

ANGLIA RUSKIN UNIVERSITY

THE INTERNATIONALISATION PROCESS OF SMALL AND MEDIUM-SIZED MANAGEMENT CONSULTANCIES IN THE UK

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A Thesis in fulfilment of the
requirements of Anglia Ruskin University
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This work is original except where stated otherwise, and is not the result of collaboration. It has not been submitted for a degree at any other university.

Brynn Darin Deprey

November 2011

**ANGLIA RUSKIN UNIVERSITY
ABSTRACT**

LORD ASHCROFT INTERNATIONAL BUSINESS SCHOOL

DOCTOR OF PHILOSOPHY

THE INTERNATIONALISATION PROCESS OF SMALL AND MEDIUM-SIZED MANAGEMENT CONSULTANCIES IN THE UK

**By BRYNN DARIN DEPREY
November 2011**

This thesis focuses on how small to medium-sized management consultancies internationalise, as this is an under-researched area. Investigation focuses on identifying the factors that facilitate international market success for these small to medium-sized enterprises (SMEs), the challenges they encounter, and how those challenges have been overcome. The relevance of SME internationalisation theories is explored for SME management consultancies in the UK.

The study is exploratory, phenomenological and framed within an interpretive research paradigm. Primary data was gathered qualitatively using multiple (9) case studies, collected principally through semi-structured interviews.

This empirical research, one of the first to focus solely on SME management consultancies, finds the owner/founders as the key driver of internationalisation. Their past experience enables an international outlook and brings established networks to firm formation. The findings highlight the relevance of intangible resources: the firms' skills, competencies and networking capabilities, as integral to successful internationalisation. Additional key critical success factors are niche market specialisation, firm reputation, firm location, ability for service provision modification and the role of technology. There are observed firm size-related differences in the challenges these firms face, with smaller-sized firms being more vulnerable to challenges from the external environment, including the 2008 financial crisis. Firms are able to overcome these challenges with the help of their networks. Other challenges stem from the firm's service provision: difficulty in finding skilled staff and communication with clients. The findings suggest applicability for other knowledge-intensive firms.

The research contributes to closing the gap in literature on how firms successfully provide services internationally and in so doing advances theoretical understanding of SME service internationalisation. This theory-building research demonstrates partial relevance of Stage Theory, Networking Theory, and Born Global Theory, but overall the resource-based view was found as the most relevant to understanding the internationalisation process of SME management consultancies. This sets a foundation for further research on the internationalisation process of other knowledge-intensive firms.

Key words: small to medium-sized enterprise (SME), internationalisation, service sector, management consultancy, critical success factor (CSF), challenges

GLOSSARY

AIB	Academy for International Business
APEC	Asia-Pacific Economic Cooperation
CEDAR	Centre for Enterprise Development and Research
CRM	Customer Relationship Management
CSF	Critical Success Factor
EU	European Union
FDI	Foreign Direct Investment
HR	Human Resources
ICSB	International Council for Small Business
ICT	Information Communications Technology
INV	International New Ventures
IPR	Intellectual Property Rights
ISBE	International Small Business and Enterprise
ISO	International Organization for Standardization
IT	Information Technologies
KIF	Knowledge-Intensive Firm
LAIBS	Lord Ashcroft International Business School
MBA	Master's of Business Administration
MD	Managing Director
MNE	Multi-National Enterprise
NZ	New Zealand
OECD	Organisation for Economic Co-operation and Development
OLI	Ownership (O), Location (L) and Internalization (I) advantages
PhD	Doctor of Philosophy
PSF	Professional Service Firm
RBV	Resource-Based View
R&D	Research And Development
RESER	European Association for Research on Services
SIC	Standard Industrial Classification
SME	Small and Medium-sized Enterprise
SNA	Social Network Analysis
UK	United Kingdom

UKTI	United Kingdom Trade and Investment
USA	United States of America
VAT	Value Added Tax
VP	Vice President

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1. Chapter 1 Introduction

1.1 Synopsis

This thesis focuses on how small to medium-sized management consultancies internationalise successfully. Internationalisation is an attractive option for small to medium-sized enterprises (SMEs) to grow and improve their competitiveness (Coviello et al., 1998, Autio et al., 2000, Anderson et al., 2004, Ibeh, 2006). The investigation focuses on how SMEs in the service sector internationalise, with particular emphasis on identifying the factors that facilitate international market success, the challenges they encounter, and how they have been overcome. Management consultancies specifically have been chosen as they represent the far end of the services spectrum due to their high degree of intangibility.

This introductory chapter gives a general outline for the thesis as a whole. It begins with an overview of the underpinnings of the research (section 1.2) and introduces the research problem and its relevance (section 1.3). Key definitions are explained and justified (section 1.4). The chapter then goes on to give a brief sketch of the research methodology (section 1.5) and outlines the thesis' chapters (section 1.6). Lastly, the introduction ends with the contribution of the research and conclusions (section 1.7).

This research aims to advance knowledge on SME internationalisation in the service sector, specifically for firms with high intangibility like management consultancies. It endeavours to narrow the gap in information on the internationalisation of service sector SMEs and contribute to knowledge on how SME management consultancy firms successfully provide services internationally. The insights gained may be beneficial to other knowledge-intensive firms, to fostering small to medium-sized service sector firms' internationalisation and international competitiveness.

1.2 Background to Research

We live in an increasingly globalised world, in which the outlook is on an international and not just the local or national scale; where progressively more SMEs are attracted to international markets (OECD, 1997, OECD-APEC, 2008). The factors that helped SMEs to be successful in domestic markets, such as closeness to customers and flexibility to respond, no longer hold true for the international market and, therefore, adjustment is necessary (Lloyd-Reason and Mughan, 2002). The main obstacles to international activity often have to do with internal resources and limited capacities (Wright, 1993, Bijmolt and Zwart, 1994, Chetty and Campbell-Hunt, 2003, OECD, 2009).

SME internationalisation research to date has largely focussed on the manufacturing sector. However, the service sector has inherent differences from the manufacturing sector (Chadee and Mattsson, 1998, Brouthers and Brouthers, 2003), which may limit the applicability of previous research to service firms.

Moreover, the service sector is increasing its attention to internationalisation due to technological advances. Developed countries have been shifting away from their manufacturing-base to an ever more technologically driven knowledge-based economy (Bryson et al., 1993). In the past, services have been underrepresented in research in part perhaps due to their lower numbers in internationalisation compared to manufacturing, but also perhaps due to the difficulty of intangibility inherent with services. With the deepening of globalisation and the advancement of information communications technology (ICT), service firms and, in particular service SMEs, are finding lower entry barriers, making it easier to internationalise (Netland and Alfnes, 2007).

However, this does not mean that internationalisation for service sector firms is simple or straightforward. By its nature, the service sector overlaps production and consumption, obliging interaction between employees and customers (O'Farrell et al., 1998, Van Looy et al., 1998, Bagchi-Sen and Kuechler, 2000). For manufacturing, production and consumption are easily separable; for example, a table is produced in a factory and consumed when the customer buys

it. However, for the service sector the two are conflated. When internationalising, this brings a particular set of problems to the fore for service SMEs seeking to manage the distance and maintain the closeness between production and consumption that is needed between the firm and the customer. Therefore, networking, sustaining relationships and managing customer relationships are key (Coviello and Munro, 1995, Coviello and Martin, 1999, Caniels and Romijn, 2005).

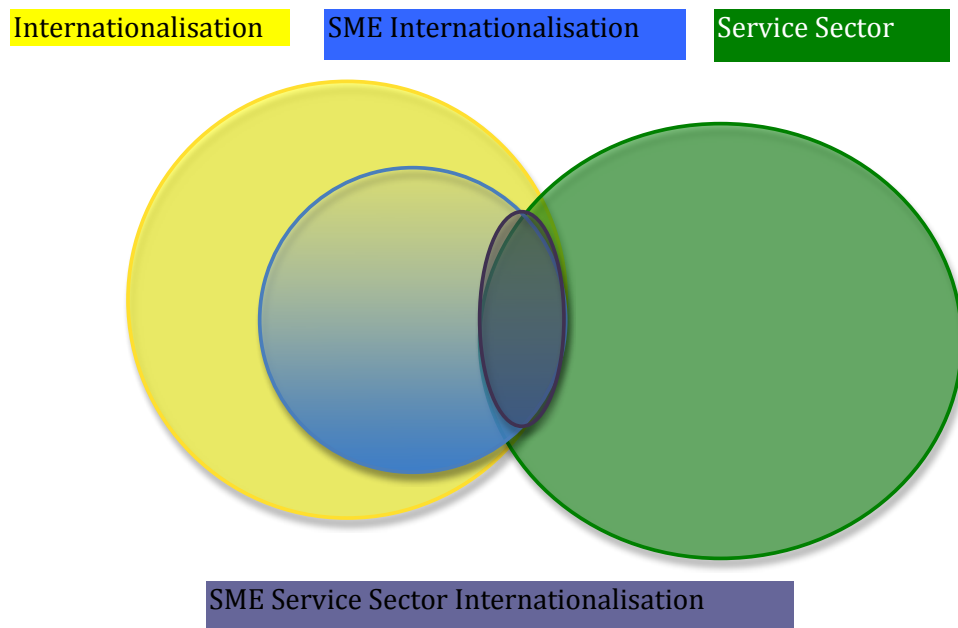
Academic literature to date has lagged behind in reflecting the increasing significance of the service sector, and a number of authors have noted the need for further research on internationalised small to medium-sized service firms (Almeida et al., 2000, Brouthers and Brouthers, 2003, Chetty and Campbell-Hunt, 2003). Empirical research on small to medium-sized service firm internationalisation has tended to be sector-specific, including architecture (Masurel, 2001), business services (Bryson et al., 1993, O'Farrell et al., 1996, O'Farrell et al., 1998), computer software (Bell, 1995, Coviello et al., 1998), engineering consultancy (Coviello et al., 1998, Coviello and Martin, 1999), retailing (Hutchinson et al., 2006, Hutchinson et al., 2007) and tourism (Bjorkman and Kock, 1997). There is sparse research on small to medium-sized management consultancies, and to the author's knowledge, none that focuses specifically on their characteristic intangibility when engaging in international activities. This research aims to address the research gap on small to medium-sized service firms' internationalisation, by examining how SMEs in the management consultancy sector successfully provide their services internationally.

This research draws on the existing literature on SME internationalisation and service sector internationalisation. The literature critique looks at how small to medium-sized management consultancy firms internationalise successfully rather than providing an exhaustive review of the entire SME internationalisation literature.¹ Therefore, the main themes addressed within the literature focus on

¹For a comprehensive review, see COVIELLO, N. E. & MCAULEY, A. 1999. Internationalisation and the Smaller Firm: A Review of Contemporary Empirical Research. *Management International Review*, 39, 223-256. and IBEH, K. I. N. 2006. Internationalization and the Small Firm *In: CARTER, S. & EVANS, D. (eds.) Enterprise and Small Business: Principles, Practice and Policy* 2nd ed.: Financial Times and Prentice Hall.

motivations to internationalise, obstacles to internationalisation and critical success factors.

FIGURE 1-1 SCOPE OF LITERATURE CRITIQUE



The literature critique undertaken for this research has three central aspects (see Figure 1.1). The first focus is on SME internationalisation. An inclusive definition of internationalisation is used for this research, that is: “the process of increasing involvement in international operations” (Welch and Luostarinen, 1988:36). This definition is comprehensive as it includes inward and outward growth across national borders. SME internationalisation is addressed theoretically in Chapter 2, to highlight the various applicable internationalisation theories. Specifically, the Stage Theory, FDI Theory, Network Theory, Resource-Based View (RBV) and International New Venture Theory/ Born Global Theory are discussed in relation to their appropriateness for service sector SMEs. The second key theme focuses on the specificities of the service sector and its reliance on the closeness between production and consumption of the firm and client; literature is drawn upon from both the SME and wider service sector streams. Thirdly, the research examines what these differences mean for the international activity of a service sector SME. Specific focus is on professional services due to their knowledge intensiveness and intangibility; however, this is complemented by studies of other SME service sectors, and some MNE literature is drawn on

when the SME literature is lacking. The second and third aspects are highlighted in Chapter 3 as internationalisation is examined thematically regarding small and medium-sized enterprises' motivations, challenges and critical success factors.

The literature critique also draws on the generic internationalisation literature, in particular seminal works, such as Johanson and Valne (1977), Aaby and Slater (1989), and Zou and Stan (1998). In addition, in line with the research aims it is necessary to give appropriate attention to both SME internationalisation and service sector literature as the main signposts for this research. This is mainly due to the fact that there is little existing service sector SME internationalisation literature; however, that which does exist is used as a starting point. Specifically management consultancy firms were chosen, in part because they have yet to be a focus of empirical work, and due to their applicability as a pure service with a high degree of intangibility are indisputably firmly part of the service sector.

1.3 Research Questions

The principal research question is:

How do small to medium-sized management consultancies internationalise successfully (Q1)?

This can be further broken down into three additional research questions focussing on:

- What factors facilitate international market success among management consultancy SMEs? (Q2);
- What problems have been encountered? How have they been overcome? (Q3); and

- How do existing theoretical models on SME internationalisation apply to SME management consultancies' internationalisation process in the UK? (Q4).

To address these research questions, the empirical research aims to analyse the key success factors for small to medium-sized management consultancies internationalisation (Q1 and Q2); investigate the challenges they face when internationalising (Q3); and examine how the existing SME internationalisation theories, specifically the Stage/Uppsala Theory, Foreign Direct Investment (FDI) Theory, Network Theory, resource-based view and International New Venture or Born Global Theory (Q4), might explain the internationalisation behaviour of SME management consultancies.

TABLE 1-1 RESEARCH OBJECTIVES AND QUESTIONS

Research objectives and questions		Addressed in
Q1	How do small to medium-sized management consultancies internationalise successfully?	Chapters 2, 3, 4, 6, 7 and 8.
Q2	What factors facilitate international market success among management consultancy SMEs?	Chapters 2, 3, 4, 6, 7 and 8.
Q3	What problems have been encountered? How have they been overcome?	Chapters 2, 3, 4, 6, 7 and 8.
Q4	How do existing SME internationalisation theories explain the internationalisation behaviour of SME management consultancies?	Chapters 2, 7 and 8.

1.4 Justification for Research Focus

1.4.1 Why Internationalisation? Why Small to Medium-sized Enterprises?

The significance of internationalisation in today's global economy and the role that small to medium-sized enterprises play as engines of growth have been extensively documented in academic literature. These two realities are the starting point for this research. Internationalisation theories and SME internationalisation are explored in Chapters 2 and 3 respectively.

1.4.2 Why Service Sector?

SME internationalisation research to date has largely focussed on the manufacturing sector. Yet the service sector is inherently different from the

manufacturing sector (Chadee and Mattson, 1998; Brouthers and Brouthers, 2003). The service sector is starting to gain more attention as developed countries shift away from their manufacturing base to an ever more technologically driven knowledge-based economy. Moreover, ICT has also played a facilitating role. SME internationalisation research to date has largely focussed on the manufacturing sector (Calof, 1993, Chetty and Campbell-Hunt, 2003, Leonidou et al., 2007) with service sector SMEs receiving scant attention. This is starting to shift with the increasing internationalisation of the service sector. For example, the European Association for Research on Services (RESER), a network of research groups active in service sector research across Europe established in 1988, has only recently achieved mainstream recognition for their work (Monnoyer, 2008). The significance of the service sector is to be further developed in Chapter 3, in particular reference to small and medium-sized enterprises.

1.4.3 Why Management Consultancy Firms?

Management consultancies have been specifically chosen for their sector-specific characteristics; they are a pure service. Management consultancies, by their nature, necessitate high customer interaction, communication and cultural awareness. These elements are strong in all management consultancies irrespective of their sub sector. They are of a highly skilled nature, with trust and customer relations of high importance due to the nature of the service. The focus is limited to one sector in order to control for industry effects on internationalisation (Erramilli and D'Souza, 1993, Calof, 1994). This issue of how and why the management consultancy sector was chosen, and its place within the service sector, is given further consideration in Chapter 5 when discussing methodological issues.

1.5 Methodology

1.5.1 Research Undertaken

The research takes an analytical look at the ways in which small to medium-sized management consultancy firms internationalise, including understanding their key

critical success factors associated with this process, barriers or challenges to internationalisation and how they are overcome. In so doing, SME internationalisation theories are explored and their applicability to SME management consultancies discussed.

Qualitative research was chosen to understand questions of why and how regarding to the service sector internationalisation for small to medium-sized management consultancy firms. The research is exploratory, phenomenological and framed within an interpretive research paradigm. Primary data was gathered by the case study method, according to Yin's (2009) approach, using semi-structured interviews as the main research instrument. The unit of analysis is the firm and multiple-case studies have been undertaken (12 undertaken, of which 9 are usable) rather than a single case; this is to allow patterns to emerge and avoid chance associations. This research responds to previous calls in the literature for more qualitative case studies (e.g. Fillis, 2001). Semi-structured in-depth interviews have been used as they are considered advantageous for in-depth analysis (Hollenstein, 2005).

A conceptual framework was developed from the literature critique (see Chapter 4). It is composed of variables, drawn from the literature, that serve as prompts for semi-structured interviews undertaken with small to medium-sized management consultancy firms. Multiple sources of information were used to gather data from each firm, with the main instrument of data gathering being the semi-structured interview with research questions transmitted in advance. The decision to use in-depth interviews as the main data collection tool was to allow for detailed discussion on the issues. Questions inquired on the founders' background, history of the business, marketing activities, networking activities, management style of the firm, personnel and their skills, service delivery, the internationalisation process- how, when and why it was undertaken, strategies used, barriers encountered and how they were overcome, adaptations made after internationalisation, and key success factors.

A second source of information used for all firms was the Internet. All firms interviewed have an online presence, in the form of the firm's website. The firm's

website's content was a key source of secondary information, supplementing issues discussed in the interview. In the first instance, the Internet was used to determine the firm's fit for an interview (according to the variables of firm size, sector and international activities) before the firm was approached. After the firm agreed to be interviewed, the website was consulted again to obtain preliminary information in preparation for the interview, in particular history of the firm and services offered.

All interviewed firms are located in the East of England² and have been identified with assistance through both formal and informal networks (SME networks, including UK Trade and Investment and the St John's Innovation Centre, combined with personal contacts). Interviews with key informants were conducted between May and August 2009.

Once an interview date was agreed upon, interviews were organised with the key informant(s) on a one to one basis for approximately one hour each on the firms' premises. The key informant was decided upon as the person(s) with the most knowledge on the firm's internationalisation activities; often this was the owner /founder, but in some cases it was the international manager or equivalent. All firms interviewed had sufficient international experience to take a retrospective look at the internationalisation process. All interviews were recorded, transcribed and the transcription sent to the firm to verify accuracy.

The transcriptions were modified for indicated amendments and data analysis was undertaken. As a first step, all transcripts were read through multiple times for each case to begin identifying themes and to start coding the data. Coding was facilitated by the computer software NVivo 8 which assists in organisation, classification, sorting and arrangement of information in the interview transcriptions. Analysis was then undertaken both within each case and across the (9) cases.

²The United Kingdom is made up of twelve regions: East of England, East Midlands, London, Northern Ireland, North East England, North West England, Scotland, South East England, South West England, Wales, West Midlands, Yorkshire and the Humber. For the purpose of this research, all firms are located within the East of England.

After analysis was complete, firms received a copy of the case study report based on their case analysis. This is to again verify the information with the informants and allow transparency and accountability throughout the analysis process. A properly conducted case study allows for data richness, depth and quality, which can compensate for the associated shortcomings, notably limited representativeness and generalisability (Ibeh et al., 2006).

The research is undertaken from a resource-based view which explains how superior performance can be attained relative to other firms in the same market due to the firms' resources; specifically that superior performance results from exploiting unique resource for the firm (Barney, 1991). A firm's response when delivering their services abroad depends on their personnel. The firm's staff and internal environment are intangibles that fit within the resource-based view's definition of unique resources that could result in superior performance. Additional theoretical underpinnings are strongly linked to the Network Theory and draw upon the Born Global Theory. The Network Theory stresses the importance of relationships, including the role of social and business networks (Johanson and Mattsson, 1988, Coviello and Munro, 1995, Chetty and Campbell-Hunt, 2003), which is an outgrowth of the Stage theory or Uppsala internationalisation process model (Johanson and Vahlne, 1977). The Born Global Theory is based on firms that internationalise rapidly due to their sophisticated knowledge base that gives them a competitive advantage (Oviatt and McDougall, 1994). There is conceptual overlap between the resource-based view, the Network Theory and the Born Global Theory, which is explored in further detail in Chapter four.

The research design, interview questions and subsequent discussion take cognisance of the current global business environment since the financial crisis of September 2008 and its impact on international strategies.

1.5.2 Data Collection Requirements

As previously stated, qualitative research was undertaken using the case study method. The qualifying criteria for inclusion in the case study include firm size,

sector, location and international activity (discussed in detail in Chapter 5, see Table 5.5). In particular, this means in order to qualify to be interviewed, a firm must be a small to medium-sized enterprise (SME) as defined by European standards, engage in management consultancy activities, be located in the East of England, UK and be currently involved in international activities.

Management consultancies are defined in the broad sense to include: human resources; IT; marketing; operations management and strategy and organisation. The definition of a management consultancy is unclear in academic literature, therefore for the purposes of this research an operational definition is being used that is robust enough to cover the many shades of consultancies. The key qualifier is that the firm employee people (either a consultant or more typically a set of consultants) that address managerial issues in a client firm by discussing strategy and offering advice and solutions to implement that strategy. This service may or may not go beyond strategic advice and give operational solutions as well. This definition is discussed further in Chapter 5.

Specifically, the management consultancy sector has been chosen over other service sectors due to its highly skilled nature and the importance of trust and customer relations. These elements are strong in all management consultancies irrespective of their sub sector. Management consultancies are a pure service and have a high degree of intangibility. The focus is limited to one sector in order to control for industry effects on internationalisation (Erramilli and D'Souza, 1993, Calof, 1994).

The interviewed firms are located in one country, the UK, to control country effects. The UK has been specifically chosen as the home country as there are significant numbers of management consultancies firms. This consulting market is the largest outside the USA and according to the UK Management Consultancies Association, industry revenues for 2006 were estimated at £8bn and delivered “some of the most cutting edge organisational change projects in the world” (MCA, 2009). Also as this research is looking at SMEs, examining UK SMEs gives a comparable SME standard with the rest of Europe.

Within the UK, the East of England region has been specifically chosen, not only because it is geographically accessible to the researcher but also due to the high number of management consultancies active in the region. In particular, the area around Cambridge is well known for its high concentration of information technology and biotechnology firms. As this is case study research with the aim of theoretical and not statistical replication, the sample pool is large enough to support the numbers required.

1.6 Outline of the Thesis

The thesis is organised into eight chapters (see Table 1.2). The first chapter, the introduction, is the summary of the thesis. It explains the research background, questions, research objectives and justification for the research focus. Next, a brief overview of the methodology is provided followed by an outline of the entire thesis. Finally, the thesis' contribution and the conclusions are presented.

TABLE 1-2 THESIS OUTLINE

Thesis structure	Title
Chapter 1	Introduction
Chapter 2	Internationalisation Theories
Chapter 3	Internationalisation: SMEs, service sector and service sector SMEs
Chapter 4	Conceptual framework
Chapter 5	Research Design and Methodology
Chapter 6	Case Study Analysis
Chapter 7	Discussion of the Findings
Chapter 8	Conclusions and Recommendations

The next two chapters may be grouped as a critique of the literature. Chapter two provides a critique of internationalisation theories, developed mainly for manufacturing multinational enterprises (MNEs or large firms), with the focus on relevance and application to the service sector and SMEs. Particular focus is on four internationalisation theories: Stage Theory, FDI Theory, Network Theory and the Resource-Based View (RBV). Additionally, International New Venture Theory and the Born Global phenomenon are discussed, particularly on how they

link to Network Theory and RBV. This chapter seeks to address firm size and sector to find a place for small to medium-sized service firms in internationalisation theories.

Chapter three takes an in-depth look at internationalised SMEs, with particular focus on knowledge-based service firms. It begins by exploring in greater depth the definitions of SMEs and internationalisation and making distinctions between the manufacturing and service sectors more explicit. The main research question of this thesis is focused on how service sector SMEs internationalise; therefore it is logical that the literature critique addresses why SMEs internationalise and takes into account the difficulties they encounter as well as the factors that contribute to their success. To that end, this chapter looks at how and why service SMEs internationalise in the context of the existing literature.

The fourth chapter focuses on the theoretical underpinnings and conceptual framework. The basis of this framework is drawn from empirical studies, mainly from the seminal work by Aaby and Slater (1989). Specifically, thematic underpinnings stem from their focus on firm characteristics, internal competencies, external environment and performance, with modification to the theme of export strategy to internationalisation strategy and the additional focus on services. Taking into account more recent work by Bijmolt and Zwart (1994), Styles and Ambler (1994), Zou and Stan (1998) and Wheeler et al. (2008) reinforces and refines the choice of these themes as being essential in both internationalisation and SME literature. From these strong underpinnings, a conceptual framework for SME service internationalisation, specifically in the knowledge-intensive sector, is built.

Chapter five introduces the empirical research and gives the rationale for the research. The philosophical underpinnings of this qualitative, interpretative and phenomenological research are explained. The research design and methodology are described in sufficient detail so that data collection could be repeated. The feasibility, utility and validity of the data are examined, based largely on Yin's (2009) approach. Also the definition and specificities of the operational criteria for firms to be qualified to serve as cases are discussed further.

Chapter six focuses on the data analysis and includes description of the nine case study firms, identifying the challenges and critical success factors for each firm's internationalisation process. A cross case analysis is then undertaken, examining the patterns of these themes across the nine case studies. Particular attention is focused on the role of the owner/founder and use of networks at various points throughout the internationalisation process.

Chapter seven focuses on the discussion of the findings of the data, linking them with the known literature to give a fuller picture of SME service internationalisation. The original contributions are highlighted as well as the research limitations. The overall empirical data is shown to provide support for the Stage theory, Network theory, and to an extent the Born Global theory. However it is RBV that is ultimately found as most appropriate for SME management consultancy firms. The international orientation of the owner/founder giving the firm a competitive advantage to internationalise is found to be the key critical success factor to SME management consultancies' internationalisation process. Challenges stem principally from the recent financial crisis, a challenge housed within the broader category of the external environment, and the ability to find skilled staff. Other challenges include communication with clients and currency risks, payments, IP protection and bureaucratic procedures. The importance of strong networks and relationships, niche market specialisation, firm reputation, firm location and service provision modification are found as significant critical success factors to internationalisation. Overall the firm must ensure the quality of its work, contributing to strong international performance.

The final chapter, Chapter eight, presents the conclusions, recommendations and implications for future research. It demonstrates the research's clear contribution to knowledge, highlighted in a contribution table (see table 8.1, p. 237). The thesis concludes by setting a foundation for further research on the internationalisation process of knowledge-intensive firms such as management consultancies.

1.7 Contribution of Research

The research's contributions to knowledge help close the gap in the SME service sector internationalisation literature on how firms successfully provide services internationally, specifically for firms with high intangibility like management consultancies. A contribution of this research is the assessment of SME internationalisation theories' relevance to SME management consultancies. The findings indicate RBV as the most comprehensive theory to address the holistic nature of the internationalisation process.

This empirical research confirms that service-sector SMEs' intangible resources: their skills, competencies and networking capabilities, are integral to successful internationalisation. This is not to say that intangible resources lack relevance for the manufacturing sector but that these issues are of greater relevance in service firms due to their knowledge-intensive nature. In line with the argument of Autio et al. (2000), regarding their research on technology firms in Finland, the authors framed the applicability of their findings to technology firms, justifying it as applicable only to this sector because there were only these kinds of firms in the sample. In the context of this research, the high relevance of intangible resources is found for small to medium-sized management consultancies, not because it is believed that intangible resources are of relevance only to these firms, but because there are only SME management consultancies in the sample. Management consultancies are clear examples of a pure service, thus addressing the concerns of service sector internationalisation at the extreme end of the spectrum. The findings may also apply to other knowledge-intensive service firms.

The literature on the internationalisation process for SME management consultancy firms has been disjointed, drawing on SME service internationalisation, SME internationalisation and service sector literature. From creating this patchwork of the three literature streams, this theory-building research showed the utility of RBV in understanding the internationalisation process of small to medium-sized management consultancy firms.

2. Chapter 2 Internationalisation Theories

2.1 Introduction

There is yet to be a clear view within the SME internationalisation literature as to which internationalisation theory is most appropriate for SMEs. Academic dialogue exists on the relevance of this debate and its plausibility, as what is true for large firms, for which the internationalisation theories were designed for, may not be necessarily applicable for small to medium-sized firms. The call for theoretical understanding of SME internationalisation is longstanding. Dandridge (1979) examined organisational theory, looking at the structure, decision-making power and communications of a firm, finding an almost exclusive focus on large firms. While he is not dismissive of past work, he acknowledges that the size of business is relevant and theories should not be simply scaled down for small firms, which he defines as having no more than 50 employees. Dandridge (1979) sees small and growing firms as having less tolerance for inefficiency than larger, established firms, and therefore the need for an appropriate theoretical base is particularly important. Despite much effort being placed on identifying appropriate theories for SME internationalisation over the past thirty years, a clear response has yet to be found.

Knigh (1999) undertakes an extensive review of service firm internationalisation, highlighting the differences of internationalisation strategies and processes between manufacturing and service firms, suggests the difficulty of a one-size fits-all theory. Coviello and Martin (1999) call for a more holistic internationalisation theory for service SMEs. Bell et al. (2001) build on this, underscoring the role of the Internet in facilitating quick and rapid internationalisation for small to medium-sized service firms. Moen and Servais (2002) question whether one theory is able to explain firm internationalisation, suggesting that firm size, firm age when first internationalising, and intensity of internationalisation yield such differing internationalisation behaviours that no one theory covers them all.

Internationalisation theories are as diverse as philosophical standpoints depending on which aspect of the firm is deemed most important (Törnroos, 2002). This research assesses internationalisation theories in a chronological order, as they gained strength in academic writing, grouping them into four main schools of thought: Stage Theory, FDI Theory, Networking Theory and RBV, along with the outgrowths of international entrepreneurship/ international new venture Theory and the born global phenomenon. A brief background to each theory is introduced, with a focus on how they have been applied to SMEs and the service sector over time, with specific emphasis on empirical studies of the SME service sector. The conclusion then states the theories deemed most relevant to service SMEs, found not exclusively in one theory but by layering the various theories to gain deeper understanding on the pertinent conceptual issues to SME service firms' internationalisation.

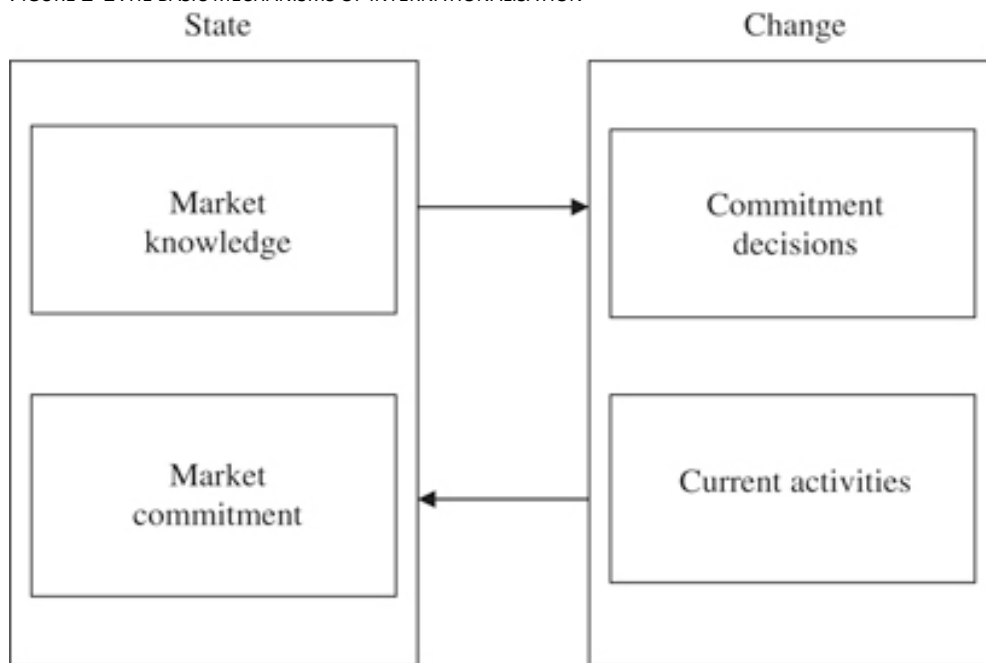
2.2 Stage / Uppsala Theory

Academic dialogue on internationalisation was brought to the fore by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne's (1977) seminal work. Though concerned with large firm internationalisation patterns, it paved the way for SME internationalisation research. The Stage theory has evolved over the last thirty-five years though its continued relevance is questioned (Johanson and Vahlne, 2009) particularly for knowledge-intensive and service firms (Ibeh, 2006).

The Stage or Uppsala model of the internationalisation process was first used by Johanson and Wiedersheim-Paul (1975) and then refined by Johanson and Vahlne (1977). Its basic premise is that a firm moves through four incremental stages as they grow. The first of the four stages is one of no regular export activities; the next stage is when the firm exports via independent agencies; followed by the creation of an offshore sales subsidiary; and finally having overseas production facilities. Their premise is that the lack of knowledge due to differences between countries with regard to, for example, language and culture, is an important obstacle to decision-making connected with internationalisation (Johanson and Vahlne, 1977). Internationalisation therefore is seen as a series of incremental

decisions. Movement from one stage to another is brought about by two change mechanisms: learning from experience (current operations in other foreign markets) and commitment decisions (see Figure 2.1). The model posits that firms enter new markets with successively greater psychic distance, which is based on the degree of (perceived) difference between themselves and the new market in terms of cultural, linguistic, economic and political factors. Also implied in the model is the liability of foreignness, which increases along with psychic distance, so the greater the psychic distance, the more the liability of foreignness increases and therefore a larger firm-specific advantage is required to offset it.

FIGURE 2-1 THE BASIC MECHANISMS OF INTERNATIONALISATION



Source: Johanson and Vahlne (1977)

The Stage Theory was designed from case studies of four large Swedish firms. It has been criticized for being a linear model and in particular for its inappropriateness for both SMEs and service firms (Bell, 1995, Ibeh, 2006). In addition, the theory was designed for exporting behaviour and not the various other forms of internationalisation. This is restrictive and Welch and Luostarinen's (1988) definition of internationalisation, used for this research, is much more inclusive.

Even regarding large service firms, the Stage theory's relevance is disputed (Sharma and Johanson, 1987). Sharma and Johanson (1987), in their case study of two Swedish large technical consultancy firms, refute the Stage Theory since the concept of psychic distance did not explain these firms' international expansion; they did not internationalise in an incremental process. Rather it was the international learning process and resource commitment that were decisive factors in the progression of their internationalisation process. Specifically market relationship networks and external relationships were significant to internationalisation. The Stage Theory therefore did not seem to adequately account for these networking issues, which are of importance to all firms, and essential for service firms. Rather the concepts of resource commitment and networks suggest greater relevance of the resource-based view and Network Theory, both discussed in depth later in this chapter.

Bell (1995) undertook a survey on the export behaviour of 98 small (less than 200 employees) computer software firms in Finland (34), Ireland (38) and Norway (26). His study looked at the initial export decision of the firms and their internationalisation process. Typically the firms offered specialized products to niche markets. After making a comparison of four models of the Stage Theory from the literature, Bell is still unconvinced of its applicability for service SMEs. He questions the Stage Theory, particularly the psychic distance notion, and underscores the importance of networks especially in the early stages of internationalisation. His research, on small computer software firms in Finland, Ireland and Norway, finds that firms internationalised in countries that are not categorised as psychically close but rather the firm's internationalisation motivation is due to client following. Therefore internationalisation for these firms is more reactive and opportunistic.

Bell also notes that some firms are 'born global', meaning they engage in international activities from their creation. His research suggests that the internationalisation process is more complex and less structured than Stage Theory implies and it is affected by industry-specific factors (Bell, 1995). This groundbreaking research contributed to a new internationalisation theory stream, the Born Global Theory, which is expanded on further later in this chapter. In

later work, Bell et al. (2001) continue to question the appropriateness of Stage Theory for service SMEs, with particular focus on the strategy of online service providers as the Internet facilitates the time and scope of internationalisation, allowing for quick and rapid international expansion.

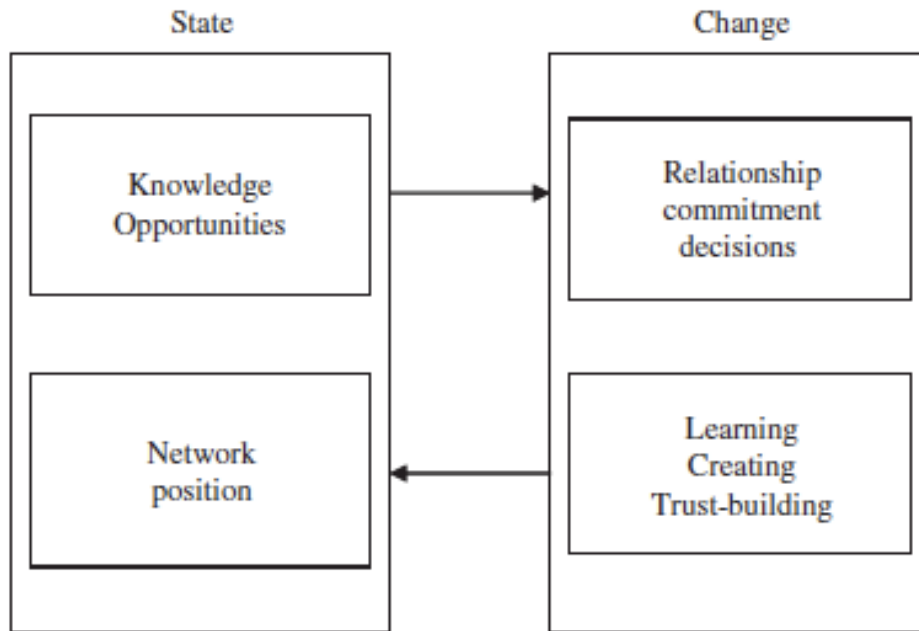
Moen and Servais (2002) criticise the aspect of Stage Theory that links a firm's incremental internationalisation with market knowledge (or lack thereof) and uncertainty. They believe that these aspects are less relevant in today's information age, facilitated by information communication technologies (Moen and Servais, 2002). This easy access to information also helps to explain, at least in part, the increasing emergence of born global firms over the last twenty years.

Johanson and Vahlne revisited their work in 2009 to refine and update the Stage Theory. They find the liability of outsidership, or the disadvantage a firm is at when it enters a new international market, in relation to the relevant network, as the root of uncertainty for internationalisation, much more so than psychic distance or the culturally linked factors that make it difficult to understand foreign environments (Johanson and Vahlne, 2009). Their two main premises are firstly that markets are made of networks of relationships in which firms are linked to each other in a complex pattern; and secondly that relationships offer the potential for learning and building trust, both of which are preconditions for internationalisation. They contend that the Stage model is based on developing knowledge as being fundamental to internationalisation (Johanson and Vahlne, 2009). They assert that the speed of internationalisation is not a determining factor in their model and they explicitly state the necessity to give greater importance to the role of networks in internationalisation in light of recent work. Also the importance of trust and mutual commitment between the firm and its counterparts is stressed as preconditions for internationalisation (see Figure 2.2).

In short, there is considerable extension and adaptation from the 1977 Stage model. This calls into question if indeed it can still be called the Stage or Uppsala Theory. In sum, Johanson and Vahlne do respond well to criticisms of the Stage

Theory, adapting it in ways that considerably overlap with both the Network Theory and RBV.

FIGURE 2-2 THE BUSINESS NETWORK INTERNATIONALISATION MODEL



Source: Johanson and Vahlne (2009)

2.3 FDI Theory

Foreign Direct Investment Theory (FDI), which analyses capital flow movements from one country to another, matured in the 1970s, splintering into Transaction Cost Theory, Internalization and the Eclectic Paradigm (Hosseini, 2005). More specifically the theoretical development progressed from Transaction Cost Theory to Internalization, and the Eclectic Paradigm combines the two; with all three housed under the larger theory of FDI. This section focuses on those theories that have been empirically tested both for service sector and SMEs.

This review undertakes considerable in-depth coverage of Dunning's Eclectic Paradigm. The reason for this is twofold: it builds on Transaction Cost and Internalization theories, making it the most widely accepted theory for international production (Cloninger and Oviatt, 2007); and it has been empirically tested for both service sector and SME firms. FDI theories in general have been designed for and tested on mainly large manufacturing firms. While some

research has been done on large service firms (Boddewyn et al., 1986, Javalgi et al., 2003, Cloninger and Oviatt, 2007); and SMEs (Buckley, 1989); the relevance for small to medium-sized service firms is still under-researched (Brouthers et al., 1996, O'Farrell et al., 1998, Nakos and Brouthers, 2002).

It is logical therefore to begin with a clear understanding of Dunning's Eclectic Paradigm or OLI Framework. Dunning examines international production by dividing it into three categories: ownership (O), location (L) and internalization (I) advantages (Dunning, 1988, Dunning, 1993, Dunning, 2001). These three aspects are predecessors to internationalisation, serving as the basis for the firm's entry mode decision. Ownership specific (O) aspects address firm specific, productivity differences, which are based on intangible assets; location specific aspects (L) are by their definition non-transferable, i.e. they are location bound; and internalization aspects (I) address the transaction costs, including internal organisation and use of resources and capabilities (Dunning, 2001). Dunning (1989) directly addresses the specificity of service firms and highlights the preference for FDI in their internationalisation. However his study examines only large, multinational firms. It must also be noted that he specifically refers to business consultancy services as examples of when international transaction costs are too high to allow for much trade.

Dunning reminds us that these OLI variables are context specific. He acknowledges the growing role of information communication technology (ICT) as giving ownership specific (O) advantage to smaller, entrepreneurial firms (Dunning, 2000a). He questions whether the Eclectic Paradigm has evolved so much since its inception over the past two decades that it is now stretched too far, become too encompassing and has thus lost some of its relevance. He acknowledges the role that networks have to play in the internationalisation process, as firm specific advantages tend to be rooted in current or previous network relationships (Dunning, 2001). He himself acknowledges the difficulty of any one theory in explaining the internationalisation process as there is a high variance on motivation factors and expectations of internationalisation (Dunning, 2001). Additionally, it is important to point out that both O and I advantages overlap in definition with the resource-based view, as providing a unique

advantage to the firm (RBV is discussed in greater detail later in this chapter).

In furthering our understanding of OLI, Boddewyn et al. (1986) theoretically apply OLI to large service firms. They find that no special modifications of FDI theories, created for large multinational manufacturing firms, are necessary for international service firms, despite difficulties in defining, classifying, measuring, and comparing service MNEs. They use three classifications for when services cross borders: foreign-tradable services (that generate a product that is separable from the production process itself as well as transportable across national boundaries); location bound service (that is bound to the service production location due to shared production between the producer and consumer, this is where most services fall) and combination services (where the consumer's participation can take place at a different location from the producers). Applying this analysis, the third example seems the most fitting for management consultancy firms. Therefore, combination services often make FDI an inappropriate option for management consultancy firms, as frequently there are alternatives to direct foreign investment. Management consultancy firms often "export" consultants ad-hoc to meet with clients as necessary while working on a project rather than having to maintain the overhead of an office abroad. Therefore as this example highlights, FDI Theory does not seem to be appropriate for small to medium-sized management consultancy firms.

Buckley's (1989) theoretical assessment of FDI for SMEs highlights the management intensiveness required for FDI, which can be something especially difficult for SMEs due to their limited resources. His findings show that first time investing SMEs experience more acute problems than experienced investors, underscoring the importance of learning from past mistakes. Overall his analysis of SMEs suitability for FDI is not very positive, as he sees their vulnerability exposed due to their smaller size (Buckley, 1989).

In later work, Buckley et al. (1992) compare the multinational service firm with the manufacturing sector, analysing the inherent differences of services and applying the Eclectic Paradigm as a framework to classify factors for service firm entry modes. They highlight five main characteristics of services: intangibility,

inseparability, heterogeneity, perishability and ownership, first identified by Cowell (1986). However they note that few services exhibit all of these characteristics, and most services have more than one (Buckley et al., 1992). Services are seen as being different from goods; however a clear-cut definition of either is difficult since there are few pure goods or services. These distinctions between manufacturing and service firms are further discussed in Chapter 4.

The Eclectic Paradigm is seen as being appropriate to understanding service internationalisation with particular emphasis on firm specific (O) advantages such as information and people-embodied knowledge or staff. Buckley et al. (1992) find two factors are instrumental to service sector entry mode decision-making. The first depends on the degree that the service is embodied in a product, and whether it can be embodied in a product the firm may export, license or invest in the foreign market. The second determinant depends on the production and consumption relationship: the firm must either travel or be located in close proximity to the consumer (Buckley et al., 1992). Unfortunately this research is limited to large service firms and applicability for SME service firms is not addressed.

O'Farrell et al. (1998) posit that FDI Theory is not suitable to apply to small to medium-sized business services. Business service firms can more easily 'dip their toes' into (and out of) foreign markets as part of a learning process (O'Farrell et al. 1998); however remaining active becomes more difficult due to the need to maintain the domestic market and having scarce personnel resources. O'Farrell et al. (1998) see networks and trust as offering a competitive advantage for SME service firms (see section on Network Theory for more information).

Nakos and Brouters (2002) examine Greek SMEs most recent entry mode into Central and Eastern Europe applying Dunning's OLI Framework. They make a distinction between equity modes, such as wholly owned foreign subsidiaries and joint ventures; and non-equity entry modes, specifically market-based modes such as licensing, franchising and exporting. They specifically looked at ownership (O) variables of firm size, international experience and the ability to produce differentiated products; location (L) variables of market potential and investment

risk and internalization (I) variable as contractual risk. Unfortunately the distribution of industries studied was unclear. Their findings show that Dunning's model is accurate for SMEs entry mode choice in Central and Eastern Europe (85% of all entry modes); however, firm size could be a factor in mode selection. There were differences found between manufacturing and service firms, with service SMEs preferring non-equity modes of entry. Therefore for the service SMEs in the sample, FDI Theory's explanation did not hold true. Nakos and Brouthers (2002) call for future work to further investigate why such differences between manufacturing and service firms may exist.

Javalgi et al. (2003) extend Dunning's Eclectic Framework to internationalised service firms (of all sizes). They survey 228 US business-to-business service firms in the following sectors: advertising, architects/ design; computer software/ data; contractors/ engineers; financial services; health services; and securities/ commodity/investment brokers. Findings indicate that firm size and market characteristics of the host country influence management's attitudes towards internationalisation, which influence the degree of internationalisation. Larger firms are found to be more attracted to internationalisation for two reasons, growth possibilities and their greater ability to absorb risks (risks are less detrimental) compared to smaller firms in the study; however definitions of large and small are unfortunately unclear in the article.

Javalgi et al. (2003) suggest that the manufacturing literature can be applied to the service sector to a large degree, but with caution. They encourage future work to include aspects such as adaptability of service offering, organisational flexibility, and relationships, in particular cross-cultural relationships, in order to better understand service internationalisation.

The most important drivers of entry mode decisions for service sector SMEs seem to be based on their firms' (human) competencies according to Hollenstein's (2005) study on the determining factors of internationalisation strategy of Swiss firms. He affirms Dunning's (2001) OLI (Ownership, Location, Internalization) paradigm, with 'O' drivers (ownership or firm-specific advantages) being the main drivers for internationalisation decisions. While Hollenstein's findings show

that SMEs internationalise differently from large firms; these differences in internationalisation processes are more a matter of degree rather than substance (Hollenstein, 2005). He also finds small knowledge-intensive firms to be engaging in FDI (Hollenstein, 2005). Therefore, he suggests that differences tend to divide manufacturing firms with service firms as opposed to a firm size dichotomy. Chapter four provides a more in-depth look on the service sector and highlights the differences between manufacturing and services.

From this empirical research described above, it emerges that the Foreign Direct Investment method, already a limited option for SMEs due to their resource constraints, is of little relevance to management consultancy firms' entry mode decision. This is due to the fact that these firms do not necessarily need to have an overseas' office in order to provide their services, thus often making direct foreign investment a less desirable option.

2.4 Network Theory

The Network Theory stresses the importance of relationships, including the role of social and business networks (Johanson and Mattsson, 1988, Coviello and Munro, 1995, Chetty and Campbell-Hunt, 2003) and is an outgrowth of the Stage (Uppsala) internationalisation process model (Johanson and Vahlne, 1977). However, Network Theory has another logic than Stage Theory concerning the main driving forces for internationalisation; it focuses on people and their connections. When a firm has gaps in its internal skills set, one way this can be overcome is with the help of their networks. A firm with a supportive, resourceful network can be used to the firm's advantage, giving an additional source of knowledge and ability when there may be a gap in what is needed and what the firm is able to provide.

Network Theory is seen as a source of competitive advantage for business service firms. Trust and social relations for business services are more difficult to establish, nurture and sustain in foreign markets, especially when there are significant cultural and linguistic differences but they also make collaboration more necessary.

As previously mentioned earlier in this chapter, Bell's (1995) research on computer software firms in Finland, Ireland and Norway found networks to be important, particularly in the early stages of internationalisation. He uses Nordstrom's (1990) definition of networking, "the interconnected exchange relationships [that] evolve in dynamic, less structured manner and that increased mutual knowledge and trust lead[ing] to greater commitment between international market actors" (Bell, 1995). However, Bell posits that Network theory alone is insufficient to explain the internationalisation of these firms, as it does not accommodate mechanisms adopted by firms to identify new contacts from outside their network or explain the internationalisation processes of firms which do not have contacts stemming from network connections (Bell, 1995). While Bell's criticisms are tangential, the Network Theory proposes firms overcome gaps in their resources by using their networks, not that their networks are the sole source for internationalising. Nonetheless Network Theory laid the groundwork leading to the development of the Born Global Theory (Oviatt and McDougall, 1994, McDougall et al., 1994, Bell, 1995), which is elaborated on later in this chapter.

Coviello and Munro's (1995) research focuses on the use of network relationships (both formal and informal) to pursue foreign market opportunities and conduct international marketing activities based on in-depth case studies of New Zealand (NZ) software SMEs. They found that initial and subsequent market entries and entry modes were influenced by the small to medium-sized firms' network relationships; in particular, early relationships with large firms were quite influential. This enhanced the firm's internationalisation process but also imposed constraints to the scope and nature of market opportunities. The high tech firms responded to these constraints with efforts of market and product diversification in order to counteract the dependency and control of the dominant players in their networks (Coviello and Munro, 1995). The overall conclusion of Coviello and Munro (1995) is that networks play an important role in the firm's marketing capabilities to initiate internationalisation. However, as the firm succeeds in internationalising, they tend to increase their efforts in diversifying their marketing activities to reduce their dependency on others.

The authors highlight how networking offers strategic options and an expanded resource base that the firms would not otherwise have. This links in with the resource-based view of the firm, that firms have unique resources that improve performance. In Coviello and Munro's (1995) research, the role of networking is examined in the context of market entries and modes; however it is unclear to what extent networks are suited to a long-term sustained international presence. They recommended that managers should value network relationships as key to competitive capability.

Furthering their research on networks, Coviello and Munro (1997) research four software SMEs to better understand the impact of networking on their internationalisation process. They see firm internationalisation as an accelerated version of the Stage model that is facilitated by the firms' networks and its influence on market entry and market development. Specifically they found small knowledge-based software firms to be quicker and more diverse in their internationalisation process than large manufacturing firms. These firms experience rapid internationalisation in as little as three years, often undertaking multiple and different entry modes due to their international network. They also exhibit Born Global traits that are explained in the subsequent section on Born Global Theory. They found that along with market success came a desire for greater control (autonomy) in the network relationship (Coviello and Munro, 1997), serving as a driver for the firm to rethink its entry mode choice. This confirms earlier concerns on network constraints.

O'Farrell et al. (1998) indicate that service firms gain competitive advantage from networks. Business service firms can more easily 'dip their toes' into foreign markets as part of a learning process, they are capable of internationalisation simply by sending staff abroad for a specific project (O'Farrell et al., 1998); however remaining active abroad becomes more difficult due to the need to maintain the home market balanced with the limitations of staff resources.

From their study on New Zealand SMEs in the engineering consulting sector, Coviello and Martin (1999) found that managers of service-intensive firms need to have a comprehensive understanding of the impact of network relationships on internationalisation. They confirm the assertion by Clark et al. (1996) that service internationalisation may be too broad to be defined by any one theoretical framework, calling for research to be extended to other business service sectors, including management consultancies (Coviello and Martin, 1999). Instead they use a combination of theories to understand the internationalisation process of engineering consulting SMEs: over time (Stage Theory), while relying on relationships (Network Theory) in order to gain access to markets and develop competitive advantages (FDI theories).

Etemad and Wright (1999) explain Network Theory as firms that use their firm specific advantages to leverage with other firms in order to help overcome their disadvantages. This may allow SMEs to save time when internationalising by obtaining information from firms in its network, allowing the firm to be better prepared, increasing its resource base and potentially reducing risk.

Chetty and Campbell-Hunt (2003) develop a conceptual model that integrates internationalisation theories and SME characteristics which refutes the Stage model. They examined the paths of SMEs as they internationalised, including the role of the decision-maker, motivations and pace of internationalisation. They found that the more fully internationalised firms are, the less likely they are to use direct modes of market representation. The role of networking was significant to a firm's internationalisation process first to learn about international markets and then increasingly as a source to tap into for capabilities and knowledge.

Moen et al. (2004) undertook in-depth interviews with five small Norwegian computer software firms on entry modes and market selection. They suggest a new entry mode due to information communications technology (ICT) developments: using virtual offices to penetrate foreign markets. Findings suggest that network relationships are a determinant for which foreign entry modes to choose and, to a lesser extent, which markets to enter, giving a wider

scope of options for firms when internationalising than otherwise possible. Moen et al. (2004) caution that managers need to balance the firm's finite resources between maintaining relationships and creating new ones.

Coviello (2006) examines early-stage international new ventures in the SME software sector in New Zealand and the role of their networks. Her findings underscore the importance of networks even before international market entry, at the firm's conception, which is instrumental to the specific internationalisation entry decision. Network relationships are found to be intangible resources significant to the firm's growth, more specifically, the range of networks was found to increase with time though density decreased (Coviello, 2006). Again we see the Network Theory directly overlapping with the resource-based view.

Ibeh and Kasem's (2011) case study research of six Syrian software SMEs also found networks significant to the internationalisation process. In particular, social networks were of importance early in the internationalisation process with formal, business networks (for example partner distributors) becoming more relevant later on.

There seems to be a convergence between Stage and Network Theory, with Network Theory complementing Stage Theory and perhaps offering insight as to how firms may skip a stage or enter the Stage Theory at a later point due to their network contacts. Network Theory, when layered with Stage Theory, modernises it, situating firms in a more contemporary environment of ICT where SMEs may enter and exit internationalisation more easily (in terms of speed and frequency).

It is noteworthy that most of the research on SME service sector internationalisation and the role of networks have for the most part focused on one service sector, computer software firms. This is advantageous to understanding management consultancies' internationalisation process, as they are both knowledge intensive firms. However, caution must be used in discerning particularities between the two fields. Finally, there also seems to be significant overlap with the Network Theory and RBV as many findings point to the

predominant role networks have played in the firm's internationalisation (see conclusions of the following section for further analysis).

2.5 Resource-Based View

The resource-based view (RBV) argues that exploiting a firm's unique resource(s) can result in superior performance relative to the firms in the same market (Barney, 1991). A resource is defined to encompass any strength or weakness of a firm, covering tangible and intangible assets (Wernerfelt, 1984). It focuses on firm-level determinants of a company's performance, joining together international business theory with strategy (Peng, 2001). The resource-based view's central component is a firm's ability to exhibit value, rarity, inimitability and non-substitutability of its resources (Barney, 1991). RBV is applied to the internationalisation process, by attributing market entry success as a type of firm resource.

The resource-based view has its economic underpinnings from Penrose (1959), which Wernerfelt (1984) then clarified into a theory for strategic management. His main thesis was that a firm wanted to create a situation in which "its resource position directly or indirectly makes it more difficult for others to catch up" (Wernerfelt, 1984). Barney (1991) was then instrumental in building on this work and expanding it to find that sustained competitive advantage is gained from resources or capabilities that are valuable, rare, imperfectly imitable and not substitutable (Barney, 1991:105-106). His model is based on the concepts that strategic resources differ amongst firms within the same industry and that these resources are not necessarily mobile across firms, making their differences more pronounced with time and creating a comparative advantage. Thus to him, a firm's international success would be dependent upon finding rare, imperfectly imitable and not substitutable advantage(s) amongst the resources already controlled by the firm.

The knowledge-based view is an outgrowth of RBV as its foundations stress the importance of knowledge as the firm's most important resource. Organisational knowledge, Nonaka (1994) explained, is formed from a continual dialogue

between the firm's explicit and tacit knowledge, allowing for new ideas. He acknowledges that individuals generate new knowledge yet the firm plays a critical role in amplifying that knowledge (Nonaka, 1994). Grant (1996) acknowledges limitations of the knowledge-based view insomuch as it does not constitute a theory. Moreover, he clarifies the understanding of RBV as less a theory of firm structure and behaviour as an attempt to explain and predict why some firms are able to establish positions of sustainable competitive advantage and, in so doing, earn superior returns (Grant, 1996).

Grant (1996) suggests that, in order to generate and maintain their competitive advantage, firms need to integrate the specialist knowledge of its individual employees into their firm's goods and services. He sees knowledge as the firm's most significant resource. This argument resonates well when examining small to medium-sized consultancy firms as the firms' employees are in essence the service: that is the main output of the consultancy firm is the quality of its advice and recommendations which are directly dependent on the quality of its staff. Building on this standpoint, Spender and Grant (1996) see the knowledge-based view of the firm as a framework for taking into account people, their idiosyncrasies, culture, history, knowledge and skills. They recognise that knowledge and skills of employees influence the decision-making and organisational structure of the firm and thus the internationalisation process.

RBV has been applied to SME internationalisation in the empirical work by Campbell-Hunt et al. (2001). They take a resource-based view, seeing the firms' sources of competitive advantage linked to their firm-specific characteristics of non-tangible resources such as networks, reputation, cultures and the ability to adapt to new technology in their research on internationalised SMEs in New Zealand. Leadership from the owner/ manager also plays an important role in these enterprises' internationalisation process.

Peng (2001), in his review on Barney (1991) and Wernerfelt's (1984) theoretical influence in research from 1991 to 2000, demonstrates the use and applicability of the resource-based theory in both large and small firms. Specifically he examines

the evolution of RBV and its effect on multinational management, strategic alliances, market entries, and international entrepreneurship. He sees RBV as offering an explanation for how SMEs can succeed abroad rapidly without going through different stages of the Stage model and in so doing he links RBV with the Born Global Theory. Thus success in internationalisation, according to Peng (2001), is dependent on the firm's ability to leverage tacit knowledge about global opportunities.

Westhead et al. (2001) apply a resource-based view in their research in order to identify factors encouraging UK SMEs to export by examining four categories of human and financial capital: general human capital resources, the principal founder's management know-how, the principal founder's specific industry know-how, and a principal founder's ability to obtain financial resources to buffer against random shocks. They find that businesses with older principal founders, more resources, denser information and contact networks, and experienced management know-how are significantly more likely to export. These findings are echoed by Lloyd-Reason and Mughan (2002) who find the owner manager to be the central component of successful internationalisation.

Ibeh (2005), in a case study research on seven UK SMEs in the agribusiness sector, found the firm's resource base: its managerial, physical, organisational and relational aspects, and strategic orientation influences international performance. Specifically, internationally orientated and experienced managers, state of the art production/service facilities, unique knowledge resources and useful strategic relationships (networks) were found to enhance international performance.

Ibeh and Wheeler (2005), in a literature review on exporting UK firms consisting of thirty articles published from 1990-2003, use a resource-based framework to examine influences on export performance. The framework consists of three components relevant to the internal environment: managerial resources, physical resources, and organisational resources; while the external environment is divided into relational resources that include managing relationships and leveraging external resources. Their findings, in line with the resource-based viewpoint, suggest the importance of top management staff, the firm's resources and

location, product innovation, quality service delivery and leveraging of strategic resources with partners through networks.

In examining RBV's interactions with other internationalisation theories, Etemad and Wright (1999) place RBV as a sub-set of FDI theories. Others such as Peng (2001) link RBV with international entrepreneurship, as demonstrated by how some SMEs rapidly internationalise due to their tacit knowledge (see next section on International New Venture Theory). More recently, the literature has recently recognised the overlap and merging of RBV and Network Theory and, seeing the two theories as being complementary (Ruzzier et al., 2006, Wills-Johnson, 2008).

