest export market for Dugges Bryggeri and the beers are being sold in almost all 50 states. Dugges Bryggeri has also started producing its own beer in the US by brewing at an external brewery, i.e. gipsy brewing. The deal has been set up in a way that Dugges Bryggeri gets half of the profit. Some shortcuts have to be made when brewing in an external brewery far away, for example, the bacterial culture for the sour beers is grown by and at Dugges Bryggeri in Sweden and cannot be perfectly replicated in the US. Dugges Bryggeri is however prepared to lose some of the control in order to grow.

The second market that Dugges Bryggeri takes care of is Australia, a much smaller market than the US. The exports to Australia have been ongoing for one and a half year and the shipments contain four or five pallets every four months. Australia was never a planned market to enter for Dugges Bryggeri, but the owners knew the contact since earlier and when he moved to Australia he wanted to import Dugges Bryggeri's beer. Dugges Bryggeri wants to expand its exports to the Australian market and to brew on location have even been considered.

### 4.6.3 Problems with Export

Although, the US is Dugges Bryggeri's biggest export market, this does however not mean that these exports are unproblematic; the brewery has experienced problems with the communication with the importer, such as long silences between answers which is both time-consuming and takes effort. Since the containers Dugges Bryggeri sends tend to be sold quickly, it is mostly the setting up of the next shipment which is time-consuming and needs attending to with mutual responding from both parts

***“We brew beer in our way here, we have perfected our own techniques for how we treat different styles and that has to be translated to their brewery and we noticed problems with that”***

For all of Dugges Bryggeri's export markets, it has been them that have been contacted by an importer. According to our informant, a new customer for Dugges Bryggeri can be anything from a Korean conglomerate that wants to sell their beer in 200 restaurants and hotels to a homebrewer that wants half a pallet of beer. He also mentions that it is easy to be flattered by the fact that someone abroad wants their beer and that it is quite common to start exporting without doing the proper research, which can lead to some issues. Our informant mentions issues with sending certain beer styles over long distances as the quality of the beer might decrease. Dugges Bryggeri has also experienced problems with documentation where a typo led to their refrigerated container getting caught in the Chilean customs and they had to pay an extra fee for the time it was held in customs. There have also been problems with distributors that do not have enough room to store the beer, because of this, it is important for Dugges Bryggeri to find the right distributor. The task of finding the right distributor does, however, fall on Brill & Co, and so also the marketing. The sales to Systembolaget is no problem for Dugges Bryggeri as it is basically only invoices on a regular basis.

***“We are aware that we would need to be strong on our home turf, but in the long run, if you have high goals, an international outlook is to prefer”***

Dugges Bryggeri has done some extra research in England, as its previous importer was not very reliable when it came to paying invoices. They did not have a very large warehouse either, so

Dugges Bryggeri is hoping to find a distributor with more space. Brexit could, of course, become a challenge as it could be more complicated and expensive to export there, even if Brill & Co would handle the administrative issues. But the biggest challenge that Dugges Bryggeri faces is to create a beer that stands out on a foreign market, and since the imported beer often is more expensive, this is extra important. Our informant identifies three different kinds of breweries: the first is the brewery that is local and small and basically makes one beer in each style, the second is breweries that experiment a lot and tries different trends (this is where Dugges Bryggeri falls) and the third is very niched breweries that for example only makes spontaneously fermented beer. An example of the last kind of brewery is Sahtipaja, a Swedish mead brewery that sells a lot on export and is considered one of the best meaderies in the world although it is very small (Beernews, 2018b).

#### 4.6.4 Mentality for Growth

***“If we would have been a pure Gothenburg brewery then we probably would not have done it [gone abroad] but since we do not have that approach, we communicate like we have an international brewery, it feels right”***

For Dugges Bryggeri, it is not very important to be seen as a brewery from Gothenburg. Dugges Bryggeri has taken the active choice to communicate in English to maximise its exposure internationally. In addition to this, Dugges Bryggeri goes on business trips abroad once or twice a month to promote its brand and its products. This can be through beer festivals, where the brewery also tries to create an event on a local bar and create a collaboration brew with a local brewery. Apart from that, the only marketing that Dugges Bryggeri does abroad is advertising on social media. The owners at Dugges Bryggeri feel like they might have focused a bit too much internationally as they compare the sales at Systembolaget to a European country in volumes. They recognise that the local breweries that have a strong connection to their local city sell better at Systembolaget, but Dugges Bryggeri sees the future potential in the global market. Our informant highlights the growing middle class in developing countries as an example of how the global market is growing. Dugges Bryggeri has decided to not sell the beer to a discount price to international markets as the owners feel like they do not have the margins to do that.

