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MASTER'S THESIS

EASTERN PROMISES

UNDERSTANDING THE INTERNATIONALISATION PROCESS OF SWEDISH PROFESSIONAL SERVICE FIRMS

Abstract

In this thesis, we deal with the internationalisation of Swedish Professional Service Firms (PSFs) expanding to Asia. The reason for the chosen topic is that the knowledge industry, and PSFs, is increasing in importance for all the western economies, including the Swedish economy. Also, we have identified a theoretical gap in the internationalisation process of PSFs. Thus, the purpose has been to increase the understanding of the internationalisation process of Swedish PSFs. We have chosen a qualitative method with an abductive and positivistic approach, summarising the literature in the field, and complementing it with basic theories on internationalisation. Combining the theories with our empirical interview data from twelve case companies and five client companies, we have constructed an internationalisation process valid for all case companies. From the process, we have concluded that the client network, and committed resources, are of great importance for the success of internationalisation of PSFs.

Key Words

Internationalisation, Professional Service Firms, Internationalisation Process, Asia

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SUMMARY

The ability to compete with knowledge is of ever greater importance to the Swedish economy. Professional services are an important brick in the wall to the Swedish business community and while Sweden has a long standing position as an exporting country, the professional service industry has not followed through. The purpose of this Master's thesis is to increase the understanding of the internationalisation process of Swedish professional service firms (PSFs). We chose to have a qualitative study approach, which answers the questions *why* and *how*, as it seemed to be the best fit to fulfil the purpose of our thesis. Overall, we used an *abductive* study approach. Furthermore, we had a positivistic view, which means that we have assumed that our results are not skewed by personal agendas from the interviewees. There are naturally limitations to such a method but we believe that it fulfils our purpose.

Our theoretical foundation is based on Sharma's *Model of Foreign Market Entry*, which analyses various entry strategies of PSFs. We have completed his model with relevant internationalisation theories including the Uppsala Model, the Resource-Based View of the Firm, Network Theory, Theory of the Growth of the Firm and Market-Entry Strategies of SMEs.

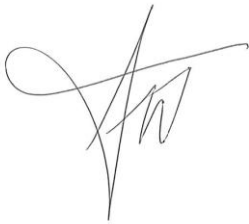
Our empirical data is based on interviews with employees in 12 PSFs and 5 client companies. Our criteria for selecting case companies were that they had to be Swedish PSFs that were thinking of expanding, were expanding, or had expanded their operations to an Asian market. The client companies were chosen based on the criteria that they had to be Swedish companies with an international presence. In synthesising our empirical data with the research available, we identified a process of internationalisation with seven components for Swedish PSFs. The components in this process are: 1. Prior internationalisation, 2. Reasons/Strategy behind, 3. Market chosen, 4. Entry strategy, 5. Resource allocation strategy, 6. Market strategy, 7. HR Strategy

Our final conclusions are that a strong client network is crucial for success. We could also conclude that the network seems to be of importance in every component of the identified expansion process. Furthermore, we have noted that the amount of resources available as well on how they are utilized have a direct link to the overall performance of the market entry.

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CONTENTS

Summary	ii
Acknowledgements	iii
Contents	iv
List of figures	vii
Key terms	viii
1 Introduction	1
1.1 Background	1
1.2 Focus of the research	2
1.3 Professional service firms	2
1.4 Internationalisation	4
1.5 Why asia?	4
1.6 Purpose	5
1.6.1 Research questions	5
1.7 Importance, urgency and approachability	6
1.8 Research contribution and theoretical gap	6
1.9 Disposition	6
2 Methodology	7
2.1 Qualitative method	7
2.1.1 Limitations of a qualitative method	7
2.2 Study approach	7
2.3 Methodology followed	8
2.3.1 Initial literature review	9
2.3.2 Identification of case companies	9
2.3.3 Initial contact	10
2.3.4 Interviews	10
2.3.5 Second literature review	11
2.3.6 Synthesis of Second Literature Review	11
2.3.7 Process mapping	11
2.3.8 Customer interviews	11
2.3.9 Transcription of interviews	12
2.3.10 Results	12
2.3.11 Final analysis	12
2.3.12 Thesis writing	12
2.4 Literature review description	12
2.4.1 Method used for literature review	12
2.4.2 Scope of the literature review	15

Understanding the Internationalisation Process of Swedish Professional Service Firms

2.5	Ethical consideration	15
2.6	Potential skewedness of results	15
2.6.1	Customer company interviews.....	17
3	Literature review.....	18
3.1	Previous research internationalisation of professional service firms.....	18
3.2	Second literature review	20
3.2.1	Identified processes	21
3.3	Overview of theories used in the process model	22
3.3.1	The Uppsala model.....	22
3.3.2	Resource-Based View of the Firm	23
3.3.3	Network Theory	25
3.3.4	Theory of the Growth of the Firm	27
3.3.5	Market-Entry Strategies of SMEs	27
3.4	Literature according to each process component.....	28
3.4.1	Prior internationalisation	28
3.4.2	Reasons/strategy behind.....	29
3.4.3	Market chosen	30
3.4.4	Market entry strategy	30
3.4.5	Resource allocation strategy.....	31
3.4.6	market strategy	32
3.4.7	HR strategy	32
3.5	Summary of the theories used in each process component	34
4	Results.....	35
4.1	Process component explanation	35
4.1.1	Prior internationalisation	35
4.1.2	Reasons/Strategy behind internationalisation.....	36
4.1.3	Market chosen	36
4.1.4	Market entry strategy	37
4.1.5	Resource allocation strategy.....	37
4.1.6	Market strategy.....	37
4.1.7	HR strategy	38
4.2	Company process findings.....	38
4.2.1	Company A	39
4.2.2	Company B	40
4.2.3	Company C	41
4.2.4	Company D	42
4.2.5	Company E.....	43

4.2.6	Company F.....	44
4.2.7	Company G	45
4.2.8	Company H	46
4.2.9	Company I	47
4.2.10	Company J	48
4.2.11	Company K	49
4.2.12	Company L	50
4.3	Client interview findings	51
4.3.1	Choice criteria	51
4.3.2	Local presence.....	51
4.4	Summary of results.....	52
5	Analysis and conclusions	54
5.1	Application of theories and comparison with empirics in the different components.....	54
5.1.1	Prior internationalisation	54
5.1.2	Reasons/Strategy behind internationalisation.....	56
5.1.3	Market chosen	57
5.1.4	Entry strategy	59
5.1.5	Resource allocation strategy	60
5.1.6	Market strategy.....	62
5.1.7	HR strategy	63
6	Discussion.....	66
6.1	Overall conclusions.....	66
6.1.1	Why do Swedish professional service firms internationalise and what motivates them to do so?	66
6.1.2	How do Swedish professional service firms internationalise	66
6.2	Connection between findings and the purpose of the thesis.....	68
6.3	Managerial implications	69
6.4	Further research	69
7	List of references.....	70
8	Appendix	73
8.1	Interview guide - case companies	73
8.2	Interview guide - client companies.....	74

LIST OF FIGURES

FIGURE 1-1 DIFFERENT TYPES OF ORGANISATIONS (LØWENDAHL, 2005, P. 23)	3
FIGURE 3-1 INTERNATIONALISATION PROCESS OF SWEDISH PSFs	21
FIGURE 3-2 THE UPPSALA MODEL (JOHANSON & VAHLNE, 1977, P. 26)	23
FIGURE 3-3 INTERACTION BETWEEN RESOURCES, CAPABILITIES AND CORE COMPETENCIES (LIPECAP & M, 2008, P. 209)	24
FIGURE 3-4 A FRAMEWORK OF INTERNATIONALISATION OF B-TO-B-SERVICES THROUGH BUSINESS NETWORKS (OJASALO, 2011, P. 101)	26
FIGURE 3-5 PROCESS-THEORY FIT WITH ALTERNATIVES ACCORDING TO THEORIES USED.....	34
FIGURE 4-1 PROCESS COMPONENTS AND IDENTIFIED OPTIONS IN EACH COMPONENT	35
FIGURE 4-2 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY A.....	39
FIGURE 4-3 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY B	40
FIGURE 4-4 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY C.....	41
FIGURE 4-5 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY D	42
FIGURE 4-6 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY E	43
FIGURE 4-7 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY F.....	44
FIGURE 4-8 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY G	45
FIGURE 4-9 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY H	46
FIGURE 4-10 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY I.....	47
FIGURE 4-11 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY J	48
FIGURE 4-12 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY K	49
FIGURE 4-13 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY L.....	50
FIGURE 4-14 SUMMARY OF THE COMPANY TOPOGRAPHIES WITH KEY TO THE DIFFERENT OPTIONS AVAILABLE	52
FIGURE 4-15 SELECTION OF SUCCESS INDICATORS OF THE ASIAN OPERATIONS IN EACH CASE COMPANY	53
FIGURE 5-1 VISUALISATION OF EXPANSIONS FOR THE PSFs INTERVIEWED	55

KEY TERMS

Bootstrapping	making as much use as possible of small resources. Comes from the term <i>to pull oneself over a fence by one's bootstraps</i> , basically making use of what one has to achieve the seemingly impossible.
Case companies	the professional service firms we have conducted research on in our thesis
Clients	used interchangeably with the term customers
Customers	used interchangeably with the term clients
Entrepreneur	a person who makes something happen, who undertakes a new venture
Expansion market	the market to which the firm has expanded
FDI	Foreign Direct Investment
Greenfield	the investment in an office or other facility where no previous facility exists for the company
Home-market	the market from which the professional service firm has expanded. In our thesis, the home-market always refers to Sweden
HR	Human Resources
Intrapreneur	an entrepreneur inside a company (sometimes used interchangeably with entrepreneur as we do not consider people outside of established businesses)
Local market	the market to which the firm has expanded
PSF	Professional Service Firm
Rich parents	having a home-market company with enough resources to finance an internationalisation process without the help from external parties, such as customer pull.
SME	Small and medium sized enterprises

1 INTRODUCTION

This chapter gives an introduction and background to the topics that will be discussed in this thesis. Next, it presents the focus on the research and problem discussion. Finally, its urgency, approachability and purpose, is discussed.

1.1 BACKGROUND

In this Master's thesis, we are focusing on analysing the internationalisation of Swedish professional service firms (PSFs) and how they are in attempt to compete in the global markets. Many of these companies have traditionally operated in their domestic markets and the expertise has often been linked to this market. Therefore, there has neither been a need nor a demand for internationalising these services. Today, many major PSFs can be said to be international or even global but in comparison to other industries, such as manufacturing and retail, the professional service industry is clearly behind. When it comes to small and medium sized PSFs, which is the size of most Swedish PSFs, there are very few examples of companies that have expanded outside their home-markets despite the fact that it is easier than ever before to internationalise (Alkhafaji, 2005, p. 147).

Already in 1996 the OECD addressed to importance for its countries to be able to compete globally with knowledge in order to sustain economic growth and driver productivity (OECD, 1996). Being able to compete with knowledge is in the nature of PSFs and therefore, it is surprising that there still are so few examples of Swedish PSFs that have expanded their operations outside their home-markets.

The industry of professional services and other knowledge intensive industries have grown rapidly since World War II, especially in the Western countries (Jones, 2003, pp. 369-270). The most important reason for that is the increase in outsourcing of different business functions. In many traditional manufacturing industries today, a majority share of the content of the finished product is outsourced. A substantial part of the outsourcing is made up of services rendered by PSFs, such as law firms, accounting firms and management consulting firms. This trend can be seen in other industries as well (Corbert, 2004). The underlying reasons for that, for PSFs, are, among others, the increased complexities of large organisations with multiple offices operating in a more and more competitive business environment. This has led to an increased demand for specialised services and more flexibility (Bashad & Poit, 2005, pp. 4-5).

Knowledge intensive services, including professional services, are of greater importance to the Swedish economy than ever before, while traditional industries, such as the manufacturing industry, are struggling. The knowledge intensive industry in Sweden has grown a lot. Driven by the demand for increased specialisation of companies, this really took off in the mid-1990s. As a consequence this has led to more outsourcing of business units, in order to enable companies to focus on their core skills. (Hagman & Bergström, 2010)

The strong dependency on home-market customers has made Swedish PSFs exposed and sensitive towards the performance of their clients. Their growth will also be limited to the market potential of the Swedish market.

Together with the fact that Sweden is becoming more and more dependent on staying competitive with knowledge intensive services such as professional services and the risk of market saturation in the Swedish market, it seems to be relevant for Swedish PSFs to consider entering other markets.

The challenge of internationalising professional services is that it embodies added knowledge capital requests, which may be very difficult to transfer across national and organisational borders, and when carried out in various legal and institutional systems where local knowledge is needed (Alon & Brock, 2009). Large PSF have been more prone to internationalising because they are able to achieve economies of scale and can gather resources while experiencing decreasing opportunities in the home-markets. Furthermore, these companies tend to have large international clients which they have followed to their new markets (Alon & Brock, 1999).

Being a growth engine in the global economy, Asia has become attractive to many western companies, including Swedish firms. Therefore, many firms have expanded, or are currently expanding their operations into the region. Moreover, a lot of the production in the western world has been moved to low-wage countries in Asia. This has resulted in a demand for services supplied by PSFs in such markets. Furthermore, many of the Asian markets are still rather nascent in the professional service sector and are experiencing growth. This can be leveraged upon by western PSFs, which often have rather saturated home-markets.

1.2 FOCUS OF THE RESEARCH

Our focus in this Master's is around the expansion process involved when Swedish PSFs enter foreign markets. The sample of companies that has been researched includes law firms, employer branding consulting firms, strategy consulting firms, brand consulting firms, financial consulting firms, export consultants and PR agencies. They have either the intention to expand, are currently expanding or have expanded to Asia. The sample of countries included in the research is mainland China (Shanghai), Hong Kong China (Hong Kong), Japan (Tokyo), and Singapore (Singapore). These places often serve as regional hubs for clients.

1.3 PROFESSIONAL SERVICE FIRMS

Professional service firms (PSFs) are, according to von Nordenflycht (2010, p. 155), characterised by three distinctive characteristics – *knowledge intensity*, *low capital intensity*, and a *professionalised workforce*.

Løwendahl (2005) divides organisations in to 3 different main categories – knowledge intensive organisations, labour intensive organisations and capital intensive organisations (see **FIGURE 1-1**).

Professional services is a sub-category in the knowledge intensive category. All the subcategories in this group have the common trait in that they all require a rather advanced set of skills (Løwendahl, 2005). This means that there is a strong emphasis on human capital in these kinds of firms. It is essential that the employees have a high degree of experience and competence. The knowledge in these firms is embedded in the individuals that constitute the organisation (Alvesson, 1995, pp. 6-9).

Understanding the Internationalisation Process of Swedish Professional Service Firms

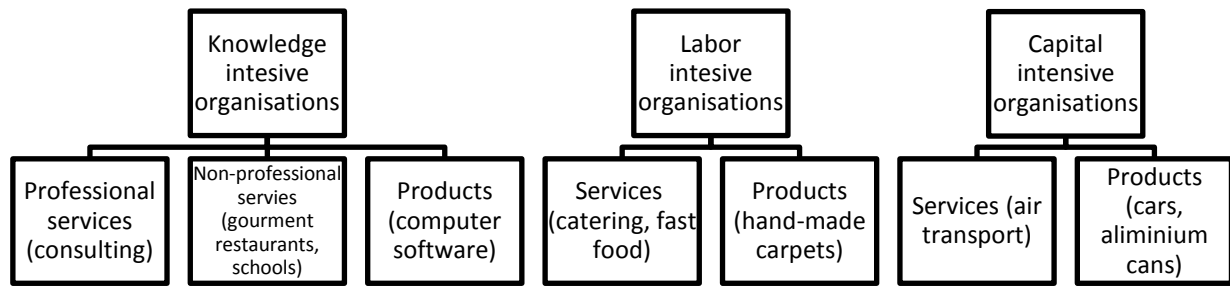


FIGURE 1-1 DIFFERENT TYPES OF ORGANISATIONS (LØWENDAHL, 2005, P. 23)

John Baschab and Jon Piot define professional services as “businesses in which professionals providing a *service* not based on a tangible product” (Baschab & Piot, 2005, p. 8). This can be taken further and can also be characterised as “being invisible, intangible, non-fungible, ephemeral, non-storable, with a high-fixed-to variable cost” (Hauknes, 2001; Segal-Horn & Dean, 2007, p. 206). It is also characterised by the close relation and collaboration between the user and the producer. Firm characteristics, like intangibility and invisibility, require these firms to invest a lot in branding and creation of reputation while the high ratio of fixed-to-variable cost and non-storable services leads to a strong pressure to sell. Therefore, service industries in general are often very competitive and highly dynamic where the intangible resources are what creates the real value for the firm (Brock & Alon, 2009).

The PSFs are sometimes said to compete in the so called intellect industry (Scott, 1998). They are also characterised by being specialised in creating, validating, and applying knowledge to solve the client issues. The professionals are often heavily dependent on acquired academic knowledge in combination with creativity, rules of thumb, and experience. Building up a strong knowledge-base through hiring professionals with specific sets of skill is a necessity for all firms within this industry as well as contentiously creating knowledge during client projects. (Scott, 1998)

Løwendahl (2005) summaries the following characteristics of PSFs as being the most important:

- They operate within knowledge industries with highly skilled staff that most often have an academic background.
- A big amount of customisation is often required.
- The projects usually require a great deal of discretion.
- A big proportion of client interaction is often necessary.
- The projects are delivered within certain professional norms such as setting client needs before profits and respecting the limitations of the professional experience.

PSFs that fit in to these descriptions and are often defined as professional services firms are the following.

- Management consulting firms
- Law-firms

- Technology consulting firms
- PR-agencies
- Brand consulting firms
- Investments banks

In this study we will synthesise these various definitions of professional services firms since they complete each other and serve as a good base for a combined picture. Our study will define professional services as companies competing in the intellect industry (Scott, 1998) characterised by knowledge intensity, low capital intensity, and a professionalised workforce (von Nordenflycht, 2010). In terms of the products delivered by these firms, we consider them to be of most often of an intangible nature (Baschab & Piot, 2005). The companies that have been included in our study are limited to different kinds of consultancy firms and law firms.

1.4 INTERNATIONALISATION

Generally, internationalisation “refers to the increasing importance of international trade, international relations, treaties, alliances, etcetera Inter-national, of course, means between or among nations. The basic unit remains the nation, even as relations among nations become increasingly necessary and important.” (Daly, 1999). In this view, internationalisation is contrasted by globalisation in that globalisation does not take the nation as the basic unit but rather the planet. Therefore, the final point of globalisation is a situation where national borders have been eradicated and been replaced by a global community where the company is present in most or all the continents.

This definition is quite wide but there are also more narrow definitions to internationalisation and in business, internationalisation “has been viewed as the process of increasing involvement in international markets” (Westhead, et al., 2007, p. 281). Hence, internationalisation is each incremental step of the whole process of a firm to expand beyond national borders. To illustrate the concept in a business context, internationalisation occurs from the first thought of expansion to another country, no matter how similar this country is to the home-market.

1.5 WHY ASIA?

Since the last century there has been a trend among many manufacturing companies to move their production to developing low-wage countries, primarily in Asia (and China in particular). As a consequence, these economies have experienced a high economic growth and are now playing a more and more important role in the world economy (United Nations Industrial Development Organization, 2009, pp. xii-xiv). As a result of this economic change; Sweden, and the other OECD countries, have for quite some time now been dependent on competing with the creation, use and distribution of knowledge (Karahan, 2012).

When deciding to look at the leanings from international expansions of Swedish PSFs, Asia felt like the natural region to focus on. The underlying reason for that is because economic growth in western economies has

slowed down while Asia as a region has experienced a impressive growth (Kawai, et al., 2010, pp. 1-3). In fact, the fastest growing economies in the region belong to the most rapidly growing economies in the world with a forecasted annual growth of 6% (Ernst & Young, 2012, pp. 4-7). As a result, many western companies now have a presence or seek to enter markets in the region. This is one important reason for the PSFs to follow.

Another reason why Asia is an attractive region for PSFs is the strong growth of many Asian companies. The average annual FDI outflow growth rate from East and South Asia between 2005-2011 was as much as 22,9% (Ernst & Young, 2012, p. 2). The strong growth of the local companies in the region makes them attractive to become potential clients for western PSFs.

The markets that we include in the Asian region are Hong Kong, Shanghai, Singapore and Tokyo. The reason for that is because these are the markets where the companies we included in our study have decided to expand into.

1.6 PURPOSE

The purpose of this thesis is to increase the understanding of the internationalisation process of Swedish professional service firms. Thereby, we want to increase the overall understanding of internationalisation of professional service firms.

With this research we are trying to determine the motives behind the international expansions in the professional services industry as well as how the expansion is carried out. We also seek to understand what the enablers needed are, and which resources are necessary to be able to expand. Furthermore we are trying to determine what the challenges and opportunities associated with international expansions in this kind of firms are. Finally we will focus on what can be learnt from these examples.

1.6.1 RESEARCH QUESTIONS

The overall questions of this thesis are why firms choose to internationalise and how the internationalisation process is carried out by a number of Swedish professional service firms. The following questions will be answered.

- Why do Swedish PSFs internationalise?
 - What motivates Swedish PSFs to internationalise?
- How do Swedish PSFs internationalise?
 - What do the processes looks like, which components are involved?
 - What are the enablers for Swedish PSFs to expand?
 - What are the challenges associated with the expansions?
 - What are the opportunities with the expansions?
 - What can be learned from the case companies?

1.7 IMPORTANCE, URGENCY AND APPROACHABILITY

We believe this topic is of importance to understand how to go about internationalising a PSF. In a wider context, it will be important for the export of the knowledge industry in Sweden and thus for the Swedish economy. The urgency of the matter comes from the fact that many PSFs are presently internationalising their operations and there are examples of international expansions that have failed, often due to a lack of understanding of the process. It is also now that the process can be approached, as some PSFs have already internationalised and learnings can be drawn from these firms.