2.6 International New Venture Theory/ Born Global Theory

International New Venture Theory or Born Global Theory addresses firms that internationalise from their inception, typically within two to three years of establishment (Oviatt and McDougall, 1994). Both address firms that conduct business in multiple countries abroad; the difference between the two is regarding the usage of the word global. Oviatt and McDougall believe that the word global should be used solely for “new venture that coordinate multiple value-chain activities in many countries” (Oviatt and McDougall, 2005). Bell's definition is more flexible, interchanging internationalisation and global. In both cases there tends to be a focus on knowledge-intensive firms, as discussed in Chetty and Campbell-Hunt (2004). Spence and Crick (2009) highlight the overlap between the usage of international new ventures (INV) and born global firms in academic literature. While the terms have been used interchangeably, Spence and Crick (2009) posit that born global firms have a global focus, which they define as being involved on multiple continents (the triad markets of North America, Europe and South East Asia) in comparison to the more select markets of INVs, often just North America or Europe, (sometimes referred to as regional markets as internationalisation can often focus on one region). For the purpose of the chapter, the terms INV and born global are grouped together due to the overlap in academic writing as theoretically no clear distinctions have emerged.

Oviatt and McDougall (1994) posit that new ventures with limited resources may successfully internationalise; their views contrast to other internationalisation theories inasmuch as they focus on firm age at time of internationalisation. They define an international new venture as “a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 1994). They criticise the Stage Theory as they feel that some firms may skip certain stages or the internationalisation process may not be experienced in stages at all. They classify four types of international new ventures: the export/import start-up, the multinational trader, the geographically focused start-up, and the global start-up (Oviatt and McDougall, 1994).

Born global firms are defined as firms that internationalise rapidly and with a global focus and have a sophisticated knowledge base as their competitive advantage (McKinsey, 1993). Again it is the age of the firm at time of internationalisation, in addition to its global focus that differentiates it from the other theories. Bell et al. (2001), from their case studies on born global and born-again global firms, argue against the Stage Theory saying that it does not address the pace of internationalisation in a meaningful way. Born Global Theory, on the other hand, addresses this aspect by distinguishing the point of a firm’s rapid internationalisation, either at inception (born global) or due to a critical incident (born again global). It could be suggested that the theory is compatible with Stage Theory, addressing firm internationalisation by introducing two new stages, before and after being born global.

Bell et al. (2003) examine the rapid internationalisation of firms that are born again global, or firms that internationalise after a long period of focussing on the domestic market. This change is brought about due to a critical event that gives additional human or financial resources. There are clear overlaps here with the resource-based view. In this way, INV Theory or Born (again) Global Theory can be classified within the resource-based view. Bell et al. (2003) acknowledge this overlap, identifying RBV as linked to a “contingency approach” of the internationalisation process as a series of interdependent decisions.

Chetty and Campbell-Hunt (2004) examine rapid international growth in New Zealand SMEs, categorising these firms as “gushers” (firms that internationalise quickly) due to the destabilising effects caused by such rapid growth and internationalisation. They recall the many reasons why born global firms are increasing in number including the role of technology (Madsen and Servais, 1997, McDougall and Oviatt, 2000), external environment (Oviatt and McDougall, 1997) and customer following (Oviatt and McDougall, 1995). They review existing theory on born global firms and compile a sketch of what a born global firm looks like: they view international markets as providing opportunities rather than risks (Madsen and Servais, 1997); have prior knowledge and experience with international markets; are driven by strategy in choosing international markets; view networks as important (McKinsey, 1993); and internationalise quickly, within two years of inception (see Table 2.1 that highlights these differences).

TABLE 2-1 SALIENT DIFFERENCES BETWEEN TRADITIONAL AND BORN-GLOBAL VIEWS OF INTERNATIONALISATION

Internationalisation Attributes	Traditional Stage Theory View	Born-Global View
Home market	Domestic market developed first	Domestic market largely irrelevant
Prior internationalisation experience	None expected	Founder has extensive experience in relevant international markets
Extent of internationalisation	International markets developed serially	Many international markets developed at the same time
Pace of internationalisation	Gradual	Rapid
Psychic distance	In order of psychic distance	Psychic distance irrelevant
Learning to internationalise	At a pace governed by the ability to learn from (slowly) accumulated experience	Learning occurs more rapidly because of superior internationalisation knowledge
Firm strategy	Not central to the firm's motivation to internationalise	Realisation of competitive advantage requires rapid, full internationalisation; product-market scope is focused/niche
Use of ICT	Not central to internationalisation	Key role as enabler of global market reach and learning
Networks of business partners	Used in early stages of internationalisation and gradually replaced with the firm's own resources	Rapid development of global reach requires rapid, comprehensive network of partners
Time to internationalise	Not crucial to firm success; slow	Crucial to firm success within a few years of inception (e.g., two years)

Source: Chetty and Campbell-Hunt (2004)

From their research, surprisingly, Chetty and Campbell-Hunt (2004) find that the domestic market does play an important role to born global firms and that their international market choice was influenced by close psychic distance to New

Zealand. Thus, their comparison between born global firms or “gushers” and traditional firms found fewer differences than they had expected from the theoretical implications.

Internationalisation is seen as an entrepreneurial act. This link between entrepreneurship and internationalisation, albeit in one of its forms, exporting, is not new (Ibeh and Young, 2001). Jones and Coviello (2005:284) use McDougall and Oviatt’s (2000:903) definition of international entrepreneurship, that is “a combination of innovative, proactive and risk-seeking behaviour that crosses national borders and is intended to create value in organisations.” Their conceptualisation examines the entrepreneur, the firm, the internationalisation behaviour, and performance as part of the entrepreneurial internationalisation process. They propose viewing this process with a time element, a key aspect that is lacking from the INV or Born Global Theory on its own (Jones and Coviello, 2005).

To add to the complexity, Mort and Weerawardena (2006) see born global firms as drawing on both the Network Theory and RBV, with particular emphasis on the value of networks in both. Their findings highlight the critical role of the owner/founder in network capacity building which in turn impacts the rapid internationalisation of a born global firm, developing knowledge intensive products and international market performance (Mort and Weerawardena, 2006).

The scope of this research is issue-based, looking at the internationalisation process comprehensively not just at one point, inception, as is the case with the Born Global Theory. The key aspects to the internationalisation process yet to be fully addressed are picked up on only in Jones and Coviello’s work (2005), the importance of having a time element and viewing internationalisation as a dynamic process. This concept is not new when examining new ventures as it dates to Gartner (1985: 697), who points out, “the creation of a new venture is a multidimensional phenomenon; each variable describes only a single dimension of the phenomenon and cannot be taken alone;” the same is true of the internationalisation process. Therefore INV Theory has severe limitations, in that it only addresses new firms at the beginning of the internationalisation process.

This is beginning to be redressed; nonetheless, the theory is insufficient to explain what happens as the internationalisation progresses without drawing on other theories (in particular Network Theory or RBV). For these reasons, Born Global Theory alone is insufficient to explain the full process of internationalisation.

2.7 Conclusion

There does not seem to be one internationalisation theory to explain SME service sector firms' internationalisation process. However, some theories and some aspects of the theories seem to be more applicable to small to medium-sized service firms (see Table 2.2 on page 40). Moreover, deeper understanding can be found in layering the various theories.

Coviello and Martin (1999) examined internationalisation theories in a more holistic manner, integrating the Stage, Network and FDI theories. They find that while each theory has its own limitations, it is still relevant for SME internationalisation and when they are combined, a more integrative perspective of internationalisation is possible. Coviello and Martin (1999) found that firms follow: the Stage model as they change in their behaviour and commitment over time; the Network Theory by their reliance on relationships, both formal and informal, to gain market access; and FDI Theory as they develop location-specific competitive advantages. Their findings support the argument that service internationalisation is too broad a concept to be defined exclusively by one theoretical framework.

Etemad and Wright (1999) concur that SME behaviour, as a holistic process, cannot be explained fully by any one existing theory and therefore insight must be drawn from various theoretical models. Ibeh and Young (2001) see RBV as insightful in bringing together the differing internationalisation theories. They posit that firms exhibit different internationalisation patterns due to their differing resources. Building on that, Ibeh (2006) highlights the emerging consensus on internationalisation theories: no longer is the Stage Theory the predominant explanation but rather the various models should be viewed in a complementary

manner. Mort and Weerawardena (2006) highlight theoretical complements between Born Global Theory, Network Theory and RBV. Therefore, depending on the perspective, for example, increasing organisational learning and market knowledge (Stage Theory) or external relationship benefits (Network Theory); one theory may be more suitable to address that firm's internationalisation process for that perspective. In conclusion, it is from examining the firm's position in its internationalisation process (Stage Theory, FDI Theory and Born Global Theory) and the role of its resources (RBV and Network Theory) that a better understanding of the complexity of a firm's internationalisation process is possible.

TABLE 2-2 INTERNATIONALISATION THEORIES APPLICABILITY TO SME SERVICE FIRMS

Theory	Firm Type	Applicable according to author(s)
I. STAGE THEORY		
Johanson and Wiedersheim-Paul (1975) Johanson and Vahlne (1977) Johanson and Vahlne (2009)*	Large firms, mostly manufacturing *conceptual paper but building on empirical work for large firms	Yes
Bell (1995) Bell et al. (2001)	SME service firms	No
Moen and Servais (2002)	SMEs (sector not explicit)	No
Sharma and Johanson (1987)	Large service firms	No
Conclusion for Stage Theory	Applicability for SME service firms	No
II. FDI THEORY		
Dunning (Dunning, 1988, Dunning, 1989, Dunning, 1993, Dunning, 2000a, Dunning, 2000b, Dunning, 2001)	Large firms, mostly manufacturing but some coverage of service firms	Yes but when discussing business consultancy services, he acknowledges high transaction costs
Boddewyn et al. (1986)	Large service firms	Yes but for combination services (i.e. management consultancy services) FDI often inappropriate
Javalgi et al. (2003)	Business to business firms of all sizes	Yes but with caution
Buckley (1989)	SMEs	No
Buckley (1993)	Focus on service multinationals	Yes
Hollenstein (2005)	Compares SMEs to large firms in manufacturing and service sectors	Yes
Brouthers et al. (1996)	Service SMEs	Yes
Nakos and Brouthers (2002)	SMEs, sectors not explicit	Yes
O'Farrell et al. (1998)	Business service SMEs	No
Conclusion for FDI Theory	Applicability for SME service firms	sometimes
III. NETWORK THEORY		
Bell (1995)	SME service firms	Yes but limited
Coviello and Munro (1995) Coviello and Munro (1997)	Software SMEs	Yes (as accelerator for Stage Theory)
O'Farrell et al (1998)	Business service SMEs	Yes
Coviello and Martin (1999)	Engineering Consulting SMEs	Yes (in combination with Stage and FDI theories)
Etemad and Wright (1999)	SMEs	Yes
Chetty and Campbell-Hunt (2003)	SMEs	Yes
Moen et al. (2004)	Software SMEs	Yes
Coviello (2006)	Software SMEs	Yes overlap with RBV
Conclusion for Network Theory	Applicability for SME service firms	Yes
IV. RBV		
Barney (1991) Wenerfelt (1984) Nonaka (1994) Grant (1996) Spender and Grant (1996)	Conceptual work, implying large firms	Yes
Campbell-Hunt et al (2001) Westhead et al (2001)	SMEs	Yes
Peng (2001)	Firms all sizes	Yes
Conclusion for RBV	Applicability for SME service firms	Yes
V. BORN GLOBAL THEORY		
Oviatt and McDougall (1994) Oviatt and McDougall (2005) Jones and Coviello (2005)	Conceptual focusing on firm age at inception not size	Yes *calls for multiple perspectives
Bell et al. (2001) Bell et al (2003)	SMEs (knowledge-intensive and traditional firms)	Yes
Chetty and Campbell-Hunt (2004)	SMEs (sector unclear)	Yes
Mort and Weerawardena (2006)	SMEs in low tech and hi tech industry sectors	Yes drawing on Network Theory and RBV
Conclusion for Born Global Theory	Applicability for SME service firms	Yes

3. Chapter 3 Internationalisation: SMEs, service sector and service sector SMEs

3.1 Introduction

After having looked at the various internationalisation theories and their applicability for SMEs in the service sector (in Chapter two), the complexity of the internationalisation process was laid out and the value of layering the various theories shown. This chapter builds on those theoretical underpinnings as it draws on SME internationalisation and service sector internationalisation literature, situating the international service SME within these two fields. The chapter begins by defining small to medium-sized enterprises (SMEs) and internationalisation, expanding on the definitions introduced in Chapter 1. It then elaborates on the differences between the manufacturing and service sector before moving on to the literature critique.

In order to analyse the comprehensive aspects of SME service internationalisation, the relevant topics have been categorised into three themes: motivations (why firms internationalise), obstacles to internationalisation (what inhibits them from doing so, using the terms barriers and challenges interchangeably) and critical success factors (how they do so successfully). These factors taken together may also shed light on the theoretical implications of the firms' internationalisation process (as discussed in Chapter 2). The chapter concludes with a summary of the literature critique and how these insights feed into the research questions and conceptual framework.

3.2 Key Terms Defined: SMEs, Internationalisation and Service Sector

Before exploring the literature regarding SME service internationalisation, it is important to clarify the definitions of SMEs and internationalisation. The literature does not agree on a single definition for these terms, it varies depending on the source used. In addition, as the service sector is referred to throughout this

research, a clear distinction is necessary on the differences between the manufacturing and service sector.

3.2.1 Definition of a Small to Medium-sized Enterprise (SME)

First, what is meant by a small to medium-sized enterprise needs clarification as the definition of SME changes depending on geographic location. While there has been a call for greater convergence in defining SMEs in order to facilitate comparative studies (OECD, 2004), the usage of different definitions still persists. The most common references are from the legal definitions for SMEs based on employment, turnover and asset thresholds, varying for firms located in North America (< 500 employees), Europe (<250 employees) and Japan (<300 employees).

For the purpose of this research, a SME is defined using the European Union's definition [< 250 employees, $\leq \text{€ } 50$ million turnover or a balance sheet total of $\leq \text{€ } 43$ million] due to the fact that the empirical research is being undertaken in the UK and for ease of comparability with other European studies (see Table 3.1 for full definition). Since the European Commission's adoption of this definition in 2003, it has been useful in giving a clear standard for European firms.

TABLE 3-1 PARAMETERS FOR MICRO, SMALL AND MEDIUM-SIZED FIRMS IN THE EUROPEAN UNION

Enterprise category	Headcount	Turnover	or	Balance sheet total
Medium	< 250	$\leq \text{€ } 50$ million (~ £44.2 million)		$\leq \text{€ } 43$ million (~ £38.0 million)
Small	< 50	$\leq \text{€ } 10$ million (~ £8.8 million)		$\leq \text{€ } 10$ million (~ £8.8 million)
Micro	< 10	$\leq \text{€ } 2$ million (~ £1.8 million)		$\leq \text{€ } 2$ million (~ £1.8 million)

Source: 6 May 2003 the European Commission Recommendation 2003/361/EC; www.xe.com currency converter consulted on 17 April 2011 for equivalent in British pounds.

3.2.2 Definition of Internationalisation

Second, internationalisation is another term with multiple meanings within the literature. In the beginning of the internationalisation literature, in the 1960-70's, internationalisation was quasi-synonymous with exporting. However, slowly that definition has expanded and become more comprehensive to include importing and other forms of internationalisation. Coviello and McAuley (1999) did a

comprehensive review on internationalisation and SMEs based on literature from 1989 to 1998. This time period saw a shift in focus from the early 1990's when internationalisation was still largely concerned with exporting, as highlighted by both Miesenbock (1988) who focused on small business and exporting and Chetty and Hamilton (1993) who focused on firm-level export performance on empirical work from 1978 until 1991 towards more varied forms of internationalisation. The global trading realities, which mostly were synonymous with exporting, have become much more complex; importing, global value chains, FDI and joint ventures have become much more prevalent. Academic literature has not sufficiently caught up and captured these, rather all too often internationalisation and exporting is used interchangeably. Chapter 2 on internationalisation theory discussed this shift in trading realities and its effect on theory development. This literature critique also underscores this dilemma; many seminal works cited for SME motivation, barriers and critical success factors of internationalisation focus solely on exporting. A notable exception to this is Fletcher (2001) who looks at internationalisation holistically, including inward internationalisation and de-internationalisation.

In the context of this research, the definition chosen for internationalisation is the one that offers the most comprehensive possibilities. Internationalisation is defined inclusively covering “the process of increasing involvement in international operations” (Welch and Luostarinen, 1988); this includes both inward and outward growth across national borders. This definition by Welch and Luostarinen, despite its age, is the most comprehensive and neutral definition, that was not presupposing a certain theoretical framework but allows for the multiple realities of the internationalisation process.

3.2.3 Differentiating the Service Sector from Manufacturing

Third, this research is focused on the service sector, distinguishing it from the manufacturing sector. Accordingly, this distinction should be clarified. The focus of SME internationalisation literature has been unbalanced, focussing mainly on studies primarily based on the manufacturing sector. However, due to the inherent differences between the manufacturing and service sectors (Chadee and Mattsson, 1998, Brouthers and Brouthers, 2003), past research may be of limited

relevance for service SMEs. This leaves a gap in research concerning the service sector.

It is important to note the distinctions of services from the manufacturing sector based on the nature of the firm's activities. Within a service firm, there is an overlap of production and consumption that obliges interaction between employees and customers (Van Looy et al., 1998, Roberts, 1999). Available data on the service sector is sparse with reliable data for many service sectors on a global scale often incomplete or lacking altogether (Samiee, 1999, Bryson, 2001).

The service sector by its nature combines service production and consumption and thus makes internationalisation potentially more complex for service firms than manufacturing firms, as it is impossible to separate the two actions. Therefore the service firm must address how, as an SME, it will provide its services internationally, dealing with greater intercultural management issues than manufacturing firms due to the increased human interaction necessitated by the service provision. However, the literature to date is sparse on this front when it comes to knowledge-based firms. This research aims to contribute to closing this research gap regarding SME management consultancy firms.

Greenwood et al. (2005) highlight how Professional Service Firms (PSFs) raise unusual strategic and organisational challenges which affect organisational performance. PSFs are defined as "those whose primary assets are a highly educated (professional) workforce and whose outputs are intangible services encoded with complex knowledge" (Greenwood et al., 2005: 661). Their work focuses on the general performance of services firms, not internationalisation specifically, of large US accounting firms, and is based on two dependencies; one is the clients' dependency on the firm due to asymmetry of information. The second is the high mobility of the firm's human assets that make the firm dependent on its professional workforce. They found that PSFs have certain characteristics that raise managerial challenges; the first shows outputs to be intangible applications of complex knowledge. The second finding points to the need of PSFs to employ a highly educated workforce that is able to customise complex knowledge to the clients' particular situation (whilst bearing in mind that

these people are highly mobile). They found a clear relationship between firm reputation and performance.

In the past, services have been underrepresented in research, in part perhaps due to the fact that historically more manufacturing firms engaged in internationalisation activities compared to service firms, but also perhaps due to the inherent intangibility of services that makes them more difficult to research. When looking at internationalisation and more specifically entry modes to international markets, the fundamental differences between the service sector and the manufacturing sector remain. Service sector firms have comparably low-entry barriers to internationalisation (it is not uncommon for an office to suffice) compared with manufacturing firms that typically require a factory. Often, service firms require less financial investments than manufacturing firms as start-up costs are low (Erramilli and Rao, 1993, Roberts, 1999).

Service firms prefer to start with full-control modes when internationalising and only firms with low asset specificity are more likely to relinquish control (Erramilli and Rao, 1993). However, the findings of Erramilli and D'Souza (1993) on foreign market entry behaviour of small and large US service firms (size grouping determined by sector sales revenue) provided some contradictory evidence. It showed the behaviour of small firms differs from that of larger firms mainly in service industries characterised by higher capital intensity, whereas at lower levels, small firms resemble big firms. Management consultancy firms are high-specificity firms as they are a pure service with high customer interaction, and therefore they tend to prefer an integrated entry mode. They typically internationalise via FDI, subsidiary, or by merger and acquisition (Vandermerwe and Chadwick, 1989).

Brouthers and Brouthers (2003) examined the entry mode of European firms and uncovered similarities and differences between manufacturing and service firms, and found that service and manufacturing firms respond differently to Transaction Cost Theory attributes (TCE). Specifically, they found service firms respond to behavioural uncertainty, of TCE, due to its people-oriented component and the

people intensive nature of services. Manufacturing firms however tended to react to environmental uncertainties due to the fact that they tend to have higher investment costs. Service firms are different as they rely on people for both the simultaneous production and delivery of the service product. This dependency makes their foreign operations more difficult to manage and creates higher internal organisational costs than manufacturing firms (Brouthers and Brouthers, 2003). Service firms' entry mode choice appeared to be influenced by behavioural uncertainty and asset specificity, with firms perceiving high levels of behavioural uncertainty more likely to enter into a joint venture, whereas service firms with high asset specific investments preferred wholly owned modes of entry (Brouthers and Brouthers, 2003).

While Brouthers and Brouthers' (2003) study was on large firms and not SMEs, it may be extrapolated that service sector SMEs may also make entry mode decisions based on their firms' (human) competencies. This is confirmed by Hollenstein's (2005) study on the determining factors of internationalisation strategy of Swiss SMEs. He affirms Dunning's OLI (Ownership, Location, Internalization) paradigm (or Eclectic Theory of FDI), with 'O' drivers (ownership or firm-specific advantages) being the main drivers. While findings show that SMEs internationalise differently from large firms, these differences are more a matter of degree rather than substance (Hollenstein, 2005). Therefore, differences tend to divide manufacturing firms with service firms as opposed to a firm size dichotomy.

Ball et al. (2008) define information-intensive soft services as

involve(ing) intangible actions directly for customers, through the provision of information-based solutions based on the transformation of input information into output information. Information-intensive soft services require the exchange of complex information, in order to define customers' needs and provide individualised solutions (Ball et al., 2008:415),

with management consultancies listed first as an example. They counter the argument that the service sector needs to have full entry to internationalise; rather they posit that information-intensive soft service firms can establish a presence abroad on a temporary basis, by shifting employees to the host market. This is

possible due to the nature of the clients, as a presence abroad is only needed as a one-off or as needed nature, in addition to ICT facilitating communication (Ball et al., 2008).

With the advancement of globalisation and Information Communication Technology (ICT), service firms and in particular service SMEs are finding lower entry barriers, making it easier to internationalise (O'Farrell et al., 1998). However, difficulty in assessing and measuring service provision, particularly for those that are pure services, should not exempt the study of service SMEs.

There are therefore inherent distinctions between the manufacturing and service sector, differences that are exacerbated when internationalising. When examining service firm internationalisation through the lens of firm motivations, barriers and critical success factors, it is likely that the motivations for service SMEs to internationalise are similar to the motivations for SME internationalisation generally. However, it is less clear that the barriers to SME service internationalisation will be the same due to the differences highlighted above regarding service provision and the interaction between production and consumption; therefore future research in this area is needed. The implication of which barriers impede service firm internationalisation has a clear relationship on what can be identified as critical success factors for SME service internationalisation. Therefore, more attention is given to the latter two themes in order to generate new knowledge.

3.3 Motivations to Internationalise

Any discussion on SME service internationalisation would be incomplete without understanding the service SMEs' motivation for entry into international markets. This section of the chapter focuses on why these firms internationalise, with evidence on motivational drivers on why firms begin internationalising from the perspective of SMEs, the service sector and service sector SMEs. Table 3.2 presents a summary of the motivational factors, their research methods and findings, indicating how motivational factors vary depending on the firm's experience, strategy, skills and clients.

TABLE 3-2 MOTIVATIONS OF INTERNATIONALISATION

Author(s)	Date	Main Focus	Motivational Factors	Sample and Research Method	Findings
Ascher	1993	Service sector	Significant external environmental drivers (improvements in transportation, communication and computer technology) conducive for service internationalisation in the 1990's.	Overview on prospects for business and professional service providers when internationalising.	The 1990's saw significant national deregulation, privatisation of industries, and trade liberalisation, in addition to improved transportation, communication and computer technology.
Bell et al.	2003	Service SMEs	Vary depending on firm classification: traditional, born-global and born again global. Traditional are: reactive, adverse to home market, unsolicited/enquires orders, reluctant management, cost of new production and processes force export initiation. Born globals are: proactive, global niche markets, committed management, and international from inception. Born again globals are reactive to a critical incident.	Qualitative in-depth interview of 50 Australian, New Zealand and UK SMEs, including both traditional (food and beverage, printing and textiles) and knowledge-based (engineering, electronics and ICT) born-global firms.	Internationalisation occurs at various speeds, sometimes rapidly while other firms wait until after being established in the domestic market
Burpitt and Rondinelli	1998	Service SMEs	Both the international and domestic groups of firms most frequent motivations to export: <ul style="list-style-type: none"> • Increase revenues; • Moderate market cycles; and • Provide an alternative to flat domestic demand. 	Two phase survey; first phase includes 65 small environmental consulting firms ¹ in North Carolina, US, 11 of which are exporting. The second phase was a telephone survey with 100 different SMEs.	Firms with a longer-term view were more likely to perceive exporting as an opportunity than those simply concerned with immediate returns.
Leonidou et al.	2007	SMEs	Key motivational stimuli <ul style="list-style-type: none"> • Desire for extra sales; • Profit and growth; • Exploitation of a unique patent/ product; • Reducing home market dependence; and • Responding to unsolicited orders from abroad. 	Literature review based on 32 empirical studies from 1974-2005.	Identification of 40 export stimuli divided into internal, external, proactive and reactive categories.
Manolova et al.	2002	SMEs	Dependent on past experience: for managers with previous internationalisation skills and positive environmental perceptions, internationalisation is less uncertain and more likely to be pursued.	Questionnaire examines internationalised and non-internationalised small (< 250 employees) US firms in the technology sector.	Findings indicate that owners/ founders are likely to draw on their international experience, skills or overall competencies when internationalising.
Netland and Alfnes	2007	Service sector	Client following most prevalent motivation.	Literature review based on 31 studies from 1999-2005.	Meta-drivers to increased internationalisation: multilateral trade-agreements, ICT improvements and global networks. Increasingly PSFs use proactive market-seeking strategies to find new foreign clients.
OECD	2009	SMEs	Key motivational stimuli <ul style="list-style-type: none"> • Growth; • Knowledge-related; • Networks/ social ties and supply chain links; and • Domestic/ Regional Market 	Literature review from 2005-2008.	Growth related factors are increasingly important. SMEs knowledge is linked to the external environment and plays a push/pull role in international markets.

³An SME in the USA is defined as having < 500 employees.

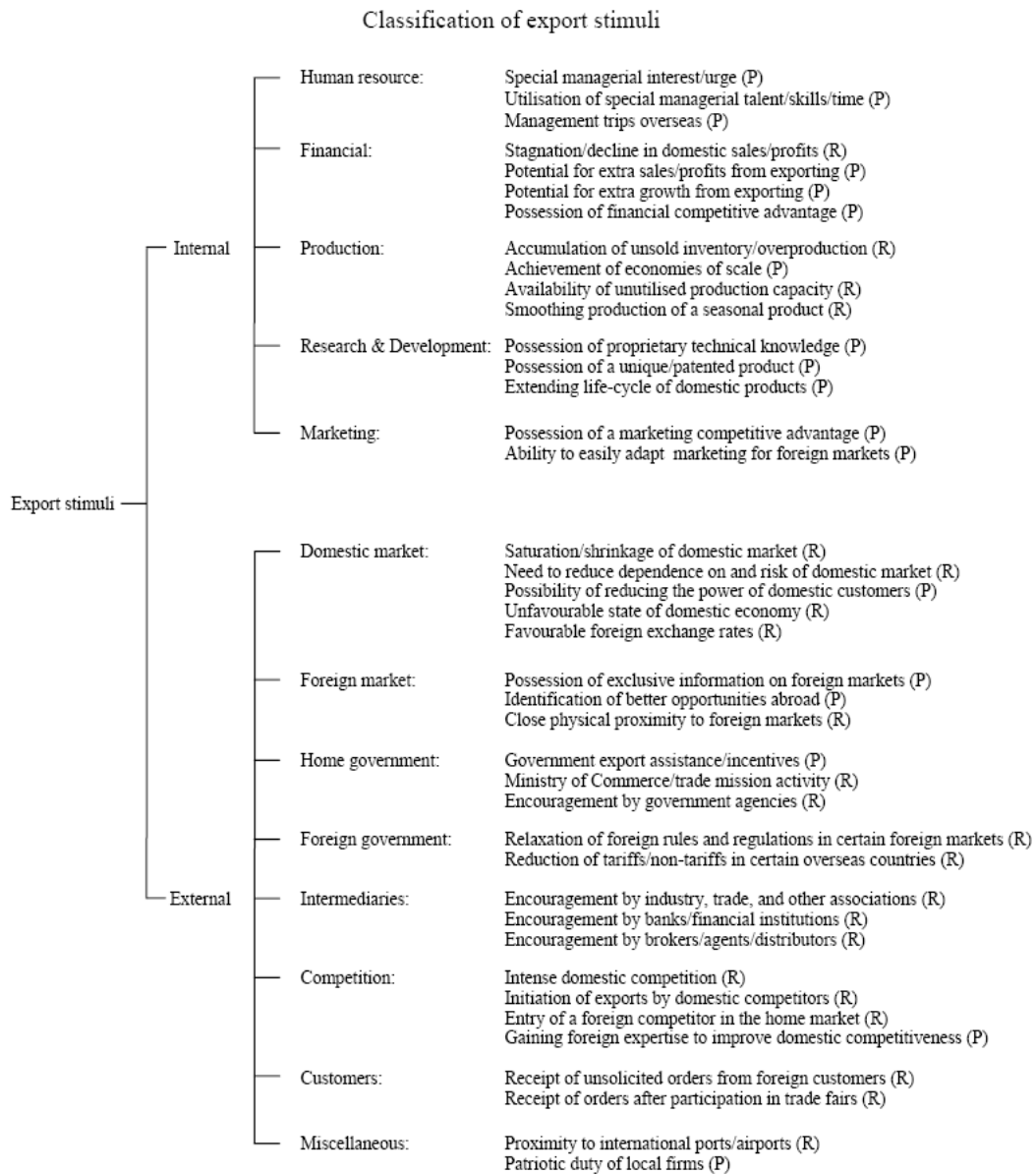
The overall situation is quite diverse; firms seem to begin internationalising for various reasons stemming from improvements in technology (Ascher, 1993), as a reaction to client's demands (Netland and Alfnes, 2007), or their own proactive intentions, like growth (Leonidou et al., 2007, OECD, 2009) or leveraging past experience (Manolova et al., 2002).

3.3.1 SMEs Perspective on Motivation to Internationalise

SMEs internationalise for many reasons and in various ways (Ibeh, 2006). These can be proactive, reactive, internally, or externally motivated (Leonidou et al., 2007), for growth, to increase competitiveness or due to being pushed or pulled into markets by their clients (Bell et al., 2003). Internationalisation occurs at various speeds, sometimes rapidly while other firms wait until after being established in the domestic market (Bell et al., 2003). There is no one homogenous path for SME internationalisation and hence no one-size fits-all internationalisation theory for SMEs (Miesenbock, 1988, Wheeler et al., 2008). The discussion on internationalisation theories and their relevance to SMEs were discussed in Chapter two.

So what patterns, if any, can be ascertained about SMEs' motivations to internationalise? According to Manolova et al. (2002), who used a questionnaire to examine personal factors between internationalised and non-internationalised small (less than 250 employees) US firms in the industrial technology sector, they found motivation to be linked to past experience. In comparing the importance of human capital, specifically international business skills, international orientation, perceptions of the environment and demographic characteristics, they found that owners/ founders are likely to draw on their international experience, skills or overall competencies when internationalising. Therefore for managers with these skills and positive environmental perceptions, internationalisation is less uncertain and more likely to be pursued (Manolova et al., 2002). It is not surprising that managers who have past experience and skills internationally would be more likely to internationalise in the future.

FIGURE 3-1 CLASSIFICATION OF EXPORT STIMULI



Note: (P) = proactive and (R) = reactive

Source: Leonidou et al., (2007)

This still does not answer the question of what drove SMEs to internationalise in the first place. Leonidou et al. (2007), focused on the motivations for SME exportation in a comprehensive literature review based on thirty-two empirical studies in the manufacturing sector from 1974 to 2005. From this, they were able to identify forty export stimuli, broken up into internal and external categories that were either proactive or reactive motivations (see Figure 3.1). From Leonidou et al's (2007) research we begin to appreciate the multiple sources of motivation that can influence a firm's decision to internationalise. More significantly these

motivations can be from a proactive action undertaken by the firm or a reaction to a situation.

Based on Johnston and Czinkota's (1982) categorisations, proactive firms are defined as looking to exploit an organisational competence or market opportunity and reactive firms as responding to internal or external pressures (Leonidou et al., 2007). Their research found that exporting stimuli were diverse and changing over time and industry, suggesting "export stimulation should be seen as the synergistic outcome of a bundle of factors which changes over time and under different conditions" (Leonidou et al., 2007:753). So while there are no clear patterns for all SMEs at all times in all industries, Leonidou et al. (2007) were able to identify factors that systematically motivated SMEs to export: the desire for extra sales, profit and growth; the exploitation of a unique patent/ product; to reduce home market dependence; and in response to unsolicited orders from abroad.

A recent literature review undertaken by OECD (2009) found growth, knowledge-related networks and domestic/ regional markets to be SMEs key motivations for internationalisation. SMEs knowledge of international markets is linked to the external environment, through their networks and these links can play a push/pull role in the internationalisation process (OECD, 2009).

3.3.2 Service Sector Perspective on Motivation to Internationalise

The 1990's are of historical significance for the internationalisation of the service sector for various reasons, due to national deregulation, privatisation of industries, and trade liberalisation (in particular in the European Union). In addition, transportation, communication and computer technology all improved significantly, facilitating service firms' ability to have a global reach by minimising the difficulties of time and distance (Ascher, 1993). These general external, environmental drivers for service internationalisation should be kept in mind when considering motivations for internationalisation.

In looking at more recent motivations to internationalise, Netland and Alfnes (2007) undertook a literature review spanning 1999 to 2005, based on the

professional services sector and without differentiating small firms from large. They define professional services broadly, consisting of four indicative features: knowledge-intensiveness, people-centric, intangibility, and customisation of services; management consultancies are included in that classification. Their findings show that on a firm level, client following was the most prevalent motivation for internationalisation. They call for future work to give special attention to information communication technologies (ICT) as a tool and enabler for internationalisation.

3.3.3 SME Service Firms' Perspective on Motivation to Internationalise

SME service firms' motivations for internationalisation seem more consistent than in the SME literature generally. Burpitt and Rondinelli (1998) research focused on strategic choices about exporting in small to medium-sized environmental consulting firms (under 500 employees) in North Carolina, USA. Their findings showed both the international and domestic groups of firms listed the following motivations most frequently as reasons to export: to increase revenues, to moderate market cycles, and to provide an alternative to flat domestic demand.

Bell et al. (2003) studied fifty Australian, New Zealand, and UK SMEs to investigate motivational factors to internationalisation, objectives, pattern and pace, market entry strategy, strategic approach to international marketing and financing to ascertain differences between knowledge-intensive (engineering, electronics and ICT) and 'traditional' firms (clothing and textiles, food and drink, printing and others such as giftware and furniture). They found knowledge-intensive firms to be more proactive and structured in their approaches to internationalisation and flexible with their entry mode choice compared to traditional firms. This is in contrast to Netland and Alfnes (2007) findings; therefore perhaps smaller firms are obliged to be more proactive in their internationalisation in order to stay competitive (due to their smaller resource base).

3.4 Barriers and Challenges to Internationalisation

Now that firms' motivation for entry into international markets has been examined, this section looks at barriers and challenges facing SMEs, the service sector and service sector SMEs in their internationalisation process. The term barrier has commonly been used in the SME literature (most notably by Leonidou, 1995); however the word's meaning conveys something inhibiting internationalisation. Rather for this research, the word challenge is deemed more appropriate as although it is a difficulty in internationalisation, it can be overcome; the two terms (barriers and challenges) however are used throughout the research. Overall challenges to the internationalisation process, much like motivations, are found to vary over time, geographic setting, sector and point in internationalisation process (Leonidou, 1995). There is some convergence in the SME internationalisation literature on the relevance of following internal (to the firm) barriers: shortage of working capital to finance exports; identifying foreign business opportunities; limited information to locate/analyse markets; inability to contact potential overseas customers (Leonidou, 2004, OECD-APEC, 2008, OECD, 2009). The service sectors' perspective on challenges to internationalisation is centralised more on the relationship between the firm and client and how that relationship is managed at a distance (Dahringer, 1991, Roberts, 1999). Finally, SME service internationalisation literature reminds us of the importance of management in this process with challenges encountered when there is a lack of vision, knowledge or control (Hutchinson et al., 2009). Table 3.3 summarises the barriers discussed in this section, indicating relevant internal and external barriers and highlighting their key findings.

TABLE 3-3 BARRIERS TO INTERNATIONALISATION

Author(s)	Date	Main Focus	Barriers	Sample and Research Method	Findings
Dahringer	1991	Service	<ul style="list-style-type: none"> • Services cannot be stored; • Services cannot be protected through patents; • Services cannot be readily displayed or communicated; • Prices are difficult to set; • Consumer involved in production; • Other consumers involved in production; • Centralised mass production of services difficult; • Services cannot be inventoried; and • Standardisation and quality control difficult to achieve. 	Literature review.	Overcome barriers by embodying services, using technology, customisation, using superior management systems, superior service quality and macro-marketing.
Hutchinson et al.	2009	Service Sector SMEs	<p>Internal barriers:</p> <ul style="list-style-type: none"> • Management lack of vision; • Management lack of market knowledge; • Management control; • Lack of consolidation in home market; • Transferability of concept overseas; and • Lack of resources <p>External barriers:</p> <ul style="list-style-type: none"> • Cultural differences; • Legislation; • Currency; and • Logistics. 	6 case studies semi structured interview with SME retailers in the UK.	Internal barriers found to be more significant than external ones.
Leonidou	1995	SMEs	Categorised into internal domestic, internal foreign, external domestic and external foreign barriers.	Literature review of 35 articles from 1960-1995.	Yielded no clear ranking or pattern of export barriers, showing variance over time, geographic setting, sector and exporting status.
Leonidou	2004	SMEs	<ul style="list-style-type: none"> • Limited information to locate/ analyse markets; • Inability to contact overseas customers; • Identifying foreign business opportunities; • Difficulty in matching competitors' prices; • Excessive transportation/ insurance costs; • Different foreign customer habits/attitudes; • Poor/ deteriorating economic conditions abroad; and • Political instability in foreign markets. 	Literature review of 39 articles from 1960-2000.	Barriers are situation specific, based on managerial, organisational and environmental factors specific to the firm.
OECD-APEC	2007	SMEs	<ul style="list-style-type: none"> • Limited information to locate/analyse markets; • Identifying foreign business opportunities; • Inability to contact potential overseas customers; • Lack of managerial time to deal with internationalisation; • Inadequate quantity of and/or untrained personnel for 	Survey of SMEs (978 SMEs) and policy makers (covering 38 countries).	The top ten barriers for both groups when compared overlap on 6 of the 10 barriers, highlighting their relevance.

Author(s)	Date	Main Focus	Barriers	Sample and Research Method	Findings
			internationalisation; and <ul style="list-style-type: none"> • Shortage of working capital to finance exports. 		
OECD	2009	SMEs	<ul style="list-style-type: none"> • Shortage of working capital to finance exports; • Identifying foreign business opportunities; • Limited information to locate/analyse markets; • Inability to contact potential overseas customers; • Lack of managerial time, skills and knowledge. 	Literature review from 2005-2008.	Strong overlap of main barriers, confirming validity of previous OECD-APEC 2007 study.
Roberts	1999	Service	Findings highlighted the constraints on the method of internationalisation used by business service firms due to: <ul style="list-style-type: none"> • the need for personal contact between producer and client; • the importance of quality and reputation; • the long term buyer/seller relationship; • human capital and information intensiveness; and • the need for cultural sensitivity. 	Postal survey of 279 UK advertising, accountancy, management consultancy, and computer services firms (large) active in the UK during the 1980s and early 1990s.	Findings suggest that some firms progress in stages from the exportation of services to the establishment of overseas production sites in an evolutionary manner.
Wright	1993	SMEs	Lack of knowledge/ insufficient knowledge of personal and personnel demands to develop appropriate strategy.	Questionnaire to 98 Canadian small business manufacturers (less than 50 employees).	The personal and the personnel costs of internationalisation need to be taken into account during the strategic planning process.

3.4.1 Barriers to SME Internationalisation

The small size of SMEs does not seem to be a hindrance for their successful internationalisation; though they do encounter difficulties when internationalising, firm size alone has not been found to be a detriment. Calof (1993) examined the relationship between size and internationalisation of Canadian firms by looking at the propensity to export, international sales intensity and the countries served. He finds size not to be a determining factor in internationalisation. However, he found a positive relationship between firm size and number of markets served, underlining the importance for SMEs not to be active in too many markets but rather to internationalise according to their resource capabilities (Calof, 1993).

Rather than size, barriers to internationalisation lie elsewhere in the firm. Wright (1993) posits that the personal and the personnel costs of internationalisation need to be taken into account by the SME during the strategic planning process. As it is not uncommon for a small firm to be run by one person (the owner/manager), the internationalisation process from the personal point of view needs to be taken into account so as not to risk this key person's abilities in the mid- to long-term and thus the sustainability of the firm. Also there is the cost of personnel: for example, does internationalisation require the firm to take on more staff and are the gains significant enough (especially in the short term) so as to make the cost increases viable needs to be weighed considerably? Thus the firm needs to be knowledgeable of the demands of internationalisation (including anticipating difficulties) in order to adjust its strategy (Wright, 1993). Conversely the risk of not doing so not only could hinder the firm's success internationally but also its general wellbeing.

Leonidou (1995) undertook a literature review of thirty-five articles from 1960 to 1995, specifically categorising export barriers. He defines export barriers as "attitudinal, structural, operational and other constraints that hinder the firm's ability to initiate, develop or sustain international operations", (Leonidou, 1995:31) grouping them into internal domestic, internal foreign, external domestic and external foreign barriers. From this large endeavour, he was unable to find a

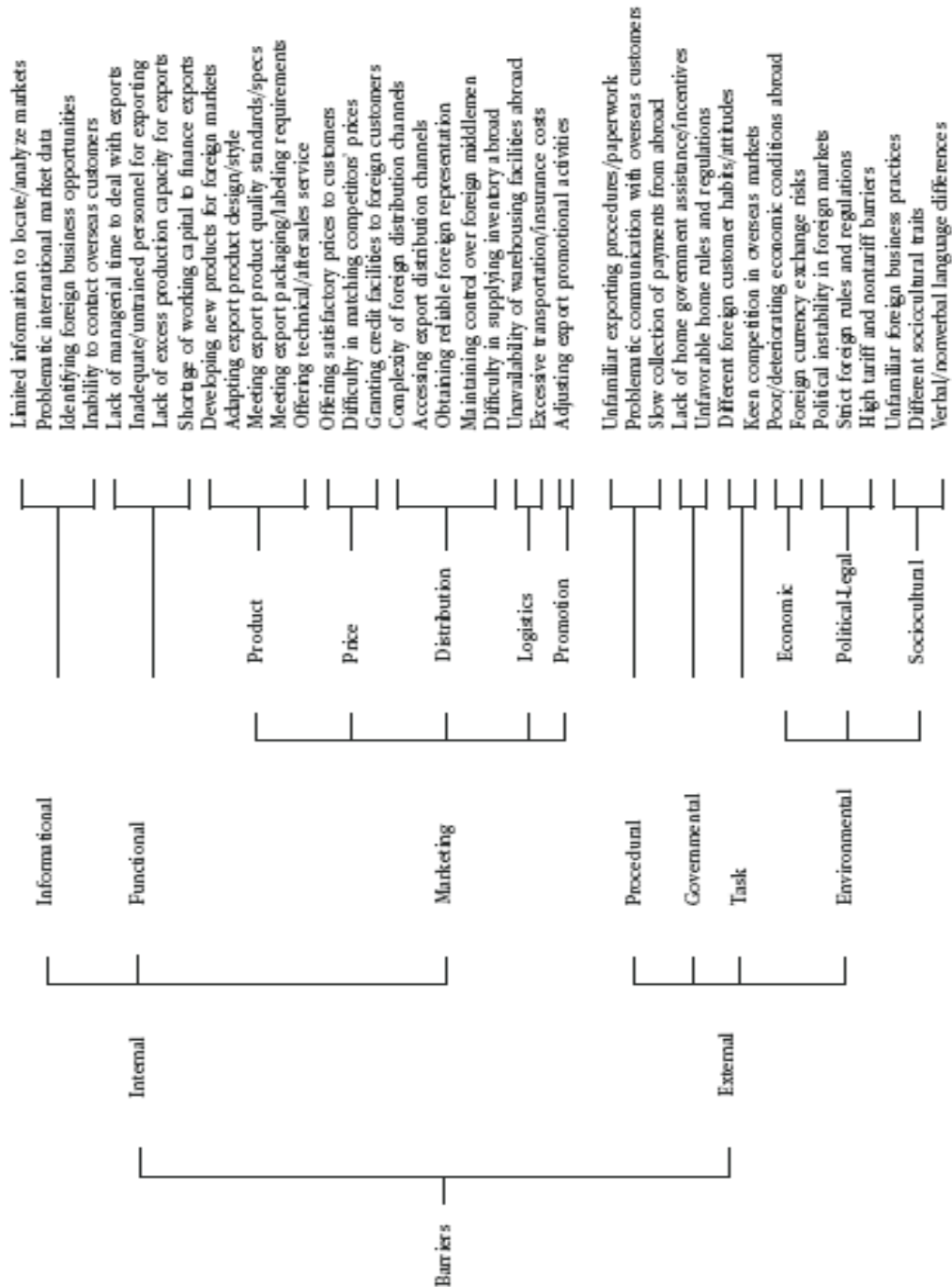
clear ranking or pattern of export barriers. Instead he found barriers to vary over time, geographic setting, sector and exporting status.

In follow up work, Leonidou (2004) confirms his previous findings. He analyses thirty-two empirical studies from 1960 to 2000 for manufacturing SMEs to find thirty-nine export barriers (see Figure 3.2). He found barriers to be situation specific, based on managerial, organisational and environmental factors specific to the firm. However, there was a pattern that emerged of certain barriers that systematically had a strong negative effect on exporting; specifically Leonidou (2004) found the following eight barriers to have a very high (negative) impact:

1. Limited information to locate/ analyse markets;
2. Inability to contact overseas customers;
3. Identifying foreign business opportunities;
4. Difficulty in matching competitors' prices;
5. Excessive transportation/ insurance costs;
6. Different foreign customer habits/attitudes;
7. Poor/ deteriorating economic conditions abroad; and
8. Political instability in foreign markets.

Five of these eight can be classified as internal domestic barriers with the remaining three being external foreign barriers. Leonidou (2004) is quick to point out that firms at the same stage of export development may not perceive or experience the same impact from obstacles, nor would they necessarily react in the same way. To add to the complexity, even the same firm may perceive the same barrier differently at different points in time and in interacting with different export markets (Leonidou, 2004). Therefore barriers to internationalisation (exporting) are flexible and change with time. Leonidou's work gives good justification to continue looking at internationalisation barriers for SMEs.

FIGURE 3-2 CLASSIFICATION OF EXPORT BARRIERS



Source: Leonidou, (2004)

The OECD-APEC (2008) study, used Leonidou’s thirty-nine barrier classification as the basis for their inquiry on barriers to SME internationalisation from the perspective both of the firm itself (978 SMEs surveyed) and policy makers (responses from 38 countries). The top ten barriers for both groups when

compared to each other overlap on six of the ten barriers. These are the barriers pertaining to:

- *Limited information to locate/ analyse markets;*
- *Identifying foreign business opportunities;*
- *Inability to contact overseas customers;*
- Lack of managerial time to deal with internationalisation;
- *Inadequate quantity of and/or untrained personnel for internationalisation; and*
- *Shortage of working capital to finance exports.*

Five of these barriers corresponded with Leonidou's high impact barriers, and those in common are indicated by italics.⁴ All of the barriers are internal domestic barriers. This overlap highlights and asserts the significance of internal domestic barriers to SMEs internationalisation process.

⁴If only the SME's top ten list is examined then Leonidou's barrier of excessive transportation/insurance costs could also be included. For further comparison of the 2007 OECD-APEC research with Leonidou's 2004 work, see BATTISTI, M. & PERRY, M. 2008. Creating Opportunity for Small-Firm Exporters Through Regional Free Trade Agreements: A Strategic Perspective from New Zealand. *32nd ANZRSAL Conference*. Adelaide, Australia.

In 2009, the OECD undertook a follow-up literature review (from 2005-2008), to find a strong overlap of barriers to internationalisation, with four of the top five barriers identified in the previous study (shortage of working capital to finance exports; identifying foreign business opportunities; limited information to locate/analyse markets; inability to contact potential overseas customers). This confirms the validity of the previous 2007 study as well as Leonidou's work once again underscoring the prevalence of internal barriers to SMEs internationalisation process.

3.4.2 Barriers to Service Firms' Internationalisation

As mentioned previously, SME internationalisation has tended to focus on the manufacturing sector, leaving the service sector underrepresented in SME internationalisation literature to date. Dahringer (1991) in his review of the barriers to service internationalisation, explains some of the difficulties and perhaps reluctance to study such a topic and thus the paucity of work on the subject. He sees the service sector as having barriers when internationalising that are unique unto themselves due to their intangibility, inseparability, perishability and heterogeneity (see Table 3.4). He suggests ways to overcome these barriers by embodying services (including them in the physical goods), employing technology, customising, using superior management systems, superior service quality and the role of macro-marketing (marketing at policy level). He points out that due to the nature of services, domestic problems can become even more problematic internationally; however international managers who are able to overcome these difficulties provide their firm with a competitive edge.

TABLE 3-4 UNIQUE SERVICE FEATURES AND RESULTING MARKETING PROBLEMS

Unique Service Features	Resulting Marketing Problems
Intangibility	<ul style="list-style-type: none"> • Services cannot be stored. • Services cannot be protected through patents. • Services cannot be readily displayed or communicated. • Prices are difficult to set.
Inseparability	<ul style="list-style-type: none"> • Consumer involved in production • Other consumers involved in production. • Centralised mass production of services difficult.
Perishability	<ul style="list-style-type: none"> • Services cannot be inventoried.
Heterogeneity	<ul style="list-style-type: none"> • Standardization and quality control difficult to achieve.

Source: Dahringer (1991)

Roberts (1999) highlighted the constraints on the method of internationalisation used by business service firms due to: the need for personal contact between producer and client; the importance of quality and reputation; the long-term buyer/seller relationship; human capital and information intensiveness; and the need for cultural sensitivity. However, her findings suggest that internationalisation is an incremental process for many business service firms.

3.4.3 Barriers to SME Service Internationalisation

Hutchinson et al. (2009) investigation on barriers to retail SMEs internationalisation, yielded the following ten barriers, divided into internal and external barriers, as the most significant.

Internal Barriers

1. Management lack of vision;
2. Management lack of market knowledge;
3. Management control;
4. Lack of consolidation in home market;
5. Transferability of concept overseas; and
6. Lack of resources.

External Barriers

1. Cultural differences;
2. Legislation;
3. Currency; and
4. Logistics.

Hutchinson et al. (2009) looked at perceived and experienced barriers for retailing SMEs in the UK that were either internationalising at the time of data collection or thinking of doing so in the future. They also found internal barriers to be more significant than external ones. While there was similarity to Leonidou's (2004) findings, where internal barriers were more significant than external ones, this study found a larger role being played by the manager's perceptions regarding international success. This could be a result of only smaller firms being studied or perhaps be linked to the specificity of the service sector with the role of the firm's staff, the manager in particular, having a stronger effect on the service delivery.

3.5 Critical Success Factors

Now that a better understanding has been gained for service SMEs' motivations to internationalise and the barriers inhibiting this, the factors that help firms with the

internationalisation process are now examined (see Table 3.5). This section of the literature review gives understanding on the critical success factors to internationalisation. In line with this research's theoretical underpinnings, particularly taking the RBV perspective into account, critical success factors are defined using Leidecker and Bruno's (1984) definition. They state that CSFs are "those characteristics, conditions, or variables that when properly sustained, maintained, or managed can have a significant impact on the success of a firm competing in a particular industry" (Leidecker and Bruno, 1984: 24). Overall the critical success factors tend to be more homogenous in their results than the motivations and barriers to internationalisation; importance was found in networks (Bryson et al, 1993, Coviello et al. 1998, Hutchinson et al. 2006, Reihlen and Apel, 2007) the role of the owner or manager (Cort et al., 2007, Ibeh and Wheeler, 2005, Javalgi et al. 2003, Knowles et al. 2003, Lloyd-Reason and Mughan 2002, Hutchinson et al. 2005, Hutchinson et al. 2007, Reuber and Fischer, 1997, Ruzzier et al. 2006), skills and knowledge (Coviello and Martin, 1999, Knight 1999, Lloyd-Reason and Mughan, 2003) and niche market specialisation (Bell, 1995 and Jones 1999, Payne et al. 2009) across SME internationalisation, service and SME service internationalisation literature.

3.5.1 Critical Success Factors in SME Internationalisation

Internationalisation is challenging for SMEs as the factors that help SMEs be successful in domestic markets (closeness to customers, flexibility to respond) often no longer hold true for the international market and adjustment is necessary (Lloyd-Reason and Mughan, 2002). There are some critical success factors that have assisted SMEs in their internationalisation process.

Bijmolt and Zwart (1994) found firm characteristics to play an integral role in successful internationalisation, particularly the firm's ability to adjust their organisational structure and export planning, as well as the firm's attitude towards exporting (with a positive attitude increasing chance of success). This finding reaffirms Czinkota and Johnston's (1983) conclusions that the attitude of management is integral to export success more so than firm size.

TABLE 3-5 CRITICAL SUCCESS FACTORS TO INTERNATIONALISATION

Author(s)	Date	Main Focus	Critical Success Factor(s)	Sample and Research Method	Findings
Bell	1995	Service SMEs	Offering specialised products to niche markets	Survey of 98 software SMEs (<200 employees) from Finland (34), Ireland (38) & Norway (26).	Importance of client followership (pull), targeting of niche markets and industry-specific trends.
Bijmolt and Zwart	1994	SMEs	Firm characteristics, particularly the firm's ability to adjust their organisational structure/ export planning, and attitude the firm has towards exporting	Quantitative analysis of Dutch exporting SMEs (248), measuring export success.	Found export success can be measured by percentage of sales exported, satisfaction with and development of export performance and relative profitability.
Bjorkman and Kock	1997	Service SMEs	Importance of culture and key actors/ social networks with international partners.	Case studies of 3 tourism SMEs in Finland.	Networks significant
Bryson et al.	1993	Service SMEs	Informal contacts and professional reputation are crucial.	Interviews with 120 small ¹ business service companies (60 management consultancies, 60 market research) in UK.	The findings highlight the importance of small firms for national growth.
Chadee and Mattson	1998	SMEs	Commitment is found to be the most important variable on international performance.	Mail survey to 155 (103 manufacturing, 52 service) NZ SMEs in 1995-96.	Service exporters tended to be narrower in export market selection than manufacturing firms; these firms were also more committed to exporting activities due to their more limited resources.
Cort et al.	2007	Service SMEs	Managerial motivation for internationalisation	Questionnaire to 152 US professional service SMEs ² (advertising, architects/ design/ computer software/ data, contractors/ engineers, financial services, health services and securities/ investment brokers).	Their findings suggest that managers with the appropriate soft skill set (such as being able to quickly analyse problems, learn from prior experience, and being flexible) can identify easier the factors that lead to a firm's success.
Coviello et al.	1998	Service SMEs	Skilled and committed personnel and networking are important investments.	Case studies of 9 software and engineering consultancy SMEs in NZ.	International competitiveness measures of SMEs
Coviello and Martin	1999	Service SMEs	Internationalisation influenced by: product embodied in skilled personnel; client involvement; low capital intensity; and project-based nature of business.	Case studies of 4 engineering consultancy SMEs in NZ.	Patterns and influences on: decision to and subsequent internationalisation; market selection; and mode of entry.
Edvardsson et. al.	1993	Service	The cultural environment affects the business concept (fit of business culture and market to firm).	10 Swedish service companies including insurance, consulting and security firms that operated abroad during the past ten years.	Internationalisation found to be an experimental learning process often undervalued by managers. It often improves performance on domestic markets.

⁵ For this study, small firms are defined as employing ≤ 10 professional staff or ≤ 25 total staff.

⁶ The average size was 462 employees (SMEs in USA are defined as up to 500 employees).

Author(s)	Date	Main Focus	Critical Success Factor(s)	Sample and Research Method	Findings
Hutchinson et al.	2007	Service SMEs	Importance of the founder/ key manager in international decision-making with a strong link between management factors and market choice.	Case studies (in-depth interviews and secondary sources) with 9 SME retail sector in UK	Suggests a strong company brand identity is the most significant motive for expansion.
Hutchinson et al.	2006	Service SMEs	Objective and subjective characteristics impact initial decision to expand, the path and pace of international development. Formal networks provide knowledge and experience of foreign market expansion.	Case studies (in-depth interviews and company documentation) with 9 SME retail sector in UK.	The key objective managerial characteristics found relate to the decision-makers ability to network, overseas experience and business skills.
Hutchinson et al.	2005	Service SMEs	Specialist strategy and market appeal of retail SMEs (to overcome larger firms' advantages of finance and organisation) is driven by the owner manager's vision, experience knowledge and networks in international markets.	Literature review on motivations for internationalisation, product/market factors, management factors, networking factors, and external environment advantages.	These firms aim for niche markets.
Ibeh and Wheeler	2005	SMEs	Importance of top management staff, role of clusters, productive innovation/ quality service delivery, and leveraging of strategic resources with partners in successful internationalisation.	Literature review of 30 articles from 1990 to 2003 on exporting UK firms within a resource-based framework to examine influences on export performance.	Four resource-based categories (managerial resource, physical resources, organisational resources and relational resources) were created to group factors, with managerial resource factors proving to have the strongest impact.
Javalgi et al.	2003	Service SMEs	Managerial attitude was found to be a strong predictor of internationalisation.	Survey of 228 business to business service firms (all sizes) in the US from the following sectors: advertising, architects/ design; computer software/ data; contractors/ engineers; financial services; health services; and securities/ commodity/investment brokers in order to ascertain factors influencing firms' internationalisation process.	Findings indicate that both the firm's size and the market characteristics of the host country influence the management's attitudes towards internationalisation, which in turn influences the degree of internationalisation. Larger firms are more attracted to international markets both for growth and their greater ability to absorb risks compared to smaller firms (definitions used for large and small are unclear).
Jones	1999	Service SMEs	Competitive advantage may be gained from innovation, niche markets and rapid adaptability to change.	Questionnaire to 196 small ⁷ high-technology sectors (including plastics and composites, biotechnology, advanced surgical instruments and advanced instruments for industry) in UK.	Examines firm's internationalisation process chronologically looking at cross border links.
Knight	1999	Service SMEs	Knowledge is key; understanding interaction of service and internationalisation.	A literature review from 1980-1998 on international service marketing, largely focused on MNEs.	Intensive customer contact, extensive customisation requirements, cultural adaptation and degree of tangibility found as distinctive aspects of services when internationalising.

⁷ Author defines small firms as 50 employees at time of listing.

Author(s)	Date	Main Focus	Critical Success Factor(s)	Sample and Research Method	Findings
Knowles et al.	2006	SMEs	Strong international orientation seems determinant of success (including intercultural competence and business experience). Successful companies more likely to have a decision-maker that speaks foreign language.	Telephone survey of 1200 firms (quantitative analysis, mostly SMEs) followed by 80 face to face interviews (SMEs).	International orientation, including valuing foreign language use, was found to be a determinant of success in international trade.
Lloyd-Reason and Mughan	2002	SMEs	Role of the owner/ manager	8 European SMEs (2 British, 2 German, 2 Italian, and 2 Spanish).	The strategic direction of the firm is often determined by a lone decision-maker often the owner-manager. After decision made, then skills and resource base of the firm may be addressed.
Lloyd-Reason and Mughan	2003	SMEs	Skills and knowledge	Telephone survey of 1200 international SMEs in the Eastern region of UK, with 80 in depth follow up interviews on these firms internationalisation process	Three key elements emerge in the way the firm manages the process of international activity: planning (for international involvement); manning (resource organisation) and scanning (information on those markets). Successful firms have high skills and knowledge development.
O'Farrell et al.	1996	Service SME	Importance of post-entry behaviour and market development in internationalisation.	Longitudinal analysis (20 years) by questionnaire (856) and interviews (90) of SME business services (engineering consultancy, management consultancy, market research, computer software and product design) in UK (Scotland and South East)	Develops strategic context of decision-making that incorporates home region characteristics in developing foreign markets.
Payne et al.	2009	Service SMEs	Service specialisation is directly related to firm performance.	Survey 1030 responses on competitive dynamics (firm specialisation, environmental munificence and rivalry intensity) in relation to financial performance in service-intensive SMEs (physician organisations) in USA.	They found the interrelationships of the following three factors were found to be significant to successful internationalisation: the type of services offered; the geographical economics of the region; and the level of competition.
Reihlen and Apel	2007	Service SMEs	To gain and sustain competitive advantage, firms need to manage their intellectual capital, including personnel and firm's networks.	Conceptual paper to explain the individual and social learning mechanisms of internationalising professional service firms.	Key characteristics of PSFs are identified as knowledge-intensity, interactiveness with clients and network relationships.
Reuber and Fischer	1997	Service SMEs	The role of management team's international experience.	Questionnaire (49) of software product SMEs ⁴ in Canada	Findings show that knowledge and experience are key.
Ruzzier et al.	2006	SMEs	The centrality of resources and skills for successful internationalisation with the entrepreneur to be the main variable in SME internationalisation.	Literature review with the aim of highlighting similarities and differences in the internationalisation of SMEs and MNEs.	Conceptual model consisting of four internationalisation properties (mode, market, product, time) plus key antecedents (environmental, firm, and entrepreneur's characteristics) and consequences of internationalisation (firm performance).

