

Taking Stock on Craft Production Firms: Business Models and Management Control Systems

1. Introduction

This extended abstract proposes an extended research project exploring the business models and management controls systems of craft production firms to gain insights on how craft sectors have evolved with our modern society. Artisan and craft production, although assisted by mechanical means, relies significantly on direct manual contribution of the artisan and craftsmanship to produce the most substantial component denoting the fundamental value of the finished product. The craft production firms resist, survive and thrive by articulating and sustaining their value stories instead of by maximising the margin through scale of economy and efficiency. Thus, craft production firms are situated on the end of a spectrum of manufacturers, the opposite end of which, are the industrial mass production firms. We focus on the craft production firms' business practices to critically reflect on the notion of rational and economical decision-making, which has been taken for granted by business management, consultancy, research and education. In doing so, our first research question (RQ1) is: *what are the value systems that denoting the artisan and craftiness of craft production firms?*

The business models of craft breweries have not been fully understood. It is believed that the growths of craft production firms are distinct from growth patterns of small manufacturing businesses (Peneder, 2008) and entrepreneurial firms (Lumpkin and Dess, 2001). The existing research studies of craft producers are dispersed by focusing on single aspects of the business practices of a particular types of craft production; for instance, the entrepreneurial attributes founders and operators (Cannatelli et al., 2019; Cunningham and Barclay, 2020; Flanagan et al., 2018), the constructionism of the craftiness of craft breweries (Argent, 2018; Dodd et al., 2021; Fletchall, 2016; Kroezen and Heugens, 2019). There have been sparse efforts to consolidate and reflect on the categories and patterns of craft production business models. Our second research question (RQ2) is: *what are the shared, yet distinct business models of craft production firms and their implications?*

Management controls can direct and reinforce business models by contributing to designing and executing firms' business strategies (Davila, 2005). Management controls enable iterative and learning-intensive developmental activities (Aaltola, 2018) and have the potential to support artisan and craft identities (Laine et al., 2012) at the "company level, the product/relationship level and the process level" (Leotta et al., 2020, p. 593). There is, however, a lack of research on how management controls support the artisan and craftiness of craft production firms. We aim to study management controls including both formal controls (Merchant and Van der Stede, 2007) and informal controls (Akroyd et al., 2019; Akroyd and Kober, 2020; Reimer et al., 2016; Tucker, 2019) that working together to influence the behaviour of organisation members and enable good performance outcomes (Merchant and Van der Stede, 2007). The third research question (RQ3) is: *what are the management control systems emerging in craft production firms and their implications?*

2. Theoretical underpinning

Based on a comprehensive literature review carried out by the research team, the unique and collective identity of craft production denotes being artisanal, authentic, neo-local, heritage related, and leisure oriented. To establish the connections of the craft production firms value systems,

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business models and management controls, we propose the craft production ecosystems as potential theoretical lens that assist the current and future research on craft sectors.

[Insert Figure 1 About Here]

The current project is to provide comprehensive empirical evidence from longitudinal and multiple case studies to support, improve and enrich this craft production ecosystem. The notion of craft production ecosystem is supported by the following theoretical frameworks.

1) Post-modernism value shift

Socioeconomic changes do not attract their deserved attention in business research. Modernization theory settles a central claim that key changes in social, political and economic characteristics are interrelated and follow coherent patterns (Huntington, 1991). Craft sectors preserve their heritage of homebased handcrafting and have survived the competition and domination of industrialisation and modernisation (Inglehart, 1997). According to Inglehart (1997), the transition from modern to postmodern societies denotes the core social goal shifts from maximization of economic growth to enhancement of subjective wellbeing, whereas individual value shifts from motivations of achievement to individual values of autonomy and self-expression (Inglehart, 1997; Inglehart and Baker, 2000). Rising in 1980s, postmodernism highlights the growth of consumer culture, consumerism on lifestyle and identity, subcultures such as youth groups, and activist movements (Gibbins and Reimer, 1999a, 1999b). In answering RQ1, we hope to provide empirical evidence that the craft production firms, although rooted in pre-industrialisation and heritage of handcraft, may have transformed to represent a more advanced value-driven and/or identity-driven business models that fit in the post-modernism value systems.

