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Link to original published version: <http://dx.doi.org/10.1108/S0742-332220150000033008>

Citation: McQuillan D and Scott PS (2015) Models of Internationalization: A Business Model Approach to Professional Service Firm Internationalization. In: Baden-Fuller C and Mangematin V (eds) Business Models and Modelling (Advances in Strategic Management, Volume 33) Emerald Group Publishing Limited, pp 309 - 345.

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PAPER 2015 - 35 SE10

Models of Internationalization: a business model approach to understanding professional service firm internationalization

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Abstract

Later version

The leading frameworks of internationalization have contributed significantly to our knowledge of how firms internationalize, but do not fully explain how firms actually create and capture value from customers when internationalizing their activities. Understanding the value creation and capture activities defining their business model(s) is critical for firms moving into less familiar markets, and is particularly relevant for service firms where variability is an inherent feature of the firm/client experience. To address this gap, we take a business model perspective to analyse 144 internationalization events of ten professional service firms. We find that such firms adopted four different business models when internationalizing, and that a single firm may utilise a portfolio of business models. Our findings contribute to both the services internationalization and business model literatures by showing how variability in the internationalization process substantiates the need for business model portfolios.

Keywords: Internationalization process, business model, professional service firms, value creation , value capture

Models of Internationalization: a business model approach to understanding professional service firm internationalization

Introduction

Internationalizing firms are often faced with the difficulties of maneuvering in multiple dynamic but unfamiliar environmental contexts. Service firms - in particular professional service firms -- may also need to deal with issues relating to local embeddedness (Faulconbridge, 2008a; Faulconbridge & Muzio, 2012; Jeffcut & Pratt, 2002). For example, a British legal practice expanding into Germany will face a different legal system and licensing and professional bodies, while a German advertising company needs to understand the cultural differences involved in creating successful advertisements for the British market. The approaches of international business (IB) and international entrepreneurship (IE) studies to explaining the internationalization process tend to assume either that firms enter new markets incrementally (in stages from near to far, and with increasing levels of commitment) (Johanson & Vahlne, 1977, 2009), or are international/global from (or near) formation (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994). However, some scholars argue that explaining internationalization as either 'incremental' or 'born global' may no longer be a fruitful debate (Figueira-de-Lemos & Hadjikhani, 2014; Hennart, 2014; Malhotra & Hinings, 2010), especially where it concerns service firms (Pla-Barber & Ghauri, 2012) where customer needs and experiences may vary greatly across international boundaries.

A business model approach articulates an alternative perspective that defines how an enterprise creates and delivers value to customers, and converts receipts into profit (Teece, 2010a). Moreover, business modelling (Baden-Fuller & Morgan, 2010) is emerging as important for exploring problems requiring categorization and sub-categorization (Baden

Fuller & Haefliger, 2013; Baden Fuller & Mangematin, 2013). Its broad recognition as a unit of analysis (Zott, Amit, & Massa, 2011) allow business models to provide richer insights into the multiple patterns of activity (Sabatier, Mangematin, & Rousselle, 2010) that may exist in service firms that provide intangible and heterogeneous services and customer experiences, while simultaneously encompassing their core value creation and value capture activities (Teece, 2010b) in the process.

The business model approach shifts from strategy's central focus on firms' internal resources and capabilities (Barney, 1991), and assumes that value creation and capture - and specifically the identification of customers (Baden Fuller & Haefliger, 2013) - drive business activities. Although insights from IB/IE increasingly recognize the dyadic nature of value creation in any business relationship (Johanson & Vahlne, 2009; La, Patterson, & Styles, 2009), they do not shed light on these central driving activities that can potentially be replicated (Jonsson & Foss, 2011; Winter & Szulanski, 2001) or innovated (Casadesus-Masanell & Zhu, 2013) across multiple internationalization events. We have therefore only limited insights into how firms can move quickly and efficiently into new markets, despite some well recognized MNC examples such as Ikea (Jonsson & Foss, 2011) and McDonald's (Winter & Szulanski, 2001).

Following this renewed interest and clearer definition of the concept we suggest that business models can provide rich insights, not only for such globally recognized MNCs, but also for other service organizations that are more locally embedded and where internationalization is a more recent phenomenon. Internationalization challenges are evolving in the service sectors (Pla-Barber & Ghauri, 2012), and scholars are consistently calling for better insights to keep abreast of such changes (Apfelthaler & Vaiman, 2012; Pla-Barber & Ghauri, 2012; Rose & Rammal, 2013), given that services are now a critical component of global exports (UNCTAD, 2014) - indeed, as services now account for two

thirds of all FDI projects in Europe (Ernst&Young, 2014), it is critical that we understand their internationalization processes.