⁸Small defined as less than 200 employees.

Chadee and Mattson (1998) examined differences in New Zealand SMEs that export in a broad range of manufacturing and service sectors, with diversity in the service sector covering consultancy, education, legal, insurance, banking, transportation, telecommunications, medical, software and training firms. They found that service exporters tended to be narrower in their export market selection than manufacturing firms; however these firms were also more committed to their exporting activities due to their more limited resources. Their findings suggest that commitment is the most important variable in international performance (Chadee and Mattsson, 1998).

Lloyd-Reason and Mughan (2002) findings point to the importance of the competencies of the SMEs' owner-manager; they posit that this person plays a determining role in a firm's strategic direction, after which a firm may address its skills and resource base. Additionally, they argue that owner-manager's orientation has its roots within the internal culture of the firm, reinforced by the external cultural environment.

Furthering their work, Lloyd-Reason and Mughan (2003) identified skills and knowledge necessary for international activities of SMEs in the Eastern region of the UK, specifically the importance of planning, defined as "the way in which the firm plans its involvement in foreign markets", manning, "the way the firm organises or develops its resources to service foreign markets" and scanning, "the way in which the firm informs itself about those markets" (Lloyd-Reason and Mughan, 2003:5). The configuration of these skills varies by the firm's size and sector but successful firms unsurprisingly exhibit high skills and knowledge development.

Ibeh and Wheeler (2005) undertook a literature review from 1990 to 2003 on exporting UK firms within a resource-based framework to examine influences on export performance. Their findings suggest the importance of top management staff, role of clusters, productive innovation and quality service delivery, and leveraging of strategic resources with partners through networks.

Strong international orientation seems to be a determinant of success; successful firms were more likely to have a decision-maker that spoke a foreign language (Knowles et al., 2006). The centrality of resources and skills for successful internationalisation is reinforced by Ruzzier et al. (2006), who found the entrepreneur to be the main variable in SME internationalisation, building on Misenbock's (1988) work, due to their strategic role and reach.

3.5.2 Critical Success Factors for Service Firms

When internationalising, a particular set of problems are often highlighted for service sector firms that are linked to internal skills and service delivery. Edvardsson et al. (1993) studied ten Swedish service companies including insurance, consulting and security firms that have operated abroad during the past ten years with differing success rates⁹. They found internationalisation to be an experimental learning process that is driven by individuals who have their own international perspective. Edvardsson et al. (1993) also found the cultural environment chosen affects the business concept in terms of fit of business culture and market to the firm; and that internationalisation often improves performance on domestic markets while placing high demands for centralised control systems. Finally they indicate that the packaging of strategic knowledge is key to service firms' international success and managers often undervalue the internationalisation process.

The literature focusing on the service sector tends to be based on multinational enterprises. Knight (1999) undertook a literature review from 1980-1998 on international service marketing, largely focussing on large firms (MNEs). He uses Clark et al. (1996) definition of international services, that is "deeds, performances, efforts, conducted across national boundaries in critical contact with foreign cultures" (Clark et al., 1996:15). Knight acknowledges academic research on service industry internationalisation as having first emerged in the mid-1980's. Service internationalisation is driven by market globalisation, trade barrier reduction and ICT; however market entry for services is more difficult. Overall Knight (1999) found intensive customer contact, extensive customisation

⁹Unfortunately the firm size is not apparent in the study.

requirements, cultural adaptation and degree of tangibility as factors that distinguish services from products when internationalising. In order to succeed, according to Knight (1999) knowledge is key; firms need to understand the challenges of internationalisation regarding their unique service characteristics and of each foreign market, so as not to assume homogeneity of markets.

Javalgi et al. (2003) undertook a survey of 228 business to business service firms (all sizes) in the US from the following sectors: advertising, architects/ design; computer software/ data; contractors/ engineers; financial services; health services; and securities/ commodity/investment brokers. They constructed a framework of factors influencing firms' internationalisation process based on firm size, competitive advantage and market characteristics that influenced management attitudes, which in turn affected international success. Managerial attitude was found to be a strong predictor of internationalisation. Findings indicate that both the firm's size and the market characteristics of the host country influence the management's attitudes towards internationalisation, which in turn influences the degree of internationalisation. Larger firms are more attracted to international markets both for growth and their greater ability to absorb risks compared to smaller firms. A shortcoming of their research is that the definitions used for large and small firms are unclear.

Reihlen and Apel's (2007) study of professional service firms of all sizes including business consultancies, legal practices, engineering firms and advertising agencies, showed that newly internationalising firms acquire valuable knowledge from going abroad. Therefore, in order to gain and sustain their competitive advantage, firms need to manage their intellectual capital, which includes both their personnel and the firm's networks (Reihlen and Apel, 2007). Service sector firms need internal skills (management and strategic competencies) and networking capacities.

From the research already undertaken, the importance of a firm's ability to respond successfully when delivering their services abroad depends on the firm's skills and competencies, often closely linked to those of the owner manager/ founder. In addition, firms have different needs depending on where they are in

the internationalisation process (how long they have been internationalising) and therefore their resource allocation varies with time as they gain experience.

3.5.3 Critical Success Factors for SME Service Firms

So what patterns can be discerned for service sector SMEs successful internationalisation? For business service firms, Bryson et al. (1993) underlined the importance of informal contacts and professional reputation as crucial to both successful establishment and growth of the firm (Bryson et al., 1993); whereas O'Farrell et al. (1996) underscored the importance of post-entry behaviour and market development in internationalisation. Bell (1995) studied the export behaviour of small computer software SMEs in Finland, Ireland and Norway and found that most firms offered specialised products to niche markets. It was indeed this specialisation that set firms apart, giving them the competitive advantage abroad.

The analysis conducted by O'Farrell et al. (1996) on the internationalisation of small to medium-sized business services in the UK and the Netherlands found that most firms' internationalisation process was reactive and due to specific circumstances. However, management consultancy and computer software firms were found to be the most proactive by far amongst the business services, proving to be particularly adept in gaining repeat business and winning new clients (O'Farrell et al., 1996).

Also regarding software firms, Reuber and Fischer (1997) examined the role of management team's international experience in Canadian software product SMEs (less than 200 employees). Their findings show that knowledge and experience are key elements as internationally experienced management teams were more likely to develop foreign strategic partners and gain foreign sales after start-up, and that these behaviours are associated with a higher degree of internationalisation.

Bjorkman and Kock (1997) also found networks significant, with culture and key actors/ social networks being important for tourism firms. Coviello et al. (1998)

concur, having found skilled and committed personnel and networking as important investments for software and engineering consultancies. Coviello and Martin (1999) found the internationalisation process for engineering consultancy firms to be influenced by several organisational characteristics: a product embodied in skilled personnel; a relatively high degree of client involvement; a relatively low capital intensity; and the project-based nature of the business.

Jones (1999) focused on small firms in the high-technology sector in the UK and found that competitive advantage may be gained from innovation, niche markets and rapid adaptability to change.

Hutchinson et al. (2005) suggested that for small to medium-sized retail companies, strategy and market appeal of retail SMEs is driven by the owner managers' vision, experience, knowledge and networks of international markets. Building on this work, Hutchinson et al. (2006) found objective and subjective characteristics to impact the initial decision to expand but also the path and pace of international development, with formal networks providing help to SMEs in overcoming problems due to size. Moreover, Hutchinson et al. (2007) work on retail SMEs confirmed the importance of the role of the founder/ key manager in international decision-making, suggesting a strong link between management factors and market choice.

Cort et al. (2007) undertook quantitative research, from data collected via questionnaire from 152 managers of US-based professional service firms (advertising, architects/design/computer software/data, contractors/engineers, financial services, health services and securities/investment brokers). The average firm size was 462 employees, (which is an SME as defined in USA as having up to 500 employees). Their findings suggest that managers with the appropriate soft skill set (abilities such as being able to quickly analyse problems, learn from prior experience, and being flexible) are more able to identify the factors that lead to a firm's success (Cort et al., 2007).

Payne et al. (2009) examined competitive dynamics (composed of firm specialisation, geographic positioning and rivalry intensity) in relation to financial

performance in service-intensive SMEs (physician organisations) in the USA. They found a direct relationship between service specialisation and firm performance. More specifically, the interrelationships of the following three factors were found to be significant to successful internationalisation: the type of services offered; the geographical economics of the region; and the level of competition (Payne et al., 2009). Therefore, firm specialisation was found to be particularly important to service SMEs' financial performance.

While the findings vary in emphasis by sector, there is a clear common thread, the importance of firm specific skills. However, most of these studies do not focus on management consultancy firms, leaving a gap in knowledge.

3.6 Conclusion

From this critique of the literature on SME internationalisation and specifically SME service sector internationalisation, a clearer understanding of the internationalisation process faced by small to medium-sized service enterprises emerges. The focus of this chapter is on how these small to medium-sized enterprises internationalise, with particular attention given to SME service internationalisation literature. The research examines what these differences mean particularly for the international activity of a service sector SME, focussing on professional service firms. The main emerging themes highlight the firm's sources of motivation to begin the internationalisation process, the barriers they encounter and need to overcome when internationalising, and the Critical Success Factors (CSFs) that see them through their internationalisation process. While the SME service internationalisation literature is at present unable to give a clear response on the key motivations, barriers and CSFs, this chapter by layering the SME internationalisation, service internationalisation and SME service internationalisation literature streams portray a holistic overview of these elements and is relevant for understanding small to medium-sized management consultancy firms.

A number of authors have noted the need for further research on international small to medium-sized service firm internationalisation (Erramilli and D'Souza,

1993, Almeida et al., 2000, Brouthers and Brouthers, 2003, Chetty and Campbell-Hunt, 2003, Hutchinson et al., 2006). This issue is reinforced in this review by the gaps in knowledge, particularly regarding knowledge-based service SMEs. Chapter four builds on the issues of SME motivations, barriers and critical success factors, emerging from the literature, to construct a conceptual framework for small to medium-sized management consultancy firms' internationalisation process.

4. Chapter 4 Conceptual Framework

4.1 Introduction

Chapter three examined aspects of the internationalisation process from the perspective of SMEs, the service sector, and particular focus on service sector SMEs. It clarified the definitions of SMEs and internationalisation and underscored the specificities of the service sector. Furthermore, the literature critique addressed what is known as to why SMEs internationalise, covering their motivators to do so, took into account the difficulties and challenges they encountered, and identified the factors that contributed to their success. However, despite the rich description laid out in Chapter three, there are limitations to our understanding of SME service firms. While SME internationalisation literature is maturing and has been quite proliferate over the past twenty years (Coviello and McAuley, 1999, Fillis, 2001), little is known still about SME service internationalisation, including its conceptual linkages (Knight, 1999, Lommelen and Matthyssens, 2005). Therefore, in order to account for this, this chapter draws on literature from various streams: SME internationalisation, in particular service SMEs, internationalisation literature and service sector in general, as has been done for the theoretical underpinnings (Chapter 2) and the literature critique (Chapter 3) in order to gain a conceptual understanding for management consultancy SME internationalisation.

The purpose of a conceptual framework is to provide a map for the empirical work to be undertaken (Miles and Huberman, 1994). Lesham and Trafford (2007) explain the role of the conceptual framework as the researcher's explicit decision as to what is being examined, since it identifies the important features and the relationships that are likely to be meaningful which in turn influences the kind of data to be collected and analysed. Andersen (1997) stresses the role of the researcher in the conceptual framework, highlighting the subjective aspects of conceptualising, since it is the researcher who decides, based on his or her perceptions of a phenomenon, which factors are to be included in the framework and how they influence the phenomenon. The conceptual framework for this research has phenomenological underpinnings; it is a representation of this

author's view of SME service internationalisation, the relevant factors involved and the interactions of the relationships within this concept.

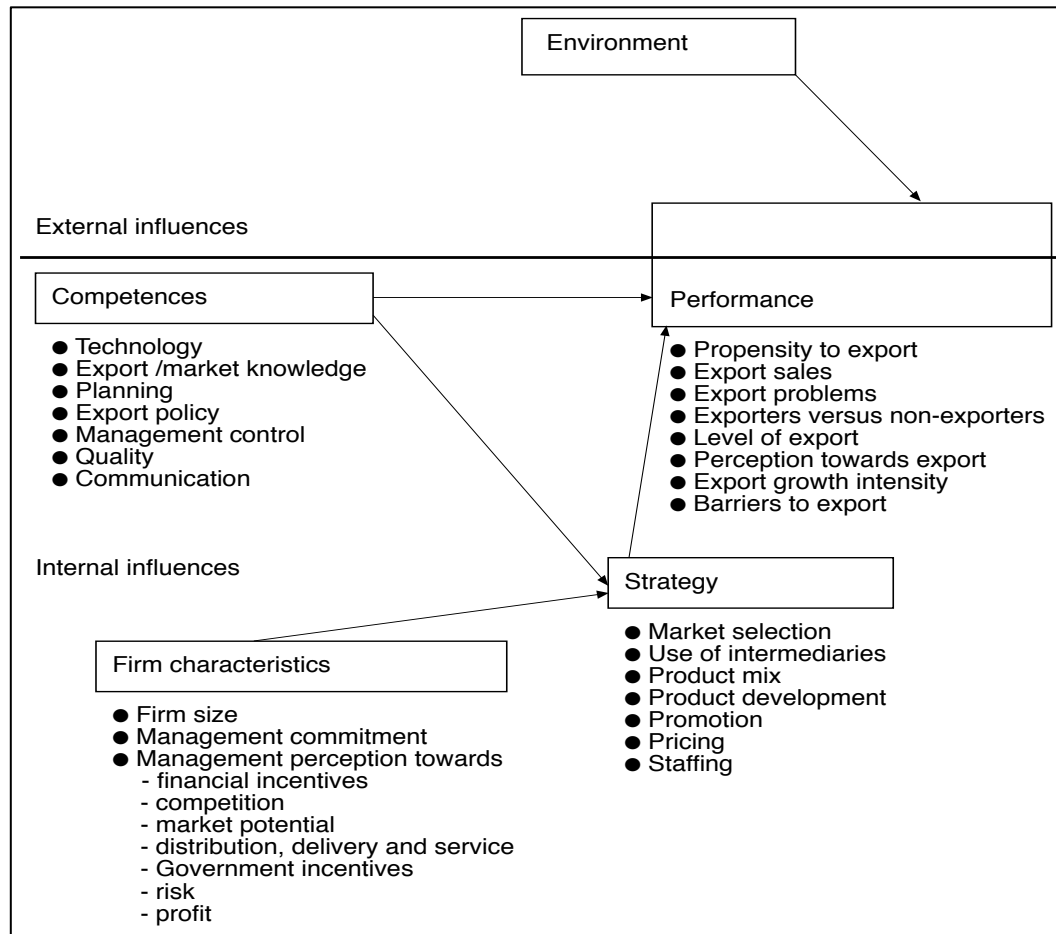
4.2 Underpinnings of the Conceptual Framework

Internationalisation literature shows strong empirical support for the positive link between management support, commitment and attitude to internationalisation (Aaby and Slater, 1989, Bijmolt and Zwart, 1994, Zou and Stan, 1998, Ibeh, 2003, Ibeh, 2006, Wheeler et al., 2008). Aaby and Slater (1989) found a positive relationship between exporting firms' management commitment and propensity to export; however firm size itself was not a factor of success unless it was linked to aspects such as financial strength or variables related to economies of scale (Aaby and Slater, 1989). Specifically, firms that had management commitment, a strategy in place, and experience exporting tended to perform better. Their model includes internal and external variables but as a firm has greater control of its internal environment, the focus is more on firm characteristics and competencies, performance and strategy (see Figure 4.1).

Aaby and Slater's (1989) model serves as the basic foundation of my conceptual framework. The reason why their model has been chosen is threefold. Firstly, in terms of the scope, the model is comprehensive of the whole internationalisation process as it captures the following features: firm characteristics, aspects of internal competencies, the external environment, the internationalisation strategy used and the firm's performance. The second reason is the model's predominance in the literature; it has been adopted, critiqued and modified by Chetty and Hamilton (1993), Bijmolt and Zwart (1994), Styles and Ambler (1994), Zou and Stan (1998) and Wheeler et al. (2008). This lends robustness to the framework. Chetty and Hamilton's (1993) meta-analysis confirmed the validity and significance of the variables in Aaby and Slater's model. Styles and Ambler (1994) state how the export-marketing field makes use of the same body of literature, having consistent frameworks and guidelines. They then go on to describe only one model in detail, namely the Aaby and Slater (1989) model. The third reason is the model's similarities with other conceptual frameworks. Though other frameworks may use different labels, conceptually there is a strong

thematic overlap of the concepts covered (this is discussed further below and in the section on other models considered).

FIGURE 4-1 AABY AND SLATER'S STRATEGIC EXPORT MODEL



Source: Aaby and Slater (1989) taken from Styles and Ambler (1994)

Aaby and Slater's (1989) strategic export model was developed from reviewing literature on their determinants of export performance from 1978 to 1988 which yielded fifty-five articles, consisting of all firm sizes and sectors in multiple countries. This was built on Bilkey's (1978) review to define the relationship between export performance and its determinants.

Bijmolt and Zwart (1994) use Aaby and Slater's model as the basis of their research on Dutch SMEs with some modifications. Where Aaby and Slater have the following five categories: internal competencies, firm characteristics, export strategy, external environment and performance, Bijmolt and Zwart slightly

modify them to: firm characteristics, organisational structure, export attitude, export planning and export success. Their results identify key variables of exporting success: firm characteristics, planning, organisational structure and attitude, based on exporting Dutch SMEs. Their research finds that export planning, organisational adjustment and a positive attitude toward exporting improves firm performance.

Conceptually, it is argued that these findings do not vary greatly from Aaby and Slater's initial conceptualisation but rather shifts emphasis onto exporting, adding in aspects of planning and organisational adjustment. These modifications have not been taken on for this research as they do not enhance the core principles of the internationalisation process and Aaby and Slater's original categories are deemed more appropriate for this research on SME service firms' internationalisation process.

Styles and Ambler (1994), in their research on successful internationalisation of UK firms (all sizes and sectors and based on the 1992 Queen's Award for Export Achievement), use and modify Aaby and Slater's model. They combine firm characteristics and competencies, as they explain, "the key elements of the firm are its management characteristics and core competencies. These elements determine its ability to acquire and use information and other resources" (Styles and Ambler, 1994: 42). They see the firm's relationships as being of central importance, so much so they designate a category for it.

For this research, their modifications of a firm relationship as a separate category is not taken on board as these relationships lay within the firm and its staff and it is their responsibility to maintain them. Therefore, the emphasis is put on the people maintaining the relationships rather than the relationships in and of themselves. Styles and Ambler's (1994) combination of firm characteristics and competencies is taken onboard, as it is difficult conceptually to separate the two. It is for this reason that internal competencies are embedded within firm characteristics for this research's conceptual framework.

Zou and Stan (1998), in their examination of export performance literature from 1987 to 1997, aim to build on Aaby and Slater's work to better understand export performance. They focus on firm characteristics, competencies and strategy and as well as the influence of the external environment. This reinforces the continued relevance of these themes within the internationalisation literature, extending to the SME internationalisation literature stream. They found management export commitment as one of the key determinants of export performance. Moreover, firm characteristics on both an international and overall business skills level (strong market position, strong human resources, strong functional capabilities) contribute strongly to export performance. One relevant limitation of their work is that most studies were on manufacturing firms with only three out of the fifty studies including service firms. Acknowledging the uniqueness of the service sector, they call for future work to better understand how the internationalisation process is affected by service firms' inherent intangibility. This research aims to give a contributing answer to that call for the case of small to medium-sized management consultancy firms.

Zou and Stan (1998) are critical of Aaby and Slater's work as they are unable to draw concrete conclusions, which Zou and Stan attribute to the conceptual underpinnings being too broad as they contain non-exporter elements. In addition, they note the lack of engagement with the external environment in which the firms operate, an aspect they give more weight to. They analyse their work by dividing it into internal and external determinants of export performance that are either controllable or uncontrollable for the firm. Their categories resonate with those used previously by Aaby and Slater (1989) and Bijmolt and Zwart (1994): export marketing strategy, management attitudes and perceptions, management characteristics, firm characteristics and competencies, industry characteristics, foreign market characteristics, domestic market characteristics, financial measures, and non-financial measures (see Table 4.1 for comparison).

This research addresses their criticisms and adaptations have been made: only internationalised firms are included in the study (see firm qualifiers, Table 5.5) and the role of the external environment is addressed and explored.

Wheeler et al. (2008) advance Aaby and Slater's exporting model even further in an integrative model on UK firms of all sizes, that includes internal environment factors (firm characteristics and resource base, and firm competencies and strategies) external environment factors (external opportunities and threats) and measures of success (financial, non-financial and composite scales). Their evaluation of recent empirical research on key influences of export performance in the UK shows the importance of managerial, resource/competency-related and relationship-based factors on firm-level export performance.

TABLE 4-1 A COMPARISON AND PROGRESSION OF THE STRATEGIC EXPORT MODEL STEMMING FROM AABY AND SLATER

Author (date)	Aaby and Slater (1989)	Bijmolt and Zwart (1994)	Zou and Stan (1998)	Wheeler et al. (2008)
Name of Framework	Strategic Export Model	Export Success Model with three export policy factors	Determinants of Export Performance	An Integrated Framework of Export Performance
Categorisation	Firm competencies	(Overlap with export strategy)	Management attitudes and perceptions, management characteristics, firm competencies (listed as part of firm characteristics),	Competencies
	Firm characteristics	Firm characteristics	Firm characteristics	Characteristics and resource base
	Export strategy	Export Policy compromising Organisational Structure, Export attitude and Export planning	Export marketing strategy	Strategies (listed with firm competencies)
	External environment	(Overlap with Export strategy)	Industry characteristics, foreign market characteristics, domestic market characteristics	External Opportunities, External Threats/ Problems
	Performance	Export Success	Financial measures, non-financial measures	Financial measures, Non-financial measures, Composite scales

Source: Author's own.

In looking at their work more closely, they also classify export performance into internal and external factors to the firm. In terms of internal factors, they are divided into management-related attributes and resources; firm characteristics and resource base; and firm competencies and strategies. The external environment includes the industry, domestic and foreign market, aspects that are all external to the firm. While offering more description and specificity, their categories are thematically in line with Aaby and Slater's original categorisation. Therefore, the

validity and relevance of these themes are reinforced in terms of their importance to firm internationalisation.

Unfortunately, a limitation of all three of these models is the focus on exporting only and not internationalisation in its various forms (as used for this research). This exporting focus is out of step with current trading realities; however the Aaby and Slater (1989) model was a seminal work for its time and its main themes remain credible: the model can be extended from its exporting scope to include other forms of internationalisation. Another limitation of Aaby and Slater's work is that their model has principally been used for examining large firms and the manufacturing sector. Zou and Stan (1998) address the imbalance of research favouring manufacturing, explicitly calling for more work in the service sector. This should not be surprising, as previously discussed, due to the scarcity of SME service research when compared to both manufacturing and MNE literature streams.

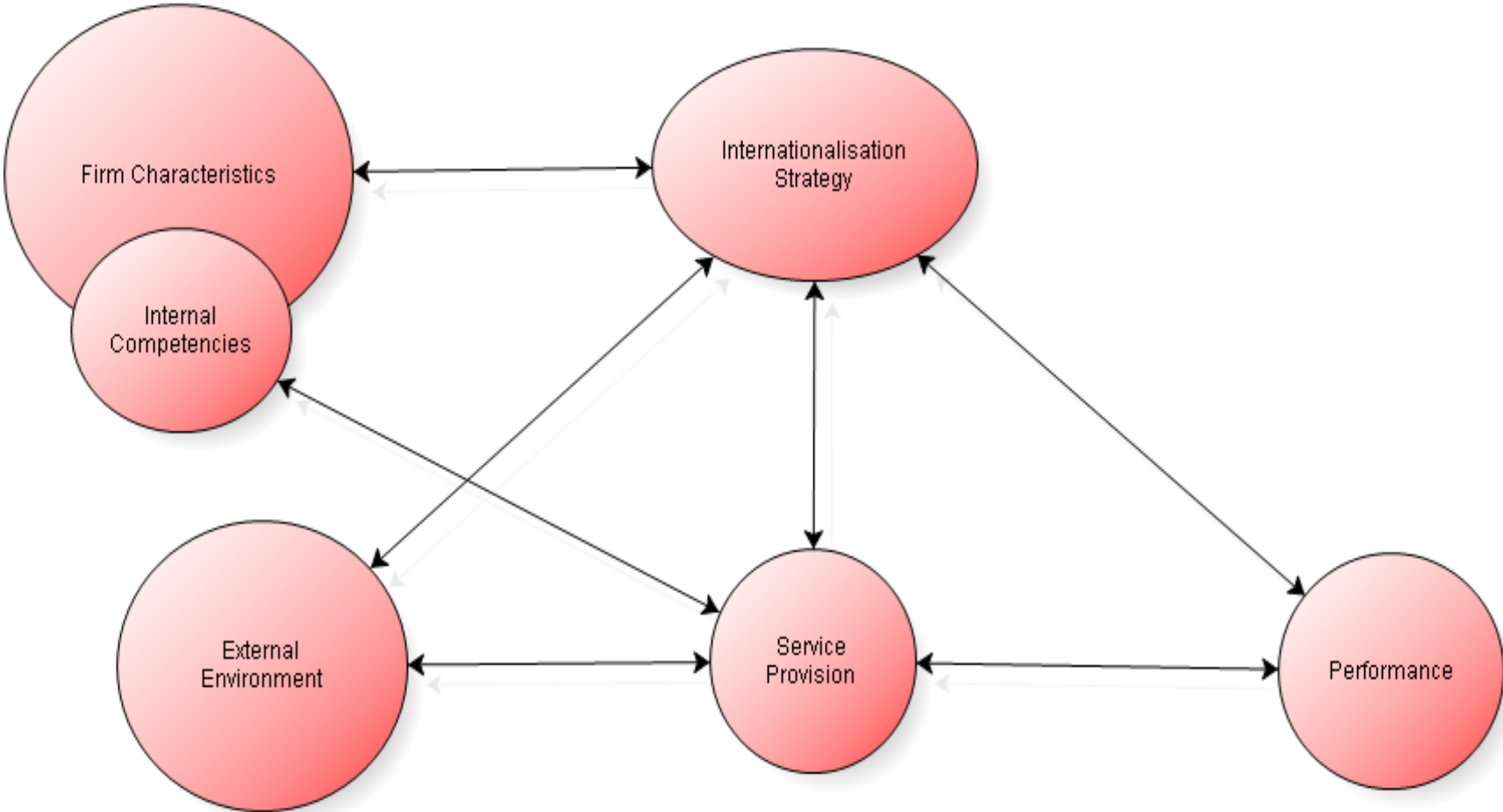
4.3 Components of Conceptual Framework

It is from this empirical grounding that the basis of the conceptual framework for this research is drawn (see Figure 4.2). Aaby and Slater's components of internal competencies, firm characteristics and external environment are significant and therefore retained; however, export strategy has been modified to internationalisation strategy, as it is more inclusive and relevant to today's trading realities. In addition, a category devoted to service provision has been included in the conceptual framework due to the nature of services and the service-specific implications for internationalisation. The inherent nature of the service sector, which intertwines production and consumption in its service provision, obliges close interaction between the firm and its clients. While this provision is an important aspect of a service firm's successful performance in general, the service provision could potentially be more of a challenge when internationalising given the distance of the clients. For these reasons, the aspect of service provision has been added to the conceptual framework in order to give sufficient attention to the subject.

The justification for adding a service bin is further reinforced by the growing literature on the specificities of the service sector, particularly the importance of service provision for service firms when internationalising. In a mail survey, Bagchi-Sen and Kuechler (2000) examined how SMEs in public accountancy remain competitive, promote and deliver their services in the USA (SMEs for this research were defined by revenues). Their specific objectives were to ascertain sources of competitive advantage, methods of service promotion and delivery, the patterns of collaboration utilised by these SMEs and the impact of location on their business performance (in the Buffalo-Niagara Falls region between the USA and Canada). They found that proactive, functionally diversified and internationally orientated firms outperformed the reactive, local market-orientated ones. Informal networks were found to be more important to accessing clients than formal channels like advertising. Proactive, internationalised firms also ranked information technology as having an important impact on their service provision. Non-price based factors such as quality, response, speed, specialisation and customisation were also important for both accessing new clients and overall client retention (Bagchi-Sen and Kuechler, 2000). Therefore the importance of how service firms' service delivery impacts their internationalisation process is highlighted (Bagchi-Sen and Kuechler, 2000).

Figure 4.2 shows these main categories, or "bins" (Miles and Huberman, 1994). These key themes contain within them sub categories that have been informed by the literature and are expanded upon below. Figure 4.2 also highlights how these elements share an interconnectivity, showing the dynamic nature of this process.

FIGURE 4-2 CONCEPTUAL FRAMEWORK



Source: Author's own, adapted from Aaby and Slater (1989).

The category of **firm characteristics** gives a holistic perspective, covering the firm's age; structure; reputation (Styles and Ambler, 1994, Teece et al., 1997, Roberts, 1999); use of technology; financial resources; firm capabilities; and firm size. Firm characteristics play a determining role in internationalisation strategy, which then has a direct relationship to performance. Specifically, Teece et al. (1997) identified reputation as an intangible asset that served as a summary of the firm's assets and positions, instrumental in shaping the responses from clients and competitors. These characteristics also generate the type of service provision that the firm can provide.

The **internal competencies** bin focuses on the skills level, competencies and know-how from an individual perspective within the firm (Aaby and Slater, 1989, Wright, 1993, Bijmolt and Zwart, 1994, Peng, 2001, Chetty and Campbell-Hunt, 2003, OECD-APEC, 2008), with particular importance on those of the founder (Ruzzier et al., 2006). These competencies are comprised of both objective factors such as human capital (Edvardsson et al., 1993, Coviello et al., 1998, Roberts, 1999, Westhead et al., 2001); knowledge, defined as formalized and theoretical knowledge with measures including number of years of education and formal training (Alvesson, 1993) for example in foreign languages (Ochel, 2002, Knowles et al., 2006) and time spent abroad; and experience (Quinn and Alexander, 2002); as well as subjective factors such as perceptions; attitudes (Ibeh, 2003, Javalgi et al., 2003); personality; managerial expertise (Karagozoglu and Lindell, 1998, Reihlen and Apel, 2007); tacit knowledge; and intellectual capital (Hutchinson et al., 2006, Hutchinson et al., 2007). Internal competencies affect the internationalisation strategy and determine the quality of service provision. They also contribute to the firm's performance level.

The next bin encountered is the **external environment**, which includes the role of market conditions both domestically and in foreign markets (Antoncic and Hisrich, 2000, Wheeler et al., 2008). This in turn influences service provision. The external environment can also help or hinder firm performance.

As previously discussed, both firm characteristics and internal competencies contribute to the decision of determining an **internationalisation strategy**. These

strategies are applicable to firms that have already decided to internationalise, addressing how they internationalise and their strategy to do so (Miesenbock, 1988, Edvardsson et al., 1993, Lloyd-Reason and Mughan, 2002, Ruzzier et al., 2006). It addresses the subsequent decisions of entry modes (Knight, 1999, Hutchinson et al., 2007); market selection; initiation of internationalisation process: proactive or reactive (Bell, 1995), including the role of serendipity (Meyer and Skak, 2002); and networking (managing and sustaining both business and personal relationships) (Coviello and Munro, 1995, Chetty, 1996, Coviello et al., 1998, Coviello and Martin, 1999). Andersen (1997) sees internationalisation as being part of an ongoing strategy process with the two main concerns being foreign market selection and entry mode.

Internationalisation strategy is also a corollary to service provision that a firm can provide. This means that while the service provision is a determinant of what type of internationalisation strategy a firm can adapt, the decision on entry mode continues to structure the type of service provision that is possible although there may be some margins for modification within these parameters. Internationalisation strategy has a direct relationship with firm performance in the conceptual framework.

The **service provision** bin focuses on customised services (Edvardsson et al., 1993, Patterson and Cicic, 1995, Eriksson et al., 1999, Hutchinson et al., 2006); quality of services (Parasuraman et al., 1985, Eriksson et al., 1999, Roberts, 1999, Caniëls and Romijn, 2005) with its inherent intangibility (Knight, 1999); the need for personal contact (Patterson and Cicic, 1995, Roberts, 1999); customer service skills (Gadrey et al., 1995) which includes both closeness and responsiveness (Dunning, 1989, Johnston, 1995), understanding needs (Caniëls and Romijn, 2005); and cultural sensitivity (Bjorkman and Kock, 1997, Knight, 1999, Roberts, 1999). The service provision needs to be understood within the international context: that is, what adaptations if any are necessary for service provision abroad and what implications does this have for the domestic market? This makes the service provision intertwined with internationalisation strategy regarding both cause and effect.

Service provision affects performance (Bagchi-Sen and Kuechler, 2000). Inherent in all this is the trust between the client and the firm. Edvardsson (1989) found trust to be a key determinant when purchasing management consulting services in his research on consultancy services in Sweden, highlighting the need for effective interaction and communication between consultant and client.

The **performance** bin includes financial (Cavusgil and Zou, 1994) and non-financial measures (Wheeler et al., 2008). This category includes profit measures; sales measures; growth; perceived success; obtaining valuable knowledge, including experiential, tacit knowledge; and goal achievement (Wheeler et al., 2008). A firm's performance in international market(s) is the consequence of the internationalisation process and is an indicator of whether modification or even market withdrawal should be considered. The firm's performance was assessed at the time of the interview.

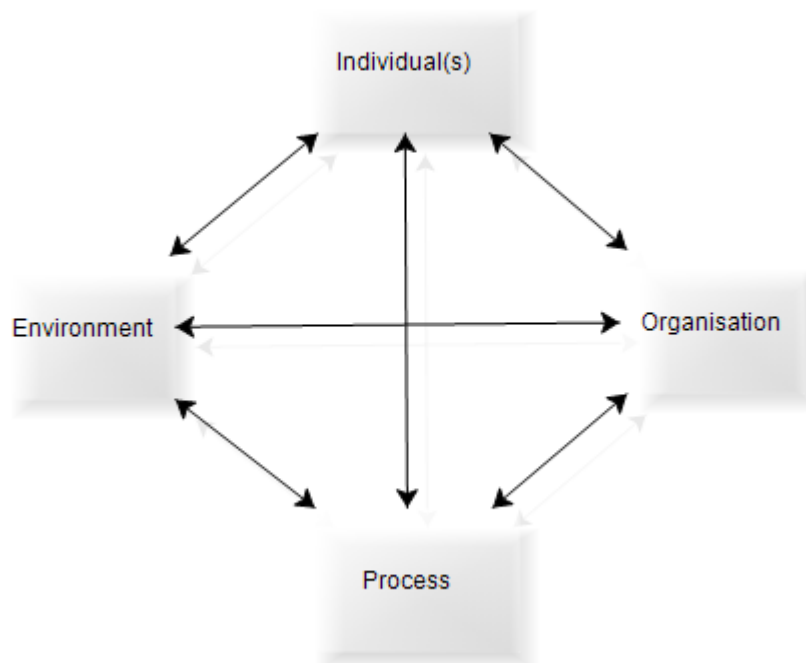
4.4 Other Models Considered But Not Chosen

In reviewing existing conceptual frameworks on SME service internationalisation, there is a paucity of appropriate, universally accepted models. Theoretical conceptualisation has been underrepresented in published scholarly articles. The frameworks below (seven in total) have been drawn upon from the greater internationalisation, SME internationalisation and international business fields. These are discussed in turn, chronologically. Their underpinnings were taken into consideration in choosing Aaby and Slater's (1989) model as the basis for the conceptual framework in this research as well as the modifications made to that model.

The first conceptual framework considered was Gartner's (1985) New Venture Creation (NVC) model. He describes four dimensions that are involved in a new venture creation: the individual (the person starting the firm); the organisation (the kind of firm); the environment (the situation and influences on the organisation); and the new venture process (the actions taken by the individual(s) to start the venture). Though his article addresses firm creation and not internationalisation, a closer look at the variables shows a high overlap, in that the same characteristics

involved in making a decision to open a new venture come up again in making a decision to internationalise (see Figure 4.3). This conceptual framework is peripheral in terms of scope of the literature reviewed for the chosen themes within the conceptual framework. However, there is dialogue within the internationalisation literature on firm internationalisation as being seen as an entrepreneurial act (Ibeh and Young, 2001, Jones and Coviello, 2005); therefore, it is in line with this logic to take the same considerations (of actors and location) when internationalising as when starting a business.

FIGURE 4-3 VARIABLES IN A NEW VENTURE CREATION



Source: Gartner (1985)

The second conceptual model by Madsen and Servais (1997) stresses the importance of the firm founders' past experiences as being a relevant issue when deciding to internationalise, even before the firm's birth (see Figure 4.4). They see the small firm's size as distinctly significant due to the impact of the founder being greater in small firms. Their conceptual model emphasises the role of the founder, the organisation and the environment as impacting the born global firm. A shortcoming is that they do not mention firm performance.

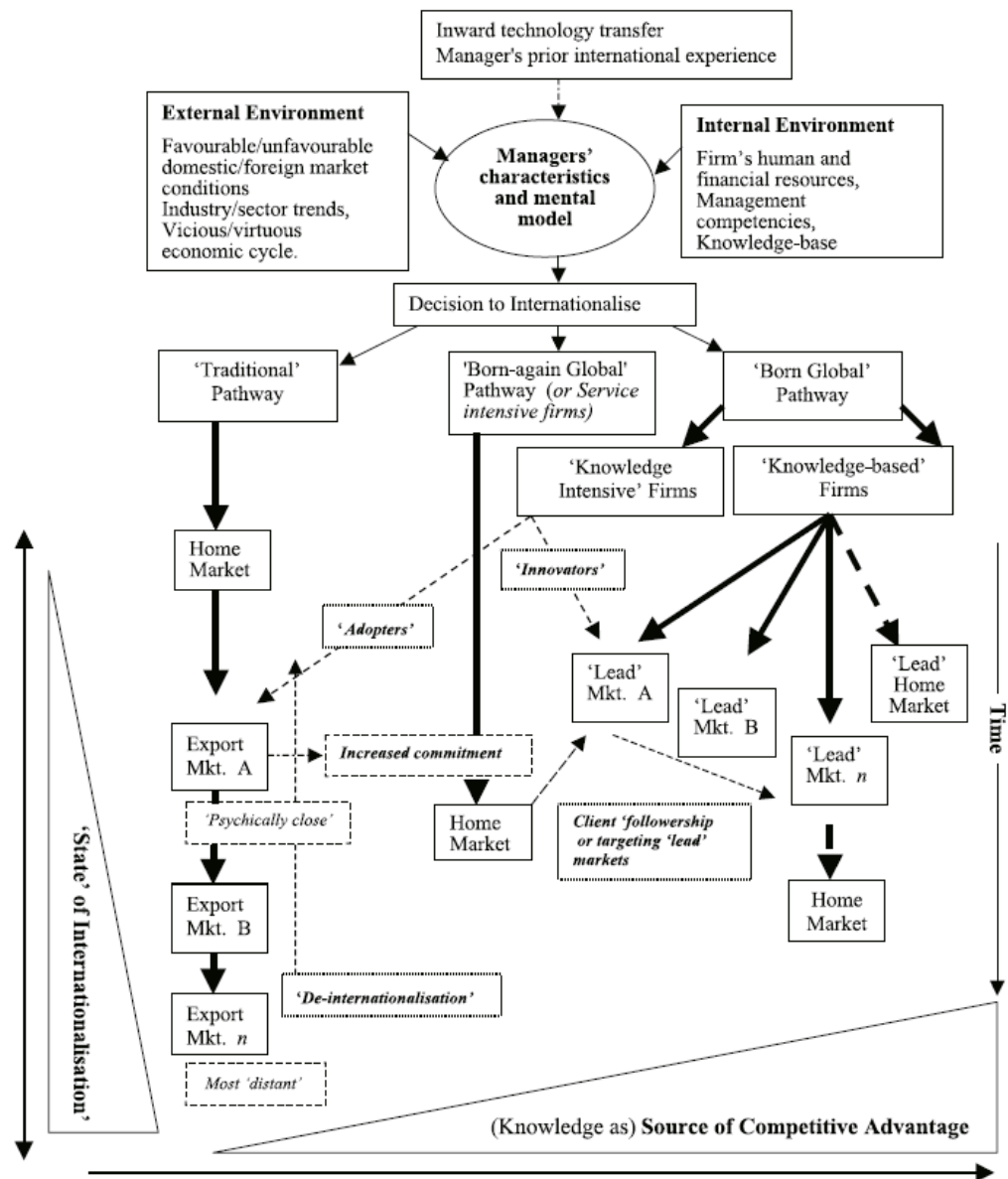
FIGURE 4-4 A RESEARCH MODEL OF BORN GLOBALS



Source: Madsen and Servais (1997)

The third considered conceptual framework is by Bell et al. (2003). They address the internationalisation process holistically for SMEs, looking at: motivational factors to internationalisation, objectives, pattern and pace, market entry mode, strategic approach to international marketing and financing. From this model (see Figure 4.5), we can see clearly the importance of knowledge intensity as a source for competitive advantage internationally. That is to say, the model demonstrates that higher knowledge intensity facilitates rapid internationalisation whereas lower levels of knowledge on products, processes or markets are likely to lead to slower, more gradual internationalisation (Bell et al., 2003). These concepts link into my conceptual framework on the levels of firm characteristics, internal competencies and international strategy.

FIGURE 4-5 AN INTEGRATIVE MODEL OF SMALL FIRM INTERNATIONALISATION

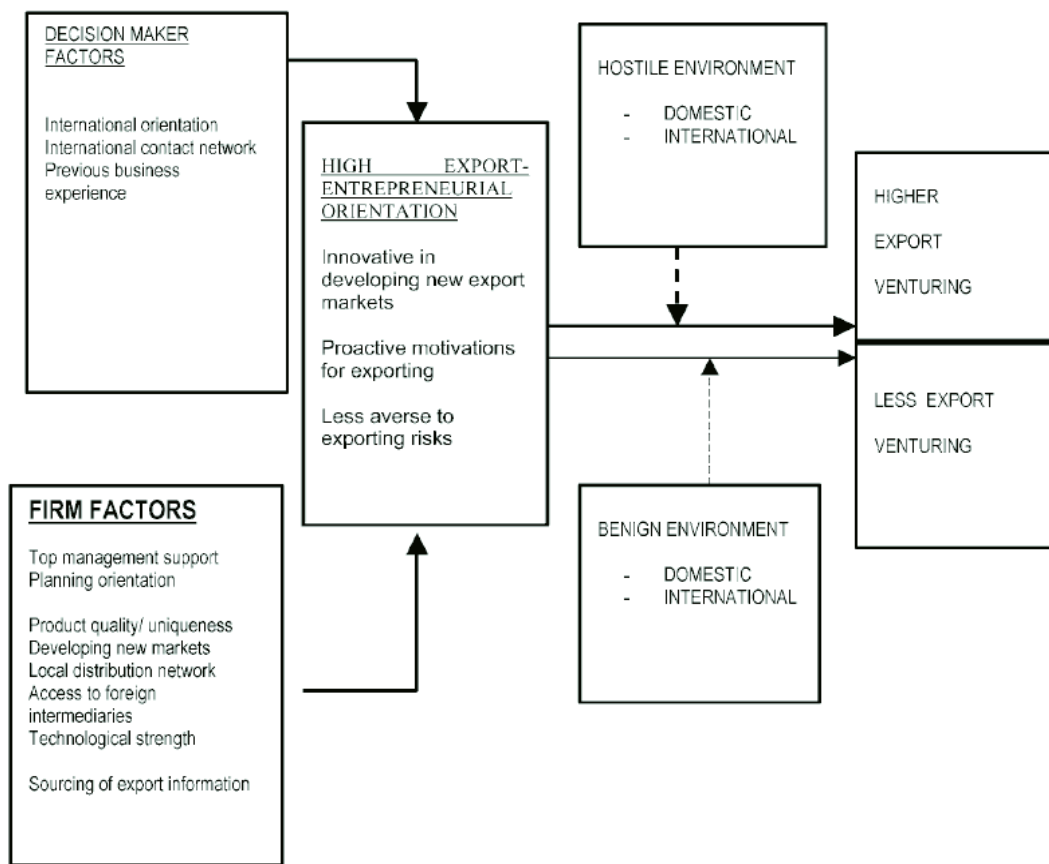


Source: Bell et al. (2003)

The fourth conceptual framework is by Ibeh (2003) who proposes a conceptual framework on the antecedents and consequences of export-entrepreneurial orientation in SMEs. In examining more closely the categories he uses: individual and firm specific factors, (which correspond to this research's categories of internal competencies and firm characteristics); export-entrepreneurial orientation (internationalisation strategy); nature of the operating environments (external environment); and export venture creation and involvement, which include export performance measures (performance). Ibeh (2003) identifies the key decision maker and company characteristics and competencies associated with high export-

entrepreneurial firms as: having an international orientation, contacts and previous relevant experience; competencies in product quality and technology; access to foreign market information and new market development; and networking skills (see Figure 4.6). Findings suggest that SMEs in hostile environments are more likely to export if they have an entrepreneurial orientation and certain antecedent attributes (Ibeh, 2003). He recommends further study on the positive link between management support and foreign market behaviour.

FIGURE 4-6 A CONTINGENCY FRAMEWORK OF EXPORT ENTREPRENEURSHIP

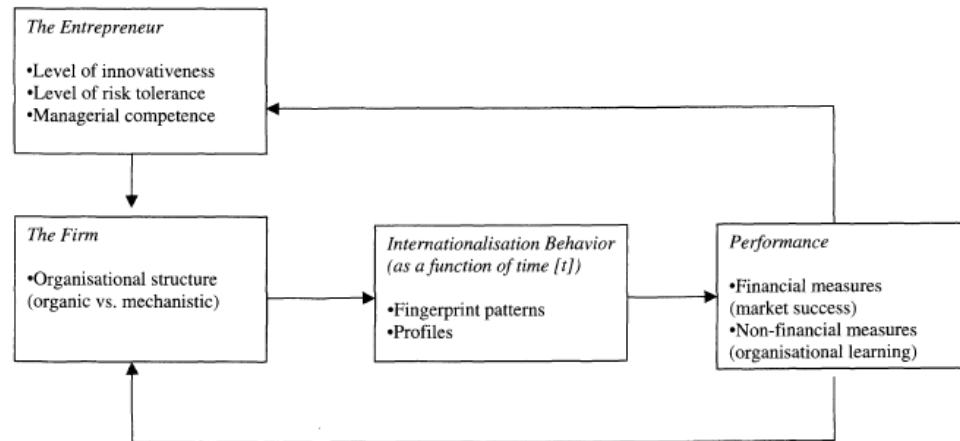


Source: Ibeh (2003)

The fifth conceptual framework for consideration is by Jones and Coviello (2005). In a conceptual paper, they link internationalisation and entrepreneurship, looking at internationalisation as an entrepreneurial behaviour. They suggest the internationalisation literature is moving towards a unifying theoretical framework. Jones and Coviello (2005) examine the entrepreneur, the firm, the internationalisation behaviour and performance as a way of viewing the internationalisation process (see Figure 4.7). They see the dimensions of process

and behaviour as integral to understanding internationalisation. Again these aspects are captured within my conceptual framework: the entrepreneur is found in the firm's internal competencies, the firm is represented by firm characteristics, the internationalisation behaviour is located in the internationalisation strategy.

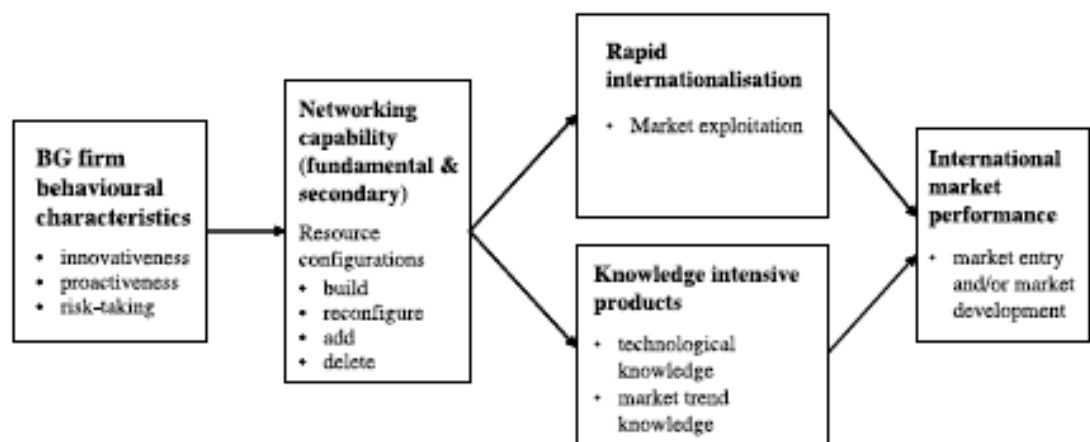
FIGURE 4-7 EXAMPLE OF A PRECISE MODEL FOR EMPIRICAL EXAMINATION



Source: Jones and Coviello (2005)

The sixth conceptual framework examined is by Mort and Weerawardena (2006). They focus their research on born global firms, looking on the role of networks and international entrepreneurship (see Figure 4.8), using theoretical underpinnings that draw on both the Network Theory and RBV, with particular emphasis on the value of networks in both.

FIGURE 4-8 CONCEPTUAL MODEL OF NETWORKING CAPABILITY AND INTERNATIONAL ENTREPRENEURSHIP IN BORN GLOBAL FIRMS

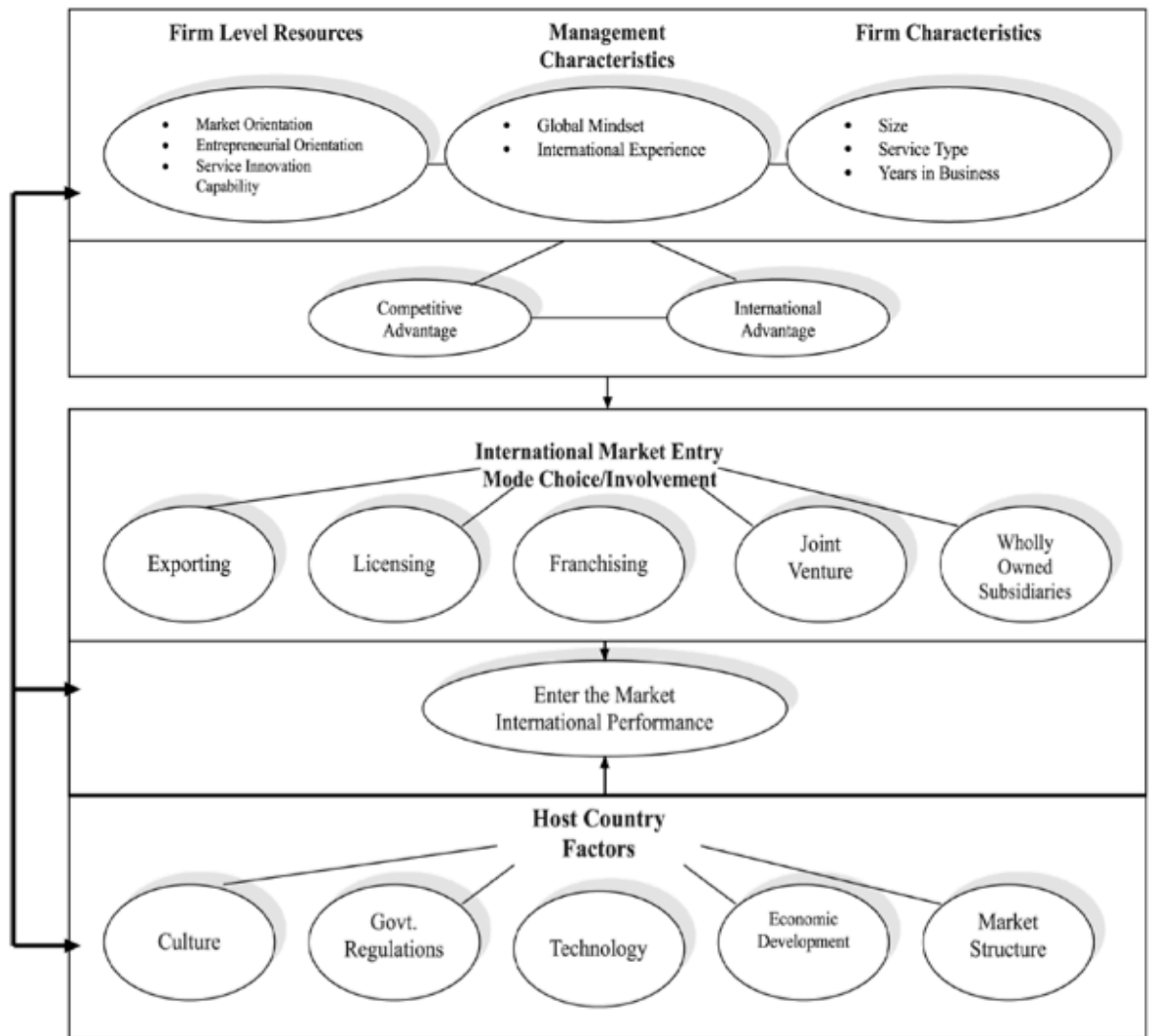


Note: BG = Born Global

Source: Mort and Weerawardena (2006)

Mort and Weerawardena's (2006) conceptual model highlights the importance of firm characteristics, networking capability, rapid internationalisation, knowledge intensive products and international market performance. Their findings highlight the critical role of the owner/ founder in network capacity building which in turn impacts the rapid internationalisation of a born global firm, developing knowledge intensive products and international market performance. The main differentiating factor of their work is the separating out of network capability whereas for my conceptual framework it is embedded within the internationalisation strategy. A shortcoming is the model's applicability only to born global firms.

FIGURE 4-9 A FRAMEWORK FOR THE INTERNATIONALISATION OF SERVICES



Source: Javalgi and Martin (2007)

The final conceptual framework considered was by Javalgi and Martin (2007) (see Figure 4.9). Their conceptual framework focuses on the key influences of service firms' internationalisation process, which is composed of: firm level resources, management characteristics, firm characteristics, international market entry and host country factors. Of the conceptual models discussed here, an important distinction is that this is the only one aimed at service firms and not SME internationalisation. A shortcoming of the model is that it does not address firm performance.

From all of these models it can be seen that there is general agreement across the internationalisation, SME internationalisation and service internationalisation literature as to the significance of firm characteristics, internal competencies, external environment and performance when conceptualising SME service firm internationalisation.

4.5 Summary

In sum, in order to examine how SMEs internationalise in the management consultancy sector, a conceptual framework for the firm has been developed based on Aaby and Slater's (1989) model. It contains six aspects covering:

- Firm characteristics (specific to the firm as a whole);
- Internal competencies (focussing on individuals within the firm);
- Service provision the firm offers (may be multiple, custom-made, or have variance with provision domestic vs. international);
- Internationalisation strategy (including entry mode);
- External environment (both domestic and international); and
- Performance measures.

As a whole this conceptual framework aims to give insight as to how small and medium-sized service firms internationalise (research question 1). The bins on firm characteristics and internal competencies seem to shed light on how the changes in the internal environment improve the firm's prospects of achieving

successful service provision internationally (research question two). The interaction of the firm characteristics and internal competencies bins with the service provision bin begins to uncover how small and medium-sized management consultancy firms manage the customer relationship internationally and should give insight on any challenges they face (research question three). Finally, the framework as a whole gives insight on the SME service internationalisation process, specifically for management consultancy firms. This serves to inform theoretical understanding for SME service firms' internationalisation process (research question four).

4.6 Limitations of this Framework

This conceptual framework is the starting point to understanding SME service sector internationalisation, using what is already known from the academic literature. The conceptual framework attempts to look at a firm's internationalisation process holistically. The model is used essentially as an organising, thought-ordering framework. The model and the relationships suggested are neither deterministic nor intended for quantitative testing. Therefore it is not possible at this time to separate causality from correlation. After the discussion in Chapter 6 of the analysis of the empirical investigation of small and medium-sized management consultancy firms in the East of England, UK, this conceptual framework is modified to reflect those findings (see Chapter 7).

4.7 Conclusion

The use of Aaby and Slater's (1989) model is justifiable; they got the essentials right as evidenced by the thematic similarities in the other examined conceptual frameworks. Of course, small firms differ from large firms and SME service sector firms deserve their own research (Erramilli and D'Souza, 1993). This is why this research makes modifications to Aaby and Slater's (1989) model. These have been made with the aim of addressing the paucity of conceptual service sector internationalisation by drawing on the internationalisation, SME internationalisation and service sector literature. The conceptual framework is to

be applied to case examples (see Chapters 6 and 7) using empirical research on small to medium-sized management consultancy firms collected in the East of England, UK. Each firm is examined through these various lenses represented by the six categories in order to get a fuller picture of the firm's internationalisation process and the similarities across these nine case studies.

It is hoped that this conceptual framework adds value to the field as it draws from established internationalisation and SME internationalisation literature. Empirical research is now examined in to see how it fits in with these claims for small to medium-sized consultancy firms presented in the previous chapters. The following chapter on research design and methodology shows how the conceptual framework served as a link from the research questions, underpinning interview questions undertaken for the nine case study firms, comprising the empirical data collection for this research.

5. Chapter 5 Research Design and Methodology

5.1 Introduction

This chapter builds on the conceptual underpinnings laid out in Chapter 4, to explain how empirical data was collected for this research; it addresses the methodological issues around the empirical research used for this study. This chapter is organised in four subsequent sections, with the first justifying the rationale for the research. It begins by reiterating the aims and objectives of the study and then builds on the literature review and research questions to explain the research design and why qualitative research was the chosen methodology. Section two addresses the research stance. In order to answer the research questions, the empirical work takes a phenomenological position, framed within an interpretive research paradigm. This section contains a philosophical discussion of the ontological and epistemological views of this research. The third section lays out the data collection procedures, including the case study qualifiers, giving clear boundaries to the case study research. This includes ethical considerations and limitations of the research. The fourth and final section links the methodological underpinnings to the analysis of the empirical data, pointing towards the analysis undertaken in Chapter 6.

5.2 Rationale for the Research

The research takes an analytical look at the ways in which small and medium-sized management consultancy firms internationalise, with research questions covering: how small to medium-sized management consultancy firms' internationalise, the challenges they encounter, how they have been overcome, and the factors that facilitate international market success.

This research has theoretical underpinnings from three literature streams: SME service internationalisation, the wider SME internationalisation and service sector internationalisation literature that are examined in order to better understand small and medium-sized management consultancy firms. Therefore, these theoretical underpinnings give a deductive starting point to this research, forming the

assumptions of the pertinent components of small and medium-sized management consultancies internationalisation process, based on what is known from the literature, which in turn informs the conceptual framework.

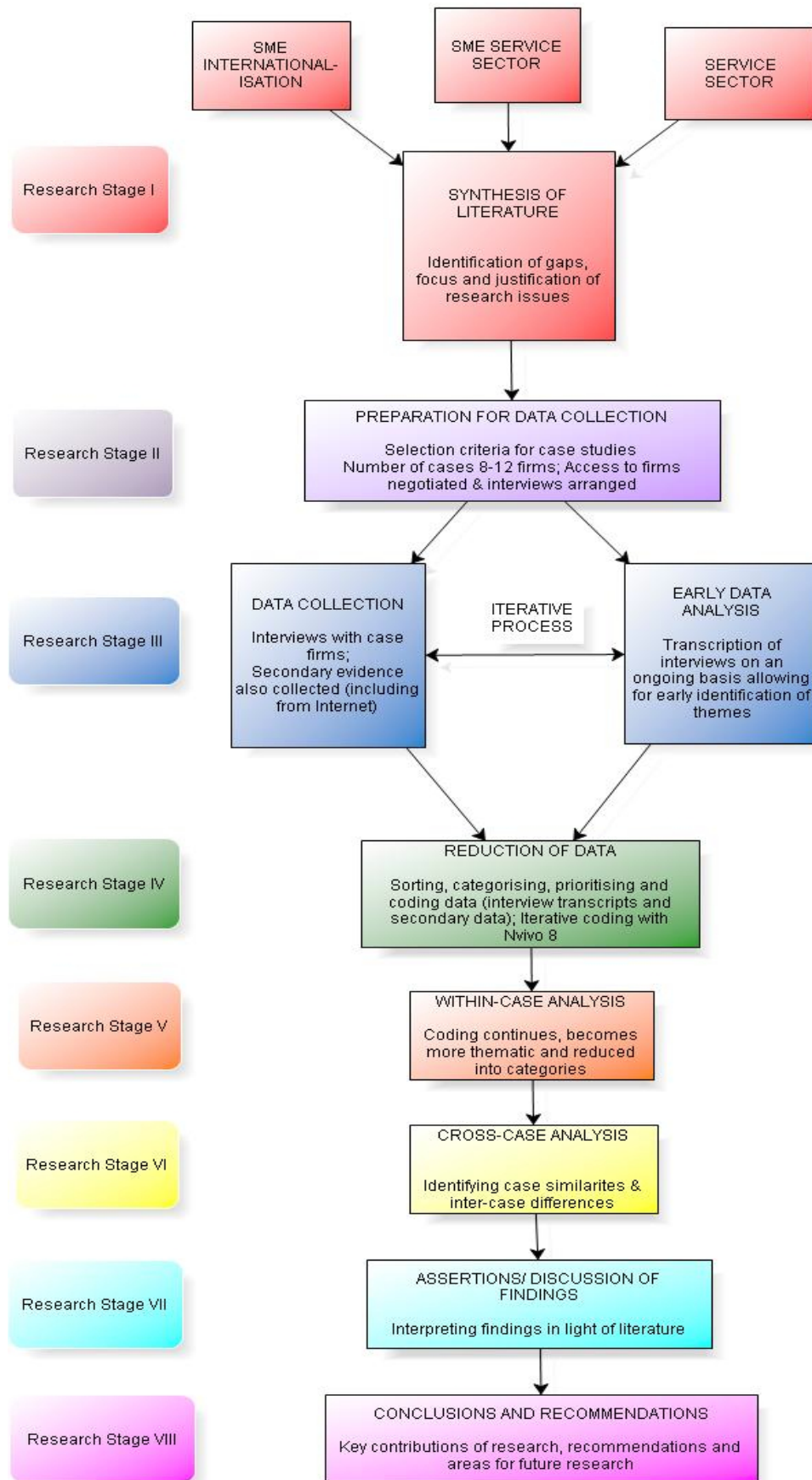
Chapter 1 established the gap in knowledge in regards to small and medium-sized management consultancy firms; therefore as a consequence, the research is exploratory and inductive with theory development following data collection (Saunders et al., 2007:37). Little work has been done on small to medium-sized firms in the service sector (as discussed in chapter 3), and no study to the author's knowledge has focused on small and medium-sized management consultancy firms. Exploratory research is undertaken, according to Robson (2002:59) to find out "what is happening; to seek new insights; to ask and to assess phenomena in a new light."