1.8 RESEARCH CONTRIBUTION AND THEORETICAL GAP

With this thesis, we hope to extend the existing research topic of internationalisation of PSFs. Only a small number of attempts have previously been made to explain these processes. These have however usually been focused on a small number of components. We believe that our study will give a better understanding of the whole internationalisation process of PSFs with use of existing internationalisation theories.

We also hope that this thesis will give a clear overview of how the different components in the internationalisation processes are interlinked and dependent on one another. Furthermore we hope that we can contribute with good examples and highlight the challenges.

We see a theoretical gap to be filled as no recent study has addressed the internationalisation of PSFs from Sweden and no study has taken such a wide process perspective as we have. Therefore, we believe that this study may be of interest, both in academia and for Swedish PSFs, as well as for PSFs in other similar countries, that are intending to internationalise.

1.9 DISPOSITION

In this thesis, we start by outlining our method, as this will give an overview of what we have actually done in our research. Then, we outline the current literature in the field, firstly literature on internationalisation of PSFs. Secondly, literature on more general internationalisation theories that are used to expand our identified internationalisation process and the analysis of it. After that, we present our findings from the interviews and finally, we analyse these findings in relation to the theories and draw conclusions around them.

2 METHODOLOGY

This section deals with the research methodology in detail: how the research was conducted, what the underlying assumptions for the chosen method are and what possible limitations there are to the method chosen. Moreover, the section deals with what effects the chosen method will have for the results and analysis of the thesis.

2.1 QUALITATIVE METHOD

The study approach we have chosen for our thesis is a qualitative one. Qualitative method, as opposed to quantitative method, aims to answer questions such as *why* and *how*, rather than *what*, *where* and *when* (Denzin & Lincoln, 2005, pp. 498-499). As the purpose of our thesis is to increase the understanding of the internationalisation processes of Swedish PSFs, a qualitative method seems to be quite fitting.

Moreover, this thesis combines two research areas into one, namely PSFs and internationalisation. On a general level, quite a lot of research has been done in each area but little research has been done about the two areas combined and even less on our chosen delimitation of Swedish PSFs expanding to Asia. Therefore, research is mainly needed to explore new results in the combined field and not to validate results that have already been obtained. Hence, a qualitative approach will fulfil our purpose.

2.1.1 LIMITATIONS OF A QUALITATIVE METHOD

According to Michael Quinn Patton, “any given [research] design inevitably reflects some imperfect interplay of resources, capabilities, possibilities, creativity, and personal judgements by the people involved” (Patton, 2002, p. 12). The greatest limitation of a qualitative method is that the results from the research do not become as generalizable as they do with a quantitative method.

Triangulation is another method that could have been used in this thesis. It is the combination of both qualitative and quantitative methods. Here “multiple viewpoints allow for greater accuracy” (Jick, 1979, p. 602). For our thesis, such a method could have consisted of, for example, interviews, from which the results were validated with a questionnaire to provide for a quantitative analysis. Nevertheless, the number of Swedish PSFs that have expanded to Asia is so small that our results can be assumed to be valid for the particular area, even without a triangulation method.

2.2 STUDY APPROACH

While qualitative and quantitative methods are somewhat opposites of each other; within the qualitative field, there are a number of different approaches, which sometimes overlap each other. In its foundation, this thesis follows an exploratory approach with different steps. Within the individual steps however, the process has traits of different approaches.

As stated above, this thesis is mainly concerned with the questions of why and how. Nevertheless, in order to answer those kinds of questions, we needed to know the answers to the more basic questions of who, what and where. These questions, according to Sandelowski, are typically the focus of qualitative description (Sandelowski, 2000, p. 338). Therefore, our initial step has elements of qualitative description, which is “the method of choice when straight descriptions of phenomena are desired” (Sandelowski, 2000, p. 334). Because we wanted to keep an open mind and not let our judgements cloud a future analysis, we aimed mainly at such a straight description as promoted in qualitative description. Hence, we are aware of that there is no such thing as a completely straight description since we have asked questions during the interviews which naturally will influence the answers/results. With this in mind, we tried to ask very open and general questions in the beginning in order to not influence the person we interviewed and later ask more specific questions.

In the initial stage of the study we used a *deductive* study approach, using existing theory as a starting point (Bryman & Bell, 2007, p. 25). Since the empirical data did not correspond to the existing research, we switched to an *inductive* study approach where the outcome from the qualitative data collection served as a base for the research (Bryman & Bell, 2007, p. 25). The empirics were then used as guideline for finding relevant literature to match. Since we used a deductive and an inductive study approach interchangeably, it means that overall we used an *abductive* study approach (Dawe Farquhar, 2012, p. 26). This was proven to be the most applicable approach because of the limitations of purely using either a deductive or an inductive study approach.

Overall we had a positivistic approach towards our study. This means that we did not question the validity of the statements made in our interviews. Rather, we assumed that the empirical data was truthful and representative. It also means that we assumed that we would reach a full understanding of the internationalisation process from our study (Ryan, 2008, p. 12). An alternative would be to use a constructivist approach, where we would question the validity of the interviews. This would mean a further analysis of our interviewees and a consideration of possible underlying agendas and other influential factors. Yet, given our purpose, we deemed this approach less relevant and overly complex. Nevertheless, we are aware of that there may be some limitations in our study which may lead to skewedness of our results. These issues are discussed later in section 2.6.

2.3 METHODOLOGY FOLLOWED

The actual process of our research consisted of the following steps:

1. Conducting an initial literature review
2. Identifying companies relevant for the research
3. Establishing an initial contact with relevant companies
4. Interviewing relevant staff in interested companies
5. Transcribing the interviews
6. Conducting a second literature review to compare and contrast results
7. Synthesising the literature review

8. Identifying an internationalisation process
9. Contacting customer companies to investigate the sales part of the process
10. Transcribing the customer interviews
11. Organising and presenting the results
12. Analysing the data
13. Writing the thesis

The individual steps will be described in detail below:

2.3.1 INITIAL LITERATURE REVIEW

Initially, we had a general conception of that we wanted to write about PSFs and internationalisation. Therefore, we conducted a literature review around these two topics and investigated what research had been done in the field of internationalisation of PSFs. This literature review gave us a general understanding of the topic and provided us with a map of where there were knowledge gaps to be filled. From this, we could develop specific questions to ask in our interviews (see appendix for interview guide).

An exact description of how the literature review was conducted is given in section 2.4 Literature review description. All the findings from the literature review are presented under the section heading 3 Literature Review.

2.3.2 IDENTIFICATION OF CASE COMPANIES

Once the literature review was done, we started identifying possible case companies in which to investigate the internationalisation processes. Our criteria for case companies were that they had to be Swedish PSFs that had expanded, were expanding or were currently considering expanding their operations to Asia. Being a Swedish firm was defined as having the head office in Sweden or having started the operations in Sweden. The main markets in focus for our study were China (Hong Kong and Shanghai), Tokyo and Singapore, simply because these markets were the most common ones to expand for PSFs. Other markets that were considered were Thailand, Vietnam, Malaysia and Indonesia. These markets were however not investigated further as few Swedish PSFs had expanded to these markets.

Once the markets had been chosen, we researched which Swedish PSFs had expanded to them. This was mainly done by reading the matriculation registers for the Swedish and European Chambers of Commerce in Hong Kong, Shanghai, Tokyo and Singapore.

After having sorted out the Swedish companies in the registers, we determined which of these could be classed as PSFs. Only companies that offered professional services as their main offering qualified. Therefore, for example IT manufacturers with a professional service division were not considered viable for our study.

This funnelling of companies eventually resulted in a list of 22 companies that fulfilled our criteria. For company anonymity reasons, the list is not included in this thesis, yet a list with company profiles is given in the results section.

2.3.3 INITIAL CONTACT

Once we had our list of companies, we started investigating possible contact persons. Generally, we contacted the country directors in the respective markets and asked if they had experience from the internationalisation process or if they could refer us to someone that did have that experience. The companies contacted were chosen based on the criteria mentioned in section 2.3.2 and were found either through company lists from Swedish chamber of commerce in respective markets as well as through our own personal network.

Out of our initial list of 22 companies, we eventually conducted interviews with employees from nine companies. From these interviews, we were recommended to contact three additional companies, which were currently considering expanding to Asia. In five of the companies, we conducted several interviews with different people to validate our findings. In the remaining seven, we could only conduct interviews with one person so this data is less validated. Thus, in total, we have conducted 17 interviews with case companies.

2.3.4 INTERVIEWS

All interviews were of a semi-structured nature. We considered the alternatives of open interviews and structured interviews. Open interviews were disregarded as our initial approach was deductive and we needed to investigate a specific field. Structured interviews were disregarded as we wanted to influence our interviewees as little as possible to reach a qualitative description. The beginning of the interviews were generally more open and the interviewees were asked to describe the internationalisation process of the company and what their experiences from that were. Follow-up questions were asked for clarification and for investigating certain aspects more in detail. Every interview was ended by asking if we could contact the interviewee again for clarifications or for yet another interview. For a complete interview guide, see appendix.

Numerical data such as company turnover and Asian market operations share of overall turnover was acquired from annual reports and complemented with data from the interviewees. The datapoint we chose to include were type of PSF; number of employees; turnover; presence in number of markets; number of years present in Asia; Asian turnover; percentage of turnover in Asian operations; and number of employees in the Asian market. These were included both to give an overview of the company and to give a hint on the success of the Asian operations. The percentage of turnover from the Asian operations in relation to the total turnover gives a perception of the relative size of the operations, while the number of years present in Asia shows how long it has taken to reach this size.

In the interviews, we always asked the interviewee if we could record the interview for our memory, while assuring the interviewee that the recording would only be used by us as researchers. Thus, all interviews were recorded and later transcribed to documents, one for each interview. This was done so that it would later be easier to go back to the data material and structure it into results. The length of each interview was approximately one hour and the interviewees were always the persons responsible for the international expansion. In cases where more than one person was interviewed, all the interviewees had been/were involved in the expansion.

2.3.5 SECOND LITERATURE REVIEW

After having conducted the interviews with the case companies, we concluded that there was an internationalisation process followed by all of the case companies. Moreover, that this process was, in part, described by Sharma. Nevertheless, we also saw that there were gaps in Sharma's model and that these gaps needed to be filled with other theories. Thus, we conducted a second literature review that focused more on basal internationalisation theories. This literature review is described more in detail in section 2.4.

2.3.6 SYNTHESIS OF SECOND LITERATURE REVIEW

When the second literature review had been conducted, we could synthesise the findings from it into a more complete and thorough internationalisation process. This process was then used both for the results and the analysis of our results.

2.3.7 PROCESS MAPPING

We mapped up the individual internationalisation process components for our case companies. From this map, we could compare and contrast the different strategies as well as determining the causal connections between the different components. We thus re-worked the transcribed interviews by highlighting key words for our process.

Once this was done, it also became clearer where we had reached data saturation and where we lacked in data.

It was determined that one important component in the internationalisation process was the sales and the market strategy component and the service demand, as this was crucial for the success of the rest of the process. Because many of the companies themselves lacked in information about this component, we realised that we lacked in data. Thus, it was decided that we needed to conduct interviews with customers to fully understand the process.

2.3.8 CUSTOMER INTERVIEWS

The reason for conducting a few customer interviews was for us to get an overview of the potential demand from the buyer companies. It follows the simple logic that if the customers do not value the foreign presence of the suppliers of professional services it does not have any relevance for the PSFs to expand.

The customer interviews were chosen among potential Swedish customers with operations in Asia. The main reason for this choice was the relative ease of access to these firms. Also, they were deemed representative as all the PSFs that had expanded had sold projects to at least one international Swedish client company.

We conducted 5 interviews with customer companies, until we felt that we had reached data saturation on this fairly narrow field of our research. The customer interviews were conducted in the same way as the interviews with the case companies had been conducted (see section 2.3.4: Interviews) but with a focus on why and how the customers chose their suppliers of professional services. For interview guide, see appendix.

Of the persons we interviewed, one was an expansion manager, one was a general manager of the south-Asian region, one was a procurement manager in the region, one was a country manager in China and the last one was a vice president and regional business manager. All had extensive experience of buying professional services.

2.3.9 TRANSCRIPTION OF INTERVIEWS

Transcribing the customer interviews was done in the same way as the case-company interviews (see section 2.3.4).

2.3.10 RESULTS

Once we felt that we had reached data saturation in all the different components, we wrote down our results. These were presented by creating topographies of the different choices made within the individual components in the internationalisation process. We used the highlighted transcriptions of the interviews to sort our data and present it in a coherent and organised manner.

2.3.11 FINAL ANALYSIS

Once all the interviews had been conducted, we could conduct the final analysis of our results. We then compared the results to the theories and from this comparison, drew conclusions. Finally, we created a discussion part, where we presented the overall conclusions and limitations of our thesis, as well as managerial implications and recommendations for further research.

2.3.12 THESIS WRITING

Finally, when all results were analysed, we started writing the thesis by dividing the different sections between ourselves, then reading each other's parts, commenting and discussing, re-writing and iterating until a satisfactory result was reached.

2.4 LITERATURE REVIEW DESCRIPTION

One of the most important parts for laying the foundation of this thesis is the literature review. If this review is incomplete or conducted in an unstructured or erroneous way, this could lead to a misunderstanding of the whole foundation and contribute to invalid conclusions being drawn. Therefore, we believe that it is important to devote a separate section to how the literature review was conducted.

2.4.1 METHOD USED FOR LITERATURE REVIEW

As mentioned before, our literature review was divided into two stages; initial literature review and second literature review. The initial literature review was conducted before the interviews with our case companies and the second literature review was conducted after the data was collected, to reach a deeper understanding and deeper level of analysis of the data collected. The different stages of the literature review followed slightly differing patterns and will therefore be outlined individually.

2.4.1.1 INITIAL LITERATURE REVIEW

In our initial literature review, we tried to scan the whole research field for research around internationalisation of PSFs. For this scan, we used the following search engines:

- Stockholm School of Economics Library Search
- Google
- Google Books
- Google Scholar
- Jstor
- Emerald
- Sage Publications

In cases where we found books on Google Books, these copies have pages omitted so therefore, we borrowed the books, either from the library of Stockholm School of Economics or from other university libraries or public libraries in Stockholm.

Naturally, there may be a distortion of academic works reached through these search engines given the search algorithms of the respective engines. Nevertheless, because we have used some different databases, we believe that we have been able to cover greater part of the research in the field.

Another important aspect of the literature review is naturally the search words chosen for the searches. Our searches have been a combination of the following words:

Internationalisation	Expansion
Internationalization	Operations
Globalisation	Swedish
Globalization	Asia
Professional services	Consultants
Professional service firms	Consulting Firms
Services	Law Firms
Service	Layers
International	PR-agency
Employer branding firms	Strategy consultants
Export consultants	Financial consultants

In our different searches, we have scanned the search results, both the titles and the short summaries. In cases where we immediately saw that the work was neither relevant nor applicable for our thesis, we ignored these works. The remaining works were saved for a further read-through. In this read-through, we read the abstracts of the works saved. This enabled us to take away even more of the works saved. Finally, the remaining works

were skimmed through and potentially important passages highlighted. The works were then categorised according to their contribution and how they could be used in our write-up of the literature review.

In some cases, even in rejected works, we did however use the reference list to find other works on the same topic. These works were then given the same treatment as the works from the search engines in terms of scanning, categorising and rejecting.

2.4.1.2 SECOND LITERATURE REVIEW

The second literature review was quite different from the initial one as we now had a fairly clear picture of the process and already also had theories around it. What we then needed to do was to fill out the process in the components where the theories we had found lacked in explanatory value. We could thus use our academic backgrounds in the fields of economics, business and management to identify important base-models of internationalisation. We chose not to consider trade theories and many of the traditional approaches to internationalisation as our approach has been focused on the perspective of the firm and not on international economics on a market level. Thus, the theories we were left with were the following:

- Uppsala Model
- The POM model
- Diamond Model (Porter)
- The Product Life-Cycle and the Non-availability approach
- Resource-Based View of the Firm
- Network Theory
- The Theory of the Growth of the Firm
- Market Entry Strategies of SMEs

Once this list of models was completed, we treated each theory individually. First of all, we went to the original author(s) of the theory and studied the original work. Then, we conducted searches in the search engines mentioned in section 2.4.1.1 Initial Literature Review, and investigated expansions/criticisms of the theories. Here, we simply used the names of the models and the names of the authors as search words in the different databases. This was done to find expansions and criticisms of the models chosen.

Here, we realised that some of the models did not contribute to our thesis and thus we chose to exclude them. The theories we were left with were the following:

- Uppsala Model
- Resource-Based Theory of the Firm
- Network Theory
- The Theory of the Growth of the Firm
- Market Entry Strategies of SMEs

Once we had a clear picture of the respective theories, we summarised them in our literature review and then explained their contribution to each different component in our identified internationalisation process (as can be seen in our literature review).

2.4.2 SCOPE OF THE LITERATURE REVIEW

Our initial scope of the literature review was around internationalisation of PSFs. As the literature on this topic was sparse and often with a very specific focus we needed to expand the field with more basic internationalisation models. Here, we chose a very wide scope and eventually funnelled down the theories and chose the ones most applicable for our purpose. Thus, we have had a quite general scope and, during the process of the thesis research, narrowed it down more and more.

2.5 ETHICAL CONSIDERATION

The main ethical consideration of this thesis has been around the interviews and the specific results derived from them. As many of our case companies are either direct or indirect competitors, we have guaranteed the case companies' anonymity in the thesis. We have also guaranteed that the results will not be presented in such a way that the company can be deduced from the results. Therefore, some of our results will be given on a general level, but care has been taken to balance the detail level needed for a thorough analysis with the generalisation needed for anonymity.

As stated, we have recorded all our interviews, even the interviews conducted via Skype or telephone. Yet, we always began the interview by asking the interviewee if they agreed to us recording it, while simultaneously explaining that the recording would only be used by us as researchers and for our own memory. We also added that if the interviewee at any point during the interview felt that (s)he wanted us to switch off the recorder, we would do so directly. During one of the interviews, the interviewees took this suggestion literally and asked us to switch off the recorder while he talked about sensitive subjects. After these subjects were handled, he told us that we could not turn on the recorder again.

For our results and analysis, the transcribed interviews were printed in order to ease the processing of the data. Here, care had been taken to keep the printed documents private and not let anyone else see them. Once we were done with the printed documents, we shredded them before throwing them away.

2.6 POTENTIAL SKEWEDNESS OF RESULTS

As outlined, we identified 22 companies in the matriculation registers of the Swedish and European Chambers of Commerce in the different markets. Naturally, the selection of these 22 companies might be skewed because not all companies expanding internationally join the Swedish chamber of commerce. Nevertheless, as PSFs are highly dependent on networks (as will be developed further on in this thesis), and the chambers of commerce offer networks in the markets in which they exist, it is fair to assume that most of the Swedish PSFs will join the Swedish chamber of commerce in the market. Yet, this list, and the way that it was put together, still makes up the greatest cause of potential skewedness when it comes so company selection.

When it comes to the actual companies we have conducted interviews with, they were chosen from the list, simply by the fact that some companies did not respond to our contact attempts. Naturally, there may be companies in the non-responsive group that have valuable insights that they do not want to share for different reasons, causing our results to become skewed. Notwithstanding, we have still managed to conduct interviews with a majority of the companies we identified; companies of different sizes and companies active in different fields of the market. Therefore, we believe that the selection of companies that we have conducted interviews with is fairly representational to the population of Swedish PSFs expanding to Asia, as a whole.

Overall, in this thesis we faced the trade-off between analytical depth and width and to fulfil our purpose, we needed to choose the latter. Many of the previous studies in the field have chosen a deeper level of analysis so we felt that our contribution would be greater and more representative with this approach.

As with any qualitative research, a main weakness will always be connected to how general the results can be said to be. We claim that the process we have found, is valid for the companies we have interviewed, but it is difficult to say that it will be valid for all Swedish PSFs expanding to Asia. Yet, as we have interviewed a large portion of the companies that have expanded to these markets, we still feel that it is fairly representative. The main point that can be made here is that we have focused on the markets Hong-Kong, Shanghai, Singapore and Tokyo and sometimes claim that the results are representative for the entire region. The reason for this is that many of our interviewees have lived and worked in other parts of the region and thus have shared some experiences from that, which has not been brought up in our results as this fell outside of our scope. However, with this experience from the interviewees, the generalisation of the thesis increases as differences and similarities were often pointed out in the interviews.

Furthermore, there is always a question about skewedness of the results given the selection of individuals from the population. We do not claim to have an independent random sample of case companies as the selection has been dependent on the response of companies and the willingness to participate in an interview. Nevertheless, we do feel that our method for selecting companies has been quite thorough as we have contacted all companies that fell inside the scope of our thesis.

Another factor that needs to be considered is the validity of the statements made by the interviewees. We have generally not questioned their validity but we have had some mechanisms for checking the validity, such as having more interviews with the same interviewee and asking the same questions phrased in a different manner, or having interviews with more than one person within one company. Yet, as the general subject of the thesis was not a very sensitive matter, it is fair to assume that the interviewees had little reason to lie to us as researchers. Moreover, as we have promised all interviewees that they will receive a copy of our thesis, which might aid them in their continuing expansions, the incentive to be truthful and honest hopefully increased.

2.6.1 CUSTOMER COMPANY INTERVIEWS

There is a larger risk for skewedness in the customer company interviews as potential customers to PSFs are basically any company. From this, we chose only to interview five companies, out of which all were large Swedish manufacturing firms with operations in Asia. Nevertheless, this was a minor part of the thesis and the interviews were only done to understand a very narrow field of the process. If the skewedness of these interviews causes a misrepresentation in our data, this will not affect our general conclusions as the interviews were mainly done to enrich the already established data.