In this paper we combine insights from the recently emerged business model approach (Arend, 2013; Baden Fuller & Mangematin, 2013; Hennart, 2014; Teece, 2010a) with those from the literature on services internationalization, and suggest that a business model perspective allows us to explore the critical question of how firms create and capture value through internationalization. We systematically examine the internationalization events of ten creative professional service firms to develop a detailed map of the different business models such firms use to internationalize their activities, capturing the complexity and variability of their internationalization processes. We selected creative professional service firms - specifically, architecture firms - as exemplars for services internationalization, given the complexities of their activities and their knowledge creation and transfer requirements (Grosse, 2000), and the culturally (Jeffcut, 2009) and institutionally embedded (Faulconbridge, 2008c; Faulconbridge & Muzio, 2012) nature of their businesses.

Our findings contribute to theory in three important ways. First, we advance our understanding of how service firms - particularly professional service firms - internationalize. By shifting from traditional conceptualizations of the firm as a single unit of analysis and systematically evaluating the business model of each internationalization event, our findings provide critical insights into how value is created and captured during the process, substantially deepening what we know of the IB or IE frameworks (Johanson & Vahlne, 1977, 2009; Knight & Cavusgil, 1996; Oviatt & McDougall, 1994), which assume that the a firm's internationalization events follow a single pattern. Our findings identify and characterize four business model types across the internationalization events we study, orientated towards either host market or global customers. We label these four types as: Multiple Local – identifying market based international customers; Global – identifying

global customers; Niche Global – identifying global customers within a specific industry sector; and Local to Global – identifying initially domestic customers, and leapfrogging to regional or global customers thereafter.

Our second contribution is to advance our understanding of business model portfolios (Khanagha, Volberda, & Ilan, 2014; Sabatier, Kennard, & Mangematin, 2012; Sabatier et al., 2010) by revealing how professional service firms use multiple business models to internationalize. By substantiating how they combine their dominant and secondary business models, we surface new insights into how they manage multiple combinations of activities during the process. Third, we contribute to the emerging literature on the internationalization of professional service firms by suggesting that the firm's type or positioning (in this instance, whether it engages primarily in 'Design' or 'Commercial' activities) is often important in determining the selection of its business models for internationalization and their interrelatedness.

Our findings also have important managerial implications by providing key insights into the range of business models available for creative professional service firms, and the alternative ways of creating and capturing value that exist in practice. The implications of alternative business models for positioning value chain activities are particularly significant for overstressed managers operating with limited resources.

First, we present our review of the literature relating to the internationalization process and business models, and then describe our research design. We next present our findings, which clearly show the different approaches to value creation and capture in our case firms' various business models. We then discuss the theoretical insights of these findings, and provide guidance for managers on how using business models as cognitive devices (Baden-Fuller & Morgan, 2010) can inform their thinking to enrich their internationalization activities. We conclude with some suggestions for future research.

Literature Review

Current Theories of Internationalization

Despite acknowledging that current explanatory frameworks have limitations, (Barkema & Droegendijk, 2007; Covin & Miller, 2014; Malhotra & Hinings, 2010; Pla-Barber & Ghauri, 2012), scholars continue to classify firms' internationalization processes as either incremental (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) or born global (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994). While recognizing the rich insights provided by these network- and relationship-based perspectives (Johanson & Vahlne, 2009; Sarasvathy, Kumar, York, & Bhagavatula, 2014), by limiting their discussion to describing linear (Barkema & Droegendijk, 2007; Blomstermo, Sharma, & Sallis, 2006) and mostly path dependent (Asmussen, Benito, & Petersen, 2009; Johanson & Vahlne, 2009) processes, these leading IB and IE approaches may not fully capture the potentially complex, multi-faceted and evolving responses involved in internationalizing in the contemporary global environment.

This is particularly relevant for many service firms, notably professional service firms, that are exposed to distinctive and ever morphing internationalization characteristics (Pla-Barber & Ghauri, 2012), and attempt to serve customers with heterogeneous needs and experiences. Specific complexities for such service sectors include embeddedness in particular institutional (Faulconbridge, 2008a; Faulconbridge & Muzio, 2012) and cultural environments (Jeffcut, 2009), often resulting in client demands for strong local know-how (Brock & Alon, 2009). Professional service firms also have a distinctive client interaction process (Segal-Horn & Dean, 2007), as clients must often commit to purchasing an 'expert' service - such as the design of a building - the standard of which can be difficult to evaluate even after it has been delivered (Gross & Kieser, 2006). This may be limited to a single

assignment (Gummesson, 1981), where establishing a reputation may be an important antecedent to developing a relationship with a client (Morgan & Quack, 2005; Zaheer & Soda, 2009). Indeed, reputation is critical to the internationalization of professional service firms (Cooper, Rose, Greenwood, & Hinings, 2000; Grosse, 2000; La et al., 2009), many of whom must find ways to deliver customized expert service solutions (Gross & Kieser, 2006; Rhian, Fitzgerald, Johnston, & Voss, 1992) across locally embedded boundaries despite the intangibility of their offering. Conceivably, therefore, such firms' internationalization processes may well involve multiple concurrent value creation and capture patterns across different markets.