In order to analyse these aspects in the context of SME service internationalisation, the various known elements from the literature, discussed in Chapter 3, have been grouped into three categories: firm motivations, barriers to internationalisation, and critical success factors. These thematic factors have been subsumed in a conceptual framework to understand more fully where these elements occur (within the firm, coming from the external environment, service provision, linked to internationalisation strategy or performance) in chapter 4. But it is still unknown how relevant these aspects are to SME management consultancies' internationalisation experiences. As this concept is holistic in nature, as shown by the conceptual framework's attention to the firm's internal, external and intervening factors, the research methodology needs to fully address these aspects. To do so, qualitative research was deemed as most appropriate in answering questions of how (Perry, 1998, Creswell, 2007, Saunders et al., 2007, Yin, 2009).

5.3 Research Design

A research design flowchart has been compiled to explicitly show the methodological steps undertaken for this research process. The research design, outlined in Figure 5.1, is divided into eight research stages (modified from

FIGURE 5-1 RESEARCH DESIGN



Source: Adapted from Saunders et al. (2007)

Saunders et al. 2007). The research design for qualitative research, according to Maxwell (2005), needs to be an ongoing process, “involving ‘tacking’ back and forth between the different components of the design, assessing the implications of goals, theories, research questions, methods and validity threats for one another” (Maxwell, 2005:3) While the flow is represented in a clear, linear manner, the reality consisted of much backtracking and revising before being able to move on to the next stage. The research design should be seen as a blueprint for the important stages in the research process, covering research questions, data relevancy, data collection and analysis (Philliber et al., 1980 cited by Yin, 2009).

Research stage one covers the first six to nine months of my PhD journey when the literature was surveyed to identify gaps and research questions. Following this stage, over the course of the approximately next six months, exploration of the literature and refinement of the research questions, research design and methodology continued. Qualitative in-depth case studies, undertaken by semi-structured interviews, were found to be the most appropriate to collect data and gain insight as to how small and medium-sized management consultancy firms internationalise. In doing so, the philosophical underpinnings of the research were clearly exploratory, phenomenological and framed within an interpretive research paradigm.

5.3.1 Qualitative Research

This research takes a qualitative research approach as its methodology. Methodology is defined to mean “the theory of how research should be undertaken” (Saunders et al., 2007:3). This decision was made due to the research problem and the purpose of this research, answering questions of how and why (Creswell, 2007, Bloomberg and Volpe, 2008). Qualitative research was determined to be the most relevant to answer these research questions. Qualitative research, according to Creswell (2007) “begins with assumptions, a worldview, the possible use of a theoretical lens, and the study of research problems inquiring into the meaning individuals or groups ascribe to a social or human problem” (Creswell, 2007:37).

Qualitative research was chosen due to the nature of the research questions being asked: to understand the why and how of service sector internationalisation for small and medium-sized management consultancy firms. Quantitative research would have been inappropriate and inadequate to achieve this (Perry, 1998, Creswell, 2007, Bloomberg and Volpe, 2008).

Perry (1998) compares qualitative with quantitative research, highlighting the differences between the two depending on what the research is trying to achieve (see table 5.1). He links qualitative research with the importance of how in the research questions, the identification of key variables and development of research issues, located within a critical realist or interpretive paradigm and using a case study method to collect the data. Applying his logic, the use of qualitative research for this research was a clear choice.

TABLE 5-1 COMPARING QUALITATIVE AND QUANTITATIVE RESEARCH

	Qualitative Research	Quantitative Research
Research problem	How? Why?	Who (How many)? What (How much)?
Literature review	Exploratory-what are the variables involved? Constructs are messy Research issues are developed	Explanatory-what are the relationships between the variables which have been previously identified and measured? Hypotheses are developed
Paradigm	Critical realism/interpretive	Positivist
Methodology	For example, case study research or action research	For example, survey or experiment

Source: Perry (1998)

Quantitative measures and the statistical analyses do not fit the research problem since the necessary interactions among people to capture the phenomena (internationalisation process of SME service firms) are difficult to capture with existing measures (Creswell, 2007).

Saunders et al. (2007) also highlight fundamental differences between qualitative and quantitative research (see table 5.2). All three of their qualifiers for qualitative research: meaning expressed through words, collection of results that are non-standardised and analysis through conceptualisation fit the research problems and design of this study.

TABLE 5-2 DISTINCTIONS BETWEEN QUALITATIVE AND QUANTITATIVE DATA

Qualitative data	Quantitative Data
Based on meanings expressed through words	Based on meanings derived from numbers
Collection results in non-standardised data requiring classification into categories	Collection results in numerical and standardised data
Analysis conducted through the use of conceptualisation	Analysis conducted through the use of diagrams and statistics

Source: Developed by Saunders et al. (2007) from their own experience and from Dey (1993) and Healey and Rawlinson (1994).

5.3.2 Philosophical Underpinnings

(i) Interpretive

This research takes an epistemological stance that is interpretive. Epistemology is defined as, "what constitutes acceptable knowledge in a field of study" (Saunders et al., 2007:102) or the "general set of assumptions about the best ways of inquiring into the nature of the world" (Easterby-Smith et al., 2008:31). A branch of epistemology is the interpretive view, which posits "that it is necessary for the researcher to understand differences between humans in our role as social actors. This emphasises the difference between conducting research among people rather than objects" (Saunders et al., 2007:106).

The research is interpretive due to its qualitative nature. Creswell (2007) questions whether qualitative and interpretive research could be separated since the qualitative researcher's objective, as he reminds us, is "to make sense, (or interpret) the meanings others have about the world. This is why qualitative research is often called 'interpretive' research" (Creswell, 2007:21). Saunders et al. (2007) explain the appropriateness of the use of interpretive research for international business. They argue that an interpretive view is highly appropriate in the case of business and management research, particularly in such the field of international marketing (where internationalisation research falls) since business situations are complex and unique (Saunders et al., 2007:107). Moreover, this complexity, as Bloomberg and Volpe (2008) explain, is captured by how the interpretive paradigm views reality, as something that is socially constructed. Bloomberg and Volpe (2008) stress the importance of "the 'process' of interaction among individuals" (Bloomberg and Volpe, 2008:9) that is key to the interpretive view.

Easterby-Smith et al. (2008) use the term social constructionism, within which interpretivism is a part, with the aim to “understand and explain why people have different experiences rather than search for external causes and fundamental laws to explain behaviour” (Easterby-Smith et al., 2008:30). Interpretivism or social constructionism is epistemologically juxtaposed to positivism. Easterby-Smith et al. (2008) define positivism as comprised of a social world that “exists externally, and that its properties should be measured through objective methods,” (Easterby-Smith et al., 2008:28) that is there is an epistemological assumption “that knowledge is only of significance if it is based on the observations of this external reality” (Easterby-Smith et al., 2008:28). It is therefore unsurprising that quantitative research often has positivistic underpinnings. Table 5.3 highlights the key differences between interpretivism and positivism. This research is particular is aiming to understanding how SME management consultancy firms internationalise and thus increase general understanding of the situation. The empirical research has been gathered principally by semi-structured interviews, which has allowed for collection of which data that highlights the complexity of the situation.

TABLE 5-3 KEY DIFFERENCES BETWEEN INTERPRETIVISM AND POSITIVISM

Point of differentiation	Interpretivism	Positivism
The observer	is part of what is being observed	must be independent
Human interests	are the main drivers of science	should be irrelevant
Explanations	aim to increase general understanding of the situation	must demonstrate causality
Research progresses through	gathering rich data from which ideas are induced	hypotheses and deductions
Concepts	should incorporate stakeholder perspectives	need to be defined so that they can be measured
Units of analysis	may include the complexity of 'whole' situations	should be reduced to simplest terms
Generalisation through	theoretical abstraction	statistical probability
Sampling requires	small numbers of cases chosen for specific reasons	large numbers selected randomly

Source: Easterby-Smith et al. (2008)

The aim of this research is to gain a deeper understanding of small to medium-sized consultancy firms. The interpretive paradigm is clearly the best fit for gathering rich data and understanding the complexity of these firms internationalisation process. Positivism clearly is unsuitable for this type of research, particularly in regards of its aim to reduce the unit of analysis down to its simplest terms with the aim to achieve statistical generalisation.

(ii) Phenomenological

This research takes a phenomenological ontological stance. Ontology is defined as a concern for the nature of reality “to a greater extent than epistemological considerations, this raises questions of the assumptions researchers have about the way the world operates and the commitment held to particular views” (Saunders et al., 2007:108). Creswell sees the purpose of phenomenology “to reduce individual experiences with a phenomenon to a description of the universal essence” (Creswell, 2007:58). Bloomberg and Volpe’s interpretation is similar, with this aim to “identify the core essence of human experience as described by research participants” (Bloomberg and Volpe, 2008:11).

Phenomenology is rooted in the thinking of Edmund Husserl in Germany during the mid-1890s. Husserl’s transcendental phenomenology (1931) studies human experience with the aim of identifying and extracting universal features (Denscombe, 2007:83). This way of looking at the world is appropriate when examining the social sciences. Denscombe (2007) explains phenomenology as based on subjectivity, description, interpretation and agency as opposed to the positivist stance of objectivity, analysis, measurement and structure (Denscombe, 2007:75). The phenomenological approach takes into account the messiness of life and can cope with multiple realities (Denscombe, 2007). This approach is necessary for understanding internationalisation, where there is direct interaction with different cultures, increasing the likelihood of multiple realities.

Patton (2002) adds that to gather data from a phenomenological point of view, data must be collected from people directly involved, those with “lived experience” of the phenomenon (Patton, 2002:104). For this reason, all case study interviews have been undertaken with the owner or the international manager directly involved in international operations (explained in detail later in this chapter). The research takes a phenomenological perspective since it is based on the perceptions of the interviewee on the internationalisation process with all the potential human shortcomings in perceiving and recollecting the past as well as the role of the interviewer in how the responses are perceived and analysed.

Bloor and Wood (2006) differentiate phenomenology as a philosophical stance and phenomenological methods. The latter is addressed in this research. Phenomenological studies typically involve purposeful sampling (Bloor and Wood, 2006). Purposeful sampling, specifically criterion sampling is used in this research (see subsequent section on data collection procedures).

5.3.3 Method: Case Study

The research methodology utilised in this thesis is qualitative research with interpretive and phenomenological underpinnings. The method used to collect data is the case study method, based on Yin's approach (2009). Method is defined as the "techniques and procedures used to obtain and analyse data" (Saunders et al., 2007:3). However, the literature on research methodology is ambiguous as to which techniques are classified as a method. There is debate about whether case studies should be seen as a method or strategy for data collection. Eisenhardt (1989), Denzin and Lincoln (2000), Robson (2002), and Bloor and Wood (2006) categorise the case study as a strategy and not a method. Yin would find this classification too narrow. He defines the case study as,

an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident...The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from prior development of theoretical propositions to guide data collection and analysis (Yin, 2009:18).

This twofold definition of a case study clearly shows the case study's merits as a method as it includes research design, data collection and approaches to data analysis (Yin, 2009).

Yin (2009) explains that the case study is the preferred method when answering questions on how or why, when the investigator has little control over the events and when the focus is on a contemporary phenomenon within a real-life context (Yin, 2009:2). For this research all of those indicators hold true, the research looked at how management consultancy firms internationalised, discussing the

historical path of their internationalisation as well as current and future. In addition, the researcher did not have any control over the internationalisation process, how it was started or future plans.

Yin goes on to explain that a case study is an empirical inquiry where the boundaries between the phenomenon and context are not clearly evident. This is true for SMEs and the internationalisation process as many factors of successful internationalisation are found within the internal competencies and resources of the firm.

There are many advantages to using a case study. Denscombe (2007) points out two main advantages to the case study method: it is holistic and yet can study things in sufficient detail to unravel the complexities of a given situation. The case study is particularly adept to the study of processes and relationships within a setting (Denscombe, 2007). However, there are also criticisms of the case study approach. One main limitation is in regards to generalisability. Case study findings may be transferrable to other cases. However, their findings are generalisable to theoretical propositions not across populations (Miles and Huberman, 1994, Ibeh, 2005, Fletcher and Plakoyiannaki, 2009, Yin, 2009). Yin's term for this goal of expanding and generalising theories is analytic generalisation, as opposed to statistical generalisation whose aim is based on frequencies (Yin, 2009).

The aim of qualitative research is to describe a particular context in-depth, not to generalise to another context or population (Creswell, 2007, Saunders et al., 2007, Bloomberg and Volpe, 2008). This is not its philosophical purpose affirms Saunders et al. (2007); rather its aim is to give in-depth, descriptive insight. However, some like Stake (2003) would argue that case studies should not aspire to generalisability, rather, the researcher should focus on optimizing the understanding within the case. He sees the case as a "specific, unique, bounded system" (Stake, 2003:136). Stake is interested in getting thick description (using Geertz's 1973 term) from a case study. Stake's view for case selection should include "an opportunity to learn" as its primary criteria (Stake, 2003:154).

Creswell (2007) defines case study research as “a qualitative approach in which the investigator explores a bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g. observations, interviews, audiovisual material and documents and reports), and reports a case description and case-based themes” (Creswell, 2007:73).

This research undertakes case studies with the semi-structured interview as the main instrument of data collection. The interviews are supplemented with secondary information gathered both from the firms’ website and handouts as recommended by Creswell (2007), Denscombe (2007), and Saunders et al. (2007). Nvivo is used to facilitate analysis (further elaborated in section 5.5 on Linking methodological underpinnings to data analysis). This makes the research a multi-method qualitative study, according to Saunders et al. (2007), since more than one data collection technique within the qualitative world view is being used. This is advantageous, allowing for better opportunities to answer research questions and in evaluations of findings (Tashakkori and Teddlie, 2003), since more than one source is being used. This increases the reliability of the information.

Exploratory case study designs, according to Yin, can maximize their quality through three critical conditions: construct validity, external validity and reliability. Construct validity, Yin defines, as “identifying correct operational measures for the concepts being studied” (Yin, 2009); this can be achieved using multiple sources of evidence and having key informants review the draft case study report. Both of these measures have been undertaken for this research. After having written the draft case study report for each of the nine firms, these were circulated to the interviewee for verification and feedback when necessary. Of the nine case studies, eight firms (Firms 1, 2, 3, 4, 5, 6, 8 and 9) responded to this request with two firms making modifications (to generalise some of their operations to ensure anonymity and clarify some specifics), three others providing some additional information (such as updated turnover figures) and three accepted it fully.

The second critical condition to maximise case study quality is external validity. Yin sees external validity achieved by “defining the domain to which a study’s findings can be generalised” (Yin, 2009:40); in a multi-case study this can be done by analytic generalisation. Case studies rely on analytic generalisation, with the researcher trying to generalise results to some broader theory, specifically using previously developed theory as a template to compare the empirical results of the case study (Yin, 2009). In Chapter 7, the analysis of the case studies addresses this aspect further, as theoretical underpinnings are applied to the cases.

The third way to increase quality of case study design is through reliability by “demonstrating that the operations of a study - such as the data collection procedures - can be repeated, with the same results” (Yin, 2009:40). At first, this view seems quite controversial for qualitative research. Bloor and Wood (2006) argue that reliability, in practice, can be virtually impossible to achieve, as different researchers will always produce different interpretations. Rather, it is suggested that the research should strive to show internal validity, meaning that the conclusions should correctly portray the data collected (Bloor and Wood, 2006; Maxwell, 2006).

Saunders et al. (2007:149) define reliability as “the extent to which your data collection techniques or analysis procedures will yield consistent findings.” Easterby-Smith et al. (2008) assess reliability through the following three questions: asking if the measures used can yield the results on other occasions; if similar observations be reached by other observers and whether there is transparency in how sense was made from raw data.

However, when examining Yin’s definition of reliability more closely, it becomes clear that the emphasis is on repeating the same case over. Therefore Bloor and Wood (2006), Saunders (2007), Easterby-Smith (2008), and Yin (2009) are all suggesting similar things: clarity in documentation of the case study, how decisions are made and what procedures are followed. To do this, Yin recommends using a case study protocol to deal with the documentation problem and the development of a case study database (Yin, 2009). The case study protocol serves to ensure similar data is collected in each case. Appendix 1 shows

the interview checklist that served this purpose, acting as a reminder of the topics to cover during the interview with each firm and leaving space for note taking. A case study database was compiled for all the evidence for each case, using Nvivo as an organisational tool. These findings are presented in Chapter 6 in the analysis of each case. A maximum effort has been undertaken to ensure transparency and reliability of the case study data both in its collection and in its analysis.

5.3.4 Theoretical Framework for the Case Study

The usage of case studies in international business, particularly in SME internationalisation, is an accepted method (see Chetty, 1996 for an in-depth discussion on the appropriateness of the case study method for SMEs). The empirical research on SME service sector internationalisation show how use of the case study method is accepted as a research method (see Table 5.4): seven out of the seventeen SME service empirical studies conducted case studies using interviews as the main method of data collection (Bjorkman and Kock, 1997, Coviello et al., 1998, Coviello and Martin, 1999, Bell et al., 2003, Hutchinson et al., 2006, Hutchinson et al., 2007, Hutchinson et al., 2009).

The case study method is not new to internationalisation literature (Johanson and Vahlne in 1977) though its frequency does seem to be growing and in-depth case studies are helping to provide valuable theoretical understanding to SME internationalisation (Coviello, 2006). Indeed there have been calls for greater diversity in SME internationalisation research that can be achieved (in part) by more use of the case study method (Fillis, 2001).

Vissak et al. (2007) chose the case study method when researching the importance of knowledge as a trigger of internationalisation in Baltic firms. They explain the suitability of the case study method as it transcends local boundaries of the investigated cases, captures new layers of reality, and allows for testable, empirically valid theoretical and practical insights (Vissak et al., 2007). Fletcher and Plakoyiannaki (2009) reinforce this view, deeming case study research as well suited to international business research, particularly in understanding complex

TABLE 5-4 PREVIOUS EMPIRICAL RESEARCH ON SME SERVICE SECTOR INTERNATIONALISATION¹⁰

	Author(s)	Date	Sample	Research method	Main focus
1	Bell	1995	98 software SMEs (<200 employees) from Finland (34), Ireland (38) and Norway (26)	Survey	Offering specialised products to niche markets.
2	Bell et al.	2003	50 Australian, New Zealand and UK SMEs, including both traditional (food and beverage, printing and textiles) and knowledge-based (engineering, electronics and ICT) born-global firms.	Qualitative in-depth interviews	Speed and age at internationalisation.
3	Bjorkman and Kock	1997	3 tourism SMEs in Finland	Case studies (interviews first by telephone then in person)	Importance of culture and key actors/ social networks with international partners.
4	Burpitt and Rondinelli	1998	First phase includes 65 small environmental consulting firms ¹¹ in NC, US, 11 of which are exporting. The second phase with 100 different SMEs.	Two-phase survey first was mailed, second by telephone.	Motivations to export.
5	Bryson et al.	1993	120 small ¹² business service companies (60 management consultancies, 60 market research) in UK	Survey, also published and unpublished statistics, and data banks.	Scale, nature and growth of small business services in the UK
6	Cort et al.	2007	152 US professional service SMEs ¹³ (advertising, architects/design/computer software/data, contractors/engineers, financial services, health services and securities/investment brokers).	Questionnaire	Managerial motivation for internationalisation
7	Coviello et al.	1998	9 software and engineering consultancy SMEs in NZ	Case studies (in-depth interviews and secondary sources)	International competitiveness measures of SMEs.
8	Coviello and Martin	1999	4 engineering consultancy SMEs in NZ	Case studies (in-depth interviews and secondary sources)	Patterns and influences on internationalisation.
9	Hutchinson et al.	2009	6 SME retailers in the UK	Case studies semi structured interviews	Internal and external barriers.
10	Hutchinson et al.	2007	9 SME retail sector in UK	Case studies (in-depth interviews and secondary sources)	Importance of the founder/ key manager in international decision-making.

¹⁰ Modified from tables in Chapter 3, compiling only SME service studies.

¹¹ An SME in USA is defined as having <500 employees.

¹² For this study, small firms are defined as employing less or equal to 10 professional staff or less or equal to 25 total staff.

¹³ The average firm size was 462 (definition of SMEs in USA is up to 500 employees).

	Author(s)	Date	Sample	Research method	Main focus
11	Hutchinson et al.	2006	9 SME retail sector in UK	Case studies (in-depth interviews and company documentation)	Objective and subjective characteristics on initial decision to expand, the path and pace of international development.
12	Jones	1999	196 small ¹⁴ high-technology sectors (including plastics and composites, biotechnology, advanced surgical instruments and advanced instruments for industry) firms in UK	Questionnaire	Examines firm's internationalisation process chronologically looking at cross border links.
13	Masurel	2001	334 architecture SMEs in the Netherlands (NB only 14 % of firms were involved in exporting)	Survey	Export behaviour
14	O'Farrell et al.	1996	SME business services (engineering consultancy, management consultancy, market research, computer software and product design) in UK (Scotland and South East)	Longitudinal analysis (20 years) via questionnaire (856) and interviews (90)	International market selection and entry mode choice
15	O'Farrell et al.	1998	SME business services (engineering consultancy and management consultancy, market research, computer software and product design) in UK (Scotland and South East)	Survey (370) and interviews (90)	Process of foreign market entry
16	Payne et al.	2009	Service-intensive SMEs (physician organisations) in the US	Survey 1030 responses on competitive dynamics (composed of firm specialisation, environmental munificence and rivalry intensity) in relation to financial performance.	Service specialisation is directly related to firm performance.
17	Reuber and Fischer	1997	Software product SMEs (defined as less than 200 employees) in Canada	Questionnaire (49).	The role of management team's international experience.

¹⁴ Author defines small as fewer than 50 employees at time of listing and fewer than 200 current employees.

cross border and cultural settings that are exemplified during early and rapid firm internationalisation.

Each case study and unit of analysis should be similar to those previously studied by others (Yin, 2009:33). The unit of analysis for this research is the firm, consistent with SME internationalisation literature (Ibeh and Wheeler, 2005). Patton (2002) states that the unit of analysis should be selected as a function of what the research is examining. Fletcher and Plakoyiannaki (2009) define the unit of analysis as “the major entity that is being analysed in the study”, namely, the ‘what’ or ‘whom’ that is being studied. They take care to point out that this is different from the unit of observation, which is the unit(s) on which the researcher collects data, for this research it is the owners or managers interviewed. From both Patton’s and Fletcher and Plakoyainnaki’s classifications, the unit of analysis for this research is the firm, specifically an internationalised small to medium-sized management consultancy firm located in the East of England, UK. The firm as the unit of analysis is pertinent as the focus is on SME internationalisation process and research questions pertain to the firm (Chetty, 1996).

5.4 Data Collection Procedures

Ethical behaviour is important to all research; this holds true for qualitative case study research that collects data principally by interviews. Saunders et al. (2007) define research ethics as relating to all aspects of our research from “how we formulate and clarify our research topic, design our research and gain access, collect data, process and store our data, analyse data and write up our research findings in a more responsible way” (Saunders et al., 2007:178). The research undertaken was structured in full alignment with Anglia Ruskin University’s ethical guidelines. Ethics approval was received from the University in June 2008. All interviewee’s received both a participant information sheet as well as a consent form to sign, informing them of how the data collected would be used, stored and their right to withdraw from the research at any time (see Appendices 2 and 3). In addition, all identifying information of the firm (proper names) has been coded to ensure confidentiality, making the data anonymous. The firms also

received a one-page fact sheet informing them on the research, including the research questions and methodology (see Appendix 4).

5.4.1 Operational Criteria for Firms to be Qualified to Serve as Case Companies

Qualitative research was undertaken using the case study method. Qualitative research tends to use purposive sampling, which allows for boundaries to be set (Miles and Huberman, 1994). Purposeful selection of participants is a key decision in qualitative research (Bloomberg and Volpe, 2008). Patton (2002) sees purposeful sampling as being used for case study selected “because they are ‘information rich’ and illuminative, that is, they offer useful manifestations of the phenomenon of interest; sampling, then, is aimed at insight about the phenomenon, not empirical generalisation from a sample to a population” (Patton, 2002:40).

TABLE 5-5 REQUIREMENTS FOR DATA COLLECTION

Qualifier	Definition	Action to be taken	
i. Size: SMEs	A small to medium enterprise (SME) is defined using the European Union's definition [< 250 employees, $\leq \text{€ } 50$ million turnover or a balance sheet total of $\leq \text{€ } 43$ million] for ease of comparability.	If no ineligible for interview.	If yes then continue to point ii.
ii. Sector: management consultancy	Management consultancies are defined in the broad sense to include: human resources; innovation; IT; marketing; operations; management; and strategy and organisation.	If no ineligible for interview.	If yes then continue to point iii.
iii. Location	The firm should be based in the East of England, UK. The East of England is one of nine regions in the UK and is comprised of the counties of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk.	If no ineligible for interview.	If yes then continue to point iv.
iv. Internationalisation	For the purpose of this research, internationalisation is defined as “the process of increasing involvement in international operations” (Welch and Luostarinen, 1988). This covers inward and outward growth across national borders. All firms interviewed should have sufficient international experience to take a retrospective look at the internationalisation process. Firms should also indicate how the internationalisation process began.	If no ineligible for interview.	If adheres to all these parameters, interview is scheduled.

Source: Author's own.

Cases were purposely chosen to be included in the research by criterion sampling. Criterion sampling, according to Bloomberg and Volpe (2008), is when the participants must meet one or more criteria predetermined by the researcher. The qualifiers for the case study are based on firm size, sector, location and involvement in international activities (see table 5.5). In order for a firm to qualify to be interviewed, the following criteria must be met: the firm is a small to medium-sized enterprise (SME) as defined by European standards, engages in management consultancy activities, is located in the East of England, UK and is currently involved in international activities.

The use of such operational criteria is in line with the case study approach. As Denscombe (2007) reminds us, “Cases are not randomly selected, they are selected on the basis of known attributes...instances selected for a case study are chosen on the basis of their distinctive features” (Denscombe, 2007:39). As part of good research study design, there should be clear boundaries (Miles and Huberman, 1994).

(i) Size

To qualify to be interviewed, the firm needs to be an independently owned, small to medium-sized enterprise. As mentioned in Chapter 3, for the purpose of this research, a SME is defined using the European Union’s definition [< 250 employees, $\leq \text{€ } 50$ million turnover or a balance sheet total of $\leq \text{€ } 43$ million] for ease of comparability (see table 3.1, p. 42).

(ii) Sector

Not only does the firm need to be an SME, adhering to the size qualification but it must also be in the appropriate sector, a service firm. Within the service sector, the management consultancy subsector is the focus of this research. Management consultancies are defined in the broad sense to include: human resources; innovation; IT; marketing; operations management; and strategy and organisation.

Specifically the management consultancy sector has been chosen over other service sectors due to its highly skilled nature and the importance of trust and

customer relations; they embody a pure service¹⁵. These elements are strong in all management consultancies irrespective of their sub sector. The focus is limited to one sector in order to control for industry effects on internationalisation (Erramilli and D'Souza, 1993, Calof, 1994).

Management consultancies are often grouped within the category of business services, knowledge-intensive firms (KIF) or professional service firms (PSF) (O'Farrell et al., 1998, Bryson, 2001, Alvesson, 2004, Bryson and Daniels, 2007). While the meta-categorisation of management consultancy firms is outside the scope of this research, it is useful to draw insight from these studies in looking for clarity on the definition of management consultancy firms. In Alvesson's (2004) definition of KIFS, he sees knowledge or the "centrality of intellectual and symbolic skills," in organisations as being more salient in the work of knowledge-intensive firms. Alvesson considers management consultancy firms as an example of a KIF.

Management consultancies are also considered as a type of business service. Business services in general have low entry barriers when internationalising, and are amenable to the self-employed, because of the low start-up costs and high value added, hence the large number of small firms in the sector (Bryson et al., 1993). Business services are a subset of producer services, meaning these firms provide a service that is integrated into the client's production process and has a lasting effect as opposed to being based on transient consumer services (Bryson and Daniels, 2007).

In their research on SMEs in the business service sector, Bryson et al. (1993) acknowledged the difficulty in defining management consultancy firms. They used the Institute of Management Consultants' (1987) definition of management consultants, that is "the provision by 'independent and qualified individuals' of professional advice to business, public and other organisations on problems' concerned with strategy, policy, organisation and other undertakings" (Bryson et al., 1993:119) An updated definition of management consultants from the USA

¹⁵ For a classification of modes and strategies of service internationalisation see Vandermerwe, S. & Chadwick, M. 1989, *The Internationalisation of Services*. *Services Industries Journal*, 9, 79-93.

Institute of Management Consultants (IMCUSA) website is “a professional who, for a fee, provides independent and objective advice to management of client organisations to define and achieve their goals through improved utilization of resources. He or she may do this by diagnosing problems and/or opportunities, recommending solutions, and helping implement improvement” (IMCUSA, 2009). While more detailed than the former definition, there is still ample scope for various types of services that may be provided. The US homepage of the IMC website is used as the Institute of Management Consultants in the UK merged in April 2007 with the Institute of Business Advisers to form the Institute of Business Consulting. This definition serves as a springboard towards the one used for this research.

Defining a management consultancy has been a challenge for this research, as no clear-cut, definitive definition exists. As highlighted above, academic literature does not provide a conclusive definition of a management consultancy. Unfortunately, industry does not provide a clear definition for management consultancy firms either. The Standard Industrial Classification of Economic Activities (SIC) codes were consulted to see if they could provide some clarity to the matter. SIC codes are assigned to firms by the UK’s Office for National Statistics and were consulted for the nine firms in this research (when the information was available). The SIC codes classified the nine interviewed firms as either engaging in Business and Management Consultancy activities (five firms) or scientific research and development (two firms) with data for two firms unavailable. The SIC code for business and management consultancy activities covers “the provision of advice, guidance and operational assistance to businesses and other organisations on management issues” ranging from:

- corporate strategic and organisational planning;
- business process re-engineering;
- change management;
- marketing objectives and policies;
- human resource policies;
- practices and planning;

- production scheduling; and
- control planning (ONS, 2010).

The SIC code on research and development on natural sciences and engineering covers three types of research and development:

- Basic research: experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without immediate particular application or use;
- Applied research: original investigation undertaken in order to acquire new knowledge, directed primarily towards a specific practical aim or objective; and
- Experimental development: systematic work, drawing on existing knowledge gained from research and/or practical experience, directed to producing new materials, products and devices, to installing new processes, systems and services, and to improving substantially those already produced or installed (ONS, 2010).

Overlap exists on the kind of work undertaken by firms in these two categories (management consultancy and R&D). An R&D firm undertaking experimental development, drawing on its knowledge to improve systems or services is likely to also be involved in operational assistance on management issues. Therefore, the use of SIC codes was not seen as providing a useful, realistic definition of management consultancy firms.

Therefore, for the purposes of this research an operational definition is used that draws on the definition put forward by the Institute of Management Consultants (IMCUSA) and is robust enough to cover the many shades of consultancies encountered in this research. The key qualifier is that the firm's staff (either a consultant or more typically a set of consultants are employed) address managerial issues in a client firm by discussing strategy and offering advice and

solutions to implement that strategy. This staff could be permanent or some additional staff could be taken on as necessary on an ad-hoc basis. The service may or may not go beyond strategic advice and give operational solutions as well. This broad definition accommodates for firms that not only discuss strategy on a managerial level but also set up steps to implement it, covering the strategic and potentially operational objectives of a management consultancy firm.

This broad definition was formulated after reviewing the existing literature and then after getting an inconclusive answer, attempting firms to give their own definition of a management consultancy firm. It was found through discussion with firms that although they identify themselves as a management consultancy firms in undertaking this research, they officially title themselves differently. Some firms classify themselves as an innovation consultancy or a research and design consultancy, irrespective of the fact that the service they were providing across the nine firms all address managerial issues, concerning strategic issues and involving giving solutions on the matter.

(iii) Location

The interviewed firms are located in one country, the United Kingdom, to control for country effects. Each country, its particularities and culture could affect attitudes and behaviour towards a risk taking activity such as internationalisation (see Hofstede et al., 2010 for a comprehensive discussion). The UK has been specifically chosen as the home country as there are significant numbers of management consultancy firms. This consulting market is the largest outside the USA and according to the UK Management Consultancies Association, industry revenues for 2006 were estimated at £8bn and delivered “some of the most cutting edge organisational change projects in the world” (MCA, 2009). Also as this research has parameters on firm-sized, limited to small and medium-sized firms, by using the UK there is a comparable SME standard with the rest of Europe.

Within the UK, the East of England region has been specifically chosen, not only because it is geographically accessible to the researcher, but also due to the high number of management consultancies active in the region. In particular, the area

around Cambridge is well known for its high concentration of information technology and biotechnology firms. As this is case study research with the aim of theoretical and not statistical replication, the sample pool is large enough to support the numbers required.

(iv) Internationalisation

For the purpose of this research, internationalisation is defined as “the process of increasing involvement in international operations” (Welch and Luostarinen, 1988:36). This definition has been chosen as it is comprehensive; it covers inward and outward growth across national borders. The definition is broad enough to include Fletcher (2001)’s concept of inward internationalisation, that is firms that internationalise “by inward-driven activities such as indirect importing, direct importing, becoming the licensee for a foreign firm, being the joint venture partner with an overseas firm in its domestic market, or by manufacturing overseas to supply the home market” (Fletcher, 2001: 29). Welch and Luostarinen’s definition dates from 1988, yet it remains relevant, as shown by its continued frequent use in SME internationalisation literature (Bjorkman and Kock, 1997, Morgan and Katsikeas, 1997, Coviello and McAuley, 1999, Jones, 1999, Chetty and Campbell-Hunt, 2003, Etemad and Lee, 2003, Bell et al., 2004, Ruzzier et al., 2006).

All firms interviewed adhered to the criteria of being currently involved in international operations and having sufficient international experience to take a retrospective look at the internationalisation process from its beginning to the current state at the time of interview.

5.4.2 Reason for Multiple Cases

With the case study qualifiers clearly set on SMEs in the management consultancy sector, located in the East of England that were currently involved in international activities, it is necessary to address how many cases should be examined. Multiple-cases (number=9) have been undertaken rather than a single case to add confidence to the findings, (Miles and Huberman, 1994), give precision, validity

and stability of the findings through replication gained from multiple cases (Yin, 2009).

In determining how many cases were most appropriate for multiple case study research, the literature offers a spread in the best number of cases. According to Eisenhardt (1989), four to ten cases are best in order to generate theory. Miles and Huberman (1994) are more generous, suggesting that with highly complex issues, fifteen cases maximum are recommended in order not to be overloaded with information. However, it is imperative to keep the sampling frame in mind and determine for each research project how many cases are needed for analytic generalisation. Patton (2002) is the most flexible in saying that there are no rules for sample size in qualitative research; however typically four to five are chosen. The researcher endeavoured to obtain ten to twelve firms to agree to be interviewed. Though this is at the higher end of the recommended spread, this was to account for the possibility of a few cases either dropping out or the realisation that they were not applicable to the research inquiry.

(i) Focus Group

In referring back to the research design (see Figure 5.1 on p. 96) it is at research stage two, after having decided on the methodology and method of data collection, that the researcher began to refine the interview questions. These questions were then put before a focus group in April 2009, for discussion and clarification. The focus group was composed of four people holding the following positions: the Regional Team Manager from UK Trade and Investment (UKTI) that supports small businesses internationally, and three academics from the Ashcroft International Business School, one of whom also runs his own consultancy firm.

Kreuger and Casey (2000) cited in Bloomberg and Volpe (2008:84) see a focus group as useful to: elicit a range of feelings, opinions and ideas; understand differences in perspectives; uncover and provide insight into specific factors that influence opinions; and seek ideas that emerge from the group. Bloor and Wood (2006) define a focus group as having the aim “to provide data (via the capture of

intra-group interaction) on group beliefs and group norms in respect of a particular topic or set of issues” (Bloor and Wood, 2006:88). A focus group is distinct for three reasons, including their focus on a topic, their emphasis on group interaction; and the moderator facilitating this interaction (Denscombe, 2007).

The researcher began the focus group with a brief overview of the research aims and objectives and introduced the preliminary interview questions to be used as a guide for each interview. More than an hour of discussion and debate ensued as the merits of each question were discussed. The researcher took notes on the discussion and recommendations for modifications to make the questions more accessible to the interviewees, getting rid of jargon and superfluous questions. As a result of this meeting, the survey instrument became stronger.

(ii) Pilot of Interview Questions

In late April 2009, the researcher undertook a pilot of my research questions with a Professor from the Ashcroft International Business School as the interviewee. First a mock interview was run, with the researcher asking each question and the interviewee answering. Then the researcher asked the interviewee for feedback on the interview as well as the documents received: the consent form and one page fact sheet. This pilot was useful to build the researcher’s confidence as an interviewer, helping her become more at ease with the flow of the interview questions. It also captured some small grammatical errors and clarification in the presentation of the materials.

(iii) Interviews

As part of research stage two, the researcher began arranging interviews in April 2009 and did so with assistance from both formal and informal networks. The researcher accessed these networks through my first supervisor who had strong connections with people involved with local and regional SMEs involved in international activities. The researcher identified the case studies from three main contacts: the Regional Team Manager from UK Trade and Investment (UKTI) (also involved in the focus group), the Managing Director of St. John’s Innovation Centre, incubating SMEs in Cambridge, and the Director of the Cambridge

Network, a Cambridge regional network that links businesses and academia. All three agreed to give a list of firms involved in international activities along with the name and contact information for those firms (typically the owner/ founder).

In total, the researcher received the name and contact details of twenty-nine firms. After receiving these names, she then went to the website of each of the firms to determine whether they adhered to the criteria (size, sector, location and internationalisation). If the website clearly showed they did not, they were not pursued. If some aspect(s) were unclear, then the firm was approached and asked directly. At this stage, the researcher discarded thirteen firms, leaving sixteen firms to follow up with directly. The initial contact was made by telephone, after which a follow up email was sent, requesting an interview and proposing dates (see Appendix 5). For firms that were unable to be reached by telephone despite numerous attempts, an email was sent as first contact.

Once an interview date was fixed, a follow up email was sent confirming the date and reconfirming the firm qualifications by email (firm size, sector and internationalisation as the firm address was already known) (see Appendix 6). Of the sixteen firms contacted, twelve firms responded positively to be interviewed. The researcher was unable to get responses from four firms despite repeated attempts by phone or email. The firm's website was again used to prepare for interviews, with the interviewer becoming familiar with the information on the website to be knowledgeable for the interview. This research was now at research stage three, the data collection process, as interview dates were confirmed for twelve firms. Interviews were scheduled between May and September 2009 (see Appendix 7 for the interview schedule).

The decision to use in-depth interviews as the main data collection tool is to allow for detailed discussion on the issues. Interviews, according to Patton (2002) are defined as "open-ended questions and probes yield in-depth responses about people's experiences, perceptions, opinions, feelings and knowledge. Data consist of verbatim quotations with sufficient context to be interpretable" (Patton, 2002:4).

The use of interviews as a qualitative data collection instrument, according to Bloomberg and Volpe (2008), “fosters interactivity with participants; elicits in-depth, context-rich personal accounts, perceptions, and perspectives” yielding rich explanation and description (Bloomberg and Volpe, 2008:195). This instrument would allow for the depth of information sought after by this research. Interviews were deemed the best data collection tool for this research due to the research questions. Saunders et al. (2007) highlight the advantage of an interview over a questionnaire, suggesting that managers are more likely to agree to an interview than filling out a questionnaire as the interview allows them to reflect on events of relevance to their work and they do not have to write their responses. The interviewee also is more likely to share information and be more trusting when personal contact is established. In agreeing to be interviewed, the interviewee gives his or her consent, knowing that the interview is recorded and the researcher has a set of questions to be answered (Denscombe, 2007).

Yin’s method is favourable to structured or semi-structured interviews; he proposes using a case study protocol, believing that a case study with specific questions and propositions is more likely to be within feasible limits (Yin, 2009). A semi-structured interview method rather than a structured interview approach was chosen for data collection. This decision reflects the exploratory nature of the research. As the internationalisation of small and medium-sized management consultancies is an underexplored area of research, it is possible and positive that aspects may arise that have not been foreseen. The semi-structured interview was designed to ascertain what issues the firms themselves identify as most significant to their internationalisation: to allow for a comparability of questions being asked to all firms yet allowing for the flexibility of other information to be offered by the firm. There is however some structure to the interviews to ensure comparability across cases, which is why a semi-structured interview approach was undertaken.

Dialogue was not seen as limited to the questions but rather they were a starting point or catalyst for a rich conversation on the firm’s internationalisation process (see table 5.7 for an overview of the questions or Appendix 1 for full list of interview questions). The firm was given the opportunity to discuss other aspects

or elements, which I may not have considered. Therefore these prompts are not viewed as definitive but as aspects of firm internationalisation performance indicators that have emerged from the literature as seeming to be of relevance for small to medium-sized service firms. The interview questions are tied in with the thesis' research questions and theoretical underpinnings (see table 5.7 which links interview questions with research questions).

The researcher undertook in-depth, face-to-face interviews, conducted on a one-to-one basis. Interviews were conducted with the owner/founder or the manager in charge of international activities. All interviews were recorded and transcribed. Interviews were conducted either on the firm's premises or at the University and each interview lasted at least an hour approximately. The range of the interviews lasted from forty minutes to seventy-five minutes with the average interview lasting sixty minutes (though two cases have had two interviews).

During the course of the interview process it became evident that only nine of the twelve firms were indeed adhering to the qualifiers set and able to provide the data to the research questions asked. The three firms were discarded due to a lack of understanding of the firm qualifiers; they did not fulfil the criteria either of internationalisation or of firm size. Despite the information gained during the initial contact phone conversation and their website this misfit did not become clear until during the course of the interview. Two of the firms were no longer currently involved in international activities, while a third was found to be too big to be considered an SME. In the end, nine cases were found suitable, a number that fits both within Eishenhardt's (1989) and Miles and Huberman's (1994) ranges. Of the nine usable interviews, six were conducted on the firm's premises and three at Anglia Ruskin University. In these three instances, the reason was because it was more convenient for the firm to meet at the University for the proposed dates.

For all nine case studies, the interview was conducted with the person directly involved with international activities (knowledgeable on past decisions and able to influence future direction). It was decided to interview either the owner or the manager of international activities because they were the person with the most

knowledge of firm's internationalisation process. As the interviewee was well briefed on the context of the interview, the researcher was satisfied with the quality of information received from the interviews and overall a second round of interviews was not deemed necessary. However, there were two exceptions. In one instance this was due to technology failure of the recording device (which both decreased discussion time of the interview in trying to resolve technical difficulties and some details were lost that were not captured from note taking alone), therefore a second interview was arranged to clarify some issues from the first interview. The second case necessitated a second interview with another person in the firm also involved with international activities, albeit on a more limited scale that was outside the scope of the first person interviewed.

The use of a single/key informant has widely observed limitations regarding the reliability and validity of data obtained in this manner; namely it "prohibits a determination of the extent to which variation in measurements is due to (1) the concept of interest, (2) systematic sources of error (e.g. methods factors), or (3) random error (Joreskog, 1971, Bagozzi, 1980)" (Phillips, 1981). It is recommended that other attempts to measure the same data should be used as well, whenever possible. To this end, the firms that had second interviews could be viewed as a validity check (used for two of the nine cases) as well as the firm's website being used to cross check or triangulate the data. Another criticism is that no one single informant is likely to be the most reliable informant on all issues; however for this research firm size is relevant. Often this criticism is directed at large firms; whereas in micro and small-sized firms, it is common for the owner to be involved or at least knowledgeable of all the firm's dealings. Moreover, out of the nine case studies, five are micro-sized firms. The interviews were all with the founder of these micro-sized firms; therefore it can be safely assumed that he/she is the most knowledgeable of all staff of the firm's internationalisation process.

Multiple sources of information were used to gather data from each firm, with the main form of data gathering being the semi-structured interview. A list of the firm qualifiers was transmitted in advance to the interviewee, to ensure beforehand that the firm fit within the parameters of the research (see Appendix 6 for email sent to the firm). In addition a participant information sheet, ethical

agreement letter and a one-page fact sheet was sent along with this. The participant information sheet and ethical consent letter were sent in order to adhere to University procedures. Regarding the one page fact sheet, it was sent to better prepare the interviewees for the meeting (see Appendices 2, 3 and 4).

All interviews were recorded and transcribed (for an exemplar transcript, see Appendix 8). The transcription of the interview verbatim was submitted to the firm for review of accuracy. The Internet, specifically the firm's website, was used to gather secondary information before the firm was interviewed. Stewart and Kamins (1993) in Saunders (2007:263) argue that using secondary data, before gathering primary data helps save time as unsuitable cases are rejected.

A limitation of the usage of the firms' websites is that it is based on information the firm is willing to share and make public. Therefore, the objectivity of this information on its own can be questioned. However the benefits of gathering information on the firm before approaching it for an interview were deemed greater than the risk of objectivity; the website was a useful means of ascertaining how the firm portrays itself to the public and rich information on the firms' service offerings was typically available. Also this information can be compared to what was said during the interview as a form of validation. During the interview itself, notes were taken and any relevant supplementary information was requested from the firm (pamphlets, reports etc.) that are typically given to perspective clients.

It is important, when conducting the interview, to reduce the interviewer bias; however Maxwell (2005) informs us that this is impossible to do entirely, the interviewee will always be influenced by the interviewer and the interview situation. The best we can aim for is to understand how the interviewer is influencing the interviewee and how this affects the validity of inferences from the interview. Another technique employed to counter interviewer bias was by summarising an explanation provided by the interviewee to ensure comprehension (Saunders et al., 2007). Also recording of the interview allowed for the material to be revisited as well as enabling the interviewer to be more attentive in the

interview, including the possibility to pick up more easily on non-verbal cues (Saunders et al., 2007 see also Table 5.6).

Transcriptions were written as soon as possible after the interview was conducted in order to have an iterative process while still undertaking interviews, gaining insight from one interview before moving on to the next. I finished this research stage when all interviews were transcribed. All identifying data (firm name, etc) was coded and made anonymous in the transcriptions. In addition, this stage included data cleaning, where transcription and grammatical errors were corrected. A copy of the transcript was sent to all interviewees for final checking. For the nine cases, seven firms responded to my email requesting verification of the transcripts. Of the seven responses, six firms made changes. One firm chose not to modify the transcript at all. For the two cases where second interviews were undertaken, one firm gave feedback on both interviews and the other only on the first interview.

TABLE 5-6 ADVANTAGES AND DISADVANTAGES OF AUDIO-RECORDING THE INTERVIEW

Advantages	Disadvantages
Allows interviewer to concentrate on questioning and listening	May adversely affect the relationship between interviewee and interviewer (possibility of 'focusing' on the audio-recorder)
Allows questions formulated at an interview to be accurately recorded for use in later interviews where appropriate	May inhibit some interviewee responses and reduce reliability
Can re-listen to the interview	Possibility of a technical problem
Accurate and unbiased record provided	Time required to transcribe the audio-recording
Allows direct quotes to be used	
Permanent record for others to use	

Source: Healy and Rawlinson (1994); Ghauri and Gronhaug (2005); Saunders et al. (2007); and Easterby-Smith et al. (2008).

Part of the challenges with this research has been in developing a working definition of management consultancies as discussed earlier in this chapter. Originally the definition of a management consultancy used was one of self-identification, that is, I would include firms that defined themselves as a management consultancy. It soon became apparent that this definition was very restrictive, as there are many variants on the term for firms that are in reality doing the same functions. Therefore, I have adopted a broad definition of management consultancy activities based on the firms' operations. A management consultancy firm is defined, for the purposes of this research, as engaging with managerial issues in a client firm by discussing strategy and

offering advice and solutions to implement that strategy, as discussed earlier in this chapter.

(iv) Case Study Questions

Interview questions, developed from the focus group were directly linked to the research questions (see Table 5.7 for side-by-side comparison). Specifically, the interview questions can be grouped into four main sections.

TABLE 5-7 LINKING RESEARCH QUESTIONS WITH INTERVIEW QUESTIONS

Q1: How do small to medium-sized management consultancies internationalise successfully?	
Interview questions	Explain your present internationalisation activities (Section 1)
	Why has your firm internationalised? Thinking about your internationalisation experience(s), which factors proved the most relevant? (Section 2)
	What are your key performance measures? How do you measure your success? (Section 3)
	How do you evaluate your international activities? (Section 3)
	What adaptations have been made after internationalisation In retrospect, what do you see as key skills for internationalisation? (Section 4)
	Have you sought any formal help, support or advice? (Section 4)
Q2: What factors facilitate international market success among management consultancies?	
Interview questions	Explain your firm operations in general (Section 1)
	What are your financial and non financial measures? How have you achieved them? Do you have any special training for internationalisation? Explain your marketing activities. (Section 2)
	How do you obtain information on international opportunities? How do you manage and sustain relationships? Explain your service delivery. (Section 2)
Q3: What problems have been encountered? How have they been overcome?	
Interview questions	Are there any other issues that you would like to discuss that have been significant (positive or negative) to your internationalisation process? (Section 2)

The first section covers the firm's context and history, this includes the background of the firm, the interviewee's role and responsibilities, his or her experience with the firm, his or her previous international experience, the firm's general operations and its present international activities. The second section covers specifics on how and why the firm has internationalised. This includes the reason for going abroad as well as performance factors involving human resources, marketing activities, networking activities, service delivery and critical success factors. The third section discusses performance measures: how they are

measured, evaluated, adapted and assisted. The final section inquires on the firm's future plans and long-term internationalisation strategy. Appendix 1 provides a detailed interview checklist used by interviewer for note taking purposes where Table 5.7 has grouped the interview questions thematically by relevant research questions.

During the interviews, the questions were not necessarily asked and discussed in the order presented in Appendix 1, as the researcher did not want to interrupt the flow of the interview if the interviewee started to discuss another relevant matter. However, the prepared questions were used to give direction to the conversation and, when necessary, as a way of pulling the interviewee back on track. In this way, the researcher was able to ensure all questions were posed before completing the interview.

5.5 Linking Methodological Underpinnings to Data Analysis

Research stage Four focuses on data analysis, the reduction and coding of the data. To assist in this step, the researcher used Nvivo8 software to facilitate the coding of the nine interviews. Nvivo has five principle functions: to manage data, manage ideas, query data, model graphically and report from data (Bazeley, 2007). In the first instance, Nvivo helped to manage the data: the researcher had over nine hours of interviews that yielded over 150 pages of transcript. The researcher could save and access all the information in one project file. Nvivo's main function is to code data and it gives a systematic format to ensure each line of the transcript is scrutinised. It helped manage ideas as well, as the researcher could create and store notes and memos within this same file. With the software it was simple to retrieve information, therefore time was not lost in looking for data as it is all stored within the same programme. It is also possible to make graphic models, which the researcher has used to display the conceptual framework and research design in this thesis. Additional figures generated from Nvivo are used in the analysis (see Chapter 6).

These advantages outweigh Nvivo's critics that the researcher loses closeness to data by using analysis software (Bazeley, 2007). The programme does not

generate codes for you, it merely serves as a facilitating tool to organise your thoughts. In order to create these codes, the researcher began by reading and re-reading the transcripts to become familiar with them. After these first readings, key words and phrases were identified in order to understand the data, known as open coding. Open coding is when “the codes will be fairly descriptive and are likely to involve labelling chunks of data in terms of their content” (Denscombe, 2007:98). At this stage, coding was unstructured and fifty-two codes had been identified. (see Appendix 9 for full list).

TABLE 5-8 CODEBOOK LISTING ALL CODES AND THEIR DEFINITIONS

1	Background operations	How firm began, first clients, formation, background and firm structure.
2	Clients	Types of clients, sector, how they were found, how long they are clients
3	Competitors	Identify, and any interaction
4	Financial crisis	Impact of financial crisis on firms
5	Financial Measures	How firm assesses performance (turnover, profit)
6	Foreign Language	Interviewee's foreign language knowledge as well as company's experience with foreign languages (staff and working languages)
7	Intellectual Property	Both in how firm keeps ownership and shares knowledge with clients
8	Internationalisation Strategy	Internationalisation process: past, present, future; how process started, clients, revenue, geographic scope
9	Marketing	How done, frequency.
10	Market selection	Past, present and future markets
11	Networks	How gain clients and work through contacts, also role of networks to find staff/ associates, both at inception and for internationalisation.
12	New services	How acquired new services in past, adaptation and customisation undertaken and future prospects.
13	Niche	Identifying firm speciality
14	Non-financial Measures	Success factors and goal achievement
15	Personal background	Past expertise of the interviewee, work experience, time abroad.
16	Price	How established, competitiveness
17	Reputation	How established, valued by the firm and subsequently perceived by clients
18	Skills	Staff skills, expertise

These codes were then reduced by an iterative process of rereading the transcriptions and looking for overlaps in coding. The result was a reduction, down to eighteen codes clearly defined in a codebook (listed in Table 5.8). The codebook gives a clear definition of how each code is used for the cases and the type of information it represents. This code book explains the selective coding, “focus(ed) attention on just the key components, the most significant categories...this selective coding focuses attention on just the core codes, the ones that have emerged from open and axial coding as being vital to any explanation of the complex social phenomenon” (Denscombe, 2007:98).

The conceptual framework was then used to give structure to the codes, in the form of axial coding, lending a grouping that seemed to fit the codes generated (see Table 5.9). Axial coding is when “the researcher will look for relationships between the codes - links and associations that allow certain codes to be subsumed under broader headings and certain codes to be seen as more crucial than others” (Denscombe, 2007:98). There are six main categories or headings: firm characteristics, internal competencies, internationalisation strategy, service provision, external environment and performance. The specific codes ascribed to each category and their links to the literature are discussed in the next section (section 5.6).

TABLE 5-9 CATEGORISATION

Firm Characteristics (6)	Service Provision (2)
Background operations	New Services
Intellectual Property	Price
Marketing	
Networks	External Environment (3)
Niche	Clients
Reputation	Competitors
	Financial Crisis
Internal Competencies (3)	
Foreign Language	Performance (2)
Personal background	Financial Measures
Skills (staff)	Non-financial Measures
Internationalisation strategy (2)*	
Market selection	

* Category included in codebook

In order to ensure consistency of categorisation Guba (1978) as cited in Patton (2002) suggests using a category system auditor, or simply a second opinion on what data falls into which category. To do so, the researcher asked a fellow PhD student from the Ashcroft Business School to read through my transcriptions, on a case-by-case basis, using the node print out from Nvivo. This presented the full transcription for each case, followed by each node (code) and the associated text that had been coded to that term. In addition, a copy of the codebook was provided. This type of audit provided detailed scrutiny on the categorisation to ensure consistency across the nine cases, and some terms were readjusted from the feedback. Overall, the robustness of the categorisation was strengthened.

5.6 Linking Data Coding to Extant Literature

The codes used in the codebook were developed iteratively from the empirical data collected, principally via in-depth interviews. The research questions and conceptual framework was then used as a guiding tool to classify the codes into thematic groups. The SME internationalisation and service sector literature was then revisited to verify these findings with what is known from academic literature (see Table 5.10).

TABLE 5-10 CODES LINKED TO LITERATURE

Firm Characteristics (6)	
Background operations	Aaby and Slater (1989) use firm size, this research extended scope to look at firm operations-value added of research
Intellectual Property	Leonidou et al. (2007) - research and development export stimuli.
Marketing	Leonidou et al. (2007) - marketing stimuli
Networks	Mort and Weerawardena (2006) - network capabilities
Niche	Leonidou et al. (2007) - internal financial stimuli for potential for extra sales/profits from exporting, potential for extra growth from exporting and possession of financial competitive advantage
Reputation	Teece et al. (1997) highlight its importance to firm's resources; however not explicitly represented in other SME or service conceptualisations. Added value of this work.
Internal Competencies (3)	
Foreign Language	Leonidou et al. (2007) internal- human resources stimuli
Personal background	Leonidou et al. (2007) internal- human resources stimuli
Skills (staff)	Leonidou (2004) - internal functional barrier OECD-APEC (2008) - internal capability barrier
Internationalisation strategy (2)*	
Market selection	Aaby and Slater (1989) - export strategy
	Aaby and Slater (1989) - market selection
Service Provision (2)	
New Services	Javalgi and Martin (2007) service innovation Value added of research
Price	Leonidou (2004) internal marketing barrier
External Environment (3)	
Clients	Leonidou et al. (2007) external export stimuli- customers
Competitors	Leonidou et al. (2007) external export stimuli- competition
Financial Crisis	Leonidou et al. (2007) external export stimuli- domestic
Performance (2)	
Financial measures	Zou and Stan (1998) and Wheeler et al. (2007)
Non-financial measures	Zou and Stan (1998) and Wheeler et al. (2007)

* Category title also used as code

As previously discussed in Chapter 4, Table 4.1 in the comparison of conceptual framework models, the structure used builds on Aaby and Slater's (1989) five categories and add in a sixth on service provision. This structure is used to classify the coding from the interviews. The six categories are discussed in turn.

5.6.1 Firm Characteristics

The first categorisation is firm characteristics, with the first code (listed in alphabetical order) being background operations. As a theme, this is not prevalent in the literature, and the scope used for this research is more encompassing than Aaby and Slater's (1989) use of firm size as a classification under firm characteristics. The purpose of this code is to gain general understanding of how the company began, identifying its first clients, and its general background operations in order to best understand and situate the firm's internationalisation process. It is part of the value added of this research, looking at internationalisation in a more holistic manner.

Intellectual property as the second code listed is comprised of how firms' from the empirical data manage their intellectual property including issues of ownership and knowledge sharing. The scope of this coding is similar conceptually to Leonidou et al.'s (2007) classification of research and development which covers possession of proprietary technical knowledge, possession of a unique/ patented product and extending the life cycle of domestic products. Leonidou et al. (2007) list this as an internal stimulus that is a proactive driver of a firm's internationalisation process.

The third code in this category is marketing which covers the scope and frequency of the firm's marketing operations regarding internationalisation. Again this is similar conceptually to Leonidou et al.'s (2007) classification of marketing defined as possession of a marketing competitive advantage and the ability to adapt marketing for foreign markets both of which are proactive, internal export stimuli.

The fourth code is networks, which is defined to include a network's scope (such as clients, staff, associates) as well as temporal aspects (from firm formation throughout the internationalisation process). These networks are developed by individuals but taken together they are a resource for the firm. Networking capabilities are similarly conceptualised in the research by Mort and Weerawardena (2006), covering a range of network activities including the

strength, duration and development of networks. Moreover, the essence of Network Theory, one of the underpinning internationalisation theories of this empirical research, underscores the significance of networks in the internationalisation process. Also in line with RBV, networks are a quality that could provide the firm with superior performance results due to their unique network resources (Barney, 1991).

The fifth code is niche, covering the firm's niche market and identifying the firm's speciality. In the academic literature this is most similar to Leonidou et al.'s (2007) internal, financial, proactive stimuli of potential for extra sales/profits from exporting, potential for extra growth from exporting and possession of financial competitive advantage, which indirectly alludes to the subset of the market the firm is targeting.

The sixth code is reputation covering how the firm's reputation is established, valued by the firm and subsequently perceived by clients. Though a firm's reputation is something developed by people and thus individually, it is classified as a firm characteristic as these individual experiences taken together become a resource for the firm. This is in line the view of Teece et al. (1997), coming from a strategic management perspective, who see reputation as an intangible asset summarising the firm's assets and positions. The role of a firm's reputation is not explicitly represented in other SME or service conceptualisations; however, Bryson et al. (1993) underscore the importance of informal contacts and professional reputation to firm establishment and growth of small business service companies. Moreover this is theoretically in line with the resource-based view which posits how superior performance results from exploiting a firm's unique resource (Barney, 1991).

