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The Best of Two Worlds

*Understanding how global professional service firms balance
global integration and local responsiveness*

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Abstract

In the wake of the knowledge economy, professional service firms (PSFs) have arisen and capitalized on knowledge, offering advanced expertise to their clients. With time, they have expanded across borders and several global PSFs are now among the world's largest companies. This journey has significantly impacted their organizational structures and management processes and given rise to tensions stemming from pressures of being both globally integrated and locally responsive. Specifically, PSFs are on one hand expected by clients to be uniform across borders, while on the other hand, they are expected to provide advanced expertise relevant and customized to specific, local markets. To date, little attention has been turned to the internationalization and internal organizational arrangement of PSFs, wherefore this thesis aims to establish a greater understanding of how global PSFs balance integration and responsiveness in practice. A qualitative study was carried out in the Swedish subsidiaries of three global insurance intermediary firms. The findings show that the global headquarters to varying extents attempt to achieve global integration through (1) firm-wide policies, (2) standardization of processes and systems, (3) knowledge sharing, and (4) standardization of services. Meanwhile, local responsiveness was found to be achieved through (1) adaptation to local context, (2) professional autonomy, and (3) customization of services. Overall, the findings indicated that it is indeed challenging for the firms to successfully be both integrated and responsive at the same time.

Key words

Professional service firms, global integration, local responsiveness, insurance intermediary firms

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1 Introduction

The following chapter introduces the thesis. To begin with, the background of the thesis is explained, whereafter the purpose and research question are presented. The scope and delimitations of the thesis are then outlined, followed by an overview of the thesis disposition.

1.1 Background

The last decades have seen a shift towards a “Knowledge Economy”, characterized by a “greater reliance on intellectual capabilities than on physical inputs or natural resources” (Powell & Snellman, 2004, pp. 201). One type of firm that has capitalized on knowledge are professional service firms (PSFs), which operate on the idea of particular knowledge being important to the extent that it can be packaged and distributed (Greenwood, Morris, Fairclough, & Boussebaa, 2010). In the wake of the knowledge economy, PSFs have increased in importance (von Nordenflycht, 2010).

1.1.1 The Rise and Internationalization of Professional Service Firms

PSFs are firms “whose primary asset is a highly educated workforce and whose outputs are intangible services encoded with complex knowledge” (Greenwood, Li, Prakash, & Deephouse, 2005, pp. 661). PSFs have been demanded to expand across borders as their clients have extended their operations geographically (Boussebaa & Morgan, 2015; Contractor, Kundu, & Hsu, 2003). The firms have typically internationalized through establishing subsidiaries (Post, 1996), and during this process, they have significantly changed their own organizational structures and management processes (Boussebaa, 2007). In consequence, PSFs nowadays do not only need to understand how the “global shift” affects their clients and how they best can attend to their needs (Bäumer, Kreutter, & Messner, 2012), they also need to deal with the consequences that this shift has on their own strategy and organization (Boussebaa & Morgan, 2015). Several of the internationalized PSFs are now among the world’s largest companies, both in terms of size and geographical presence (Klimkeit & Reihlen, 2016a), thus succeeding to master issues of strategy and organization is crucial for their survival and success. Indeed, this is especially important since some of the largest global PSFs occupy a prominent role in the modern, global economy as they “underpin the integrity of financial markets”, “enable complex international transactions” and “deliver ideas and advice to the world’s largest corporations and governments” (Greenwood et al, 2010, pp. 173). Examples of PSFs include management consulting firms, law firms and insurance intermediary firms (von Nordenflycht, 2010).

1.1.2 The Balance Act of Simultaneously Being Global and Local

To PSFs, the increase in size and geographical scope has not been uncomplicated. Professional expertise needs to be relevant to the specific markets that clients are present in (Greenwood et al, 2010). At the same time, clients involved in international business typically demand uniformity across borders (Boussebaa & Morgan, 2015). Another dimension adding to this complexity is that the professionals carrying out the work need to be granted adequate autonomy to deal with the circumstances of individual clients while simultaneously being aligned with the firm to ensure preservation of the firm's reputation (Greenwood et al, 2010). Several scholars are highlighting the tension arising from the attempts of global PSFs to balance global integration and local responsiveness (Boussebaa, 2009; Boussebaa, Morgan, & Sturdy, 2012; Muzio & Faulconbridge, 2013), concluding that there are contradictions in maximizing efficiencies of global operations through economies of scale and scope while also responding to local needs and demands. That constructing global PSFs is a balance act is consequently evident, and to date, little attention has been turned to the internationalization and internal organizational arrangement of PSFs (Boussebaa & Morgan, 2015; Cooper, Rose, Greenwood, & Hinings, 2000), despite their great, persistent influence on global economic activity and society (Aharoni, 1993; Greenwood et al., 2005). Notably lacking is research generating a holistic understanding of the various mechanisms in place for managing global integration and local responsiveness simultaneously and how these function in practice.

1.2 Research Purpose and Question

This thesis aims to establish a greater understanding of how global PSFs that are faced by forces of being both global and local at the same time manage to balance integration and responsiveness. Studying this intra-firm balance is especially interesting when it comes to global PSFs (Breunig, Kvalshaugen, & Hydle, 2014) since their services are mostly regarded as challenging to standardize (Maister, 1993). However, as mentioned in section 1.1.1, a growing amount of PSFs are expanding across borders despite this complication (Boussebaa, 2009; Faulconbridge, 2008; Segal-Horn & Dean, 2009). Although several studies indicate that proper integration of global practices is essential to PSFs that are affected by transnational forces (Barrett, Cooper, & Jamal, 2005; Segal-Horn & Dean, 2009), it remains unclear how firms cope with these forces. A literature review indicates that global PSFs are pressured to be everything at once, but not surprisingly, it does not explain how to succeed in doing so. Meanwhile, available knowledge on the topic of integration and responsiveness remain relatively scarce and bring little consensus, as agreed upon by Breunig et al (2014). Existing research is limited to a few studies focusing on management consulting (Boussebaa, 2007, 2009), accounting (Barrett et al., 2005) and law (Segal-Horn & Dean, 2007, 2009). Meanwhile, the existing research mainly focuses on particular mechanisms of either integration or responsiveness.

In order to generate a deeper comprehension of the internal organization of global PSFs, the following research question has been formulated:

***“How do global Professional Service Firms balance
global integration and local responsiveness?”***

1.3 Scope and Delimitations

The focus of the thesis is on global PSFs with subsidiaries in Sweden, and the research is limited to the level of the subsidiary. Specifically, it is the function of “operations”, referring to the professionals and their work, that is of interest as it constitutes the essence of PSFs (Mintzberg, 1980; von Nordenflycht, 2010). Although there are many types of PSFs, insurance intermediary firms were chosen as research objects. The research was carried out in three insurance intermediary firms which were chosen based on criteria considering their globality and size. It should be mentioned that some scholars have raised their voices regarding dissimilarities across professional sectors. For example, Malhotra and Morris (2009), state that differences between professions impact the nature of the work of the professionals to the extent that it affects how firms are organized. Such indications suggest that the findings in this thesis could be limited to insurance intermediary firms as opposed to PSFs in general. However, several powerful scholars argue that the similarities between PSFs in differing industries significantly outweigh the dissimilarities (Greenwood, Hinings, & Brown, 1990; Maister, 1993; von Nordenflycht, 2010), thus the thesis will conform to this school of thought.

1.4 Thesis Disposition

The thesis consists of the following chapters:

1 Introduction. The first chapter presents an overview of the thesis, including its background, research purpose and question as well as its scope and delimitations.

2 Theory and Framework. The second chapter presents a review of previous research, the uncovered research gap and the developed conceptual framework.

3 Methodology. The third chapter presents the methodology of the study, including research considerations, method and approach. Further, the choice of conducting a case study is explained, followed by descriptions of the data collection and the treatment of the collected material.

4 Empirical Findings. The fourth chapter presents the empirical findings from the study, divided by case company and structured according to the conceptual framework.

5 Analysis. The fifth chapter presents an analysis of the empirical findings, structured according to the conceptual framework.

6 Concluding Remarks. The sixth chapter revisits the research question and presents the conclusions that can be drawn from the analysis of the empirical findings. Further, theoretical and practical implications, limitations of contributions as well as suggestions for future research are presented.

2 Theory and Framework

The following chapter begins with an overview of previous research on PSFs, whereafter previous research on global integration and local responsiveness is presented. The identified research gap is then explained. Finally, a conceptual framework that sets the foundation for the rest of the thesis is constructed.

2.1 Literature Review

Two decades ago, Grant (1996) famously argued that the most critical competitive asset that a firm can be in possession of is knowledge, and the notion of a shift towards a “knowledge economy” has since then become widespread (Powell & Snellman, 2004). Indeed, professional service firms (PSFs) are built on the idea of knowledge being important to the extent that it can be packaged and distributed at a high price (Maister, 1993). Since their origin, several PSFs have internationalized, and today some are among the world’s largest companies in terms of size and geographical presence (Klimkeit & Reihlen, 2016a). Their journey has however not been uncomplicated, with both internal and external pressures pushing them in contradictory directions. The following subsections provide a review of existing research on PSFs and their internationalization as well as on global integration and local responsiveness.

2.1.1 Professional Service Firms

One of the most eminent scholars attempting to accurately define PSFs is von Nordenflycht (2010), who has defined three typical characteristics of PSFs. The first one is *knowledge intensity*, which refers to the knowledge embodied in individuals who “produce” services built on their advanced expertise, namely the professionals. Knowledge intensity brings about an opacity that aggravates evaluation of the quality of services for non-experts. The second characteristic is *low capital intensity*, which refers to the limited non-human assets in PSFs. By having employees as primary assets, who play a determinant role in the service production, these are given a great deal of bargaining power. Finally, the third characteristic is that of a *professional workforce*, which act within their particular profession that is governed by set features of regulation, ethics and codes that determine appropriate behavior. These features bring about self-regulation among the professionals, lowering the need of being monitored and managed (ibid). Meanwhile, the services themselves are to varying extents, similar to other types of services, characterized by intangibility, variability, inseparability and perishability (Kotler, 2003; Miozzo & Yamin, 2012; von Nordenflycht, 2010). Typical clients of PSFs include traditional manufacturing companies that purchase professional services to deal with complex tasks and to get advice regarding their operations. As these companies began to expand across borders, their providers of professional services were demanded to follow (Boussebaa & Morgan, 2015; Contractor et al., 2003; Post, 1995). As a result, PSFs have been found to typically internationalize through establishing subsidiaries (Post, 1996), and during this process, they have significantly changed their own

internal organizational structures and management processes (Boussebaa, 2007). From then on, not only do PSFs need to understand how the “global shift” affects their clients and how they best can attend to their needs (Bäumer et al, 2012), they also need to deal with the consequences that this shift have on their own strategy and organization (Boussebaa & Morgan, 2015). Inevitably, global PSFs are forced to deal with pressures of being global and local simultaneously to be able to properly fulfil client needs. These pressuring forces will be discussed in section 2.1.2 and 2.1.3.

2.1.2 Global Integration

In 1991, Ohmae famously stated that organizations are operating in a world where borders no longer pose the same obstacle to international operations as they once did. One of the forces pressuring firms on the global arena is that of global integration (Segal-Horn & Dean, 2007). Stemming from early theories of Prahalad and Doz (1987) as well as of Bartlett and Ghoshal (1989), a multinational company (MNE) that succeeds to achieve global integration is acting “uniformly and consistently across all subsidiaries” (Meyer & Estrin, 2014, pp. 3). Expanding on theories regarding global integration in MNEs, PSFs have during the last decades become a significant area of research within the field (Boussebaa, 2015; Muzio & Faulconbridge, 2013).

2.1.2.1 Underlying Drivers

There are several persistent forces pushing PSFs to pursue a strategy of global integration (Klimkeit & Reihlen, 2016a) arising externally as well as internally (Segal-Horn & Dean, 2007). On the external side, clients’ service demands are protruding (Brock 2006; Brock, Powell, & Hinings 1999; Brown, Cooper, Greenwood, & Hinings 1996). As the clients of PSFs globalize, these tend to prefer sticking to the same service provider globally to receive world-wide consistent services (Aharoni, 1999). Consequently, their service providers are anticipated to expand geographically to meet this demand (Daniels, 1995), and offer what Segal-Horn and Dean (2009, pp. 41) refer to as an “effortless experience”. This means delivering globally consistent services. Furthermore, delivering an effortless experience is an important part in building firm reputation (ibid). In turn, reputation is one of the key sources of competitive advantage for PSFs (Greenwood et al, 2005). A global presence can thus lead to a “reputation effect”, making it easier for the firm to sell a credible promise (Löwendahl, 1997). In turn, this also enables firms to charge higher fees (Maister, 1993). Moreover, having an esteemed firm brand and reputation is of special importance to face the challenge of opaque quality that makes it difficult for clients to know what they will get (Hitt, Biermant, Shimizu, & Kochhar, 2001; von Nordenflycht, 2010). When it comes to internal drivers, they mainly include a strive to achieve economies of scale and scope, similar to that of manufacturing companies (Breunig et al, 2014; Miozzo & Yamin, 2012; Segal-Horn & Dean, 2007). This endeavor is however difficult in practice due to the locally-bound nature of the work performed by PSFs (Löwendahl, 1997; Maister, 1993), although

an increasing amount of firms are managing to build scale advantages through their internationalization (Boussebaa, 2009; Segal-Horn & Dean, 2007). Furthermore, global integration is difficult for competitors to copy and therefore function as a barrier of entry for potential competitors, which makes successful integration a source of competitive advantage (Segal-Horn & Dean, 2009).