More recently, scholars have proposed or adopted alternative perspectives that complement or add to the dominant IB/IE frameworks. Some suggest that firms internationalize differently depending on their types of organization (Malhotra & Hinings, 2010), or because of the particular characteristics of their business models (Hennart, 2014). Others bring insights from alternate fields to substitute knowledge gaps about how firms internationalize, and there have been recent calls for the expansion of this approach (McDougall-Covin, Jones, & Serapio, 2014). Scholars of professional services internationalization often combine insights from economic geography with IB to focus on location advantages (Beaverstock, 2004; Faulconbridge & Muzio, 2015). Another common approach to exploring internationalization is to focus on one particular element of the process, such as market entry modes (Blomstermo et al., 2006; Freeman, Cray, & Sandwell, 2007; Malhotra, 2003; Winch, 2008), strategic planning (Aharoni, 1996; Beaverstock, Faulconbridge, & Hall, 2010; Segal-Horn & Dean, 2009; Winch, 2008), performance (Brock & Alon, 2009; Hitt, Bierman, Uhlenbruch, & Shimizu, 2006a), or knowledge and learning processes (Abdelzaher, 2012; Kennel & Batenburg, 2012; Reihlen & Apel, 2007).

We suggest however that these approaches either provide us with fragmented understandings of internationalization processes, or tend to underestimate the inherent variability between such services. Exploring a uniform path at the firm level, whether incremental or born global, or whether determined by firm characteristics or not, ignores the complexity of the drivers and patterns that exist in practice, and the potential for a single firm to internationalize its activities in multiple ways. Debate on conceptualizations of internationalization (Barkema & Drogendijk, 2007; Covin & Miller, 2014; Figueira-de-Lemos & Hadjikhani, 2014; Malhotra & Hinings, 2010; Petersen, Pedersen, & Lyles, 2008) largely supports refinement of the dominant frameworks. We argue that departing from these traditional perspectives and adopting a business level approach to exploring the internationalization process can provide us with alternative perspectives for modelling the process, capturing its richness and variability.

A Business Model Approach to Internationalization

We posit that, rather than IB/IE explanations, extending our insights on professional service firm internationalization requires a focus on defining the value creation and capture activities that involves “a stripped down characterization of the essence of the cause–effect relationships between customers, the organization and money” (Baden Fuller & Mangematin, 2013). We argue that this business model approach would explain internationalization as a process in which organizations refine sets of activities for replication (Winter & Szulanski, 2001) or innovation (Casadesus-Masanell & Zhu, 2013). Internationalization could therefore be conceptualized as a cyclical process (Engestroem, Miettinen, & Punamaeki, 1999), in which the activities involved in value creation and capture are leveraged to support efficient and profitable growth in different markets.

Business models are part of the logic of the firm, how it operates, fits together and creates value (Casadesus-Masanell & Ricart, 2010; Landry, Amara, Cloutier, & Halilem, 2013; Magretta, 2002; Seddon, Lewis, Freeman, & Shanks, 2004) - essentially how the firm's strategy is translated and implemented in practice. Originally considered as "depiction[s] of the content, structure and governance" (Amit & Zott, 2001) of a firm, business models are now viewed as structural templates (Baden-Fuller & Morgan, 2010; Zott & Amit, 2007), or as cognitive devices (Baden Fuller & Mangematin, 2013) for modelling a firm's activities.

The recent surge in interest in business models (Baden Fuller & Mangematin, 2013; Sanchez & Ricart, 2010; Teece, 2010a; Zott et al., 2011) demonstrates their usefulness in defining managers' anticipations about how to create and deliver value to customers and then convert payments into profits (Teece, 2010a). Utilizing business models as real (Sabatier et al., 2010; Sanchez & Ricart, 2010) or as cognitive (Baden Fuller & Mangematin, 2013; Wirtz, Schilke, & Ullrich, 2010) descriptions of business processes, in terms of the selection and interrelatedness of activities, offers significant diagnostic potential at the business level. In addition, business model thinking has the power to visualize multiple patterns simultaneously (Sabatier et al., 2010), and provide for flexible categorizations and sub-categorizations (Baden Fuller & Mangematin, 2013) of activities. We therefore argue that this approach can capture the variability and heterogeneity inherent in the process of service internationalization, and so provide a rich and meaningful explanation of how professional service firms internationalize their business(es).

In sum, the "business model notion – and business models themselves – as classifying devices provide valuable ways to expand our understanding of business phenomena" (Baden-Fuller & Morgan, 2010), and such thinking may provide important insights for both IB and IE scholars of organizational study. In particular, the business model approach addresses a disconnect within the dominant explanations that suggests value merely appears to happen

within any dyadic relationship exchange (Blankenburg Holm, Eriksson, & Johanson, 1999; Johanson & Vahlne, 2009), overlooking how firms resolve the critical challenge of delivering value to customers profitably (Casadesus-Masanell & Yoffie, 2007) in highly dynamic international environments.