5.6.2 Internal Competencies

The next category is internal competencies, again taken from Aaby and Slater's (1989) framework. Foreign language, the first code under internal competencies, addresses both the interviewee's foreign language knowledge as well as the company's experience with working with them. This internal competency is

classified by Leonidou et al.'s (2007) as an internal, human resources export stimulus, specifically addressing the utilisation of special managerial talent/ skills or time.

The second code refers to personal background. This focuses on the interviewee's (often the owner/founder) own past experience, including international experience. This classification is in line with Leonidou et al.'s (2007) internal human resources, specifically those of utilisation of special managerial talent/skills/time and management trips overseas.

The third code is skills, specifically looking at the staff's skills and expertise, enabling understanding of the firm's skill base along with any gaps. This is in line with Leonidou's (2004) classification of internal functional barriers addressing inadequate/untrained personnel for exporting and the OECD-APEC (2008) classification of internal capability barriers.

5.6.3 Internationalisation Strategy

The next categorisation is internationalisation strategy, which has been modified from Aaby, and Slater's (1989) export strategy to take a holistic view of internationalisation. The internationalisation process is looked at in a comprehensive way, from first international endeavour, to present activities and future plans. The code under this category is market selection, again in line with Aaby and Slater's (1989) terminology. This looks specifically at the firm's internationalisation trajectory of markets where the firm has been internationally active and those target markets for the future. This also covers markets considered and discarded by the firm.

5.6.4 Service Provision

The fourth categorisation is service provision. This category was added into the conceptual framework to draw attention to the service-sector specificities of the internationalisation process. The first code is new services; this covers new services incorporated in the firm in the past, how it has been able to modify and customise its services for clients and future prospects. This coding does not easily

fit into either Aaby and Slater's (1989) or Leonidou et al.'s (2007) frameworks as their work has focused on manufacturing firms. Javalgi and Martin (2007) list service innovation as a firm level resource that helps lead to competitive and international advantage. Exploring this area in more depth is part of the value added of this research.

The second code is price. Leonidou (2004) lists as an internal marketing barrier that price and the ability to offer a satisfactory price to customers and the difficulty of matching competitors' prices are barriers to SMEs internationalisation process. The aspect of price is significant to service SMEs as well in understanding how it is established and how firms maintain their competitiveness.

5.6.5 External Environment

The fifth category is the external environment, which is comprised of three codes clients, competition and the financial crisis. The first code, clients, links in with Leonidou et al.'s (2007) classification of customers as an export stimuli and external stimulus. Leonidou's focus is on the reactive, pull factors of overseas customers that can engage a firm in internationalisation from unsolicited orders. For the purpose of this research, the role of clients is looked at more holistically and regarding networks, examining how clients are found and the length of their relationship to the firm in addition to where they are located.

The second code is competition. This conceptually links in to Leonidou et al.'s (2007) external export stimuli of competition defined as intense domestic competition, initiation of exports by domestic competitors, entry of a foreign competitor into a home market and gaining foreign expertise to improve domestic competitiveness. The focus of this research is much more of a global nature, not with the intention of internationalising to improve domestic markets. The coding of competition is to identify competitors and examine the interaction with them.

The third code is the recent (2008) financial crisis. Though the 2008 financial crisis is a recent happening, other financial crises have shaped firms' internationalisation trajectories. Leonidou et al.'s (2007) classification of export stimuli-external domestic includes the unfavourable state of the domestic market.

The 2008 financial crisis unfortunately was not restricted to the UK market and did impact some firms' international operations both in the USA and Europe.

5.6.6 Performance

The sixth and final category is performance. This category is comprised of two codes financial and non-financial measures. Both are conceptually similar to Zou and Stan (1998) and Wheeler et al. (2008). Financial measures cover objective issues such as sales, profit and growth measures (Zou and Stan, 1998, Wheeler et al., 2008). Non-financial measures are defined as perceived success and goal achievement (Zou and Stan, 1998, Wheeler et al., 2008).

After the interviews were coded, the codebook produced and linked back to the academic literature, I proceeded to analyse each case, undertaking a within-case analysis, for each of the nine case studies as highlighted in research stage five. As Network Theory is part of the internationalisation theories explored in this research for its applicability to service SMEs, the use of social network analysis (SNA) was considered. Social network analysis (SNA) is defined as inquiring into, "the patterning of relations among social actors, as well as the patterning of relationships among actors at different levels of analysis (such as persons and groups)" (Breiger, 2009:505). SNA was discarded for this research due to its methodological approach, as it is typically geared towards a quantitative analysis (Hatala, 2006). Moreover, SNA was deemed inappropriate for the scope of this research on micro and small-sized firms as the diversity of actors involved is much more limited than in multinational corporations, narrowing the possibilities for meaningful analysis. "SNA is a general set of procedures that uses indices of relatedness among individuals, which produces representations of the social structures and social positions that are inherent in dyads and groups" (Hatala, 2006:50). The scope of the research was endeavouring to understand how small to medium-sized consultancy firms internationalised therefore understanding how their networks are included within that scope was the primary concern. These networks, their formations and identification of significant actors were established and explored through the use of in-depth interviews.

5.7 Strategy to Overcome Bias

As stated earlier in the chapter, in qualitative research the researcher plays an active and central role in the data collection (Bloomberg and Volpe, 2008); this also poses potential problems. There is a risk that the researcher's personal values and view of the world may potentially bias the findings (Perry, 1998, Denscombe, 2007).

As a way to counter against that, I would like to make the particulars of my own background explicit. I am a single, white female in my early thirties. Before undertaking my PhD, I worked as a research assistant at the Centre for Entrepreneurship, at the Organisation for Economic Co-operation and Development (OECD) in Paris. During my three years there, I was part of a research project on SME Internationalisation entitled "Removing Barriers to SME Access to International Markets." As an output of that project, the lack of information on internationalising service SMEs was highlighted (see OECD-APEC, 2006). This served as a catalyst, to find out more on the subject of SME service internationalisation. I decided to continue researching this field as a postgraduate student and was fortunate to have the opportunity to receive a bursary scholarship at Anglia Ruskin University with one of the lead consultants from the OECD project as my first supervisor.

A second way to reduce my role as a sole researcher over influencing the research is by discussing my work with others and receiving feedback from experts in the field. Throughout this PhD process, there were many opportunities to get feedback on this work not only from my supervisory team but from additional experts as well. The first source of this has been internally within the University, from faculty research training sessions and the internal monitoring process.

A second source has been direct feedback from the interviewed firms, to confirm both the interview transcription and later the case study write up. This counters the limitation in the usage of interviews or rather the roles of the interviewer and interviewee during the interview. In line with the phenomenological underpinnings, the role of the researcher and the possibility of her views

interpreting events due to her own perspective is a risk. However, transcription of the interviews allows for the text to be revisited and taken *verbatim* in order to minimise this possibility.

A third source has been external, from attending academic conferences. I took the view from the outset to test my work with the academic community. In total, I presented research papers (either in the PhD stream or the competitive research stream) at seven conferences, including two international conferences (International Council for Small Business, ICSB, June 2009, South Korea and La Londe Services Conference, May 2010, La Londe, France) and the remaining five in UK and Ireland (International Small Business and Enterprise, ISBE, in Belfast, November 2008, Liverpool, November 2009, and London, November 2010, and the Academy for International Business, AIB, in Glasgow, April 2009, and Dublin, April 2010).

These conference paper presentations provided valuable opportunities to share my ideas with my peers and experts in the field, receive feedback with the ability to make modifications and alterations at various stages of the research process. In addition to valuable comments of others, the occasions were a wonderful opportunity for me to grow as a researcher and become more comfortable and at ease presenting my ideas in an academic arena. I have improved and become more confident in my techniques of exposition. The clarity of thought necessary to present in front of an experienced academic audience has been a powerful incentive in assisting and motivating me during some difficult patches as well as providing a forum where I could raise my concerns and questions.

A third way to reduce the researcher's impact on the research is, according to Patton (2002) for him or her to display empathic neutrality or take "the middle ground between becoming too involved, which can cloud judgement, and remaining too distant, which can reduce understanding" (Patton, 2002:50). There is the risk of the interviewee altering the truth, either to please the interviewer or to omit uncomfortable realities (Saunders et al., 2007). The researcher did not perceive any reason throughout the course of the interviews to believe that was the case. Denscombe (2007) reinforces this concept, stating that to minimise the

impact on the research, the researcher should take a passive and neutral stance. Specifically he means, “that the researcher: presents himself or herself in a light which is designed not to antagonize or upset the interviewee (conventional clothes, courtesy, etc.); remains neutral and non-committal on the statements made during the interview by the interviewee” (Denscombe, 2007:185). During interviews, this neutral stance was used.

This then bring the research to the sixth stage, undertaken in Chapter 6. The themes that I have found within each case are identified and compared in a cross-case analysis to find patterns in their behaviour. This is in accordance with Yin’s approach (Yin, 2009). I then moved onto stage seven where I interpreted and discussed my findings in Chapter 7, linking it back to academic literature and modifying my conceptual framework. Finally, stage eight is when the conclusions and recommendations from my work are explained, found in Chapter 8.

5.8 Conclusion

This chapter presents the research design and methodology used for the empirical research. The underpinnings from the literature and the conceptual framework link the research questions to the chosen methodology. The research design and methodology is explained in sufficient detail so that data collection could be repeated. Ethical considerations and limitations to the research are addressed. Having explained the methodology, the next stage is to discuss how the empirical data is analysed in the subsequent chapter (Chapter 6).

6. Chapter 6 Case Study Analysis

6.1 Introduction

Chapter 6 is an analysis of the empirical data collected by the methodological process laid out in Chapter 5. The foundation for the coding comes from the conceptual framework (explained in Chapter 4) and underpinned by the literature critique on SME internationalisation and service sectors (Chapter 3) and internationalisation theories (Chapter 2). This chapter now explains how SMEs in the management consultancy sector internationalise based on empirical data from the East of England, UK.

The chapter is laid out as follows: the first section contains an overview of the nine case studies. In section two, each of the nine case studies is examined in turn to look at their internationalisation process and a within case analysis is performed. In the third section of this chapter, a cross case analysis is conducted to explain critical success factors and challenges when internationalising for small and medium-sized management consultancy firms in the East of England.

This chapter aims to answer the research question of how do small to medium-sized management consultancies internationalise successfully (research question one) specifically by identifying factors that facilitate international market success among management consultancy SMEs (research question two). This includes the problems, challenges and barriers they have encountered during this process (research question three). These emerging themes and insights on management consultancy firms lead to the discussion of the findings outlined in Chapter 7 and conclusions presented in Chapter 8. These chapters also feature a discussion on the relevance of existing theoretical models in explaining the observed internationalisation behaviour of UK SME management consultancies internationalisation process (research question four).

6.2 Overview of Firm Profiles

Table 6.1 provides an overview of all nine cases, giving a profile of firms, including the firm's name (coded to protect identity), year founded, size, sector focus and date of initiation of the internationalisation process. The youngest firm interviewed has been in business for just six years (Firm 2) and the oldest one is twenty-eight years old (Firm 3). Five of these firms fit in the category of micro-sized firms (Firms 1, 2, 4, 8 and 9), defined by the European Commission as having less than 9 employees and under £1.8 million turnover, while the four remaining firms can be classified as small-sized enterprises (Firms 3, 5, 6 and 7), having 10 to 49 employees and a turnover of under £8.9 million. The classifications of micro, small and medium-sized firms are based on the European Commission division of SME categories (as previously mentioned in Chapter 3, Table 3.1).

TABLE 6-1 PROFILE OF CASES

Firm name	Year Founded	Size (no. of employees/ turnover)	Sector Specific Focus
1	1995	Micro-sized 3 employees ~£90,000 (2010)	IT related matters and franchising
2	2005	Micro-sized 2 employees ~£100,000 (2009)	Business strategy with focus on Human Resources (HR) consultancy
3	1983	Small-sized 30 employees ~£2 million (2010)	Economic analysis consultancy
4	1997	Micro-sized 8 employees (turnover N/A)	Build new technology businesses (strategic guidance on focusing for business)
5	1997/8	Small-sized 29 employees ~£4.1 million (2010)	*Engineering consultancy with focus on research & product development in particular utilities metering
6	1999	Small-sized 30 employees ~£2.4 million (2010)	Innovation consultancy
7	1986	Small-sized 35 employees £3.3 million (2006)	Product development consultancy
8	1999	Micro-sized 3 employees (turnover N/A)	Business specialising on China-related issues
9	2001	Micro-sized 4 employees £123,582 (2006)	Strategic Consulting and Research focussing on China

Source: Author's own.

The focus of this study is on management consultancy firms. Table 6.1 highlights the firm's sector as described by themselves, in line with the research's

exploratory and phenomenological underpinnings. In order to understand the firm's internationalisation process, Table 6.2 gives an overview of the internationalisation process for each firm highlighting the year of first international market entry, key influences and future plans. In six of the cases, the interview was conducted with the owner/founder while in the other three it was with the key person in charge of international consultancy activities. All nine firms' founders had prior skills and work experience in their speciality area.

TABLE 6-1 INTERNATIONALISATION HISTORY OF CASE FIRMS

Firm Name	Founded	1 st Int'l Activity	1 st Int'l Market	Other Markets	Degree of Internationalisation	Key Influences	Future Plans
1	1995	1998 (3 yrs)	Canada	USA, Europe, South Africa & Australia	n/a	Response to clients' demand, focus shifted in 2000-01 with greater demand for int'l activities.	Franchising spin-out is focus, in holding pattern, not looking to grow.
2	2005	2005 (at birth)	Multiple	Europe, USA and Asia	80% of clients international equally roughly 80% of firm's revenues	Networks, firm's preferred strategy is to piggyback, Services offer a global model for global clients.	With the current economic downturn, firm has had to do more marketing for clients.
3	1983	1990 (after critical incident)	European Commission	European countries, slowly branching out world wide	50% of annual turnover (of which clients are mostly European but slowly expanding globally).	Reputation, importance of collaborators and being on the cutting edge.	Gaining more clients worldwide.
4	1997	1997 (at birth)	USA	Europe, Singapore, Hong Kong	n/a	Deep industrial expertise, networks & trust.	More of the same.
5	1997/8	1997/8 (at birth)	Multiple	USA, Europe and Asia	70% clients in USA, 30% in Europe including UK	Licensing part of work gave firm extensive international presence. Reputation & trust are paramount. Networks & previous work facilitated early int'l.	Growing consultancy with bias towards the energy sector.
6	1999	1999 (at birth)	Multiple	USA, Europe	50-70% of clients in USA, Europe approx. 30%, UK 20%	Relationships are key. High % of repeat business. Long term is important. Passion for innovation.	Increase firm reputation. Continuum of firm through new blood in upper management.
7	1986	1986 (at birth)	USA	Europe	80% of clients international US (more than half) and Europe, 20% UK	Networks, reputation, word of mouth and focus on life sciences.	Focus more on UK market. Perhaps open branch office in USA.
8	1999	1999 (at birth)	China	Europe	40% Chinese students to UK, Chinese Businessmen to UK about 50%, about 10% UK businessmen to China	Networks, reputation & cultural knowledge	Grow, focusing more on Chinese coming to UK.
9	2001	2001 (at birth)	China	2003 other countries including Europe, N. America and Africa	Most activity with China, since 2003 include also larger European/USA/Africa, recently more China to UK	Importance of relationships and backup resources.	Focus was UK firms to China, shift with Chinese firms coming to UK/Europe and longer term, success fee based projects. Potential merger with Chinese partner.

Source: Author's own.
N/A= data not available.

6.3 In-depth Case Profiles

6.3.1 Firm 1: IT Related Matters and Franchising

(i) Firm Profile

Firm 1 was founded in 1995. The firm's owner/founder was interviewed on the firm's premises at his home office. The firm was created because the owner was looking for a change and wanted to apply what he learned at his previous job on business change information technologies (IT) programmes; specifically he was interested in how to translate his know-how or tacit knowledge into commercially viable products. This is how the firm came to focus on business change with an IT orientation. It then grew to include business advisory services in franchising and the replication of high-performance in other firms.

The firm identifies itself as a management consultancy as it offers advice and know-how to its clients. It is a micro-sized firm, employing two full time employees.

(ii) Interviewee's Background

The founder has past experience as a consultant in business change programmes with an IT orientation before deciding to start his own firm. Before that he had worked in the software industry.

I was interested in the way that you could productise know-how and insight and also how you could improve business performance through, at that time I was interested in knowledge management, and system process reengineering, that kind of thing.

The interviewee's background experience includes work abroad in Norway and the USA. He speaks some French, German and Norwegian; however this is more in terms of understanding the culture and environment than in linguistic fluency. His knowledge of these languages has been sufficient for him to feel at ease whilst travelling in the country; however he conducts business in English.

(iii) Firm's Internationalisation Process

The firm does most of its work nationally, with its international activities begun due to a reactive response to a client's demand. The first international activities were in the form of inward internationalisation for a Canadian firm in 1998, providing IT support in the UK. The firm was approached by the client, a large Canadian software company, who was involved in software development at the University of Waterloo in Ontario. The Canadian firm wanted to use the UK as a European base to establish their product. Firm 1 became involved in the support of this product in the UK and Europe. The relationship between the two firms was so strong that the interviewee became a part-time director of the Canadian firm, involved in their business strategy, including internationalisation. The interviewee enjoyed this work as he had past experience with corporate sales and supporting software overseas.

BOX 6-1 THE CREATION OF FIRM 1

The founder of Firm 1 was a mid-career professional who, at the time, was working as a consultant in business change programmes with an IT orientation when he decided to start his own firm.

I was working on quite a big project actually for [a large Bank]...by that time, I felt I wanted to move out and run my own business.

His reasons were twofold. First, he had worked for the software business in the past, particularly focussing on business innovation and he welcomed an opportunity to apply this knowledge. Secondly, he had written a few books on how to productise know-how to improve business performance and wanted to use this to his advantage.

It was at this time that he was approached by a contact of his and faced with the opportunity to take on a consultancy project. In this sense, his network brought the opportunity to him, enabling him to start a business already having his first client and an income.

So I worked on that programme and at the end of it took time out to then do some work, some development work in terms of how I wanted to take the business forward with data management and reengineering type stuff and I was developing some of my methods and that would have been some of the motivation for setting up. And then I did a number of small projects for, using various contacts that I had for a while.

This first opportunity was positive and the founder went on to contact his networks, allowing for further work and opportunities.

The firm's strategy was then to increase the UK client base so that the business support service had more customers. In order to do this, the interviewee decided to hire a manager who would oversee the IT support as well as office administration. She has been very successful in her work and is still with the firm today. At about the same time (in 2000), the firm was becoming more proactive in its international work, after its first experience, which was a positive one. It found its first American client, a software company that specialised in customer relationship management (CRM) systems for the financial sector based in New York. After ten years, the firm is still a client. The firm's own definition of success in international activities is centred on having long-standing clients, but also necessitates the ability to make a profit.

The firm then became involved with helping other firms set up a franchise due to their involvement with banking clients in Scotland. The work required by their Scottish clients included setting up their computer systems as well as the necessary methods for the Scottish multiple teams to be able to update the systems in function of their sales needs. It was one of their senior staff members who made the comparison with franchising.

One of the very senior members of staff said to me, 'This is like franchising isn't it?' And I said, 'Well yes it is, you know'. And he said, 'You know, because what you're doing is you're finding a way of doing a business activity and then you are replicating it with, in multiple places'. We had quite a conversation about this and how the company could do the same with other things and so on. And I said 'Yes well that is an application of how we work'. And he said, 'Why don't you, maybe do more of that in the franchising markets?' and it certainly made me think quite hard.

A second incident of the idea of franchise being encouraged by their clients occurred when working with a UK bank. The client's team referred to the project as their franchise, and the firm then used the franchise model as a metaphor for how they were trying to improve and be able to replicate those improvements of the IT infrastructure project. It was from then on that the interviewee began taking the idea of franchising seriously.

The decision to pursue franchising was in response to his clients' encouragement. The interviewee did not want to act hastily, so he employed someone to do some

part-time consultancy work for the firm to gather information on existing franchising firms' business models in 2001. From this, the firm slowly put together their own consultancy work on how to advise firms to go about setting up a franchise, irrespective of the sector, with their target clients being SMEs. This aspect of the business was built slowly to allow the IT segments of the business to continue. The firm has made use of government assistance, particularly UKTI's Passport to Export¹⁶ for its internationalisation process and it recommends the service to its clients for franchising.

It was at this point that its management consultancy skills were put to use abroad, assisting their clients by providing franchising consultancy services in Europe, North America, South Africa and Australia. The firm offers help with the internationalisation process to their clients as a potential part of their franchising. While the firm has had a lot of interest from new franchising clients in internationalisation, most of their work is with domestic clients that may have existing franchises abroad. The recent economic downturn has had an effect on new clients' ability to access the necessary funding in order to be able to internationalise. The firm also gives advice to people who have become involved with failing franchises, on how to get out of the relationship, and where to go for help. They work as well with existing franchisors, regardless of the sector, that they have difficulty in finding enough suitable franchisees and getting consistent performance from them.

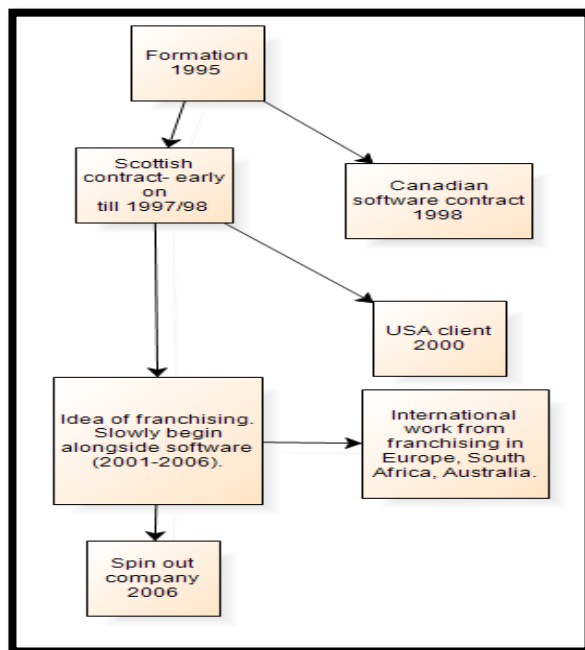
An example of a franchise company the firm was involved with for three to four years was a beauty product distributorship located in the UK. The client approached the firm asking for strategic advice on their distributors in Belgium, Denmark, Germany, Luxembourg, Netherlands, Portugal, Spain, South Africa and Sweden. This client had individual salons in Canada, Germany, Italy, Portugal, and Spain and clients also in the USA and Australia. They advised their client on issues that came up when working internationally such as currency risk and

¹⁶UK Trade and Investment (UKTI), a British government agency offers export advice, from market information to financial support, to UK businesses. It is structured geographically, in line with the UK's regions. See www.ukti.gov.uk/home.html for more information.

complications in terms of payments, decisions on appropriate fees, and negotiation of contracts.

The firm made a strategic decision on its focus a few years ago. The franchising component spun out to a new company in 2006, and the IT advisory, support consultancy and process support work remained with the original business. The interviewee was intentionally slow in setting up the spin-out firm as he prioritised dealing with existing clients. There has been a period of client overlap for a few years, with franchising clients who had been working with the firm being slowly introduced to the spin-out firm, from 2006 to 2009, as the spin-out firm became well established. The owner's decision to do this was due to the increasing demand for franchising activities as well as his own personal interest in this area over the IT, business change aspects.

FIGURE 6-1 HISTORY OF FIRM 1'S INTERNATIONALISATION PROCESS



(iv) Future Plans

In terms of growth, Firm 1 is in a holding pattern, looking to maintain the current business over the next year to eighteen months. It is not actively looking to grow; however if new clients were to come along they would not turn them away. All new franchising clients are being directed to the spin-out firm. The founder's

attention has shifted to the future prospects for the spin-out firm.

6.3.2 Firm 2: Business Strategy

(i) Firm profile

Firm 2 is the youngest of the nine case firms. It has two full time employees and an annual turnover of approximately £100,000 in 2009, as reported by the interviewee. It was founded in 2005 and focuses on business strategy consultancy.

(ii) Interviewee's Background

The interview was undertaken with the owner/manager on the University's premises. He decided to start his own business after many years in corporate life both in the UK and abroad, using his experience and contacts to his advantage. He has a PhD in business. His own foreign language skills were not mentioned during the interview, though he has extensive experience from travelling and living abroad. These experiences have made him more culturally aware; he is comfortable with international dealings. Moreover, the firm offers advice for other firms seeking to globalise.

(iii) Firm's Internationalisation Process

The firm was born global, meaning that since its founding it has been involved in international activities. Its clients are 80% international and 20% based in the UK. The majority of the firm's international clients are from Europe (Hungary, Netherlands, Spain, Sweden), about 50%, followed by the USA (25%), with the remaining 5% from Asia (Thailand) and some work done in the United Arab Emirates. One thing it has learned about working in the USA, is the necessity of indemnity contracts in order to protect itself from liability. Despite the cost, the firm has indemnity contracts for the USA and Europe in order to mitigate its risks.

The firm's preferred strategy is to work with large multinational enterprises and subcontract (or piggyback) work; that is the large firms find and agree on the contract with the client and the firm subcontracts the work in the area of human resources from them. This reduces client acquisition costs and marketing costs

due to the relationship with the larger firm. This type of work arrangement accounts for approximately 80% of the firm's work. Another service it offers is globalisation coaching. This service entails customised advice to firms on how to globalise, that is, how to be active in multiple international markets and maintain operational efficiency while increasing creativity and knowledge. The firm gives specific attention to the roles of culture, clear communication and enhancing collaboration and partnerships.

The firm's services generally require low levels of customisation, offering a global model for global clients. The firm uses a base model that can be easily adapted or customised to the client. This firm prides itself on its flexible global model as being an integral part of its efficiency. Still there is substantial preparation time needed for each project. The firm runs out of the founder's home office, having one other employee who is responsible for administrative tasks. The firm takes on external associates as necessary for various projects. The term associate is defined as an independent worker who is taken on for short-term assignments to provide the firm with a specific skills set; they may also be referred to as contractors or outsourcing throughout this thesis.

The firm does marketing in various ways, particularly by attending conferences. The owner is an author of some well-known human resources books, which increase the firm's visibility. The firm has a website that despite its good exposure through Google search online, accounts for only a small percentage of how clients are gained. A majority of the firm's clients, almost 90%, are found through the firms' networks (including those found from MNE subcontracting). The firm also taps into its networks in order to find associates to work with. The interviewee explained that 90% of the firm's work comes from networks and networking; it is rare for the firm to bid for a competitive tender unless it is with another company.

The firm has clear contracts, which facilitates managing clients' expectations. The type of contracts varies: fixed fee, negotiated fee or time-based contracts. The pricing is made clear in the contract, including all travel costs. The interviewee considers the firm's rates to be competitively priced. Overall, there is

a global pricing system as the firm provides a global model. There are exceptions to this when the firm is offered interesting work and due to economic downturn that the price is lowered. The firm has never used government assistance though it has used private (banking) assistance for international bank transfers. The firm's performance is measured by profit and personal satisfaction; these are its determinants of success in an international market.

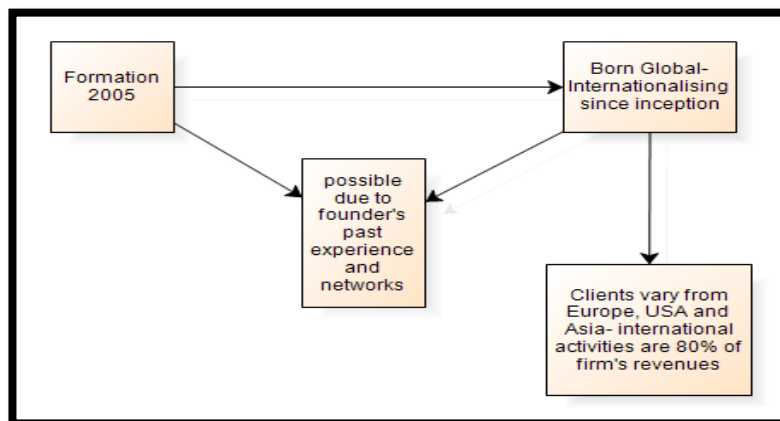
BOX 6-2 FIRM 2'S BUSINESS STRATEGY

The firm's founder has over twenty years of past experience in human resources (HR) strategy from working in large corporations around the world. When he made the decision to leave his job and start his own company, he was working as HR Director at a large firm. He had a very clear strategy in mind, to work with large multinational enterprises (MNEs) by taking on subcontracting work for the human resource aspect of the project.

He explains his strategy as being due to his past experience, *"that came about because of, mostly because of my networks that I built up from corporate life"*.

In this way, the large firms do the work of finding clients and agreeing on the terms of the contract and the firm gets involved only with the specific HR aspects. This allows Firm 2 to run efficiently, with low overhead costs.

FIGURE 6-2 HISTORY OF FIRM 2'S INTERNATIONALISATION PROCESS



(iv) Future Plans

The firm is cautious due to the financial downturn; it has accepted work at lower prices. As a result, the challenge it now needs to deal is having a reduced income. It hopes to overcome these shortcomings by looking for more clients independently and doing more marketing.

In general, the firm does not make modifications to the model or service provided, but rather is selective in choosing its clients. An exception to this is recent work

in Thailand. The firm had to adapt and accept a lower price. This was a conscious adaptation due to cultural differences and a genuine interest in the work.

6.3.3 Firm 3: Economic Analysis Consultancy

(i) Firm Profile

Firm 3, the oldest of the case firms, was founded in 1983. It has 30 employees and its most recent annual turnover (2010) was approximately £2 million. The firm provides economic analysis and consultancy capability, with its services being highly customised for each client. The firm's expertise and computer software allow clients to evaluate policies.

Firm 3 is structured into seven to eight teams, made up of two to three people; their size fluctuates in function of the workload and staff may be on two teams at the same time. The firm's original team structure built areas of expertise in the UK; more recently, the teams have expanded to include more city-based, sector-based and time-based analysis.

The interview was with the head of the International Division, in charge of the bulk of the firm's international activities, and conducted on Anglia Ruskin University's premises. A second interview was undertaken with an economist also on University premises.

(ii) Interviewee's Background

The interviewee explained how this job was his first after university, where he studied mathematics. Over the past six years, he has progressively taken on more responsibility to obtain his current role. He is responsible for two teams focusing on European and international consulting (though the staff overlaps). He recently received a promotion as the scope of his work is expanding from European to international consulting.

A second, follow-up interview was scheduled with an economist, as the first

interviewee had mentioned a second team that works internationally, albeit on a smaller scale. The scope of their work is quite different, focussing on economic forecasting with a macro-overview that is regionally based. However, the firm's general operations and behaviour in relation to internationalisation remained the same, as became apparent throughout the interview. The second interview served to confirm the firm's style of internationalisation; decisions are made based the firm's technical expertise and the data available. No new insights were gained but rather confirmed in this interview. The direct quotes used hereafter refer to the first interview.

(iii) Firm's Internationalisation Process

The company originally existed to serve UK-based clients. It was seven years after its inception that the firm began its international work in 1990. Internationalisation was a strategic, proactive choice taken when the firm applied and received a European funded grant. Since the early to mid-1990s, the firm has provided quantitative economic analysis for the European Union in the same way it does for the UK, on a national, regional, city-based or sectoral-based level. As the European Union has grown, the firm has adapted its capacity and software tools to include the additional countries (see Figure 6.3).

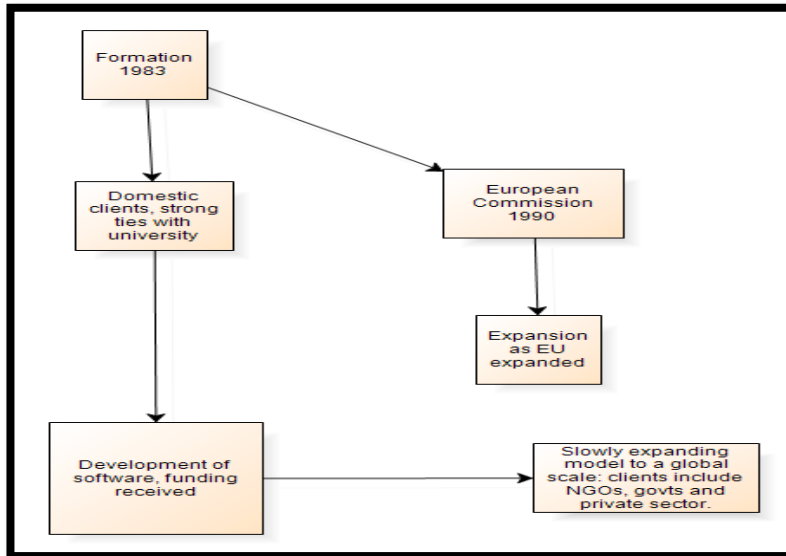
For example, as the European Union has expanded to more countries, we have obviously had to expand the software to match that and to add more features to it depending on the clients we are working with and their requirements.

Though the percentage of employees working on the international aspect of the firm's work is small, revenues are considerable, about 50% of the company's annual turnover. It is expected to continue growing. The firm works for clients from the public and the private sector in Europe.

The firm is now expanding its capabilities to a worldwide scope: since 2008, the firm's expertise and software tools for Europe have been applied to the rest of the world. The firm's growth patterns have followed their ability to get funding for further technical expansion. The original funding came from a university research project and then a European Commission grant in 1990. In 2008, they finally

found another opportunity for funding from a non-profit organisation that allowed the firm to develop a worldwide adaptation of their software. The firm is currently working on making these adaptations and the software has already been used for work in developing countries.

FIGURE 6-3 HISTORY OF FIRM 3'S INTERNATIONALISATION PROCESS



The firm has recently got involved with climate change work. It was involved in the 2009 Copenhagen Summit negotiations on behalf of the European Union providing background analysis for their negotiating position. This is a good example of the kind of high profile client the firm has been attracting lately. Another example is work with the UK government that was carried out in preparation for the Group of Twenty (G20) London Summit in April 2009. To accommodate these clients, the firm has had to change the way it works, particularly the pace that it works at, having to deliver in a few weeks what would normally be delivered in six months.

So yeah I guess you could say that it is a different working practice for us in that it's, we had to change the way we work in compared to for the UK clients but that was due to the different international requirements. And that was difficult but pretty successful in the end. We had of course on the other side of that people who were willing to pay more to get things done quickly, to get our work into a shorter time scale. So in that respect, that was... existing clients if you like but new opportunities that widens the product base which I think is another key opportunity, key point for us to keep on working at.

The firm has had steady growth in percentage of turnover from internationalisation over the past five years, with a general trend of 40-50% growth during this time. The firm assesses its performance based on profitability and personal feedback from clients. This reflects how the firm measures its success internationally, both in financial terms, profit, and in terms of client satisfaction. It uses ISO 9001 Quality Standards,¹⁷ which offers a feedback questionnaire after projects to ascertain their performance though public officials are not allowed to fill them in and policy makers are their biggest category of clients. The firm deals with problems as they arise during the project work by telephone or email.

BOX 6-3 FIRM 3'S INTERNATIONAL EXPERIENCES, BENEFITS OF INFORMAL UNIVERSITY TIES

The firm began its international work in 1990 due to a European Commission grant that it applied for and received. It was a large research project that built on the UK-based expertise the firm had, creating a European version of its software so that the firm could provide economic analysis for the European Union in the same way that they did for the UK. The firm felt comfortable applying for the bid, due to inputs from its network ties, particularly its informal University ties.

From the 1990's until 2007, the firm was able to incrementally expand its software tools as the EU expanded, from 14 countries in the mid-1990's to 27 currently. In 2008, the firm became interested in expanding capabilities beyond Europe.

In the same way that we had software for Europe, there was a similar tool available for the whole world based on all the same principles, in fact most of the source code is copied except to cover the different geographical range...it was originated started at my company but there was no funding to develop this tool. Mainly because I think there is no obvious body to go to...So it was lapsing, it was dragging. Because with these things the data has to be kept up to date, because every year there is a new data point and there wasn't enough resources to even cover this let alone actually get it into a working stage. So it's been, it was sitting there for about ten years, almost since the European work started, which was a shame.

The firm's informal links with a local university helped them establish contact with a large, non-profit organisation that was prepared to put forward the money to invest in the development of its global software. This formed the basis of a large contract between the organisation in cooperation with the university to share the technical aspects of the development.

And this then formed, almost immediately, the basis of work that we can do further afield. Because even if the tool is not complete, we can still use bits of it if that is what people are interested in. And it came up quite quickly that people were. We've done 3 or 4 projects already for various groups... NGOs, governments but also private companies.

¹⁷The International Organization for Standardization (ISO) 9001 offers firms ways to evaluate their quality management systems and improve their customer satisfaction. See www.the9000store.com/what-is-iso-9001.aspx for more information.

In looking at the firm's general operations, the firm's working language is English and they have not had difficulties with that. The job requires frequent travel, approximately two days out of office per month and is specified in the contract from the onset. This is expected to increase as the firm's clients will be worldwide and travel is likely to take longer than going to Continental Europe. The firm has a face-to-face meeting for each project to ensure clear communication on requirements.

Because the technical nature of the work that we do has to be, things have to be pinned down very closely because a small misunderstanding could lead to, basically, all of the work having to be done again...almost always we start off with a face-to-face meeting. We can work on the telephone after that. Or more with the videoconferencing, but a face-to-face meeting to start off with.

Day-to-day communication with clients is done mostly by email. The firm specifies payment in their contracts in order to avoid currency problems. The contracts are fixed-fee contracts.

The firm used government assistance in the past for advice on paperwork when completing EU bids. Surprisingly, the firm has no particular safeguards in place for its intellectual property. It is mainly protected by the firm's source codes and the complexity of the technical user interface that is difficult for anyone else to understand without proper training.

The firm does most of its marketing through personal contacts and word of mouth but also through its press releases and by attending conferences. Marketing is something that the interviewee admits that the firm is not as good at as its competitors.

The firm has few competitors, two in UK and another two in Europe that use the same approach. On a global scale the competition is even less, with one firm that they are aware of that is more of a partner than competitor.

(iv) Future Plans

The firm's future plans are to grow, increase their external expertise by expanding their networks, and expanding the scope of their work. The interviewee explains

the differences for example in working in the EU versus China in regards to planning infrastructure and transport analysis.

So the possibilities that can be done are different and... that is really the kind of thing where we do need to have local contacts. It is quite an important part of our work, especially at the moment as we are trying to build up our presence to make these contacts.

Firm 3 envisages growth in both the European and international markets.

6.3.4 Firm 4: Building New Technology Businesses

(i) Firm's Profile

Firm 4 is a micro-sized firm with 8 full time employees. It was founded in 1997, making it 14 years old at the time of the interview. The firm's size fluctuates from 8 to 12 employees, with the core founding team still in place. The firm keeps its size deliberately small as the flexibility of having a small core team allows it to have a low overhead; it takes on associates as needed for project work.

The firm serves a niche market; its focus is to build new technology businesses, giving their clients strategic guidance, specifically in regards to identifying a core proposition, key markets and how to package the technology. The long-term view is important. This is based in the firms' founders past experiences and interests. The firm operates in four industry sectors: advanced engineering, computing, media and telecommunications. The service offering is threefold: insight, advisory services and practical execution capability, which combines insight, continuous analysis and commentary on markets and technologies with their implications for emerging and growth businesses.

Most people in the early days use to lump us in with all the incubators because of the way we were investing resources, time and money in early stage commercialisation, there were quite a lot of common parallels with an incubator. But most incubators provide just physical infrastructure and resources. We aren't interested in that. That came as part of what we provided to people. We are much more interested in giving them strategic guidance on, really focusing on the business in terms of identifying the core proposition, identifying key markets and figuring out how to package the technology is probably the best way to describe it. Because they will have core technologies but it is how you take these technologies to market.

The firm's set up has strong overlaps with incubators, but it provides much more than just physical infrastructure as they work to create and build new business technologies. The firm's staff members are also angel investors in their own right.

The firm's main driver is to have an impact, an objective that is more important than making a profit. For that reason, the firm does not take on work that is ethically unsound. The firm has three main strategic drivers are: the power of the idea; the expertise to turn the idea into something and the financial liquidity to do so.

There are three things. One is the power of the idea. Two is the expertise to turn it into something and the third is the liquidity. We can identify things that have real power... but in liquidity we are constrained by the macroeconomic environment, which we don't control. So I would say that virtually all our challenges or difficulties have come from changes in the external liquidity climate. In 2001, in 2004, in 2006, and now in 2009. And as all of these economic cycles have been oscillating and getting shorter, we've been, we've had to adapt to deal with this because it's become an endemic feature of our business, of what we do now.

As the firm is concerned with creating new value, liquidity available to fund new businesses is fundamental. So the financial crises, not only the current one but also in 2001, 2004, and 2007 have been a major challenge for the firm. Despite these funding challenges, the firm has been able to continue with its work.

Since the firm is small, they bring in associates to work on projects. This gives them great flexibility and low overheads.

Yeah we bring in people. We have actually enlarged the core team at various points. So I think the highest core size was in 2000... where we had 48 people on the books. But we oscillate up and down depending on what is going on. But the core team has stayed the same, the core dozen or so have been with the company since 1997. Part of the, a real differentiation is deep expertise. And so it is quite an important point. Our business model is not based on a classical consulting model. The classical consulting model is this pyramid shape with senior consulting, partners, people at the bottom and then interns, people who don't get paid anything right at the bottom. And that pyramid shape, that's not our model at all. So it's, the whole idea is not to get very big, but to build a flexible ecosystem in which people can interact and change and flex. And

I think that's actually been the reason why we've managed to stay true to our vision.

Staying small is intentional for the firm, as it gives them flexibility.

(ii) Interviewee's Background

The interview was held with one of the firm's three founders on University premises. The interviewee is a trained scientist and engineer. He has worked in academia and the Defence Industry. He then worked in a consultancy firm, and decided to start his own firm. He has subsequently left that firm to start Firm 4; he wanted to really make a difference. He is ethnically Indian though he was not born there he has an affinity for India and has since learned both Hindi and Murati.

(iii) Firm's Internationalisation Process

The firm has been international from the start. It has partnerships across Europe and North America with similar companies (such as IT, and strategic consultancy firms). For example, the firm has good networks linkages with Silicon Valley in the USA. Clients come from Europe, USA and Far East (Hong Kong, India and Singapore) (see Figure 6.4). The firm has always been aimed at clients with global reach. It is discerning of what clients to take on. It looks for long-term relationship with clients. The firm has done work with the European Commission though most of its work is in the USA; there is a growing amount of work with developing economies (India, China, Brazil, and Africa, though not Russia for many reasons).

The firm's market scope is increasingly focused on developing economies. The interviewee believes that people may be naturally more entrepreneurial there out of necessity. The firm has a particular interest in India. Two of the firm's founders, including the interviewee, have ethnic ties with India, which is a source of their motivation for developing partnerships there. Also, the interviewee states how India has great potential for a high growth rate, in addition to being more culturally similar to Britain both in terms of language and culture than for example, China. This implies that both the firm's knowledge and the cultural similarity facilitate this desire to work more with India than China. In terms of

future outlook, the interviewee is aware of how staffing needs could change as new markets are approached.

The firm's founders have past experience in consulting. The firm has a deep expertise of staff, with strong transatlantic experiences. As staff numbers are small, the firm is able to bring in associates for specific projects. All staff members have some science technology and business experience. The staff is mature, their youngest employee is in their mid-thirties. This makes for an experienced staff, often abroad, with developed networks. The firm has international staff members that help when dealing with clients from that country (France for example). The firm is thinking of doing more work in developing countries and may hire more staff from those regions. When staff do leave, it is usually due to changing personal circumstances.

BOX 6-4 HIGHLY SKILLED, EXPERIENCED STAFF HELP FIRM 4 "PUNCH ABOVE ITS WEIGHT"

The firm size is very small, intentionally so, it is flexible and efficient. The staff that is part of the team are all highly skilled and experienced professionals. They all have a science and technology background and some business qualification, along with 12-15 years of industry experience, working with at least 2-3 large corporate firms. In its selective hiring the firm is gaining not only very skilled employees but also people with established and extensive networks.

Another way the firm grows its networks locally is by hiring interns.

We have interns that we bring in from time to time...And typically they don't have long-term careers with the firm...[but] they may have long-term careers with our affiliated companies...And so we've placed, I guess something like 100, close to 200 people must have passed through [firm name] since 1997. So we have got a very good network as a result.

These interns typically leave the firm and find jobs elsewhere, often through the firm's connections; thereby growing and strengthening its networks.

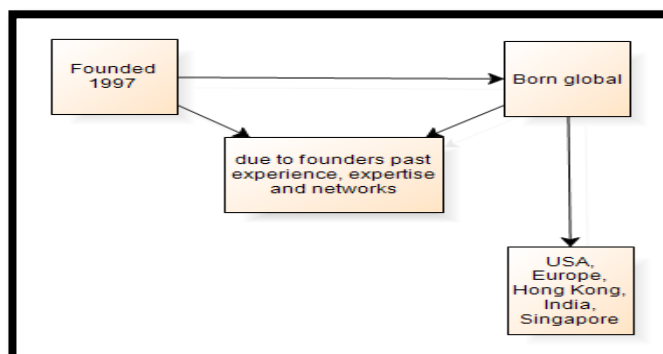
The firm has three types of clients: the first are SMEs in the start-up phase; the second are companies with established revenue looking for growth; and third are large multinational companies with IP who are looking to spin-out and commercialise. Their work with SMEs, typically gives them an equity stake in the firm; however for other work there is a more standard contractual agreement. This makes the firm very selective of the SMEs they get involved with. There have been twenty-two SMEs taken on as clients out of 2,500 potential firms investigated. Of those twenty-two, twelve firms have been successes, four have failed and the others (six) have been partial successes.

And out of the 22, 12 have been really good successes and 4 have been complete failures and the others (6) have been what you might call partial successes. So in a sense, our hit rate is high once we go in but we are actually very selective in our focus.

The firm's strong competitors are located in the USA, specifically on the East (Route 128, Massachusetts) and West Coasts (Silicon Valley, California). While the firm is significantly smaller than its competitors in terms of its size and scope, it is slowly growing and trying to improve this. There is a social and ethical element to the work as well, they will not get involved in some projects for ethical reasons and they want to improve social inequalities. The firm measures its international success not only from profit made but also on the impact it had; the motivation to be a force for good is linked to its ambition for growth.

The firm does not conduct marketing through traditional means but rather through its networks and access. The interviewee explains that having had past consultancy experience in this field helps with how to go about doing this. Relationships are important. The firm has links with Silicon Valley as well as university ties. Also it has worked with the European Commission, which has expanded its networks and influence. Partnerships with many firms expand their network reach. The firm's clients and thus its network scope covers Europe: Denmark, Finland, France, Italy, Norway, Spain, Sweden and the European Commission; and then USA, Hong Kong, India and Singapore. In addition to clients as a source for networks, the firm's past staff have helped grow their networks. Many people have passed through the firm, particularly as interns who were then placed at jobs in an overlapping field, which has created a good network after they have left the firm.

FIGURE 6-4 HISTORY OF FIRM 4'S INTERNATIONALISATION PROCESS



The firm keeps 20% of profits and reinvests the rest in its own operations. It has taken the lead on projects where Hewlett-Packard and Microsoft took instructions from them. They have met strategic objectives but not their commercial objectives due to economic troubles of 2001, 2004, 2007 and 2009.

(iv) Firm's Future Plans

Growth of the business will come from reinvestment of profits and an increase in work globally and specifically in developing economies. The firm plans to carry on with its current strategy, focusing on a global perspective, and it expects more involvement with developing countries. It aims to continue reinvestment into the business, with the firm keeping about 20% of profits and the rest getting reinvested. The interviewee envisages the global work becoming even more important, with focus on developing economies.

A recent endeavour has been the creation of a separate company, focused solely on Indian high tech companies' internationalisation that is linked to Firm 4. This will help the firm, as it is part of the firm's network in expanding its work in India.

6.3.5 Firm 5: Engineering Consultancy Focused on R&D

(i) Firm's Profile

Firm 5 was started in 1997-98 and is about 14 years old. It falls in the small firm category, with 29 employees and a turnover of approximately £4.1 million in 2010. The interview was with the Director of Consulting Services, responsible for acquiring and managing the relationship with clients, conducted on the firm's premises.

During the interview, it was discovered that the firm does not define itself as a management consultancy but as a research and product development company or a type of engineering consultancy; yet the manager found the research questions relevant to their daily operations and nonetheless agreed to be interviewed as he found many parallels between the firm's work and a management consultancy.

The consultancy business is entirely service based. So it [the firm] is doing something similar to a management consultancy in that we put forward a fee in order to do a set of tasks for a client.

Despite not calling itself a management consultancy, the firm has been kept in the dataset. It serves as a useful comparison to the data collected from the other case findings and with what is already known in the literature on engineering consultancies to try and ascertain if this division amongst consultancies is artificial and a larger category of consultancy used.

The firm's work is split into two segments: licensing of their in-house technologies and consultancy work, which is largely engineering development work in a vast range of fields.

(ii) Interviewee's Background

The interviewee has been with the firm for four years. Both he and the owner/founder have past experience working with a large consulting firm and were able to bring their knowledge and network contacts to Firm 5. He speaks German fluently.

The interviewee directly manages four people; they work as a team to grow the consultancy work. The technical staff is the same for both the licensing and the consultancy work so it is necessary to balance the licensing and consultancy workload in a manageable way.

(iii) Firm's Internationalisation Process

The firm very quickly became international due to its sector, the client base, and its networks. The firm's consultancy work offers a service for a fee; they do tasks for a client and the client retains Intellectual Property (IP) rights. Often the firm uses its licensing clients as a client base from which consultancy work develops. Firm 5's work is much more international than domestic with about 70% being USA based, with the rest, approximately 30% in Europe and the UK and occasionally up to 10% in Asia though at the moment it is practically zero due to the economic crisis. The consultancy part of the firm grew by 49% over the last year. The firm defines its success internationally not only in terms of its growth

and profits but to a large extent on its client relationships.

The firm's staff is highly qualified, skilled, creative, and inventive. They also have commercial and client skills. The consultancy work is divided up by skill sets within the team. Also the firm has found that certain people have different degrees of effectiveness based on cultural matching, once they learn the client's preferences, they then staff the project to their strengths.

This firm's main emphasis is on relationship building: both on building new relationships and maintaining good client relationships. With clients, it is important to manage expectations as the project develops, maintaining confidentiality and trust. A lot of time and attention is put into the client relationship (regardless of whether domestic or international) from contract negotiation and throughout the project: 80% of the firm's work comes from existing clients. Therefore, it is very important to maintain these relationships, keeping in communication mostly by phone and email but also by travelling to the client when necessary.

At the time of the interview, the firm was very busy despite the economic downturn; yet overall there is still effort made to go out and find clients. At the time of the interview, they were 30% ahead of budget. The firm typically has about 15 to 20 projects running at once with the average project length being around three or four months. It is increasingly common that clients have been coming to the firm looking for help, attesting to the firm's reputation.

The firm's service offerings require total customisation as they are working in product development. In addition to each case being customised for each client, the firm sometimes needs to make a cultural adaptation in terms of its time allocation in the project. The firm is aware of cultural differences on how clients work and their expectations, adjusting the time that is needed for different clients. A simple adaptation is when a client is in another time zone; therefore work is not always during traditional hours but could extend earlier or later in order to talk with the client on the phone. The firm finds stereotypes a helpful starting point in order to measure time investment throughout the project. For example, the firm

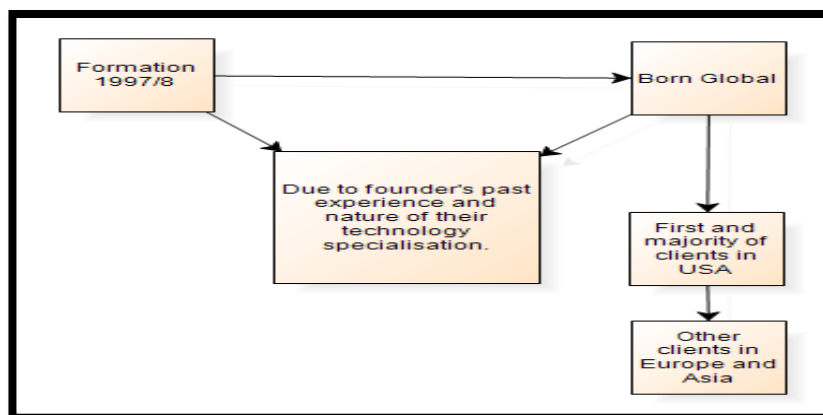
has found that in general, Americans agree to the work contract faster but need more managing throughout the project whereas Germans are slower to get on board but once they have agreed, the rest of the project is smoother in terms of times for explanation. The firm has also realised, through trial and error that certain staff members perform better with clients of certain nationalities.

The firm's working language with clients is English. There are some staff members that speak other languages and for some clients this is helpful although it is sometimes insulting to clients and their level of English proficiency therefore foreign languages are used with care once clients' preferences are known.

Firm 5's operations are divided approximately in half between licensing and consultancy; the firm's licensing work is able to be marketed, as it is a straightforward offering. Also the licensing work generates interest in interviews and articles. However for consultancy work, the firm does not see traditional marketing activities as applicable as the work is customised to the client's specific needs. It relies instead on its network and relationship building skills.

In managing the customer relationship, the firm aims to pick up problems before they become complaints. When this is not possible, the firm needs to salvage as much as possible of the relationship. The firm is direct in asking the client if the requirements have been fulfilled.

FIGURE 6-5 HISTORY OF FIRM 5'S INTERNATIONALISATION PROCESS



Travel is an explicit part of the contract with the client. Typically the firm travels

for contract negotiation and product delivery. It is important to have clarity with the contract in order to manage the clients' expectations. The interviewee explained that he tries to arrange meetings with prospective clients while he is abroad for a delivery of another client's project.

BOX 6-5 SPECIALISATION THAT APPEALS TO AN INTERNATIONAL AUDIENCE

Firm 5's revenue streams are twofold: the first is revenue from the licensing of gas and water metering technology and the second is from its consultancy work. The nature of the firm's licensing work, and the cutting edge of the electronic technologies, has international appeal, which very quickly enabled the firm to license its work internationally. This experience made the firm at ease with international markets. It also gave them a strong client base to build its consultancy work covering: engineering development work from oil and gas, food and beverage, fast moving consumer goods, white goods as well as supporting their licensing work in utilities metering technologies.

(iv) Future Plans

In looking to the future, it is important for the firm to keep work in the pipeline. Typically they have a three-month outlook. This has been possible due to the high percentage of work that comes from existing clients. The firm's future plans focus on maintaining their relationships with existing clients and to keep looking for new clients. Also it is important for the firm to keep the staff happy, by keeping them creatively engaged.

The firm has never used government assistance, but it has been part of a government-funded project. The paperwork and subsequent time involved with the project, in addition to lower payment received than from the private sector, made it an experience the firm does not care to repeat. However, as the firm's work involves the utilities sector, it is important for the firm to be knowledgeable on government policies and interests to benefit from R&D tax credits.

The firm's growth is structured to gain strength from its licensing to expand consulting. There is a circle of technology developed in house that will be licensed in the future and the consultancy work will support those technologies. The amount of consultancy undertaken is growing, as the licensing work is beginning to pay off, freeing up staff time for more consultancy work. The firm has a hard numeric target to achieve for its consultancy revenue but there is flexibility in how to achieve it (in terms of closeness of links with the firm's

utility and licensing work versus being able to take on more creative, original work). At the time of interview, the firm was running ahead of budget.

6.3.6 Firm 6: Innovation Consultancy

(i) Firm's Profile

Firm 6 started in 1999 as a born global firm. The firm has 30 employees of which 20 are consultants and 10 administrative staff. Their turnover in 2010 was approximately £2.4 million, making Firm 6 a small-sized firm.

The firm's focus is on creating product and service concepts. The business model is one of holistic innovation, bringing together the understanding of technology and business innovation as well as consumer and market understanding to create product and service concepts. The bottom line focus is on idea creation.

And that holistic approach has served us very well in terms of being able to work at the front end of innovation processes, working with world class R&D teams, helping them understand strategically what new products and services to create in the future, where to focus R&D budgets. So there is a strategy element but there is also a making it come alive in terms of helping people do the first stage of defining what the product or service could be, what the enabling technologies or relationships to deliver that and what the proposition to the market would be at the level of proposition to a consumer in terms of the types of claims that are made or even the subtle cues that are communicated through the packaging and presentation of the product.

The firm works with a broad range of sectors but for ethical reasons they do not get involved in work with the defence or tobacco sector. The firm intentionally aims to work in different sectors in order to inspire internal innovation.

BOX 6-6 FOUNDING AND HOW FIRM 6 WAS ABLE TO BE BORN GLOBAL

The interview was with one of the firm's directors though he was not a founder. However, he was able to give information on the four founders that they had past consultancy experience and were working together at a large consultancy firm when they decided to start Firm 6.

And though the career of the founders of the company...[and] the career of the people who joined the company at an early stage meant that they had good contacts, good relationships that later led to the strong clients that we have now. That grew over time.

The firm's contacts from its founding have enabled it to be born global. The firm has many long-standing, international clients, of which 80% are located abroad.

(ii) Interviewee's Background

The interview was with one of the firm's directors; there are five in total. He is not one of the founders but joined the firm just after its inception. He has a PhD in Physics. He worked in research and development (R&D) for some large corporations before working in consultancy.

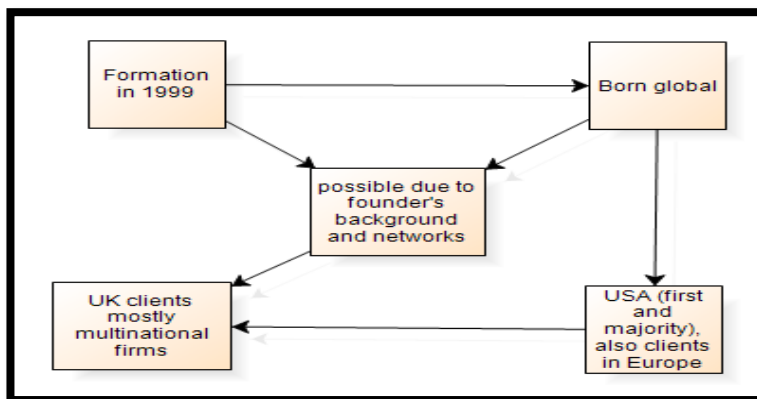
(iii) Firm's Internationalisation Process

The firm's main clients are from the USA (50-70%), with the remaining business split between Europe (30%) and the UK (20%) (see Figure 6.6). The firms' clients come from various sectors.

But generally our aspiration is to work across as many different industrial sectors as possible because the diversity fuels innovation and that's exciting. Often what we are finding is that market thinking or business practices or technologies that are developed in one sector at a later stage have new applications in other ones. Often what we are doing is that cross fertilisation.

The clients are mostly large, multinational companies although there are some start-up companies. It is rare for the firm to be involved with government projects.

FIGURE 6-6 HISTORY OF FIRM 6'S INTERNATIONALISATION PROCESS



Firm 6 has a high rate of client return, approximately 70-80% of all their clients are return clients, which helps their efficiency and attests to the quality of their work. As the interviewee explained, the firm's networks and word of mouth facilitate finding new clients abroad.

The most important networks are those that are directly through clients that we've worked for or that have sponsored programmes in the past. And often they are quite connected themselves because we tend to be selling to people who are at Director or VP [Vice President] level, certainly in terms of the people who would sponsor our work.

The firm views relationships as important and invests time in them, respecting the relationship over the project. It is typical for the firm to find new clients through existing clients (i.e. through their clients' networks). The firm's reputation is important for gaining new clients and also in retaining current ones. Implicit in this is the importance of trust and trust building. Long-standing relationships with clients reflect positively on the firm's reputation. The firm's guiding principle is to do what is right for the client and the relationship over the project, valuing the long-term view.

Consulting is about relationships and relationships are really important to us. So to make that happen, we travel...And the nature of our relationships is that people are very open with us. I think we build excellent relationships and we really make an effort to do so. And that's one of the things that means we don't tend to have surprises and fallings out. I think one of the capabilities of our company is to be able to work well with a broad range of clients and do what is right for them, respect the relationship rather than the assignment.

The firm defines its success in internationalisation when it is able to make a profit from a project and establish a positive relationship with the client that will continue on to future work.

The firm's competitors are quite diverse as the firm offers a holistic service; there are few competitors on that scale, they are typically from R&D, marketing, strategy and design. This highlights the firm's niche as they bring all these elements together under a one-stop shop concept.

The firm attends conferences, both in the UK and internationally, to increase its visibility and meet people; but most of its marketing is word of mouth from existing clients. Networks are used to find external partners for projects. The strength of networks helps increase their ability to innovate by giving them a network of resources to tap into.

The firm prices its work in terms of deliverables in a contract; this price is also determined by how clients value innovation not by the cost to deliver the service. The firm has a low ability to forecast future work, with predicted work typically spanning one to three months.

The firm has not received any complaints but sometimes they have had misunderstandings during a project. Clear communication is important. The firm's priority is to resolve them and keep the relationship with the client intact.