2.1.2.2 Achieving Integration

Integration can be reached through mechanisms of standardization, coordination and control (Boussebaa, 2015; Greenwood et al., 2010; Lawrence & Lorsch 1967; Miozzo & Yamin, 2012; Segal-Horn & Dean, 2009). A thorough review of previous research in the field reveals four dominating ways of achieving global integration; (1) firm-wide policies (Boussebaa, 2015; Greenwood et al., 2010; Miozzo & Yamin, 2012), (2) standardized systems and processes (Boussebaa, 2015; Miozzo & Yamin, 2012; Segal-Horn & Dean, 2009), (3) knowledge sharing (Greenwood et al., 2010; Løwendahl, Revang, & Fosstenløkken, 2001) and finally (4) standardization of services (Lawrence & Lorsch, 1967; Segal-Horn & Dean, 2009). This list is not exhaustive, yet it captures the overarching methods at the hands of PSFs.

Firm-wide policies

First, an important part of achieving global integration is having firm-wide policies in place (Boussebaa, 2015; Greenwood et al., 2010; Miozzo & Yamin, 2012), aiming to accomplish and fulfill a “one-brand” strategy (Muzio & Faulconbridge, 2013) and guarding the firm’s valuable reputation (Greenwood et al, 2005). While the professionals have great responsibility to nurture the brand reputation, which is deemed the most crucial driver of value in PSFs (Greenwood et al, 2005; von Nordenflycht, 2010), they also have the power to severely harm it, making protective mechanisms crucial (Greenwood et al, 2010). Commonly shared professional practice standards and client management policies also help ensure that clients receive similar qualitative services worldwide (Muzio & Faulconbridge, 2013). This is in line with Segal-Horn and Dean (2009) suggesting that that global PSF should share common practices and values aiming to provide clients with the same experience regardless of the geographic location.

Standardization of systems and processes

Second, global integration is facilitated through the employment of standardized processes and systems (Aharoni, 1996). For example, this includes the usage of shared IT-systems, standardized protocols and templates (ibid). These are of special importance since they enable intra-firm integration, consistency and coordination (Child, 2005). Through the usage of common protocols and templates, a firm can save time and costs (Muzio & Faulconbridge, 2013). Moreover, the usage of commonly shared IT-systems allow for instant and exact communication (Child, 2005). Such mechanisms should however not be too obtrusive as professionals tend to not appreciate spending time on “reports and formal procedures” (Løwendahl, 1997; pp. 51). Instead, any mechanisms or processes in place need to make sense to the professionals in order for

them to be adopted (ibid). Meanwhile, firm-wide in-house training is another method ensuring that necessary knowledge is spread across the firm (Løwendahl et al., 2001).

Knowledge sharing

Third, the sharing of information, along with the tools and habit in place to do so, strengthens global integration (Greenwood et al., 2010; Løwendahl et al., 2001). At the same time, being globally integrated increases the chance of having valuable learning and knowledge transferred in the first place (Boussebaa, 2009). Multi-city firms consisting of a headquarter and different national subsidiaries can be conceptualized by a network (Ghoshal & Bartlett 1990; Segal-Horn & Dean, 2007), which if effectively utilized gives rise to competitive advantages. An integrated network increases the likelihood of local offices tapping into and benefiting from skills, capabilities and best practices in the firm, which improves quality while the reinvention of the wheel is avoided (Greenwood et al., 2010; Koiranen, 2003). This enables the firm to create value beyond that created by individual subsidiaries (Boussebaa, 2007). In addition, it is also thanks to the network that PSFs can serve multi-country clients (Maister, 1993).

Standardization of services

Forth, to reach a more complete global integration, firms can standardize their service delivery worldwide (Maister, 1993) in a “reuse strategy” (Hansen, Nohria, & Tierney, 1999) of repeatedly taking on similar projects. This strategy is referred to as “reuse economics” (ibid), which is a potentially more profitable and productive approach since the firm already possess the necessary expertise and work methods (Maister, 1993). As more knowledge and experience is accumulated, the firm improve its reputation among the particular client segment, allowing them to attract the “best” projects (Løwendahl et al., 2001). Also, standardized services facilitate the collaboration with international clients who are provided with a similar experience regardless of the location (Segal-Horn & Dean, 2009). However, standardized services have some problematic implications. As they spread and clients become aware of them, they get exposed to price reductions as they are not perceived to be as good value-for-money as customized services (Suddaby & Greenwood, 2001). Meanwhile, as successful methods are easily copied by competitors, they likely become commonplace and therefore face the fate of commoditization and price-war (Teboul, 2006). Moreover, standardization limits innovation and creativity (Løwendahl et al., 2001).

2.1.3 Local Responsiveness

Industry forces demanding that strategic decisions are attentive to local contexts are pressuring firms towards local responsiveness (Roth & Morrison, 1990). The pioneer researchers in the area of local responsiveness, Lawrence and Lorsch (1969), famously argued that differentiation to suit varying contexts is necessary for organizations to be effective. On the same track, Prahalad and Doz (1987) established the concept of local responsiveness referring to “resource commitment decisions taken autonomously by a

subsidiary in response to primarily local competitive or customer demands” (pp. 15). As for theories on global integration, these theories have been applied to the field of PSFs, which will be elaborated on further in the following subsections.

2.1.3.1 Underlying Drivers

PSFs are embedded in multiple national contexts, with external and internal forces pressuring their subsidiaries to adapt their businesses accordingly (Boussebaa, 2007). External pressure mainly stems from differences in client preferences (Boussebaa & Morgan, 2015; Campbell & Verbeke, 1994), cultural differences (Campbell & Verbeke, 1994) as well as differences in financial, legal and political systems (Boussebaa et al., 2012; Løwendahl, 1997). Moreover, being locally responsive mitigates disadvantages such as loss of legitimacy stemming from a lack of understanding of country specific contexts, often referred to as *liability of foreignness* (Boussebaa & Morgan, 2015; Zaheer, 1995). Meanwhile, being considered legitimate is crucial for firm reputation (Greenwood et al., 2010). Moreover, client needs differ depending on the particular business environment surrounding them, creating a need for customized services (Løwendahl et al., 2001). When it comes to internal forces, professionals’ need for autonomy, as discussed in section 2.1.1.1, is determinant if they are to practice their expertise and customize solutions that generate higher revenue. Higher revenue is also enabled by trustworthiness, which is an important factor when client choose service provider (ibid).

2.1.3.2 Achieving Responsiveness

A thorough review of previous research in the field reveals three primary ways of achieving local responsiveness; (1) adaptation to local context (Boussebaa et al., 2012; Campbell & Verbeke, 1994; Løwendahl, 1997), (2) professional autonomy (Greenwood et al., 2010; Løwendahl, 1997) and (3) customization of service delivery (Boussebaa, 2015; Greenwood et al., 2010). Alike the list of mechanisms that enable global integration in section 2.1.2, this list is not exhaustive. Nonetheless, it does capture the overarching methods at the hands of PSFs.

Adaptation to local context

First, as mentioned in the previous section, the forces pressuring firms to locally adapt their organizations are several. Consequently, this calls for PSFs to understand the local context which they are active in (Klimkeit & Reihlen, 2016b). For example, the context is influenced by differing cultures and customs across countries (Hofstede, 1994). As such, firms need to adapt their operations, strategies and structures thereafter to be accepted as legitimate actors on the market (Boussebaa, 2007). As previously described, not adopting to the local context can have negative consequences for firms, and they generally cannot afford not being perceived as relevant and trustworthy (Greenwood et al., 2010; Zaheer, 1995).

Professional autonomy

Second, PSFs are dependent on the knowledge that the professionals possess. This makes it crucial for managers to succeed in directing them yet also retaining them by granting them satisfactory autonomy (Maister, 1993). Professional autonomy enables individual creativity, which is seen as essential to the success of PSFs since their highly skilled experts are the ones who create value (ibid). Because the services are usually produced in close interplay with the client, they also need a high degree of autonomy to perform their daily job (Greenwood et al, 2010). Moreover, professionals want to be challenged and need to be so to feel satisfied. Too many restrictions coming from top management can have negative effects, such as a drop in motivation (Løwendahl, 1997). This can be harming since professionals are likely to leave the firm if they are unsatisfied (ibid), and when this happens, the firm is likely to experience a decline in productivity and quality (Maister, 1993). Meanwhile, keeping professionals is not only a matter of guarding knowledge in the firm, it also has a signal effect towards other potential employees that increases the attractiveness of the firm as a workplace. When attracting the “best” professionals, it is also easier for the firm to attract the “best” clients. Meanwhile, more interesting clients tend to attract more skilled professionals to the firm (Løwendahl, et al., 2001). Nevertheless, PSFs exist to generate financial returns to stakeholders and the single highest cost incurred by PSFs is the salary paid to their professionals. When they are allowed their much desired autonomy to thrive on their expertise, costs increase (Chang & Birkett, 2004).

Customization of service delivery

Third, as patterns in demands amongst markets and clients are not homogenous (Campbell & Verbeke, 1994; Miozzo & Yamin, 2012), tailoring of solutions to client needs are required (Boussebaa, 2015) in order to reach local responsiveness. Customized services are usually referred to as “expert economics” (Hansen et al, 1999) and are known to enable higher fees as the professionals’ tailor solutions that are specific to the clients’ needs. With such a strategy, varied knowledge is accumulated in the firm and the professionals continuously improve their capabilities, and thereby strengthen the firm’s reputation of having “true” professionals that can take on any difficult problem (Løwendahl et al., 2001). On this note, Greenwood et al (2010) confirmed that customers are indeed increasingly demanding, looking for services customized to their specific needs.

2.2 Research Gap

There exists plenty of research looking into the drivers and pressures pushing multinational organizations towards being globally integrated on the one hand, and being locally responsive on the other hand (e.g. Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987). Much of this research focuses on manufacturing companies, although scholars like Brock (2006), Segal-Horn and Dean (2007), and Boussebaa (2007) profoundly argue that the research area is of particular interest when it comes to PSFs due to the nature of their services. The aforementioned studies mainly focus on the pressures themselves, rather than on how the forces are actually dealt with in practice. The majority of the studies that actually look into how the global PSFs deal with such pressures broadly focus on the pressures towards being global by investigating particular selected mechanisms. Examples include firm-wide transference of practices dependent on leadership and control (Klimkeit & Reihlen, 2016b) or control mechanisms to maintain a global organization (Boussebaa, 2015). Segal-Horn and Dean (2009) however took a broader perspective and investigated four dimensions of how global PSFs act to create uniformity and deliver an effortless experience towards clients. Meanwhile Klimkeit and Reihlen (2016a) investigated how various global initiatives are received and met on a local level. A clear lack of studies on global PSFs with a more holistic approach that includes how both the global and local pressures are simultaneously dealt with in PSFs emerges. There exists a limited number of such studies conducted in manufacturing firms, but as previously explained, it is unlikely that these studies are relevant to PSFs (section 2.1.1). Consequently, it is of interest to increase the understanding of how global PSFs, which constitute an important part in today's society, strategically structure their organizations in practice in response to the global and local pressure that they face. Therefore, by answering the research question “*How do global Professional Service Firms balance global integration and local responsiveness?*”, this thesis aims to contribute to the to the insufficient research arena on how global forces and local forces are handled in practice. Figure 1 illustrates the identified gap in prevailing literature which this thesis aims to contribute to fulfil.