Methods

The objective of this research is to unravel the business models professional service firms use when internationalizing their activities. As business model thinking has received limited attention to date in the internationalization literature, we adopted a multiple case study research design that involved detailed qualitative investigations, closely examining this underexplored concept by focusing on contemporary internationalization events (K. Eisenhardt, 1989; Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mantymaki, 2010; Yin, 1994, 2009). IB scholars increasingly recognize qualitative research approaches as essential to the field to ensure a balance of robust and context sensitive explanations (Birkinshaw, Brannen, & Tung, 2011; Welch et al., 2010). Focusing on the business model activities of each case when the firms concerned engage in international projects, our emphasis not only on mapped and visualized their business models (Arend, 2013; Baden Fuller & Mangematin, 2013), but also provided insights into the selection and interrelatedness of business models adopted by professional services firms when internationalizing their activities.

Research Setting

The research setting was the highly competitive and internationalized Irish architecture industry. Focusing on this single dynamic industry helped increase the comparability of our findings. As the industry has experienced rapid internationalization, we could expect organizations in this sector to encounter major contemporary globalization challenges facing

services, such as the entwinement of products and services (Ball, Lindsay, & Rose, 2008; Pla-Barber & Ghauri, 2012), division of labor both within firms (Buckley & Ghauri, 2004; Lewin & Volberda, 2011) and offshoring, and intellectual property protection (Belderbos, Leten, & Suzuki, 2013).

Architecture is both a classic professional service (Von Nordenflycht, 2010) and a creative industry (UNCTAD, 2010): other such creative professional service sectors include advertising, fashion design, media production, graphic design and software development (UNCTAD, 2010; Von Nordenflycht, 2010). The role of the architect is commonly agreed to involve design and advice on building construction (Makstutis, 2010) and, as with other professions, the range of their obligations may vary across different institutional, legal and cultural contexts (Bridgestock, 2011; Burrage & Torstendahl, 1990; Faulconbridge, 2009; Faulconbridge & Muzio, 2012).

Globally, the internationalization of the architecture industry has been driven by technological advancements; mutual practice agreements facilitating the portability of qualifications and standards; and global outsourcing and offshoring. In Ireland, the relatively small size of the domestic market motivated Irish architecture firms to internationalize as far back as the 1990s (EnterpriseIreland, 1999). As an empirical context, Ireland is a particularly appropriate setting for our study, as government policy and institutional structures have assisted the internationalization of Irish architecture firms for over two decades.

Research Design

Our research process involved two data collection stages – a preliminary and a main stage. The preliminary stage involved creating a report to assess the viability of the Irish architecture industry as a research setting. We conducted seven identical open-ended semi-structured interviews between June and November 2010 with a broadly sampled set of

industry informants that mainly focused on firm internationalization processes. We began broad level coding during this preliminary stage to understand the architecture sector's dominant logic (Prahalad & Bettis, 1986), and to provide an overview of architecture firms' internationalization processes. This guided us in our case selection, and identified any needs to refine our research design and in further developing our interview prompt sheet. The interviews lasted between 25 and 100 minutes, and followed a common protocol. They were all recorded, transcribed and subsequently verified with informants before being copied into the nVivo software system. Field notes were written up within 24 hours to reduce retrospective sensemaking that might lead to bias (K Eisenhardt & Graebner, 2007; Turner & Rindova, 2012).

Having identified the viability and characteristics of the setting, we then selected ten companies that represented a range of different parameters, reasoning that diverse cases from the architecture industry would offer firmer grounding for theory development than a more homogenous sample (Harris & Sutton, 1986). Table 1 summarizes the diversity of our chosen sample, based on the numbers of international projects that the sample firms engaged in, and on firm size (both characteristics which could be identified from firms' websites, and supported by various public sources). We are also aware that small firms had unique challenges and behaved differently to larger firms (Shuman & Seeger, 1986). A third parameter of this diversity was firm orientation. Peer firms classified their own organizations and others either as 'Design' or 'Commercial' firms. Design firms were those that won high profile, internationally recognized prizes for designing unique, even iconic, buildings, whereas commercial firms were more multi-specialist firms, with greater expertise in designing and project managing buildings such as office buildings or retail outlets. Initially, we relied on informants categorizing themselves as 'Design' or 'Commercial' firms during the case selection process, and this self-identification was triangulated against archival data

and other informants' comments. We determined that it was appropriate to incorporate equal numbers of each type into our data set because there appeared to be a dichotomy in the strategy and talent management (Canavan, Sharkey-Scott, & Mangematin, 2013) between the 'Commercial' and 'Design' practices and it was unclear how this may influence their internationalization process.

Insert Table 1 here

Data Collection

Having determined our research design, we embarked on our main data collection phase between 2010 and 2013, using multiple techniques including face to face semi structured interviews, archival data and external informant interviews. We interviewed external informants to "provide outsider perspective for a reality check" (Santos & Eisenhardt, 2009), secondary replication and triangulation of findings (Van de Ven, 2007). We collected data from multiple informants at several hierarchical levels in each firm. Interviews followed a common protocol, but their open ended format allowed us to capture a rich description of the firms' internationalization events. Informants discussed both their current and past personal internationalization experiences within the firm. We used techniques to alleviate potential recall bias, in particular relating to historical descriptions (Huber, 1985), including triangulating information from multiple data sources (Huber & Power, 1985). Table 2 summarizes our archival data sources.