***“It is often the number one parameter for people that buy craft beer when they select which beer they will drink, that it is produced locally [...] so to succeed internationally you either must have an extremely unique product or you have to communicate globally and brand yourself globally and of course also have a good product”***

Our informant at Dugges Bryggeri sees a prosperous future for the brewery but also predicts that smaller breweries might struggle. He believes that many smaller breweries make great beer but forgets about sales and branding and will, therefore, have to shut down. He hopes that the market share that gets lost when smaller breweries shut down will be picked up by the larger craft breweries, like themselves. So far, there has not been any acquisitions from larger brewery groups, instead, the macrobreweries create their own craft beer brands (Carlsberg Sverige, n.d.; Spendrups, n.d.b). The craft beer industry realises that there is an opportunity to grow abroad and the state-owned export consulting organisation Business Sweden has made an effort in helping Swedish craft beer brands to identify interesting markets. Dugges Bryggeri does, however, believe that it will be more challenging for breweries that want to go international today. This is because it is a fierce competition when it comes to quality and price, something Dugges Bryggeri believes it has handled through its high-quality beers.

## 4.7 Summary of Empirical Findings

In Table 3 below, we have gathered all the most important features which we have discovered during our interviews. In the table, the tension that the breweries experience between being a local craft brewery and growing internationally can be shown, as some of the breweries value the local identity of being a brewery from Gothenburg (which also has a positive reputation abroad), while also wanting to gain shares in the international market. We have also identified the breweries interest in moving some of the production abroad but the loss of control over quality may be too big a threat.

Brewery	Volume Brewed 2018 (litres)	Export share of sales	Export plans from inception	Did they actively contact importers	Biggest barrier to export	Importance of being perceived as local	Willingness to move some of the production abroad
O/O Brewing	220,000	35%	Yes	No, they were contacted by foreign importers	Quality control (refrigerated transport) Administrative issues outside of EU	No, sees Europe as their local market. Wants to be perceived as international	Yes, maybe to the US, but fear loss of control
Stigbergets Bryggeri	450,000	20%	No	No, but made contacts at beer festivals	Finding the right importer, Administrative issues outside of EU	Yes, sees the value in the Gothenburg identity	No, not at this time
Spike Brewery	220,000	10%	Yes	No, they have almost always been contacted by foreign importers	Volume restraints in capacity, Finding the right importer, administrative issues outside of EU	No, wants to be perceived as international, but local in Gothenburg	Yes, in the future, but fear loss of control
Beerbliotek	350,000	30%	Yes	No, they were contacted by foreign importers	Quality control (refrigerated transport), Administrative issues outside of EU	Yes, sees the value in the Gothenburg identity	Yes, but fear losing their Gothenburg identity
Poppels Bryggeri	1,100,000	10%	Yes	Yes, actively contacted almost all of their foreign importers	Culture clashes, Administrative issues and tariffs outside of EU	No, wants to be perceived as international	No, not at this time
Dugges Bryggeri	800,000	12%	No	No, but their distributor in Sweden handles their export (apart from US and Australia)	Quality control (refrigerated transport), Administrative issues outside of EU	Not very important	Yes, have started to brew at an external brewery in the US already.

*Table 3: Most Important Identified Takeaways from the Cases  
(Authors' own compilation)*

## 5. Analysis

*In our analysis chapter, we will draw upon the theories we have found relevant to our problem and put them in context to the findings of our empirical data. The chapter will first put the craft breweries in relation to the existing internationalisation and network theories to investigate if they follow the identified path of a firm in the transition to internationalising. Thereafter, we will go into the barriers to internationalisation and compare the barriers from theory to the barriers our case firms have experienced. Furthermore, we will discuss the tension between art and commerce and how the case firms handle this dilemma. The chapter ends in our analysis of how the interviewed craft breweries follows the conceptual model we presented in our theory chapter.*

### 5.1 Internationalisation and Network

Although the Uppsala model by Johanson and Vahlne (1977) is built upon studies of larger manufacturing companies, we still see some similarities to the internationalisation steps of a smaller crafting company and therefore deem the theory to have some relevance for this thesis. The craft brewery starts, as any regular firm, by following the internationalisation steps in the Uppsala model. Especially at the beginning of the internationalisation process by starting with the first step of the model, export, as their first entry to a foreign market. After a while, collaborations with other actors in the foreign market begin and this can be compared to licensing to some extent as they send their recipe and let the foreign brewery brew their beer in the foreign market. However, due to the art of the craft in brewing and loss of control of the craft, this is where the craft brewery ends tracing the steps of the Uppsala model. Fillis (2002a; 2002b; 2004) argues that the craft brewery differs from the regular big company which is interesting since this indicates that the Uppsala Model might not be applicable for *all* firms within *all* industries. Köping, Lantz and Stenström (2008) also bring up the tug-of-war between wanting to be an independent craft company and wanting to be profitable and having to conform to the demand of the market.

#### 5.1.1 Accordance with Existing Internationalisation Theory

One challenge for breweries is the step from export to licensing or establishing subsidiaries in foreign markets. As mentioned in the Uppsala Model (Johanson & Vahlne, 1977) the next step

after exports is licensing by/or to recruit a sales agent. After that, a company is inclined to set up a subsidiary abroad with operational functions, and the last step is to move manufacturing activities to the foreign market. Since the breweries are too small to even have an exporting department, to move and establish a subsidiary abroad is not really of interest. For a craft brewery, export might be enough in the internationalisation process and the firm may consider themselves as successfully internationalised and hence seeking no further activities along with the steps of the Uppsala Model (Johanson & Vahlne, 1977). Furthermore, due to the importance of quality for craft beer, as well as the difficulties in replicating batches over long distances, to move manufacturing activities to a foreign market is a difficult threshold to cross, whether it is through gipsy brewing or setting up a subsidiary. Dugges Bryggeri stated that the bacterial culture that they produce and cultivate in Gothenburg would be impossible to replicate exactly somewhere else, and Poppels Bryggeri mentioned that craft breweries cannot dissect their beer into minuscule parts that then can be replicated as macrobreweries can.