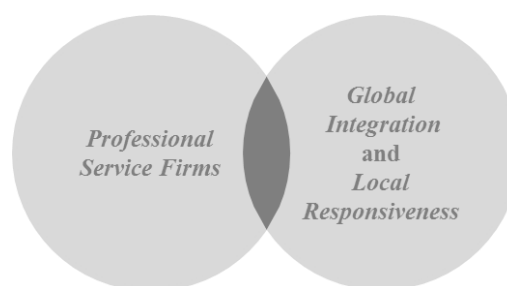


Figure 1. Identified research gap

2.3 Conceptual Framework

Previous research does not offer a satisfactory framework that allows understanding of how PSFs in practice deal with the forces pushing towards both global integration and local responsiveness. Therefore, the creation of a conceptual framework suitable for the thesis was needed. The conceptual framework is based on and combines the work of several scholars within the field of PSFs and organizational strategy, and offers suggestions of various methods or strategies that firms can employ in order to deal with the forces pushing them to simultaneously balance global integration and local responsiveness.

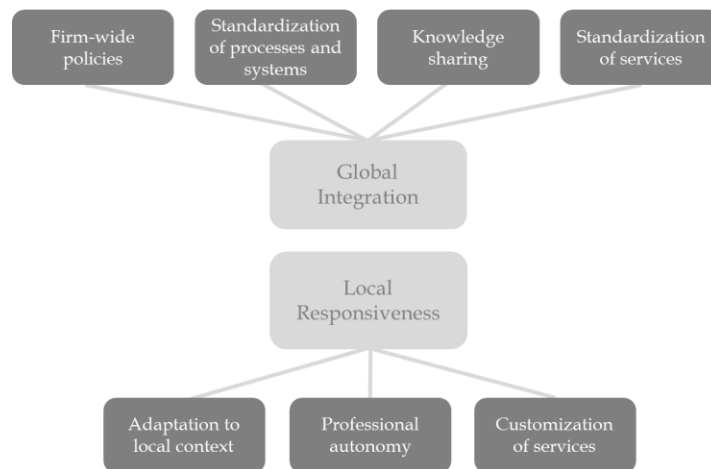


Figure 2. Conceptual framework derived from literature review

The conceptual framework is illustrated above in figure 2, and its components will be briefly summarized below.

Global integration is necessary for the multinational PSFs to pursue due to internal and external forces pressuring them to operate uniformly and efficiently as one firm. Meanwhile, global integration enables greater productivity and stability. Four interrelated means of global integration are identified:

- ***Firm-wide policies*** and aligned values and practices are intended to aid in the implementation of a one-brand strategy and a uniform global firm.
- ***Standardization of processes and systems*** through the usage of commonly shared processes and systems enable greater integration across borders.
- ***Knowledge sharing*** within the global firm between geographically dispersed offices both require and further advance global integration.
- ***Standardization of services*** by deciding on certain offerings, their design and execution aid in the attempt of achieving the same client experience world-wide as the service delivery is more centralized leaving less room for deviations.

Local responsiveness is necessary for multinational PSFs due to internal and external forces pressuring multi-location PSFs to adapt their businesses according to local market contexts. Concurrently, local responsiveness permits greater creativity and innovation. Three interconnected means of local responsiveness are identified:

- ***Adaptation to the local context*** where the firm operates, for example based on cultural differences and regulation, through strategies and structures are necessary in order to be a legitimate actor.
- ***Professional autonomy*** among the professionals allow them to exercise their valuable autonomy and operate with independence and flexibility, increasing their possibilities of being creative and truly helping clients based on their specific needs.
- ***Customization of services*** based on specific client needs and preferences leaves room for the professionals to exercise their expertise, assuming that they have professional autonomy.

The conceptual framework summarized above was developed to support and guide the search for an answer to the research question “*How do global Professional Service Firms balance global integration and local responsiveness?*”. Furthermore, the framework set the foundation for the data collection, the presentation of the empirical findings as well as the analysis. In the following chapter, a more thorough description of how the conceptual framework was incorporated in the thesis design, together with a more detailed description of the research methodology, will be presented.

3 Methodology

The following chapter describes the chosen research methodology and the reasoning behind it. This begins with elaborations on the research considerations, the research method and the research approach. Thereafter, the choice of case study and methods of data collection and analysis are explained. Lastly, quality aspects of the thesis are evaluated.

3.1 Research Considerations

The ontological position of the thesis is that of constructionism, advocating that the social world is a construction resulting from perceptions and actions of actors which are in a constant state of change. This view challenges the suggestion that appearances such as organizations and culture are predetermined (Bryman & Bell, 2011). Therefore, the thesis focuses on the prevailing strategic organizational choices within global PSFs, which are a co-construction and product of social interaction and collective meaning between individuals. Furthermore, as the strategic organizational choices of PSFs are continuously constructed and reconstructed, professionals have to adapt their understanding, and therefore the strategic organizational choices, to these new situations and their differences. Through the usage of the constructionist view, the thesis can adopt an interpretive epistemology. This view challenges the positivistic view as the interpretive position is based on the logic that members of the social world interpret the world around them, which has a social meaning, and they act on the basis of these meanings (ibid). Thereby, as expressed by Bryman and Bell (2011; pp. 18), “it is the job of the social scientist to gain access to people's ‘common-sense-thinking’ and hence interpret their actions and their social world from their point of view”. These considerations enable the examination of *how* the current state of strategic organizational choices within PSFs are occurring, and since this is a result of the actions and interpretations of the social world made by individuals, it is also possible and of value to understand *why* it occurs as it does.

3.2 Research Method

The thesis seeks to find answers to questions that so far remain under-researched, as well as seek new insights within the field of PSFs. Due to the constructionist and interpretive position of the thesis, a qualitative research approach was deemed suitable (Bryman & Bell, 2011; Saunders, Lewis, & Thornhill, 2000). It is especially appropriate since the phenomena under investigation is socially constructed, and since the aim of the study is to understand the strategic organizational choices and their underlying reasons in a particular setting (Alvesson & Skoldberg, 1994). Henceforth, a qualitative approach allows understanding of “the *context* within which decisions and actions take place”, which is argued to be a prerequisite for understanding why things are in a certain way (Myers, 2013, pp. 5). Although a quantitative approach would have enhanced the transferability of the results, it would also have demanded more available knowledge as a foundation (Flick, 2009). However, as the aim of this thesis is to understand a certain phenomenon within

a specific context based on the views of people involved, this would to a significant extent get lost if data was quantified (Myers, 2013).

3.3 Research Approach

The research process of the thesis was inspired by a deductive approach which starts with existing theory and proceeds through empirical research and analysis guided by the initial theory with the aim of approving or disapproving its accuracy (Eriksson & Kovalainen, 2008). This approach allows researchers to build on existing theories (Bryman & Bell, 2015). The research began with a broad scope when entering the literature review stage, and existing relevant theory related to the area of PSFs, global integration and local responsiveness was thoroughly studied. The scope then progressively became more narrow as the thesis work progressed, and the literature review resulted in a conceptual framework of how the global PSFs can be believed to balance global integration and local responsiveness. Throughout the remaining research process, this framework was used as a foundation. As opposed to the inductive approach, this means that the scope of the research was relatively set early on. Nevertheless, the collection and analysis of data were conducted with an open-minded approach to allow unpredicted findings to emerge in order to answer the research question as accurately as possible.

3.4 Case Study

A case study method was chosen as main approach to collect empirical data for the thesis' study. A case study was considered appropriate since the thesis aims to examine a contemporary phenomenon within its real-life context (Yin, 2009), and gain a rich understanding of the context of the research and the processes being enacted (Morris & Wood, 1991). Furthermore, a case study approach is suitable as the thesis applies a constructivist and interpretive viewpoint (Guba & Lincoln, 1994; Myers, 2013). More specifically, a cross-sectional case study was conducted within three insurance intermediary firms. In the following subsections, the specifics surrounding the case study are explained, including presentations of the case companies.

3.4.1 Cross-Sectional Case Study

The collection of empirical data was divided by three separate cases. Using several cases instead of a single case is generally regarded to be of greater robustness (Herriot & Firestone, 1983), while a single case often provides deeper insights about the particular case (Yin, 2013). Using several cases is also more suitable as the research aims to understand how a certain *type* of company deals with a specific phenomenon (Yin, 2003), in this case the trade-off of global integration and local responsiveness. In addition, because of the time constraints of the thesis, a cross-sectional study is preferable as the thesis aims to understand a phenomena during a particular time rather than how it develops over time (Saunders et al., 2000). To achieve

a high-quality cross-sectional case study appropriate for its aim, case companies were chosen based on the logic of “literal replication”, which means that it was predicted that similar results would be obtained from them (Yin, 2013).

3.4.2 Case Industry

As explained in section 2.1.1, there exist several types of PSFs, with management consulting firms, law firms and insurance intermediary firms representing a few examples (von Nordenflycht, 2010). Insurance intermediary firms were chosen as research object for the thesis’ study since they constitute a type of PSF that to date remain under-researched despite their significant and increasing role in the insurance industry (Maas, 2010). Additionally, they serve as suitable research objects since they, perhaps more than other types of PSFs, are affected by national regulation and local circumstances while simultaneously being required to act on an international level to fulfil clients’ insurance needs. Insurance intermediary firms play an important part of the insurance industry due to the complexity of insurance services which require the purchasers of them to understand their need of protection as well as to evaluate coverage offerings (Cummins & Doherty, 2006; Eckardt, 2002). Meanwhile, the insurance market is characterized by market imperfections in terms of asymmetric information and transaction costs, creating an increased uncertainty among purchasers (Eckardt, 2002). Hence, an insurance intermediary is “an individual or business firm, with some degree of independence from the insurer, which stands between the buyer and seller of insurance”, and their role is to “scan the market, match buyers with insurers who have the skill, capacity, risk appetite, and financial strength to underwrite the risk, and then help the client select from competing offers” (Cummins & Doherty, 2006, pp. 360). The professionals working in such firms are often referred to as "brokers" (Cummins & Doherty, 2006).

3.4.3 Case Companies

Considering the discussion on a literal replication design (section 3.4.1), three case companies were approached based on a pre-determined set of criteria ensuring a certain degree of similarity among them. The criteria were based on the research question as well as the method and scope of the thesis. The critical determinants in the choice of case companies included (1) self-pronounced global insurance brokerage firm, since a global strategy and presence is an important part of the research scope, (2) similar legal form, as differences in legal form should not be an aspects affecting the research result (3) Anglo-Saxon origin, to avoid the possibility of origin differences influencing the research outcome, and (4) subsidiary in Sweden, as this is an important part in the research scope. The subsections present basic information about the three case companies. In order to protect the anonymity of the case companies, the company descriptions are decoupled from the empirical findings and are presented in a randomized order below. Consequently, the

case companies are masked and labeled X, Y and Z below, although they are presented and analyzed as A, B and C in chapter 4 and 5.

3.4.2.1 Case Company X

Case company X places itself as one of the largest insurance intermediaries. Unlike the other case companies, the firm has its headquarters located in the US. The firm is registered as a public company. The number of employees amounts to about 30,000, spread over about 130 countries. Case company X's clients include international companies, mid-size companies and smaller commercial enterprises (Case company X, Annual Report, 2015). The firm offers tailored solutions to its clients from a local level. The firm has several offices in Sweden (Case company X, Annual Report, 2015).

3.4.2.2 Case Company Y

Case company Y is also one of the largest insurance intermediary firms. The firm's main focus is insurance and reinsurance services such as brokerage and advise. The firm is registered as a public limited company and has about 40,000 employees spread in about 130 countries. With headquarters in the UK, the firm serves businesses worldwide from its local offices, and the clients range from middle market companies to large multinational corporations. The services are expressed to be tailored to the clients' unique needs. The firm has several offices in Sweden (Case company Y, Annual Report, 2015).

3.4.2.3 Case Company Z

Case company Z is, like the other two case companies, one of the world's largest service providers of insurance and reinsurance brokerage and consultation. The firm is headquartered in the UK, with offices in about 130 countries. The firm is registered as a public limited company. Out of the firm's total number of 70,000 employees, about half are working within the area of insurance and reinsurance advice and brokerage. Through the local offices, the firm offers customized solutions to clients ranging from small and mid-sized businesses to multinational corporations. The firm has several offices in Sweden (Case company Z, Annual Report, 2015).

3.4.3 Complementary Views

Additional interviews were conducted outside of the case companies to gain complementary views. Interviews were conducted with former brokers with extensive experience from the industry. As these interviewees had already left their positions as brokers, their viewpoints can be seen as less restricted by the norms and frames present in any company. Further, interviews were conducted in a large, global insurance company with representatives who work with insurance brokers on a continuous basis. Insurance

companies are the providers of insurance services, responsible for the risk at stake. Finally, interviews were held with risk managers with experience from MNEs with worldwide insurance needs. Risk managers work to provide their firms with the proper insurance coverage, and are thereby the representatives from the clients' side that interact with brokers. The complementary interviews were intended to contribute to a more holistic understanding of the mechanisms in the industry and their potential effects on how insurance intermediary firms are organized. As such, they do not constitute the focus of the study, but are rather used as an addition to the main data.