A strong asset of the firm is that the staff's passion about the work, which comes through to clients. They are innovative and enthusiastic, in combination with being intellectual and curious. The firm has an internal culture of passion and enthusiasm for innovation that clients pick up on. The staff are multicultural, due in part to the firm's location in Cambridge, which has a very international composition. The staff are also diverse in its skills, including people with PhDs in the sciences (physics, engineering, psychology), anthropology, business and industrial designers.

The firm's staff travel often to clients, with an average of three meetings for a typical project that lasts four to six months. The firm also uses technology such as video conferencing. Consultants spend about 10-20% of their time out of the office.

(iv) Future Plans

The firm's aim, both current and future, is to work in diverse sectors and to encourage internal innovative ideas. As the firm endeavours to be a leader in innovation, it is open to changes that affect its own service provision and foster holistic innovation.

The interviewee foresees the firm growing due to their increasing profile, the diversifying of its skills, further improvement of its reputation, and their current pattern of client retention and new client referral.

In looking to the future, the firm hopes to continue increasing their international reputation and recruiting at senior management level to build a higher-level skills base of the business.

6.3.7 Firm 7: Product Development Consultancy

(i) Firm's Profile

Firm 7 is a small firm started in 1986, making it 25 years old. It has 35 employees and a £3.3 million turnover (in 2006). The interview was held with the international manager on the firm's premises.

The firm is a product development consultancy with most of their work focused on engineering and design work but also product strategy and helping companies to identify and license technologies. It is common for the firm to help with the strategy and then develop the product.

So in terms of the management consultancy aspect of it... so things around helping people with products strategy work, helping companies identify and license technology. Product technology is something that we do quite a lot of, in the drug delivery area, quite a lot of pharmaceutical companies need a device to deliver their drug in because you can't take it as a tablet and therefore they want to identify and select a delivery device for them so we get involved in that process so that can be a bit more strategic, more management consultancy like.

The firm began as a general consultancy firm and then specialised in life sciences over the years, gradually taking on exclusively life sciences work since around 2003.

Healthcare was always recognised as being an important market for us. And it's noncyclical because people are always getting ill; there are always demands for new drugs.

The firm has never worked on defence projects for ethical reasons, choosing to work on projects that enhance lives. The specialisation in life sciences distinguishes the firm in the field and this focus has been an outgrowth of its experiences. It is not afraid to acknowledge the tasks that are outside their scope of expertise. When this is the case, the firm will refer the client to another firm, if possible.

The firm's reputation has become stronger due to its specialisation and there has been an increase of clients approaching the firm for new projects. The firm values its reputation, acknowledging that it takes time to build trust.

As a way of preserving its reputation, the firm has a comprehensive system in place to deal with complaints. This is done by a diffusion of responsibility: a project leader who deals with overall delivery of the project and a technical leader who deals with all the technical aspects. When necessary, the project director, who is up to date on the project but also has a wider view, can intervene and discuss particular issues with the client. The firm tries to be proactive and communicate with clients to know how things are going before a complaint can be made, to find out if the client has any concerns. While things do go wrong particularly with development, the firm prides itself on being able to resolve the problem and deliver. Also it is important when sorting out the problem, to keep the client relationship in good standing, and figure out the root of it before worrying over who is to cover the cost.

Project lengths can vary from a few days in length to several years. The firm's contract is very detailed on how the work will run but the price is not fixed nor can it be due to the nature of development work. The contract is multilayered: there is the definition of the work, the pricing of that work and how to deal inevitable changes as the work progresses.

BOX 6-7 SPECIALISATION AND INTERNATIONALISATION

The firm is a market leader for drug delivery devices. The nature of its specialisation, the life sciences and particularly medical health issues, makes the firm's service offering resonate on an international level. This is reflected by the fact that 80% of the firm's clients are located abroad.

There is something special about Cambridge in that there is a big concentration of these technology consultancies who then work all around the world selling their service as an export so we would compete with those companies internationally. There is less direct competition in the USA, there is some, but less.

Despite having most of their clients located abroad, the firm's main competitors tend to be located around Cambridge.

(ii) Interviewee's Background

The interview was with the international manager who has been with the firm for ten years. He has an advanced degree in physics. He worked in academia for some years then left for industrial research. He became involved in business development for a corporate research lab then went to a smaller company before coming to this firm. He works on the firm's business development but has an understanding of the technical background though engineering was new to him.

(iii) Firm's Internationalisation Process

The firm has had an international presence from the start, partly because of the nature of the sector but also because of the founders' experience and networks. The firm's founders have past experience in the consultancy sector and their networks were particularly important at the firm's founding. The firm is a global market leader for drug delivery. There is competition from other technology consultancies around Cambridge that they compete with internationally.

The firm was born global with the bulk of its business coming from the USA and Europe. The interviewee explained that 80% of their clients are international, almost evenly split between Europe (France, Germany, Scandinavia) and USA (located on the East Coast, West Coast, and mid-West clusters), with a greater percentage coming from the USA at present. The remaining 20% of clients are from the UK (see Figure 6.7). The firm is considering opening a satellite company in the USA to be closer to clients and recruit locally.

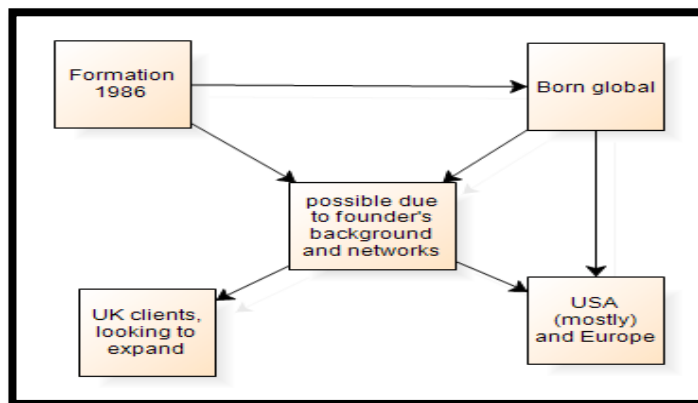
The firm's clients are mostly large blue chip companies, though some are small start-up firms. There are many long-standing relationships with clients: one example is the recent completion of a seven-year long project with a client. The firm tends to be included in the client's project team. When deciding to work with clients, the firm looks at the client's potential: a long-term perspective is important to invest in not just one off projects. Each client is unique; therefore the price and decision to continue working with him or her is examined on a case-by-case basis. The typical clients worked with, i.e. large pharmaceutical companies, facilitates internationalisation as cultural misunderstandings are minimised by working with a global company. The firm measures successful

internationalisation as having earned a profit from a project and having created a positive relationship with the client that has a long-term outlook.

In order to find new clients, the firm does this mostly through their networks. The interviewee takes opportunities to meet with people; he finds that conferences are good for this. Conferences are important tools for networking, as a way to get to know people and build the firm's reputation. The website is also sometimes used by clients before approaching the firm. The firm uses its website as a marketing tool, acknowledging its role in supporting the business. Aesthetics and ease of navigation are important to capture potential clients' attention in addition to the information content.

The firm's working language is English. While both the interviewee and the founder speak some German and they can communicate in other languages, it is not at a sufficient level to undertake a consultancy project. The firm does have some foreign staff due to the international aspect of Cambridge but their language knowledge has not been targeted for clients. This diversity of staff does, however give them a global perspective, which helps for international projects.

FIGURE 6-7 HISTORY OF FIRM 7'S INTERNATIONALISATION PROCESS



There is a high customisation for each project; however there is no particular adaptation done by the firm for international clients, who are the majority of the firms' clients. The firm prefers to work with large, global companies. It establishes lasting relationships with clients and enjoys working with return clients. Return clients increase the firm's efficiency, rather than having to look for new clients and the time needed to explain how the firm contracts are set up.

The firm does almost all of the project work in-house though they do sometimes need to take on associates. This occurs infrequently, as less than 10% of their total workload. The recent economic downturn has led to the firm being incredibly busy, almost to the point of having to turn down work.

(iv) Future Plans

The firm is looking to expand in the UK market; however, they are limited by the location of their clients as this is dictated by existing medical device clusters. Therefore any new medical clusters would be potential new markets.

Also their international reputation is built on specialisation in drug delivery. They want to build up the other parts of the business on medical devices and diagnostics. In order to do so they are investing time, and gaining additional knowledge both on their own and from their networks, to make those aspects of their business stronger internationally as well.

The interviewee suggested that there is a likelihood of opening a branch office in the USA due to the fact that the majority of the firms' clients come from the USA. However, the exact location within the USA is still unsure; however it would be in one of the medical device clusters locations (East Coast, West Coast or Mid-West). If new markets were to emerge, the firm is happy to investigate there. Perhaps in the future, Firm 7 may look to recruit internationally.

6.3.8 Firm 8: Business Strategy Focussing on China

(i) Firm's Profile

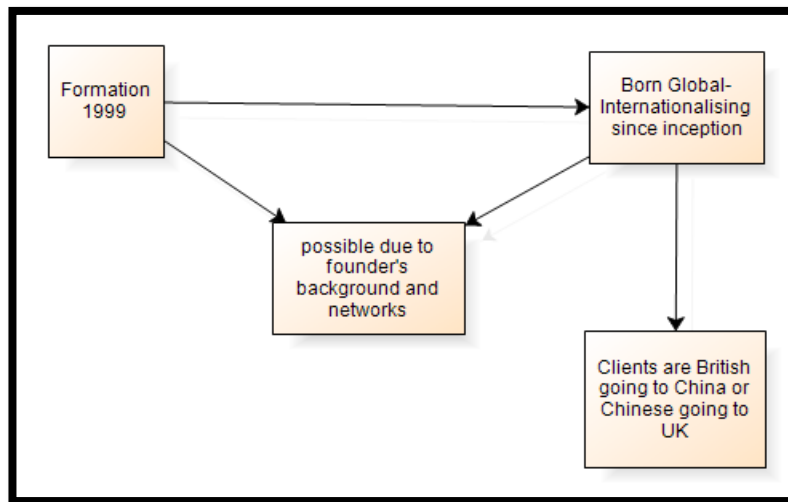
Firm 8 is a born global firm, with its international perspective focussed on business links between UK and China. The firm identifies itself as an international consulting firm focusing on China-related businesses, with demand going both from China to UK and UK to China. The scope also includes helping Chinese clients go elsewhere in Europe not just the UK. The interview was conducted on the firm premises with the owner/founder who began the business in 1999 making the firm eleven years old (see Figure 6.8). Currently the firm has three full time staff in the UK, works out of a home office and takes on associates when needed

for projects.

(ii) Interviewee's Background

The interviewee, who is also the firm's founder, is Chinese. He was born in China and did his undergraduate studies there. He then undertook a PhD in Germany in natural science (in German). He moved to the UK and spent several years working in academia before opening his own business.

FIGURE 6-8 HISTORY OF FIRM 8'S INTERNATIONALISATION PROCESS



(iii) Firm's Internationalisation Process

The firm is involved only with international activities: the unifying factor is the focus on China only; this requires a deep knowledge of the country. While every client is a different case, there are no standard services rather there is a high diversity of offerings that fall into three distinct categories. The first focuses on engagement in education, specifically for recruitment of Chinese students for higher education in the UK. This used to account for about 70% of the firm's work, but it is lower, approximately 40% of the firm's overall clients. For this type of education service, Chinese universities typically contact the firm directly and ask for assistance or the firm works with UK universities to build collaboration and help UK universities recruit Chinese students.

The second main service is to help Chinese businessmen and government officials who come to UK, accounting for over 50% of the firm's clients. The firm's

primary function here is to facilitate meetings for these clients by identifying who they should meet with in function of their needs: for private businesses this may be a distributor in their field, whereas for government officials this may be the agency's equivalent in the UK.

So sometimes we receive several hundred delegations per year. So each month, each week, we have Chinese visitors here. So we have to manage everything, we provide [a] full service for them.

The firm offers a range of services from finding speakers in different specialised areas, identifying and liaising with relevant contact people, airport transfers, meeting room and accommodation booking, organising seminars, providing interpretation and translation, and whatever else a client may need to facilitate their time in the UK.

The third main service offering is to help UK businesses that want to develop their business with China; however the numbers of clients using this service are currently low, around 10% of their overall clients but with potential to increase. The firm is involved with organising trade missions. It also offers staffed offices in China for firms wanting to do business there but not yet ready to start their own company. They provide staffed offices for their clients for a period of time: three, six, twelve months (typically), up to three years.

The firm has a partnership contract with the Chamber of Commerce to help UK firms go to China. The owner makes frequent trips to China, every quarter or approximately three to five times a year. He always goes to Beijing and then travels around the country depending on the firm's on-going projects.

The firm also has staffed offices throughout China (through its partners) and owns an office in Beijing; at its height there has been a staff of thirty employees in China, now there are ten employees in Beijing and other staff taken on as needed for projects. Firm 8 works with partners around China and one of these, the office in Beijing, is a joint venture.

The firm has skilled staff that are bilingual and knowledgeable on both

cultures. In China, some of the staff have been educated in the UK. The key members of the team have either a PhD or a Master's Degree; the quality of academics in China is strong.

It must be noted that China is changing and growing, and the quality of its output is improving. The firm has had to adapt to these changes both in being knowledgeable of the country for UK businessmen but also accommodating the higher number of Chinese coming to UK.

For example, we also help certain businesses that want to do business with China...So we go through the first stage, we bring them to China. When they come, when the MD [managing director] came to me and he said 'Okay I want to do something with China but I don't know how to start. I want to go to China but where should I go? Who is the best person to meet?' For most of the people here in the UK, China is a mystery, so it's very difficult to understand. Especially several years ago, five, ten years ago, it's very difficult [for them].

The business began with its focus on education, and recruiting overseas students in China for UK educational institutions in 1999. Since 2001, they have seen a large increase in Chinese students coming to the UK as the USA became more difficult to obtain a visa after the September 11th 2001 terrorist attack. Now most of its work is from hosting delegations (either government officials or businessmen) from China. Sometimes the work extends to facilitating Chinese visits throughout the European Union. To date, this has included clients needing assistance in Austria, Denmark, Finland, Germany, Italy, Norway, Spain, and Sweden. The firm is able to provide these services due to its good network partners there.

Firm 8 customises its contracts to the clients' needs. For UK firms going to China, these contracts have a large scope and may cover finance, legal, and employment aspects.

The firm undertook exploratory work on Intellectual Property Right Infringement, aimed to assist UK clients going to China. After careful consideration, the firm decided not to continue work in this area due to complications at present.

The firm does little formal marketing activities, other than a mailing list, but rather relies on its networks and reputation. The interviewee is involved in many social activities that are high profile Chinese networking events.

So personally, I attend a lot of social activities. I am currently the President of all Chinese Engineers in the UK. I also am the President of the Association for Hunan, people from Hunan Province. So I am involved in lots of social activities. That helps. So we have our mailing list here in the UK. We have a big mailing list for our Chinese clients.

The firm has had good networks since its creation; the interviewee is confident in them and puts considerable effort into maintaining them. The firm's measure of success internationally is based on the profit made and also the implications on its networks. In order to keep good network relationships, the firm has made decisions in the past that resulted in less immediate profit but has maintained their strong relationships.

BOX 6-8 THE ROLE OF THE FOUNDER AND PERSONAL NETWORKS

Firm 8 was founded by a Chinese national with the aim of facilitating business links between the UK and China. In founding the business, the choice of sector is inextricably linked to the founder's background and heritage. Also his own personal contacts and networks have enabled the firm's internationalisation. He also travels to China three to five times a year to keep maintain his relationships and network ties.

(iv) Future Plans

The firm has seen a demand from China coming to the UK both for businessmen and for study. The interviewee expects that trend to continue. The firm's future plans consist of more of the same. It will continue to work with partners both in China and throughout Europe and has no plans to opening additional offices. The firm will continue to provide its three types of services.

6.3.9 Firm 9: Strategic Consulting and Research Focussing on China

(i) Firm's Profile

Firm 9 is a micro-sized firm composed of 4 employees. In 2006, they reported a turnover of £123,582. It was founded in 2001 as a strategic consulting and research firm that focuses on China. The business model is based on outsourcing external resources in China where most of the firm's international activities take

place. The interview was on the firm's premises with the firm's owner/founder, herself a native of China.

The firm began as being ICT (Information Communications Technology) focused on facilitating UK firms to China. However, more recently that focus has shifted to Chinese firms looking to establish themselves in the UK or Europe over the last four years as well as branching into other sectors such as healthcare and biotechnology. The firm also now facilitates UK firms wanting to learn more about China and Chinese firms learning about the UK and Europe.

Also we are doing more business development, where it is more hands on, helping on the ground in China to manage the distributors, helping with coordination. So it's more from the initial education, move towards operational assistance, including providing that assistance on the ground in China. So that we've moved along...the life cycle, their needs for services in China. It mirrors their development in China, their entry.

The type of training the firm provides has become more specialised. This includes research projects, recruitment, market entry, market research, training programmes and other related services as required.

The firm's staff are either Chinese or very knowledgeable on Chinese culture. Of the four employees, two are full time, one is part time and the fourth is working on a three-day-a-week retainer.

The firm works closely with associates for specific projects, which gives them the flexibility to be able to react to clients' requirements and bring on board the appropriate people. It has worked continually with a partner in Beijing, mostly for hiring associates, over the past four to five years.

It's very important because if you just use different people, each time it's quite different, the way it would work, the style, the quality requirements. It's much easier if they are the same all the time. This company in China we have been working with them for five years or four years so the team is very much like one team.

There is an established relationship with this partner firm. Firm 9 has trust and confidence in their working style and quality of the work. In addition to this partner in Beijing, the firm has additional networks where it can find expertise.

Outside the partnership in Beijing we also have a number of industry experts we tap into. They are basically independents; they work independently as academics. And I have a number of those associates that we can work with as well. Which is very useful because they are technically, they are experts.

The firm has always been able to deliver to its clients. The research topics range from general, broad knowledge on China to much more specific research, such as finding distributors, or outsourcing.

(ii) Interviewee's Background

After getting her Master's of Business Administration (MBA), the firm founder went to work in London for some years in the banking industry. The decision to start Firm 9 was due to a lifestyle choice: the flexibility of running your own business was appealing to her as she had a young family. China was a logical sector focus for her since she is Chinese. She is also involved in a UK association of Chinese consultancy firms.

(iii) Firm's Internationalisation Process

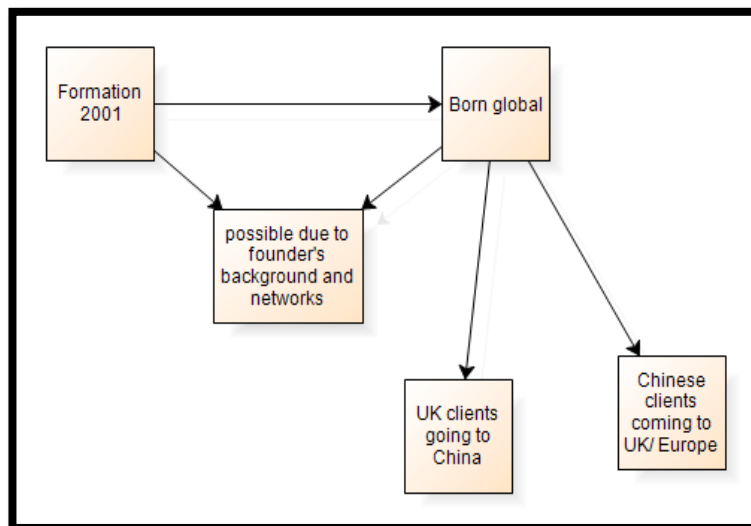
The firm was international since inception in 2001. The clients are usually either from the UK or China but there is a larger European, U.S. and African scope since 2003. This is due to client demand, either Chinese clients asking for help in Europe or unsolicited Internet requests, as was the case with Ghana. The firm is involved with both inward and outward internationalisation. Over the last two years, the firm has engaged more with Chinese clients coming to UK. With research projects, it is typical that 40% of the work is carried out in UK, including project management, with the rest in China, in particular the data collection. The partner network is essential to the firm's day-to-day functioning. While the Internet is useful to overcome distance, frequent trips to China are still necessary.

The majority of clients are UK-based (see Figure 6.9). The firm also has clients in Europe (Finland, Italy, Sweden), North America (USA and Canada), and Africa (Ghana). The type of service required by UK clients is changing. China is no longer such a mystery for them; they are asking for more specialised help. Most clients are from the private sector, both MNEs and SMEs, but the firm also does

some work with the public sector, tendering for research projects. It also helps UK universities with recruitment though this is a marginal part of their work.

Relationship lengths vary from a one off event to more typically, a year or longer, up to five years. The sectors the firm works with are diverse, for example agriculture, biotech, education, engineering, retail, and wireless mobile. They do offer business development services from which they would gain a commission but it is still in its early phase and they have not yet received any commissions from this work to date.

FIGURE 6-9 HISTORY OF FIRM 9'S INTERNATIONALISATION PROCESS



BOX 6-9 SUCCESS IN ADAPTATION

Firm 9 at its creation was focused on Chinese-UK business linkages, with more emphasis on helping UK firms going to China. In the past two to three years, the momentum has shifted with the firm becoming more involved in assisting Chinese firms coming to the UK.

A recent evolution to the firm's services, since May 2010, has been that the firm is now working closely with Chinese firms who wish to become involved in M&A of UK high-tech firms. The firm sees its distinct value added due to its local market knowledge and experience of Britain's advanced technology sectors that is most useful to the Chinese firms; while it is the firm's understanding of China's business culture and the associated partnership practicalities that is most helpful to the British side in negotiations.

The firm typically charges a flat fee for its work. Prices are tailored to the project, but they also have a formula for costs, depending on the resources needed. When the project is a new kind of work, there is sometimes a rough approximation of costs. After the project is finished, there is an evaluation if the costs were covered and the price modified as necessary for next time. They have considered

changing their pricing, to charge smaller fees and receiving a commission; however, the idea is still in the early stage and has not been tested yet. At the time of interview, successful internationalisation was defined as contracts that yielded a profit.

It is not unusual for clients to contact the firm via the Internet and there has been an increase of this type of contact over the past two years. The firm also has become known due to the founder speaking at events, from its networks, published editorials in journals (written by the founder), online (Google) and advertisement (though this was less helpful).

The firm works closely with clients to ensure complaints are dealt with early on. The firm has never failed to deliver to a client yet. The firm currently asks for feedback from clients in the form of testimonials. However, for the future, it would like to have a more formal post-project evaluation process.

(iv) Firm's Future Plans

The firm's future plans are to grow. Growth could take many avenues: partnerships, collaboration or diversification of projects/ services. The firm's future plans include the possibility to go into partnership with a Chinese firm.

Well I just don't know, because at the moment there are just so many directions coming to us. We are talking about a merger with our Chinese partner in Beijing. And we have been talking for a year. But there are various reasons for why it has been delayed and delayed. So whether it's going on or not, that's a question mark but that could happen.

Another option is for the firm to collaborate more with UK firms that are China focused. A third option is to grow by diversifying the firm by taking on longer term success fee projects is another option.

6.4 Cross Case Analysis

This research examines how SME management consultancies internationalise, with a focus on both the challenges encountered and critical success factors. These aspects have been identified for each firm (case study) in the previous section, in order to analyse why these firms decided to internationalise and how their internationalisation process unfolded. The cross case themes are summarised in Table 6.3. Firm size differences in terms of identification of challenges and critical success factors are highlighted in Tables 6.4 and 6.5. Comparisons are now made when analysing across the cases in order to identify patterns and themes.

TABLE 6-3 THEMES AS THEY OCCURRED IN 9 CASE STUDY FIRMS (LISTED BY FREQUENCY)

Firms	1	2	3	4	5	6	7	8	9	Links to
Challenges										
Financial crisis	x	x		x	x			x	x	External environment
Finding skilled staff/associates		x	x		x	x	x			Internal competencies
Currency risks, IP protection & bureaucracy	x	x	x	x						External environment
Communication with clients							x	x		Service provision
Critical Success Factors										
International orientation of owner/founder		x		x	x	x	x	x	x	Internal competencies
Networks and relationships	x	x			x	x	x	x	x	Firm characteristics
Niche market	x	x	x	x		x	x			Firm characteristics
Firm's reputation			x	x	x	x	x	x		Firm characteristics
Location			x			x	x			Firm characteristics
Change in service provision	x	x								Service provision
Improvements in technology			x	x						Firm characteristics

TABLE 6-4 RANKING FOR MICRO-SIZED FIRMS ONLY

Firms	1	2	4	8	9	Links to
Challenges						
Financial crisis	x	x	x	x	x	External environment
Currency risks, IP protection & bureaucracy	x	x	x			External environment
Finding skilled staff/associates		x				Internal competencies
Communication with clients				x		Service provision
Critical Success Factors						
International orientation of founder		x	x	x	x	Internal competencies
Networks and relationships	x	x		x	x	Firm characteristics
Niche market	x	x	x			Firm characteristics
Change in service provision	x	x				Service provision
Firm's reputation			x			Firm characteristics
Improvements in technology			x			Firm characteristics

TABLE 6-5 RANKING FOR SMALL-SIZED FIRMS ONLY

Firms	3	5	6	7	Links to
Challenges					
Finding skilled staff/associates	x	x	x	x	<i>Internal competencies</i>
Currency risks, IP protection & bureaucracy	x				<i>External environment</i>
Communication with clients				x	<i>Service provision</i>
Critical Success Factors					
Firm's reputation	x	x	x	x	<i>Firm characteristics</i>
Location	x		x	x	<i>Firm characteristics</i>
Niche market	x		x	x	<i>Firm characteristics</i>
International orientation of founder		x	x	x	<i>Internal competencies</i>
Networks and relationships		x	x	x	<i>Firm characteristics</i>
Improvements in technology	x				<i>Firm characteristics</i>

Another way of viewing these firms is by the services provided, of which this research clearly shows four categories (see Table 6.6). First is the provision of traditional, more generalist management consultancy services (IT, HR) provided by Firms 1 and 2. The second is of a more specialised technological nature, as Firms 3 and 4 provide. The third is research and development consultancies that not only give strategic advice, but also help the client design and develop the product, as is the case for firms 5, 6 and 7. Finally there are consultancies focussing on a specific market, such as Firms 8 and 9 do with China. However, no discernable patterns of challenges and critical success factors were observed according to subgroups of management consultancies, reinforcing the treatment of the firms as a homogenous group.

TABLE 6-6 MANAGEMENT CONSULTANCY FIRMS GROUPED BY SERVICE PROVISION

Service provided	
Generalist management consultancy services (including IT and HR)	Firms 1 and 2
Specialist Technology services	Firms 3 and 4
R&D consultancy	Firms 5, 6, and 7
Market specific (China)	Firms 8 and 9

The literature critique, covering SME internationalisation, service SME internationalisation and service literature, grouped the findings thematically into firm motivations, barriers and critical success factors to internationalisation. Whilst it was appropriate for the literature critique, the inclusion of motivations is no longer relevant for the analysis. The reason for this is twofold. The first is that motivations to internationalise are not conceptually relevant for SME management consultancies. In this empirical research it was found that the firms' motivation to internationalise is largely the reason why the firm was created in the first place (for seven out of nine firms): they had the international experience,

knowledge and networks. Motivation traditionally is examined as part of the SME internationalisation academic literature, which largely focuses on the manufacturing sector; however for knowledge-intensive service sector firms these motivational aspects are not relevant or rather they are intertwined with the firm's critical success factors. To internationalise SME management consultancy firms need to have the key critical success factors such as international orientation and existing networks (expanded on later in this chapter) otherwise these competencies need to be hired in for internationalisation to be possible.

The second reason motivations are not included in the analysis is due to the research questions investigated which focus on how management consultancies internationalise successfully including facilitating factors of their success and problems encountered. For these reasons, the analysis focuses on barriers or challenges to SME management consultancies' internationalisation process and identifying their critical success factors.

The main themes to emerge from the empirical data focus on the importance of the firms' characteristics and internal competencies. The most frequently cited critical success factor is the central role of the owner/founder, who due to his/her past experience enables an international orientation, and established networks and relationships facilitate this orientation. Other significant factors are a niche market specialisation, the firm's reputation, the firm's location in Cambridge, ability to modify the service provision and the role of technology facilitating the internationalisation process. The biggest challenge to the firms' internationalisation process came from the recent financial crisis. Given that this external event was outside the firm's control and a current phenomenon at the time of interview, it is unsurprising that it ranked so highly. The other challenges found were related to the nature of service provision: difficulties in finding and retaining skilled staff, currency risks, IP protection and bureaucratic procedures and challenges when communicating with clients. The thematic analysis is discussed for the nine cases, addressing first challenges to internationalisation and then critical success factors.

6.4.1 Challenges to Internationalisation

The most frequent challenge found for these firms' internationalisation process was the recent financial crisis. Interestingly, in dividing the firms into size categories, separating micro-sized and small-sized firms, this picture changes. The two groups differ in the difficulties encountered when internationalising. Micro-sized firms most frequently cited the financial crisis as a challenge to their internationalisation process whereas small-sized firms all cited difficulty in finding skilled staff. Other barriers include: dealing with currency risks, IP protection and bureaucratic procedures and communication with clients. Each theme is examined in turn and within each theme, the patterns of firm behaviour are presented.

(i) Financial Crisis

All of the micro-sized firms (Firms 1, 2, 4, 8, 9) cited the financial crisis as negatively affecting their ability to internationalise. The financial crisis is shown to be problematic in relation to firm size. This is not surprising as the financial crisis, an aspect of the external environment and thus outside the firms' control, is more of a challenge for smaller firms (micro-sized firms) to adapt to. When micro-sized firms decide to internationalise, it is understandable that they are the most vulnerable to changes in the external environment, such as the financial crisis, due to their limited resources.

Firms 1 and 2 were specifically challenged at finding new clients and attribute this to the recent financial crisis. Firm 1 has had difficulties in the economic downturn. Growth is slow and in terms of pricing, the firm finds it difficult to lower prices due to the nature of its work. As a result, Firm 1 is readjusting its focus, placing its efforts on its spin-out, which is taking on the franchising elements of its work.

Firm 2 has had to increase its efforts to look for new clients. The economic downturn has made finding clients more difficult and potential clients want more competitive, lower prices. Clients are now dictating the price in a "take it or leave

it” manner. This has made it necessary for the firm to adapt and look for clients independently rather than piggybacking with large firms.

Firm 4 felt the impact of the financial crisis as it rendered finding investment to do its work more of a challenge. The liquidity crisis in 2001, 2004, 2007 and 2009 affected the firm and is the source of virtually all their challenges and difficulties as the firm relies on investment to do its work.

The financial crisis has had the strongest impact on Firms 8 and 9. They have had to recently downsize their staff in response to the financial crisis. Firm 8 has had to downsize its staff both in UK and China. The firm’s UK office staff is down to three employees, which is the smallest size it has been since creation, due to the current economic climate. The downturn has affected the number of UK clients going to China with the result that the firm has had difficulties in growing/maintaining their UK numbers.

Firm 9 has also downsized from a high of ten employees in the UK to four. The firm is questioning its future. It is considering whether it may go into partnership either with a Chinese firm or a UK firm focussing on China. Nonetheless both firms 8 and 9 see signs of improvement that indicate that China is emerging from the economic downturn quicker than the UK, and are hopeful that their workload will subsequently rebound.

(ii) Finding Skilled Staff or Associates

Firms 2, 3, 5, 6, and 7 found finding skilled staff or associates a challenge to their internationalisation process. They are all small-sized firms except for firm 2, which is a micro-sized firm. Moreover, these small firms (firms 3, 5, 6 and 7) expressed increased demand for their services during this most recent financial downturn. Firm 6 challenges also include their ability to plan future work that has an effect on their ability to grow.

Firm 2, a micro-sized firm, has had difficulty finding qualified associates. This firm prefers to use associates when there is increased workload rather than hiring

new staff as a way to keep its overhead costs low. It tries to use its networks to overcome this challenge; however the results have been mixed and this challenge continues to reoccur for the firm.

Firm 3 has had difficulty finding staff with deep, technical expertise, including strong mathematical skills to analyse and work with their computer models. This challenge is compounded by the fact that there is a yearlong internal training needed for new staff to be able to work with their software. Firm 3's reason for feeling challenged by slow growth is due to their service provision. This difficulty is something the firm has always grappled with, when first internationalising on a European scale and then when their software was expanded on an international scale. This is due to the fact that the firm's service provision is severely limited by their software and data, which inhibit the firm from expanding quickly due to the time and cost of development. Also the firm is reliant on having local sources in the countries where they undertake work in order to be able to properly structure their analysis. Moreover, the firm requires highly qualified staff to work with these tools, requiring completion of a yearlong training programme making for a long lead-time between hiring and utilising staff.

Firm 5's experience is quite similar to Firm 3's. Firm 5 has difficulty in finding skilled staff as staff members need to have both technical expertise in order to undertake research and design projects as well as be able to interact well with clients. Even when they do, it is important for them to be mindful when taking on new staff that there will be continued work to justify this addition. Moreover, the firm's growth pattern has been an atypical one. Early on in its formation, there were five separate entity companies that formed out of this company, each one supporting a different new technology. These spin-outs took some of the technology and staff out of the company.

In line with Firm 5, the interviewee from Firm 7 explains the softer issues required of the job, working part of the team, understanding clients, in addition to the technical requirements.

Pretty much everyone here of course is client facing. So you've got a people aspect. You've got to work with clients; you've got to understand them and their needs. You've got to work as part of a team. So there are lots of softer issues. In addition to the technical issues, you know you are a good designer or engineer.

Despite Firm 7's difficulties to find appropriate staff, the firm has managed to hire eight new staff members over the past year and the interviewee was quite pleased both at their ability to do so and the results that have been generated.

Firm 6 has had challenges when the client's budget changed suddenly and dramatically and the firm has needed to adapt the project and their work accordingly. Suddenly work that was considered assured was then taken out of the pipeline, having a knock-on effect on the amount of new clients needed for that time span. The impact of these changes has slowly become less of an issue as the firm has grown and also has taken on external associates to help them absorb unforeseen, short-term challenges. Networks and relationships have also helped lessen this challenge, giving the firm a wider base to draw on as needed. A new challenge the firm has encountered recently is retention of skilled staff to the point of higher management. The firm has found, due to its small-sized, its skilled staff tend to move on after a few years experience to larger firms where there are greater possibilities for promotion and advancement. The firm is reflecting on how it can improve its staff development and training in order to keep their staff. This lack of suitable candidates for higher management is becoming a growing concern as some of the firms' founders begin to contemplate retirement. The firm was founded in 1999 and some of the founders are wishing to lay the foundations for their retirement. Therefore, it is important for them to be able to hire and retain staff that are able and interested to take on higher management roles to ensure smooth transition and ultimately the firm's future.

(iii) Currency Risks, Payments, IP Protection and Bureaucratic Procedures

Firms 1, 2 and 4 have encountered challenges with currency risks and IP protection, and Firm 3 has specifically been challenged by bureaucratic procedures.

Firm 1 has encountered complications in terms of payments, fees, and contracts, when advising its franchise clients, particularly early on in this stage of its internationalisation process. It quickly learned to be more detailed and explicit in its client contracts and this difficulty has become much less of an issue at present. It does continue to be something it advises its franchising clients to be mindful of with their own operations.

Firm 2 has had problems in receiving payment from clients. This was particularly problematic when the firm began internationalising. It has been able to minimise this issue by improving the clarity of its contracts and thus better managing clients' expectations.

Firm 4, as part of its work in developing new technology firms, considers intellectual property protection important and integral to its work. This is particularly salient when the firm is working in developing countries. Unfortunately, the legal environment and its enforcement are external factors that the firm has no control over. Therefore, it must deal with these changing realities when it makes its decisions on where to internationalise. The situation is improving in India due to recent legislation and the firm is expanding the work it does there. In China it is still a problem and the firm has not yet become very involved there. In Russia, the situation is so bad that the firm will not consider working there.

Firm 3 had found the extensive paperwork involved with EU bidding and projects to be excessively time consuming, stemming from their experience in 1990. As a result, they have subsequently done less of this work due to the time needed for bureaucratic procedures; for example they will not take the lead on a project. Also with these bids, there are many complexities in regards to the value added tax (VAT). Now that the firm is dealing with international and not just European work (since 2007-8), it has had to deal with issues like obtaining visas that were unnecessary before. Again it needs to be mindful of these more hidden time burdens when taking on new work to ensure it will be able to deliver on time.

(iv) Communication with Clients

Firms 7 and 8 both experienced challenges when communicating with clients and have had to deal with the negative consequences of miscommunication. Firm 7's miscommunications are in terms of client misperception and its solutions are concentrated on managing clients expectations. The firm sometimes has had problems in getting new clients to understand how they work. This can require spending extra time explaining the nature of their service, particularly in terms of the precariousness of research and development. For this reason, the firm prefers to work with established clients. Much energy is spent developing long-lasting relationships with clients.

Firm 8 has been challenged when bridging the cultural differences between China and the UK, which has led to some misunderstandings and disappointments. The firm had some difficulties with Chinese clients, particularly when it first began its inward internationalisation operations. This is mainly due to miscommunication and differing expectations as these clients went through an intermediary in China who promised them more than was conveyed (and paid) to Firm 8. This problem has been tempered by talking directly to Chinese clients now before they arrive in the UK. The firm had used intermediaries more at its founding, it does so less now and this has curtailed the problem.

Working with UK clients was also problematic for Firm 8. UK clients have had difficulties with coming to terms with Chinese culture and its formalities. The firm has done a lot of work to prepare their UK clients for this, including for those who receive Chinese officials in the UK, to explain why formalities and attention to ranking are necessary to the Chinese. There are also misperceptions due to media coverage.

I don't think the people here in the UK understand the Chinese completely, and they always see a different aspect. The media always makes a case and not very positive. But most of the people we know who are dealing with China are very positive, these dealings are very positive. You can talk to anyone who has experience with China or with doing business with China and they will tell you more positively about China. Chinese people are generally very kind. We don't understand Chinese very well from here

due to a lot of negative propaganda we have here. That is my personal experience.

As we have seen the financial crisis, finding skilled staff, the speed of growth, currency risks and payments and communication with clients have been challenges to small and medium-sized management consultancy firms' internationalisation process. However, they have been able to overcome these difficulties and continue internationalising. The next section highlights the critical success factors that enabled their internationalisation process.

6.4.2 Critical Success Factors

When looking at the critical success factors across the nine firms, the role of the owner/founder and networks relationships were by far the most significant common success factors mentioned by the firms. Other critical success factors include niche market specialisation, firm reputation, the firm's location (in Cambridge), a change in the firm's service provision and the role of technology (see Table 6.3 for frequency).

In discussing critical success factors to a firm's internationalisation process, it is relevant to define what is meant by successful internationalisation. This research asked each firm for its own parameters of what it wanted to achieve in order to feel that they had been successful in internationalisation activities. Overall the firms' responses showed that international work was evaluated on a contract or client (when there were multiple contracts) basis. The most frequently cited determinant was profits, relevant for all nine of the firms. There were more intangible benefits such as long-term client relationships, client satisfaction, personal satisfaction, and network building that were also mentioned. Firm 9 was the only firm to define successful internationalisation in terms of profits alone. The other eight firms (1, 2, 3, 4, 5, 6, 7 and 8) defined success as profits plus an additional aspect linked to relationship building, personal objectives and higher societal aims.

For five firms (Firms 1, 5, 6, 7 and 8) their qualifier to success, in addition to profits, was in regards to building the client relationship. For Firm 1 the additional motivator was a long-term relationship with the client. This was

echoed by Firm 6 who defined a successful international experience as one that begins with long-term intentions. The firm made the point to make explicit its appreciation for the potential of future work with a client. Firm 7's definition of success was much in line with Firms 1 and 6; it aimed for building relationships with clients' that had a long-term outlook.

Firm 5, after profit, was looking to develop its network relationships, both with the client and with others the client could introduce to the firm. Firm 8's definition went even further; it was focused on network building and profits. Networks were cited as the most important qualifier of success, being sought after even at the expense of profits.

Firm 2 aims were more introspective; it was looking for personal satisfaction gained from the international experience. This firm is a micro-sized firm run out of the owner's home, which could serve as at least a partial explanation for why personal satisfaction is so closely intertwined with the firm's definition of success.

Firm 3 put the client in a more central position in their definition of success, it aims to achieve client satisfaction. Firm 4 had the loftiest goals, defining successful internationalisation as providing the firm's ability to make a profit and have the opportunity to be a force for good. The ethical dimension is a strong determinant of the kind of work the firm takes on.

(i) International Orientation of the Owner/Founder

The international orientation of the owner/founder was a quality cited by most of the case study firms (7 of 9) that facilitated their internationalisation process. This orientation was found in Firms 2, 4, 5, 6, 7, 8, and 9. All seven firms had owner/founders with past international experience and established networks. These network links were due to the founders' prior experience with internationalisation in the same or similar field and supplemented by others knowledgeable of international markets. Networks were used not only at firm foundation to assist in identifying and beginning international activities but

throughout the internationalisation process to find new clients, local partners abroad and associates. When listed, 70-90% of the firm's clients come from the firm's networks (this is expanded further in the next section).

The international orientation of the owner/founder served as the driver of their firms' internationalisation process, with all seven firms engaging in international activities from firm formation. The way the owner/founder received this past international experience varied. For some firms (Firms 2 and 5), international orientation came from working in a MNE with an international scope, while for others (Firms 4, 6, and 7) this experience was specifically from large consultancy firms. Two firms (Firms 8 and 9) received their international orientation not from work experience in an internationalised company but from their own personal experience; both are foreign nationals and this has enabled their international orientation of their business.

International orientation also implies an understanding of foreign cultures and is gained experientially: in part from past experience working internationally, knowledge of foreign language skills, travel to the country and insight gained from a multicultural staff. However, the usefulness of a foreign language is limited as business is conducted in all cases in English. Greater value was found from the experience of travel and living abroad that made the founders' more culturally aware and comfortable with international dealings.

Firms 1 and 3 are not listed as having owner/founders with an international orientation that facilitated their internationalisation process. This is not because the owner/founders lack past international experience, but because there was no direct connection between their international experience and the firm's decision to internationalise. They both did internationalise, some time after firm formation. In the case of Firm 1, it internationalised as a reaction to a client's demand. Internationalisation was linked to the firm's networks and as a response to a critical incident. Though Firm 1 did not have an owner/founder with an international orientation, the firm was still able to internationalise due to its networks. Through their network of domestic clients, the firm was contacted by a Canadian firm looking for support for a project in the UK. The firm gained

confidence from this experience. After making the decision to internationalise, its networks have been significant to its internationalisation process with approximately 80% of its work being either from existing clients or clients found via their network. The significance is greater perhaps than the other cases since this firm's internationalisation has been a reactive process. The firm has since continued operating in international markets because it has seen the benefits of international trade: often the firm can charge a higher price and get a higher margin than on the home market, which is quite competitive.

Subsequently, the owner/founder has been able to gain this international orientation through experience. Firm 1's founder argues that understanding culture as more important than having foreign language skills. In his experience, it has always been possible to do business in English; however an understanding of the country's culture is helpful both in business discussions and in terms of personal ease in the country. He acknowledges targeting countries where English is widely spoken.

Firm 3, took the longest to begin its internationalisation process and like Firm 1 did not have an owner/founder with an international orientation. The firm did not internationalise until seven years after firm inception, due to a European Commission bid. The firm became involved with the bid due to indirect ties from the owner/founder's international network. The founder of Firm 3 has strong links with a local university, which gave great network strength and respect from its inception. Internationalisation however was not considered until the firm decided, with support from its international partners, to be part of a bid to the European Commission. Winning that bid offered the financial opportunities for the firm to develop the scope of its business software from a domestic to European coverage. Networks have been useful not only to begin internationalisation, but Firm 3 uses its networks to find new local partners as it expands its internationalisation process. These links with local partners are an integral part of its internationalisation process since the firm needs to gain information locally at the relevant location of their international market. Specifically, this allows Firm 3 to collect the data necessary for input in its software.

Of the seven firms with owner/founders who have prior international experience, Firms 2 and 5 both had owner/founders with past experience of work in large companies. This gave them strong networks when they decided to start their own firm. Firms 2 and 5 tapped into their networks, particularly their long-standing clients to help find new clients.

Firm 2, one of the generalist management consultancy firms, had as its motivation to internationalise as one and the same with the founder's motivation to start the firm. The owner's networks stemmed from his past experience working for a large multinational in the banking sector where he was involved in human resourcing. For Firm 2, 90% of its work comes from either existing clients or new clients found via its network. The firms' ties are mainly with large multinational firms located either in Continental Europe or the USA.

The founder of Firm 2 decided to start up his own business focussing on contracts for HR work with large multinationals similar to his former employer. Firm 2's business strategy has always had an international perspective. All of the firm's clients are global corporations with global markets, even those that are domestic clients located in the UK. His network connections in this field are what enabled him to be successful at obtaining these contracts, as his work was already credible with those firms.

Firm 5, an R&D consultancy, is the firm out of the research sample with the least known about the owner/founder as the interview was with the Director of consulting services (the firm also engages in licensing work). The Director spoke highly of the owner/founder's past experience; however it was difficult to obtain much detailed information and impossible to meet with him directly. It was clear that the founder is someone who had contacts in the field of licensing at firm foundation as he had worked previously for many years doing licensing work at a large company. These ties helped the firm build international credibility early on. For Firm 5, 80% of its work comes from existing clients and relationship building is something the firm values and spends a lot of time developing. From this strong base, new clients are recommended when possible.

Moreover, Firm 5's target market encourages internationalisation. The firm realised that development work is better appreciated abroad, specifically in the USA. For this reason, international clients were proactively pursued from the firm's foundation. Firm 5's work, which requires technology specialisation and development, with focus on the utilities sector, is something the interviewee explained that the UK has been a laggard in adapting. This has encouraged the firm to look for clients abroad.

In the USA people are a little more, they are a little freer to accept ideas coming in from outside the company, where the company in question is clearly not able to do that bit themselves. Whereas companies within Europe quite frequently the overhead involved in getting them to buy into the ideas can be enormous. So the cost of sale essentially is huge. Whereas in the USA, the cost of sale can be relatively small despite the distances involved in getting out there, just because the hit rate is higher.

The American firms' mentality is more open to their business model. This also holds true for Firms 6 and 7 who also have development aspects to their work.

The owner/founders' of Firms 4, 6, and 7 all have past international work experience from working at large consultancy firms. They left these firms to start a business because they thought they could do better themselves, either on their own or with like-minded colleagues. They have refined and adjusted their service provision in light of these experiences. They were able to use key market knowledge of their clients and had strong networks from their firm creation. All three firms also benefit from having a culturally diverse staff, which also increases their global perspective.

The founder of Firm 4, one of the specialist technology consultancy firms, decided to leave a large management consultancy firm to start his own company out of a desire to want to make a difference. He had a couple of other likeminded colleagues who like him were frustrated at the limited impact they felt that had on the kind of work they were receiving. In creating their own firm and remaining in a similar sector, they were able to retain their established networks. For Firm 4, an international scope was implicit in the firm's creation in order to have the high impact the founder wanted and in response to their target market, which is largely

abroad, particularly in the USA. Firm 4 has international staff, particularly from Europe, which they use to their advantage when dealing with clients from those countries.

In Firm 6, an R&D consultancy firm, the interviewee and the founders worked together previously at a consultancy firm. They decided to leave their jobs due to frustration at the direction their work was heading in, focusing more on Intellectual Property development rather than consulting. The firm was founded by four former consultants to provide consultancy services to clients seeking innovation both from a technology and business point of view. The interviewee, though not a founder as he decided to join the firm shortly after firm formation, is one of the firm's five directors. He also worked with and knew the founders on a person level before joining the firm. The founders' and the interviewee's good contacts and strong network relationships facilitated the firm's strong reputation and client base early on. Firm 6's strategy since inception has been to be involved in international activities. This is due to the type of work they undertake, innovation consultancy, and the diversity necessary to innovative. Firm 6's interviewee echoes Firm 5 when he explains that the nature of their product, innovation, encourages internationalisation as UK based companies have a lower value for innovation.

About 50 to 70% of our business is in the USA and US companies have a much more bullish spirit in terms of doing new things and in trying to find the next big thing. And that doesn't happen to the same extent in UK companies and also in Continental Europe ones to a large degree. And while we have work in Continental Europe, often...[it's] with an international company whose culture isn't necessarily European.

Of Firm 6's European clients, many are large multinational firms whose culture is more global or multicultural than of a particularly European mindset.

Firm 6's networks have breadth across sectors and geographic regions. They are able to pass the benefits of a wide reaching network along to their clients. Despite their small size in the UK, they are able to bridge America and Europe and interact with their clients' internationally located teams effectively. This breadth

also helps them encounter new clients. Both Firms 6 and 7 have staff from various countries, which is attributed to the international nature of Cambridge.

Firm 7, also involved in R&D consultancy, notes that the founders' prior networks and past experience in consultancy facilitated understanding of their target clients' profiles, enabling the firm to internationalise quickly. Firm 7 has 80% of their clients coming from the USA and Europe, again due to the higher demand for innovation there. Their principal clients are large companies and they have always proactively sought clients abroad.

Firms 8 and 9, both market specific consultancies, benefitted from having founders that were Chinese nationals. As natives, they are well placed for understanding the culture. Also, Chinese language skills are integral part of their business model. Taken together, this gave them strong personal and business networks in China where they began their internationalisation process. In China, due to its culture, such networks' significance must be stressed, as they are the basis for doing business in China. The time to establish these relationships is usually quite lengthy; therefore, to have established networks is a strong advantage to the firm's internationalisation process.

The owner/founder of Firm 8 uses his social networks as opportunities to promote his firm and get in contact with new clients. He has found it to be a fruitful way to have initial contact with his target clients. Firm 9 also uses its networks to find new local partners. These links with local partners are an integral part of its internationalisation process since the firm needs to gain information locally at the relevant location of their international market. Specifically Firm 9 uses its local partners to find associates in China that they can use for subcontracting work. For Firm 9, in order to keep these links with local partners strong and healthy, the owner makes frequent trips, every six to eight weeks, to China to maintain relationships there.

The proactive internationalisation strategy of both Firms 8 and 9 is linked to the firm's speciality. Both firms' focus is on China and both firms' founders are

Chinese. They recognise China as significant on a global scale. The nature of business sector chosen obliges internationalisation.

The unifying factor across the seven firms is that they all had owner/founders with past international experience and established networks despite the variance in how the owner/founder received this past international experience. This international orientation positively influenced the owners' perception of internationalisation, resulting in all seven firms engaging in international activities from firm formation. The other two firms that did not have this international experience at formation were able to internationalise nonetheless due to the expertise brought to them through their networks.

(ii) Networks and Relationships

As highlighted above network relationships are often with the owner/founder, created from his/her past experience, international in reach, and with their links predate the firm's formation. Firms 1, 2, 5, 6, 7, 8 and 9 all have strong networks and relationships, which they value. Relationships are viewed as important, with firms investing time in them and having long-standing clients. Some firms' current clients are also their first clients. For example, Firm 1's longest running relationship is from 1998, the client that first prompted its internationalisation. Firm 2's strong network ties existed before the firm's formation; these networks were the driver for the owner/founder to start the firm and be born global (see Box 6.10 for more details). Firm 5 finds that in order to manage and maintain their client relationships internationally, they travel often to have face-to-face visits with clients. In between visits, they rely on technology (such as email, and video conferencing) in addition to the telephone to keep in touch. This behaviour was echoed by Firms 6, 8 and 9 as well.

Two firms, Firms 6 and 7, explicitly stated that relationships are valued over the project. Firm 6 has as its guiding principle to do what is right for the client and the relationship over the project, valuing the long-term view. This is in line with their company's culture and the ethical underpinnings that influence the work they agree to take on.

BOX 6-10 NETWORKING'S IMPACT ON INTERNATIONALISATION

Firm 2 has strong, established organisational and personal networks. They reside with the owner/founder even before firm formation. In fact it is precisely because of these networks that the firm was created and had an international outlook from formation. The owner/founder had worked in large corporations and these ties were the basis upon which he could establish the firm. Due to these personal connections with the right people in multinational corporations, the firm's founder was able to move the work with him and continue his focus on HR issues. After five years in business, these networks are still responsible for 80% of its business. The firm's clients are mostly international (80%) and the vast majority (90%) of its business comes from networks and networking.

Firm 7 explains how the nature of development work is such that the price is difficult to fix at the onset of a project, which is sometimes difficult for new clients to understand. This contributes to why longstanding clients are preferred and relationships are invested in as it makes the working environment simpler and more efficient. Moreover, these relationships are strongly valued. The interviewee of Firm 7 explained how the firm values the relationship over the project.

But we actually put quite a lot of working into solving the problem, figuring out what caused the problem, sorting it out. You know, not charging the client until we got to the point where we resolved it and agreed that [in this case] it wasn't actually our fault and therefore he paid us for that time. And that's how those relationships work. Your better clients are the ones that are experienced and know that product development is risky...You can't always expect things to work perfectly but you can expect that people are always going to try and do their best possible job.

Having a good reputation and long-standing clients can be seen as mutually reinforcing. The international orientation of the owner/ founder was instrumental in establishing many of these networks and client relationships. There is an interaction and reinforcing nature among these critical success factors.

(iii) Niche Market Specialisation

The third key factor in internationalisation is the firm's niche market specialisation, highlighted by Firms 1, 2, 3, 4, 6 and 7. These firms cite either their skills specialisation, i.e. their technical expertise, for which clients seek them out (Firms 1, 3, 4, 6 and 7) or their strategic market selection which gives them access to markets in which they are in demand (Firms 2, 4, and 6).

For example, Firm 1's self-professed leading critical success factor is their specialisation in IT customised systems and their franchising work. This service specialisation as a CSF is also true for Firm 3 whose specialisation is on economic analysis using sophisticated computer software. Firm 3's International Division Head explained, "People come to us rather than the other way around. In that what we do is...niche area of work. Not many people do this kind of work. And even less do it well."

Firm 2's niche market specialisation lies in its preferred internationalisation strategy of subcontracting with large MNEs, who find the clients and establish the contract. It has a very clear vision of how and with whom it prefers to work. Subcontracting work accounts for approximately 80% of Firm 2's work, greatly increasing its efficiency.

Similar to Firm 2, are Firms 4 and 6 who have clearly identified their target markets and clients as well as having highly technical skills specialisation. Both firms have clear ethical underpinnings that guide the types of work they undertake. The firms' business models help this flexibility as they take on external resources for various projects. In terms of flexibility, Firm 7 has a different perspective, preferring to keep skilled staff in house. Firm 7 reinforces the link between firm specialisation and the necessity for skilled staff to provide their specialised service. Firm 7's staff members have both deep, technical knowledge and client facing skills that allow them to provide their services as product design consultants.

Firm 4's business strategy is to keep the firm size deliberately small in order to keep their overhead low and retain their flexibility. Therefore, the staff they do take on are chosen carefully: they are all highly skilled, experienced professionals with established and extensive networks.

(iv) Firm Reputation

The fourth critical success factor cited by Firms 3, 4, 5, 6, 7, and 8, is firm reputation. These six firms, in part because of their good reputation, have clients seeking them out. Technical expertise helped some firms build their reputation and client trust (Firms 3 and 7). For other firms (Firm 4), their good reputation assisted them in getting new clients. Managing client expectations was cited by Firms 5, 6 and 8 as being necessary to ensure a good working relationship. This attention was particularly acute with new clients in order to ensure clear communication on the specifics of the contract.

Firm 3's work is cutting edge, with a high technical expertise, yielding quality work. They offer such a specialised service that clients seek them out, although they are not always able to provide their service due to data limitations. The firm's reputation and even its location in Cambridge inspire trust and quality.

Firm 7 also felt their reputation became stronger due to its specialisation, as clients see them as a market leader in the field of life sciences. Firm 7, when approached by clients is honest to what the firms' limitations are and tells them when the firm cannot undertake a certain piece of work, hopefully being able to refer the client to someone else. This honesty and directness with their clients has given them strong networks of people who are confident in their abilities to deliver the work they take on. This has facilitated work being referred to the firm by other clients as trust is high.

For Firm 4, the importance of building a good reputation is the role it will play in getting new clients. New client acquisition through word of mouth is important to them as they tend not to have repeat clients due to their service offering, which focuses on building new technology businesses. This is echoed by Firm 5 who also cited reputation and trust as paramount. The firm invests time in maintaining its good reputation and trust with clients; it is aware that this could be lost by only one email.

The overall response is that our reputation is absolutely critical...If we were ever to be seen to be in breach of a confidentiality agreement, we

could probably pretty much close our doors and go home. Because that would just kill us...everything that we do is dependent on it.

The firm's reputation and trust are built on a client-by-client basis. The firm has customer loyalty. Firm 5 explained how the firm strives to always maintain the utmost professionalism and be seen as providing value. Firm 6 echoes the same sentiment, explaining how the firm's guiding principal is to do what is right for the client and the relationship. Firm 8 also values its clients loyalty and preserving the firm's reputation. In order to keep its good ties and remain in good standing with its network partners it has made decisions in the past that have resulted in less immediate profits but have maintained their strong relationships. These values may be linked to the founder's nationality, being Chinese where a long term orientation and aversion to losing face are important aspects of the firm's reputation.

(v) Location

Firms 3, 6, 7 listed their location in Cambridge as one of their factors to successful internationalisation. They attribute this to the well-known reputation of Cambridge as people ascribe quality, intellectual capability and trust to this established university town.

Firm 3's network ties have university links, which makes the firm's success even more closely linked to its location. Firm 6 cites an additional advantage of Cambridge as a high profile location; it facilitates finding talented, internationally orientated employees.

The Director of Firm 6 explains,

One of our strengths is being based in Cambridge. And Cambridge attracts very smart people from all around the world and they tend to have very diverse set of backgrounds. So we have a Jordanian, a lady whose Chinese, another whose background is from India. And that cultural diversity helps us particularly for things like consumer assignments where you are trying to reach to a global consumer and you have to understand that range of values and behaviours that the world brings. That diversity I think has been something that we've partly looked for and partly something we've been fortunate that Cambridge attracts it. I think it's one of the reasons that [company name] is based here.

Firm 7 concurs that the international aspect of Cambridge facilitates hiring as strong talent is drawn to the area. An additional benefit is this diversity of staff helps to increase the firm's global perspective.

(vi) Change in Service Provision

Firms 1, 2 and 3, had a change in their service provision that they found critical to their international success. Firm 1's change was substantial. Firm 1 first internationalised as a reaction to a client's demand. Since that first experience, the services the firm provides have changed. They have moved from their specialisation in IT customised systems, embedding it as the foundation for their franchising work. The company spun out another firm to provide a new franchising service internationally. The intention is for the original company to continue to serve the existing clients, without an active growth strategy, and to focus on growing the new spin-out company. The IT work now provides more support for custom CRM (Customer Relationship Management) systems. Before it was more IT infrastructure project management, which also requires customised client services. This shift has been slow, over many years and has now come full circle with the firm spinning out a new firm to provide the franchising service whilst it returns to its IT specialisation.

Firm 3 also began with only domestic clients and it took seven years before their first international experience. That endeavour allowed them to operation in European markets, something they did comfortably from 1990 until approximately 2008. Since then they have been working to expand their software to have a global coverage. At the time of the interview, the firm was beginning to have its first clients due to this change. However, the staff dealing with this enlargement was the same three person staff that was working for the European markets. Despite this upswing and increase in workload (and subsequent shortening of deadlines), the firm has not yet been able to compensate by hiring new staff. It has had to increase the pace that it works at. This increase of work was exacerbated by an increase in distance (and subsequently time) needed to travel to clients.

Firm 2's service modification was subtler and went from providing services mainly through subcontracting with large MNEs to providing more to clients directly without the intermediary. This adaptation has required a slight broadening of the mostly human resource services it offers. It has resulted in the firm seeing an increase in its clients and has given the firm additional flexibility recently.

Only three firms out of nine undertook modifications to their service provision. This could be better understood by looking at the specificities of the management consultancy firms' service provision. Their service offerings are heterogeneous and generated for each client based on their specifications as opposed to a generic service or any location-specific adjustments.

For most of these firms, internationalisation is their main strategic focus (Firms 2, 4, 5, 6, 7 8 and 9). Since their work is highly client customised, there is no real modification of service for international clients necessary. Rather, service provision may vary by the type of client, for example coming from the private sector or government, or the work they want done.

The role of spin-out firms has also affected the firm's service provision as experienced by Firms 1, 4 and 5. The decision of the owner of Firm 1 to spin out its franchising operations to a new firm had implications on Firm 1's strategy. It is the reason why the firm is not seeking to grow due to stretched resources.

Firm 4 was involved in setting up a spin-out firm focused on Indian high tech companies' internationalisation at the time of the interview; therefore it was too soon to receive feedback on the implication of this spin-out firm on Firm 4's own service provision and internationalisation process. Firm 5 also had experience with spin-outs as part of its growth pattern. Early on in its formation, five separate entity companies were born out of Firm 5, each one supporting a different new technology. This took technology and staff with it, slowing Firm 5's own growth though the firm did not lose sight of its specialisation.

Not only have some of these firms created spin-outs during the modification and realignment of their service provisions, some could be considered spin-outs themselves. Firms 2, 4, 5, 6, and 7 all had owner/founders with an international orientation and past work experience in the field that allowed these firms to have an international outlook from their inception. The way that they were founded resembles a spin-out firm as they contain previous experiential knowledge that is intertwined with how and why the firm was created.

Looking at service provision modification holistically, the results of these findings question the relevance of discussion of internationalisation for SME management consultancy firms. This suggests that for knowledge-intensive firms their service provision may be so client customised that adjustments for internationalisation are impossible to separate from its client customisation.