3 LITERATURE REVIEW

This section deals with the present research in the field of internationalisation of PSFs. The first part deals with the literature on PSFs specifically, while the second part deals with different more basal theories on internationalisation. The last part combines these two fields of research into a process of internationalisation of PSFs.

3.1 PREVIOUS RESEARCH INTERNATIONALISATION OF PROFESSIONAL SERVICE FIRMS

The internationalisation of professional services is an academic field which is not heavily studied despite the fact that these types of firms seem to be growing in importance in the business society. From our literature search, we have gathered that there are even less material of studies that try to get an understanding and overview of these processes and identify patterns and common denominators.

Resources are very important in the internationalisation process for PSFs. Their role has been addressed and evaluated by Hitt et. al. (2006, pp. 1137-1157). They propose that there is a strong relationship between the degree and success of internationalisation and the firm's resources. These resources include human capital, relational capital to large corporate clients and foreign governments. It is argued that a strong human capital in terms of for example highly skilled staff and partner experience has a positive correlation with the performance of the internationalisation. The relational capital with large corporate clients also seems to have a positive impact on the performance of the internationalisation of the PSF while no such correlation could be found between relations with foreign governments. What is important to note is that the sample of firms researched were 72 American law-firms expanding to a number of different countries (Hitt, et al., 2006, pp. 1137-1157). These countries are not presented in the article. Therefore it is difficult to draw any conclusions based on the importance of the PSFs relationship with the foreign governments.

Another article that takes on the topic of internationalisation of PSFs is Reihlen and Apel (2007, pp. 140-151). The aim of the article is to explain and to apply a theoretical framework of contemporary learning as a tool for analysing the internationalisation process of PSFs (Reihlen & Apel, 2007, p. 140). By using the Uppsala Model as well as a Network Theory approach, they try to get an understanding of the learning processes for PSFs in their internationalisation. The researchers conclude that these theories have "opened important foundations for exploring learning processes of the internationalising firm" (Reihlen & Apel, 2007, p. 147). These two theories have opened up for the exploration of learning internationalisation of the firm but behaviourist learning theories are being criticised. Instead, the authors suggest a constructivist approach, which they argue better considers the characteristics of PSFs including for example instructiveness with clients, knowledge-intensity and network relationships. This approach focuses on the social aspects in the knowledge creation process including for example learnings from business partners and clients. The constructivist view may have some implications for managers in terms of how to work with perceptions and judgments that are made from previous experience that can create interpretative myopia (Reihlen & Apel, 2007, pp. 147-148).

According to Segal-Horn and Dean (2007, pp. 212-213), when PSFs internationalise and become global, they often face managerial issues. The companies researched in this article are 20 global law firms of British origin. The focus of the managerial issues that these firms face is connected with being global and having several large offices in many markets.

Brock and Alon take the grip to try to understand the “*internationalization-performance relationship in general, with special attention to the dynamic context of professional service firms in particular through illustrations from the legal profession.*” (Brock & Alon, 2009, p. 52). Furthermore, they try to grasp what it takes to move from a firm’s home-market to a number of international markets and then further propose suggestions on how performance can be improved. In their article, they identify three stages of growth outside the home-market: *early growth, intermediate growth and mature growth*. In the *early growth* stage, Brock and Alon make the important distinction between firms that follow their clients and firms that enter new markets unaccompanied. The former has several benefits including financial resources as well as legitimacy in terms of being associated with the client’s market entry. This is particularly applicable if the client is a major international firm. On the other hand, firms that enter new markets unaccompanied are said to “build better capabilities” on how to succeed in international expansions (Brock & Alon, 2009, pp. 59-60). The *intermediate growth* stage refers to the stage where the PSF has to begin to cross-sell new projects to the existing clients. Surprisingly Brock and Alon do not touch upon the topic of attracting new clients in this stage (Brock & Alon, 2009, pp. 60-61). The last stage of growth is the so called *mature growth*. This stage refers to the situation when the PSF has become dominant in the new market and sees no further expansion potential within that particular market. Thus, the only way to further grow, for the company, is to enter new markets (Brock & Alon, 2009, p. 61).

Sharma has made a study on Swedish PSFs that have expanded to foreign markets. The study analyses various entry strategies of the researched firms. Sharma identifies two different dimensions of the realised strategy: “active vs. reactive and alone vs. cooperative” (Sharma, 1988, p. 2). He also introduces a Model of Foreign Market Entry where he includes factors influencing the market entry: *competition, general entry policy, internal and external resources, buying behaviour, realised strategy and entry market characteristics* (Sharma, 1988, p. 8). Sharma’s model will be discussed more in-depth in this thesis since it will serve as a base for the identified process.

Maister does not focus on internationalisation specifically. Nevertheless, he has made an extensive research around PSFs. In his book *Managing the Professional Service Firm*, he discusses the three main goals a PSF must find a balance between in order to survive. These include: clients (**client marketplace**), employees (**people marketplace**) and financial results (**economic ambitions**) (Maister, 1997, pp. 3-21).

The client marketplace revolves around how to optimise the mix of employees determined by the work that the clients demand. There are three types of client projects that Maister describes: *Brains* – the client needs help with professional or technical knowledge (highly skilled staff are needed), *Grey hair* – the client needs help to solve a known problem (more juniors can be employed), and *Procedure* – the client needs help with a known

problem that can be solved in a programmatic way (many junior employees can be employed) (Maister, 1997, pp. 3-21).

The people marketplace is related to HR strategies of the PSF. Usually, there are 3 levels: *juniors* (responsible for technical tasks), *managers* (responsible for day to day supervision and coordination) and *VPs* (responsible for client relationship and marketing). Leverage is influenced by the promotional criteria – time required to work in order to get promoted and the probability of “making it”. If the PSF is leveraged, it will be harder to get promoted because there are relatively more juniors and few senior slots opening up (Maister, 1997, pp. 3-21).

The final main goal of the PSF, according to Maister (1997, pp. 3-21), is to have a sound financial performance. In order to be successful there are a number of factors to consider. First of all, the average hourly rate (which is higher for seniors) can be lowered by adding juniors. Secondly, competition and demand determines fees that can be charged to clients. Thirdly, the firm must achieve certain growth to keep promotional incentives and leverage constant. Similarly, given the target growth rate and leverage, the target staff turnover rate can be specified. Finally the firm should aim to place ex-staff in prestigious positions in other companies as this is the key to having a high staff turnover rate (Maister, 1997, pp. 3-21).

No matter whether it is in the domestic market or when entering a foreign market, attracting new clients and new projects is important for the survival of any PSF. Maister (1997, pp. 51-55) mentions five important activities to achieve this. These include:

- *Broadcasting* – includes activities that can generate leads, enquiries and opportunities with new clients (such as seminars, articles etcetera).
- *Courting* – the process of seeking up and contacting new potential clients
- *Superpleasing* – delighting existing clients hopefully leading to word of mouth to other prospects.
- *Nurturing* – getting to know the clients business, bringing in new ideas, discussing future issues
- *Listening* – a good way of gathering market intelligence makes which makes it easier for the professional service firm to understand how their clients think, what they want and how they choose.

3.2 SECOND LITERATURE REVIEW

After having conducted our interviews, we realised that a process was in place in the internationalising Swedish PSFs. This corresponds fairly well to Sharma’s Model of Foreign Market Entry (1988). Nevertheless, Sharma’s model needed to be expanded as more components were identified in the interviews and options in the different components differed from the options in Sharma’s model. Thus, we turned to the more classic models of internationalisation which are not specific for PSFs but which may be applied to such firms. Here, the models with the strongest explanatory value were the following:

- The Uppsala Model

Understanding the Internationalisation Process of Swedish Professional Service Firms

- Resource-Based View of the Firm
- Network Theory
- Theory of the Growth of the Firm
- Market-Entry Strategies of SMEs

Below, these theories and models will be presented in a general way, and from the synthesis of the models, a more detailed process is outlined. The theories will then be connected to the process and their contribution to the respective components will be outlined. First however, the components in our identified process will be outlined.

3.2.1 IDENTIFIED PROCESSES

We have identified that the process for expanding internationally for Swedish PSFs consists of seven components, of which the first three components are actually conducted before the actual expansion. These components are: 1. **Prior** experience of **internationalisation**, which affects the way that the firm goes about the rest of the process; 2. **Reasons/Strategy behind** internationalisation, which will also affect how the process is carried out, and; 3. **Market chosen**, which naturally also has an impact on the process. Then, there are four components which involve different strategies in the internationalisation process. The most straight-forward one is naturally 4. **Entry strategy**, which also goes along with 5. **Resource allocation strategy**, meaning how resources are used in the process. Once the market has been entered, the firm has to start selling and thus, 6. **Market strategy** becomes important. Finally, the firm can start employing people and therefore, 7. **HR strategy** is needed. We have illustrated this process in the figure below.

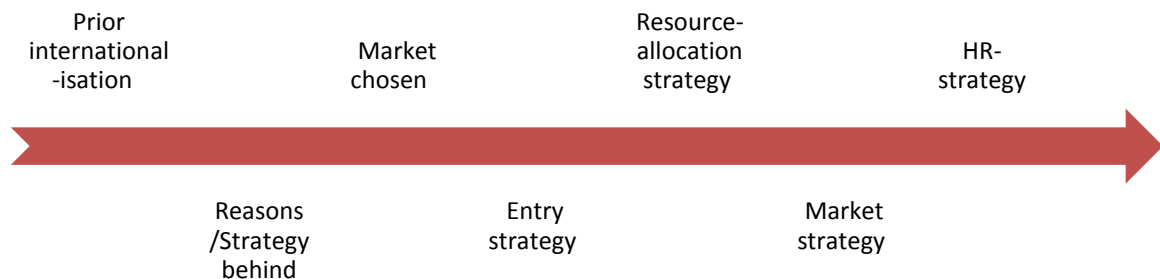


FIGURE 3-1 INTERNATIONALISATION PROCESS OF SWEDISH PSFS

Sharma's Model of Foreign Market Entry strategy is applicable in a process perspective for international expansion of PSFs and will therefore be used as a base (Sharma, 1988). The components mentioned in his study are not entirely aligned with our findings of the processes involved. Following the processes, we have decided to include Sharma's work (1988) and extend it with relevant internationalisation theories in order to fill the gaps and build a more comprehensive model for describing the processes of internationalisation of PSFs.

3.3 OVERVIEW OF THEORIES USED IN THE PROCESS MODEL

Below is a short general description of the respective theories used for the process. After they have been outlined, the theories will be connected to each component in the internationalisation process.

3.3.1 THE UPPSALA MODEL

The Uppsala Model by Johanson and Vahlne is one of the most important and well-known theories used to describe company internationalisation. Despite being heavily questioned and often argued to be oversimplified, it is frequently referred to in the internationalisation literature. The overall purpose of the model is for companies to understand how experience from internationalisation may impact the companies' exporting strategies and enables a better understanding of export behaviour. Furthermore, it can be used by firms to plan their international operations (Johanson & Vahlne, 1977, p. 31).

The basic assumption of the model is that limited knowledge of foreign operations and markets is an obstacle when increasing international presence. This important knowledge is acquired through other foreign operations. The choice of market may also be affected by the previous knowledge of the market and companies often tend to prefer markets that have a perceived closeness, both physically and culturally, to the domestic market (referred to as psychic distance). Johanson and Vahlne also concluded that the internationalisation-processes usually occurs incrementally. It usually starts with companies beginning to export via an agent or distributor, then moves on to open their own sales subsidiary and finally, in some cases, set up a production plant in the new market. (Johanson & Vahlne, 1977, pp. 23-24).

The model considers the two internationalisation variables – state and change agents. It is argued that the current state of the internationalisation process will determine the course of the internationalisation that will follow. This aspect is divided into market knowledge and market commitment. The change aspects considers the current commitment decisions and the firms current business activities. The Uppsala internationalisation model stresses four different factors that have an impact on firms' internationalisation process; market knowledge, commitment decisions, current activities and market commitment. (Johanson & Vahlne, 1977, pp. 26-27)

Market commitment considers two factors; degree of commitment and amount of resources committed. The more integrated the operations in the new market is, the higher degree of commitment. The same goes with the degree of market specific specialisation. The amount of resources committed also plays an important role. This considers factors such as investments in personnel, marketing, and organisation (Johanson & Vahlne, 1977, p. 27).

The market knowledge is of importance because it determines and serves as a base for the commitment decisions. There are two types of knowledge – experiential knowledge (acquired from experience) and objective knowledge (can be taught). Johanson and Vahlne argue that experiential knowledge is the most important and may serve to provide opportunity frameworks for the company. Furthermore, knowledge can be divided into general knowledge (for example knowledge of certain marketing methods) and market specific

knowledge (knowledge tied to a specific market) (Johanson & Vahlne, 1977, pp. 27-28). There is a strong relationship between the knowledge of the market and the commitment to it. Knowledge is a resource and as consequence, the better the market knowledge, the more valuable the resources are considered to be. This consequence is argued to have a positive correlation with the commitment to the market (Johanson & Vahlne, 1977, p. 28).

The consequences of current business activities are always associated with a time lag and current activities often have to be repeated in order to increase sales. One common example of this is marketing which may not always have any affect unless they are carried out repeatedly. The time lag is often considerable in marketing and for that reason Johanson and Vahlne argue that the amount of marketing investments partly represents the commitment to the market. They also conclude that “the more complicated and differentiated the product is, the more the larger the total commitment as a consequence of current activities will come to be” (Johanson & Vahlne, 1977, p. 28). They also distinguish between market knowledge and firm knowledge. Current business activities are argued to be the main source of experiential knowledge and as a consequence it may be easy to make mistakes in the beginning due to a lack of market knowledge. A way to avoid this is to either hire someone with experience or ask an experienced person for advice. The difficulty with this is that external persons do not have the firm knowledge needed (Johanson & Vahlne, 1977, p. 29).

Commitment decisions are concluded to be made incrementally unless the firm has substantial amounts of resources or and/or the market conditions are homogenous and stable. Resources may also mean commitment in large amounts if the firm has much experience from other similar markets. If none of these alternatives apply, the authors observed a gradual increase of operations and the integration decisions in the market were taken considering the market’s risk situation. (Johanson & Vahlne, 1977, pp. 30-31)

The overall conclusion of the model is that firms make continuous adjustments during ever-changing market conditions during the internationalisation process. It is presumed that the greatest obstacle for internationalisation is the lack of knowledge of other markets. This knowledge is best acquired through experience. (Lathi, 2010, pp. 42-43).

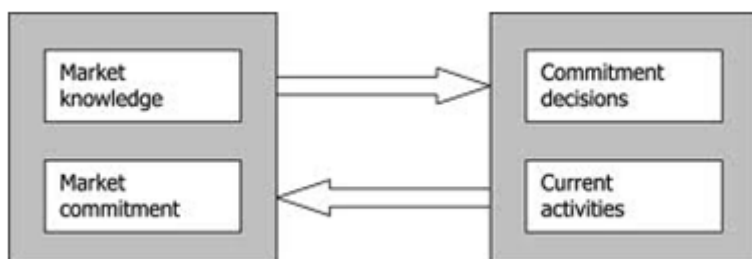


FIGURE 3-2 THE UPPSALA MODEL (JOHANSON & VAHLNE, 1977, P. 26)

3.3.2 RESOURCE-BASED VIEW OF THE FIRM

The Resource-Based View of the Firm was first introduced in the 1950's and has ever since been an important and influential theory in strategic management (Kraaijenbrik, et al., 2010). The central focus of the Resource-

Based View of the Firm is to outline the firm's greater resources, so as to achieve sustainable competitive advantage, leading to superior performance (Barney, 1991). The purpose of the model is to outline the firm resources including internal resources, core-competencies and capabilities. These can all be contribute to create competitive advantage which in turn may lead to generation of an increase in perceived value compared to their competitors (Rothhaermel, 2008, pp. 216-218).

The Resource-Based View of the Firm divides highlights the interaction between the different factors that all contribute in building competitive advantage. These include resources, capabilities and core competencies. (Rothhaermel, 2008, pp. 216-218)

The first category, resources, is divided into tangible and intangible resources. Tangible resources can be seen as hardware, including for example buildings, employees, equipment and machinery. If tangible resources are seen as hardware, the Intangible resources can be seen as software, including assets such as brand image, intellectual property, know-how, and reputation. The Resource-Based View of the Firm suggests that heterogeneity of resources between competing firms will result in different degrees of performance. (Liu, et al., 2010, pp. 230-238)

The second category in the Resource-Based View of the Firm is capabilities. These are the managerial skills that are necessary to organise a varied set of resources strategically. (Rothhaermel, 2008, pp. 216-218).

The final category is the core competencies of the firm. These are the compounded interaction between capabilities and resources that can enable the firm to build competitive advantage. (Lipecap & M, 2008, p. 9) (see **FIGURE 3-3**).

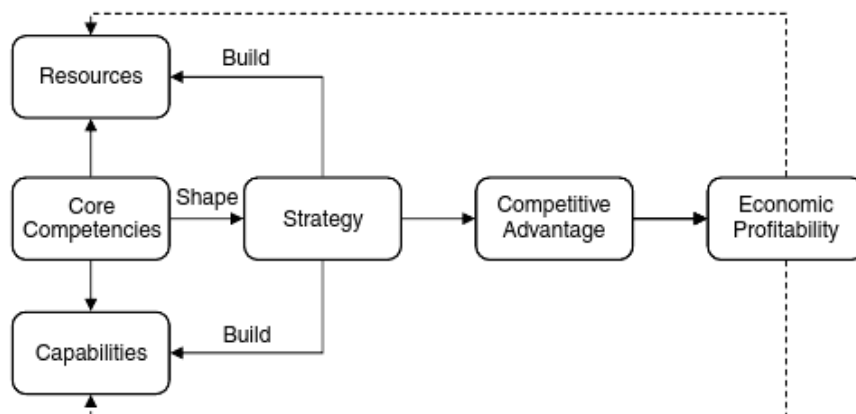


FIGURE 3-3 INTERACTION BETWEEN RESOURCES, CAPABILITIES AND CORE COMPETENCIES (LIPECAP & M, 2008, P. 209)

The overall contribution of a resource to the firm's performance is determined by three factors. First of all, the value of the resource, where the goal is that it should have a substantial positive impact on the ability of the firm to fulfil its company goals and should lead to a competitive advantage. Secondly, it should give the firm a sustainable competitive advantage. Finally, the resource should be versatile making, it useful in not only one market. (Bourne, 2002, pp. 19-22)

3.3.3 NETWORK THEORY

Network Theory stems from the sociological field of research of networks between humans. These are important in economics for three reasons:

First, social networks affect the flow and the quality of information. [...] Second, social networks are an important source of reward and punishment, since these are often magnified in their impact when coming from others personally known. Third, trust, by which I mean the confidence that others will do the "right" thing despite a clear balance of incentives to the contrary, emerges, if it does, in the context of a social network. (Granovetter, 2005, p. 33)

In relation to internationalisation, Johansson and Mattsson state that they believe "that the network model, being superior to some other models of 'markets', makes it possible to consider some important interdependencies and development processes on international markets" (Johansson & Mattsson, 2013, p. 287).

In itself, the network model of internationalisation investigates at the network and contact points surrounding a company in an internationalisation process. Instead of focusing on the relationship only between the firm and the clients, this model takes into account many more of the potential stakeholders and the connections to them. What is emphasised in the network is complementarity and inter-firm dependence, with the implication that firms are not primarily competing with one another but rather have exchanges with each other (Johansson & Mattsson, 2013, p. 292). The network model thus takes a much wider outlook on internationalisation and considers more explanatory factors to internationalisation. According to Hadley and Wilson, the network model comprises "two dimensions; the degree of internationalisation of the firm and the degree of internationalisation of the market" (Hadley & Wilson, 2000, p. 3).

In this way of seeing internationalisation, the more nodes the firm, and the more nodes the market, have in their respective international networks, the easier the internationalisation process will be. In other words, ease of internationalisation is dependent both on the market and on the firm and the respective stakeholders to both these.

The network model is not firm specific and seems to hold strong explanatory value for PSFs, perhaps an even stronger explanatory power than for manufacturing firms as relationships are at the core of the business model of PSFs. Even though little research has been conducted in the field, one framework for understanding international expansion of PSFs through Network Theory has been proposed by Ojasalo (2011). In this framework, the drivers of internationalisation are first determined and then, the actual process of internationalisation is presented. The framework is presented in **FIGURE 3-4**.