Insert Table 2 here

By cross checking multiple data sources and applying rigorous data collection procedures we were able to gather rich multi-voice data satisfying the triangulation principle

and ensuring the validity of our research conclusions (Creswell, 2009; Yin, 2009). As in the preliminary research phase, all interviews were recorded, transcribed, and verified with informants before being transferred into the nVivo software program. Overall, theoretical saturation (K. Eisenhardt, 1989) was reached after we had collected thirty five interviews from ten case firms. Seven external informants, including academics in the architecture field, a government agency representative and architects in foreign firms, were also interviewed (taking between 40 and 120 minutes) to support our triangulation efforts. To safeguard respondents' anonymity and ensure the confidentiality of our data, we assigned code names based on the Greek alphabet to each case firm, ranging from Alpha to Lambda (Eta excluded).

Data Analysis

Our analysis proceeded through multiple steps which, for the sake of simplicity, we present sequentially: in reality, we conducted multiple analysis iterations.

Step 1: Reconstructing a chronology of projects for each case. We began by combining interviews and archival sources to identify the international projects described by each firm which formed our basic units of analysis. We used a text searching approach to identify each project that we defined as an event, which was then supported by a search of the archival data, in particular media and website sources that contained much graphic and technical description. Each event was recorded in text in NVivo and on spreadsheets and graphs to assist with our analysis (Miles & Huberman, 1994). Interviewees described 144 international projects across the ten case firms - 46 in Western Europe (WE), 31 in the Middle East/North Africa (MENA), 29 in Central and Eastern Europe (CEE), 21 in other Asian countries (AA), 11 in the Americas (AM), and 6 events providing other related services outside core architecture services, such as teaching and publication activity.

Step 2: Reconstructing case firms' business model activity systems. In the second step we started by extracting detailed narrative descriptions of each event's internationalization process from our interviews (supplemented by archival data), using the four business model dimensions leading scholars in the field (Baden Fuller & Mangematin, 2013) have proposed as representing how the businesses create and capture value: customer identification, customer engagement, monetization, and value chain and linkages. Consistent with inductive enquiry methods (Turner & Rindova, 2012), we checked the validity of our emerging insights with key informants, seeking subsequent clarifications and elaborations where necessary. After completing this step, our database comprised 48 different configurations of these business model dimensions based on our empirical observations across the 144 events.

Step 3: Identifying business model selection and interrelatedness within each firm's business model portfolio. After creating a visual map of internationalization along the business model dimensions for our case firms, we then searched for textual evidence that could provide insights into the criteria for the selection of a particular business model for a particular internationalizing event, and the degrees of their relatedness within firms' business model portfolios. We began with open coding of interviews searching for relevant text segments that would yield insights into how firms selected their business models (Shafer, Smith, & Linder, 2005), and of their interrelatedness (Sanchez & Ricart, 2010). We measured the interrelatedness of a firm's business models as either (a) - highly interdependent with the firm's other business models (b)-medium or partially dependent with its other business models, or (c) - low or independent of them.

Step 4: Establishing the theoretical underpinning of our data. Following (Locke, 2001) recommendations about open coding, we then iteratively travelled back and forth between our primary and secondary data, emerging observations, and existing literature to achieve a more refined analysis, combining descriptive first order codes (e.g. informants 'visiting on the

ground’ and ‘competing based on low cost’) into broader more theoretically relevant second order themes (e.g. ‘decentralizing value chain and linkages’ and ‘engaging customers locally’), as detailed in Table 3.

Insert Table 3 here

From the 48 configurations of business model dimensions, we identified four distinctive business models that our case service firms used in their internationalization processes, and derived insights into criteria for firm business model selection and the interrelatedness of their business model portfolios (outlined in Table 4). Surprisingly, we found that while their dominant business model for internationalization differed, both Commercial and Design firms supported multiple business models. Showing how they combined these business models to create new revenue streams or to build reputation enabled us to understand their choices and the interrelatedness of firms’ business models in their internationalization processes.

Insert Table 4 here

Findings

The key findings from our in-depth analysis of 144 internationalization events using a business model approach are the identification of the four business model types detailed in Table 5. Our analysis highlights the multiplicity of activity combinations involved in professional service firms’ internationalization efforts, which we categorize into four business model types; Multiple Local Business Model; Global Business Model; Niche Global Business Model and Local to Global Business Model.

Insert Table 5 here

We now present these models individually, discussing the activities of each one in relation to the business model dimensions previously identified. Our findings provide key insights for understanding how professional service firms create and capture value during internationalization. Our findings also illustrate that such firms can employ a portfolio of dominant and secondary business models when internationalizing, and we highlight how those models are selected and the interrelations between them in firms' business model portfolios.