3.5 Data Collection

The primary method of data collection for the study was that of interviews. Due to the research considerations (section 3.1) and the choice of a qualitative approach (section 3.2), interviews are considered a suitable way of gathering empirical data (Eisenhardt & Graebner, 2007; Bryman & Bell, 2011). A total of 15 interviews were conducted during the time period 2016.05.02-2016.06.17. The interviews lasted between 40-90 minutes, with an average of 57 minutes.

3.5.1 Semi-Structured Interviews

The interview approach applied during the interviews was of semi-structured nature. An interview guide (cf. Appendix I) formed the basis for the interviews to assure a certain degree of standardization, which is necessary to enable comparisons between the three cases as well as the complementary views (Flick, 2009). However, the questions did not necessarily follow the order of the guide and additional questions were asked when something interesting was picked up on (Bryman & Bell, 2011). The semi-structured approach was chosen in order to deal with the balance between the need to obtain information relevant to the research area and the necessity of conducting the interviews in an unbiased manner (Yin, 2003). In addition, it left room for the research participants to elaborate around the questions as well as emphasize aspects that they found relevant (Bryman & Bell, 2011; Saunders et al., 2000), which can be difficult when adopting standardized questions (Ahrne & Svensson, 2011).

3.5.2 Interview Design

The interview guide (cf. Appendix I) was developed based on the constructed conceptual framework presented in section 2.3. The two main themes consisting of global integration and local responsiveness provided the foundation for the pre-determined questions, and as discussed in section 3.5.1, room was left for new directions within and outside of these themes that were brought up by the interviewees. The formulated questions were evaluated using Flick's (2009) translation of Ulrich's (1999) framework for proper evaluation of questions. Additionally, the questions were tested with a former insurance broker (IP

4.2, 2016.05.04) who answered the questions based on previous experiences and afterwards gave feedback. This gave an indication of how the questions would be perceived by professionals in the insurance intermediary industry. Minor modifications were consequently made to avoid misinterpretation. In the end of each interview, the interviewees were asked if they wanted to make any additional comments or clarifications. For the interviews with insurance firm representatives as well as risk managers, the interview guide was adjusted to capture the interviewees' views on the industry and insurance intermediary firms (cf. Appendix II and Appendix III).

3.5.3 Interview Sample

The interviewees were chosen in accordance with Alvesson's (2011) main principles of representativeness and quality. A total of nine interviews in the three case companies were performed with key employees involved in the daily operations of insurance intermediation. The majority of the interviewees had beforehand expressed their interest for our study and had extensive experience within the industry, indicating their "quality" in terms of both willingness to share their perspective and possession of valuable knowledge. "Snowball sampling" (ibid) was employed, meaning that interviewees were approached based on referrals from other interviewees. It was difficult to get access to interviews with a larger number of brokers within each case company due to their busy schedules, which means that the findings might not represent the views of the entire local offices. To make up for this, the authors attempted to go into deep during the interviews that were conducted. Moreover, two interviews were conducted with former brokers, two interviews were performed with representatives at a global insurance company and finally two interviews were performed with risk managers at client companies with global insurance needs. Table 1 provides an overview of all interviewees.

Research Object	Interview Person	Date	Length
Case company 1	IP 1.1 Broker	04-05-2016	75 min
	IP 1.2 Broker	17-05-2016	65 min
	IP 1.3 Broker	19-05-2016	70 min
Case company 2	IP 2.1 Broker	15-06-2016	50 min
	IP 2.2 Broker	07-06-2016	40 min
	IP 2.3 Broker	07-06-2016	30 min
Case company 3	IP 3.1 Broker	20-05-2016	60 min
	IP 3.2 Broker	03-06-2016	45 min
	IP 3.3 Broker	17-06-2016	60 min
Former brokers	IP 4.1 Former Broker	06-04-2016	70 min
	IP 4.2 Former Broker	04-05-2016	90 min
Global insurance company	IP 5.1 Insurance Company Representative	24-05-2016	55 min
	IP 5.2 Insurance Company Representative	24-05-2016	40 min
Risk managers	IP 6.1 Risk Manager	26-05-2016	50 min
	IP 6.2 Risk Manager	01-06-2016	50 min

Table 1. Overview of interviewees

3.5.4 Setting and Documentation

To establish a sense of credibility among the interviewees and to gain co-operation, the interviewees received brief information beforehand regarding the purpose of the study and the importance of their contribution, as suggested by Eriksson and Kovalainen (2008). Also, in line with ethical principles, all interviewees were assured anonymity (Bryman & Bell, 2011), and both authors of the thesis were present during all interviews to avoid variations in interpretation of the collected, as suggested by Eisenhardt (1989). Twelve of the interviews were conducted face-to-face in the offices of the interviewees to ensure convenience for the interviewees, while the remaining three interviews were instead performed via Skype, phone, and at a café respectively. All interviews except one (held in English) were conducted in Swedish as this was the native language of both the interviewers and the interviewees, which is preferably to avoid miscommunication. The interviews were recorded with permission, allowing us to maintain a greater focus on the interviewees (ibid). One of the interviews with former brokers (IP 4.1) was however not recorded as the interview was rather an informal discussion covering topics relevant to the research, which made recording it unnatural. Notes were instead taken, which is considered a fully acceptable alternative to recording according to Alvesson (2011).

3.6 Empirics and Analysis

The empirical data was analyzed using a thematic strategy where the theoretical proposition created in section 2.3 was relied upon (Yin, 2013). This is an appropriate method when a study has a constructivist perspective (Vaismoradi, Turunen, & Bondi, 2013). Also, this type of analysis leaves room for both description and interpretation of data within its specific context, which was necessary in order to answer the research question of *how* PSFs balance global integration and local responsiveness, as well as to gain a deeper understanding the reasoning behind it. The thematic analysis was based on three phases illustrated in picture 3 and described below.

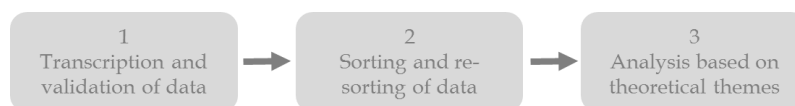


Figure 3. The three undertaken steps of data analysis

1) First, each recorded interview was transcribed, which is considered optimal as transcripts facilitate more precise interpretation of the data while enabling accurate quotations (Alvesson, 2011; Bryman & Bell, 2011). The individual transcripts were sent to each interviewee for voluntary approval, whereof eight out of the fifteen respondents responded. The transcripts were then re-read with the aim of becoming more familiar with the data.

2) Second, the transcribed data was first sorted into one of the pre-determined categories of either “global integration” or “local responsiveness”. Thereafter, they were re-sorted into one of the pre-determined themes in the conceptual framework, e.g. firm-wide policies and professional autonomy. An “Other”-category was also temporarily created in order to ensure that potential additional themes were not neglected when examining the data. This procedure was first done individually by the authors, whereafter the findings were compared and discussed. In case of differing viewpoints, these were discussed until consensus was achieved in accordance with Miles and Huberman’s (1994) suggestion.

3) Third, the data belonging to each theme was analyzed drawing on previous studies and theories summarized in chapter 2 in order to generate new insights and answer the research question.

The above described way of analyzing data had its implications. By assuming this approach, the authors had already from the beginning determined what categories to look for when entering the process of the analysis, and could therefore be expected to get results accordingly. Consequently, it could be expected that the data and the results either did or did not fit the conceptual framework created in section 2.3. However, this method entails a risk of missing out on other interesting topics in the empirics. The category labeled “Other” was an attempt to avoid such a pitfall as it offered an option to the predetermined themes. Although a risk of being too attached and reliant on previous research still remains, the benefits of a more focused scope and greater depth was judged to be of greater use.

3.7 Quality Aspects

Amongst the criterion for evaluating the quality of qualitative research are the aspects of credibility and transferability. Even though there are other commonly used evaluation criteria, these criteria are preferable as the thesis is of qualitative approach while also assuming a constructionist point of view - there can be more and possibly several truths about the social world (Guba & Lincoln, 1994). The credibility and transferability of the thesis will be elaborated on in the subsections.

3.7.1 Credibility

As there exist multiple accounts of social reality, the degree to which research is evaluated to be trustworthy and acceptable is determined by its credibility. Generating credible results broadly include two aspects; firstly, the assurance that the research is carried out according to the canons of good practice, which demands that the research has been conducted with an appropriate method, and secondly that the research findings are submitted to the actors of the social reality who have participated in the research so that they are given a chance to confirm that they have been correctly interpreted (Bryman & Bell, 2011). With this in mind, several measures were taken. To begin with, the interview questions were tested with a former broker

in order to examine their adequacy before beginning the actual data collection. Also, the data collection was conducted in all case companies simultaneously in order to avoid the potential bias brought up by Yin (2003) which may affect researchers doing literal replication who discover interesting findings in one company to thereafter repeat the research in other companies with the goal of replicating the results. Moreover, as mentioned in section 3.5.4, both authors of the thesis were present at all interviews to avoid diversity in interpretation of the data collected. After the interviews, respondent validation was performed as each interviewee received a transcript of their interview and given the possibility of making clarifications or changes, as described in section 3.6. The aim of this was to ensure good correspondence between the findings and the accounts given by the interviewees (Bryman & Bell, 2011). It should however be acknowledged that not all respondents wished to receive their transcripts, which should be seen as possible critique towards the findings as there is a potential gap between the research participants' social realities and the findings. Additionally, the risk of interviewees misunderstanding questions or deliberately answering them in a way that is more favorable to them cannot fully be erased (Silverman, 2013).

3.7.2 Transferability

The degree to which research results can be transferred to other contexts or setting is dependent on its transferability. As qualitative research normally includes the study of a smaller group of individuals sharing certain characteristics, the research findings tend to be directed to the particular appearances of the social world being examined (Bryman & Bell, 2011). For many qualitative studies, this gives rise to an empirical issue (Guba & Lincoln, 1994) as it influences the transferability of the research (Bryman & Bell, 2011). The usage of case companies sharing similarities, as described in section 3.4.1, can have negative effect on the transferability of research as it to some extent makes this research specific, which impacts its transferability to future research reproductions. Yet, using several cases instead of one increases the likelihood of capturing differences between the case companies. Attempting to establish an understanding of its context and thereby creating a basis for judgement about the possibility to transfer the findings, the case companies, the empirical collection as well as the analysis have been described as thoroughly as possible.

4 Empirical Findings

This chapter presents the empirical findings from the study. The data is structured case-wise in accordance with the conceptual framework and the most prominent data, reoccurring throughout the interviews, is summarized.

4.1 Case Study A

4.1.1 Global Integration

4.1.1.1 Firm-Wide Policies

"One flag' means working across borders and not having country borders when it comes to the client offer. In the eyes of the client, we need to be seen as one company. It does not matter if it is a customer in Brazil or here, they need to get the same service at the same level of quality and they need to see us as one service team."

- IP 1.2 -

The main outspoken firm-wide policies are related to compliance and client-facing behavior. While compliance policies cover firm ethics and rules that are shared globally throughout the firm, most emphasis was placed on the policies covering client facing behavior which are intended to create an alignment amongst the employees. That clients expect such alignment, especially in terms of receiving the same level of service across the world, was heavily underlined. The client-facing behavior policies were mentioned early on in the interviews as something that exist within the firm and that everyone is aware of, although they are not actively and consciously visible in the everyday work. All types of policies were found to mainly be communicated through the internal web page as well as during scheduled sessions, and permeate corporate structures.

4.1.1.2 Standardization of Systems and Processes

"The headquarter is trying to find a 'one-size-fits-all' solution' and we are regularly being asked about implementing a global IT-system"

- IP 1.1 -

The local office has their own IT-systems developed according to their needs and preferences. The interviewees explained that the office is continuously facing pressure from the global office regarding implementation of globally shared IT-systems, but the Swedish office remains reluctant due to the risk of limitations on the local flexibility. Furthermore, the Swedish office has developed its own time-reporting and resource allocation system. Meanwhile, financial control mechanisms are in place so that the global headquarters can control the local operations. Moreover, the global office has in-house education in place in terms of webinars and web-trainings that are available for employees to participate in. These are rarely

used locally according to the interviewees, who believed it is the result of low prioritization due to the valuable office hours it requires. Instead, the local office has instituted their own in-house education, which mainly covers knowledge about specific products and other areas of expertise.

4.1.1.3 Knowledge Sharing

"We have examples where we, together with the office in London, have managed to create a really good solution for one of our clients, which we never would have succeeded with locally."