This dilemma of the breweries' not being able to follow the Uppsala Model (Johanson & Vahlne, 1977) does not only have implications for the internationalisation of the brewery itself but also, as Johanson and Vahlne (1977) highlights, that it is by being present in the foreign market the knowledge creation, and the possibility to commit, emerge. This is something that the breweries may risk missing out on by not being able to fully commit, as a "regular" firm without the crafting characteristics would. However, as mentioned in the revisited Uppsala Model (Johanson & Vahlne, 2009), to be part of the right network is vital and where knowledge and trust-building can spur. This implies that our breweries may not have to be physically producing in the foreign market, as we believe that the craft beer network might have certain features "regular" networks may not possess. The worth of where the craft beer originates from is valued, even if some of the breweries do not claim to care too much for it, but during our interviews, it has become clear that the Gothenburg identity of craft beer is a strong advantage in branding. Since the craft brewing industry in Gothenburg is very well reputed, the city being Sweden's beer capital (SVT, 2019), the network within the city is well established and many of the established commercial craft breweries are part of the Gothenburg Brewers' Guild, the network which hosted the beer festival where we initially found five out of our six craft breweries. Through being part of the Gothenburg Brewers' Guild network, the reputation of the brewery may increase and have spill-over effects in giving



access to other networks where Johanson and Vahlne (2009) suggest that knowledge creation, opportunities, trust-building and commitment decisions may be possible. Through partaking in beer festivals, which seems to be a facilitator for exposure, the breweries get access to foreign networks without having to physically establish at the foreign market.

### 5.1.2 Opportunities Arising from Networks

A successful position in a network may contribute to new opportunities, as suggested by Johanson and Vahlne (2009) and Ardichvili, Cardozo and Ray (2003), since contacts within a network may facilitate easier access to foreign markets. Through being allowed to brew at a foreign brewery's facilities (i.e. gipsy brewing), a craft brewery can brew within the foreign market without making the commitment of establishing their own facilities. This location freedom that gipsy brewing allows for can make the physical distance to foreign markets smaller which is a concern brought up by Johanson and Vahlne (1977). As Ardichvili, Cardozo and Ray (2003) argue, the access to a foreign market might therefore rather depend on the network, rather than the product itself.

The actors within the network are as above stated very important. To be part of the right network is vital for the firm, but as Håkansson and Snehota (1989) highlights, it is not only the counterparts which are of importance but also the counterparts' relations to third parties. This is very much in line with our findings from this study since the craft breweries usually have contact with an importer or a distributor, but they are not the consumer of the product. It is instead important for the craft brewery to find an importer or distributor with the right contacts to find their target customers. Our informants have raised this issue during the interviews where they stress the importance of the shipment already being sold to customers when it arrives at the importer or distributor. This means that it just "bounces" in their warehouse before being delivered to the customer, something which is of relevance considering craft beer is regarded as a perishable product.

## 5.2 Barriers

### 5.2.1 Competitive Pricing

When discussing pricing with the six different craft breweries it is clear that the issue of pricing is a problematic situation. To be able to compete with the prices at a foreign market, the Swedish craft breweries must either lower their prices through discounts to the importer or try to market themselves as a premium brand and hope the clients will buy their beer because of their particular brand. However, this has proven to not work in all markets, especially in Eastern Europe where the regular beer is so cheap that it is no worth in going into some of the countries with a premium beer and try to compete with their local brands. This is in line with Leonidou's (2000) finding that being able to offer a product at competitive prices in a foreign market is cumbersome. This can partly be described by that the trend of foreign craft beer and the perception of value in the art of the craft has not, according to our informants in several of the cases, reached eastern Europe yet and it is, therefore, futile to enter due to the price competitiveness. Another reason for not entering a market can be due to different customer requirements, i.e. task barriers (Leonidou, 2004). Breweries must acknowledge that not all markets have the same demand for craft beer, for example, because of religious reasons.

### 5.2.2 Perceived Barriers

The internal barriers and expectations of potential problems for a future export expansion, which resided in the minds of the Swedish craft breweries, were of two different characters. Four of the breweries, O/O Brewing, Stigbergets Bryggeri, Spike Brewery and Dugges Bryggeri, all had a quite vivid picture of possible problems that might arise with exports. O/O Brewing were mostly concerned about the regulations and taxation of alcoholic beverages that could cause extra administrative work. Stigbergets Bryggeri thought there might be a risk of containers not arriving at the final destination or other problems connected to the shipment. While Spike Brewery had the mentality of exporting to be troublesome overall to all markets, this is possibly due to their almost unexpected rapid growth and the quick internationalisation which was not in their original plan to happen so soon. Dugges Bryggeri imagined the exporting process as too difficult for them to handle single-handedly and thus collaborated with a Swedish distributor. However, Beerbliotek

and Poppels Bryggeri instead did not have any expectations on how exporting would be like and which problems that could arise. Both these breweries had the mentality that if problems were to appear, they would be handled as they came.