2) Long tail marketplace

Research on craft sector distribution in contrast to the industrial mass production, are almost absent. We propose to adopt Anderson's (2006) long tail as a perspective to explore diverse business models in craft production ecosystem. In essence, Anderson (2006) posits that niche products in low demand or those that have low sales volume (the tail) can collectively build a more substantial market share than their rivals or exceed the relatively few current dominant mass productions (the head), provided that the distribution channel has almost no limit to offer products available in the market (See Figure 2).

[Insert Figure 2 About Here]

Many scholars have validated the long tail from the distribute perspective of the market (Benner and Waldfogel, 2020; Coelho and Mendes, 2019; Zhang, 2018). It is worth noting Baginski and Bell (2011), Hoskins and Griffin (2021) and Wu et al. (2024) also point out that the craft beer market demonstrates many features of long tail niche markets. In our view, the craft sector has formed a long tail as it has demonstrated that it is a niche market, which requires a critical mass of craft varieties. The tail of available variety of craft and artisan offerings is far longer than the mainstream mass market. In answering question 2, we propose to explore the diverse business models adopted by the craft sector, including the role of aggregators in the craft production ecosystem (see Figure 1). Furthermore, competitions in niche sector, i.e. firms across the long tail, raise questions about how businesses can successfully live on the tail. Anderson (2006) argues that the long tail is an informed

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and purposeful consumption pattern of almost all goods and services, which echoes central view of service-dominant logic (Vargo and Lusch, 2008, 2017).

3) Service-dominant logic

Service-dominant logic (SDL) argues that all businesses are service businesses, whether they appear to be transacting in goods or services (Vargo and Lusch, 2008, 2017). SDL challenges the conventional distinction between goods and services by asserting that all products are vehicles of service experience (Lusch and Vargo, 2014; Vargo and Lusch, 2004, 2016, 2017; Ng and Wood, 2018). This lens fits the craft production sector, where businesses and their customers seek unique craft and artisan experiences by way of creating value together rather than merely a consumption of physical goods. Wu et al. (2024) drew on the notion of SDL to examine key service characteristics relevant in a craft manufacturer and the management controls that support them. Based on a longitudinal case study, Wu et al. (2024) found that a craft brewery piloted a range of management controls in the quest of building and sustaining its craft identity. This journey was emergent, organic, unstructured and interactive (Wu et al. 2024). Culture controls play a central role in sustaining the craft identity cultural control (Akroyd and Kober, 2020; Tucker, 2019, Wu et al. 2024). The unique settings of craft production firms offer the current study an opportunity to further explore the management controls adopted by diverse business models. We are also particularly interested in the institutionalisation processes of management controls systems in craft production firms as well as in the craft production ecosystems.

3. Method

The current study adopts the case study design by Yin (2012) to explore craft production firms across different industries to support, modify and improve our proposal of craft production ecosystems. Yin (2012)'s case study research design requires using propositions and relating empirical data to propositions by pattern matching. This stems from the fact that Yin views the purpose of case study research, amongst others, as theory development. As such, theoretical propositions are a starting point (and not the result) of case study analysis. Furthermore, we propose to use longitudinal and multiple case studies. Because longitudinal and multiple case design have the advantage to substantiate the meanings of our proposed craft production ecosystem framework meanwhile different results are also insightful for theoretically improve our proposed theoretical framework. Data collection of the case studies involves internal and external archival data analyses, in-depth interviews, site visits.

4. Conclusions

We aim to extend the management accounting literature by carrying out case studies on craft producers in different industries to provide evidence to our proposed theoretical framework: i.e the craft production ecosystem. We are interested in how management controls sustain the craft identity in the long tail market and ecosystem for value cocreation. It is hoped that ecosystem of craft production will inform craft producers and business consultants in business decision making. We invite scholars and educations to reflect on the long-establish assumptions of management accounting education and research that informed by economic and rational assumptions.