- IP 1.3 -

The interviewees agreed that the international network enables sharing of knowledge and information, and thereby international insurance solutions. Not only does the network make global exchange of help possible, it also allows access to specialist knowledge that it is not profitable to have present locally. At the same time, it was stressed that helping international colleagues gives rise to costs that somehow need to be allocated properly, and it is therefore only done when there exists a true need. Specialist knowledge tends to be shared either through phone or through personal visits where the client is either flown to the location of a particular specialist, or the specialist is flown to Sweden. Moreover, the firm has processes for sharing best-practices, although this was mentioned as an area in need of improvement. Knowledge sharing in terms of staff rotation was stated to be rare, which the interviewees believed is typical in the industry.

4.1.1.4 Standardization of Services

"For certain lines of business, such as vehicle insurance, standardizing the product offering is definitely possible. There, you do not need to be a 'broker'. (...) In such cases, we go to a few insurance companies and say 'this is what we want to have insured, everything or nothing, on these terms'. Then we come back to the client and say 'let us choose this one', and maybe repeat the process every three years (...). This saves us time as it is a standardized offering."

- IP 1.2 -

In the lines of business that are more "straightforward", some degree of standardization exists. In such cases, it was expressed that "you do not need to be a broker" (IP 1.2). Rather, terms and conditions are decided and the insurance is placed at the best price, which is a time efficient way of working. In other business lines, the danger of standardized solutions was instead underlined. As more clients are organized on a Nordic level, the firm needs to follow suit and adapt instead of dangerously keep pushing for standardized concepts. It was stressed that "you can put endless effort on trying to push standardized solutions, but if the client does not want them it will never help" (IP 1.3). Nonetheless, the global headquarters do to some extent work with standardizing procurements of insurance solutions as it can offer economies of scale for the firm. Such solutions can also be advantageous to smaller clients that are less complex and that have less money to spend. Moreover, the firm has during recent years standardized their own terms and conditions as a way of streamlining their work.

4.1.2 Local Responsiveness

4.1.2.1 Adaptation to Local Context

“All business is local and it is important to have people locally who are business driven and understands this.”

- IP 1.3 -

It was underlined that understanding the local context that the firm is operating in is central, requiring varying work practices. On this note, the interviewees stressed that work methods differ between countries. Moreover, it was highlighted that local rules and regulations significantly impact the everyday work.

4.1.2.2 Professional Autonomy

“When it comes to the creativity in our client offerings, it is very much the responsibility of the local capacity.”

- IP 1.1 -

It was clearly emphasized that the professionals in the firm have a high degree of autonomy. The interviewees stressed that this is necessary as they need a high degree of flexibility when working with local clients in order to create value for them. In addition, it was underlined that professional flexibility signals to clients that the firm understands their operations and has the possibility to adapt their work according to their needs.

4.1.2.3 Customization of Services

“We have reached rock bottom. We need to start charging for the competence we are actually offering. There have actually been times when we have turned down offers - when the price is too low. And instead of competing with price, we invest in building services that our competitors cannot offer.”

- IP 1.2 -

The interviewees highly emphasized that the local office widely customizes offerings to local client needs and that this is essential in order to create client value. Furthermore, it was described that the firm is moving towards more customized solutions and advice-oriented services, particularly for their international clients. This development was explained to be a result of a long period of intense competition among the brokerage firms which has caused premium prices to substantially decrease. Meanwhile, price has become a main driver of competition, making it difficult for firms to stand out. In response, they are now moving towards offering an increased range of services in order to be able to properly and holistically fulfill client needs. The interviewees pointed out that adding services to their portfolio hopefully will tie clients closer to them.

4.1.3 Summary

In case company A, the local office is working relatively autonomously from the global office. The global office has initiatives and policies that are being pushed down in the organization, but examples given by the interviewees show that the local office has the power and authority to successfully push back and refuse. Such initiatives seem to mainly relate to policies with the aim of creating uniformity across the firm, as well as common systems with cost saving objectives. Interestingly, the importance of showing a united front towards clients across the world was highly stressed, but no truly effective measures to achieve uniformity were mentioned. For example, the webinars on client facing behavior are not prioritized locally. Meanwhile, the training that is conducted locally relates to the profession itself rather than to corporate matters. Although the company lacks a common system, it seems that such a system is not determinant for knowledge sharing, as repeated examples of expertise frequently being exchanged were given. Local adaptation is mostly necessary to perform with respect to legislation. At the same time, professional autonomy was heavily emphasized as it was regarded as necessary in order to fulfill client needs. Concerning the client offering, the firm offers both standardized and customized solutions, although the emphasis was clearly towards the latter as it was stated to be demanded by clients at the same time as it generates higher revenue.

4.2 Case Study B

4.2.1 Global Integration

4.2.1.1 Firm-Wide Policies

"When it comes to global policies, they generally take time to implement. It takes longer than you might think due to cultural differences. Here in Sweden, we need to understand the value of policies before fully embracing them."

- IP 2.2 -

Most of the directives coming from the global organization concern compliance, and the interviewees explained that they are communicated on the global firm website and during yearly trainings. Global policies regarding the work with and treatment of clients also exist, which the interviewees admitted are time-consuming to implement due to culture differences. The global office sends over an "endless amount of material" (IP 2.3), which all employees in the local office work through together in order to make sense of them, which was seen as crucial for successful implementation of global policies in Sweden.

4.2.1.2 Standardization of Systems and Processes

“The global office visits us from time to time to make audits to ensure that we have control of the business we are operating here locally.”

- IP 2.2 -

The interviewees put particular emphasis on the firm's globally shared IT systems, in which information can be shared between offices in various countries. The systems also function as a platform for offices to share guidelines regarding international client solutions. Moreover, the systems are used for offices to overview client time allocation, which constitute the basis for distribution of compensation among offices dealing with international clients. However, the Swedish office also have their own, locally developed processes such as that of documenting what is included in service commitments towards different clients. Furthermore, it was mentioned that employees from the global office make physical visits to audit the performance at the Swedish office. Finally, there exists in-house training that is not mandatory.

4.2.1.3 Knowledge Sharing

“We have several competencies. Apart from the industry specific expertise, we have country specific expertise that we can easily access. This is beneficial to the client, especially if they lack experience in a certain market.”

- IP 2.3 -

Great emphasis was placed on the firm's network and the access to the right expertise and competency that it enables. The interviewees highlighted that clients receive qualitative service from the firm's local offices across the world. It was stressed that the interviewees do indeed seek advice from international colleagues, and that this is normally done through phone or e-mail. Meanwhile, it was noted that employee rotation seldom takes place and that the firm lacks processes for sending employees on missions abroad. Similar to case company A, the interviewees attributed this to the industry rather than their firm (section 4.1.1.3).

4.2.1.4 Standardization of Services

“We have chosen to go a different route than our competitors. We only offer standardized services as a supplement. We are not out prospecting towards that type of client.”

- IP 2.3 -

Standardization of service delivery is generally not offered and the interviewees strongly distanced their firm from having such a service strategy. The interviewees mainly explained the intentional lack of standardized offerings as a result of their international client base, which face risks that are too complicated to be subjected to standardization.

4.2.2 Local Responsiveness

4.2.2.1 Adaptation to Local Context

“As a large global company, there is a lot that you cannot adapt. Generally, we adapt external activity that we are forced to relate to the local market, such as legislation.”

- IP 2.3 -

Emphasis was placed on the many local rules and regulations which the local office needs to follow. Other than that, it appears that adaptation to the local context is primarily done in client offerings.

4.2.2.2 Professional Autonomy

“I would say that we can decide very much here locally.”

- IP 2.2 -

The interviewees expressed that when it comes client offerings, they have a large degree of autonomy and “have the type of flexibility” that they can listen to client needs and tailor solutions to them. However, when it comes to aspects that are more of the “organizational” nature, they need to follow set rules, which were stated to mainly be related to legislation.

4.2.2.3 Customization of Services

“I would like to stress that we have great flexibility here at the Swedish office. Client needs permeate everything we do. We are always in close dialogue with clients and design our services in a way that suits their needs and operations.”

- IP 2.2 -

Customization of service offerings was stressed as important to the creation of client value, particularly as the firm widely works with international clients with complex risk that require a close dialogue with clients and a high degree of customization. Furthermore, the interviewees highlighted that this has always been their way of working, explaining that this is natural considering that the firm works with very large, international clients. They also described that client needs are becoming more complex due to the increased risk clients face (or the increased awareness of these risk) such as cyber related threats or natural disasters. In addition, one interviewee commented that this development will require that the firm increases and improves their dialogue with people higher up in the client organizations to really understand the risks the clients are facing in order to build services that help mitigate and cover these risks.

4.2.3 Summary

In case company B, the local office has a strong tie to the global office, and the office's possibility of impacting organizational aspects, such as systems and processes, appears to be limited to matters concerning local legislation. Global policies coming in vast quantities are admitted to be difficult to implement, largely due to cultural differences, and a lot of time has been spent locally on "making sense" of them so that the employees actually embrace and follow them. When it comes to systems, the firm has several shared ones that are heavily used. These appear to be used for sharing information rather than expertise, which is instead shared through other communication tools. Regarding the client offering, the interviewees were quick to thoroughly highlight that traits of standardization in their offerings are exceptions. The autonomy among employees allowing them to customize according to client needs was instead elaborated on.

4.3 Case Study C

4.3.1 Global Integration

4.3.1.1 Firm-Wide Policies

"We have reinterpreted the core values so these suit the Swedish organization, as we found out that people had a hard time to adopt them."

- IP 3.1 -

Compliance and client-facing policies were the most prominently mentioned firm-wide policies within the firm, and the interviews made it evident that the employees at the Swedish office put great weight on following these. However, when it comes to the global core values of the firm, the office has decided to locally adapt them to better suit the office as it was found that the employees did not fully embrace the core values.

4.3.1.2 Standardization of Systems and Processes

"We have many common systems in place and there is a certain way you should use these."

- IP 3.3 -

Several globally shared IT systems were brought up by the interviewees, who especially emphasized their worldwide pricing system and their information sharing system. The pricing system is used to document time allocation for international clients who sometimes purchase local service in other offices in the world. It is important for the firm to keep track on every office's worked hours, and such information is used as

basis for allocation of costs and revenues. As such, it has become a “negotiation tool” for local offices claiming their fair piece of the cake, which is expressed to be an energy consuming process at times. The Swedish office does however also have a few locally developed systems, for example a time-reporting system. Moreover, there is in-house training in place performed throughout the entire firm which is mandatory for all employees. The training aims to ensure that employees remain at a high level of expertise. Furthermore, the firm has a thorough onboarding program for all new employees entering the firm.

4.3.1.3 Knowledge Sharing

“I believe this is the great benefit of belonging to a global company, there is so much knowledge the practice groups, for example in the office in London.”

- IP 3.1 -

The network was repeatedly discussed as a prerequisite in order for the firm to be able to provide international insurance solutions. The network was mentioned as giving both employees and clients with global needs access to first-hand market knowledge across the world, which lowers the need of having a wide range of expertise present in-house in the local offices. Sharing of specialist knowledge was stated to mostly take place on an ad-hoc basis through ordinary communication tools. Important to note is that when reaching out for such expertise, employees begin by turning to the broker that is globally responsible for a particular client so that this person always has a complete picture of matters related to their client. This is also done to avoid double work, as it happens that a question that arises locally when working with a client already has been dealt with elsewhere. Nonetheless, in line with the other firms, the interviewees stressed that the firm lacks processes for employee rotation. Instead, knowledge is shared through globally common IT systems containing information about clients and their contracts. Furthermore, they function as strict guidelines for local offices so that they know exactly which frames they have to work within for each and every client based on what type of contract they have.

4.3.1.4 Standardization of Services

“However, in these cases we do not offer any manual or extra work, and we do not look at any additional risk exposures”

- IP 3.1 -

There is a degree of standardization of services within the firm, which the interviewees explained depend on the client type. It was stressed that their international clients, which constitute the largest part of the client base, need complex solutions that require more manual and customized work. However, the firm does have one department that is solely dedicated to standardized solutions. This department places

portfolios that work as group-solutions for some clients who either have a lower willingness to pay or who do not have the need of customization. One interviewee did however express that some clients are beginning to oppose such solutions as they increasingly feel that standard solutions are not suitable to their needs. Furthermore, the firm has developed its own standard conditions at the local (country) level, which, before they were launched, were approved by the global legal department. These decreased the amount of negotiation work with insurance providers as they either need to accept their conditions or not, and simultaneously strengthened the tie to the clients.

4.3.2 Local Responsiveness

4.3.2.1 Adaptation to Local Context

"It is mostly our services that are being locally adapted as these need to follow the insurance brokerage law and the insurance agreement law, as well as non-disclosure agreements."