Firms that are not that big in size nor have a lot of international experience face more impeding barriers when internationalising, according to Leonidou (2000). To export to overseas markets might seem like a too large obstacle to overcome when it comes to finance and competition and thus companies might stay within their domestic borders and try to compete there instead (Leonidou, 2000). However, as seen from previously conducted interviews with craft breweries by Beernews (2016; 2019b) and Sveriges Småbryggerier (2019), there seems to be a willingness amongst the craft breweries to export their products. This mentality was further enhanced from our conducted interviews with the breweries where all of them had decided to export even if they had high perceived barriers.

Kahiya (2013) and Leonidou (2000) mention that smaller companies often have less experience of internationalisation within the organisation and thus view the barriers to exporting as higher than larger companies. As Kahiya (2013) highlights, the manager's previous experience, or the lack of it, sets the mentality of the firm and its actions. In the cases of this study, four out of six companies had expectations of that exporting would be troublesome which is in line with the theories of Kahiya (2013) and Leonidou (2000). The remaining two companies did not have any perception, which could indicate a more positive outlook on the thought of internationalising since no big problems clouded the image of export. Both of our informants from these two breweries had previous international experience, either in the form of previous work experience, or in the form of being a foreigner working in Sweden, which confirms Kahiya's (2013) findings of the manager's mentality affecting the firm's perceptions.

As expected, all of the breweries had experienced some problems regarding their export activities. The most prominent problems among the breweries were problems with long shipping times, administrative problems (especially outside of EU), securing the highest quality of the beer, and finding the right importer. The problems with ensuring that the beer arrives and is sold with high quality become very difficult when shipping outside of Europe because of the long distances.

Breweries have to let go of some of the control in these situations which they do not consider optimal. Because of this, and since craft beer is a perishable product, some breweries had considered starting to brew abroad but then problems with quality control and replication at the overseas brewery arise.

## 5.3 The Role of Artistic Mentality in Understanding International Behaviour

### 5.3.1 Mentality as a Facilitator for Internationalisation

Although the companies do not have any previous international experience or lack the knowledge and resources to have a clear-cut exporting division, they still all chose to internationalise, which is in line with Schweizer, Vahlne and Johanson's (2010) argument of the entrepreneurial mindset which may facilitate internationalisation even though there are risks involved. The breweries have all seen the value of enhancing their position in the network of the beer industry and have decided to take advantage of the opportunities that has come up, e.g. importers contacting the brewery with a business proposal, even though the brewery is young and did not really consider themselves as mature enough to start exporting before.

### 5.3.2 Internationalising as a Craft Brewery

When asked if they thought it was an advantage or a disadvantage to be a craft brewery when internationalising, the breweries answers differed quite significantly. O/O Brewing sees craft beer as a niche product that generates a lot of interest abroad. Dugges Bryggeri has a similar view where the company believes that there is a need for a unique product to successfully enter a foreign market. The belief that macrobreweries' beers are too uninteresting makes O/O Brewing and Dugges Bryggeri believe that they have an edge when internationalising. Beerbliotek also believes that it has an edge by being a craft brewery but base it on the fact that the brewery is freer to experiment with its beer and test new styles. Thus, the beer does not have to taste the same in Sweden as abroad which enables for collaboration and gipsy brews. Spike Brewery and Poppels Bryggeri do, however, see it as a disadvantage to be a craft brewery on the global beer market;

Spike Brewery highlights the difficulties that come with having fewer resources and personnel than their macro counterparts and Poppels Bryggeri mentions that the macrobreweries can push the price down through economies of scale, making it more difficult for craft beer companies to compete on equal terms. Stigbergets Bryggeri identifies both the pros and cons of being a craft beer brewery when internationalising. The brewery points out that craft beer is more likely to generate interest abroad, but also mentions that it is difficult for a small brewery to replicate its beer abroad and that the brewery, because of this, needs to have a lot of faith in its overseas partners. In addition to this, some of the breweries create their own bacterial culture for the brewing process, which is very hard to replicate when brewing abroad which leads to an extra dimension of loss of control over the quality or taste.

The view shared by Spike Brewery and Poppels Bryggeri shows that they view the business side of the industry as most important when trying to internationalise. They envy attributes that generate high profitability such as economies of scale and abundance of resources. They, therefore, seem to be of a more business-oriented mentality which confirms Köping, Lantz and Stenström's (2008) argument that the management sees to the economic side of the firm rather than the creative. However, not all breweries' mentality agrees with Köping, Lantz and Stenström (2008); breweries like O/O Brewing, Dugges Bryggeri and Beerbliotek instead highlight the more artistic attributes as positive aspects, such as the craft beer's quality and special characteristics. This could imply that they still are of a more artistically oriented mentality.