(vii) Role of Technology

Other firms (Firms 3 and 4) had their decision to internationalise facilitated by improvements in technology. Both firms rely heavily on technology in order to provide their service provision, with Firm 3 using computational assessment methods and Firm 4 assisting firms that are developing new technologies.

As the interviewee with Firm 3 explains the firm was founded in the early 1980's with a focus on computational analysis. Today, due to technological advances it takes significantly less time to undertake the analysis. The timing of the firm's first internationalisation, undertaken in 1990, coincides with when technological improvements began to rapidly improve. These technological advancements allowed the firm to increase the speed of its analysis and in turn have the spare capacity to begin looking at international markets.

Firm 4 focuses on building new technology businesses. Not only have technological advances motivated the firm to internationalise, they are the motivation for the firm's creation.

Firm 4's founder explains the firm's founding principles,

We were only interested in supporting businesses that have global reach. And our basic premise was, even in 1997, with the Internet and digital environment; barriers across the world had come down...So virtually everything that we've done, all the companies we've been involved in, have essentially had access to global markets. So the only question is the order in which, the way in which you engage in these local environments.

The firm is a born global firm, meaning it has actively sought international markets since firm inception, making the firm's existence and its motivation to internationalise inseparable.

6.5 Summary

When the firms are clustered by size, dividing them into five micro-sized firms (Firms 1, 2, 4, 8 and 9) and four small-sized firms (Firms 3, 5, 6 and 7) we see differences in the challenges they faced and the critical success factors they found most relevant for their internationalisation process (see Tables 6.2 and 6.3).

The challenges to internationalisation, when listed by highest frequency for the micro-sized firms, were the financial crisis followed by currency risks, IP protection and bureaucracy. Both of these are rooted in the external environment and are outside of the firms' control. The small-sized firms listed finding skilled staff and associates as their most frequent challenge to internationalisation, followed by a limited speed of growth.

The most frequent critical success factor to internationalisation overall was the significance of the role of the owner/founder and their networks and relationships. However, when looking at only the small-sized firms, their top critical success factor was firm reputation, cited by all four small-sized firms, whereas the role of the owner founder was ranked second as the top CSF tied with firm location, niche market specialisation and networks and relationships. Micro-sized firms' top ranking CSF was tied between international orientation of the owner/founder and networks and relationships. Interestingly, no micro-sized firms cited location as a common success factor and no small-size firm cited change in their service provision. Taken together, the foregoing analysis offers helpful insights on

successful internationalisation among small to medium-sized management consultancies, highlighting the importance of firm characteristics and internal competencies and most specifically, the owner/founder and their network relationships.

6.6 Conclusion

This chapter has presented the case study analysis, both in turn for each of the nine cases and as a cross case analysis to shed light on how small and medium-sized management consultancy firms internationalise. It has underscored the emerging themes and insights on the challenges faced by small and medium-sized management consultancy firms and their critical success factors to the internationalisation process. The most pressing challenges to internationalisation for these firms' varied, depending on their firm size. The recent financial crisis posed a real threat to the micro-sized firms in the study, whereas finding skilled staff and associates was the concern most frequently voiced by the small-sized firms. The top critical success factors for internationalisation of small and medium-sized management consultancy firms underscore the importance of the role of the owner/founder, networks and relationships, niche market specialisation and firm reputation at the various stages of internationalisation. Other critical success factors include firm location, change in service provision and the role of technology facilitating the internationalisation process. Chapter 7 discusses these findings' significance in regards to the known literature and the conceptual implications for small to medium-sized management consultancy firms.

7. Chapter 7 Discussion of the Findings

7.1 Introduction

The focus of this research has been on how SME management consultancy firms internationalise, with particular emphasis on the firm's challenges and critical success factors associated with this process. The main findings from the empirical data have focused on the firm's characteristics and internal competencies. More specifically, the main challenges to internationalisation were found rooted in the external environment, in dealing with the financial crisis, and the ability to find skilled staff, which is part of the firm's internal competencies. Other challenges were due to currency risks, IP protection and bureaucracy, and communication with clients. The relevance of the owner/founder having an international orientation with past experience, and established networks were the two most significant critical success factors. Other critical internationalisation success factors include niche market specialisation, firm reputation, the firm's location, a change in their service provision and the role of technology.

This chapter is structured as follows: the challenges that firms faced when internationalising are discussed first (section 7.2), followed by their critical success factors in the internationalisation process (section 7.3). The links to relevant literature streams are drawn for each finding (see Table 7.1 for summary). In section four, the findings are then related back to the conceptual framework and theoretical implications highlighted. The limitations of the research are highlighted in section five. The final section addresses the study's conclusions for the internationalisation of SME management consultancies.

7.2 Challenges to Internationalisation

The most pressing challenges encountered by SME management consultancy firms' in the process of internationalisation came from the external environment and the firm's internal competencies. The top challenge, from the external environment, was in the form of the recent financial crisis. The second, from the firm's internal competencies, was the challenge of being able to find skilled staff

and plan future growth. Other firms had problems with currency risks, IP protection and bureaucratic procedures and communication difficulties with clients. These are discussed subsequently in turn. Table 7.1 links the identified barriers that came out from the analysis of the nine case studies to their conceptual underpinnings, drawn from the SME internationalisation literature (Leonidou, 2004, OECD-APEC, 2008).

TABLE 7-1 LINKING BARRIERS TO ACADEMIC LITERATURE

Barrier/ Challenge	Conceptual Links to Literature
Financial crisis	Poor/ deteriorating economic conditions abroad as an external procedural barrier (Leonidou, 2004).
Finding skilled staff or associates	Inadequate/untrained personnel for exporting as an internal, functional barrier (Leonidou, 2004); Inadequate quantity of and/or untrained personnel for internationalisation, classified as a capability barrier (OECD-APEC, 2008).
Currency risks, IP protection and bureaucracy	Political instability in foreign markets, strict foreign rules and regulations, and high tariff barriers as external political-legal environmental barriers (Leonidou, 2004); Business environment barriers addressing foreign currency exchange risks, strict foreign rules and regulations and inadequate property rights protection (including intellectual property) (OECD-APEC, 2008).
Communication with clients	Informational internal barriers dealing with the inability to contact overseas customers (Leonidou, 2004); Inability to contact potential overseas customers as an internal informational barrier (OECD-APEC, 2008).

The SME internationalisation literature was used to situate and understand the themes that came out as the most prevalent barriers or challenges to SME management consultancy firms. Similar existing frameworks are lacking specifically for the SME service sector reinforcing their under-researched nature.

7.2.1 Financial Crisis

The financial crisis was found to negatively affect firms' ability to internationalise (Firms 1, 2, 4, 8 and 9). This challenge is categorised within the broader category of the external environment and is a factor that no firm has control over. According to Leonidou's (2004) classification, the financial crisis is defined as poor/deteriorating economic conditions abroad listed an external procedural barrier to internationalisation. Typically, one of the advantages of internationalisation is the potential availability of multiple and diverse international markets. However, on this occasion it did not help firms avoid the

credit crunch of 2007-2008. This is because of the strong impact of the crisis in key global markets, particularly in the USA and Europe (Whalen, 2008). As Dahringer (1991) points out, domestic difficulties can become even more problematic internationally.

However, international managers who are able to overcome these difficulties provide their firm with a competitive edge. This dichotomy was seen in the firms' reaction to the financial crisis. Firms that were doing well internationally before the financial crisis were able to take the downturn in their stride. Indeed, they reported being busier than ever (Firms 3, 5, 6, and 7). These firms were all small-sized firms or the larger sized firms in this research sample. Firms that were already on a less solid footing prior to the financial downturn reported even greater difficulties after the credit crunch (Firms 1, 2, 8, and 9, all micro-sized firms).

An exception to this pattern is Firm 4, a micro-sized firm. Despite having reported difficulties in its ability to invest in new technology firms, due to the financial crisis making access to capital more difficult, the firm is doing well. It is able to continue its pattern of keeping 20% of its profits and reinvesting the rest in the firm and has recently been involved in creation of a new partner firm in India. The firm's profits are particularly impressive given the economic climate. However, it is outside the scope of this research to discern whether the observed upswing of work experienced by small-sized firms due to the financial crisis was a result of an overall increase in demand for their types of services, or if they are taking on work previously undertaken by large firms, as was the case of SME growth in the late 1970's to early 1980's in the UK business service field (Keeble et al., 1992).

As a response to the financial crisis, one firm (Firm 1) would like to lower its prices to remain competitive but has been unable to do so due to the difficulty of reducing the expenses needed to generate the service. The firm's ability to lower its prices to meet competitors' prices is a recognised challenge to SME internationalisation (Leonidou, 2004). In the instance of internationalised management consultancies; however, this difficulty may be due to the knowledge-

based nature of the firm's service provision rather than internationalisation specificity. This firm (Firm 1) has been challenged by how to best respond to the financial crisis in terms of its own strategic positioning. It is worth recalling that this firm was also the only one to internationalise as a reaction to a client's demand. Therefore, this firm may be more prone to seeing challenges to internationalisation due to its reactive nature as opposed to the eight other firms that pursued a proactive internationalisation process and have not found their prices to be problematic to their competitiveness.

7.2.2 Finding Skilled Staff or Associates

The challenge to find skilled staff or associates was felt by Firms 2, 3, 5, 6, and 7. For the small-sized firms (Firms 3, 5, 6 and 7) in the sample, this was their most pressing challenge. SME literature underscores the ability to find skilled staff as a challenge to SME internationalisation, listed as a capability barrier (OECD-APEC, 2008) or an internal functional barrier of inadequate/ untrained personnel (Leonidou, 2004). The importance of skilled staff is highlighted in the SME internationalisation (Lloyd-Reason and Mughan, 2003), service (Knight, 1999) and SME service internationalisation literature (Coviello and Martin, 1999). Firm 7 clearly states in their job requirements that being able to work as part of a team and relate to clients is as important as the technical requirements.

The challenge of being able to find skilled staff is not an uncommon challenge for internationalised service SMEs. Hutchinson et al. (2009), in their work on retail SMEs, found a lack of resources, a category in which finding skilled staff would fall under, as one of the top six internal barriers hindering their internationalisation. This problem becomes more acute as the firm wishes to grow, in this case by expanding its international reach. Moreover, most of these same firms (Firms 3, 5, 6 and 7) cited increased demand for their services during the financial downturn to the point that they having difficulty keeping up with the demand.

For Firms 3 and 5, their challenge of new staff is not only finding skilled staff to hire but also the amount of time it takes to train new staff. As the process is a

lengthy and costly one, the firms' speed of growth is limited. This limitation of services was highlighted by Roberts (1999) on the constraints of internationalisation due to the human factor, in particular the human capital and information intensiveness.

Linked to this difficulty of finding skilled staff is that of retaining staff members. One firm (Firm 6) was experiencing the problem of staff retention and development, including at the level of senior management during the time of interview. This challenge if unaddressed over the long term could affect the firm's own stability. Firm 6's owner has hinted that he is beginning to consider his own retirement; however he is reluctant as there has been lack of continuity in the firm's senior management. SME literature in general has well documented the difficulties in ownership transitions when the founder/owner is looking to retire. Bruce and Picard (2006) highlight the difficulties in SME succession, often due to the retirement of the owner/founder, with unsuccessful transitions due to a lack of time and planning.

Related to having challenges in finding new staff is the challenge of being able to plan future work. Due to the nature of their service, management consultancy firms often have a short lead-time for their clients (Dahringer, 1991). Firm 6 confirms this, citing the ability to plan future work a challenge since client flow is irregular. The uncertainty of future work has an effect on the firm's growth strategy, making decisions regarding expansion difficult. Networks relationships have helped lessen this challenge, particularly in terms of finding skilled associates to help pick up the excess workflow in the short term. This underscores the importance of networks helping firms overcome shortcomings in their own resources and abilities (Coviello and Munro, 1995, Chetty and Campbell-Hunt, 2003). Firm 2 also uses its networks to overcome the difficulty of finding qualified associates with mixed results. However, for them, it is a challenge that continues to reoccur for the firm.

7.2.3 Currency Risks, Payments, IP Protection and Bureaucratic Procedures

Firms 1, 2, 3 and 4 had challenges with currency risks, IP protection and bureaucratic procedures. This confirms findings from the SME internationalisation (Leonidou 2004) and SME service internationalisation literature (Hutchinson et al 2009). Leonidou (2004) classifies currency risks, IP protection and bureaucratic procedures as external environmental barriers, dealing with a country's economic, political-legal and sociocultural aspects that are outside the firms' control. The OECD-APEC (2008) similarly classifies these issues as business environment barriers addressing foreign currency exchange risks, strict foreign rules and regulations and inadequate property rights protection (including intellectual property). The decision of the small to medium-sized management consultancy firms in this study to internationalise means they need to factor in these external elements as part of the business environment for certain countries.

7.2.4 Communication with Clients

Challenges when communicating with clients are a recognised barrier in internationalisation with Leonidou (2004) and the OECD-APEC (2008) giving the same classification, the inability to contact overseas customers, as an informational internal barrier. However, this definition is limited as the challenges found from the empirical data extend beyond contacting clients (perhaps facilitated by recent ICT improvements) to the quality of communication.

Two firms (7 and 8) experienced difficulties when communicating with clients, citing this as being a significant challenge to their internationalisation process. These difficulties occurred due to miscommunication and differing expectations. This confirms Dahringer's (1991) barriers for service firms being linked to their unique service features, specifically in this case the aspect of inseparability, that the client is involved in the production of the service, and heterogeneity, that standardisation and quality control are often difficult to achieve.

Firm 7 experienced problems with clients' misperceptions. For them, the misunderstanding was conveying accurately to the client how they work, particularly in dealing with the uncertainty involved with research and development. It underscores the necessity for firms to take sufficient time with clients and continually discuss expectations and deliverables in order to provide their service since client input is a necessity.

Firm 8's miscommunications came from using intermediaries in China to help it find new clients. These intermediaries were promising services (and sometimes collecting an advanced fee) without conveying the full information back to Firm 8. The distance between the firm and its clients is what drove Firm 8 to use intermediaries; however with technology becoming more accessible this need is decreasing. To overcome such difficulties, advances in ICT facilitate communication to a point. However, face-to-face meetings are also necessary, particularly at the beginning of the contract and the delivery stage. This confirms work by Roberts (1999) on the necessity for service firms clear communication with clients. It also brings up issues of trust and ethical behaviour when dealing with intermediaries.

In sum, the recent financial crisis was the most frequently cited challenge to internationalisation. This was cited by all the micro-sized firms in the research (and none of the small-sized firms), highlighting the specificity of this problem to firms who are the most resource poor and thus the hardest hit by such environmental challenges. The other challenges encountered when internationalising: finding skilled staff and miscommunications with clients are known challenges to service firms internationalisation (Dahringer, 1991 and Roberts, 1999). Another challenge to internationalisation, currency risks, IP protection and bureaucratic procedures is also linked to the external environment and a known challenge to SME and service firms (Leonidou, 2004, OECD-APEC, 2008, Hutchinson et al., 2009).

7.3 Critical Success Factors

The role of the owner founder, with his/her international orientation and past experience, and networks and relationships were found to be the most significant critical success factors to SME management consultancy firms' internationalisation process. Other critical success factors include niche market specialisation, firm reputation, the firm's location, change of the service provision and the role of technology. It is important to be able to situate these CSFs to the relevant literature streams. Table 7.2 links the identified critical success factors found from this empirical research to their conceptual underpinnings, drawn from the SME service internationalisation and SME internationalisation literature. Each factor and its link to the literature are discussed in turn.

TABLE 7-2 LINKING CRITICAL SUCCESS FACTORS TO ACADEMIC LITERATURE

Critical Success Factors	Conceptual Links to Literature
International orientation of the owner/founder	International orientation of decision-maker (Lloyd-Reason and Mughan, 2002); International orientation comprised of extent of travel, time lived, studies and employment abroad (Manolova et al., 2002); Owner/manager driver of internationalisation with vision, experience and know-how (Hutchinson et al. 2005); International orientation, management's international experience and management's education/experience necessary for internationalisation (Ibeh and Wheeler, 2005); Entrepreneur's (founders/manager's) characteristics i.e. human capital (international business skills, international orientation, environmental perception and management know-how) and social capital facilitate internationalisation (Ruzzier et al 2006); Characteristics of entrepreneur/ founder influential on decision to internationalise (Hutchinson et al. 2007).
Networks and relationships	Role of informal contacts (Bryson et al., 1993); Networks at firm creation (Bjorkman and Kock, 1997); Formal and informal contacts offer market contacts, access, and support (Coviello et al. 1998); Networks find new clients and facilitate links with local partners (Ibeh and Wheeler, 2005).
Niche market	Niche markets, long-term relationships and firm reputation are linked (Keegan et al. 1992, Dalgic and Leeuw, 1994). International market selection based on niche markets (Bell 1995); Incentive for internationalising comes from possession of marketing competitive advantage like niche market specialisation (Leonidou et al. 2007)
Firm reputation	Importance of professional reputation at firm creation and for growth (Bryson et al. 1993); Firm's reputation as instrumental in shaping responses from clients and competitors (Teece et al. 1997); Relationship between service firm's reputation and performance (Greenwood et al. 2005)
Location	Location as one of the three forms of advantages when internationalising (Dunning, 1988, Ruzzier et al. 2006).
Change in service provision	Responsive to clients (Dunning, 1989, Johnston, 1995); Understanding of their needs (Caniëls and Romijn, 2005).
Improvement in technology	Improvements in ICT facilitate internationalisation (Ascher, 1993); ICT increases service firms' competitive advantage (Bagchi-Sen and Kuechler, 2000); ICT offers new entry mode possibilities through virtual offices (Moen et al. 2004); ICT increases awareness of international economic opportunities (Ruzzier et al., 2006).

7.3.1 International Orientation of the Owner/Founder

The owner/founder has been found to play a pivotal role in the internationalisation process in SME internationalisation literature (Lloyd-Reason and Mughan, 2002, Manolova et al., 2002, Ibeh and Wheeler, 2005, Knowles et al., 2006); service

literature (Javalgi et al., 2003) and SME service literature (Hutchinson et al., 2005, Ruzzier et al., 2006, Hutchinson et al., 2007). However, definitions of international orientation vary. Some are narrowly defined as the extent of travel, time lived, studies and employment abroad (Manolova et al., 2002); whilst others have a broader view of these competencies seeing the owner/manager as the driver of the internationalisation process using his/her vision, experience and know-how of management to influence the direction, speed and strategy of internationalisation (Hutchinson et al., 2005); and their characteristics having an impact on company ownership structure and the decision to internationalise (Hutchinson et al., 2007). Ibeh and Wheeler (2005) see international orientation as part of a grouping of managerial resources, along with their international experience and their education/experience needed for internationalisation. Ruzzier et al. (2006) take a similar stance including the entrepreneur's (founders/manager's) characteristics in two parts: human capital including international business skills, international orientation, environmental perception and management know-how, and social capital, both which influence the internationalisation process.

Overall empirical findings (for seven firms out of the nine or Firms 2, 4, 5, 8, 6, 7, and 9) confirm the importance of the role of the owner/founder in the internationalisation process. This confirms the findings of Manolova et al. (2002) who found the owner/founder's skills and positive perception of internationalisation make the experience less uncertain. The owner/ founder's past international experience was found to facilitate the decision to begin the internationalisation process. In fact, all nine firms have founders with past international experience in the field and they brought this experience and the networks gained during that time with them as the basis for the start-up.

Firms 2, 4, 5, 6, 7, 8 and 9 were involved in international activities from firm creation. All of these firms internationalised by exporting consultants, confirming O'Farrell et al.'s (1998) premise that small to medium-sized business services are able to operate internationally without the need to maintain offices abroad. Only one firm (Firm 8) in this sample has an office abroad, maintained by its joint venture partners. This finding is contradictory to Vandermerwe and Chadwick's

(1989) findings that high-specificity firms like management consultancy firms tend to internationalise via an integrated entry mode of Foreign Direct Investment.

The international orientation of the owner/founder also implies understanding of foreign cultures. Overall, firms gain this understanding through experience (Edvardsson et al., 1993): from past experience working internationally (Knight, 1999, Cort et al., 2007), foreign language skills (Knowles et al., 2006), travel to the country and insight gained from a multicultural staff. Specifically firms in this study highlight the importance of knowledge of the culture and customs, language skills and a general global outlook. This confirms research on the significance of the role owner/founder in understanding foreign cultures when internationalising (Lloyd-Reason and Mughan, 2002, Javalgi et al., 2003, Ruzzier et al., 2006).

It is noteworthy to add that Firms 8 and 9 are exceptional, having more than an understanding of the culture. The founders are both working with a specific market, China, of which they are natives; therefore they are well placed for interpreting the culture. Also, Chinese language skills are integral part of their business model as they are dealing with Chinese clients on a daily basis. Their ability to speak Chinese fluently helps them acquire clients who are looking for assistance for their business endeavours in the UK and may not be confident in expressing themselves in English.

There is growing research on the link between internationalisation and immigrant entrepreneurship. Spence et al. (2011), in their work on Canadian SMEs, found internationalised firm owners to be more experienced, growth-oriented, and they were disproportionately more likely to be owned by recent-immigrants than SMEs with a domestic orientation. While comparison between domestic and internationalised firms is outside the scope of this research, it did find two of the nine firms in this research (Firms 8 and 9) started by recent immigrants with an explicit born global strategy based on their national ties. More research is needed to better understand these ties.

The international orientation of the owner/founders allowed the firms to internationalise from inception (for seven out of the nine firms). This finding is surprising given the service internationalisation literature, which stresses the significance of client followership in internationalisation (Bell, 1995, Netland and Alfnes, 2007). This is not reinforced by the present study's evidence as only one management consultancy SME (Firm 1) highlighted client following to be a key motivating factor in its internationalisation process; this firm internationalised after being approached by a client in Canada.

Firms 2 to 9 in this empirical study, took a proactive approach to internationalisation, that is to say they did not wait for clients to pull them into international markets but decided to actively pursue clients located abroad. This offensive rather than defensive outlook reinforces the findings of Bell et al. (2003) that knowledge-intensive firms are proactive and structured in their approaches to internationalisation. Seven firms in this research (Firms 2, 4, 5, 6, 7, 8 and 9) took a proactive stance to internationalisation from firm formation. The decision of where to first internationalise, i.e. which countries (or rather clients), was largely influenced by the owner/founder's network. The owner/founders first international experiences were dictated by where they had network contacts or indirectly from leads received from their network.

Firm 1 was the exception, taking a reactive approach, as a response to a company through its network that explicitly asked them to become involved in international activities. Firm 3, though not a born global firm, was still proactive in its internationalisation process. It applied for a European Commission grant and won, an endeavour that involved the firm and European partners. Firm 2's personal networks facilitated its first international experience. Firms 4, 5, 6, and 7 quickly became international due to the location of their main clients abroad; this market knowledge was embedded in the owner/founder's prior experience in the field. Firms 8 and 9 both had personal and business networks in their native China that facilitated their internationalisation process. These networks serve not only as a motivational tool to internationalisation but also are significant to sustaining the firms' internationalisation process.

In addition to the past international experiences of the owner/founder, he/she also brings his/her past networks with them at firm creation. Networks were attributed to the owner/founder as part of the firm's success in internationalisation, particularly when the internationalisation process began and are discussed in further detail in the next section. These network links were due to the founder's prior internationalisation experience in the same or similar field and supplemented by others knowledgeable of international markets. These links were then built on as the firms grew and continued their international operations, helping to find new clients and facilitating links with local partners abroad and are discussed further in the subsequent section. While these networks can play a push/pull role in internationalisation (OECD, 2009), this empirical research has shown a strong tendency of proactive behaviour or push to internationalise.

7.3.2 Networks and Relationships

This empirical research underscored the importance of networks, with Firms 1, 2, 5, 6, 7, 8 and 9 listing it as a critical success factor. Their networks are comprised of formal and informal contacts (Bryson et al. 1993) that provide them with contacts, access, and support (Coviello et al. 1998). Specifically, networks were found to be utilised at various points in the firms' internationalisation process: at firm creation (Bjorkman and Kock, 1997), and to find new clients and to facilitate links with local partners (Ibeh and Wheeler, 2005).

Seven of the firms (Firms 2, 4, 5, 6, 7, 8 and 9) are born-global and have founders with past experience in the field. They brought this experience and the networks gained during that time with them as the basis for the start-up. This confirms Bryson et al.'s (1993) findings that "informal contacts and professional reputation derived from previous employment in large companies, the main incubators for small business service firms" (Bryson et al., 1993: 129). Moreover, Bagchi-Sen and Kuechler (2000)'s findings that networks are more important for gaining access to clients than formal channels such as advertising or marketing are also reinforced.

It was found that firms with a good reputation also had strong networks and long-standing, positive relationships with their clients (Firms 1, 5, 6, 7, 8 and 9),

confirming the work by O'Farrell et al. (1996). For management consultancy firms, it is difficult to have a long lead-time or outlook for future work; therefore strong relationships in the form of long-standing clients facilitate the firm's workload planning as it gives them a certain amount of planned work. Established clients also help the firm run more efficiently as the two are used to working together, making the period of establishing needs and wants greatly shortened and the likelihood of miscommunication reduced.

These firms demonstrate the applicability of both the Network Theory and the resource-based view, with emphasis on the value of networks in both theories. This confirms Westhead et al. (2001) findings on UK SMEs' motivation factors to export. They took a resource-based view on their research and found that businesses with older principal founders, more resources, denser information and contact networks, and experienced management know-how are significantly more likely to export. Mort and Weerawardena (2006) highlight the critical role of the owner/founder in network capacity building which in turn facilitates the rapid internationalisation of a born global firm (Mort and Weerawardena, 2006). This research confirms both their findings. These international networks and positive international attitude is why seven firms (Firms 2, 4, 5, 6, 7, 8 and 9) can be classified as born global firms; they have been involved in international activities from firm inception.

7.3.3 Niche Market Specialisation

A third key factor in internationalisation is a firm's niche market specialisation (Bell, 1995) with incentive for entering international markets coming from possession of a marketing competitive advantage like niche market specialisation (Leonidou et al., 2007). According to Bell (1995), small to medium-sized knowledge-intensive firms' (in this research, software firms) international market selection is driven by its niche market opportunities.

Niche market specialisation is defined for this research in a general sense, from its niche marketing origins as "meet[ing] customer needs through tailoring goods and services for small markets" (Stanton et al., 1991). Niche markets have also

benefitted from technological improvements since the 1990's, with an increased diversity of markets and possibilities for new marketing approaches (Dalgic and Leeuw, 1994).

In the research, six firms (1, 2, 3, 4, 6, and 7) cite their niche market specialisation as a critical success factor in their internationalisation process. Often it is their technical expertise, for which clients seek them out. The benefits of a niche market are also reinforced by the fact that these firms often have long-standing clients. These long-standing clients become part of the firms' networks. In the marketing literature, niche markets, long-term relationships and firm reputation are clustered conceptually yielding satisfied customers and sustainable long-term profit (Keegan et al. 1992, Dalgic and Leeuw, 1994).

7.3.4 Firm Reputation

The fourth critical success factor is firm reputation (Firms 3, 4, 5, 6, 7, and 8). This echoes the findings of Bryson et al. (1993) on the importance of a professional reputation at firm creation and for growth. Their good reputation makes these firms sought out by clients, facilitating their internationalisation process. This feeds into the work by Teece et al. (1997), who saw a firm's reputation as instrumental in shaping the responses from clients and competitors. Reputation is not only useful for finding clients. Greenwood et al. (2005) found in their research on professional service firms, that a clear relationship exists between firm reputation and performance. This also held true for the present study firms. Of the six firms to have listed a positive reputation, five firms (Firms 3, 4, 5, 6 and 7) have all reported strong performance at the time of interview. Firm 8 had experienced difficulties with the financial crisis but was being to see an upswing in the amount of their Chinese clients coming to the UK.

7.3.5 Location

The firm's location in Cambridge was another factor to successful internationalisation for Firms 3, 6, and 7. The SME management consultancies in this sample cited their firm's location in Cambridge as positively influencing and impressing clients abroad, giving them a competitive edge. They attribute this to

the well-known reputation of Cambridge as people ascribe quality, intellectual capability and trust to this established university town. In this sense, the location, along with the Cambridge brand, instantly increased the firm's credibility and reputation. This is in accordance to the FDI Theory, as part of Dunning's (1988) OLI Paradigm, which finds location to be one of the three forms of advantages when internationalising. A location's significance is expanded on by Ruzzier et al. (2006) as being "institutional and productive factors...when it is better to combine products manufactured in the home country with irremovable factors and intermediate products of another location" (Ruzzier et al., 2006:481). In the case of knowledge-intensive service firms, location is beneficial to the internationalisation process when the geographic location is able to increase confidence in the firm's abilities. In the case of this empirical research, this is due to geographic proximity to other reputable, competent sources specifically in Cambridge to the established academic community.

The town of Cambridge is unique due to its combination of academics and entrepreneurship, to the extent that a name was given to the occurrence, the Cambridge Phenomenon. This phenomenon has its underpinnings in the history of Cambridge as having a long-standing, strong academic reputation that has created an environment conducive to entrepreneurial and scientific undertakings. The timing of when the phenomenon began is debatable, whether it was in the 1960's when Cambridge Consultants was founded or during the period of 1981-1984, when Cambridgeshire experienced greater growth than in any other county of Britain (Keeble, 1989). Cambridge University, subscribing to the former explanation, hosted the fifty year anniversary of the Cambridge Phenomenon with a conference, "The Future Starts Here: The Cambridge Phenomenon 50th Anniversary Conference" on 5 October 2010. This event was in homage to Cambridge's uniqueness and its continued role in IT, the bioscience sector and the Cambridge cluster.

While analysing the ties between a location and its ability to foster entrepreneurship is outside the scope of this research, work in the area of clusters and innovations examines linkages between proximity to universities and increased entrepreneurial behaviour (see Cooke et al., 2007 for an extensive

exploration of this issue). The continued usage of the term Cambridge Phenomenon shows the importance of entrepreneurial activity, and at the heart of it the need for management consultancy activities, to this region.

7.3.6 Change in Service Provision

A change in service provision to better fit the market's needs was undertaken by two firms in the sample (Firms 1 and 2). The first firm's change was substantial, involving changing its specialisation and the types of clients it served as it readjusted its core activities. The second firm's modification was more subtle and consisted of a slight broadening of the services it offers. This fits in with the service firm's necessity to be responsive to clients (Dunning, 1989, Johnston, 1995), and understanding of their needs (Caniëls and Romijn, 2005).

7.3.7 Role of Technology

The final critical success factor for the internationalisation of the present study's firms was improvements in technology, specifically cited by Firms 3 and 4. This is in line with SME service sector literature, where proactive, internationalised firms ranked information technology as having an important impact on their service provision, with improvements in technology, communication and transportation as facilitating service sector internationalisation (Ascher, 1993), by increasing their competitive advantage (Bagchi-Sen and Kuechler, 2000) and creating a greater awareness of international economic opportunities (Ruzzier et al., 2006).

ICT helped the firms in this study communicate with their clients quickly, easily and inexpensively, overcoming the distance between them and facilitating the necessary client interaction needed for consulting. It also gave the firms inexpensive access to prospective international clients, by having a firm website and monitoring the site performance in search engine results.

Moen et al. (2004) make the link between the role of technology and networks. ICT offers new entry mode possibilities through virtual offices and a firm's networks determine which markets to enter. Of the nine firms, eight of them

(Firms 1, 2, 3, 4, 5, 6, 7 and 9) engage in this form of entry mode using technology to facilitate a virtual presence. This makes internationalisation possible from the firm's Internet connection in its office in the UK with travel abroad undertaken for face-to-face meetings with clients when necessary.

More than just being a means of communication and correspondence, the importance of technology for some firms in this study (Firms 3 and 4) had an even greater impact, as their service provision relies on modern technology and its continued development. Specifically Firm 3, whose service is performed using software analysis to undertake their forecasting, and Firm 4, whose central service is to help foster new technology firms, both firms would not exist let alone be able to sell their services internationally if not for recent technological improvements. For these firms, technological advances are essential; they are embedded in their day-to-day activities.

7.4 Application of Findings to the Conceptual Framework

The conceptual framework, highlighted in Chapter 4, is composed of six categories: firm characteristics, internal competencies, external environment, internationalisation strategy, service provision, and performance. These categories taken as a whole give a clear picture of the firm's internationalisation process. In analysis the case study findings, these thematic concepts referred back to and used for conceptual categorisation. Within this conceptual framework, the following associations and relationships were made. They have been discussed in detail in Chapter 4 and are reiterated here in order to better understand the modifications that have been made as a consequence of the research findings. One of the categories, firm characteristics, has housed within it a second category, internal competencies. These categories, taken together effect the type of service provision, shown as the third category in the diagram (Figure 4.2 on p. 81), the firm can provide. Firm characteristics also affect the internationalisation strategy, the fourth category listed. The external environment, the fifth category, influences the choice of internationalisation strategy and service provision. These two in turn then affect the sixth category, firm performance.

7.4.1 Revised Conceptual Framework

This research has been structured with emphasis placed on the dynamic nature of what was occurring within the firm prior to and during the course of internationalisation. Therefore, there is focus on the firm's characteristics, internal competencies and networks how they affected the internationalisation process over time, including barriers and challenges to the process and the critical success factors for SME management consultancies internationalisation.

The findings are discussed in turn categorically, addressing first the internal competencies and then firm characteristics. The next category is the external environment and its implications of the findings, followed by internationalisation strategy. Linkages are then discussed for the service provision category and the research's findings, concluding with the firm performance.

The findings confirm the importance placed on firm characteristics and internal competencies. The most frequently cited critical success factor, classified as an internal competency, is the international orientation of the owner/founder. The international orientation of the owner/founder positively affects the firm's internationalisation strategy and service provision. The impact of this understanding was that this international orientation gives the firm insight not only at foundation in establishing its niche role but also during internationalisation on how the firm may adjust its service. Even if the adjustments made are small, for example the amount of time the firm devotes to explaining its contracts, the firm can benefit on this past experience to best fulfil the needs of their international clients.

Technology, classified as a firm characteristic, plays an influential role in internationalisation strategy and service provision, with technological improvements providing occasion for positive influence and potential competitive advantage.

The role of the financial crisis was found to be the most frequently cited challenge for SME management consultancy firms at the time of interview. The firms

experiencing difficulties due to the crisis were micro-sized firms (Firms 1, 2, 4, 8, and 9), those that it did not negatively affect were small-sized firms (Firm 3, 5, 6 and 7). Moreover these small-sized firms were experiencing a higher than average demand for their services. The financial crisis is classified as an external environmental factor. It has strengthened successful firms, with them finding themselves busier than ever despite the financial downturn. Less successful firms had more difficulties in being able to secure future work and new clients. This underscores a clear firm size difference in regards to the financial crisis. Whereas Firms 8 and 9 have had to recently downsize their staff, Firm 7 has hired eight new staff members over the past year. The SME internationalisation literature is unclear on the effect of firm size on internationalisation performance (Zou and Stan, 1998); however this sample suggests that small-sized firms are able to respond to financial crisis with an increase in demand of their services where the micro-sized firms are suffering from a decrease in clients. This also suggests that firm size is an important antecedent, at least between micro- and small-sized firms, to performance in international markets.

The internationalisation strategy most commonly found was a proactive internationalisation strategy (eight of the nine firms in the research, all but Firm 1). Seven firms were born global firms; they had an international perspective from firm creation largely due to their strong firm characteristics and internal competencies combined with an external environment that was conducive to internationalisation. It must be noted that many of these qualities predate the firm's formation and either stem from, or are most influenced by, the owner/founder. In many of these cases, the owners/ founders were working at a larger firm in the field of management consultancy and decided to start their own business. This spin-off phenomenon led to firms being created that had skilled workers who were attuned to the business market needs with past experience of international markets. As SME internationalisation literature indicates (Nummela et al., 2004), the owner/founder's positive mindset towards internationalisation is imperative for a born global strategy.

The findings did not reveal much difference in the management of the customer relationship between international and domestic clients. Three firms (Firms 1, 2

and 3) undertook modifications to their service or service delivery due to their international activities. This seems to suggest that for SME management consultancy firms, the type of customised service they are providing to their clients have a truly international appeal. For most of the firms in the sample (Firms 2, 4, 5, 6, 7, 8 and 9), the majority of their clients and focus is located abroad not domestically; therefore, responding to the international market is the norm for them.

This research confirmed findings (Aaby and Slater, 1989, Bijmolt and Zwart, 1994, Styles and Ambler, 1994, Zou and Stan, 1998, Wheeler et al., 2008) that firms with management commitment, a clear strategy in place, and past experience abroad tend to perform well internationally. There was only one firm that exhibited different behaviour. This firm was not actively engaged in looking for new international clients (Firm 1). This firm was also the only firm out of the sample that had a reactive, as opposed to proactive, internationalisation process. Most firms in the empirical study took a proactive approach to their internationalisation process. These firms exhibited stronger internal competencies when they first internationalised and had an overall more positive perception of the process.

Although the recent financial crisis has hampered some firms performance recently (Firms 1, 2, 4, 8 and 9); only two firms (Firms 1 and 9) have real concerns of the downturn continuing and having more long-term affects. Firms' performance was also affected by their speed of growth. Firms 1, 3 and 5 feel limited in their speed of growth, with Firms 3 and 5 (both small-sized firms) linking this to their service provision. This means that six firms in this sample did not feel limited by their growth (Firms 2, 4, 6, 7, 8 and 9), when factoring out firms negatively affected by the financial crisis, this leaves Firms 6 and 7 (both small-sized firms) as the two firms out of the sample best placed in terms of recent growth. This finding suggests that firm size may matter. Smaller-sized firms in this sample were found to be more flexible and responsive to challenges in internationalisation over micro-sized firms.

7.4.2 Implications and Revisions to the Conceptual Framework

In light of these findings, the conceptual framework has been modified (see Figure 7.1). While the six categories remain the same, the challenges and critical success factors found for SME management consultancies' internationalisation process have been attributed to the appropriate category.

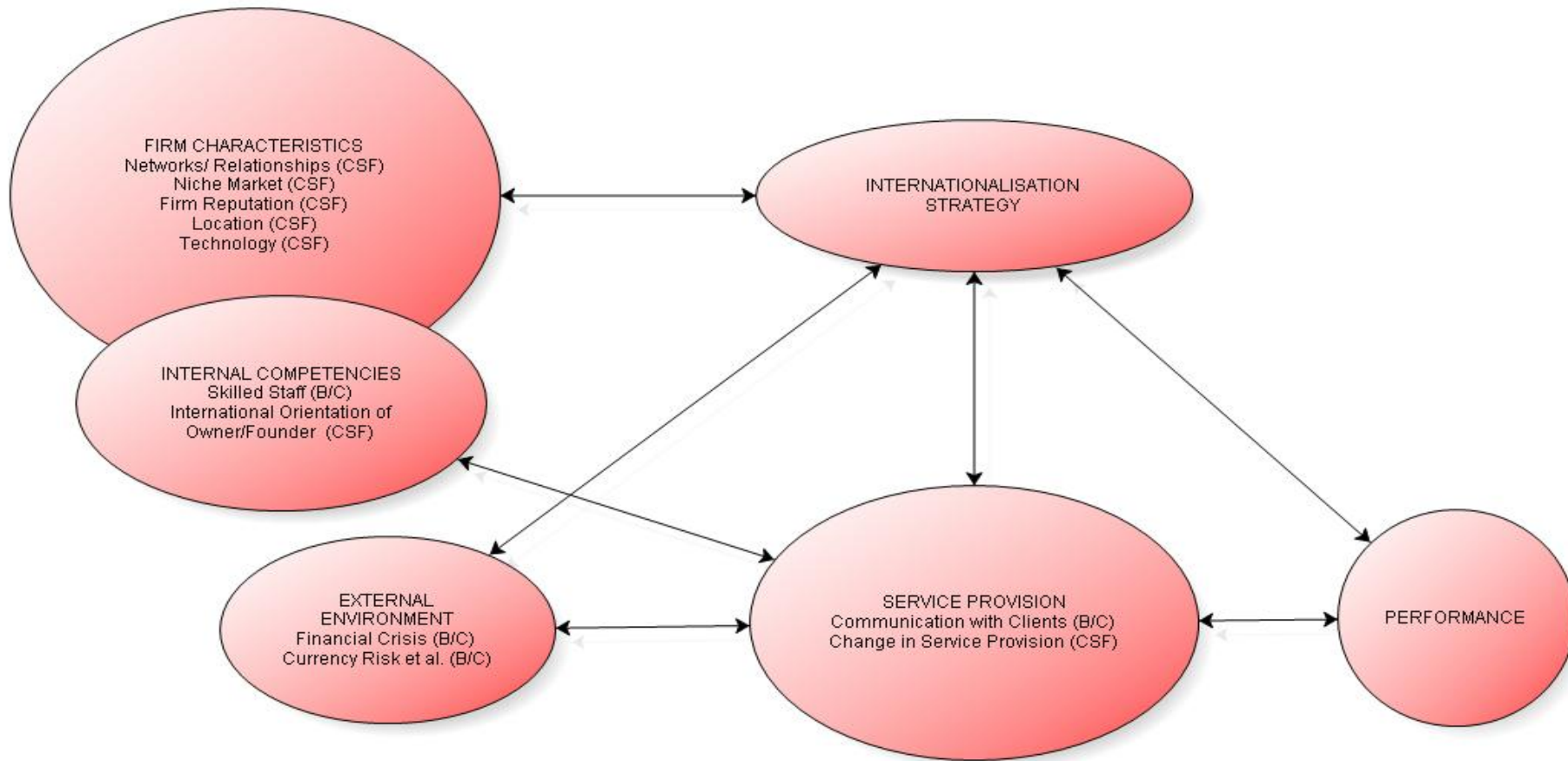
There were two main challenges that firms faced when internationalising: the recent financial crisis and the ability to find skilled staff. The financial crisis is a challenge to the firm coming from the external environment; it is outside the firm's control. However, firms that were able to overcome these difficulties experienced a competitive edge and increased their performance. This affected the firm's internationalisation strategy and service provision, which in turn has implications for performance. The ability to find skilled staff is part of the firm's internal competencies. This has implications on the firm's internationalisation growth strategy and future performance.

Two other challenges to internationalisation are currency risks, IP protection and bureaucratic procedures and communication with clients. Currency risks, IP protection and bureaucratic procedures are challenges stemming from the firm's external environment that negatively affect the firm's internationalisation strategy and service provision, which in turn affected performance. Communication with clients is related to the firm's service provision and when miscommunications occur, this can hinder the firm's performance.

Seven critical success factors were found for SME management consultancy firms' internationalisation process: the role of the owner/founder, networks and relationships, niche market specialisation, firm reputation, firm's location, a change in service provision and the role of technology.

The role of the owner/founder is a key part of the firm's internal competencies and driver of the internationalisation process. He/she influences the internationalisation strategy and service provision. The role of the owner/founder impacts and is linked to the second critical success factor, networks and

FIGURE 7-1 REVISED CONCEPTUAL FRAMEWORK



SOURCE: AUTHOR'S OWN; B/C= BARRIER/ CHALLENGE; CSF=CRITICAL SUCCESS FACTOR

relationships. This is classified as part of the firm's characteristics. Strong networks and relationships positively affect the service provision and internationalisation strategy and indirectly firm performance. The strength of the relationships, including the amount of long-standing clients attests to the firm's reputation and quality of work.

The third critical success factor is niche market specialisation. It is part of the firm's characteristics, affecting internationalisation strategy and performance. Another factor attributed to firm characteristics is a firm's reputation, the fourth critical success factor. It has an influence on service provision and internationalisation strategy which both affect performance. The fifth critical success factor also part of a firm's characteristics is the firm's location. This decision is one usually made before or at firm creation by the owner/founder. It has implications for the firm's internationalisation strategy, service provision and external environment.

The sixth critical success factor to SME management consultancies internationalisation was a change in service provision. This modification of the firm's service allowed it to adjust to the changing environment within which it found itself, hoping to improve its overall firm performance. A firm's ability to modify its service provision is also affected by the final CSF, the role of technology. It is considered part of the firm's characteristics, and plays a central role in the delivery of the firm's service provision and internationalisation strategy.

In summary, the main critical success factors for SME management consultancy firms' internationalisation lies within the firm's control, in their internal competencies and firm characteristics. The owner/founder's past experience has a great influence in these factors; however, as the firm grows, firm characteristics gain strength over internal competencies.

In sum, these findings when put within the main six categories are grouped as follows: firm characteristics contain networks and relationships, the role of niche market specialisation, firm reputation, firm location and technology. Internal

competencies include the role of the owner/founder and their international orientation, and the challenge of finding skilled staff. The internationalisation strategy shows the importance of a proactive strategy (coming from the influence of the owner/founder). The external environment is comprised of the challenge of the financial crisis and currency risks. Finally the service provision is challenged by client communication and has as a critical success factor changes in service provision.

7.5 Limitations

The limitations of the research's conclusions are acknowledged, namely the study's use of a small, non-representative sample and the limit to the generalisability of the study's findings. These limitations are linked to the chosen methodology: qualitative research with in-depth multiple case study research composed from a criterion-based sample.

Qualitative research was deemed as most appropriate in answering the research questions of how and why (Perry, 1998, Creswell, 2007, Saunders et al., 2007, Yin, 2009) as discussed in depth in Chapter 5. Purposeful sampling, specifically criterion sampling, is typically used for phenomenological research and generalisability is not an aim of qualitative research (Yin, 2009). It is the nature of case study research to reach theoretical conclusions not statistical representativeness. A maximum effort has been undertaken to ensure transparency and reliability of the case study data both in its collection and in its analysis.

The research findings are location-bound. The sample focused on one country, the United Kingdom. This is the second largest market for management consultancy firms worldwide, after the United States, (MCA, 2009). Therefore, the findings' context needs to be kept in mind. Moreover, the firms were all located in one region, the East of England. This location's significance is threefold; one is that many of the firms are located in or near Cambridge, a well-known university town. The second is the existence of the Cambridge Phenomenon; Cambridge has been specifically acknowledged for its clustering of

consulting, IT and bioscience firms. The third reason is due to Cambridge's proximity to London and its many transportation options. This location was useful to achieve the research sample criteria; however firms located in other regions may have variations in their internationalisation process.

The firm's sector and size specificities must also be kept in mind. The firms in the sample were micro and small-sized management consultancy firms. Whilst there was homogeneity in some of the findings, such as the critical success factors of the owner/founder having an international orientation and the importance of networks; others like challenges to internationalisation saw a firm size differentiation. Therefore these findings are clearly addressed to micro and small-sized firms. As there were no medium-sized firms in the sample, it is not possible to assume their behaviour is similar.

The study's central tenet is focused on understanding the internationalisation process of small to medium-sized management consultancy firms. There is no one definition of success used for this research, rather success is defined by each firm and measured by its own criterion. This is in line with the firm's phenomenological underpinnings of the research involving subjectivity, description, and interpretation. As Denscombe (2007) states, the phenomenological approach understands the messiness of life and can cope with multiple realities.

Notwithstanding these limitations, they are common for case study research. The findings, for its sample size, reached what Yin (2009) calls theoretical saturation to achieve analytic generalisation. That is to say, the findings from firms in the sample had overlap, displaying thematic similarities so that further investigation became redundant and was no longer necessary. Therefore, the research findings were clear, giving the researcher confidence in the validity of this perspective on micro and small-sized management consultancy firms' internationalisation process, of firms based in the East of England in 2010. The limitations of the research are acknowledged but they do not detract from the significance of the findings.

7.8 Conclusion

This chapter has discussed the analysis from the case study research on how small and medium-sized management consultancy firms internationalise. The emerging themes and insights focus on the challenges, and critical success factors faced by small and medium-sized management consultancy firms' internationalisation process. Their significance in regards to SME internationalisation, service sector and SME service internationalisation literature has been outlined, indicating confirmation of past findings and inconsistencies. The conceptual implications for small to medium-sized management consultancy firms have been outlined and linked to the conceptual framework, showing where the challenges and critical success factors lie in the firm's characteristics, internal competencies, the external environment and how the internationalisation strategy and firm performance are affected.

Overall, the empirical data seems to show support for the Network Theory and RBV, in terms of challenges and critical success factors for internationalisation. The critical differentiator, in the form of the owner/founder, gives the firm the ability to internationalise and thus a competitive advantage. This confirms the relevance of the Network Theory and RBV for SME management consultancy firms in this study. Moreover, it further confirms the complementarity of the Network Theory and RBV as posited by Ruzzier et al. (2006) and Wills-Johnson (2008). The Born Global Theory is also supported to an extent by the seven firms (Firms 2, 4, 5, 6, 7, 8 and 9) in the sample that had an international outlook from firm inception, due to the international orientation of the owner/founder, facilitated by his/her past experiences and networks.

This research has achieved its aim in deepening understanding of SME internationalisation of management consultancy firms, which had not been examined until present in the SME internationalisation literature. This research has underscored the overarching critical success factor to be the role of the owner/founder, with his/her existing networks, past experience and international orientation at firm inception. It has highlighted the challenge of finding skilled staff, particularly as the firm looks to expand its international markets. Other

success factors were networks and relationships, niche market specialisation, firm reputation, location, change in service provision and the role of technology. The findings suggest that smaller-sized firms tend to perform better internationally than micro-sized firms.

The originality of this research is its focus on SME management consultancy firms. Research on SME service internationalisation has been under-researched and to the author's knowledge there has been no research to date specifically focusing on management consultancy firms. This research provides a key contribution to knowledge, in the form of its conceptual framework where before there was none. The framework facilitates signposts of success and how to mitigate challenges for small to medium-sized management consultancy firms.

In conclusion, findings of this research underscore the importance of SME management consultancy firms' characteristics and internal competencies in the internationalisation process. Prior to internationalising, firms that had an owner/founder with an international orientation due to his/her past experience and existing networks, overall gave a proactive, positive outlook on the internationalisation process. As the firm grows and internationalisation expands, it is important that staffing needs are attended to. Finding skills staff is a challenge, due to the knowledge-intensity of management consultancy work. The importance of the owner/ founder, their international orientation and past experience, and strong networks, as well as a niche market specialisation are significant critical success factors to internationalisation. Overall the firm must ensure the quality of its work, as firm specialisation and reputation contribute to strong international performance.

Chapter 8 concludes the discussion developed in this chapter, by highlighting the contributions to knowledge of this research, identifying points of future research and making overall conclusions on this empirical research.

8. Chapter 8 Conclusions and Recommendations

8.1 Introduction

In chapter 7 the analysis of the case study evidence on how small and medium-sized management consultancy firms internationalise was discussed in light of the existing literature, drawing on the SME service internationalisation, SME internationalisation and service sector streams. The findings were organised into two categories: challenges and critical success factors faced by small and medium-sized management consultancy firms. In addition, the conceptual implications for small to medium-sized management consultancy firms were underscored. Chapter 8 builds on those findings, highlighting their contributions to knowledge, identifying points of future research and making overall conclusions on this research.

This chapter is arranged in seven sections as follows. The next section gives a brief summary of the findings. The third section examines the contributions of knowledge of this work in detail relating it back to the original research questions. The fourth section gives the conceptual implications, linking the findings back to the conceptual framework. Then the fifth section makes recommendations for practitioners and government officials. In the sixth section direction is laid out for future research. The last section concludes this research with the summary of the whole thesis.

8.2 Summary of Findings

This thesis identified key challenges and critical success factors to SME management consultancies' internationalisation process, in response to the call for further research on internationalised small to medium-sized service firms (Almeida et al., 2000, Brouthers and Brouthers, 2003, Chetty and Campbell-Hunt, 2003). The role of the owner/founder's international orientation was key to understanding SME management consultancies' internationalisation process. In terms of challenges faced when internationalising, there were clear firm size differences found, with smaller-sized (micro) firms being more vulnerable to

challenges from the external environment as seen by the recent financial crisis. Other challenges stemmed from the nature of service provision: difficulty in finding skilled staff, and communication with clients. An additional challenge to firms' internationalisation process that also had roots in the external environment was the challenge of currency risks, payment, IP protection and bureaucratic procedures.

The key findings of critical success factors for SME management consultancy firms come from the firms' characteristics and their internal competencies. The most frequently cited CSF was the strength of the owner/founders' international orientation. Other key factors attributing to their internationalisation process are networks and relationships, niche market specialisation, firm reputation, firm location and service provision modification. Technology also served as a CSF, enabling firms to overcome traditional location difficulties in service provision.

The overarching conclusions that can be drawn from these findings are the instrumental role of the owner/founder, and the importance of the firms' characteristics, competencies and networks, particularly on the impact that has on the firm's internationalisation strategy. Moreover, challenges to internationalisation tend to stem from the external environment, an area that the firm cannot control.

8.3 Contributions of Knowledge

The aim of a doctoral thesis is to make an original contribution to knowledge, as clearly stated in Anglia Ruskin University's Research Degrees Regulations, Section 1.7, to have "critically investigated and evaluated an approved topic resulting in an independent and original contribution to knowledge" (ARU, 2010:3).

The findings from this research and their contributions to knowledge are addressed in turn below. Each of the five research questions of this inquiry are examined and linked to the findings and their contribution to knowledge for small to medium-sized management consultancy firms (see Table 8.1).

TABLE 8-1 CONTRIBUTIONS TO KNOWLEDGE

Research questions	Response	Contribution to Knowledge
Q1: How do SME management consultancies internationalise successfully?	International orientation of the owner/founder	Advances understanding of the importance of past experience, networks and attitude of the owner/founder as highlighted in SME internationalisation literature.
Q2: What factors facilitate international market success among management consultancy SMEs?	Networks and relationships	Advances knowledge for SME service internationalisation, bringing together SME internationalisation and service sector internationalisation streams, finding timing and type of networks to vary during internationalisation.
	Niche market specialisation	Confirms what was known from the SME service internationalisation literature on firm specialisation, applies what was known on niche market specialisation from the SME internationalisation to the SME service sector, that international SME management consultancy firms have a clear and targeted marketing approach of what they are selling and who their target clients are.
	Firm reputation	Confirms SME internationalisation literature on importance of reputation at firm creation and for growth, and the SME service literature of links between positive firm reputation and strong networks/relationships. Advances service sector work on the relationship between firm reputation and performance, applying it to internationalised SME management consultancy firms, generating new knowledge.
	Firm location	Reinforces internationalisation literature and suggests link between firm location and its ability to increase the firm's reputation. More research is needed to better understand the impact of location on SME management consultancy firm's reputation and overall internationalisation process.
	Change in service provision	Did not confirm service sector literature's findings of modification of service provision to internationalise. Rather there is high client customisation so no particular modification was necessary for international clients (assessed on a client-by-client basis). When modifications were made (2 firms), it was to react to a changing external environment. This finding sheds light on limited research of service sector internationalisation and SME service internationalisation in particular. Further research needed on SME service sector firms' service adaptation, or lack thereof, for internationalisation in other knowledge intensive firms.
	Role of technology	Brings together SME service internationalisation, SME internationalisation and service literature to underscore importance of technology for SME management consultancies.
Q3: What problems have been encountered? How have they been overcome?	Financial crisis	Explicitly addresses 2008 financial crisis and SME management consultancy firms' adaptations to it.
	Finding skilled staff or associates	Advances knowledge on SME internationalisation, SME service internationalisation and service internationalisation literature confirming the importance of skilled staff and the constraints due to human factor in service provision, applying its relevance to SME management consultancy firms.
	Currency risks, payments, IP protection, and bureaucratic procedures	Advances knowledge for SME internationalisation and SME service internationalisation literature, confirming risks for SME management consultancies. Empirical findings mixed, need for further research to ascertain to what extent problematic.
	Communication with clients	Underscores need of client closeness, links to communication difficulties from service internationalisation literature. Empirical findings mixed, need for further research.
Q4: How do existing theories explain the internationalisation behaviour of SME management consultancies?	Stage Theory	Confirms relevancy for SME management consultancies using Johanson and Vahlne's (2009) emphasis on networks and trust. Difficult to distinguish from Network theory.
	Network Theory	Relevant for SME management consultancies, particularly in overcoming gaps in resources.
	Resource-based view	CSFs are firm resources that give competitive advantage.

The research's contributions to knowledge help close the gap in the SME service sector internationalisation literature on how firms successfully provide services internationally, specifically for firms with high intangibility like management consultancies. In addition to better understanding the challenges and critical success factors of SME management consultancies internationalisation process, another contribution of this research is the assessment of SME internationalisation theories' relevance to management consultancy firms. The findings indicate the resource-based view as the most comprehensive theory to address the holistic nature of the internationalisation process.

8.3.1 How do Small to Medium-sized Management Consultancies Successfully Internationalise (Q1)?

Success in this research, is defined according to each firm's own definition, therefore varying from firm to firm but typically involves a combination of financial and strategic objectives. Therefore, when reporting on their successful internationalisation, the firms are reporting on experiences of internationalisation where their objectives of success have been met or exceeded and explaining how they were able to do so. To this end, the resounding answers across the firms were in regards to the role of the owner/founder and their networks in the internationalisation process.

In looking at the findings in turn, the first way in which SME management consultancies successfully internationalise is by having an owner/founder with an international orientation. This orientation stems from their past international experience and draws on their existing networks; this international outlook enabled the firm to undertake international activities at or soon after firm creation. The owner/founder's existing networks at the time of firm formation were part of the firm's decision to internationalise. This finding underscores the importance of the motivational role of networks for SME management consultancy firms' internationalisation process. It advances the understanding of the Born Global phenomenon and demonstrates its application for management consultancy firms. Theoretically interlaced with the Born Global Theory is the Network Theory and the resource-based view, as firms that had a born global strategy were able to do

so due to the past experience of their owner/founder and the role of their networks.

Prior knowledge of international markets by the owner/founder makes the decision to internationalise less daunting. Existing SME literature shows the advantages of having past internationalisation experience facilitate the decision for a firm to internationalise (Manolova et al. 2002), and management support increases the likelihood of success (Czinkota and Johnston, 1983; Bijmolt and Zwart, 1994; and Chadee and Mattson, 1998). This finding advances knowledge on service internationalisation, SME internationalisation and SME service internationalisation, confirming its applicability for SME management consultancies.

Moreover, this international orientation facilitates the firm's proactive stance towards internationalisation. The service internationalisation literature suggests that service firms' internationalisation process is reactive, in response to clients' demands. Yet empirically, SME management consultancies internationalisation process was largely undertaken as a proactive strategy. Only one firm's internationalisation decision was classified as a response to clients' demands. This finding yielded a contribution to knowledge for SME management consultancy firms, showing their differences from service internationalisation literature. SME management consultancies' internationalisation strategy was by and large taken as a proactive choice, differentiating themselves from the larger service sector and confirming what is known behaviour for knowledge-intensive firms (Bell, 1995, O'Farrell et al., 1996, O'Farrell et al., 1998, Bell et al., 2004). Moreover, it reinforces the earlier finding of a born global strategy as a proactive choice made by SME management consultancies.

8.3.2 What Factors Facilitate International Market Success among Management Consultancy SMEs? (Q2);

The major critical success factor to come out of this research is the role of networks and relationships. It was found to be an essential factor to SME management consultancies' internationalisation process. The usage of networks

varied, from firm founding, to finding new clients and establishing links with local partners. Also the kinds of networks varied, confirming Ibeh and Kassem (2011) findings of SMEs moving from personal networks to business networks as the firm matures. This finding advances knowledge for the SME service internationalisation sector, bringing together SME internationalisation and service sector internationalisation streams. It also underscores the importance of the Network Theory and the resource-based view for SME management consultancy firms.

Other critical success factors are: niche market specialisation, firm reputation, firm location, a change in the service provision and the role of technology. These findings are relevant to understanding the complexity of the internationalisation process. They complement understanding on how small to medium-sized management consultancy firms internationalise and give relevance to the firm's service provision in the internationalisation process.

An additional success factor to internationalisation is niche market specialisation. SME management consultancy firms that internationalised were found to have a clear and targeted marketing approach both of what they are selling and who their target clients are. SME internationalised management consultancies confirm what we know from the SME service internationalisation literature, specifically from high-tech firms (Jones, 1999) and the medical field (Payne et al., 2009) on the importance of firm specialisation. The SME internationalisation literature has underscored the benefits of a firm serving a niche market internationally (Leonidou et al., 2007). This finding applies what was known on niche market specialisation from the SME internationalisation, to the SME service sector, as being beneficial to the management consultancy firms.

This research also highlights the benefits of having a positive firm reputation on the firm's internationalisation process. These firms also have strong networks and relationships, an additional critical success factor. This confirms SME internationalisation literature on the importance of a professional reputation at firm creation and for growth (Bryson et al., 1993) and the links from SME service literature between a positive firm reputation and strong networks and relationships

(O'Farrell et al., 1996). This finding also advances the work by Greenwood et al. (2005) in the service sector on the relationship between firm reputation and performance, by applying it to internationalised SME management consultancy firms. This generates new knowledge by applying findings from the service literature to internationalised SME management consultancies.

The firm's location is the fifth critical success factor to SME management consultancies' internationalisation process. This finding underscores the importance of location for SME management consultancies, particularly regarding the implications it has on their firm reputation. Firms located in Cambridge found this well-known university town's name gives them an instant credibility boost abroad. While analysing the ties between a location and its ability foster entrepreneurship is outside the scope of this research, there is a link suggested between firm location and recognition of that location giving an increase to the firm's reputation. Caution needs to be applied, as empirical findings are limited, being relevant for only three firms out of nine. More research is needed to better understand the impact of location on SME management consultancy firm's reputation and overall internationalisation process.