The 'Multiple Local' Business Model

Insert Table 6 here

This approach involves the targeted replication of business model activities into multiple relevant host country or regional networks (see Table 6 for representative data). While firms may enter these markets as virtual 'unknowns', they may still be able to address customer needs because they are 'early movers' in these markets, or because they provide more efficient solutions than incumbents. Increases in their activities in such host markets may be (but are not always) incremental, starting with services that involve low level initial resource commitments - such as masterplanning or client following - to gain recognition and build reputation before establishing a full service office on the ground. Revenues are generated from each market, and decentralized value chains and linkages are required to compete directly 'on the ground' and to establish the levels of visibility and commitment clients will require. Nine of our ten firms exhibit a Multiple Local business model approach, and it is the

dominant business model for the internationalization of Alpha, Gamma, Epsilon, Delta, Kappa, Zeta and Iota's activities.

Identifying customers. Firms respond to local demands in each market, and customers require '*visibility but also personal contacts*' (Zeta #3). Case firms identify four main client groups who need the firm to be visibly present in the host markets: international clients active in less developed markets; potential clients in mature markets where the expertise the case firm brings is not widely available; potential clients in mature markets seeking low cost services; and local clients in less mature markets seeking the services of an 'international architect' for both efficiency and status reasons. New business is acquired via accessing local networks.

Customer Engagement. Customers in these markets value the replication of international industry standards, as local firms can often not provide the 'international quality' services, superior efficiency or low cost services required. The ability to replicate standard building templates within their portfolios enables firms to compete on a lower cost basis in more mature markets where customers may be strongly price focused.

Monetizing opportunities. Revenues are generated from each local host network. Payment risks also need to be managed locally, which is important in less developed markets. Delta suggests that in some MENA markets '*you would want to see money each month, and if it wasn't coming in you would just pull the plug on [the project] immediately*' (Delta #1).

Value Chain and Linkages. Customer demands for firm visibility and an 'on the ground' presence require replication of value chains and creating local value chain linkages in each host market network. Embeddedness may be gradual, with services such as feasibility studies being the first opportunities exploited: but eventually delivering full scale services will require establishing an office on the ground to oversee the implementation of projects and to

compete with other local providers. In this model, therefore, most activities are generally independent of other markets.

The ‘Global’ Business Model

Insert Table 7 here

The Global business model approach to internationalization (Table 7) arises when firms ‘*target projects*’ (Beta #1) rather than locations, and so make little distinction between their international and domestic activities. Theta - where the Global business model is dominant - even describes its country of domicile as ‘*purely coincidental*’ (Theta #2), highlighting that the firm could be based elsewhere, but still deliver the same international service.

Identifying customers. Case firms using this business model normally identify customers by scanning public databases or by being invited to join competition shortlists based on their global reputations. As a global market, the level of competition may be intense, as the most prestigious building projects can attract hundreds of competition entrants via their open competition formats. Our case firms describe their criteria for selecting projects as ‘*what [they] are good at [so that they] are able to get noticed among the crowd and be recognized by competition panels*’ (Theta #4), or the chance to be involved in a ‘*prestigious or interesting site or building, or something that hasn’t been done before*’ (Beta #3). Global reputations gained by designing iconic buildings and winning awards are particularly important for being invited to participate in restricted competitions, and getting onto competition shortlists.

Customer Engagement. Clients may require novel solutions, or that iconic or landmark buildings - museums, university and cultural buildings, etc. - bring them global recognition and status: such buildings say something about who or what a client aspires to be. Solutions

'may need to recognize the country you are in, [but] for a global multinational the project may need to reflect global scale and aspirations' (Theta #2)

Monetizing opportunities. This business model generates project revenues globally, without dependence on a particular country or region. Revenue streams from various projects are generally independent. Interestingly, while some projects may be in volatile geographic locations, revenues tend to be relatively safe due to the clients' cultural importance and global reputation - but there is a great deal of uncertainty in anticipating competition outcomes and fee structures. This contrasts with the Multiple Local Business Model, in which there is greater certainty about setting fees, but high risk markets may often carry the potential of non-payment.

Value Chain and Linkages. Centralized teams, working in a studio style *'like a beehive'* (Beta#1) are typical, as internationalizing firm have little need to establish a local offices 'on the ground'. Services are contracted according to firms' *'ability to interpret a brief'* (Theta #4) in unique ways, rather than their visibility in the host market or the intensity of their client contact.

The 'Niche Global' Business Model

Insert Table 8 here

We can characterize the Niche Global approach (Table 8) as one where the gaining of a special expertise in designing/producing a certain type of building in the home market for a global multi-national company or organization client facilitates the global internationalization of the firm's activities within that narrow field or segment. This business model is not global from the outset, but leapfrogs from local to global, and internationalization involves replicating technically complex building designs for specific industry functions - for example

pharmaceutical plants or sports facilities - in host countries. We found that Kappa and Epsilon adopt this business model mechanism to deliver complex technical projects on a global scale.

Identifying customers. Opportunities arise through ‘*word of mouth, track record and going and talking to the right people*’ (Kappa #2). Customers want firms that understand the specialized technical requirements of their industry, and these clients tend to influence each other. In Epsilon for example, opportunities arose to build specialized sports facilities in various international locations after it had completed a similar project in the US, ‘*we are [now] being told that the president of the [sporting association] wants to show what [American country] is doing as an example to other clubs [globally] that are wondering what can be done*’ (Epsilon #3).