### 5.3.3 Establishing Contact with Importers

Which actor that initiates the first contact in a possible export deal is of interest as this can give a hint on the ambition to grow for the companies. A company that is eager to grow will probably be more proactive in the search of new markets and contact possible importers themselves. Companies that do not actively seek out importers might not focus as much on the international market and instead focus the resources on processes or the home market. O/O Brewing and Dugges Bryggeri mentioned that it was them that had been contacted by an importer in all cases. None of them had actively sought out an importer in a new market. Spike Brewery explained that it was mostly importers that had initiated contact. Stigbergets Bryggeri and Beerbliotek have found most

of their importers on beer festivals around the world. That Stigbergets Bryggeri and Beerbliotek actively have attended international beer festivals in markets they have found interesting shows that they have ambitions to grow, but the fact that they have not actively sought out an importer but instead let importers contact them indicates that entering new markets might not be their priority. Poppels Bryggeri is the only brewery that mentions that it has actively scouted markets and sought out relevant importers. This is a clear indication that the management wants the brewery to grow and that the localness and the home market might lose importance for them.

As a result of an importer or distributor contacting O/O Brewing, Spike Brewery and Beerbliotek fairly early in the firms' life cycle, the breweries have speeded up their internationalisation process earlier than they initially expected. For such young firms to go international in the beginning will help, according to Hilmersson and Johanson (2016), in their speed to internationalisation, since no set routines have been established which can help the firm to easier adapt to a new market. As shown in all these cases, the internationalisation process has been very fast and they now have such a high demand from foreign markets (as well as the local home market) that they experience issues with meeting the demand in volume produced. For so young and relatively small firms, this confirms Hilmersson and Johanson (2016) finding that a firm that is quick to internationalise often is successful. This can be shown in the total sales figures for the breweries: O/O Brewing with 35% to exports, Beerbliotek with 30% and Spike Brewery with 10% of their sales.

## 5.4 Tension Between Art and Commerce

### 5.4.1 Importance of the Local Market

The tension between staying local and growing bigger for craft companies have been readily elaborated upon by Fillis (2002b), Köping, Lantz and Stenström (2008) and Tregear (2005). Several of the interviewed breweries stated that beer-interested consumers often prefer local beer and that these kinds of brands sell better among craft beer brands at Systembolaget. However, some of the breweries neglect the Swedish market to a quite vivid extent as they see the international market as profitable in the long run while some other breweries try to maintain, or strengthen, their local connection. In one end of the spectra, we have the mentality of O/O Brewing, Poppels Bryggeri and Dugges Bryggeri who does not care substantially about whether or not they

are seen as a local Gothenburg brewery. O/O Brewing claimed that it sees Europe as the “local” market, thus diminishing the importance of being seen as a Gothenburg brewery, while Dugges Bryggeri acknowledged that it just had not prioritised the local market. On the other side of the spectra, we find the mentality of Stigbergets Bryggeri and Beerbliotek who want to brand themselves as being from Gothenburg and sees a value in that identity. Beerbliotek highlighted that it is not just an advantage on the local market, but also abroad since the city of Gothenburg has a good reputation in the craft beer network. Spike Brewery position itself somewhere in between, where it does not put very much effort into branding the brewery as being from Gothenburg. However, Spike Brewery does still want people in Gothenburg to know that the brewery is local as the management believes this will generate more sales locally.

#### 5.4.2 Profit as a Goal





























Even though there are large differences in the view on how important it is to be locally integrated among the breweries, their decision to focus on the local market or neglect it has been done with the same goal in mind, profit. Beerbliotek and Stigbergets Bryggeri have decided to brand themselves as local, which could imply that they focus more on artistic freedom than profits, but the underlying causes for these decisions repudiate this idea. The fierce competitive situation that has emerged within the craft beer market could make one believe that the Swedish breweries within craft beer have already had to make the decision on whether to choose to focus on maintaining their artistic freedom or to grow, similar to the dilemma mentioned by Tregear (2005). Thus, it seems indisputable that all of the six breweries have decided to grow as they have decided to internationalise and the reasons for maintaining a local brand is primarily business related. In line with Fillis (2002b), the entrepreneurs behind the breweries are therefore not to be seen as *The Lifestyler* or *The Late Developer* as the breweries view exports positively. This profit-oriented mentality of the breweries is also in line with Köping, Lantz and Stenström’s (2008) findings on that artistic business has become more and more driven by economy and profits. The craft beer industry is accordingly not an exception from the findings in these cases. Once again, it is possible that the recent fierce competition within the beer industry is the underlying cause for this development as both Poppels Bryggeri and Dugges Bryggeri acknowledged that it would become

difficult for new breweries, and breweries without a developed business plan, to compete in the industry.

### 5.4.3 The Artistic Mentality in the Breweries' Internationalisation Process

From the breweries' views on whether or not it is an advantage of being a craft brewery when internationalising, whether they established contact with the importer or not, as well as whether it is important for them to be seen as a local brewery, we have created a matrix to conceptualise and get an easy overview of how important artistic ambitions are for each brewery. If the brewery believed that it was an advantage to be a craft brewery when internationalising, it shows that they have the artistic mentality. For them, the product is the most important and they believe that with a quality crafted product they will succeed abroad. If the company believed that it was a disadvantage to be a craft brewery when internationalising it does not show as much artistic mentality. These companies instead saw operational advantages as an important aspect to succeed abroad. If a brewery established contact with importers by itself, it shows that the company are motivated to grow and that artistic ambitions might come second. If the brewery on the other side has not contacted importers by itself, it is an indication that the brewery has focused more on developing and crafting its product and that growth might come in second. Those breweries that have come in contact with importers through beer festivals falls somewhere in between as they go abroad to promote their brand and their products, but does not actively seek out importers. Finally, whether or not breweries want to be seen as local also suggest how large their artistic ambitions are. For a brewery that believes that it is important to be seen as a local brewery, it is clear that the proximity to your customers is an important aspect and that they have a high artistic mentality. Breweries that do not deem it important to be seen as local might not have the same artistic mentality as they are more focused on growing into an international brand. The compilation of these aspects is shown in Table 4 below.