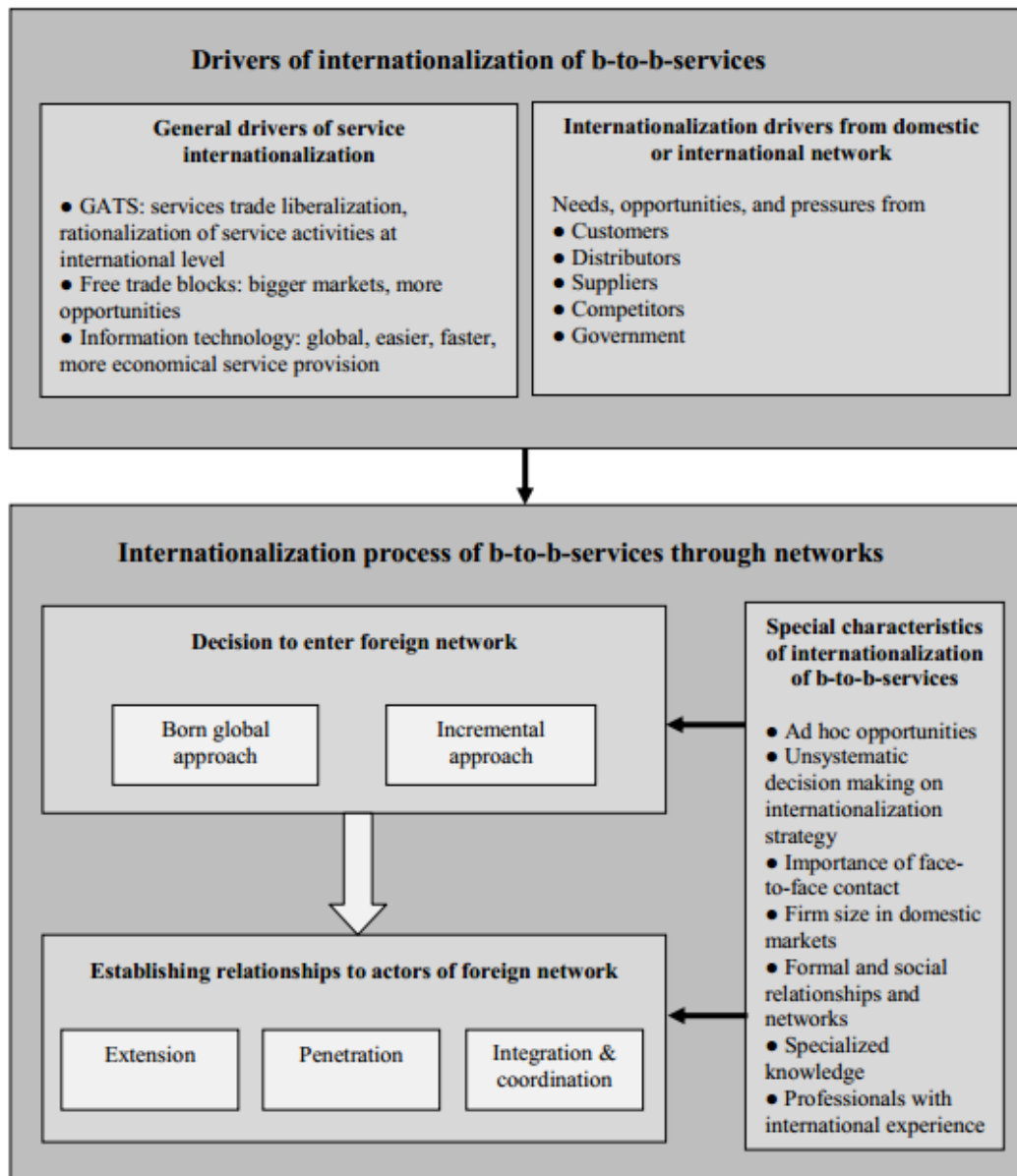


FIGURE 3-4 A FRAMEWORK OF INTERNATIONALISATION OF B-TO-B-SERVICES THROUGH BUSINESS NETWORKS (OJASALO, 2011, P. 101)

Ojasalo (2011) identifies both general drivers of internationalisation and drivers from domestic and international networks. This can be linked to the strategies/reasons behind internationalisation, while Ojasalo's (2011) internationalisation process is divided into a decision to enter a foreign network and establishing relationships to actors of foreign network. The decision to enter a foreign market involves both the actual market chosen and the entry strategy. The establishing of relationships involves the market strategy, the resource allocation strategy and the HR strategy of the firm. Thus, this model involves all the different components of the internationalisation process of a PSF. Moreover, it considers special characteristics of internationalisation of B-to-B-services, which all affect the process. Thus, this model holds great explanatory value for the internationalisation of a PSF.

3.3.4 THEORY OF THE GROWTH OF THE FIRM

The main contribution to internationalisation theory from the Theory of the Growth of the Firm, as developed by Penrose, is the realisation that a firm does not grow organically, like a plant or an animal, but rather needs to be developed by human beings. Thus, expansion is not something that only happens; it is the result of actions taken by people. This is exemplified in the introduction to her book, where she states that all "the evidence we have indicates that the growth of firms is connected with the attempts of a particular group of human beings to do something." (Penrose, 2009, p. 1). And indeed, she devotes a great deal of her book to what she calls the entrepreneur of a firm and what such a person can accomplish given the right circumstances.

When it comes to the growth of a PSF, this field has been touched upon by Maister in his book *Managing the Professional Service Firm* (1997). Here however, most of the focus lies on balancing the client marketplace, the people marketplace and the profitability of the firm. Maister (1997) discusses how PSFs should act to leverage on all three fields. Within this discussion however, there is an implicit view on how to manage the growth of the firm. A PSF mostly has a pyramid structure and the dynamics is that more senior employees charge more for their time while more junior employees do most of the simpler tasks. There is also a fairly large staff turnover, especially in the more junior levels. Moreover, senior recruitment is very costly and it is much easier to attract more junior employees. Given these conditions, the growth of the PSF needs to be managed. Here Maister discusses the up-or-out system and leveraging on employing a greater number of more junior employees, letting people go along the way and thus maintaining a pyramid structure. (Maister, 1997, pp. 3-21)

In fact, Maister also discusses the problem of employees not wanting positions in a PSF but rather wanting a career in such a firm. The problem that then arises is the fact that not everyone can become partners and that this situation needs to be handled somehow (Maister, 1997, p. 8). Yet, this discussion is analogous to the discussion above and the main point of this discussion is that Maister also realises what Penrose had realised before: that the growth of a firm does not happen automatically, it needs to be managed and pushed, through the initiatives of individuals.

Maister has a less theoretical and more practical approach to the growth of the firm than what Penrose has, yet they both reach the same conclusion. Thus, they both support each other's findings and the fact that the Theory of the Growth of the Firm holds true for PSFs and not only for manufacturing firms, as has been the case in some other theories.

3.3.5 MARKET-ENTRY STRATEGIES OF SMES

There are three ways, in which SMEs can internationalise. First of all, through direct exports; secondly, through licensing/franchising; and thirdly, by making a foreign direct investment (FDI). Traditionally, it has been viewed that every organisation chose any of these methods for internationalisation. This concept is today not relevant, as the way companies choose to internationalise is dependent on a number of factors such as characteristics of the industry, business model, size of the firm, technology and infrastructure etcetera. Technology has also been the main enabler for so called *born globals*, which is a way to describe companies who can start their

operations instantly on the global markets. This is very common in for example e-commerce. (Peng, 2009, pp. 139-147)

Direct exports are often the first stage of internationalising. It is popular in the beginning because it requires less commitment to the new market because the sales of products and service are made in the domestic market. The problem is that for many companies it is hard to expand foreign operations when not being present in the market. (Peng, 2009, p. 139)

Licensing and franchising are the other common ways of internationalising. Licensing is particularly common in manufacturing industries. In short, it is a way of making money through charging other companies for using for example a patented technology and/or a trademark. Franchising is a common way for service industries to internationalise. One of the most classic examples of a company using this business model is McDonald's. The idea is similar to licensing but instead of for example a patented technology and trademarks, franchising is a way of charging for using a business concept. The benefit of these two models is that they do not often require much capital but the drawback is that the franchisor or licensor will have less control. (Peng, 2009, pp. 139-140)

A third common way of internationalising is through foreign direct investments (FDIs). This concept entails for example strategic alliances, partnerships, acquisitions and wholly owned or subsidiaries for example Greenfield investments. FDIs are often a result of a substantial commitment to the market. The most obvious benefit in this way of internationalising is the control factor. The drawback is that it is often very costly, complex and therefore requires much knowledge. (Peng, 2009, p. 139)

3.4 LITERATURE ACCORDING TO EACH PROCESS COMPONENT

In this section, the literature is connected to the components we have outlined in our process (see **FIGURE 3-1**).

3.4.1 PRIOR INTERNATIONALISATION

The first component that we discovered in our literature review is the importance of previous experience of internationalisation. Sharma argues that PSFs with previous experience from internationalisation tend to have a more *active* approach towards internationalisation. By *active*, he means that the decision-makers in the firm "seek market entry in a planned manner" (Sharma, 1988, p. 8). This implies that the firm is actively investing resources to look for new business opportunities in foreign markets and that it develops expansion plans and sets clear goals. These companies also, most often, have a more clearly developed general entry policy (Sharma, 1988, pp. 8-9).

Firms with no previous experience tend to have a *reactive* approach towards internationalisation. This means that they neither set clear internationalisation goals nor plan for how to get foreign projects. The reactive strategy is emergent and does not have any internationalisation strategies. (Sharma, 1988, pp. 8-9)

Sharma's Model of Foreign Market Entry serves as a good base for understanding the potential impact previous experience may have on internationalisation for PSFs but it is somewhat limited and therefore we would like to extend our research by including The Uppsala Model by Johanson and Vahlne (1977, pp. 23-32), one of the most important and well known theories used to describe company internationalisation. The overall purpose of the model is for companies to understand how experience from internationalisation may impact the companies exporting strategies and enables a better understanding of export behaviour. Furthermore, it can be used by firms to plan their international operations (Johanson & Vahlne, 1977, p. 31).

The Uppsala Model argues that limited knowledge of foreign operations and markets are an obstacle when increasing international operations. This important knowledge is acquired through foreign operations (Johanson & Vahlne, 1977, pp. 23-24). The market knowledge is of importance because it determines and serves as a base for the commitment decisions. There are two types of knowledge – experiential knowledge and objective knowledge. Johanson and Vahlne (1977) argue that experiential knowledge is the most important. This may serve to provide opportunity frameworks. Furthermore, knowledge can be divided into general knowledge and market specific knowledge (Johanson & Vahlne, 1977, pp. 27-28). There is a strong relationship between the knowledge of the market and the commitment to it. Knowledge is a resource and as consequence, the better the market knowledge, the more valuable the resources are considered to be. This, in consequence, is argued to have a positive correlation with the commitment to the market (Johanson & Vahlne, 1977, p. 28).

The Resource-Based View of the Firm supports the arguments by the Uppsala Model that know-how is a kind of experiential knowledge and may be a valuable resource when internationalising. This kind of resource is a part of the firm's intangible resources according to the Resource-Based View of the Firm. Despite the difficulty of measuring the impact of this kind of resources, it is clear that they are sources of real competitive advantage as they are harder to replicate (Bourne, 2002, pp. 19-22). Intangible resources are what constitutes company capabilities and are described as the capacities held by the company's employees, which have been developing over time in combination with it all its resources (Canals, 2000, pp. 119-120). Together with the tangible resources, the company forms their core competencies, which will determine the firm's competitive advantage over other firms (Wernerfelt, 1984, p. 173).

3.4.2 REASONS/STRATEGY BEHIND

Sharma (1988, pp. 6-9) argues that some firms actively look for business opportunities in foreign markets (*active strategy*) as a part of the overall company strategy. This strategy can either be developed as a response to actions of the competitors or a part of an overall growth strategy.

Companies with a *reactive strategy* often expand into foreign markets as a consequence of customer pull. For example, if a client asks the PSF to take on a project abroad. This seems particularly common for firms that hold some sort of unique skills. The other option is that firms have a large international network and sell projects through these. This can be either in terms of relationships with other PSFs or with large clients present on several markets. (Sharma, 1988, pp. 9-10)

Sharma's (1988) view of the role of the network is limited to customers and other PSFs. Therefore we think it is relevant to also include the Network Theory which includes other potential drivers. These include distributors, suppliers and government. These can be both domestic and international (Ojasalo, 2011).

Another driver of internationalisation is and company growth that is not mentioned by Sharma (1988) nor Ojasalo (2011) the role of the individuals within the firm. According the Theory of the Growth of the Firm by Penrose (2009) expansion is something driven by individuals and that the growth of the firm is highly connected with the motivations and actions by certain individuals referred to as entrepreneurs.

3.4.3 MARKET CHOSEN

Just like with the strategy behind the internationalisation, the choice of market can either be a result of an active company strategy looking for business opportunities outside the domestic market or an unplanned activity that comes from, for example, an opportunity given (Sharma, 1988). The opportunities often come from, the existing business network including, for example, other PSFs, customers and distributors.

The Uppsala Model argues that the knowledge of the market has a strong impact on the choice of market. Companies, in general, prefer to expand in to markets that are considered similar to the domestic market and therefore psychically distant markets may not be considered despite good market opportunities. (Johanson & Vahlne, 1977, pp. 23-24). On the other hand, there may be individuals with certain market knowledge/expertise within the firm. These can supply the firm with knowledge about what may be perceived to be distant markets, but the internal knowledge makes the particular market more interesting for the firm.

According to the Theory of the Growth of the Firm, certain influential individuals may have a personal interest in a particular market and may therefore push for the firm to internationalise in to that particular market (Penrose, 2009).

3.4.4 MARKET ENTRY STRATEGY

The early stages of the internationalisation, in the case of an active choice to internationalise the PSF, is working with marketing activities and having early discussions with existing clients about potential projects in the new market. In this stage, the firm often feeds potential clients with positive information about the market. These marketing activities can also be done by travelling to the market and seek direct contacts with potential clients in the targeted market. The main drawback with this strategy is that it is rather costly. Companies that choose a reactive internationalisation strategy are expanding as a response to a demand from a client and therefore, do not carry out any particular activates for enabling a market entry. (Sharma, 1988, p. 9)

Sharma states that a firm may enter the new market either alone or in a cooperative manner. His research shows that the cooperative approach takes three different shapes, including alliance, consortium and grouping. An alliance refers to the situation when a company makes an alliance with another company from the targeted market. This can take the form of for example joint ventures. The purpose of this strategy is often to gain legitimacy in the local market. (Sharma, 1988, p. 11)

A consortium is a joint effort by a number of PSFs where the firms gather their resources and act as one PSF against a buyer. This may be a good strategy to reduce risk and lower costs. (Sharma, 1988, p. 10)

A grouping strategy of a PSF is similar to a consortium in the way that it is a joint effort by other firms but instead of other PSFs a grouping consists of other firms that do not have a similar offering. This can be done together with for example civil engineers and suppliers of equipment and they can then together offer a whole project to the client. This is especially effective on very large projects. (Sharma, 1988, p. 10)

Sharma (1988, p. 2) disregards some traditional ways of internationalisation including exporting, licensing and setting up of foreign production.

To give a more concrete picture of the alternative entry strategies available we include a number of classic market entry-strategies of small and medium-sized enterprises. Since we have disregarded licensing and foreign production, we are left with direct exports, franchising and thirdly foreign direct investments (FDIs) such as greenfield investments. The factors determining the choice to strategy may vary and is influenced by a number of factors such as characteristics of the industry, business model, size of the firm, technology and infrastructure etcetera. (Peng, 2009, pp. 139-147)

A foreign expansion is most often, according to the Uppsala Model, done in incremental steps (Johanson & Vahlne, 1977, pp. 30-31). This means that for example, a company that has the goal of doing an greenfield investment, might still start on a smaller scale, with for example direct exports, until the company has reached a certain level of sales and feels ready to set up an own subsidiary.

3.4.5 RESOURCE ALLOCATION STRATEGY

The general entry policy, no matter whether it is active or reactive, the resources available both internally and externally (the relational network) will have a large impact. The main internal resources are the firm's employees as well as the financial resources. How these are utilised and allocated and the amount available will have a strong influence on what expansion strategy is chosen. The network, as a resource, can be leveraged upon and may give great opportunities for financing and support in the expansion phase. (Sharma, 1988, pp. 12-15)

What amount and how the resources are allocated are closely connected to commitment according to the Uppsala Model. Market commitment considers two factors; degree of commitment and amount of resources committed. The more integrated the operations in the new market is, the higher degree of commitment. The same goes with the degree of market specific specialisation. The amount of resources committed also plays an important role. This considers factors such as investments in personnel, marketing, and organisation. (Johanson & Vahlne, 1977, p. 27)

The market knowledge is of importance because it determines and serves as a base for the commitment decisions. Johanson and Vahlne (1977) argue that experiential knowledge is the most important type and may serve as a base for providing opportunity frameworks. There is a strong relationship between the knowledge of

the market and the commitment to it. Knowledge is a resource and as consequence the better the market knowledge, the more valuable can the resources considered to be. This is consequence is argued to have a positive correlation with the commitment to the market (Johanson & Vahlne, 1977, p. 28).

3.4.6 MARKET STRATEGY

The market activities when the market is entered can be similar to the activities carried out before the market entry. It can include discussions with domestic clients about potential projects in the new market but also marketing activities directed at local companies in the new market (Sharma, 1988, p. 9). The specifics of what strategies to attract projects may vary, and what is most suitable may be largely dependent on the buying behaviour of the client. Some clients prefer to buy, for example, consultancy services in on a “piecemeal basis”, where the project is divided into small sub-categories, while others have a preference for buying a whole project (Sharma, 1988, p. 17).

Maister (1997) does not address internationalisation specifically. Notwithstanding, his theories on the strategies to attract new customers and work with existing clients can be used for this purpose as well (Maister, 1997, pp. 51-55). These include, first of all, *broadcasting* including activities generating leads and opportunities with new potential clients and projects. Secondly, *courting* is an important way of working with new prospects. Thirdly, the notion of *superpleasing* refers to pleasing existing clients. The fourth option is to nurture (*nurturing*) the existing business networks in order to get new projects from existing clients as well as getting projects from new clients. Finally Maister (1997) brings up *listening* as an important way of marketing in itself since it is a way of collecting market information which makes it easier for the PSF to understand the client (Maister, 1997, pp. 51-55).

3.4.7 HR STRATEGY

The HR strategy of the internationalising PSF is not acknowledged by Sharma (1988) and therefore, it cannot be used as a primary resource so we need to complement it with other theories.

Human resources are at the foundation of professional services; a firm needs to balance three objectives, namely the client marketplace, the people marketplace and the economic ambitions (Maister, 1997, pp. 3-21). Accordingly, the HR strategy of a PSF is of outmost importance for the survival of a firm, and should naturally be included in an internationalisation process as any internationalisation of a PSF would fail if the HR strategy failed.

One of the most important problems of an HR strategy of a PSF is the balanced growth, which has been discussed earlier under section of the Theory of the Growth of the Firm. One solution to this might be given by Edith Penrose in the Theory of the Growth of the Firm, where an initiative to growth is taken by an individual (Penrose, 2009, p. 1). In this case, that could be a partner taking this initiative and leaving space for others to take his/her place as he/she is setting up operations abroad. Penrose is particular in pointing out that an entrepreneur, in her view, is not a person with some special traits or qualities. Rather, the entrepreneur should

simply be seen as a person who undertakes something, in this case growth through internationalisation (Penrose, 2009).

Apart from balanced growth, there are also other problems with the people marketplace, as described by Maister. Naturally, the firm needs to attract talents as the insights of the employees are what are being sold by a PSF. The way of attracting talents is to communicate the promotional criteria and the possibility of having a career with the firm (Maister, 1997). When a firm is completely new to a market, there will naturally be problems with attracting such talents, as the reputation of the firm might not yet have reached the people in the market. Thus, handling the people marketplace might be just as difficult as handling the client marketplace.

3.5 SUMMARY OF THE THEORIES USED IN EACH PROCESS COMPONENT

From the literature review of the different process components above, it can be deduced that we have used different theories in different components of the identified process. The different theories have been included in the components where they were considered to have the greatest contribution and where our umbrella theory, a Model of Foreign Market Entry, by Sharma (1988) was lacking. A more exact summary and illustration of the connection between the theories and the process components can be seen in the figure below, where the theories have been marked green in the process components in which they are used and the options or statements from the different theories are outlined.

	Process component	Prior internationalisation	Reasons/Strategy behind	Market chosen	Entry strategy	Resource allocation strategy	Market strategy	HR strategy
Theory Alternatives according to the respective theories	A Model of Foreign Market Entry	Active strategy Reactive strategy	Active strategy Reactive strategy	Active strategy Reactive strategy	Alone Cooperation (alliance, consortium, grouping)	Financial resources Employees Network	Activities similar before and after market is entered	
	Uppsala Model	Experiential knowledge Objective knowledge General knowledge Market specific knowledge		Knowledge impact: psychologically closer markets (psychic distance)	Incremental steps	Degree of commitment Amount of resources committed		
	Resource-Based View of the Firm	Knowledge as intangible resource						
	Network Theory		Drivers: distributors suppliers government					
	Theory of the Growth of the Firm		Driven by individuals	Individual and personal interest				Initiative of individuals Growing the firm by expanding geographically
	Market-Entry Strategies of SMEs				Direct exports Franchising Foreign direct investments			
	Managing the Professional Service Firm						Broadcasting Courting Superpleasing Nurturing Listening	Balanced growth Attracting talent

FIGURE 3-5 PROCESS-THEORY FIT WITH ALTERNATIVES ACCORDING TO THEORIES USED

4 RESULTS

In this section, we present the findings from our interviews. Firstly, we present a process of internationalisation that we have discovered to hold significance within all the researched companies. The components of the process are outlined and we explain what we mean by the different components and why they are important and included in the process. The process is then used to structure our findings from each individual company so for each company, we present how the different components have been handled.

4.1 PROCESS COMPONENT EXPLANATION

As shown in the literature review, there are different theories making different claims and giving different options in each of the process components. From our empirics, we have identified some of these options. Other options have not been identified in our case companies, and in some components, new options have been discovered. In order to both explain and justify each of the components in the process, more in detail, the following sections handle each component in the process, explaining what we mean by the component, why we believe it is important and therefore also why we have included it. All the components in the process and the options identified in each component can be illustrated in the following table:

Process component		Prior internationalisation	Reasons/Strategy behind	Market chosen	Entry strategy	Resource allocation strategy	Market strategy	HR strategy
Option	0	No prior expansion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	1	Prior expansion	Aligned with overall strategy	Market evaluation	Direct exports	Bootstrapping	Focus on home-market customers	Expatriates
	2		Customer pull	Customer pull	Greenfield	Customer pull	Focus on local customers	Local partnership
	3		Competitive pull	Market reputation	Sub-contractors	Rich parents	Focus on international customers	Sub-contractors
	4		Internal push	Internal push	M&A			Local professionals
	5		Collaborative pull					

FIGURE 4-1 PROCESS COMPONENTS AND IDENTIFIED OPTIONS IN EACH COMPONENT

It should be noted that the numbering of the options is not connected to any type of value or ranking, it is simply a representation of option number 1, option number 2 etcetera.