- IP 3.1 -

As discussed in section 4.3.1.1, the firm has performed local adaptation of the global value words in order for them to better suit the local employees. Other than that, the interviewees mentioned that it is mostly the service delivery that is subjected to local adaptation in order for it to follow legislation.

4.3.2.2 Professional Autonomy

"Let's say that we brought in a client on a global level, and then it is up to us to fix everything relating to us locally. Then it is all about sitting down with the client and going through and seeing exactly what they need."

- IP 3.2 -

The interviewees explained that professional autonomy constitutes a large part of being a broker and that it is crucial that the brokers can adapt their work according to differentiating client needs. However, they also stated that there are times when they do not have the possibility to do so, especially when serving clients that are not locally bound, as they need to follow the contract set up by another office. In such cases, the interviewees mentioned feeling frustrated over not being able to help out in a way that they feel would be the most suitable. In addition, it was highlighted that the work that they are performing directly impacts their firm's brand, which they are "carrying on their shoulders". It was also underlined that since the industry size is limited, all parties in it either know each other or know of each other.

4.3.2.3 Customization of Services

“They need a trusted advisor to make sure ‘Do I have the right retention in relations to my risk? Do I have the right conditions? Will these conditions be valid in court? Do I have the right limit when it comes to the maximum estimated loss if one of my factories explode?’ This is the type of competence that they do not have in-house.”

- IP 3.1 -

There is an outspoken wish to help both clients that need customized solutions and those who prefer more standardized solutions. For the clients in need of more customized solutions, emphasis was placed on adapting the services in a way that is in line with client needs, which require more expert knowledge from professionals, and consequently enable charging higher fees. It was commented that the larger the client is, the larger is their need of customized solutions. Moreover, the interviewees did discuss feeling that the firm, and the industry in general, is moving more towards advice giving instead of placing standardized insurance solutions. Indeed, the clients preferring more standardized solutions are receiving a very limited amount of advice.

4.3.3 Summary

In case company C, the local office is strongly tied to the global office, although the local office has the authority to oppose global initiatives. An example that stands out is the global firm's value words, which were found to inadequately suit the local office and consequently were modified. Out of the three case companies, case company C appears to have the most structures and systems in place and these seem to compromise a significant role in the daily work of the interviewees. The knowledge that is shared across the network is however of a seemingly straight-forward character, for example related to client contracts. When it comes to the service offerings, the importance of professional autonomy was highlighted, although it was admitted that it is sometimes restricted by global contract agreements with clients. Overall, the firm offer customized solutions as their international clients tend to have complex needs that require them and since they enable charging higher fees. The firm has however worked with standardizing their terms and conditions in “portfolios”, which shifts power towards brokers as insurance companies need to accept the deals if they want to do business with the firm.

4.4 Complementary Views

4.4.1 Former Brokers

"All the rebels on the floor who were old in the game said 'if my client is happy, you can say whatever you want to, I will do it my way' and 'if this is not good enough, I will leave the company'".

- IP 4.2 -

The former brokers strongly emphasized the importance of professional autonomy for firms that undertake a customization strategy. On one hand, they need this autonomy in order to feel free to use their expertise and to do what is best for their clients, and on the other hand, they do not like spending their valuable time on time reporting. In fact, when it comes to the administrative tasks, one of the former brokers explained that some brokers simply refused or performed them hastily, and that the global office had little authoritative power to change this. Moreover, the same broker recalled that one firm in the industry had previously significantly changed their structure and processes towards a larger degree of standardization, which resulted in a grand number of resignations. Another thing that was stressed by the former brokers was the importance of globality. It was stated that an ongoing change in the industry is that smaller insurance intermediary firms with a limited geographic scope are starting to form international networks with each other in order to fulfill the important client criterion of globality.

4.4.2 Risk Managers

"I want us to be able to go out for lunch and laugh and have fun - not just talk about insurances! Life is too short to only talk about insurance and risk."

- IP 6.1 -

The interviewed risk managers were found to use brokers for two purposes - first, to negotiate with insurance companies and place insurances and second, to provide consultative services and advice. They explained that not only are the aspect of knowledge and expertise highly valued by them, but also the social skills of the brokers. Indeed, almost a friendship-like relationship is sought, where trust is crucial. Moreover, both risk managers expressed that since their own companies have international needs, they only work with major, global brokerage firms that have extensive networks. The network is particularly important as it gives access to wide-spread expertise.

4.4.3 Insurance Company

“The relationship with the brokers is deadily important. If you do not have a good relationship with the brokers, you are out of the game.”

- IP 5.2 -

When it comes to corporate insurance, the insurance companies close most of their deals through the insurance intermediary firms who negotiate with them on the deals. Thus, the relationship between the brokers and the insurance company is crucial. When discussing the insurance intermediary firms with representatives from a major, global insurance company, they were quick to firmly underline the importance of insurance intermediary firms having a global, legitimate brand as “you never have to explain or justify if you go with one of the largest, most legitimate brokerage firms” (IP 5.1). They also explained that due to decreasing premiums, there is an ongoing trend of insurance intermediary firms moving away from previously standardized solutions in an attempt to truly stick out among competitors and to be able to charge higher prices. Meanwhile, the insurance intermediary firms are starting to take over some tasks that the insurance firms typically did, such as giving advice regarding risk, and thereby further distance the clients from the insurance companies.

5 Analysis

This chapter presents an analysis of the empirical data collected, and more precisely on how firms deal with global integration and local responsiveness drawing on theories on PSFs. The findings are discussed with the developed conceptual framework as foundation, starting with global integration and followed by local responsiveness. Finally, the balance act will be elaborated on.

5.1 Global Integration

All three researched firms explicitly acknowledged the importance of being globally integrated and the empirical findings indicate that they are consciously structured in ways that are supportive of global integration. The most eminent drivers appear to be those of brand and reputation, which is supported by the research made by Segal-Horn and Dean (2009) concluding that such aspects constitute a key competitive advantage. The interviewees indicated that a strong brand and superior reputation stem from being global and having a widespread well-functioning network. In alignment with the conceptual framework developed in section 2.3, global integration was found to mainly be sought through control and coordination, which in turn, as derived from previous research (section 2.1), was reached through (1) firm-wide policies, (2) standardization of processes and systems, (3) knowledge sharing, and (4) standardized services. The empirical findings however show that the mechanisms in place are not necessarily effective.

5.1.1 Firm-Wide Policies

The case companies have firm-wide policies that are initiated to create firm uniformity. The importance of the adherence of them to nurture the firm brand is clear, although they appear to be of a basic nature and thereby obvious to the professionals who do not prioritize actively adopting them.

The importance of initiatives aiding internal and external uniformity was highly emphasized in all three case companies, and firm-wide policies were found to play an important role in that strive from the global headquarters' side. The policies can be explained as an attempt to manage and control the firms' highly valuable yet hard-to-control professionals, as well as to create a uniform and strong brand which is crucial due to the characteristics of services that make it difficult for clients to predict what quality they pay for (Hitt et al., 2001; von Nordenflycht, 2010). As one of the insurance company representatives mentioned; "as a risk manager, you will never be questioned if you choose to go with one of the major brokerage firms" (IP 5.1). In line with this, it was explained that poor service level in one place in the world could easily have negative spillover effects elsewhere in the world. As one interviewee expressed "you can truly screw it up locally which effects other offices in the world" (IP 1.1), strengthening the importance of uniformity further.

The most eminent firm-wide policies identified are related to compliance and client-facing behavior which communicate firm ethics as well as what kind of behavior is and is not appropriate. It is fundamental for PSFs to work on these areas to avoid scandals and nurture an immaculate brand (Greenwood et al, 2005; von Nordenflycht, 2010). That these policies were repeatedly brought up during the majority of interviews with the brokers indicates a top-of-mind anchoring among them, which in turn suggests that they are prioritized by the global offices. However, it was contradictory found that they are mainly communicated through “webinars” and formalized written material that are given low priority by the busy brokers. Also, as expressed by several interviewees, the policies tend to be “quite obvious”, such as “do not accept bribes” (IP 1.2). This makes it questionable whether they have any effect or if they are rather there for show. When it comes to the client-related policies their basic nature might also be a result of the global office wanting to avoid inflicting on the genuineness of the crucial relationship between professionals and their clients. In fact, the risk managers revealed that they desire to have a relationship with their brokers similar to that of a friendship, illustrated by quotes like “you want someone who can talk about other things than insurance” - because “life is too short not to” (IP 6.1).

Furthermore, closely connected to the discussed policies, are the “core value words” in place in company B and C that are meant to guide the overall work. Even these were of obvious nature, and they were expressed to be difficult for the professionals to embrace for that reason. Instead, it was explained that the brokers need to make sense in order for them to truly adopt them. The local office of case company B has consequently actively and repeatedly gone through them, discussing their purpose and meaning. After several years, they are now believed to have been adopted. Meanwhile, case company C has gone one step further and developed their own local value words, derived from the global ones, to ensure a local fit. Clearly, having guiding value words is seen as important enough to take time to work on them. This might be explained by the need of having at least some method of aligning and thereby coordinating the professionals, despite an evident ineffectiveness.

5.1.2 Standardization of Systems and Processes

Two of the researched firms have globally shared systems that function as control mechanisms, while the third one have their own, locally developed system which they hold tight to. Meanwhile, there is a continuous work with in-house education, although it is only firm-wide to a limited extent.

Sharing of globally integrated systems is a method for the headquarter to control and enable sharing of information within and between offices. Meanwhile, shared procedures ensure that work follows a commonly shared standard (Aharoni, 1996). Case company B and C were found to have shared systems in place, but the interviewed brokers indicated that they are not always used locally and that there is no real consequence of this. Although previous research has prescribed great importance to such systems (Child,

2005; Muzio & Faulconbridge, 2013), this is not surprising considering that professionals tend to be reluctant to do tasks that are not immediately creating value (Löwendahl, 1997; Maister, 1993). Meanwhile, both company B and C have certain local systems as “it would not bring enough economies of scale to be worth sharing them” (IP 3.3), which demonstrates a certain degree of local freedom in these firms under the condition that it is financially defensible. The local office of case company A does not use the shared systems that have been developed by the global headquarters, despite being continuously requested to implement them. It was stated that such a setup “would remove our ability to be agile and flexible towards our local customers” (IP 1.1).

Furthermore, financial control mechanisms were frequently mentioned within all three case companies. These were explained as a method for the global headquarters to monitor the local offices from a distance without significantly intervening in the daily operations. However, the global headquarters get in contact with the local offices as soon as targets are unmet. In fact, financial reporting and time reporting were repeatedly mentioned to be an area of increasing focus within the firms as an increased awareness of their spending has arisen. Compared to a few decades ago, the professionals are now expected to report the money and time spent on different client and tasks at a much more detailed level. This was expressed to be unappreciated by the professionals, especially by those with extensive experience within the industry who are used to carry out their work in a certain way. Time reporting was thus considered somewhat of an obstacle to some of the professionals who rather want to continue “keeping the focus on the client” (IP 4.2).

Another aspect frequently brought up by the interviewees was the process of training. It was found that all three firms have processes in place for in-house education to assure that employees have the right type of knowledge. However, this training is mainly compromised by very basic education that is offered on websites and intranets, and participating in in-house training is only mandatory at one firm. As the professionals are a firm’s face towards the clients (Löwendahl et al., 2001), standardized trainings could help the firms to deliver the same level of service across borders. At the same time, it might be difficult for the global headquarters to design trainings that are suitable to all the differing local contexts.

5.1.3 Knowledge Sharing

The international network was stated to be highly important for the success of the global insurance intermediary firms, supporting the importance of an integrated network. However, the interviews indicated that the information shared was mostly of basic, informative nature related to legislation or clients.

The importance of having an international network was emphasized in all three firms. The local offices repeatedly stated that they are dependent on information and expertise from the other local offices in order to perform their work properly, and that having a well-functioning network therefore is indispensable. Especially since it is not profitable, nor practical, to have all relevant expertise present locally. The networks mostly appear to be used when particular hands-on information or knowledge regarding clients, industries or various laws is sought. With the help of such information, more advanced work demanding advanced expertise seems to be carried out locally. Also, best practices were seldom shared across the organizations, which otherwise is a benefit that global PSFs can draw on to avoid the classic re-invention of the wheel (Greenwood et al., 2010; Koironen, 2003). Only case company A expressed that there are procedures in place for such exchange of deeper insights.

Furthermore, the degree of face-to-face contact between local offices is surprisingly low compared to what previous research suggests (Ghoshal & Bartlett 1990; Segal-Horn & Dean, 2007). Also, the interviewees within all case companies explained that their firm lacks processes to send people on both shorter and longer abroad-missions. One explanation for this might be the importance of relationships within the industry. After all, the brokers need to maintain a high quality relationship with both their clients and the insurance companies, while other PSFs “only” need to nurture the relationship with their clients. Another likely explanation is that the cost and time consumed by travelling might not make up for the benefits of face-to-face meetings. Especially since the industry is described as being under financial pressure. Moreover, this type of exchange gives rise to issues of cost allocation, which several raised as a concern since the procedures of cost allocation that are in place in their firms are not always functioning optimally.