Opinion Brewery	Sees the advantage in being a craft brewery	Actively contacted importers	Important to be seen as a local brewery	Artistic ambitions (summed from previous three columns)	Why they internationalised	How they internationalised
O/O Brewing	Yes 	No 	No 		Increase Reputation	Export
Stigbergets Bryggeri	Both 	Through Festivals 	Yes 		Increase Reputation	Export
Spike Brewery	No 	No 	No 		Increase Reputation	Export
Beerbliotek	Yes 	Through Festivals 	Yes 		Increase Reputation	Export
Poppels Bryggeri	No 	Yes 	No 		Increase Profits	Export
Dugges Bryggeri	Yes 	No 	No 		Increase Reputation	Export, Some gipsy brewing
Average					Mostly to Increase Reputation	Mostly Export

*Table 4: Artistic Mentality, Ambitions, and Choices for Internationalisation by the Craft Breweries.  
(Authors' own compilation)*

From this simplified matrix, we can identify that Beerbliotek seems to be the brewery that is most concerned with the artistic freedom within craft brewing, while Poppels Bryggeri is the brewery that is least concerned with artistic freedom. Interestingly, Poppels Bryggeri is the most successful

of these six companies, being a large craft brewery even with European standards. If this successfulness has to do with the priority of profit and growth and less concern with artistic ambitions is unclear, but not unlikely. It is also evident that all of the breweries, with the exception of Poppels Bryggeri, still believe that it to some extent is important to maintain the artistic characteristics of craft brewing. However, as all of these companies have internationalised and want to keep growing abroad, it is discussable how big of influence these artistic ambitions really have on the decision-making between art and commerce. Ultimately, our informants mentioned that breweries have to grow due to the fierce competition of the industry and there might not be a possibility to prioritise the artistic mentality if the brewery wants to be profitable. This is in line with Köping, Lantz and Stenström's (2008) finding that creative businesses are becoming more directed by economic interests.

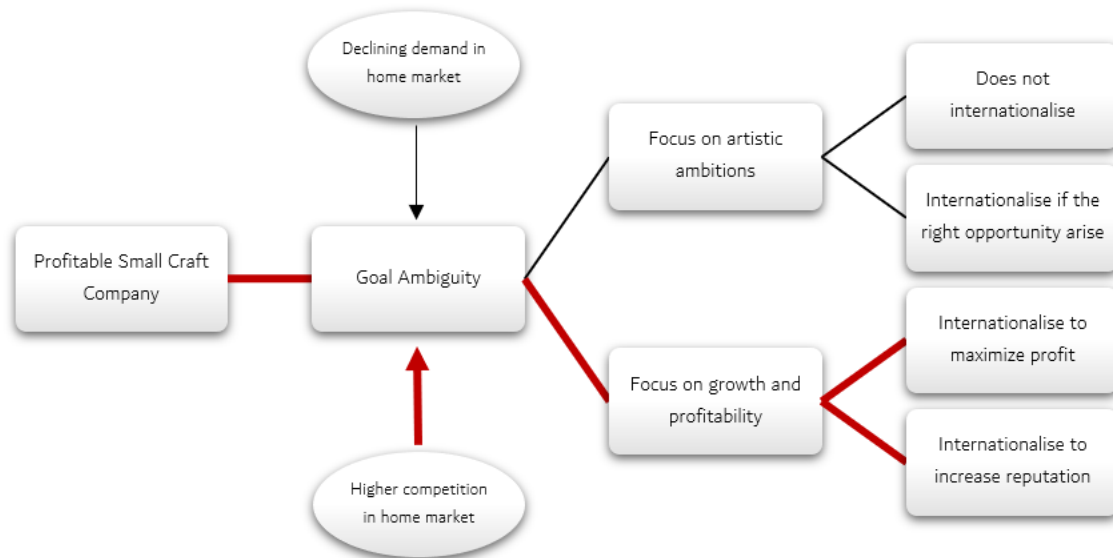
Looking at *why* the craft breweries want to internationalise, shows that five out of six of the breweries are more concerned about the reputation and expanding their brand. During the interviews, many of the informants mentioned that it would probably be more profitable for them to stay in Sweden as Systembolaget is a reliable customer. But due to the competitive situation in the Swedish market, growing and going across borders becomes a necessity for craft breweries and thereby increasing their reputation internationally since this would allow for further opportunities, which is in line with Johanson and Vahlne (2009) since access to new networks can facilitate knowledge sharing and opportunities for the firm. However, Poppels Bryggeri is the only brewery to focus their expansion mainly on profitability. This can be seen in their choice of actively focusing their exports to Asia. The Asian market eliminates some of the control which could damage the reputation of the brand but the growing middle-class population in Asia is considered a huge potential customer segment for the craft beer and could lead to higher profit. Table 4 also conclude *how* the craft breweries have internationalised. All of them have used exporting as their first channel of internationalisation whereas Dugges Bryggeri also has begun brewing at an external brewery in the US (i.e. gipsy brewing). The other breweries have all considered the possibility to gipsy brew but as of right now sees the risk of losing control of the production process and the quality of the product as too big of a risk.