4.1.1 PRIOR INTERNATIONALISATION

With prior internationalisation, we refer to any prior experience that a firm has of international expansion. This might be in the form of the firm already having foreign offices or subsidiaries, it may be in the form of prior, failed

attempts at internationalising or it may be in the form of partners or senior staff having prior experience of setting up operations abroad. All these options mean that the firm has **prior experience** and if not we say that the company has **no prior experience**.

The reason why this component is important is that it seems that previous experience, and the type of experience a firm might have, affects the way it will go about the rest of the process, as will be shown in our findings. Thus, it is included for its predictive value concerning the following components in the process.

4.1.2 REASONS/STRATEGY BEHIND INTERNATIONALISATION

The strategy behind an international expansion can take many different forms. It might be aligned with a greater **company strategy** to grow to a certain point or compete on a certain level. Another reason may be that clients have required the firm's services abroad and that the firm chooses to comply with this demand. This situation is referred to as **customer pull**. Another reason can be a so called **competitive pull** meaning that the company sees the expansion as a necessity because the competitors are expanding.

A fourth reason may be that a partner or senior staff member has the desire to relocate and thus pushes for an international expansion, in other words an **internal push**.

Finally, the opportunity of expanding operations can be done through **collaborative pull** meaning the entry of a foreign market is a consequence of a strategic merger with, and/or acquisition of, a competitor from the new market.

Just as with the first component, the reason behind the internationalisation seems to hold some predictive value for the rest of the process and is therefore deemed important enough to include.

4.1.3 MARKET CHOSEN

Just as with the two previous components, the reasons for choosing a particular market may vary greatly. Sometimes, extensive research, in other words a **market evaluation**, has been conducted to determine the most beneficial market to enter. Other times, as mentioned before, the expansion has been fuelled by clients – **customer pull** – or by a partner or senior staff member – **internal push**. In these instances, the market has often been pre-determined by that particular stake-holder. Finally, simply the **market reputation** may also have an impact when the market is chosen.

How the market has been chosen and which market has been chosen will also both affect the rest of the internationalisation process, as all markets have their special traits and conditions, but also because the reasons behind the market chosen will steer other components in the process.

4.1.4 MARKET ENTRY STRATEGY

By market entry strategy, we refer to the strategy companies choose to apply when entering the targeted market. The market entry strategy is one of the more crucial strategic decisions that have to be considered in the internationalisation process. There are usually a number of factors determining the strategy chosen and it has a large impact on how the business will be carried out. In short, the market entry strategy chosen is a result of the strategic decisions taken in the prior internationalisation stage in combination with the reasons behind and also the market conditions for the chosen market. The market entry strategy is also of high relevance for determining the resource allocation strategy which in turn impacts the market strategy as well as the HR strategy.

There are a number of ways in which a company can enter a new market. One of the ways we have identified is **direct exports**, exporting the actual services. This is a common phenomenon in the initial stages. In some case the firm has chosen to directly make a **greenfield investment** and set up a local office. This is often the final goal, even for companies beginning with direct exports.

Another way of penetrating new markets is the use of **sub-contractors** with local market expertise. Finally, we have also identified that a company may enter a new market as a result of a **merger**.

4.1.5 RESOURCE ALLOCATION STRATEGY

By company resources, we refer to the means available within the company that can be utilised. The resources available have, as previously mentioned, a large impact on the market entry strategy chosen and it both limits and enables the preferred strategy. Furthermore, resource allocation has a crucial impact on the market strategy that will follow in terms on how the business in the new market will be carried out.

We have identified three different ways of resource allocation. First of all, a company may choose a **bootstrapping** strategy, meaning that they will try to limit their use of resources in order to realise the expansion. Another way of resource allocation is to get financial means from projects of existing/new customers from the home-market or internationally. We refer to this situation as **customer pull**. Finally, we have also come across the notion of having **rich parents**, which means that the company is paying for its Greenfield investments entirely on its own and that the company has a lot of endurance.

4.1.6 MARKET STRATEGY

The market strategy is simply the plan for how the new market should be approached. We define the market strategy of the firm, as the processes around were and how the company is approaching the new market. This includes for example, ways of attracting customers. This can be done either locally, in the new market, or from home, selling projects with a focus on the new market. We distinguish between companies that have a focus on **home-market customers** meaning that their primary source of income of today in the new market comes from companies in the home-market. The other group of companies is the ones focusing their efforts on **local customers**

and the third group consists of companies that primarily have **international clients** and serves these clients regional operations from the new market

The market strategy is much a result of the combination of the market entry strategy chosen together with the resource allocation of the firm. The entry strategy decides, to a large extent, how the market strategy will be carried out. For example, if the company decides to direct export their services, the market strategy will look different than if the same company would have entered the new market through an acquisition. The resource allocation is important for the market strategy in terms of what form the market strategy will take. For example, if the company has meagre financial means, it may be a better alternative to send a representative from the firm to the new market from time to time, while if the financial means are not limiting, it may be a better option to have someone based in the new market in order to establish a new customer network.

4.1.7 HR STRATEGY

By HR strategy, we mean the strategy for how the company is allocating its' human resources an attracting employees in the new market. This is often a process occurring later in the expansion process but may also be developed in parallel with the market entry strategy and market strategy. The strategy on how to best utilise human resources available is a crucial component in the internationalisation process especially because of its importance in PSFs.

We have identified four different strategies that companies have used in their internationalisation process. The first option is the usage of **expatriates** from the home-office in the new market. Another strategy is to get access to local employees through **partnerships**. The final option we have identified is the usage of **sub-contractors**, often local experts that are only hired on a project-basis.

4.2 COMPANY PROCESS FINDINGS

Below, we will present the findings from our twelve case-companies. An overview of each firm will be given in the form of a table. Care has been taken to keep the anonymity of the companies. Therefore, no exact numbers are given in the tables. After this, the findings from our interviews with the company will be presented and a summarising graph illustrating the decision topography of the company is added. The graph follows the option numbers in FIGURE 4-1 and therefore, it should be noted that a company with an option number of 5 is by no means better than a company with an option number of 1, it is simply a different option.

Understanding the Internationalisation Process of Swedish Professional Service Firms

4.2.1 COMPANY A

Type of PSF	Consultancy firm
Number of employees (rounded)	50
Turnover (2012)	50-100 MSEK
Present in number of markets	2
Number of years present in Asia	1,5
Asian turnover (2012)	0
Percentage of turnover from Asian operations	0%
Number of employees in Asian market (rounded)	5

Company A has had some prior experience of internationalisation from having expanded to two European markets. Presently however, the offices in these markets have closed down, so right before the expansion to Asia, they were present only in Sweden. The strategy behind internationalising is aligned with the overall company goal of being global leaders in their field and because of this, the company has conducted an extensive research into which market to expand to. The result of this research was one European market and one Asian market. As the financial situation could only support one expansion, the Asian market was chosen. It was believed that this market would have the greatest long-term potential and presently also the least competition.

The market was entered first through direct exports, then a combination of direct exports and greenfield, where the company had a post box office in the Asian market, sold the service through a partner travelling in the area and made the service delivery from the Swedish office. Eventually, the goal is to have set up a proper office in the market. This strategy can be said to correspond to a bootstrapping strategy, where the least resources possible are used before the expansion has taken off. Current direct export projects are also used to finance future projects conducted in the market.

When it comes to the market strategy, this company has focused on international companies wanting to conduct local projects in the market but where the decision about the project has been taken on an international level. Some efforts have been made to approach local companies but these have not resulted in any leads.

The HR strategy has thus far not been given much attention but the strategy consists of sending expatriates to the Asian market, possibly hiring a local non-professional once the operations are up and running.

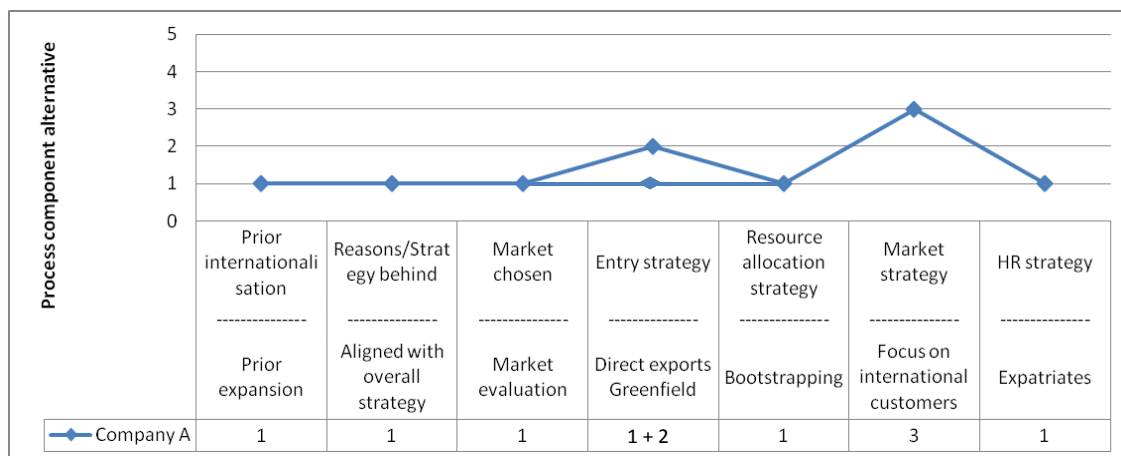


FIGURE 4-2 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY A

4.2.2 COMPANY B

Type of PSF	Law firm
Number of employees (rounded)	600
Turnover (2012)	1000-1500 MSEK
Present in number of markets	7
Number of years present in Asia	6
Asian turnover (2012)	50-100 MSEK
Percentage of turnover from Asian operations	5%
Number of employees in Asian market (rounded)	30

Company B has a relatively extensive experience of international expansion and had offices in many geographically diverse markets before opening up the Asian offices, of which it has two. The expansion for company B has very much been driven by customer pull and offices have opened in markets where customers have demanded the services. Thus, the decisions have not been internally driven but have often been initiated by a direct export to the market. After a few projects, the customer pull has been strong enough to initiate a greenfield operation.

Because of this situation, the company has also been able to finance the expansion through the customer pull, using local projects to finance other local projects. Nevertheless, the customers have mostly been sought among home-market customers present in international markets in need of legal advice in the different markets.

The HR strategy throughout this process has been to have expatriate partners leading the local branches and ensuring that the delivery is of equal quality as in Sweden. Moreover, when projects have been conducted in relation with clients, successful client employees have also been scouted and the firm has then been able to offer these employees a position within company B.

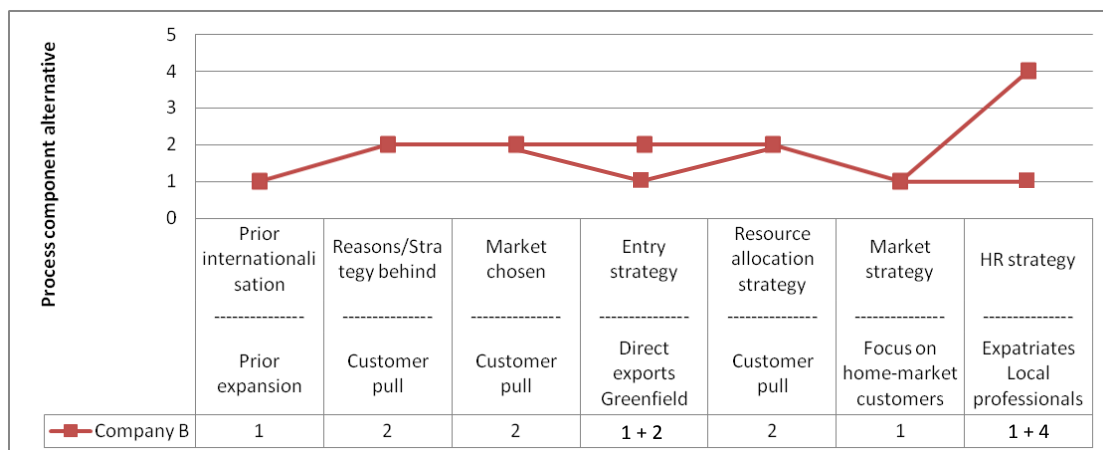


FIGURE 4-3 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY B

4.2.3 COMPANY C

Type of PSF	Consultancy firm
Number of employees (rounded)	100
Turnover (2012)	150-200 MSEK
Present in number of markets	5
Number of years present in Asia	6
Asian Turnover (2012)	6-8 MSEK
Percentage of turnover from Asian operations	4%
Number of employees in Asian market (rounded)	10

Company C started their internationalisation to geographically closer markets than the Asian markets. They have an offering that is relatively unique and customers have therefore seen the benefits of it in the Swedish market and thus demanded it in other markets as well. Hence, the internationalisation of company C has been driven by a customer pull. In markets where the customer pull has not been as strong, they have been able to draw on successes from other markets in their communication and have thus been able to create a stronger demand and a greater customer pull.

When it comes to the market chosen however, this has not been driven mainly by customer pull. Instead, it has been driven by an internal push from certain employees with particular knowledge about specific markets and their characteristics. These employees have then been given the opportunity to set up an office in the particular market and start to drive sales. Even though the setting up of an office has been supported by the Swedish organisation, the main financing has come from local projects, so having a customer pull here as well.

When trying to attract customers, the main focus has been on international clients with projects in the local market. There are two reasons for this. Firstly, the international customers have been the ones with the most money to spend on the types of projects that company C is selling and secondly, that local companies have had difficulties in understanding the offering and the benefits derived from it. Also, even before expanding to Asia, the firm had a big network of clients who had operations in the Asian region as well, so it could expand on its services to that region for these clients. Finally, the HR strategy has been to employ expatriates, not only Swedish ones but expatriates from different parts of the world, often the spouses of people already working in the market in question. This has led to a widening of the client network as well.

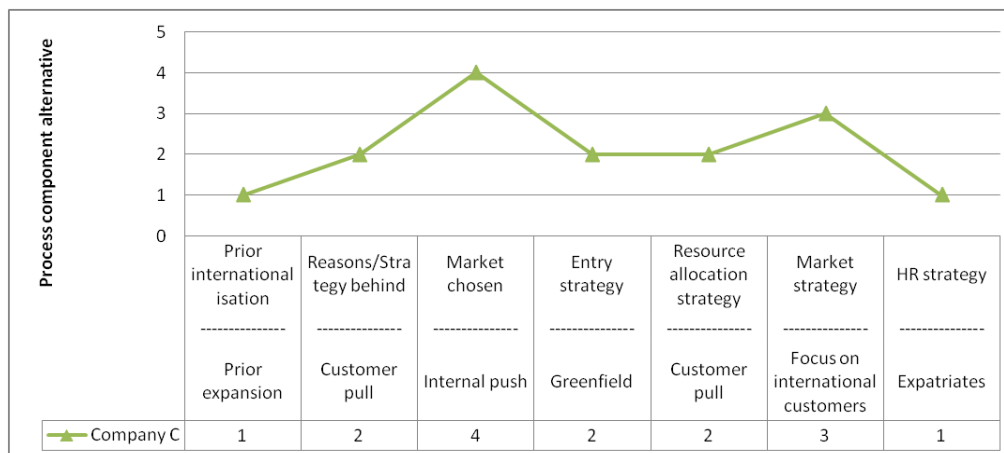


FIGURE 4-4 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY C

4.2.4 COMPANY D

Type of PSF	Consultancy firm
Number of employees (rounded)	30
Turnover (2012)	1-50 MSEK
Present in number of markets	1
Number of years present in Asia	0
Asian turnover (2012)	0
Percentage of turnover from Asian operations	0%
Number of employees in Asian market (rounded)	0

Company D is a consultancy firm combining both strategic and creative consulting. They have no prior experience of internationalisation and the chosen market would be the first market outside of the home-market for this company. The reasons for wanting to expand are that the competition is often international and in order to be able to compete in this setting, an international expansion might be needed even for company D.

From this, the company chose a potential expansion market from the reputation of attractiveness of that particular market. They investigated the market further and realised that an expansion would be more costly than what could be supported by the mother organisation and therefore, they chose not to set up operations there at the moment. Instead, they chose to focus on local (Asian) customers wanting to expand to the Nordic markets. Here, they felt that they had the expertise to create value for the customers while still not having to finance a costly greenfield operation. Thus, their only focus presently, is on direct exports to such companies.

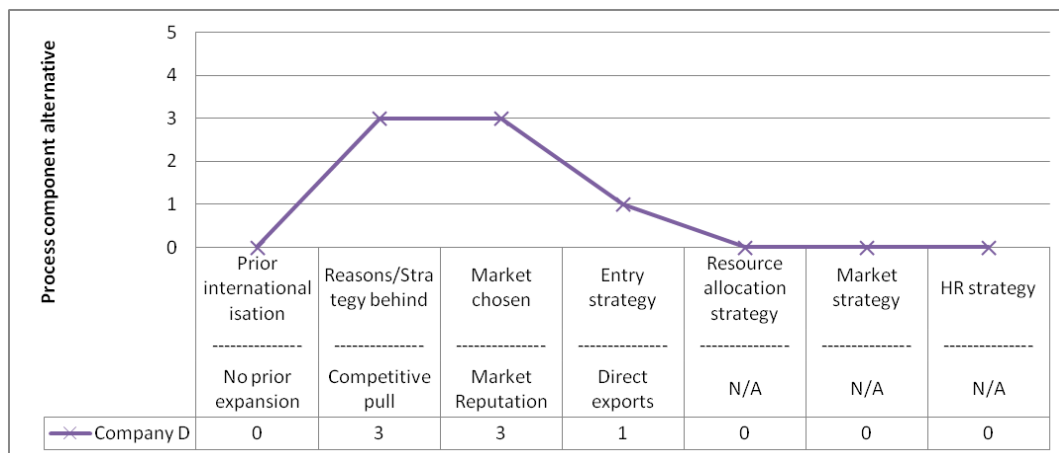


FIGURE 4-5 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY D

Understanding the Internationalisation Process of Swedish Professional Service Firms

4.2.5 COMPANY E

Type of PSF	Consultancy firm
Number of employees (rounded)	60
Turnover (2012)	100-150 MSEK
Present in number of markets	2
Number of years present in Asia	3
Asian turnover (2012)	1-5 MSEK
Percentage of turnover from Asian operations	3%
Number of employees in Asian market (rounded)	5

For company E, the first expansion was to the Asian market in which they are present. The company chose to internationalise because they see their offering as competing on a global market and because of that, the company needed to compete in this type of setting as well. The market was chosen from internal push, where an employee had an extensive knowledge about the market chosen and had also worked for another company in the same market. Therefore, the risk was perceived to be lower in that market with this particular person and therefore, he was allowed to set up operations in the market.

The operations were financed by customer projects so when one project was sold in, the revenues from that could be used to increase visibility for the company towards potential clients. Eventually, more staff could be hired and in turn sell in more projects. It was difficult selling in projects initially but since they had a customer pull that could keep the company afloat a longer period, they managed to turn the difficulty around. The staff that was hired were mostly local professionals and the networks of these persons were also used in the consecutive selling process.

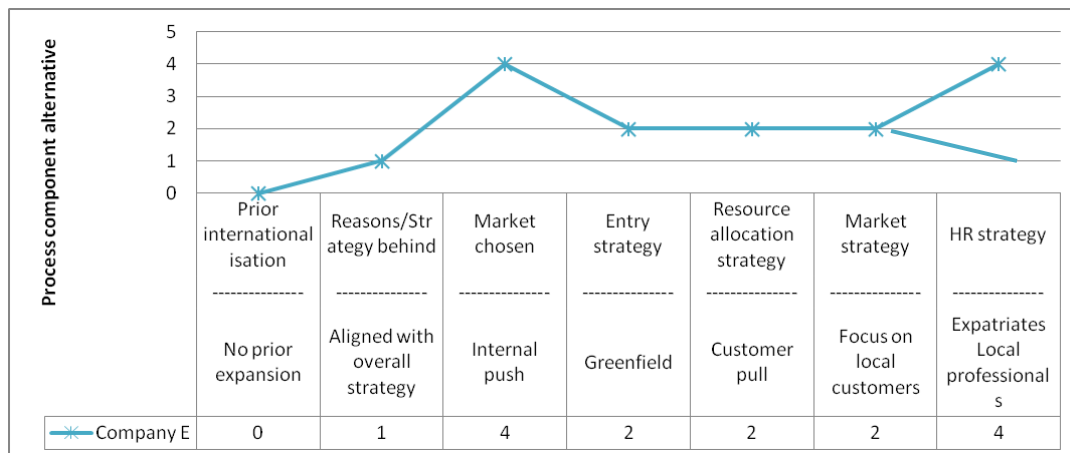


FIGURE 4-6 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY E

4.2.6 COMPANY F

Type of PSF	Consultancy firm
Number of employees (rounded)	70
Turnover (2012)	100-150 MSEK
Present in number of markets	2
Number of years present in Asia	10
Asian turnover (2012)	7-10 MSEK
Percentage of turnover from Asian operations	7%
Number of employees in Asian market (rounded)	10

Company F has a slightly different dynamics than many of the other case companies. The company had no prior experience of internationalisation but the strategy behind the internationalisation was driven by a collaborative push, as the company merged with another company present in the market in question. Therefore, the market was also given from an internal push from the merger. To further strengthen their presence, Company F acquired yet another company in the market. From the mergers and acquisitions, the company gained a rather strong foothold in the market and could also finance the operations with the present customer base built up by the companies it had merged with and acquired.