Customer Engagement. These end user clients seek the replication of industry standards for similar specialized facilities. Typically, they are major multi-national enterprises such as pharmaceutical or ICT operations, rather than traditional developers or government clients, and have highly technical requirements that can be replicated in other geographic locations globally.

Monetizing opportunities. As clients are global, and the professional services are provided on a global basis, revenue streams are global but restricted to specific industry networks. Also, as such clients and their direct industry or sector competitors often interact globally, the potential exists for the professional service firms to win similar contracts from other clients in the same global industry networks.

Value chain and linkages Project based teams combine with host market sub-contractors to supervise such projects in host locations. As a result, value chain linkages tend to be hybrids between centralized and decentralized structures, with individual architects commuting to international markets as projects progress. Permanent offices or legal entities on the ground in

host locations are not usually required. Business development opportunities are also global rather than regional or country specific, which suits teams that are mainly centralized.

The ‘Local to Global’ Business Model

Insert Table 9 here

Services in the Local to Global group (Table 9) fall outside ‘normal’ business operations, but are directly enabled by the skills and competencies of individuals within the service firms. Our analysis considered specific direct architecture services as building design and implementation, masterplanning, urban design, project management and interior design, but case firms Beta, Epsilon, Theta and Lambda also engaged actively in a wider range of ancillary services, including teaching, publishing and consultancy and advisory services within a broader spectrum of related creative services. We grouped these into a distinctive business model, as they involved different identification activities, and - importantly - the services involved were significant revenue generators, particularly for some of our ‘Design’ firms. Beta highlights the need to teach, suggesting;

We use teaching as, not so much [as] funding as a practice. It is a source of income I suppose at a practical level, but it’s also really enriching in terms of the topics that you can research. We use it as a kind of a tool for research. (Beta #1)

Indeed, teaching is an important part of services provided by ‘Design’ firms on many levels, and gives them access to important networks.

Identifying customers. Although underpinned by different dynamics, these services are initially provided in response to local demand, but can then leapfrog to global provision. For example, key informants from Theta, Beta and Epsilon developed local reputations for teaching and were then invited to teach at some of the most globally recognized universities.

Similarly, Epsilon created coffee table publications for their home market, while Beta, Theta and Epsilon were involved first in local and subsequently in regional European Arts Council activities.

Customer Engagement. Customers of these services value novelty. In this regard there is a strong relationship between firms that have a dominant Global business models and their tendency to engage in Local to Global activities, applying their artistic capabilities beyond their core business.

Monetizing opportunities. The opportunities to earn revenue from the Local to Global business model can be local or global, depending on the scope of the particular service. More importantly, however, it is the stability of such income streams that is critical to balancing market uncertainties. In firms that are predominantly Multiple Locals, monetary stability can be achieved by providing new architectural services, such as master planning or interior design, or by moving into new local (foreign) networks. However, for firms that have dominant Global business models, engaging in Local to Global internationalization provides a stable and continuous revenue flow, as well as access to valuable research and networking resources.

Value chain and Linkages. These business models are managed centrally as they require embeddedness in multiple networks outside firms' main business models, although these networks become more interdependent as firms' activities globalize.

Selection and Interrelatedness of the four Business Model types

Insert Table 10 here

Our analysis provides important insights into our case professional service firms' selection of business models and their interrelatedness To make sense of the multiplicity of the

internationalization patterns of their activities, we explored the connections between selection and interdependence within their overall positioning as ‘Commercial’ or ‘Design’ firms.

The evidence from our cases is that firms identified as ‘Commercial’ in their home markets internationalized predominantly by replicating their services in a Local to Local fashion. There were no exceptions to this pattern in our limited case sample. Similarly, in firms described as ‘Design’ firms, the Global business model is often dominant (with the exceptions of Epsilon and Iota). The number of projects is not necessarily an indicator of business model dominance, as one global ‘cultural’ project could be much more significant in value than multiple local (host) market replications. However, Table 10 shows that the dominant business model used in Alpha, Gamma, Delta, Zeta, Kappa and Iota’s internationalization processes involves replication of activities across multiple locations, while Beta, Theta and Lambda use Global business model approach in their internationalizations, and Epsilon appears to have more of a balance between the two approaches. Interestingly, Iota internationalizes by replicating services, but is known as an ‘*excellent design firm*’ (external informant #4) in its home market. However, Table 10 also shows that firms usually adopt multiple business models – in effect, a business model portfolio composed of a dominant business model combined with secondary models, e.g. Design firms where the Global business model is dominant may also deploy Multiple Local business models within their internationalization portfolios.

Insert Table 11 here

Selection of Secondary Business Model(s).