Table 4 shows that artistic ambition plays an important part among most of the craft breweries and the choice of mode for internationalisation shows that the control of the product is vital for the firms. Thus, it shows the artistic mentality that most of the interviewed craft breweries have, could have an effect on *how* the brewery internationalise. As the product is where the breweries can express their artistic ambitions, they are not keen on letting go of some of the control and therefore prefer export as a mode of internationalisation. However, artistic ambition does not seem to have an effect on *why* they internationalise as all of the breweries have decided to internationalise to either increase their reputation or to increase profit. The fact that the breweries internationalise to either build their reputation abroad or to increase profits shows that they internationalise to grow. However, one could argue that the fact that five out of six breweries rather highlight that they go abroad to increase their reputation rather than to explicitly say that it is to be more profitable, shows that the artistic mentality is still present even if the brewery feel somewhat “forced” to focus on growth and profitability due to the competitive situation on the home market.

#### 5.4.4 Growth

All of the interviewed breweries have a positive mindset to a continuous expansion abroad. Out of the six breweries, Stigbergets Bryggeri is the one that is most hesitant to continue to expand abroad, even though the management still want to. For them, it is important that it is an importer that can guarantee a high-quality shipment and handling to ensure that the beer arrives in as good condition as possible. Stigbergets Bryggeri finds that it has grown large enough to be able to be picky with choosing importers and not rush the brewery’s expansion. Drawing the mentality of the breweries to the theory mapped out by Fillis (2002b), we notice that *The Entrepreneur* and *The Idealist* look positively at export. While *The Entrepreneur* more actively seeks out business partners and opportunities, *The Idealist* is inclined to take on opportunities that arise from their network, something that Johanson and Vahlne (2009) also argue in the revisited Uppsala Model, as their findings show that the opportunities and knowledge stem from being within the network. To place the breweries within any of Fillis’ (2002b) categories is quite difficult as the lines between the categories are blurry and the industry is skewed towards importers establishing contact with breweries. What however can be said is that these breweries want to grow and are willing to exploit opportunities that they deem interesting.

## 5.5 Revised Conceptual Model



*Figure 5: The Way to Internationalisation for a Swedish Craft Brewery - Conceptualised  
(Authors' own compilation)*

By applying our conceptual model on *how* and *why* a craft firm internationalises, upon the six Swedish craft breweries in this thesis, a trend is clearly shown. The reason why there has been a goal ambiguity between focusing on artistic ambitions versus focusing on growth and profitability is because of higher competition in the home market, and not because of declining demand. As previously discussed, only one of these two trends has to be active for the companies in the industry to face a goal ambiguity. As mentioned in the introduction chapter, there has been a sharp rise in the number of breweries in Sweden which has tightened the competitive situation. This has further been confirmed by our informants who predict that breweries without a thought-out business plan will most likely struggle in the future. A decline in the demand for craft beer in Sweden has however not been seen and the demand is predicted to keep rising in the upcoming years.

Even though it has been shown that the majority of our informants care about the artistic and local aspect of craft brewing, all of them have decided to internationalise due to a higher focus on growth and profitability. It is difficult to draw a clear line of when the brewery internationalises to maximise profit and when they internationalise to increase reputation, and often it is probably a mix of both, but there are still some clear differences among our informants. Poppels Bryggeri has

to a larger extent internationalised to maximise profit and gain market shares, while O/O Brewing has, to a larger extent, internationalised to increase its reputation by focusing on being available on well-reputed bars around Europe. None of the breweries have been reluctant to internationalise and have done so to grow.

## 6. Conclusion

*In this chapter, we will present our findings we have discovered when assessing our empirical data and our analysis. After answering our research question: “How does the artistic mentality of the craft brewery affect the internationalisation process?”, we will discuss this study’s contribution to the international business field. The limitations of the study will also be brought up, together with suggestions for future research.*

### 6.1 Artistic Mentality and Its Effect on Internationalisation

The purpose of this thesis is to better understand the effect the artistic mentality has on the internationalisation decisions and process of craft breweries. The tension of art and commerce for growing craft breweries is therefore readily elaborated upon. The artistic mentality and its effect on the internationalisation process for companies in craft industries have not been readily researched but Fillis (2002b) believed that these firms’ special mindset differed from “ordinary” companies’ internationalisation process. We have found that the artistic mentality is very much present among craft breweries in Sweden, but that its effect on the internationalisation decision is not considerably large. The competitive situation of the craft beer industry in Sweden has required the breweries to focus more on profitability than their artistic ambitions. Our findings show that the tension between art and commerce is thus not as large as had been suggested from previous research from Tregear (2005), as the industry has matured enough to see actors with a weak business plan struggle with the economy. A solid business plan was mentioned by our informants as crucial for staying profitable also in the future. Thus, the commercial side of business is weighing out the artistic side and breweries internationalise for business reasons.