In the market strategy, Company F focuses on international clients and helping these clients grow internationally, with a specific focus on the markets in which Company F is present. Finally, the HR strategy is aligned with the M&A strategy, giving the company access to local competency because of the merger and acquisition.

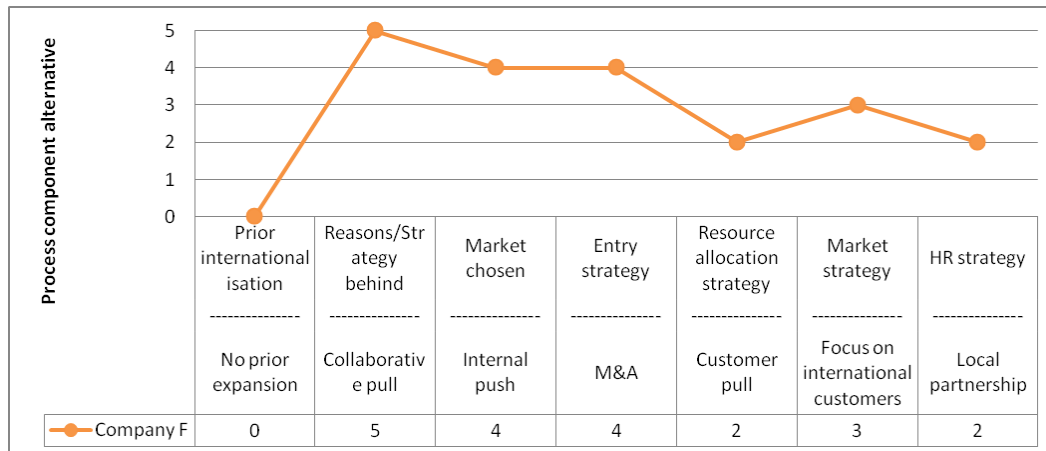


FIGURE 4-7 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY F

4.2.7 COMPANY G

Type of PSF	Consultancy firm
Number of employees (rounded)	3 + a large number of subcontractors
Turnover (2012)	1-5 MSEK
Present in number of markets	Presence through sub-contractors, no direct presence
Number of years present in Asia	1
Asian Turnover (2012)	Direct exports, no Asian turnover
Percentage of turnover from Asian operations	0%
Number of employees in Asian market (rounded)	Sub-contractors

Company G is a small consulting firm that primarily serves customers from the home-market. Its business model is to get niche market expertise from any market in the world the clients wish by using local market experts as sub-contractors. All the employees have previous experience from internationalisation and consulting work and one of the employees has once successfully set up a Swedish consulting firm in an Asian country. The company is providing market expertise for any country the client wish and is therefore not only the reason to why they need to be international but simply a prerequisite for its existence. The markets that the company provide expertise from to their customers are chosen primarily by the customers and sometimes it is collaboration between the customer and the firm. This happens when the client is not certain on what market to enter.

The company is rather young and has limited financial resources but a large business network. These two factors led to the choice of becoming international by using sub-contractors. Every expansion project is entirely financed by the customer and the company never gets involved in a new market without a demand from the customer. While the experts do much of the work, it is till company G that delivers the product and the sub-contractors are simply paid for their work. As a consequence they do not need to have a physical office in any other market than the home-market. Through the sub-contractors, the firm has also attracted a few international clients that have an interest in the Scandinavian markets and in these cases a physical office in Sweden is seen as a unique selling point. Since the sub-contractors are providing the market expertise, the selection process is rather rigid. In most cases one or few of the partners are travelling to the targeted market in order to set up meetings with potential clients. Often a large number of people are interviewed and evaluated in order for company G to get the most knowledgeable sub-contractors in the chosen market within the field of the client company.

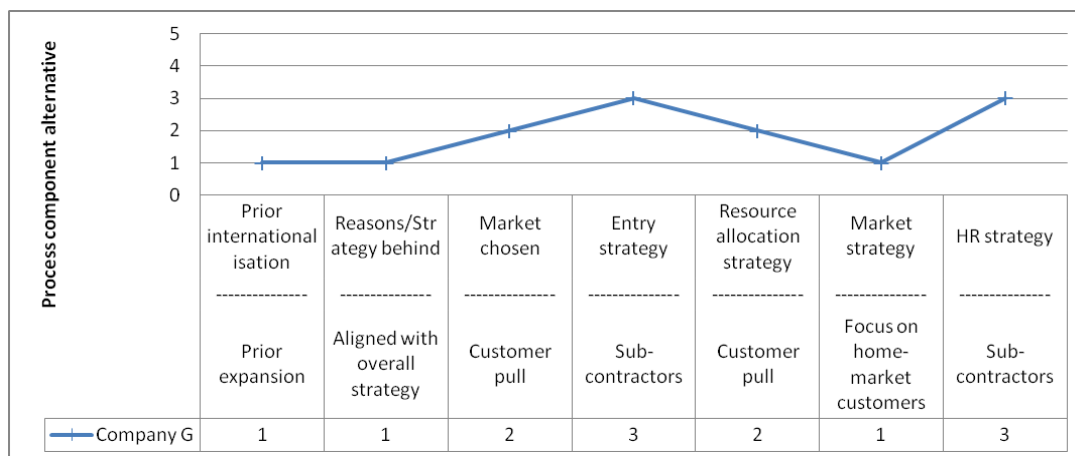


FIGURE 4-8 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY G

4.2.8 COMPANY H

Type of PSF	Consultancy firm
Number of employees (rounded)	20
Turnover (2007)	50-100 MSEK
Present in number of markets	1
Number of years present in Asia	2
Asian turnover (2007)	5-10MSEK
Percentage of turnover from Asian operations	1%
Number of employees in Asian market (rounded)	5

Company H has experience from internationalisation and has entered one Asian market. The office was closed down after the entrepreneur that set up the Asian office left the company. This experience taught them much about the challenges involved in setting up a foreign office in Asia but also how to deal with such challenges. Their expansion can be seen as successful in the way that they managed to set up a profitable foreign unit serving both local clients and clients from the home-market. The reason why they closed down was mostly because sales and control decreased once the entrepreneur left the office. The reason to why they expanded to Asia was purely because of personal interest in the market chosen from the person in charge. Initially, the company decided to make a greenfield investment. This was financially enabled by two major international clients and by an EU scholarship to an executive trainee programme in the particular market.

The market strategy was to pitch projects from two sides. Firstly, they focused on getting projects from local clients. They undertook a lot of networking, meet-and-greets and classic sales-pitches. One of the more successful ways was holding free lectures on previous success cases to new clients. This enabled the firm to get access to top management in client companies, creating both legitimacy and reciprocal relationships. The interviewee stated that she felt that the local clients tested the firm's endurance to see whether the firm would be able to deliver during a longer period of time. After this endurance had been tested almost a year, sales orders began to come in. Secondly, they could leverage on having an office in Asia while selling to existing clients. In the initial stage, the person responsible set up an office with only a few local administrative staff and one local consultant. In order to maintain operations after the entrepreneur left, the company entered a process with a local consulting firm with the intention to create a partnership or a merger. This attempt failed and soon after, the local manager left the company after a period of declining sales.

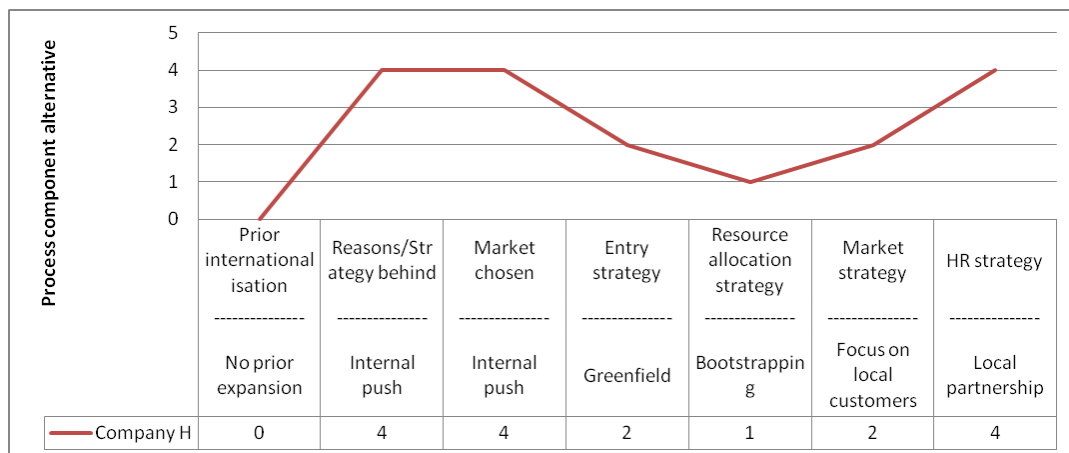


FIGURE 4-9 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY H

4.2.9 COMPANY I

Type of PSF	Consultancy firm
Number of employees (rounded)	150
Turnover (2012)	100-500 MSEK
Present in number of markets	58
Number of years present in Asia	25
Asian turnover (2012)	20-100 MSEK
Percentage of turnover from Asian operations	20%
Number of employees in Asian market (rounded)	40

Company I is a larger Swedish consulting firm with offices all over the world. The company was founded in the 1970's and instantly began to set up offices all-over the world to reach a global coverage. Their mission is to provide market expertise in any given market and advice companies in their internationalisation processes. One additional reason behind the expansions has been a governmental push from the home-market.

The markets chosen are primarily determined by customer pull but the mission to have a global reach is also considered. Offices that serve a large number of countries are usually strategically chosen based on a number of factors but it is important that the market is some sort of business hub in the region. Most markets have been entered by greenfield investments. These have been financed by the parent company, a notion which was referred to as having rich parents, and by income from customer projects.

As previously mentioned, the purpose of these offices is to serve companies from the home-market. This means much of the process of attracting clients such as sales-pitches and meet-and-greets takes place in Sweden. In fact, the company is not taking any action whatsoever to attract local customers as this is not part of the offering of the company. When it comes to recruitment, the company primarily focuses on hiring staff from the home-country that are then sent out to the different offices. In some cases local experts are hired as consultants, tapping into their expertise in the respective markets. Non-professionals are most often from respective local market but these are not given much strategic attention.

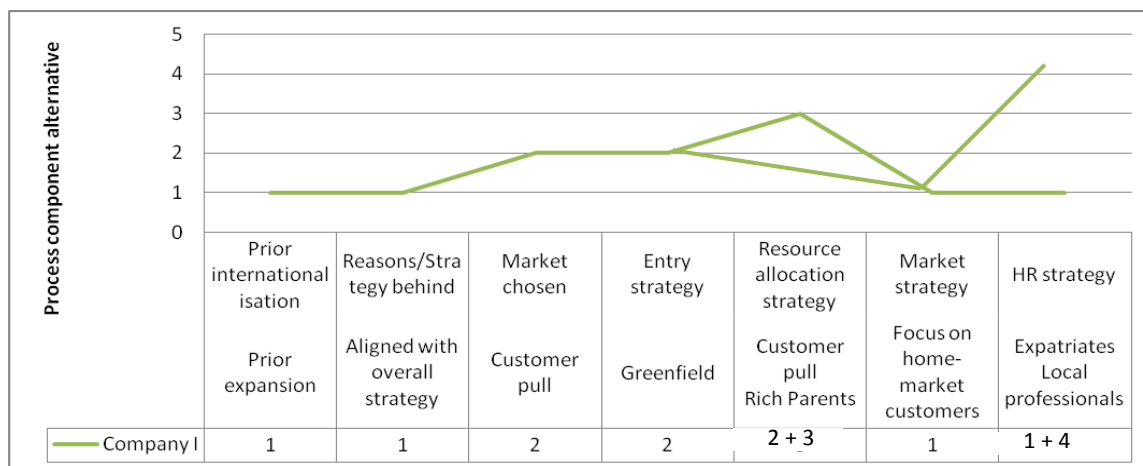


FIGURE 4-10 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY I

4.2.10 COMPANY J

Type of PSF	Financial consultancy firm
Number of employees (rounded)	250
Turnover (2012)	10 000 -12 000 MSEK
Present in number of markets	2
Number of years present in Asia	4
Asian turnover (2012)	20%
Percentage of turnover from Asian operations	1000-4000 MSEK
Number of employees in Asian market (rounded)	5

Company J is a large Swedish firm that provides financing solutions to companies expanding internationally. The company also has expertise in the international financial markets as well as market conditions in many countries.

The Asian office is the first international office and presently, there are no plans to expand further. The reason behind the choice of market was partly strategic and partly from personal interest from the intrapreneur behind the expansion. As we can see, there is no clear link between the internationalisation and the overall corporate strategy. The interviewee implied that the expansion occurred much as a result of his personal interest in that market. The new market was entered through a greenfield investment enabled by financing from the parent company. Customer pull, was also said to be partly financing the operations, but we cannot say whether it was directly financed by a client in the region or indirectly by profits from clients in the parent company.

The market strategy to attract customers was rather straight forward. The company took part of a lot of networking with customers from the home-market active in the region. Also, the company already has a wide client network in the region before expanding. For this particular company in this market, the sales process has mainly consisted of potential customers coming to the company and asking for their services. The HR strategy was to send the person in charge of the office to set up the physical office in the market together with a colleague from the home office. Presently, there are only two employees there and the company has no further expansion plans in the market.

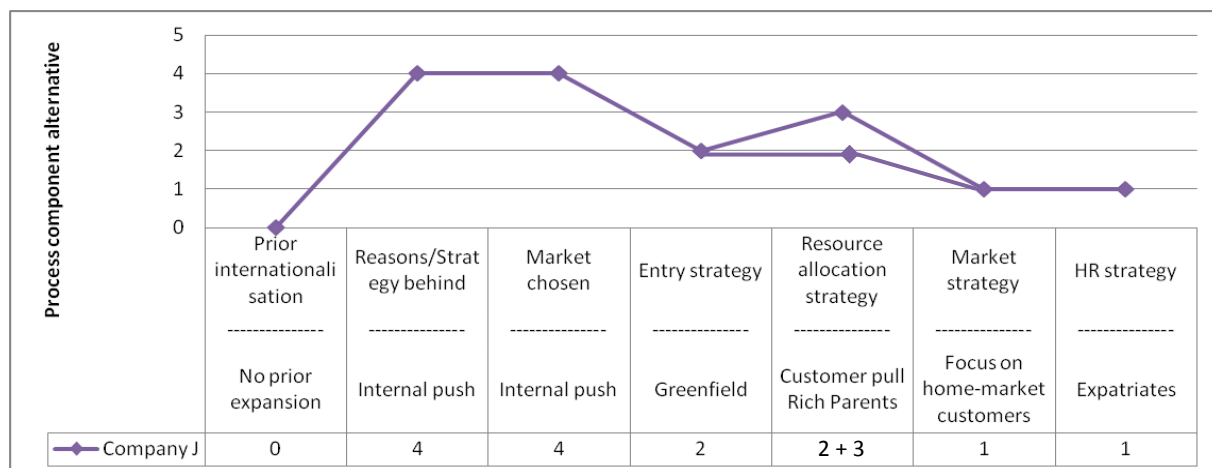


FIGURE 4-11 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY J

Understanding the Internationalisation Process of Swedish Professional Service Firms

4.2.11 COMPANY K

Type of PSF	Consultancy firm
Number of employees (rounded)	150
Turnover (2012)	175-200 MSEK
Present in number of markets	3
Number of years present in Asia	0
Asian turnover (2012)	0
Percentage of turnover from Asian operations	0%
Number of employees in Asian market	0

Company K is one of our control companies. It has previous experience from internationalisation and is currently present in three markets. They have a headquarters in Sweden, one more office in Europe and one in North America. These expansions have been greenfield investments financed by the parent company and customer projects. So far the company has not yet entered any Asian market. The company find it an interesting region but as of today, they state that no good opportunity has occurred in the region. They also bring up the importance of customer pull and access to business networks in the market entered as well as entrepreneurship within the organisation. Previous expansions have much been driven by individuals that were dedicated to a particular market which they think is a prerequisite to succeed in a new market.

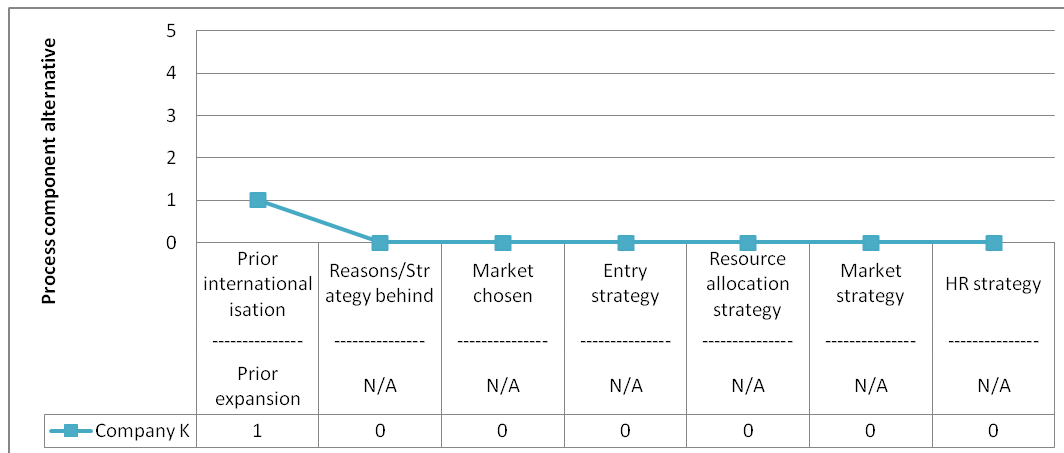


FIGURE 4-12 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY K

4.2.12 COMPANY L

Type of PSF	Consultancy firm
Number of employees (rounded)	20
Turnover (2012)	1-50 MSEK
Present in number of markets	1
Number of years present in Asia	0
Asian turnover (2012)	0
Percentage of turnover from Asian operations	0%
Number of employees in Asian market	0

Company L is our second control company. This company has not expanded to Asia, nor to any other market. They had investigated the potential benefits and costs of expanding internationally and concluded that their services were sold in a network-based setting and because they did not have the type of network necessary in any other markets, they estimated that the cost of setting up operations elsewhere would outweigh the benefits reaped from it. They saw an expansion as any other investment and deemed the return on investment to be so far in the future that it would not be desirable to move forward with an internationalisation process. Moreover, the Swedish market of this particular company was not as highly competitive as many other niches in the industry, which meant that the company enjoyed a rather comfortable position in their home-market.

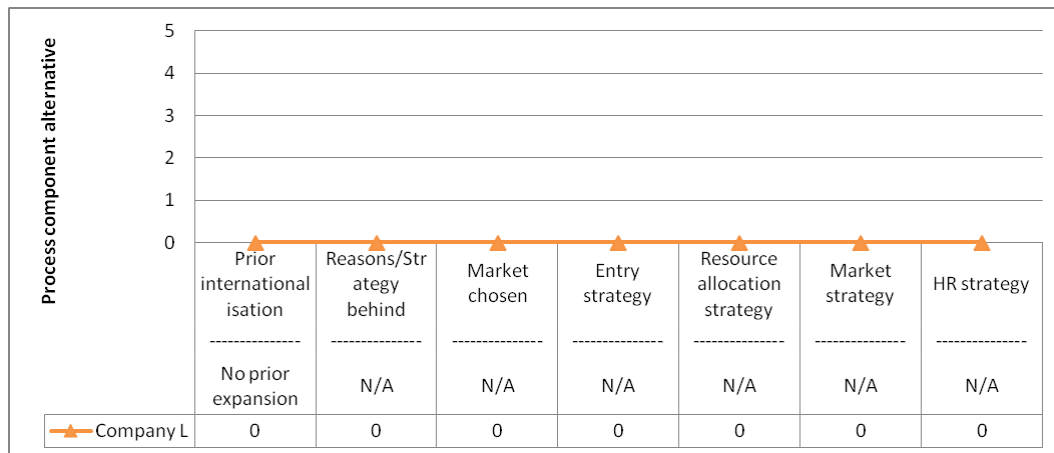


FIGURE 4-13 PROCESS COMPONENT TOPOGRAPHY FOR COMPANY L

4.3 CLIENT INTERVIEW FINDINGS

As stated in the methodology, after we conducted the interviews with the PSFs, we felt that we needed to understand the client companies and their needs and wants from a PSF. As our questions were quite specific and the results from the five companies that we contacted did not differ significantly, the findings will not be presented individually, but rather as a summary of all the interviews.

4.3.1 CHOICE CRITERIA

The main answer to what is sought after in a PSF that was given by all the client interviewees was a combination of capability and expertise. What was meant by that was that a firm must have some kind of expertise in their field, while also having the capability or resources to carry out the project. In the expertise part, examples were expertise in their particular field (law, branding, strategy etcetera) or expertise in local circumstances. Apart from this, one interviewee stated that “I’m looking for someone with whom I can feel comfortable with”. Another person said that the most important thing for him for hiring a consultant was to hire “people I can work with, trust, and who are working to achieve our goals, not their own”

4.3.2 LOCAL PRESENCE

All our interviewees thought that being present in a market was a pre-requisite for carrying out a project in that market. Nevertheless, one client interviewee stated that there was a hierarchy to professional services, where a local project needed to be handled by a company with a local presence but the more strategic the project becomes, the more international the PSF needs to be. In other words, for a small local project that only affects the local market, the PSF can be local, tapping into that expertise. For a larger project, mainly affecting the local market but potentially others as well, the PSF needs to have a local presence but some international background. Finally, for a global project, the PSF needs to be global as well.

Another interviewee stated that he found it important that the PSF expanded “slowly and in a controlled manner”. If a firm expanded too rapidly, there was a perceived risk of that firm closing down as rapidly as it had expanded. Therefore, this interviewee always chose to wait a while before buying a project from a newly established PSF in a particular market. One last point was that many professional services are changing because of the internet so a formerly local project could now become an international project because of the internet.