In accordance with previous research on the brand identity of PSFs (Greenwood et al, 2005; von Nordenflycht, 2010), the interviewed brokers and the insurance company representatives strongly implied that the strength of the brand of the insurance intermediary firms is largely built on their network. However, the true practical necessity of the network can be questioned considering that the knowledge exchanged in it mostly appears to be relatively basic. Instead, the network first and foremost comes across as a crucial selling point towards clients. Indeed, the interviewed risk managers expressed that a global, well-functioning network is a minimum requirement when choosing firm. Nonetheless, the interviewees in all three case companies highlighted that they do work closely within their network and spoke positively about it. For example, exclamations like “There is a high willingness in this organization to help each other out on a

global basis” (IP 1.1) were made. However, this does not say much about its true value when it comes knowledge sharing.

5.1.4 Standardization of Services

Overall, the case companies distanced themselves from standardization of services as a method of alignment and it was explained that all major firms in the industry are determinately moving away from such strategy. In an industry under financial pressure, such a strategy appears to entail risks for the firms that want to maintain a high price level and defend their existence.

Standardized services are a method for the global headquarters to ensure that the services are similar across the firm regardless of location (Hansen et al., 1999; Maister, 1993). All interviewees strongly articulated that this type of standardization is a hotly debated topic within the firms. In fact, the industry is quickly and determinately moving away from such a strategy, which previously was employed to a larger extent since it permitted cutting internal costs. Company A and C offer somewhat standardized solutions in a few lines of business that are less complex, while company B firmly distanced themselves from such solutions.

The ongoing shift away from standardization can be explained by the danger of having such a strategy. To begin with, there is an immediate risk of the professionals becoming unmotivated if they are not allowed to put their expertise to use (Löwendahl, 1997). Moreover, with standardized services, it can be questioned how “professional” the services would be considering that professional services by definition are tailor-made using advanced expertise (von Nordenflycht, 2010). Indeed, as stated by one of the interviewees “you do not need to be a broker to offer standardized solutions” (IP 1.2). In connection to this, it needs to be remembered that it is difficult to charge high fees for standardized services (Maister, 1993). While it is difficult for clients to judge the value of customized services due to characteristics like intangibility (Kotler, 2003; Miozzo & Yamin, 2012; von Nordenflycht, 2010), standardized services are usually more straightforward.

Moreover, PSFs providing standardized services indirectly admit that the value that they bring to clients is basic enough to be replicable across clients and industries, which could potentially threaten their existence. With this in mind, the separation from standardized services becomes fully understandable, although it does not necessarily mean that standardization is not performed behind the scenes to gain economies of scale and scope. Meanwhile, the very same case companies repeatedly stressed global uniformity to be crucial, as discussed in section 5.1.1. A relevant question is then how the firms manage to be perceived as uniform by clients if the services constantly differ depending on the client needs, while the professionals providing the services also inevitably differ since they are human beings. This will be further discussed in section 5.3.

5.2 Local Responsiveness

When discussing local responsiveness, the firms were quick to emphasize the significant effects of local legislation as well as the need to have a high degree of professional autonomy in order for the brokers to carry out customization in the client offerings. Having service offerings adapted to clients and their needs was seen as crucial to generate revenue. As derived from previous research, the main aspects of local responsiveness are (1) adaptation to local context, (2) professional autonomy and (3) customization of service delivery. Accordingly, the analysis will follow this structure.

5.2.1 Adaptation to Local Context

Adaptations with regards to the local context were found to mostly be performed due to differences in legislation and industry standards across the world. Cultural differences were not explicitly believed to affect the local office, although indications of that being the case were identified.

All firms mentioned that some work processes need to be adapted and/or developed locally, which was widely explained to be a result of local regulations that restrict global initiatives from being fully implemented locally as-is. Apart from describing the adaptations in the local offices, the case companies also continuously mentioned that they were “not sure how it works in other countries” when it comes to regulation-governed processes. This suggests a lack of insight into how other local offices deal with their local circumstances, indicating that local adaptations permeate the firms. Considering the complex nature of the work that the professionals are carrying out, which often is governed by regulations (von Nordenflycht, 2010), this seems natural.

When asked about cultural differences as a driver for local responsiveness, as suggested by Campbell and Verbeke (1994), none of the interviewees expressed that they had experienced that such differences had influenced their work. Instead, they raised beliefs of the industry already being internationalized to the extent that cultural differences posed no significant threat to the relationship with the clients. Meanwhile, some interviewees raised issues related to cultural differences causing tensions within their own firm, which imply that culture after all could contribute to the need of local adaptations.

All interviewed brokers expressed that having offices placed in local markets is crucial in order to understand local customer needs. On this matter, one of the former brokers recalled having worked in a global insurance intermediary firm that decided to shrink its Swedish branch, resulting in distressed customers who suddenly realized that “they want to have someone that can hold their hand, who is easily available to grab a coffee with, to discuss issues that have arisen” (IP 4.1). This could be explained by “liability of foreignness” (Boussebaa & Morgan, 2015; Zaheer, 1995) as firms want to be physically close to

their clients to understanding the local context they are in, in order to be seen as legitimate in the eyes of the clients.

5.2.2 Professional Autonomy

Autonomy among the brokers was identified in all three firms. It was claimed to be necessary for value creation as well as to maintain a good reputation among potential employees and clients. However, in one of the firms, global client contracts were found to be restrictive.

The firms widely rely on local competence and creativity when it comes to the client offerings, and accordingly, the interviewees stated that they have a high degree of autonomy. Working autonomously is necessary in order for the professionals to do their job well and carry out their expertise without being too restricted by firm regulations and directives (Greenwood et al., 2010; Løwendahl, 1997). This was especially emphasized in case company A and B, where it was explicitly underlined that it is up to the brokers in the local office to create value for the clients. In case company C, it was instead repeatedly stressed that although the professionals generally have local autonomy, it is sometimes restricted. These restrictions arise from the deals that have been made between a global client's headquarters and the local brokerage office in the country where client is based, hindering the local professionals to step outside of set boundaries.

Moreover, it became evident that autonomy was not only needed for the service delivery, but also for job satisfaction among the professionals, which is in line with previous research that claim that professionals who are not granted autonomy are likely to leave their job (Løwendahl, 1997). The extent to which the insurance intermediary industry is an ecosystem was however surprisingly definite. One of the former brokers (IP 4.1) explained that when a major player in the industry a few years ago suddenly changed strategy and put new, restraining demands on their employees, many of the professionals decided to quit their job. As suggested by previous literature (Løwendahl, 1997) the brokers do after all need to have their own interest in mind too, and if they take on trivial, unchallenging projects, they will not be stimulated and further develop their expertise.

Meanwhile, the firms have a lot on stake since they are dependent on their professionals when it comes to attracting new, highly-skilled employees. The interviewees made it clear that rumors quickly spread in the industry and that people continuously keep switching between the same few firms. One interviewee even resembled it to "silly season" in the NHL-league (IP 3.1). Moreover, previous research shows that the perceived quality of the professional workforce impact what client projects the firms win (Greenwood et al, 2010). Therefore, unelaborated, short-term decisions restricting autonomy can potentially have significant long-term effects.

5.2.3 Customization of Services

There was a clear focus on customization of services within the case companies, which was stated to be necessary due aspects such as differing client needs and local regulation. An ongoing shift towards a greater customization focus within the industry was repeatedly brought up by the interviewees.

When it comes to service offering, all interviewees within the case companies agreed that there are no “one size fits all”-solutions while highlighting that they are offering customized, value-adding services. The most prominent reason to this was stated to be that clients pay for expertise that is relevant specifically to them. Moreover, the presence of local regulation also obligates customization of services as they too, alike work practices, are regulated by law as discussed in section 5.2.1. Having customized solutions in a global firm does however not always work seamlessly. An example of this was found in case company C, where it was mentioned that specific insurance solutions that are customized to global clients based elsewhere are sometimes pushed upon on the local office. It happens that they then need to oppose these solutions for various reasons, a process that gives rise to internal discussion that are often time-consuming for the Swedish office.

Meanwhile, the move towards more customized offerings was a continuous theme throughout the interviews. The underlying reasons brought up were (1) the clients need it in an increasingly complex world where there is a larger awareness, (2) that it is a good way get closer to and keep clients, (3) the competition amongst the insurance intermediary firms has increased which make it hard to “stand out” from the competition, and (4) that it is easier to charge higher fees for more value adding services. The interviewed risk managers and insurance company representatives put emphasis on the last two explanations. Indeed, one insurance representative mentioned this as the “survival strategy” of the insurance intermediary firms (IP 5.1).

While the risk managers confirmed this transition, they also explained that their need has not significantly changed. Instead, they felt that the move towards more customization and value-adding services is “pushed” on them (IP 6.1; IP 6.2). They stated that now, more than ever before, they as risk managers need to know what they want. Meanwhile, all three case companies mentioned that they sometimes turn down projects that are too simple and transaction-oriented. By turning down such projects the firms stay loyal to their strategy and signal this towards clients as well as towards the professionals within the firm. Thereby, they avoid entering a playing field where firms compete on price, which is important as the case companies focus on value-adding services and have resources matching such strategy. Furthermore, the customization strategy strengthens the brand’s reputation of having “true” professionals that mainly take on difficult problems. As such, knowledge from more complex tasks can be gained, which in the end enables the building of important capabilities (Löwendahl et al., 2001).

5.3 The Balance

As made evident in the previous two sections (5.1 and 5.2), simultaneously being globally integrated and locally responsive is challenging. While the firms' headquarters are initiating control and coordination activities with the aim of being perceived as one firm worldwide, the interviews revealed that the local offices to varying degrees oppose these initiatives. In fact, such initiatives are generally either partly pursued or not pursued at all. Even though being perceived as "one firm" was considered crucial by all interviewed stakeholders, including the brokers who in their daily work are not adopting the measures of achieving such a goal, the local offices were clearly "granted" the authority and power to refuse. This seems to be an effect of a decoupling between the firms' local offices and the global headquarters and other local offices. However, the effect of the decoupling appears to vary between the firms, with the highest degree of decoupling being identified in case company A and the lowest degree of decoupling being identified in case company C.

Decoupling naturally aggravates control and coordination, and in all the three case companies it seems to have given rise to a strategic perception gap between the local and global offices. This perception gap was displayed during the interviews as the subsidiaries had somewhat differing views on their role compared to the view of the global headquarters. In case company A, the most significant gap was identified, illustrated by quotes like "In my role I have to take the fight to make sure that we do not accept initiatives that can potentially be negative in our work here locally" (IP 1.1). This indicates that the local and the global interests do not necessarily align, which means that within the company, subsidiaries might be working in different directions. Further, the same person expressed "We have to think of our customers here locally. Sometimes I see it as the global office only exist to assist us in our work". Although case company B and C were found to have comparably stronger ties to the global office, a similar perception gap was indicated as the importance of the local offices and their freedom to operate according to local circumstances was continuously highlighted during the interviews. Meanwhile, the role of the global offices was seldom brought up other than when it came to the control mechanisms. If the global office is perceived to be far away not only geographically but also psychologically, it is not strange that the local offices do not fully attend to global initiatives.

Building on to the analysis above, it is interesting to analyze why the control and coordination activities are not always effective using the theoretical framework of the research. Two sources to the lacking control and coordination activities are especially prominent; (1) the local context, and (2) the professional autonomy. Interestingly, and perhaps naturally, these activities constitute two components of local responsiveness in the conceptual framework (section 2.3). Regarding the local context, the interviews strongly indicated that local aspects such as legislation and client need of customization in practice means that it is very difficult for the global headquarters to intervene when it comes both to general practices and the actual services. This further contributes to the decoupling effect described previously. Considering these

aspects, it appears impossible for the global headquarters to be involved at a detailed level without negatively interfering with the local way of doing things. Furthermore, it is difficult for the global headquarters to, on a detail level, be involved in what services the local offices deliver as they are strongly tied to the local context and legislation. Regarding professional autonomy, the interviewees stressed it to be an important aspect to meet client demands and perform effectively in their work. As the firms rely heavily on their professionals, the risk of losing highly important employees is perhaps one of the most pressing explanations to why the local offices can disregard global initiatives while the global offices turn a blind eye to it.