In undertaking this research, it was expected that SME management consultancy firms would undertake changes in their service provision in order to internationalise, given the indications from the service sector literature on the service firm's necessity to be responsive to clients (Dunning, 1989, Johnston, 1995), and understanding of their needs (Caniëls and Romijn, 2005). What was found was that the work was highly client-customised so no modification of the service provision was necessary for international clients. Instead, each job was assessed on a client-by-client basis and customised to the client regardless of their location. However, there were two firms that did have to make modifications in order to internationalise. These modifications, they cited were critical to their successful internationalisation as it allowed them to react to a changing external environment. The seven other firms in the sample have not modified their service provision during internationalisation. It is worth mentioning that these seven firms were all born global firms; therefore their service provision was targeted at an international audience from firm inception. This finding sheds light on the

limited research on service sector internationalisation and SME service internationalisation in particular. It serves as a contribution to knowledge as the results disprove indications from the service literature. In order to better understand the phenomenon, further research is needed on SME service sector firms' service adaptation, or lack thereof, for internationalisation in other knowledge intensive firms.

The final critical success factor of how SME management consultancies successfully internationalise is through the role of technology. Technology plays a facilitating role in SME service internationalisation, helping diminish the effect of distance between the firm and its clients. This finding is a contribution to knowledge as it brings together existing literature from the service sector, SME service internationalisation and SME internationalisation literature to empirically show the importance of technology for SME management consultancy firms' internationalisation process.

8.3.3 What Challenges Are Encountered? How Have They Been Overcome? (Q3)

In confronting challenges to internationalisation, the management consultancy firms experienced variation in their responses, associated with their firm size, with micro and small-sized firms reporting different challenges. For micro-sized firms, their biggest challenge was the financial crisis of 2008. The financial crisis was the aspect of the external environment that was most problematic to their internationalisation process. The challenge therefore was not the financial crisis *per se* but the external shock it generated that necessitated a reaction from the firms. Firm size was shown to be relevant as smaller firms (in this case micro-sized firms) had greater difficulty protecting themselves from this external shock than the small-sized management consultancies. This finding is a contribution to knowledge as it explicitly addresses the impact of the 2008 financial crisis on SME management consultancy firms' internationalisation and their adaptations to it. This research was fortuitous to be able to capture the adjustments to the financial crisis due to the unique timing of data collection (in spring-summer 2009).

The second challenge overall and the greatest for small-sized firms in the sample, was the ability to find skilled staff and also retaining staff to upper management levels. This finding confirms what we know from SME internationalisation literature (OECD-APEC, 2007) and SME service internationalisation, drawing on the retail sector (Hutchinson et al. 2009). This finding advances knowledge on the importance of skilled staff, applying its relevance to SME management consultancy firms.

Linked to the difficulty of finding skilled staff, is the difficulty for the firms to grow rapidly due to the time that is needed to find and train new staff. This confirms what we know from the service internationalisation literature (Roberts, 1999) on the constraints of internationalisation due to the human factor in service provision, extending it to small and medium-sized management consultancy firms. This challenge also extends to the firms' ability to plan future work, as the prospected work in the pipeline is usually only for a few months. This aspect was also shown in the service internationalisation literature (Dahringer, 1991). Therefore the ability to find skilled staff also affects the firm's ability to grow.

The third challenge or barrier to SME management consultancies' internationalisation process to come out of this research is concerning currency risks, payment, IP protection, and bureaucratic procedures. This challenge has been documented in SME internationalisation literature (Leonidou 2004), and SME service internationalisation literature (Hutchinson et al 2009), at least broadly as the political-legal and sociocultural aspects stemming from the external environment affect internationalisation. This finding advances knowledge for SME and SME service internationalisation literature, confirming the relevancies of these risks for SME management consultancies. Some caution is needed as the empirical findings are mixed, with these challenges being cited by four out of the nine firms. Further research is needed to ascertain to what extent this is indeed problematic for SME service firms like management consultancies.

The final challenge has to do with communication or rather miscommunication with clients. This finding draws on the essence of the firm's service provision, as

highlighted in the service internationalisation literature how closeness with the client is necessary in order for management consultants to do their job (Dahringer, 1991). Also it has implications for the use of technology. While technology facilitates communication with clients allowing these firms to internationalise, vigilance is necessary to ensure meaning is not lost particularly when correspondence is not face-to-face. This finding contributes to knowledge by highlighting the importance of communication with clients, as shown in the service internationalisation literature, to SME management consultancies. Empirical findings here were inconclusive, experienced by only two firms out of nine, therefore further research is needed. It is outside the scope of this research to be able to ascertain the correlation between network strength, and time necessary for the build up of trust and relationship development face-to-face in order for ICT communications to be effective; however in order to better understand networks roles in internationalisation they would be worthy of pursuit.

8.3.4 How do Existing Theoretical Models on SME Internationalisation Apply to SME Management Consultancies' Internationalisation Process in the UK? (Q4)

In chapter 2, internationalisation theories relevant to the SME service sector were reviewed, specifically the Stage Theory, FDI Theory, Network Theory, the resource-based view and Born Global Theory. Based on the existing literature, the chapter showed how Stage Theory and FDI Theory play a limited view in gaining insights to SME service firms' internationalisation process. Chapter 2 concluded by finding a combination of Network Theory, the resource-based view and Born Global Theory as most applicable for SME service firms.

In light of the empirical research, the theories are re-examined in turn, beginning with the Stage Theory to find their applicability for SME management consultancy firms in this study. It is important to be precise as to which version of the theory is being referenced. Johanson and Vahlne's revised the Stage Theory in 2009, putting emphasis on the role of networks. Specifically two main premises were made: firstly, that markets are made of networks of relationships in which firms are linked to each other in a complex pattern, and secondly, that relationships offer the potential for learning and trust. These they state are

antecedents necessary for internationalisation, as explained in Chapter 3. Moreover, trust and mutual commitment between the firm and its network partners are necessary for the relationships to function. These revisions to the Stage Theory move it away from its emphasis on psychic distance and cultural understanding of foreign markets, toward the centrality of networks. This brings the theory in line with the core principles of the Network Theory and RBV. From the description above, the SME management consultancy firms in this research confirm the relevance of networks and trust for the internationalisation process. Therefore Stage Theory, according to Johanson and Vahlne's (2009) definition is seen as relevant to SME management consultancy firms' internationalisation.

The second theory assessed was FDI Theory. This discussion focuses on its aspects as related to the Eclectic Paradigm or OLI Framework. Ownership, location and internalization (OLI) aspects were found to be significant to the management consultancy firms in this research decision to internationalise. The role of the owner/founder had a profound effect on the firm's internationalisation process, particularly in initiating the process. The internalization aspects focusing on internal uses of capabilities, i.e. staff, is also highly relevant in the firms' internationalisation. Notwithstanding, FDI Theory was not found to be relevant for SME management consultancy firms since foreign direct investment was not used by them as an entry mode. Therefore, FDI Theory was not found as applicable to SME management consultancy firms, confirming O'Farrell et al's (1998) premise that small to medium-sized business services are able to operate internationally without the need to maintain offices abroad. Only one firm (Firm 8) in this sample has an office abroad, maintained by its joint venture partners.

The third internationalisation theory examined was the Network Theory. Its central principle rests on overcoming a gap in a firm's internal skills set with the help of their networks. In this empirical research, finding skilled staff and the speed of growth were noted as interlinked challenges to SME management consultancies' internationalisation process. In order to help reduce these, the firms relied on their networks to overcome the gaps. Particularly, networks were used to find skilled associates to take on for short-term projects, helping overcome

staffing shortages and manage workflow. Networks were also tapped in order to find new clients and in the initial decision of where to internationalise.

The fourth internationalisation theory examined was RBV. RBV's main premise is that exploiting a firm's unique resource results in superior performance. A branch of RBV, the knowledge-based view, sees knowledge as being the most important of a firm's resources. The aspect of knowledge as a significant resource was also found in this empirical research. Specifically, evidence of RBV was seen with the seven born global firms whose owner/founders past international experience allowed an international orientation. This confirms research by Spender and Grant (1996) that the knowledge and skills of employees influenced the decision-making and organisational structure of the firm and thus the internationalisation process. Ibeh (2005)'s findings reconfirm this importance that internationally orientated and experienced managers, unique knowledge resources and useful strategic relationships (networks) enhance international performance. The research findings highlight the firms' critical success factors: their networks, niche market specialisation, firm reputation and location, qualities that enhance the firms' resources, potentially giving them a competitive advantage. This confirms RBV's relevance for SME management consultancy firms.

Born Global Theory was the final internationalisation theory assessed in this thesis. Born Global Theory addresses the speed that firms internationalise, typically within two to three years of formation (Oviatt and McDougall, 1994). It centres on the firms ability to do so, usually by drawing on past knowledge and experience, benefitting from networks and strategic decision-making on international markets (Chetty and Campbell-Hunt, 2004). The SME management consultancy firms that internationalised from firm inception confirm these qualities' relevance. The theory is useful in explaining the SME management consultancy firms' motivation to internationalise; however its usefulness afterwards is limited. Coviello and Munro's (1995) research asked for future work to examine the extent to which networks are more suited to a long-term sustained international presence. Born global Theory is unable to address this, and in order to be able to do so, theoretically we must draw on other internationalisation theories, such as the Network theory.

This exploratory research has allowed for theory building for SME management consultancy firms' internationalisation process, giving empirical validation for the applicability of the Stage Theory, the Network Theory and the resource-based view, and on a limited scale for the Born Global Theory. This is important, since qualitative research conclusions are theoretical, not statistical. In conclusion, the Stage Theory, Network Theory, resource-based view, and Born Global Theory all have aspects that apply to SME management consultancies internationalisation process. The main threads that run through them are centred on the importance of networks and key internal competencies. These two aspects are found within the conceptual framework, as firm characteristics and internal competencies. They emerge in the empirical data findings as part of the firm's challenges and critical success barriers. This confirms the convergence of the various internationalisation theories, into a more holistic framework as suggested by Coviello and Martin (1999) and Ibeh (2006).

Out of the four internationalisation theories: Stage Theory, Network Theory, the resource-based view and Born Global Theory, that have shown relevance for SME management consultancy firms, it is RBV that is found to be the most appropriate. RBV brings together differing internationalisation patterns by capturing the firms differing resources (Ibeh and Young 2001). It is the most inclusive of the various elements, challenges and success factors, faced by SME management consultancies during their internationalisation process.

8.4 Conceptual Findings

Now that the research questions have been responded to, the relevance of the findings are linked back to the revised conceptual framework (presented in Chapter 7). The most important aspect of this research's findings was the role of the owner/founder as the most significant aspect to the firms' internationalisation process. The most frequent occurrences that challenged firms' during the internationalisation process were the recent financial crisis and the ability to find skilled staff to grow. The firms that were able to adapt to these challenges quicker and more easily have reported a more positive experience with internationalisation, than those who have struggled. Also these differences

highlight a firm size divide, with micro-sized firms struggling due to the financial crisis and small-sized firms being more flexible and able to respond more positively (with the exception of the micro-sized Firm 9). The consequences are then reflected in the firms' performance, assisted by their networks and relationships, niche market specialisation, the firm's reputation, location, modification to the service provision and the role of technology, which have been listed by SME management consultancies as their critical success factors to internationalisation.

The challenges and critical success factors of internationalisation are interrelated. These variables feed back into the framework affecting the firm's overall characteristics, internal competencies, external environment, internationalisation strategy, service provision and performance. No one component is sufficient to explain the phenomenon but rather the firm's ecosystem as a whole must be examined. This interconnectivity has been expressed through the research findings, which are not linear. They are not able to exist separately of each other but rather contribute to each other, building in an incremental way the firms' resources and competencies.

Four challenges or modifications were identified that necessitated SME management consultancies' adaptation. One was the financial crisis, a challenge external to the firm and housed under the external environment. The second was the ability to find qualified staff, which can be seen as the ability to increase the firm's internal competencies. The third challenge came from the external aspects of currency risks, IP protection and bureaucratic procedures. The final challenge mentioned by SME management consultancies was communication with clients, which also affects its service provision. Therefore, for the conceptualisation, the firm's internationalisation strategy is reliant on the modifications coming from the firm's internal competencies, service provision and also its external environment; this has implications on the firm's performance.

The main critical success factor is the international orientation of the owner/founder, an aspect that comes from the firm's internal competencies. Additional critical success factors that we see having a direct influence on firms'

performance: niche market specialisation, the firm's reputation, networks and relationships, and a firm's location are all housed within the firm's characteristics. Another critical success factors included was change in service provision, which affects the service provision category. The final critical success factor, the role of technology is external to the firm but also affects the firm's service provision. Overall, this makes the firm characteristics and internal competencies the most important aspect of successful internationalisation. This finding reinforces the relevance of the resource-based view for SME management consultancy firms' internationalisation process.

Acknowledging the complexity of the issue, and the debate that no one internationalisation theory is able to address SMEs' internationalisation process, multiple theories were combined and evaluated in this research design, making the results more comprehensive and appropriate. The findings duly express the complex, holistic nature of the issue. In the end, the resource-based view is found to be the most appropriate for representing SME management consultancy firms' internationalisation process.

8.5 Implications for Policy and Practice

This section highlights the practical implications for private sector managers and public sector analysts, giving suggestions for fostering internationalisation of small and medium-sized management consultancy firms (see Table 8.2 for a summary of the practical implications). The findings of this research underscore the importance of skills and experience in the field of management consultancies in order to have strong networks and longstanding clients. This knowledge was held at least initially by the owner/founder who gained it from previous work experience.

First, from a firm's perspective, for other management consultancies wishing to internationalise, this research has highlighted certain competencies that are necessary for the process. As was shown, the main success component was embodied by the international orientation of the owner/founder in the internationalisation process. These owner/founders are seen as being proactive in

internationalising (for 7 out of the 9 firms); therefore this risk-tasking behaviour is part of their personality. Management consultancy SMEs seeking to internationalise should consider the previous experience of the owner/founder. If the international experience of the owner/founder is lacking, the firm should commit to improving its human capital resources. This can be done by investing in new managerial talent, training programmes and international market exposure (Ibeh, 2005). Alternatively, the firm may be able to gain this knowledge from their networks or involvement with trade missions.

TABLE 8-2 PRACTICAL IMPLICATIONS

Qualities of Successfully Internationalised Firms		Advice for Firms Lacking these Qualities	
1	International Orientation of the Owner /Founder	Improve Human Capital Resources	Example: New managerial talent, training programmes, international market exposure (Trade shows)
		Use Networks	
2	Networks and relationships	Leveraging existing (domestic) networks	
		Employ change agents	Example: Hire new experienced staff
3	Niche market specialisation	Improve quality of service provision	
4	Firm Reputation	Join Association	Example: Management Consultancy Association
5	Firm Location	Well-developed Website	
6	Role of technology	Fully utilise ITC	

Source: Author's own

Other key success factors to internationalisation are linked to aspects of service firms' success generally: networks and relationships, niche market specialisation, firm reputation, firm location, the ability to change the service provision and the role of technology. Addressing each in turn, networks and relationships are advantageous to internationalising. For SMEs without strong international ties, these can be fostered by leveraging their existing networks or employing change agents, such as hiring new, experienced staff, that could bring with them greater network scope.

Firms with a strong niche market differentiation stand to be successful in internationalisation as their specialisation is clear and targeted. Moreover, management consultancy firms that are successful in the domestic market may stand a better chance at internationalisation than firms that are already encountering difficulties. This is due to successful domestic firms already having

the internal skills set of quality service delivery and client interaction. Firms lacking these qualities should look to improve their service provision generally.

In terms of improving their reputation, firms could consider joining associations, like the Management Consultancy Association in the UK, to improve their credibility with clients. Such affiliation would demonstrate that their practices are in line with industry standards thus bolstering their reputation, provided the costs were not prohibitive.

A firm's location was found to be a critical success factor to internationalisation with management consultancies' location in a well-known university town inspiring confidence and trust from their clients. For other SMEs without such an advantageous location, it is not realistic to envisage modification of their location. However, with the resource-light opportunities of running a knowledge-based SME like a management consultancy, there are micro-sized firms that are established in the owner/founder's home and rely on their virtual presence. Therefore a less advantageous location can be mitigated through a well developed website.

Next, firms that embrace technology (such as email and video conferencing) are able to diminish the distance between them and the clients when internationalising though travel is necessary, particularly at the beginning and end of a contract. Therefore, if they have not already done so, firms are encouraged to fully utilise information communication technology in order to maximize communication options with clients. This will help reduce the likelihood of misunderstandings with clients.

The top challenge the internationalised SMEs face was the financial crisis. This served as a point of differentiation: firms successful internationally before the economic downturn have proved resilient. Therefore, firms well positioned in the international market are better positioned overall to address to such challenges in the external environment. However, other challenges such as finding skilled staff remain problematic for successful management consultancies, particularly as they grow. Accessing their networks should temper this challenge; therefore firms

considering internationalisation should assess their network relationships to understand the resources available to them. Moreover, by developing further aspects of the firm's intangibility and service provision abroad, by leveraging the use of technology and social networks, the firm can break or reduce barriers to internationalising.

From the government's perspective, policy makers should focus on improving knowledge-based service SMEs' internal competencies such as international orientation and networking. Networking could be encouraged not only amongst SMEs but also with larger firms. This would need to be done in a tailored way, taking the firm's specific needs into account. In the first instance, this could be achieved by identifying the firm's strength and weaknesses and then having targeted assistance to acquire new skills. The firm's degree of internationalisation should also be taken into account, with different kinds of support being offered for SMEs intending to internationalise and those already involved in international activity.

In regards to overcoming the challenge of currency risks, payments and intellectual property protection, policy makers could offer programmes which help SMEs gain familiarity with different business regulations, payment options and IP regulation and protection possibilities internationally. Moreover, taking the position that the skills necessary for starting and running one's own business can be taught (see Lee and Wong, 2006 for a comprehensive overview of the debate), the government could provide an environment conducive to training prospective business owners, available to those interested, including practising management consultants that are considering starting their own firm, increasing the number of new firms created. This type of training could also be of interest to private sector managers who would like to pursue advancement by acquiring new management and entrepreneurial skills, using this training as a form of career development to improve or upscale their own skills. Moreover, it could also be considered as part of large management consultancies severance package for consultants that they are unable to promote within their own internal structure. This training would focus on developing the vital skills needed to start and

operate a successful business: business strategy, international orientation and network building.

8.6 Implications for Future Research

Future research on SME management consultancy firms' internationalisation process could test these findings on a larger scale. By enlarging the research scope, with a large sample size and quantitative analysis, the findings could be tested statistically and their generalisability improved. As qualitative research was used to gain insight into the why and how of service sector internationalisation for small and medium-sized management consultancy firms, quantitative research would now be appropriate to move the research onto the next step in order to gain an explanatory understanding of the relationships between variables, such as firm characteristics and internationalisation strategy (Perry, 1998). Specifically the relationships between the concepts in the conceptual framework could be used as hypotheses to be tested quantitatively.

Another aspect of interest to test on a larger scale is the definition of successful internationalisation. The research uncovers some insight on how SME management consultancy firms define successful internationalisation. Firms have shown that profit is important but aspects of relationship building are just as significant to the firm's own sustainability. A large-scale survey would be able to test if this phenomenon exists amongst other management consultancy firms.

Further research is also needed on understanding the benefits from overcoming communication difficulties with clients, challenges from currency risks and IP protection and the impact of a firm's location on its internationalisation process as this research findings are inconclusive on these points. This research as well as delving into the specifics of the firms' network relationships could be better understood through further in-depth qualitative research. Particularly the aspect of social capital, not directly in the scope of this research, could be further explored. The research has shown that with time, as the firm has continued on its internationalisation path, its knowledge has grown, not only of the market but also people. This increased the firm's networks and client base. This increased social

capital and its effect on prolonged international would be worthwhile to investigate.

Moreover, the issue of immigrants starting firms with a born-global strategy deserves more attention. This research, in its limited sample size, uncovered two firms started by Chinese immigrants that had a born-global strategy; these trends are worth further exploring as ways to foster SME internationalisation.

The importance of networks and skilled staff in this research touches on the importance of knowledge when internationalising. For this research knowledge was accounted for in the people (staff) or relationships (networks) in which it was embedded; however greater attention to knowledge transfer and integration is merited as these aspects of tacit knowledge are of strategic importance to firms' operations (Eisenhardt and Santos, 2006). Other interesting aspects not covered by this research are the role of social networking in the internationalisation process, and the role of corporate social responsibility and ethics in the type of work SMEs take on both domestically and internationally.

8.7 Conclusion

This research brings together SME service internationalisation, SME internationalisation and service sector literature to understand SME management consultancy firms' internationalisation process. In so doing, it succeeds in advancing knowledge on SME internationalisation in the service sector, specifically for firms with high intangibility like management consultancies, by identifying the critical success factors and challenges they face when internationalising. From creating this patchwork of the three literature streams, and empirically testing it, this theory-building research showed the limited utility of the Stage Theory, Network Theory, and the Born Global Theory, with ultimately RBV being deemed most appropriate to understanding the internationalisation process of small to medium-sized management consultancy firms. Specifically the firm's resources of having an owner/founder with an international orientation, established networks, niche market specialisation, a strong firm reputation, firm location, ability to modify their service provision and

utilize technology have served as competitive advantages for small to medium-sized management consultancies. This insight sets a foundation for further research on the internationalisation process of knowledge-intensive firms such as management consultancies with particular attention needed on the firm's intangible resources.

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Appendix 1 Interview Checklist

(For interviewer's use only)

Name of company:

Name and title of respondent:

Address and contact details:

Agreed time and date of interview:

To be completed in advance by interviewee

i) SIZE OF THE FIRM	
Is your firm a small to medium enterprise (SME) as defined by the European Union's definition [< 250 employees, ≤ € 50 million turnover or a balance sheet total of ≤ € 43 million]?	
YES _____	NO _____
ii) SECTOR: MANAGEMENT CONSULTANCY	
Does your firm consider itself a management consultancy?	
Management consultancies are defined in the broad sense to include: IT; strategy and organisation; marketing; operations management and human resources.	
Management consultancies have been specifically chosen for their sector-specific characteristics. They embody a pure service, necessitating high customer interaction, communication and cultural awareness. They are highly skilled with trust and customer relations of the utmost importance due to the nature of the service.	
YES _____	NO _____
iii) INTERNATIONAL ACTIVITIES	
Is your firm involved in international activities?	
For the purpose of this research, internationalisation is defined as "the process of increasing involvement in international operations" (Welch and Luostarinen, 1988). This covers inward and outward growth across national borders.	
All firms interviewed should have sufficient international experience to take a retrospective look at the internationalisation process.	
YES _____	NO _____
If yes, was this a pro-active decision taken to explore the potential for international growth or a reactive decision stemming from external circumstances, such as following a client overseas?	

N.B. Discussion is not limited to the following points only; they should be seen as a starting point into rich conversation on the firm's internationalisation process. A firm will have the opportunity to discuss other aspects or elements that the researcher may not have considered.

1. THE FIRM'S CONTEXT AND HISTORY

	Remarks
1) Background of the firm	
Brief description	
Length of time in business	
2) Your role and responsibilities	
Within firm	
In relation to domestic activity	
In relation to international activity	
3) Your experience with the firm	

			Remarks
How long with the firm?			
How long in this position?			
4) Personal Experience			
Training in foreign country?			YES ___ NO ___ Where ___
Training with foreigners in own country?			YES ___ NO ___ Where ___
Worked in foreign country?			YES ___ NO ___ Where ___
Experience (travel) in foreign country?			YES ___ NO ___ Where ___
Foreign language skills			
Language	Fluent/ very good	Moderate	Poor
5) General firm operations			
What are the strategic objectives for the year?			
What is the management style of the firm? (Power structure, attitudes/ personalities)			
Staff (number, roles, hierarchy)			
Role of technology			
Financial resources			
Firm capabilities (emphasis on sector or geo)			
6) Present internationalisation activities			
Who involved? (No. of employees)			
What form? (Entry mode)			
When? (Length of time in each market)			
How many markets served?			
How's it going? (Position in market, % of sales)			

2. MOTIVATION

			Remarks
1) Reason(s) for firm going abroad			
Internal/ external - Push/ pull- Proactive/ reactive			
What was hoped to be achieved?			
2) Performance Factors			
2a) Human resources factors			
Special training for internationalisation?			
Importance given to cultural sensitivity?			
What is the top management's experience (education? living abroad? Personal contact networks?)			
Has internationalisation affected culture of the organisation?			
2b) Marketing activities			
How important of priority? (time, resources)			
How's it done? Formal vs. informal?			
How do you advertise? Different from domestic market?			
Role of client?			
What are long term/ short term strategies?			
2c) Networking activities			

	Remarks
How do you obtain information on international opportunities?	
How do you manage and sustain relationships?	
2d) Service delivery	
What form(s) does it take? (customised services)	
How adapt to local needs?	
How manage quality of services/ respond to complaints?	
It there price adaptation?	
3) Thinking about your internationalisation experience(s) are there other success factors or barriers to internationalisation?	

3. PERFORMANCE MEASURES

	Remarks
1) What are your key performance measures? How do you measure your success?	
Financial measures (growth)	
Non financial (perceived success or goal achievement)	
2) Evaluation of international activities?	
Who is responsible?	
How does process work?	
How long do you give your markets to achieve their objectives?	
3) Adaptations made after internationalisation	
What needed to be changed?	
How is it now?	
In retrospect, what do you see as key skills for internationalisation? (effects on domestically)	
4) Help, support or advice sought	
If so, from where?	
How useful? How improve?	

4. FUTURE PLANS

	Remarks
1) How are decisions made in regards to the future of the company?	
What factors are most important in these decisions?	
2) Firm's long-term internationalisation strategy	
Increase or decrease from present activities?	
What are key factors to achieve aims?	
What could be a barrier to achieving this?	
How do you anticipate dealing with this?	



Anglia Ruskin
University

Appendix 2 Participant Information Sheet

Cambridge and Chelmsford
Cambridge Campus
East Road
Cambridge CB1 1PT

T: 0845 196 2568
Int: +44 (0)1223 363271
www.anglia.ac.uk

SME internationalisation: Case study of UK management consultancy firms

This research is being undertaken as part of a PhD thesis. The aim of this research is to move forward understanding on SME internationalisation, specifically in addressing the types of adaptations necessary inside the firm to ensure service provision for internationalising SMEs in the management consulting sector.

I would like to learn from your experiences. ***You are invited to participate in a conversation, which will help further my understanding of the issues related to SME internationalisation in management consultancies.*** This dialogue will be transcribed and the analysis will contribute to the completed thesis.

The research is being undertaken by Brynn Deprey as part of her doctoral research supervised by the Ashcroft International Business School at Anglia Ruskin University in Cambridge, UK. The results of the study will be analysed and used as the basis of a PhD thesis. The research is being funded by Anglia Ruskin University.

For further information, please contact:

Brynn Deprey at brynn.deprey@anglia.ac.uk or by telephone: 0845 196 2568.

Your Participation in the Research Project

The focus is on SMEs in the service sector, specifically management consultancy services, in the UK. Management consultancy has been chosen due to its highly skilled nature and the importance of trust and customer relations due to the nature of the service. Your firm has been selected as it meets these criteria and has experience in internationalisation.

Please know that you can refuse to take part in this research. Should you agree to participate, you can withdraw at any time. Confidentiality and anonymity is assured as all names will be coded in the research. The Data Protection Act will be observed at all times. All electronic data will be password protected. All paper copies will be kept in a locked filing cabinet.

Please know that you can refuse to take part in this research. Should you agree to participate, you can withdraw at any time. Confidentiality and anonymity is assured as all names will be coded in the research. The Data Protection Act will be observed at all times. All electronic data will be password protected. All paper copies will be kept in a locked filing cabinet.

Should you agree, you will receive interview questions in advance to facilitate discussion during the interview. With your permission, the interview will be recorded and discussion transcribed. You will then receive a copy of the interview for your review and will have the opportunity to comment on the subsequent analysis prior to publication. Should you wish, you will receive a summary report of the findings. This analysis may be of potential interest to your firm. I would be happy to provide any feedback, as deemed appropriate.

YOU WILL BE GIVEN A COPY OF THIS TO KEEP, TOGETHER WITH A COPY OF YOUR CONSENT FORM



Appendix 3 Ethics Consent Form

Cambridge and Chelmsford
Cambridge Campus
East Road
Cambridge CB1 1PT

T: 0845 196 2568
Int: +44 (0)1223 363271
www.anglia.ac.uk

NAME OF PARTICIPANT:

Title of the project: SME Internationalisation: UK Management consultancies.

Main investigator and contact details:

Brynn Deprey
brynn.deprey@anglia.ac.uk

- 1. I agree to take part in the above research. I have read the Participant Information Sheet which is attached to this form. I understand what my role will be in this research, and all my questions have been answered to my satisfaction.
2. I understand that I am free to withdraw from the research at any time, for any reason and without prejudice.
3. I have been informed that the confidentiality of the information I provide will be safeguarded.
4. I am free to ask any questions at any time before and during the study.
5. I have been provided with a copy of this form and the Participant Information Sheet.

Data Protection: I agree to the University processing personal data, which I have supplied. I agree to the processing of such data for any purposes connected with the Research Project as outlined to me.

Name of participant (print).....Signed.....Date.....

Name of witness (print).....Signed.....Date.....

YOU WILL BE GIVEN A COPY OF THIS FORM TO KEEP

If you wish to withdraw from the research, please complete the form below and return to the main investigator named above.

Title of Project:

I WISH TO WITHDRAW FROM THIS STUDY

Signed: _____ Date: _____

18 "The University" includes Anglia Ruskin University and its partner colleges

SME internationalisation: Case study of UK management consultancy firms

Research questions:

Q1: How do small to medium-sized management consultancies internationalise successfully?

Q2: What factors facilitate international market success among management consultancy SMEs?

Q3: What problems have been encountered? How have they been overcome?

Q4: How do existing theoretical models on SME internationalisation apply to SME management consultancies' internationalisation process in the UK?

What is being investigated?

Small to medium-sized enterprise (SME) internationalisation research to date has largely focussed on the manufacturing sector. This research aims to address the research gap on small to medium-sized service firms' internationalisation by examining how SMEs in the management consultancy sector successfully provide their services internationally. As the service sector is inherently different from the manufacturing sector, investigation will focus on how service internationalisation differs from the internationalisation of manufacturing firms.

How is it being investigated?

The research will analyse the key success factors for small to medium-sized management consultancy firms internationalisation; examine their strategies for internationalisation; identify barriers firms encountered when internationalising; investigate the internal environment of the firm (including management style, influence of owner/manager, maintenance of relationships, personnel skills); and examine how services are delivered and the degree of interaction between employees and customers (including form, cultural sensitivity from employees, managing customer's expectations, and adapting to local needs).

The research is exploratory, phenomenological and framed within an interpretive research paradigm. In order to get comprehensive understanding, multiple case studies (8-12) according to Yin's (2008) approach will be undertaken rather than a single case to allow patterns to emerge and to avoid chance associations. The main form of data gathering will be through semi-structured interviews. The research will take a retrospective look at the ways in which firms internationalise, including the initial decision to internationalise, and each subsequent junction, in order to analyse adaptations to the internal environment that were made for service provision and assess the interaction between employees and customers.

What conclusions can be drawn?

To date, there is little research on SME service sector internationalisation and, to the author's knowledge, none specifically focussing on management consultancies. After data collection is undertaken, it is hoped to move forward understanding by identifying motivations, challenges and success factors to internationalisation and the types of adaptations necessary in the firm's internal environment to ensure service provision for internationalising SMEs.

*Appendix 5 Generic Follow-up Contact E-mail
Sent as follow-up after making telephone contact*

Dear NAME,

In follow up to our phone conversation earlier today, please let me introduce myself more formally. My name is Brynn Deprey and I am a PhD student from the Ashcroft International Business School at Anglia Ruskin University in Cambridge. I received your name from NAME of POSITION. I am contacting you in regards to my research on the internationalisation of SMEs in the service sector, particularly management consultancies.

I am interested in learning more on how FIRM NAME, as a service firm, works internationally. From what I have already seen on your website, I think I could learn a lot from your firm's experience and I am interested in incorporating it into my research. Specifically what I am asking is if you would be in agreement for me to interview, at your office, for approximately one hour at a date convenient for you. The dates I had in mind are LIST DATES.

I look forward to hearing back from you at your earliest convenience (0845 196 2568 or brynn.deprey@anglia.ac.uk).

Many thanks in advance.

Sincerely,

Brynn Deprey

Ms. Brynn Deprey
PhD Candidate and Researcher, Ashcroft International Business School
Anglia Ruskin University, Cambridge UK
brynn.deprey@anglia.ac.uk
+44(0)1223 353 271 ext. 2568

Appendix 6 Email Confirming Interview Date

Dear NAME,

Thank you again for agreeing to an interview for my PhD research. I would like to confirm the following information before our upcoming meeting next week at TIME on DATE.

I would greatly appreciate it if you could review the following information prior to our meeting, marking the box (x) as appropriate and add any additional information.

Agreed time and date of interview: LISTED
Name of company: LISTED
Name and title of respondent: LISTED
Address and contact details: LISTED

i) Size of the firm	
Is your firm a small to medium enterprise (SME) as defined by the European Union's definition [< 250 employees, ≤ € 50 million turnover or a balance sheet total of ≤ € 43 million]?	
YES___	NO___
ii) Sector: management consultancy	
Does your firm consider itself a management consultancy? Management consultancies are defined in the broad sense to include: IT; strategy and organisation; marketing; operations management and human resources. Management consultancies have been specifically chosen for their sector-specific characteristics. They embody a pure service, necessitating high customer interaction, communication and cultural awareness. They are highly skilled with trust and customer relations of the utmost importance due to the nature of the service.	
YES___ Specialities:	NO___
iii) International activities	
Is your firm involved in international activities? For the purpose of this research, internationalisation is defined as "the process of increasing involvement in international operations" (Welch and Luostarinen, 1988). This covers inward and outward growth across national borders. All firms interviewed should have sufficient international experience to take a retrospective look at the internationalisation process.	
YES___	NO___
If yes, was this a pro-active decision taken to explore the potential for international growth or a decision stemming from external circumstances, such as following a client overseas?	

You will find attached a form for your signature, in compliance with my University's ethics procedures. In addition I have attached a one-page fact sheet on my research. Should you wish to have any further information prior to our meeting, please do not hesitate to contact me.

Kind regards,
Brynn

Ms. Brynn Deprey
PhD Candidate and Researcher, Ashcroft International Business School
Anglia Ruskin University, Cambridge UK
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Appendix 7 Interview Schedule

Case studies	2009																
	May				June				July				August				
	4-8	11-15	18-22	25-29	1-5	8-12	15-19	22-26	29-3	6-10	13-17	20-24	27-31	3-7	10-14	17-21	24-28
Firm 1	√ Part 1				√ Part 2												
Firm 2	√ Part 1													√ Part 2			
Firm 3	√																
Firm 4		√															
Firm 5						√											
Firm 6								√									
Firm 7						√											
Firm 8							√										
Firm 9																	√

N.B. Interviews conducted from May to August 2009 (over 17 weeks). Interview dates shown for nine usable case studies (although twelve interviews were originally undertaken).

Appendix 8 Exemplar Transcript (Firm 5)

Interview code number 5; interview done on firm's premises on 9 June at 2:30
(Yes SME, Yes management consultancy, proactive)

Introductory pleasantries

Interviewer, If we could just start with you telling me a little bit about your business. I've seen the background on your website and some of the different things that you offer, some training, assistance to business.

Firm, Yes.

Interviewer, in UK to China.

Firm, And then China to UK.

Interviewer, Yes. Could you tell me a little bit more about that in detail? Some examples of maybe the different services you offer? How that works?

Firm, We are an international consulting firm specialising on China-related business issues. The main thing is business links between UK and China. And then we can categorise in three parts of services. One is where we are engaged in education so many higher UK universities recruiting students from China. So we build links with UK universities, educational institutions with the Chinese education institutions, colleges, schools, so that they can have overseas from China.

Interviewer, So practically how does that work then? Do UK universities contact you and ask for help to find universities where they can have an exchange with or?

Firm, Different approaches. Several, usually the Chinese university or agency or education-related institution contact us and ask us to find a partner in the universities or colleges, to work with them together. And this, we provide consultancy.

Interviewer, Okay so the demand could be from either side?

Firm, From either side yeah.

Interviewer, Ok so from China or UK.

Firm, We also actively contact UK educational institutions and then some, for some of them we become an agent for them so we provide the students for them. And this is sort of just pure recruitment activity. We also, on specialised projects, training projects, we contact the relevant university or department to work together to set up training programmes.

Interviewer, So those would be thematic training programmes then?

Firm, It depends on the demand from our clients from China. So we have engaged in electricity industry, financial sectors, and management so all sorts of yeah.

Interviewer, So there is no sectoral limit?

Firm, No, no sector limit.

Interviewer, And there is no geographic limit, in the sense of, certain places in China.

Firm, Yes there is China, the whole of China.

Interviewer, And all of the UK?

Firm, We have the offices here (points around), so we have staff here and we are also staffed in China.

Interviewer, In one place in China?

Firm, The major, main office is the one in Beijing. And then their manager manages the different people around different areas. So officially the office, the big one is in Beijing. So some work with another institution together, a joint venture, so it's a different way. So,

Interviewer, And in terms of numbers, how many staff do you have here and how many?

Firm, We have here, there are ups and downs, it is very difficult, currently it's very low, and it's less than normal period. So we have 3 full time and then we have loads of part time because some project you cannot have for a part time do it, it's too specialised. So we will look to hire the people to do that.

Interviewer, And when you work at your maximum capacity with a big project, what are probably the most people you've had working on a project?

Firm, When we have a large training programme, just for one project we could have five or six people on that project.

Interviewer, Okay so it doubles.

Firm, Yeah, we have to hire a lecturer, hire a trainer, so,

Interviewer, So you bring in the specialists depending on the different projects.

Firm, It's totally different sometimes, yeah.

And then, another service that we do is we help many Chinese businessmen, people who come, government officials who come here to UK, to visit the UK and doing an investigation, develop a corporation. So these inquiries are very high. So for mostly Chinese officials or business people, they feel very little knowledge

about UK market. They know UK very well but they have, they come here, they don't know how to contact people or who they should contact which institute and which factory or which enterprise to develop a contact, they have difficulty. That's why we provide the information to them.

Interviewer, Okay, and is this a large part of your business then?

Firm, It is 1/3, more than a third of our business. So sometimes we receive several hundred delegations per year. So each month, each week, we have Chinese visitors here. So we have to manage everything, we provide full service. From the beginning, from actually contacting the company here, for the institutions, to arranging the hotel, providing transportation, translation,

Interviewer, It's quite intensive.

Firm, Pretty intensive.

Interviewer, You are basically following them, shadowing them the whole time.

Firm, Yeah until they are back home. And then sometimes then we still have follow up. Because they visit the companies and then they have like to have further contact. Some of them sign contracts and then we have to follow it up. So that is one business we do, yeah.

Interviewer, Do you have a lot of reoccurring clients? Or is it usually they will ask for your help the first time they come to the UK and after that they feel confident themselves or is it a lot of the times the same people that every time they come to UK they come to you?

Firm, Yeah mostly in those cases. So we work very closely with several Ministries of the Chinese government. So they keep continuous contact with us, each year, so sometimes you can have more than ten inquiries just from one department in one ministry a year.

Interviewer, So you must have quite a good reputation then, if they keep coming back?

Firm, Yes we do, we have a very good reputation especially for receiving high-ranking delegations.

Interviewer, That must be a bit stressful with the high-ranking people.

Firm, Yeah sometimes it's the Vice-President, the Vice-Chairman of the Chinese Parliament, that level. And that is quite intensive, and if you look at our website we have a case study, on what level we have. And then we have dealing with all sorts of top institutions here in the UK. And so that, for meetings and conferences.

Interviewer, So facilitating all of those things and getting the dates sorted and,

Firm, Yeah sorting out everything. Also we have to sort out the normal services for them as well, the transportation, hotel arrangements, meeting room, conference facilities, and then sometimes they have a conference here with press. So you have to call all the people to attend the conference and then the press release so it's sometimes quite intensive yeah.

And then another part is, the third, is mainly to help UK businesses do business in China. So we are working very closely with the Chamber of Commerce. So we are organising trade missions, so and each year bring a certain number of business people to go to China.

Interviewer, Do you have to bid for that? For the trade missions and everything, is there some sort of bidding process? How do you get to be involved in that?

Firm, It's not a bid per se. It's, we have signed an agreement for example with the Chamber of Commerce for Bedfordshire and Luton.

Interviewer, So you have a contract with them?

Firm, We are in partnership, so we are mainly dealing with issues with China. And we provide a service to the Chamber of Commerce because they have the membership. Yeah that's what we do. For example, we also help certain businesses that want to run a business with China. Like Firm Name. So we go through the first stage, we bring them to China. When they come, when the MD came to me and he said okay I want to do something with China but I don't know how to start. I want to go to China but where should I go? Who should I meet? For most of the people here in the UK, China is a mystery, so it's very difficult to understand.

Especially several years ago, five-ten years ago, it's very difficult. So this one company, it's called Firm Name, in terms of business development went to China. So now 2007, he got an award, a business industry award for new product of the year so and the trend is very good. The company works with natural cotton, the colour so you don't need to dye so you just, you have to find that product in China. So their design is from UK and then manufactured in China and then the brand is here in the UK. In UK it is sold to many high street shops.

Interviewer, Wow.

Firm, So it's quite a success.

Interviewer, Sounds like it's quite a high profile company that has well known clients.

Firm, That's the 3 parts.

Interviewer, And a third is as you say the Chinese officials coming over. Are they each 1/3 about equal?

Firm, Probably there are more enquiries from China at the moment rather than here from UK going to China.

Interviewer, Ok so it's more with Universities?

Firm, Universities, yeah and then the delegations part I think takes more than 70%. Education is good, it's on a good side. It depends on, in the beginning the company was more engaged more in education. And then we added the business, the delegations from China. Originally we had wanted more UK business going to China but finally we recognised that China is booming and more people want to come out, so we have to change this strategy. So we increase our office staff in Beijing and around the country. So the maximum we have is 30 people in China, around China. So now it's getting done, we are trying to still keep the business in good shape.

Interviewer, So is there more of a shift now to focus on the Chinese side and more attention on keeping those numbers up or are you still working to increase the UK business too?

Firm, Yeah we are still doing that, when we hear from, in the last year or the last two quarters of last year, we recognised the very native people active took out from here to China.

We recognised that since this year, the Chinese also less people come out, in business terms, come out. So we see the recession really clear, we can feel it, quite strongly. Especially internationally, yeah.

Even in the UK, they are more concerned with their own business, more interested in export rather than import. And the Chinese are trying to increase exports but the investments are mainly, really more in China and not to go outside. If we didn't have the recession, we may hear a different situation. Loads of Chinese firms want to go abroad to do investment. So last year, end of 2007, we see the trend very clearly. In 2008, China takes some action. I think it was a half a year earlier than here, really, they were already in the beginning of 2008 taking action, control the banking and the investments. We are here in the UK, it was end of October or September and then take action. I don't know how the Chinese knew that before but it was related to the Chinese economy. They reacted early. Much earlier than here. So now China is now relatively good in comparison to here, a western country. There are still in a good shape, economically.

Interviewer, A couple of other questions, do you ever have, with your clients, your Chinese clients that come here do they ever ask for your help in any other countries, like perhaps in different European countries?

Firm, Yes we do it. Because I have background experience in Germany. I worked there for nine years. So we have also helped them to contact businesses in Germany and in other countries, Italy, Spain,

Interviewer, Only in the European Union?

Firm, European countries, yes.

Also, Norway, Sweden and Austria. So, so far, all our knowledge is there.

Interviewer, So you have other partners you work with?

Firm, Yes we do. In Austria, Spain, Italy, Germany, also Denmark, Sweden, Finland. Yeah we do have.

Interviewer, Okay. And if I may just ask a bit more about you. Where you born here in UK?

Firm, No I was born in China so I did my first degree in China. Then I came to Germany, and did my high degree, my PhD.

Interviewer, Did you do it in English there or in German?

Firm, In German. So, in total I stayed in Germany for eight years and then I moved to UK. First of all I was at the university for several years, and then about ten years ago, I recognised that China businesses could be the future so then I started the business.

Interviewer, So you started the business ten years ago?

Firm, Yes.

Interviewer, And since then it's been relatively the same size? I know you explained the scope was more focused on the UK.

Firm, Yes, is different now with the economic situation, in the UK we keep relatively small, but from the China side of it, we have maximum high maybe 30 people. But now we still keep maybe about 10 people in China, just, since this year.

Interviewer, And do you have any plans of opening any offices anywhere else? Or just more of, you know, referring people to, when people ask for different issues in other countries?

Firm, Now it is more preferred working together with other institutions and in other countries as well. And in China we try and also engage with the local institutions rather than set up my own, yeah. Because the costs, yeah, sometimes could be really high.

Interviewer, Yes that's understandable. And for your staff? Here or in China, are they, is it all Chinese people or do you have British people as well working for you? Other nationalities?

Firm, My PA (who is of Chinese origin) and then Heather (who is from the UK but of Chinese descent).

Interviewer, I got an email from Heather; it was very kind with directions.

Firm, Everyone has to speak Chinese.

Interviewer, Okay so everyone is fluent in both languages then.

Firm, Yeah, it's the basic requirement. Most of the documents we have could be like this, all in Chinese.

Interviewer, Yeah.

Firm, And it's stuff we have to read so. And then Heather has no problem. And then everyday you have to communicate here, in the UK and then China. And so you have to have the two languages.

Interviewer, And is the same true for the people in China? Are they also fluent in English or?

Firm, China, they, probably the people in the front line probably don't necessarily have very good English, speaking, most of the time, we have staff that have graduated from here then gone back to China. The former overseas students from here that have gone back to China.

Interviewer, So it's possible that you help a Chinese university bring students here to UK to study, and some of those students have gone back to China and work for you?

Firm, Through the recruitment yeah. They have studied in the UK for several years and then when we have the placements and they see and apply for a job. So now we have a few students who have studied here before, several years and now they are back in China. So we don't worry about their English.

Interviewer, And they know from first hand so they can tell people as well. (He nods.) Very interesting.

Firm, Because a lot of Chinese study here in the UK.

Interviewer, It's the same at my university as well, especially at the Business School we do have,

Firm, Quite a lot, especially in the Business School.

Interviewer, Yes we have quite a high number of international students.

Firm, It's a big market.

Interviewer, Myself included, I am from US, so.

Firm, You come from US? Okay. But you don't need to pay overseas fees or you've got funding?

Interviewer, I would except I am on a bursary for my PhD, so I don't have to.

Firm, PhD is normally you can get some funding. When we recruit for undergraduates and postgraduates, so the Master's degree, even for UK people, they have to pay. UK education has a very good reputation in China, I think the

US is available. Most people want to go abroad for study first there is the United States and now secondly there is the UK. In the last few years we have a very good chance because 9/11 and it's very strict for the overseas students to go to the US. Where should we go? Come to the UK so now we are 100,000s Chinese in UK.

Interviewer, Over 100,000? Wow.

Firm, Yeah. So the market is booming. I think each university has a big Chinese group of students.

Interviewer, And in terms of marketing for your company, do you do any formal marketing? Now that it has been ten years, do you rely on your reputation? Are your contacts enough?

Firm, We have certain contacts and then because such kind of business you can not deal with an advertisement and most, with our reputation this is really important. So personally, I attend a lot of social activities. I am currently the President of all Chinese Engineers in the UK. I also am the President of the Association for Hunan, people from Hunan Province. So I am involved in lots of social activities. That helps. So we have our mailing list here in the UK. We have the big mailing list for everyone, our Chinese clients.

Interviewer, And do you go to China often as well?

Firm, Yes quite often. Three to five times a year at least.

Interviewer, That's a lot of travelling, seeing the distance.

Firm, Every quarter.

Interviewer, And then do you typically just go to Beijing or?

Firm, I have to go around the country because our business covers the whole country and it depends where the business is.

Interviewer, It's a big country.

Firm, It is a big country so you have to take flights in China like in the United States; it is sometimes a few hours flying so. And sometimes I take a train so I can sleep in the evening and then in the morning get up. The train it is very good in China. Have you been there?

Interviewer, I have never been to China.

Firm, Oh you should, you should, it's a very nice place.

Interviewer, I've been to Japan, I've been to Thailand and I'm off to Korea next week for a conference but I haven't had the occasion to go to China yet.

Firm, Yeah well China is changing. So even for me, each year when I go back, and I see the changes. So I have difficulty to find my home. I cannot recognise my home completely. So when I go home to my hometown, I need a guide.

Interviewer, That's the bad thing about living far away.

Firm, There are so many new roads.

Interviewer, But changing for the better?

Firm, Changing for the better yeah. Definitely it's better. I remember when I came out I only had 85 Yen and now I have to pay my staff the least I have to pay them 3,000 Yen a month. So you see the big difference.

Interviewer, Definitely.

Firm, Just the salary okay the money is changing but the quality is changing as well.

Interviewer, Because sometimes in the media you only hear about some of the more negative aspects.

Firm, Yeah, I don't think the people understand the Chinese and they always see a different aspect. The media always makes a case and not very positive but most of the people we know that are dealing with China are very positive, these dealings are very positive. You can talk to any people that have the experience with China or with doing business with China and they will tell you its positive. China people are very kind. We don't know from Western about China very well. All this negative propaganda we have here. That is my personal experience.

Interviewer, I have to agree with you on that and I imagine that must be part of your job as well when you are dealing with UK companies, is overcoming some of these myths and helping them increase their confidence that it is safe to do business there and.

Firm, Yeah most people are worried. I say don't worry, go with me, if you need me I can go with you or not. Sometimes we just send the people and we have staff in Beijing.

Interviewer, And so does this staff in Beijing will do the same as what you do here? In terms of the full service of, picking people up from the airport and taking them.

Firm, Yes there's a team. And then especially if they have special requirement, if they need to visit some people, interpretation, they need to go somewhere. They will ask us to provide that personnel support.

We also have serviced offices in China. That means for UK small business who want to develop business with China and do business in China but it's the first stage and it's a bit uncertain, how could it be running in China? Not sure.

Because they are a small and medium-sized company they don't want to put a whole lot of money on the line for an unknown, uncertain market so they come to us and say okay we can hire the personnel for you, they can work on your project, the personnel normally are trained in the UK universities and have Master's degree or BA degree and then you are the leader of the project. The persons that we hire for the company are just listen to you and carry your tasks. You don't need to worry about the finance, the legal issues, employment, employment is already by us. It's part of my staff.

Interviewer, So then that's part of the contract they make with you is that they have this service added on?

Firm, Yeah.

Interviewer, To test a bit?

Firm, Yeah to test a bit before going on their own. We rent them an office with the personnel together and then they can carry the project. Then we can full service the office.

Interviewer, Okay and for how long?

Firm, The shortest time that we have is three months but normally more than half year, about a year, some two years, it depends, three it depends.

Interviewer, Do people normally after doing that go on to establish their own business in China?

Firm, Yeah that's the point. They'll decide to go further or set up their own business connection. So we would just provide the first year.

Interviewer, Kind of an incubator really?

Firm, A starting, business starting in China. Yeah so that's what we do. It's quite interesting and exciting as well.

Interviewer, It sounds quite dynamic.

Firm, For example, we are helping a film studio and they are going to shoot a film called Film Name. They will hire us to manage the whole film crew in China.

Interviewer, Wow.

Firm, So mainly it's financial control. They are working with a Chinese film studio. But all the players are English speaking and from abroad. And then, there will be management; probably we will sign soon the contract, the management with my company in China. They are coming from mostly abroad to make a film.

Interviewer, I will have to look out for it.

Firm, Yeah. We are looking forward. We have worked on it for a long time. Because of last year, with the Olympics and the earthquake there were delays.

Interviewer, Did you have anything to do with the Olympics? With the officials going over to China?

Firm, No we didn't do, because this is a special organisation that is in China.

But we will probably get some projects for 2012, so we'll try.

Interviewer, Has anyone approached you for that yet or are you just anticipating?

Firm, We have attended loads of activities and what are looking for an opportunity.

Interviewer, In terms of your services, it seems like they are quite diverse, both in scope, with this relationship with the universities, in China and here in the UK. Do you have as a consulting firm, as a small consulting firm, do you have any kind of standard things that you offer that you can then adapt or is it really on a case-by-case basis?

Firm, It's really on a case-by-case basis because it's so difficult to have a standard because in this case, looks like to you that we are diversified in many areas but for us it's very focused, we are really focused. We are only focused on China related. So, then, I think it's a very narrow market, relatively. Okay so they require lots of knowledge.

Interviewer, There are a lot of different specialised knowledge.

Firm, Okay. But that is where the key members of our, all of them PhDs, at least a Masters degree and have relative within two countries experience and so academically we all have very strong academic backgrounds. So the key consultants of ours are very, very good. Some are University professors, lecturers, and some are part time, then yeah, the knowledge we have is quite good so.

Interviewer, Do you ever have any difficulties finding the right people or getting good staff or?

Firm, Actually not because we have very good society here. Chinese society on the academic side is quite good: science, technology, we never have any problems.

Interviewer, Even from the beginning? When you were starting off?

Firm, No because personally I have really good networking and then I think relative especially on the level we are dealing with it's relative, very confident.

Interviewer, That's great. Have you had any kind of problems at all then in growing your business? Either with dealing with the Chinese side or the UK side?

Firm, Yeah for the UK side there is some, for the Chinese side we are quite confident.

Interviewer, And always have been? You've never had any quality issues?

Firm, Quality, no. What we find is sometimes the communication and then also even when we are dealing with the UK side the main issue is the cross-culture difficulty.

Interviewer, Okay.

Firm, Because some requirements from our Chinese clients are that here in the UK people cannot understand why should they like that?

Interviewer, Do you have an example?

Firm, For example, the Chinese government officials come here for visit and they always ask a formality. Here for the UK people, there is no need. They come for business and we talk about business. That's it. But for the Chinese side, oh we are here as the Mayor or Governor of the Province come here and they need certain standards and then here the UK side sometimes they just arrange people who are dealing with that case. The Chinese side always require oh well we have a Mayor coming here, you should have a Mayor to receive him. It has nothing to do with the Mayor. They come for that project; it should be the leader of that project to meet with the delegation. And then sometimes you have to explain both so that both sides are satisfied. For the UK side, it has nothing to do with our Mayor or Chief Executive, I'm on the leader, I'm the project manager, that's enough. But for the Chinese side it isn't balanced. The Chinese pay a lot of attention to things like that. Formality and then ranking.

Interviewer, Are numbers important as well that when you have the two delegations they have about the same amount of people?

Firm, That's not necessary, it's just more with the high ranking that it should be similar. The Western not pay so much attention. The difficulties here UK is business it's nothing to do with the government. In China it's not, every business is related with the government. So when they come, a business group, they always have government officials within the group. So these business people have to some how satisfy the officials within the group. Here in UK, it's nothing to do with business; it's nothing to do with any local government. So sometimes you have to explain them because the Chinese, this is a cultural problem with the Chinese so you have to always respect them. They will only do business with you when they know you very well, become friends, and trust you and then can do business with you. And here for Westerns it's not necessary, business is business.

Interviewer, We've got to go.

Firm, We've got to go and we talk about business. The Chinese it is not. In China you have the first drink, satisfy the friendship and then can talk about the business. Here for the UK people it is very difficult, why, why we need to take this time. Every time, before we take the business people to China we do some

training so that they understand as well. It's necessary. I think that the major problem is different cultural, different backgrounds.

Interviewer, I do have a couple more questions, I am mindful of the time, I don't want to take up too much of your time.

Firm, Yeah I have an appointment at, what time is it?

Interviewer, It's 20 past.

Firm, This is a global trade delegate work. I'm a Committee member and it's focused on the whole region, the East of England. This is how we do marketing, networking, so I'm really active engaged with this.

Interviewer, Very good. If I could just bother you for two more questions and then I will wrap it up. One thing that you mentioned is intellectual property on your website, that you have dealings with that. I just wanted to ask you a little bit more about that.

Firm, Yes, and that is a very hot topic. Originally we planned to engage in that. And then we even hired a person who has PhD in Intellectual Property study.

Interviewer, Here in the UK?

Firm, Yeah, we hired already and we recognised it's very, very difficult stage to start this direction so after a while we have withdrawn. So actually we didn't do much more activity on that because that's, it's a good direction, but it's not very mature so it's very difficult to find good business at the moment.

Interviewer, So that is maybe something for later that you will pick up again?

Firm, Yes, we will do the research; we hired the person to do the work for a while. We'll do the research and we recognised it's not the right stage so we'll stop.

Interviewer, So you will continue more with these three activities.

Firm, Yeah.

Interviewer, Okay just my last thing is in regards to the customers themselves. If there ever are any kind of complaints or problems of how that is dealt with? How do you manage that? Especially again with the distance of say someone from UK goes to China and they are having difficulties there, how you can?

Firm, Well so far we have no complaints from UK clients at all.

Interviewer, That's great.

Firm, Yes that is great. We do have complaints from Chinese clients and most cases because the clients are introduced by other people. By a middle

organisation and because the agency or some organisation / association in China and they will organise something and their clients will come to us and then they will complain. It's because it's mainly because they were promised, the middleman or middle agency promised a service that we would provide, it's not that we promised to the agency.

Interviewer, Somebody else spoke and said that?

Firm, Yes. Either because the middle man or the middle agency promised the service to the clients, it's much better than if we promised because they take a huge amount. They get a very good payment. And so we are at the end of the chain and we are the final person of the organisation to provide the service to the clients. So the clients' expectations are very high and in the end, we did the financial deal with the middleman and it isn't the same as what their clients paid for. That's the problem.

Interviewer, So the client's expectations were different because they were going through these intermediaries.

Firm, Because they sometimes take too much money away, so that we can never reach the standard that they promised to the clients.

Interviewer, And this intermediary is somebody that they found in China before they got to you.

Firm, Yeah because we have staff in China, certainly we cannot reach every client who wants to come to the UK. There are some organisations so is half government and half private so sometimes you don't know, they contact us to provide a service to some manufacturers, do some seminar. And we say okay and we make a quotation, write who, and do the seminar. Probably their promise is different to the clients. For example, they wanted, we were asked to provide a seminar about the financial market in the UK. Okay on a certain standard, payment, conditions, we consult the market and found a professor who specialises in this area. But they promised the clients that we have a person invited from the stock market. So an academic presentation and an expert from the stock market presentation is totally different. Also the price is different, I invited a professor for 3,000 pounds or less, if I invited an expert from the stock market, financial advisor, it's very high. So the clients sometimes become engaged and get upset because they charged very high prices to take the clients and then they come here, oh you are not an expert in stock exchange, you are just a professor of finance, it is different. It depends on the clients. Some clients are not academics, they are from Chinese stock market, they have expectations that are different. So sometimes that's the complaints.

Interviewer, Does that happen a lot?

Firm, No, not very.

Interviewer, Not the complaints, I'm sorry but that you have these intermediary people that find clients in China and you do the deal with this intermediary and they send over the clients.

Firm, No we have, at the beginning we had a little bit of bad experience, so later we recognised and so we always try to talk to the clients, because you have to pass me the information, the clients and since we insist on doing direct contact with the clients, this problem ends, it is avoided.

Interviewer, So you learned from the past.

Firm, Yeah in the beginning we didn't know, we trusted them but they didn't pass over the information to the clients. Sometimes they have different versions of the terms of condition from us.

Interviewer, That's very serious.

Firm, Yes because this business they make money.

Interviewer, But in terms of the clients, I can imagine they think they are getting one thing.

Firm, Yeah. In the beginning we always carried different information from what we gave them. I said that's not right, that's not ours. Since then we have said you have to use the information we provide you, that is the service we promised.

Sometimes they say they want to go to Oxford, they want to go to Cambridge, and then we can arrange it we have no problem.

Interviewer, And you have to know.

Firm, And they have to pay, and we have to know.

Interviewer, If someone says one thing you can't imagine that it would be different.

Firm, Yeah so that's the very often because most of the Chinese like to go to Cambridge and to Oxford to have their seminars to have their presentations, it's the top known university.

Interviewer, Okay well I think, I know you are busy and I really appreciate you giving me this time this far.

Closing pleasantries.

Appendix 9 Unstructured, Open Coding
52 codes in total, listed in alphabetical order

1	Adaptation	41	Reputation
2	Background operations	42	Requirements
3	Clients	43	Skills
4	Climate change	44	Staff expertise
5	Company structure	45	Stereotypes
6	Competitors	46	Strategy
7	Complaints	47	Tax VAT
8	Conference	48	Technology
9	Contract	49	Time
10	Cost	50	Training
11	Customisation	51	Travel
12	Evaluation	52	Trust
13	Financial crisis		
14	Foreign Language		
15	Funding		
16	Future plans		
17	General Firm operations		
18	Government assistance		
19	Growth		
20	Higher Education		
21	Information		
22	Intellectual Property		
23	Marketing		
24	Motivation		
25	Network		
26	New markets		
27	New services		
28	Niche		
29	Paperwork		
30	Past expertise		
31	Payment		
32	Performance Factors		
33	Performance Measures		
34	Personal background		
35	Present Internationalisation Activities		
36	Price		
37	Problems		
38	Profit		
39	Quality		
40	Reasons going abroad		