4.4 SUMMARY OF RESULTS

Combining all the topographies from the case companies as outlined in our results, the graph presented in FIGURE 4-14 was obtained. At first glance, the graph might seem overwhelming but it will be useful for the analysis of the different components in the process, which will be conducted below.

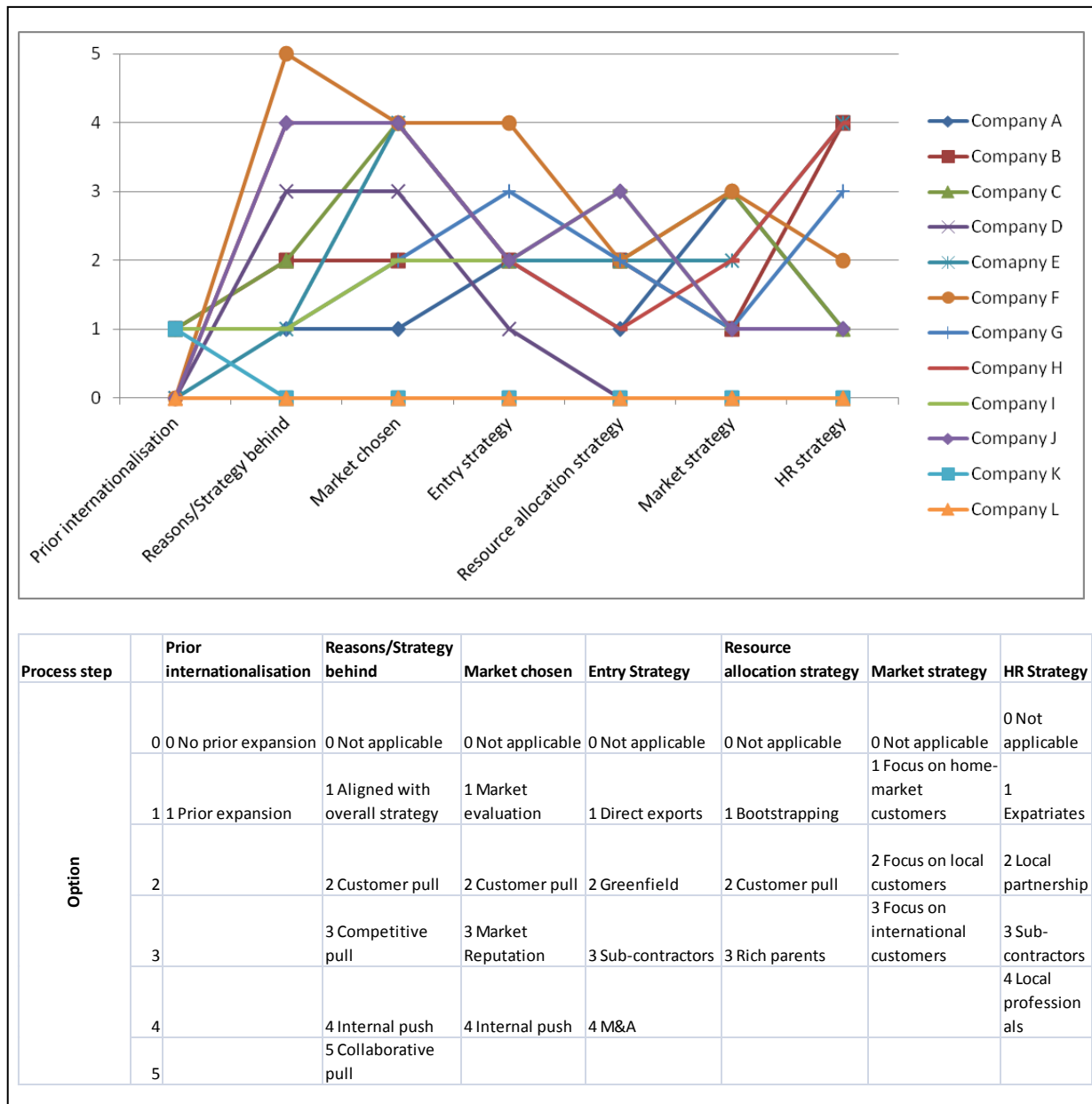


FIGURE 4-14 SUMMARY OF THE COMPANY TOPOGRAPHIES WITH KEY TO THE DIFFERENT OPTIONS AVAILABLE

We can see that there are a number of different ways in which a firm can expand. Different strategies have different outcomes and we will deal with each component in the process in the analysis. In the analysis, we will also

draw conclusions around the success of the different strategies and therefore, we have included a summary of the success indicators of the Asian expansion presented in the tables for each case company. This summary is presented in FIGURE 4-15 below.

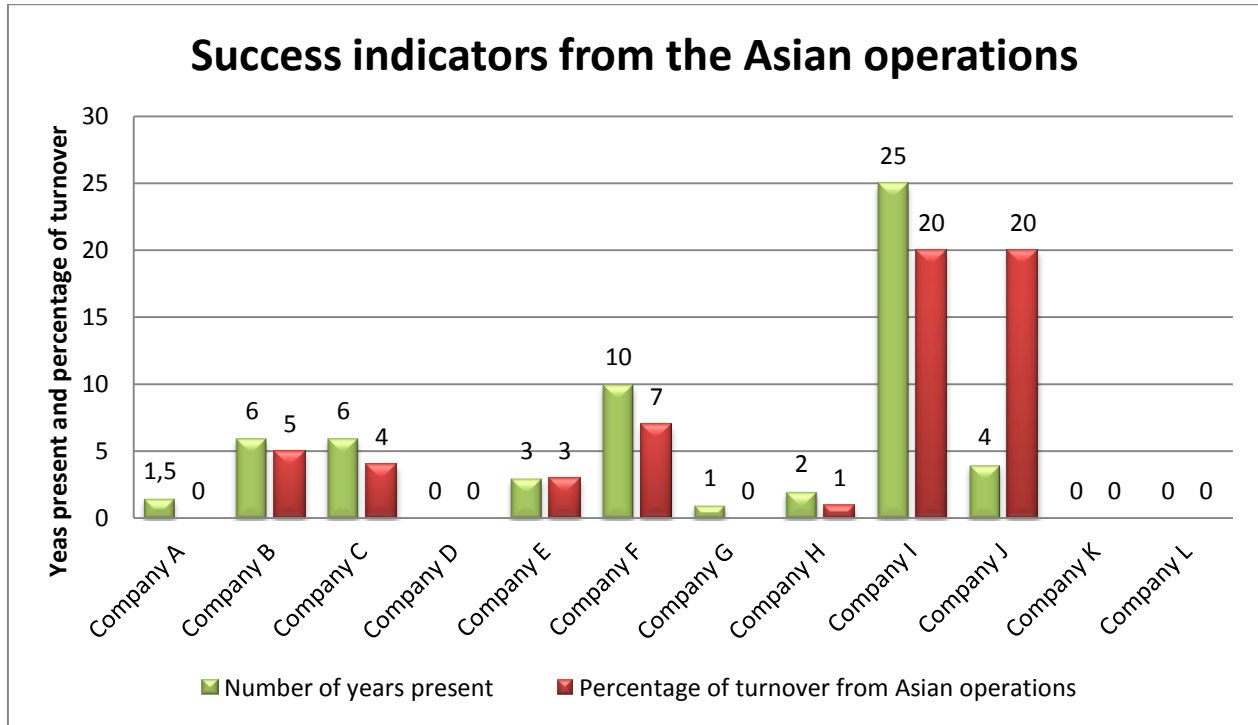


FIGURE 4-15 SELECTION OF SUCCESS INDICATORS OF THE ASIAN OPERATIONS IN EACH CASE COMPANY

5 ANALYSIS AND CONCLUSIONS

In the analysis part of this thesis, we analyse the findings from our interviews and secondary data, present them in a more summarising way, compare them with previous research and see what conclusions can be drawn.

5.1 APPLICATION OF THEORIES AND COMPARISON WITH EMPIRICS IN THE DIFFERENT COMPONENTS

In this part, we will compare the findings from our different case companies with the theories outlined in the literature review. This analysis will be done according to the different components in the internationalisation process that has been identified. For each component, we will summarise the findings from all the case companies, state the possible options in the component and which companies have chosen which options. The interdependencies between the different process components will also be outlined. Thus, even though the analysis is presented and structured according to the different components, we try to capture the dynamics of the process as well. In this analysis, links will be made to the theories and conclusions will be drawn.

Out of the 12 PSFs we included in our thesis, nine had expanded internationally. Out of the three that had not expanded internationally, one was in the process of expanding to Asia and two had considered it but deemed it too risky and not attractive enough to carry out an expansion.

5.1.1 PRIOR INTERNATIONALISATION

Out of the nine companies that had expanded internationally, only four companies had had prior internationalisation experience before expanding to Asia. In other words, five of the nine companies had chosen one of the Asian markets as their first market for expansion. For three out of the four companies that internationalised and had previous experience, the expansion was driven by customer pull or what The Model for Foreign Market Entry would refer to as a *reactive* internationalisation strategy. This goes against his argument that companies with previous experience tend to chose an *active* expansion strategy. This seem to follow the simple logic that a reactive expansion strategy – in other words following a client – is may be preferred by firms with previous experience since it means that more resources are available and our case companies have acknowledged that.

According to the Uppsala Model, the chances of success increases with previous experience of international expansion. Therefore, the first component in the internationalisation process consists of the prior experience of internationalisation. The options here form a dichotomy consisting of **prior experience of international expansion** or **no prior experience of international expansion**. Within the group of companies with prior internationalisation experience, one can be said to be truly global, with offices in all continents; one has offices in Europe, North America and Asia; one in Europe, North America, Asia and Africa and one had two terminated attempts at

internationalisation within Europe. Yet, what can be said about all the four companies is that they started their expansion in Europe. According to the Uppsala Model, companies generally start to expand to markets psychologically close to the home-market and this has indeed been the case for the companies with prior experience of international expansion in our study.

The experiential knowledge should, according to the Uppsala Model be a very valuable intangible resource and should be directly linked to the commitment of the firm and as a consequence determining the degree of the success of the firm in the new market. No such relation has been detected in our study. This may be explained the fact that each particular market entry is unique and the commitment of the firm is also influenced by other factors.

For the companies lacking in experience of international expansion however, all these five companies chose to expand to an Asian market as their first choice. Nevertheless, all but one of these companies either had an internal push or a collaborative pull as their reasons for expanding. In the cases where the company had internal push, the intrapreneurs pushing for the expansion had a notion of wanting to go to that market but no prior knowledge about the market. One would assume that such knowledge would lower the psychic distance to a market but this dynamic is not in effect in our case companies without prior experience of international expansion.

The following figure can be used to illustrate the different choices of international expansion for our case companies:

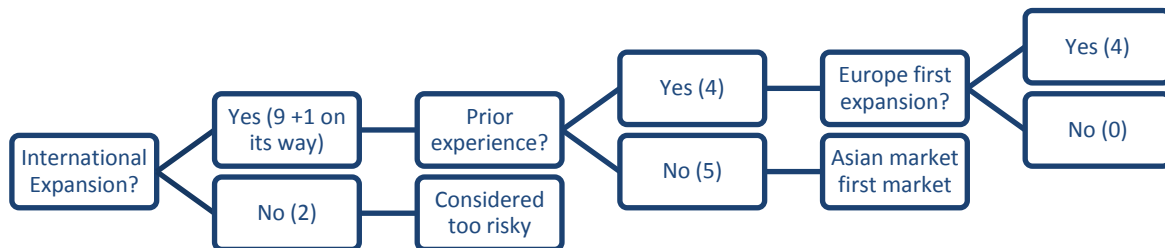


FIGURE 5-1 VISUALISATION OF EXPANSIONS FOR THE PSFS INTERVIEWED

5.1.1.1 CONCLUSIONS FROM PRIOR INTERNATIONALISATION

One conclusion that can be drawn from the prior internationalisation process component is that our case companies contradict the Model of Foreign Market Entry. Just because a firm has prior experience of internationalisation, it does not mean that they cannot use a reactive approach in consecutive expansions.

Moreover, when it comes to psychic distance, this dynamic seems to play a lesser role in professional services as we have seen that many companies choose to expand to an Asian market as their first expansion. It should be noted that our selection of companies begins with companies having expanded, or at least considered expanding, to Asia and that we move backwards from there. In other words, the fact that the companies in our thesis without prior internationalisation have chosen an Asian market as their first market is self-evident. This might cause a

skewedness in the results. Nevertheless, we would still have predicted a higher number of companies in our study to have prior experience of internationalisation before expanding to Asia.

5.1.2 REASONS/STRATEGY BEHIND INTERNATIONALISATION

The four main reasons behind expanding internationally for the firms we have interviewed seem to be: 1. To expand because of customer **demand pull**; 2. To expand because it goes **in line with overall company strategy**; 3. To expand because of **internal push** or 4. To expand because of a **collaborative pull**. What can be said generally is that the companies with a longer experience of international expansion have generally expanded because of a pull from customers (reactive strategy) while the companies that have chosen an Asian market as the first market of expansion have generally done so because of the drive of an intrapreneur, because of a collaborative opportunity or because it goes along with overall company strategy (combination of active and reactive strategy).

What is meant by customer demand pull is that existing customers have demanded the same types of services in other markets and have been satisfied with the services delivered in Sweden and thus want the same firm to deliver the services elsewhere. When a number of customers have expressed the same demand, the firm has then seen the opportunity to expand internationally and not only export the services. This is exactly what The Model for Foreign Market Entry defines as reactive strategy but while The Model for Foreign Market Entry states that this is generally the case for firms without prior experience of internationalisation, we conclude the opposite.

When it comes to the alignment of expansion strategy with overall company strategy, some companies have explicit strategies of becoming global leaders in their fields or strategies of being able to supply customers with expertise and services no matter what international market they might be in. With such a strategy, an international expansion will sooner or later be needed. Therefore, when a firm with such a strategy expands, it is only a natural component. One of the firms pursuing this strategy has not yet been very successful in their expansion, perhaps because the expansion was initiated before the firm had enough resources to make a serious long-term commitment to the expansion. In other words, they saw themselves as forced to expand because of their strategy and did so prematurely. The other firm however did have the resources and since their service offering is dependent on their international presence, this firm has done rather well in its expansion.

Another reason behind, according to The Theory of the Growth of the Firm, is the drive from an intrapreneur. When a company expands because of the drive of an intrapreneur, this has mainly taken the form of a person having some kind of expertise in a particular market or willingness to move to this market. From that, the person advises the company to expand. Most often, this entrepreneur has also been the person responsible for the actual expansion and the driver behind the whole process. The drawback of this is that if/when this intrapreneur chooses to move back home, the whole expansion will be in jeopardy.

The Model for Foreign Market Entry also mentions competitors as a driver for foreign expansion. This has only been detected in one case and this company have so far not managed. This indicate (but cannot be concluded) that the commitment to the expansion may be lower if the reason is to keep up with competitors. The Network Theory also mentions that distributors, suppliers, and governments may be drivers behind the expansion. In one case we have seen that the expansion may be driven by suppliers and give access to a customer network from were projects can be acquired. The Swedish government has also in some cases been involved in the encouragement of foreign expansion providing financial support. No foreign expansion has been driven by distributors, which is logical because it is not in the nature of PSFs to use distributors.

Finally, expanding because of a collaborative pull (in our case company, in the form of a merger) seems to be a good approach for the resource allocation strategy, market strategy and HR strategy, as will be seen further on.

5.1.2.1 CONCLUSIONS FROM REASONS/STRATEGY BEHIND INTERNATIONALISATION

We have concluded that firms with prior internationalisation experience often use a reactive approach and act on customer pull, contrary to the claims of The Model for Foreign Market Entry. We can also conclude that conducting an internationalisation process because of an overall company strategy can be beneficial but might also lead to the company expanding prematurely. An entrepreneur or a partner company can be a great asset but if too much is invested in one particular person, this person will also determine the success or failure of the expansion. Also suppliers and the Swedish government can be drives and enablers behind a foreign market expansion.

5.1.3 MARKET CHOSEN

When it comes to the market chosen for expansion, the reasons for choosing a market are somewhat similar to the strategy behind the overall expansion. Reasons include the **internal pull** from an intrapreneur, often because of a local expertise in the specific market and customer demand pull from a particular market. Yet, in some cases, a quite thorough **market evaluation** has been conducted and the market has been chosen because of the perceived attractiveness of the market. The other reasons have been a simple **market reputation**, without much research behind or a **customer pull**.

In the cases where the strategy behind market choice has been driven by an intrapreneur, this person has generally been very passionate about the particular market or country in which the market is situated. Often, the entrepreneur has already known the language and some local customs when expanding the company. Moreover, these persons have, in many cases, claimed to have an established network in the particular market. From what we can see in our results, when there has been an internal push from an intrapreneur to expand the company, there has also been a preference around which market to enter. Having a person passionate about a particular market will naturally lower the perceived distance to that market, as outlined in the Uppsala Model. Therefore, this result is aligned with the model.

The choice of market because of customer demand pull (*reactive strategy*) is fairly straight-forward. If a client wants help in a particular market, naturally the PSF will be prone to expand to that market. Nevertheless, there have been cases where a customer has demanded services in a particular market but the company has chosen to expand to a market geographically close to the customer market but not to the actual customer market. In this case, the market has more been seen as a region rather than one geographical location.

The final way of choosing a particular market has been to evaluate different alternatives, perhaps even to conduct market analyses and then expanding to the market that has been perceived as the most attractive one for the firm (*active strategy*). For one of the interviewed companies, this evaluation has even been thorough and conducted with external help. The other company who evaluated alternatives simply chose market because of market reputation. The firm that chose market according to reputation later deemed it too expensive and instead focused on delivering projects to Asian companies wanting to expand to Europe. The company that had conducted a thorough market analysis still struggled with the expansion so it can be concluded that even though different markets have been analysed and evaluated, this is not a recipe for a successful international expansion.

As with the previous component, the market has often been chosen from a combination of the strategies mentioned above, so for example a company with a strong customer pull might have expanded to a geographically and culturally close market (low *psychic distance*) because of an evaluation of that market being more suitable for expansion for the PSF. Thus, the options are not mutually exclusive.

According the Uppsala Model, companies have a tendency of doing their first expansion in markets that are perceived to have a low *psychic distance*. This does not hold true based on our empirical data where several companies choose an Asian market as their first market for foreign entry. None of the companies with previous experience have exclusively chosen markets with low perceived psychic distance. This may be related to the drivers behind the expansion is determining the market. However, these results may be somewhat biased since we limited our study to firms expanding to Asia.

5.1.3.1 CONCLUSIONS FROM MARKET CHOSEN

Generally, it seems like the companies that have a customer pull or an internal push towards a particular market will be more successful in their expansion than companies that evaluate different alternatives. This is quite natural for a customer pull as this means that there is a demand in the market already. When it comes to internal push, it seems like the passion and drive of an intrapreneur can drive the success of an international expansion. So even though analysis can be beneficial, the success factor rather lies within the customers or employees. Finally, we can also conclude that the drivers behind the expansion are determining the choice of market.

5.1.4 ENTRY STRATEGY

The two most common ways of entering new markets among the researched companies were to set up an office when an opportunity was given when an existing client showed an interest in a particular market. 4 out of 7 companies that entered a new market through a foreign direct investment, in the form of a Greenfield investment, first began their expansion through direct exports. The direct exports came from, in all cases, existing customers that either had, or wanted to open operations in one or several Asian markets. This option was disregarded by The Model for Foreign Market Entry. On the other hand the option of entering a new market through franchising was not detected in our empirical data. This may not come as surprise, since it is not a standardised service that can be easily replicated.

Since most of the firms did not seem to have the financial strength to finance the set-up of a foreign office single-handed, they were dependant on either customer pull or external financing. Three of the companies had, what have been referred to by the researched companies as **rich parents**¹. Two of them had finances coming partly from contributions from the Swedish state while the third company received EU support and was very cost-conscious, which meant that it could finance the expansion with the EU support and from existing customers buying projects in the region.

Furthermore, it seems to be a correlation between the size of the network of clients and the likelihood of a successful foreign market entry. The fact that a large client network will result in increased chances of getting projects in the new market from existing clients. This can then generate resources that can be allocated to the internationalisation.

According to The Model for Foreign Market Entry, companies can enter a market either alone or in a cooperative manner. Most of our case companies entered the market alone. However, one of the companies entered one of the Asian markets through a merger with a local company which was an option that none of the other companies seem to have considered. This gave access to local personnel and customers instantly. A combination of entering a market alone and in cooperation can be seen in one of the companies, which was building up an extensive network of local market experts and using them as sub consultants to be able to provide market expertise in various locations for their customers. This meant no fixed costs for the company but a slightly lower profit margin on international project sold.

4 of the 12 companies have still not entered an Asian market yet (see FIGURE 5-1). Two of them are considering it but have not taken any serious action yet. Another one is on its way but has not yet succeeded yet and the final one has cancelled its plans to enter any new market. Among the companies that entered an Asian market we

¹ The notion of having **rich parents** refers to the situation when a company is setting up a foreign subsidiary solely financed by its parent company which is not expecting instant profitability.

observed that the expansion processes were taking place in incremental components in accordance with what the Uppsala Model says.

5.1.4.1 CONCLUSIONS FROM ENTRY STRATEGY

We can conclude that there are companies entering new markets either alone or in cooperation. Furthermore, we have seen one company that has entered through a combination of the two so we can conclude that there are hybrids between entering alone and in cooperation. We can also conclude that the traditional market entry strategy of franchising does not seem to be applicable for Swedish PSFs. Nevertheless, a direct exports, that The Model for Foreign Market Entry disregards, are observed in our data and does therefore exist as a foreign market entry strategy.