Although the Uppsala Model proved to not fully fit the craft brewery, due to the mentality of a craft firm regarding letting go of control, the craft brewery may still draw upon the theories regarding networks. The network enables the brewery to find the right importer, but also to increase their presence in a foreign market. Even though the decision of whether or not to internationalise is not largely influenced by the artistic mentality of the craft brewery, the artistic mentality still plays a role in *how* they internationalise. The choice of using export as their only

internationalisation mode enables the artistic freedom and control of the product development. A product that is hard to replicate elsewhere, as craft beer is, makes export the superior internationalisation activity. This link to the artistic mentality as the product is the “art” and managers are not willing to compromise it a lot to enable an easier internationalisation. Moving to set up own facilities in a foreign market is a big step due to the large amount of resources needed to set up production and ensure quality, and will for most craft breweries probably never be a reality.

Through our conclusions, this study contributes to the research on internationalisation within the craft industries as well as more specifically the craft beer industry which has previously been fairly unexplored. The study also adds to the literature regarding the tension between art and commerce and its impact on creative businesses. The study further adds to the network theories through demonstrating the high importance network plays for the craft brewery when internationalising, even though the craft brewery does not follow the typical firm’s internationalisation process in other regards.

## 6.1 Managerial Implications

The managerial implications that can be concluded from this thesis are that the brewery should focus on growth since the increasing competition in the home market will force the breweries to have a well thought out business plan. Creative businesses have been seen to become more business-oriented and our research of the craft beer industry shows the same tendencies. Our findings suggest that craft breweries need to follow this trend if they want to stay competitive on the market. Managers can still incorporate their artistic ambitions in product development but should be aware that a more sophisticated product will make it more difficult to replicate elsewhere and thus impeding the extent of the internationalisation. Export is a viable internationalisation strategy if the brewery still wants to maintain a certain amount artistic freedom, but if the brewery wants to grow even further, the artistic freedom would be smaller as the breweries would have to lose some of the control.

## 6.2 Limitations

Due to a limited time frame, this thesis is not without its limitations. This multiple case study consisted of six breweries from Gothenburg in Sweden. The limited number of breweries makes it difficult to draw any generalising conclusions for the industry as a whole. Furthermore, the limitation of only having breweries originating from one city in one nation restrict the possibility to draw conclusions on the situation in other nations. Also, the breweries that participated are all relatively successful for being craft breweries and have all already internationalised, meaning that these findings might not be applicable for the smaller craft breweries that have not yet internationalised. Even though general craft industry theories were used to theorise the problem, these findings should be treated cautiously before deeming them as relevant for all craft industries as our study have only focused on craft brewing in particular.

## 6.3 Suggestions for Future Research

For further research, we suggest that a study should be done over a longer period of time, analysing more companies. This would generate more empirical findings and the results would become more generalisable. The study could preferably also be done with informants in several different nations to account for any possible national differences. Breweries of different size, and especially breweries that have yet not internationalised, would be interesting to conduct future research upon as this could make us understand how the mentality and tension of art and commerce affect breweries that are still to internationalise, and whether this dilemma is stronger or weaker for smaller companies. Furthermore, other actors within the craft beer industry, such as importers, could be consulted to triangulate findings and get another insight into the craft beer industry. Our conceptual framework (Figure 4) could with benefit be used to analyse more companies in different craft industries and identify possible similarities and differences among craft firms and industries. Due to craft firms special internationalisation process, regarding the fact that they might not want to expand abroad but rather feel forced to, future research on the internationalisation of craft firms which do not follow traditional theories would be of interest.



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## 8. Appendix

### 8.1 Interview Guide (translated from Swedish)

Title and work tasks:

Education:

Previous work experience:

Previous international experience:

Founding year of the brewery:

Number of employees:

Do you export as of today? If no, have you done it or is it a goal for the firm?

To how many markets, and which? Why did you choose these markets?

How long time does it usually take from the preparation of exporting to a new market until it actually happens?

What is the reason behind the decision to export?

Which problems have you encountered associated with export?

Did you foresee these problems before starting your exporting operations?

Was there any problem that you thought would be a bigger issue than it proved to be?

Are the markets you export to a part of your strategy or did the opportunity to export to those markets just arise? If so, how do these opportunities arise?

Was export already part of the plan when the brewery was established? Or has the thought spurred from the brewery's growth?



How large is the share of sales deriving from export at this moment?

Is there any market, in particular, that is more profitable? If yes, why?

What is your view on further expansion to new markets?

Would it be of interest for the brewery to increase your presence internationally through, for example, start a subsidiary abroad or through gipsy brewing.

Did you ever hesitate to internationalise? If yes, why?

Can you identify the dilemma of keeping your craft identity if the brewery grows larger?

If the brewery faced the dilemma of keeping on growing but thus losing some of the control or limit the growth to ensure full control of production, which path would you choose?

Do you find it harder or easier to internationalise for a craft brewery in comparison to microbreweries? Why?