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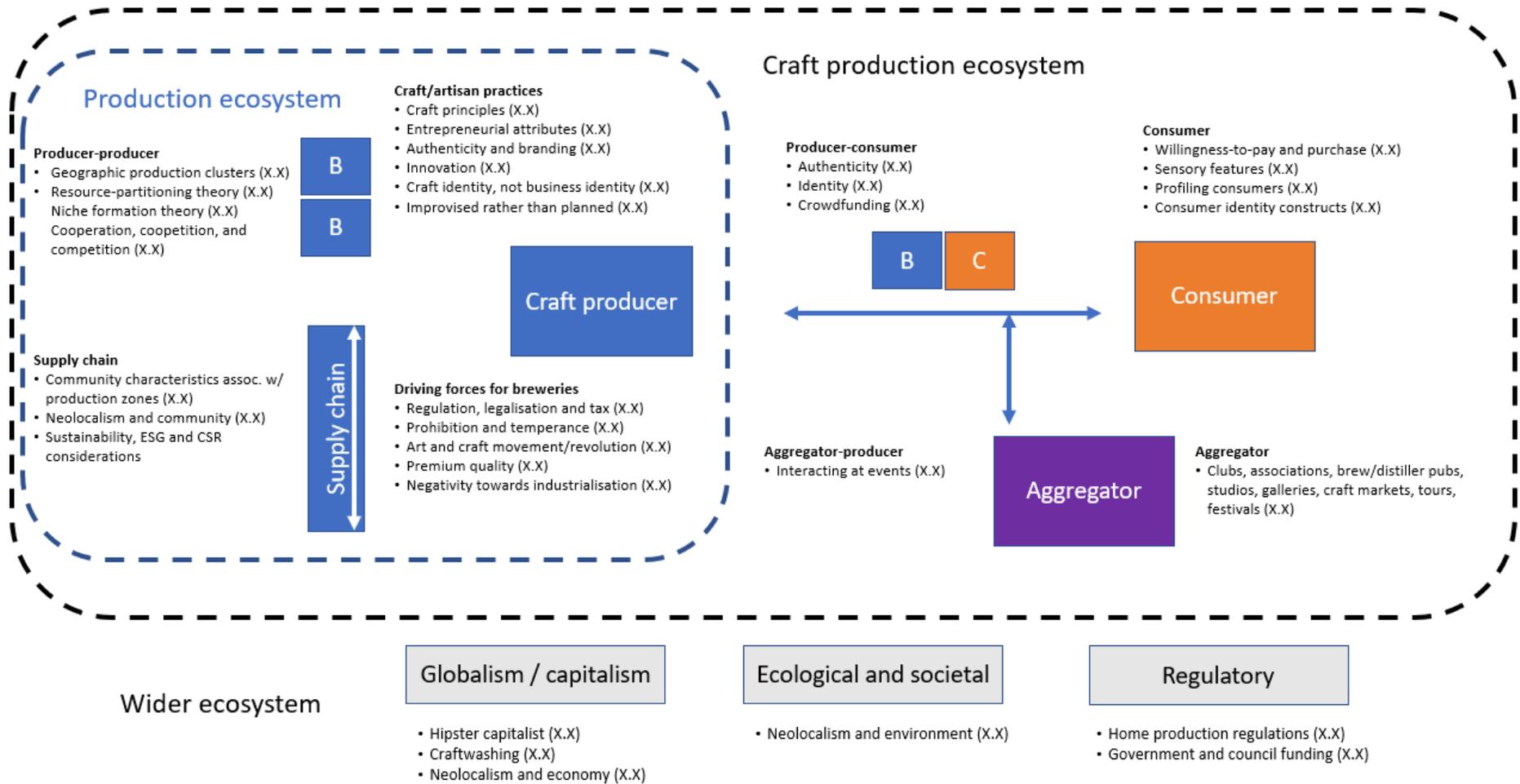
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Figure 2 – The marketplace of long tail¹



Adapted from Anderson (2012)

¹ Adapted from:
<https://www.business2community.com/marketing/the-long-tail-economy-what-you-need-to-know-02218650>