Finally, we can conclude that there is a correlation between the size of the customer network and likelihood of market success.

5.1.5 RESOURCE ALLOCATION STRATEGY

9 out of 10 companies that did take some serious action to enter a new market in Asia started by allocating resources to the projects by sending personnel from within the organization to make market evaluations. One of these companies then hired international expansion consultant which helped the company set up meetings with local potential customers as well as providing market expertise. This effort did not give much result and therefore the company refocused their efforts to their two employees and gave them the task to expand operations as well as a hiring another local consultant with Swedish origin.

One of the companies decided to not expand after having assigned three personnel to visit the intended market and evaluate their possibilities.

The company that decided to expand through a merger first allocated a few members to the staff as well as invested in the merger with the local company. This was effective since they received instant access to the market and an already existing customer network as well as local personnel with market knowledge.

The general picture that develops around the resource allocation strategies is that the firms have understood that the network, as a resource, is important and can be used for both financing and support, just as claimed by The Model for Foreign Market Entry. The firm that hired a consultant did so to gain access to the consultant's network in the local market. When this proved unsuccessful, they instead tried to leverage on the Swedish expatriate network by hiring the local consultant with Swedish origin. The company that chose to discontinue the international expansion after the market research also did so because of the perceived lack of network in the market chosen for expansion. Finally, the company that merged with a local company gained access to a local network through the merger. Therefore, we can conclude that The Model for Foreign Market Entry's statement is supported by all case companies that have started an expansion process.

The allocation options that we have identified are **bootstrapping, customer pull and rich parents**. Naturally, these components are most significant for the financial allocation but can also be used as an allegory for the whole resource allocation strategy. Companies A and H both used a bootstrapping strategy, whereby they have tried to make as much use as possible with limited resources. Examples of this from company A include sending personnel on sales-trips, and setting up a post-box office, whereby customers are led to believe that the company has an office, where in fact the personnel still works in the Swedish office. This can be seen as a low market commitment according to the Uppsala Model with a low amount of resources committed. Nevertheless, bootstrapping does not have to entail a low market commitment. Company H financed the operations by a EU grant and client projects in the market. This instead enabled a high market commitment albeit with limited resources.

Nevertheless, in both companies using a bootstrapping strategy, this very strategy has caused problems in the internationalisation. For company A, it has been difficult handling clients both in Sweden and in the Asian market and it has become evident to clients that the firm is not fully committed. For company H, the internationalisation was discontinued when the entrepreneur of the internationalisation moved back to Sweden as there was no one willing to take over.

When it comes to customer pull, this strategy was used by five of the expanding companies. The dynamics behind this is that a customer wants the firm to conduct a project in the local market and thus finances the expansion by the client fees. This will then allow for a greater market commitment as staff can be allocated to the market and begin to sell new projects while the current project is running. This seems to be a more solid strategy and the companies that have used this strategy all still have operations running in the expansion markets.

The third alternative, rich parents, was the strategy used by case company I and company J. This strategy is naturally limited to companies which have the financial strength to set up operations that are solely funded by the mother company. If this is a possibility however, the strategy is the most solid one as it is not as dependent on an intrapreneur, nor of a client. Thus, the market commitment is much higher and the firm can afford to develop a thorough market knowledge and then use this knowledge in the sales processes. This has also led to the companies using this strategy to become quite successful in the market strategy.

Worth noting is that there are naturally hybrids between the different strategies and that a company might have elements of all three strategies. Nevertheless, the main dynamics are the same.

5.1.5.1 CONCLUSIONS FROM RESOURCE ALLOCATION STRATEGY

The main conclusion that can be drawn from this component is that the more resources allocated to the expansion, the more successful the expansion will be. This is not to say that if a company only invests a lot of money and resources into an expansion, it will be successful. Naturally, resources also need to be invested in the right way, balancing the three objectives of a PSF: the people marketplace, the client marketplace and economic ambitions.

Nevertheless, if it becomes apparent to the customers that the firm is not entirely committed to the expansion, sales will never pick up in the expansion market. Thus, enough resources need to be allocated to create legitimacy in the client marketplace.

5.1.6 MARKET STRATEGY

The market strategy naturally involves many different parts and considerations, however the main goal with the strategy is naturally to reach target clients and sell the services that the company offers. As can be seen from our results, there are different ways of doing this. Generally, the firms try to meet with potential clients in different ways and make them interested in the services. The way this was carried out was either by traditional sales pitches, which was the most common way, but also giving free lectures and presenting cases for both potential customers and top universities. The lectures for potential customers were simply a way of creating good-will, getting access to management and creating an interest for their respective services. The reason for giving a free lecture at a top university was to create interest in the company and to attract potential employees while it was also said to be done in order to be able to show potential customers that they have a cooperation with the local top university. This was said to be an important factor for creating legitimacy.

It was also very common that the companies attended so-called meet-and-greets² where the PSFs met up with senior management from different companies in order to establish relationships that could potentially lead to new projects. Generally, regular networking was also very common. Many of the companies attended different company fairs where they could mingle with potential customers. The fairs were often selected depending on what expertise the companies were having and therefore had cases that they could show if they managed to arrange a pitch meeting.

Notwithstanding the intricacies of the individual market strategies of the PSFs, we have still identified three generic strategies. These are *focusing on home-market customers*, *local customers* or *international customers*. Naturally, even though firms focus on one specific type of client, they can still try to attract other types of clients as well. Hence, we are describing the main focus.

Four of our case companies focus on home-market customers. This means that they decided to focus on getting projects from the Asian operations of their existing customers or pitching on other Swedish customers that have operations in the region of the expansion market. Connecting this to the theories of Managing the Professional Service Firm, this is a clear case of nurturing the existing client network as well as broadcasting that the firm has expanded to a new market to both new and existing clients. Since the Swedish expatriate network was considered to be covering the region but still tight-knit, customers would probably be easier to keep track of, and if the firm

² Meet- and-greets was referred to as informal meetings with the purpose to establish potential business relationships.

superpleases one client, this reputation will most likely spread among potential home-market customers with Asian operations.

When it comes to companies focusing on international clients, there were three case-companies that had this strategy. The difficulty here was broadcasting and courting, as international clients are more used to international PSFs and may also deliberately wait before buying projects in order to test the PSF and its endurance. Yet, if the case company had had experience with international clients before, this made it easier to sell to such clients, especially if the PSF had previously already delivered projects to the clients.

The final two companies focus on local customers and also hired local professionals. One if these firms had to discontinue their operations but this was not mainly due to the customer focus but rather due to the resulting lack of control and synchronicity from having employed a local manager after the expatriate intrapreneur moved back home. The other firm is currently doing fairly well but stated that it was difficult in the beginning. It seems as if the international clients test the endurance of PSFs, then local customers do so to an even larger extent.

5.1.6.1 CONCLUSIONS FROM MARKET STRATEGY

It can be concluded that the different foci are almost a process in themselves. It is easiest to focus on home-market customers but when a good reputation has spread in the expatriate community, the PSF can start focusing on international clients. Finally, when there are enough projects running for the firm to afford further marketing activities, focus can again shift to the local clients, which are more difficult to reach.

5.1.7 HR STRATEGY

Most companies that that managed to set up operations in Asia used a similar type of HR-management. They started by sending employees from the home-market, often driven by the people themselves. These people were often the ones that had taken initiative to the expansion in the first place. In the second stage, it was common to try to hire local employees since the local knowledge was crucial not only to be able to understand the market but also to create legitimacy. This was often one of the more challenging stages since most of the companies researched were not recognised in the new market.

The best situation was company F that had merged with a local company. They received instant access to local employees and did not have to put as much effort into building a brand as an attractive employer as the others.

Another successful example was the company hiring local sub-contractors to perform the main tasks. This meant that the company did not have to hire people permanently in the expansion markets but could still make use of the local knowledge from the sub-contractors.

Two of the companies did not have any intention to hire locals and instead only hired young employees from the home-market. These two companies did not intend to work with local customers but instead catered for customers from the home-market.

The generic HR-strategies that we have identified are thus focusing on **expatriates**, establishing a **local partnership**, leveraging on local **sub-contractors** or focusing on **local professionals**.

There were four firms focusing on expatriates. All these firms also had an international or home-market focus in their market strategy. Thus, there seems to be a link between the two. This might also be fairly evident as it might be more difficult to sell a project to local clients using only expatriates. Having local employees may also lead to a potentially expanded client network. When looking at the success of these firms, they seem to have done fairly well with this strategy, except for company A, that struggled to balance working in the home-market and working in the expansion market. Yet, this is more of a problem of resource allocation rather than an HR problem.

The dynamics of being successful with an expatriate HR strategy is aligned with Maister's theories, as the firm has then already built up a reputation in the people marketplace in the home-market. Moreover, being able to offer expatriate positions might even serve to increase the attractiveness of the firm in the people marketplace. Thus, the firm does not have to focus their attention to the people marketplace in the expansion market but can rather focus on the client marketplace there. This increases the focus on clients and seems to contribute to the success of the company. Nevertheless, this strategy needs to be accompanied with a market strategy focusing on home-market or international clients.

When it comes to local partnerships, we have only seen one firm using this strategy. We call the merger company the local partnership company. From the merger, there seems to have been a mutual gain from both the expanding company and the partnership company, as the expanding company has been able to make use of an existing local expertise as well as an established reputation in the local people marketplace. For the partnership company, the gain has been to be able to offer employees the possibility of going to Europe and naturally making use of expertise from the Swedish company. Because of this strategy, the company has been able to attract local customers without having a long and extensive strategy around how to do so. Moreover, they have been able to create international legitimacy with their local expertise. Thus, they have not had to focus too much on the people marketplace; instead they could focus on the client marketplace.

Another one-company example is company G, that has had a deliberate strategy not to expand the company's core operations but rather to employ local sub-contractors and then package the service before delivering it to the client. This strategy had also been quite successful as the firm has only had to focus on the people marketplace in the home-market. However, there is always the issue of getting the right and most knowledgeable sub-contractors but if one sub-contractor has failed to deliver, the company has the advantage of being able to discontinue the collaboration.

Finally, three of the companies focused on finding local professionals. In all these companies, the partners were expatriates but the employees were mainly local. The reason behind this strategy was naturally the need for local expertise. The companies experienced some initial difficulties in attracting good staff but this was never stated to be a substantial issue as many local professionals saw western firms as possibilities to create successful careers for themselves. Thus, the firms could draw on the brand or notion of being European in the people marketplace and did not have to create as much of a brand for the individual company (something that they had to do in the home-market).

For company H, when the expatriate expansion intrapreneur decided to return home, the company employed a local CEO. They believed in the person they had hired but when the expatriate was no longer there, the connection to the home-market disappeared, as well as the control. As a result, the operations gradually declined and finally, the internationalisation was discontinued.

In one case the firm hired locals from client companies. From their experience this was a successful method but it seems fair to assume that this has to be handled with care in order to not create a conflict with the client.

5.1.7.1 CONCLUSIONS FROM HR STRATEGY

What has developed in the analysis of the case companies in relation to the HR strategy is that if the expanding PSF focuses on home-market customers or international customers, it is possible to focus on employing expatriates, possibly mixed with some local professionals. Yet, if the company wants to focus on local customers, it becomes more important to employ local professionals. Hiring locals may also lead to an extension of the client network.

Moreover, handling the people marketplace might not cause as much problems as could be expected, given the lack of brand in the expansion market. The reason for this is that the company can piggy-back on the western or European brand, which will automatically attract some professionals.

6 DISCUSSION

In this section, we link our overall conclusions from our thesis to our research question. Moreover, we deal with how our findings connect to the purpose of our thesis, what the weaknesses are and what further research is needed in the field of internationalisation of professional services. We deal with each of these parts separately.

6.1 OVERALL CONCLUSIONS

From our study we have been able to draw a number of conclusions which increase the understanding of the research field. In this section, we try to answer our research questions of why Swedish PSFs internationalise, how they carry out the internationalisation and what the enablers, challenges and opportunities are. This is done using the conclusions we have reached in our thesis.

6.1.1 WHY DO SWEDISH PROFESSIONAL SERVICE FIRMS INTERNATIONALISE AND WHAT MOTIVATES THEM TO DO SO?

Following the underlying reasons for entering a foreign market, we can conclude that a reactive strategy, often a response to customer pull, seems to be the more common alternative for firms with prior internationalisation. This contradicts Sharma who claims that firms with no prior experience tend to go for a reactive strategy. Furthermore, we have noted that internationalising, as a result of an overall company strategy, may be beneficial but may also lead to a premature expansion instead of letting the firm grow organically. One of the more important drivers behind internationalisation is individuals within the firm, referred to as intrapreneurs. These can be a great asset but may also make the firm vulnerable since the expansion is so closely linked to that particular person.

6.1.2 HOW DO SWEDISH PROFESSIONAL SERVICE FIRMS INTERNATIONALISE

Our first contribution is the identification of the process involved in internationalisation of Swedish PSFs and how this process may be of importance. The identified components are: **prior internationalisation, reason/strategy behind, market chosen, entry strategy, market strategy, resource allocation strategy and HR strategy**. These components were created based on a combination of our empirical observations and the present theories in the field.

Our process is more extensive than the Model of Foreign Market Entry. It complements the model, which does not address the HR strategy and deepens the understanding of the already existing components in the model. However, our process model is less extensive than the three process components identified by Brock and Alon, which range all the way from market entry to market saturation. None of the sample companies have reached market saturation in any of the identified markets and therefore we could not have such an extensive process mapping. The benefit our process model is that is more detailed than Brock and Alon's process components and less general.

In the prior internationalisation stage we have concluded that the empirics from our case companies conflicts with the Model of Foreign Market Entry and that prior internationalisation experience does not automatically mean that firm will have a reactive approach in consecutive expansions.

Furthermore, psychic distance seems to be of less significance for PSFs since many of the case companies choose to expand to an Asian market as their first expansion. These empirics contradict present theories, which state that markets physically and geographically closer to home would be the first choice for foreign entry. Nevertheless, our data may be biased since the companies researched were limited to ones that have expanded, were expanding, or at least had considered expanding to Asia. Therefore, the fact that the case companies with no prior experience from foreign market entry chose an Asian market as their first market is self-evident. Still, our predictions based on studying internationalisation literature indicated that more companies should have had previous internationalisation experience before entering an Asian market.

According to our empirical research, we can conclude that firms enter new markets alone or in cooperation. Furthermore, we have seen one entering; through what can be described as a combination of the two. First of all, they enter the market alone but hire sub-consultants for the production of the actual service. Additionally, the traditional market entry strategy of franchising does not apply to any of the firms researched. Direct exports, which was disregarded by Sharma were quite frequently occurring in our empirical data and does exist as a common first component for foreign expansion.

Furthermore, we can agree with Brock and Alon's claim that firms that follow their clients to new markets have a greater chance of success. These firms enjoy several benefits, such as financial resources and legitimacy created as a consequence of being associated with the client's market entry. Brock and Alon's claim that firms entering new markets alone would build better capabilities cannot be confirmed by our empirical data.

The most common HR strategy for entering new markets, based on the examples from our case companies, is the usage of expatriates. In the commonly occurring case of an intrapreneur being the driver behind the expansion, it seems important that this person is the one establishing the firm in new market. Once a physical office is established it is quite common that the firm will hire some local professionals. Yet, if the company wants to focus on local customers, it becomes more important to employ local professionals. One company chose an alternative method by hiring local market experts as sub-consultants. This was an effective bootstrapping strategy, which made the market entry smooth.

6.1.2.1 ENABLERS, CHALLENGES AND OPPORTUNITIES

In most cases, firms expanding as results of customer pull and/or internal push aimed at a particular market seem to have a stronger likelihood to succeed than firms entering a market based on a strategic market attractiveness evaluation. The fact that customer pull seem to be a success factor is not very surprising since this means that a demand for the service in the new market is already in place. What may seem more striking is the fact that the

extent of drive and passion of an intrapreneur seem to be more linked to the success of the firm than a thorough market analysis. In fact we have not found any evidence that a thorough market analysis would have any positive impact on the success of the firm. This might be explained by the fact that it is hard to make valid market potential evaluations. The intrapreneur per se has a high degree of commitment which is directly linked to the success of the firm. This is confirmed by the Uppsala Model and Hitt et al., which claims that the amount of resources committed to the foreign expansion is directly linked to the success of the firm. Still, there is a certain degree of complexity in how the resources should be committed, as it is a balancing act between the three objectives of a PSF: the people marketplace, the client marketplace and economic ambitions. The firm's commitment to the expansion is also crucial for the client, and for a firm to project confidence, increases the necessary element of trust. Therefore, a strategic allocation of resources is also necessary in order to create legitimacy in the client marketplace.

Moreover, we can see the link between the size of the client network and the likelihood of a successful expansion. A large client network will result in bigger chances of getting projects in the new market from existing clients and in turn, these projects generate resources that can be committed to the foreign market entry.

In terms of client focus, it seems like the best option is to focus on the home-market customers. These can then be leveraged upon in terms of creating legitimacy and obtaining financial resources. In some cases, it is also possible to leverage upon the clients' networks. Finally, when there are enough projects running for the firm to afford further marketing activities, focus can shift to the local clients, which are more difficult to reach. Once again, it can be concluded that the network of the firm will have an impact on how the resources should be allocated. Examples of this include marketing activities, such as broadcasting and courting, which according to our empirics require more resources than working on existing clients by superpleasing and nurturing.

The problem of attracting skilled local staff can be handled by piggy-backing on a general western or European brand perception, which mostly has positive connotations. Also, even in the talent marketplace, the existing network may be a strong asset for attracting skilled professionals. We have seen examples of employees being recruited from client firms. Yet, it has to be noted that this has to be handled with care in order to not damage the relations with the client.

6.2 CONNECTION BETWEEN FINDINGS AND THE PURPOSE OF THE THESIS

The purpose with our thesis has been to increase the understanding of the internationalisation process of Swedish PSFs. Our conclusions have served to answer the research questions. Thus, we feel that the results we have obtained, given the method used, are valid and ties into the overall purpose. However we realise that there may be some biases since the number of companies researched is rather small and the delimitation of only looking at firms that have expanded, are considering expanding, or are currently expanding into Asia; may lead to some

skewedness. In order to improve our study we could have broadened our scope to study Swedish PSFs that have internationalised to any market in the world in order to get a larger base for collecting data.

6.3 MANAGERIAL IMPLICATIONS

One important learning from this research is that previous expansions may be a valuable intangible resource that can be used as a base for creating a general foreign market entry policy. Yet, our empirics do not indicate that previous experience has a direct link to the success of the firm in the new market. Thus, managers should not avoid internationalisation to markets with low psychic distance just because no prior internationalisation has taken place in the company.

Furthermore, the existing network of clients, and getting client projects that can finance the expansion, seem to have a much higher predictive value for the success, than the market conditions in the present market, which has not been proven to have any impact on the success of the firm. Thus, managers should try to leverage on their client networks in the internationalisation process.

In addition, it seems that entering a market with a client from the home-market is better than entering alone. This is supported by the fact that this is the preferred option for firms with previous experience that have been doing a successful expansion. Therefore, a manager should try to seize the opportunities given by clients for internationalisation.

When allocating staff for the foreign market entry it is important to evaluate the long-term commitment to the market of the employees that will be sent to the new market. It is usually not too hard to attract local employees, which in some cases is a prerequisite in order to be able to sell projects in the new market. Another good source of finding talent is through client companies but, if done, it has to be handled with care.

6.4 FURTHER RESEARCH

In this thesis, we have outlined a process of internationalisation of Swedish PSFs expanding to Asia. The process was constructed as a synthesis of theories in the field and the results from our case companies. As our approach has been a qualitative one, the data material has been quite rich but perhaps not quantitatively extensive. Thus, quantitative research validating or rejecting our results is needed. Furthermore, it would be interesting to investigate whether our results would hold for Swedish PSFs expanding to other markets as well, or even for the general expansion of PSFs from one country to another. Overall, the research field is still fairly unexplored and we urge researchers to develop the field further as we believe that this could help companies in the ever internationalising world of today.

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Understanding the Internationalisation Process
of Swedish Professional Service Firms

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8 APPENDIX

8.1 INTERVIEW GUIDE - CASE COMPANIES

- Could you tell us a bit about your background?
- Would you also like to tell us a bit about the company background?
- What were the drivers behind your international expansion or the thoughts thereof?
- Was the expansion to Asia your first expansion or have you had previous experiences of expanding internationally?
 - If yes:
 - How did that expansion go?
 - Why do you think this?
 - Have you learned anything from it?
 - What?
 - Did it affect your current expansion?
 - In what way?
 - What was the outcome of it?
 - Why do you think this was the outcome?
- How did you choose the particular market for expansion?
 - Why did you choose it?
- When the expansion started, how was it initiated?
 - Why was it initiated in this way?
- How did you proceed in the international expansion?
 - Why did you proceed in this way?
- What are your experiences gained from the expansion thus far?
- What is your current state?
- How has the internationalisation been financed?
- How have you gone about attracting clients?
 - How successful has this strategy been?
- How do you handle/have you handled staff issues in the internationalisation?
- What have been the biggest obstacles in internationalising?
- How have you handled these obstacles?
- If you could go back and start the internationalisation from the beginning, what would you do differently?
 - Why would you change this aspect?
- What is your overall impression of your company's international expansion?

8.2 INTERVIEW GUIDE - CLIENT COMPANIES

- Could you tell us a bit about your background?
- Would you also like to tell us a bit about the company background?
- What is your experience of buying professional services?
- What is your overall impression of professional service firms?
- When you are to buy a professional service, how to you choose which firm to hire?
- What do you look for in a professional service firm when buying professional services?
- What makes you choose a specific professional service firm?
- How important is it for you that a professional service firm has a local presence in the market where you are based?
- Could you hire a professional service firm without local presence?
 - In which cases could you hire such a firm?