Having discussed why the control and coordination mechanisms are not fully obeyed by the local offices, it is of interest to understand why the global headquarters allow this. Following the discussion above, it appears unreasonable that the global headquarters are unaware of the negligence of their initiatives as it rather appears that they allow it. One might in that case wonder why the initiatives are there in first place, and it just might be that they exist to create an outward image of a major, globally uniform firm. Meanwhile, a uniform service provider might in reality not even be what the clients want in order for them to have their needs fulfilled. Considering the power of the local context and professional autonomy, it seems that they do not have much choice if they are to continue within the high quality segment that they are operating in. Meanwhile, a legitimate reputation combined with being known for succeeding with providing clients with an effortless experience is a main source of competitive advantage (Segal-Horn & Dean, 2009). Thus, it might be a conscious strategy to outwards emphasize the network and provide clients with the image of an integrated firm, while inwards to some extent turning the blind eye to the professionals' negligence of integration initiatives since they ultimately are not crucial. In conclusion, if clients really want what they say that they want in terms of customized value-adding services, an internally uniform PSF is not what they in reality need.

6 Concluding Remarks

This chapter begins by addressing the research question through a summary of the main findings. This is followed by discussions regarding the theoretical and practical contributions of these findings. Thereafter, the limitations of the thesis are presented. Finally, suggestions for future research are given.

6.1 Addressing the Research Question

The aim of this thesis was to answer the research question “How do Professional Service Firms balance global integration and local responsiveness?”. In the search for an answer to the research question, a conceptual framework was constructed based on previous research on PSFs as well as on theories regarding global integration and local responsiveness. Interviews guided by the framework were then conducted within three case companies as well as with other relevant stakeholders. Having analyzed the collected data, the findings indicate that there is a profound awareness of the importance of succeeding both with being globally integrated and locally responsive. To do so, there are several mechanisms in place. However, the findings make it evident that simultaneously being global and local is as paradoxical as some scholars have previously stressed (e.g. Boussebaa, 2007; Birkinshaw, Holm, Thilenius, & Arvidsson, 2000). The findings will be summarized and discussed in the following paragraphs.

When it comes to global integration, the main integrating mechanisms concern control and coordination, and mainly four ways of reaching global integration were identified; firm-wide policies, standardization of systems and processes, knowledge sharing and standardization of services. Overall, these aim to achieve a uniform, global brand. The firm-wide policies identified mainly concern compliance and client-facing behavior, and although their importance was stressed by the brokers, it was also admitted that due to their basic, obvious nature they did not bring much additional value. When it comes to standardization of systems and processes, there were such initiatives coming from the global headquarters. These were however obeyed to differing extents in the case companies since they sometimes were perceived to collide with the best interest of the local office. Knowledge sharing was also strongly emphasized as crucial by all interviewed actors in the industry, although in reality the exchanged expertise mainly appeared to be of relatively informative nature that usually do not require more than a phone call or e-mail to sort out. Meanwhile, the case companies distanced themselves from standardization of services as a method to achieve uniformity, which is understandable seeing as such services would aggravate charging high prices and dilute their reputation as advanced experts while also leading to unmotivated employees. Altogether, it is evidently difficult for the global headquarters to control and coordinate activities globally, especially when these initiatives disturb local interests and employee interests.

Concerning local responsiveness, mainly three mechanisms were identified; adaptation to local context, professional autonomy and customization of service delivery. Overall, these mechanisms are a result of the

firms' need to adapt their offering to local customer needs, where examples show that clients expect their service providers to be physically close and understand their local business. Adaptation to the local context came across as inevitable as it was mostly performed to suit local legislation and industry standards. Furthermore, the professionals need to be flexible in their daily work, both to create value and to enjoy their work and strive. Closely connected to this is the strategy of customized services, which all interviewees firmly argued for due to the lack of "no size fits all"-solutions. At the same time, such services defend the existence of the insurance intermediary firms. After all, admitting that standardized solutions are adequate would indirectly be to admit that it is possible to re-use replicable solutions across clients and industries. Conforming to this line of reasoning, all interviewed actors in the industry explained that the insurance intermediary firms are actively moving towards a greater degree of customization. Evidently, succeeding with global integration is difficult since the forces pushing the PSFs to be locally responsive are comparably stronger. As the PSFs move towards a greater degree of customization, the local anchoring is likely to intensify further.

Clearly, it is highly challenging for the global PSFs to manage to simultaneously be globally integrated and locally responsive, and as the analysis show there seem to be a decoupling and a perception gap between the local and the global offices. In fact, the analysis indicates that balancing the two forces simultaneously is an act taking place at both group level and individual level. On a group level, brokers deal with the balance by adopting the role as negotiators, mediating with the headquarters to assure Swedish interests are looked after and to filter among the forces and initiatives that are being pushed on the subsidiaries. Similarly, brokers on an individual level protect their own interest by filtering and deciding what to adopt and what not to adopt. Furthermore, on an individual level, it is noteworthy that although all interviewed brokers agreed on the importance of global integration, they did not fully adopt the global initiatives. Interestingly, no real consequences of the local neglect of global initiatives were found. Returning to the group level perspective, this indicates that the global headquarters deal with the balance, at least to some extent, by overlooking when their initiatives are not adopted. In consequence, it is interesting to understand why the mechanisms of integration are there in first place.

Overall, the findings indicate that the significance when it comes to global integration mainly rests in the firms being perceived as uniform by their clients. Although the exchange of expertise within the firms' networks is necessary when working with international clients, it comes through as a secondary. Meanwhile, the practical work is strongly tied to the local context, which requires the firms to deliver customized services that the clients firmly say that they need. Combined, this reveals a disconnection between the global brand and the internal practices of the global PSFs. Remarkably, this disconnection appears necessary in order for the global headquarters to cater to the needs of their most important stakeholders, namely the clients and the professionals. If the clients want to perceive the PSFs as globally uniform at the same time as they want locally customized services, the disconnection is unavoidable. At the same time, the

professionals need to be given professional autonomy to customize services in order to stay motivated, which aggravates internal integration. Consequently, this reveals that managing global integration and local responsiveness simultaneously is a balancing act taking place at both group and individual level, where the interests of the actors determine their actions. To conclude, these findings shed new light on the paradox of the global PSFs that are pressured to be global and local at the same time, showing that being two contrasting things at once after all is problematic. While the investigated PSFs attempt to get the best of both worlds, it is ultimately neither possible nor in the best interest of their clients or their employees.

6.2 Theoretical Contribution

By researching how global PSFs balance global integration and local responsiveness, new knowledge has been generated regarding the strategic and organizational aspects of these firms. As stated by Breunig et al. (2014), understanding the intra-firm balance of integration and responsiveness is especially interesting when it comes to global PSFs due to the pressures they face of being globally uniform at the same time as their services by nature are difficult to standardize. Existing research on the topic has so far remained scarce, which is surprising considering the significant role that PSFs play in the modern economy (Greenwood et al, 2010). Although previous research extensively discusses the persistent forces pushing global PSFs to be global and local simultaneously, it excludes insights on how the firms manage these pressures in practice. This thesis therefore contributes to filling the gap of research regarding *how* the firms deal with these pressures through various mechanisms and initiatives. Although some research on the topic already existed, it is mainly focused on specific aspects of either integration or responsiveness. On the contrary, this thesis has valuably assumed a more holistic approach by studying what mechanisms of integration and responsiveness are in place at the same time, and it has thereby brought about a deeper understanding of their interplay as well their effectiveness.

6.3 Practical Contribution

The generated findings of this thesis make a practical contribution. By shedding new light on how the global PSFs in practice deal with the pressures of being globally integrated and locally responsive at the same time, a greater understanding and overview of their organizational reality is provided. There are two main implications following this. First, thanks to the increased insights on how the globally initiated mechanisms function on the local level, the global headquarters can make more educated decisions regarding how to work with global integration. Even if this implies maintaining the structures already in place, a greater understanding of the local responses is presumable. Second, the findings generate an increased awareness among the employees on the local level regarding their daily work and the tensions that they might experience that stem from being a trained professional working on the local level of a global PSF.

6.4 Limitations

The research scope as well as the research approach engender limitations of the contribution. Regarding the scope (section 1.3), the study was conducted in insurance intermediary firms, which only constitute one type of PSFs. Considering the research suggesting that there are significant differences between different types of PSFs (Malhotra & Morris, 2009), the study could be of restricted relevancy to other types of PSFs. To deal with this, the context of the research has been presented in section 3.4, enabling researchers and practitioners to make an informed judgement of the transferability of the research (as discussed in section 3.7.2). Moreover, the organizational scope of conducting the research on the level of the subsidiary means that the views of the headquarters have been excluded. As such, the thesis could be argued to only present one side of the complete story. However, the local level was found to be the most relevant in this early stage of research within the field considering that the professional work is mainly performed on that level. The geographical scope of studying Swedish subsidiaries could also influence the findings, for example due to cultural differences that potentially could affect the local tendency of obedience of bureaucracy. Regarding the research approach (section 3.3), the deductive approach of constructing a conceptual framework that set the foundation for the study includes the risk of other components or aspects being neglected. In line with this, the components of the conceptual framework are neither mutually exclusive nor collectively exhaustive. However, this was considered when conducting the interviews (section 3.5.1) as well as when analyzing the data (section 3.6).

6.5 Future Research

Based on the limitations discussed in the previous section (6.4), the study leaves room for several suggestions for future research. To begin with, it would be interesting to conduct similar research within other types of PSFs to more accurately be able to determine the transferability of the findings. Meanwhile, investigating how global headquarters, from their points of view, are working with integration and responsiveness would build on to the contributions of this work and thereby offer an even more holistic understanding of the topic. Additionally, it could be of interest to investigate the research question from other theoretical standpoints, for example with theory on organizational culture as foundation, since this could potentially bring significant complementary insights. Finally, as discussed in section 5.1.4 and 5.2.3, the study indicated that there is a major shift towards an increased focus on customization in the insurance intermediary firms. Further investigating how such a shift influences their work with global integration and local responsiveness is yet another potentially interesting area of research.

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Appendices

Appendix I: Interview guide - Insurance brokers

A: Introduction	<ol style="list-style-type: none"> 1. Presentation of interviewers 2. Presentation of thesis purpose 3. Interviewee background
B1. Local responsiveness	<ul style="list-style-type: none"> – How does the firm work with local adaptation? – What do the firm custom, to whom and why? – How would you describe the possibility to locally adapt work processes? – How would you describe the possibility to locally adapt service offerings? – How does it work if a client demands a service that you generally do not offer?
B2. Global integration	<ul style="list-style-type: none"> – How does the firm work with standard integration? – What firm processes are commonly shared throughout the firm? – Describe if and in what way you are governed from the global office? <ul style="list-style-type: none"> ○ How does this affect your work? ○ Why do you think this is? ○ What would happen if global initiatives are not followed? – How does the contact with the global office look like? – How do you perceive your work flexibility? – How does the firm work with knowledge management/taking advantage of in house knowledge? – How does the interaction look like between the Swedish office and other offices? – What do you do if you need expertise from another office? – How do you communicate internally between offices? – Do you have any additional points to add?

Appendix II: Interview guide - Insurance company representatives

A: Introduction	<ol style="list-style-type: none"> 1. Presentation of interviewers 2. Presentation of thesis purpose 3. Interviewee background
B1. Broker contact	<ul style="list-style-type: none"> – How do you work with insurance brokers in your daily work? – What role do the insurance brokers have in relation to insurance firms? – What type of broker firms do you work with (global/local)? – How do these differ and how does that affect your work?
B2. Local responsiveness	<ul style="list-style-type: none"> – What does it mean for a global insurance firm to be locally present? – What does it mean for a global insurance broker to be locally present? – What does it mean for you as a global insurance company that a broker firm has a local presence?
B3. Global integration	<ul style="list-style-type: none"> – What does it mean for an insurance firm to be globally present? – What does it mean for an insurance broker to be globally present? – What does it mean for you as a global insurance company that a broker firm has a global presence? – Do you have any additional points to add?

Appendix III: Interview guide - Risk managers

A: Introduction	<ol style="list-style-type: none"> 1. Presentation of interviewers 2. Presentation of thesis purpose 3. Interviewee background
B1. Broker contact	<ul style="list-style-type: none"> – How do you work with insurance brokers in your daily work? – What type of insurance broker firms do you work with (global/local)? – How do these differ and how does that affect your work? – How do the demand for insurance intermediary services look like for your firm? Why? – What added value do insurance brokers bring to your firm? – How does the added value brought to your firm differ between local/global insurance brokers?
B2. Local responsiveness	<ul style="list-style-type: none"> – How does your demand for local adaptation look like? Why? – How do the insurance brokers meet this demand?
B3. Global integration	<ul style="list-style-type: none"> – How does your demand for global insurance broker look like? Why? – How do the insurance brokers meet this demand? – Do you have any additional points to add?