Our analysis demonstrated that *reputation* and *diversification of revenue streams* influence our service firms’ selection of secondary business models for internationalization. The data illustrates that such firms choose their secondary business models according to their needs to

build international reputations in foreign markets; to respond to and exploit opportunities arising from their certified reputations; or to diversify their revenue streams. For example, Gamma describes how *'the work we do in London is to showcase our skills as designers. You know London is the design capital of the world'* (Gamma #2). This firm has a highly successful international business built on replicating international industry standards in multiple international networks: while they find that *'competitions are a pain'* (Gamma #3), they must engage in this activity sometimes to build their international reputation. Alternatively 'Design' firms that enjoy global reputations can benefit from international opportunities: for example, Beta was offered the chance to design two office buildings in a western European country due to their reputation for designing an iconic building in that location.

Finally, firms wishing to diversify their revenues may select alternative international revenue streams. For Epsilon and Kappa, their niche specialized businesses were initially developed through expertise gained largely with global multi-national organizations in their domestic markets. Lower levels of competition, customer status and large scale projects within that specialized market have helped to diversify their revenue bases. Similarly, other non-architectural design activities help to diversify revenues for some case firms, although these opportunities may depend on having built up certified reputations for their artistic capabilities.

Interrelatedness of business models.

Our findings show that different business models have varying degrees of interdependence that may influence their firms' internationalization. The international growth of commercial firms using Multiple Local as their dominant business model approach may need to be supported by some 'reputation building' projects, which involve adopting the Global business model approach. *'You may be well known nationally, but to be internationally well known is*

another thing again' (Alpha #2). This suggests that, for example, Gamma must take on some high profile design projects in London if it is to internationalize. Similarly the success of the commercial firm Kappa in Asia was supported by having completed a globally recognized and award-winning building project in Europe. This does not suggest that all firms should aspire to engage in such high profile competitions, as *'competitions are a killer'* (Gamma #2), but they may be necessary to gain entry into relevant networks and *'give us a good reputation'* (Gamma #2). In consequence, there is a high degree of interrelatedness between the business model activities of firms with dominant Multiple Local and secondary Global business models in their portfolios.

Our findings show a medium level of interrelatedness between Global as the dominant business model and both Multiple Local and Local to Global approaches as secondary business models. These secondary business model patterns are possible when Design firms have global reputations for artistic merit. In terms of having Multiple Local as their secondary business models, our case firms describe how they either followed clients into international locations, or were contacted directly by foreign local clients *'probably about sixty per cent of the time other people contact us'* (Beta #3). We identify the interrelatedness between Global as the dominant business model for Design firms and Multiple Local as their secondary business model as medium, because one is derived from, but not dependent on, the other. Similarly, the interrelatedness between Global as dominant and Local to Global as secondary is medium, as the secondary business model is again derived from but not dependent on the dominant business model.

Finally, we identified that some Commercial firms which engaged in Multiple Local internationalization also had Niche Global business models in their portfolios. Niche Global business models require strong replication capabilities (as do Multiple Local models), combined with industry specific knowledge that relates to the client's needs – *'to talk their*

language' (Kappa #2). We find a low level of interrelatedness between the Multiple Local business model as dominant and the Niche Global as the secondary business model, with the latter largely being used to attract new revenue streams.

Discussion

This paper aims to shed light on the internationalization of professional service firms by exploring the business models such firms use to internationalize their activities. By exploring 144 internationalization events across ten case firms, we have added to our understanding of how such firms create and capture value during their internationalization process, and of the diversity of their approaches. We have also identified reputation and revenue diversification as underlying rationales for the selection and interrelatedness of the business models in their internationalization portfolios. Despite continued scholarly interest in understanding how service firms internationalize (Apfelthaler & Vaiman, 2012; Pla-Barber & Ghauri, 2012), and growing academic debate about the value of business models for understanding firm processes (Baden-Fuller & Morgan, 2010; Baden Fuller & Haefliger, 2013; Teece, 2010a), as far as we could confirm, our study represents one of the first empirical studies to adopt a business model lens for analyzing firm internationalization, certainly outside technology dependent sectors. Our study enables us to make three important contributions to theory.

A Business Model Approach to understanding Internationalization

Our first contribution is to deepen insights into the extant IB/IE frameworks (Johanson & Vahlne, 2009; Knight & Cavusgil, 1996; Oviatt & McDougall, 1994), adding to our understanding of the variability in how professional service firms create and capture value when internationalizing their activities. We demonstrate that such internationalization may be richer than is captured by traditional explanations, in particular for locally embedded

services. By shifting our conceptualization of the firm as a single unit of analysis to focus on each international event, we have mapped and visualized four alternative business model types that we label ‘Multiple Local’, ‘Global’, ‘Niche Global’ and ‘Local to Global’. We extend traditional explanations by demonstrating that firms replicate or innovate the value and value capture activities that define their business models when they internationalize. This represents an alternative model to existing approaches, which are mostly path dependent and relational based incremental (Johanson & Vahlne, 2009) and IE (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994) patterns.

Business model portfolio thinking has strong explanatory potential in international contexts because, unlike traditional models which take the firm or the entrepreneur as the unit of analysis, it takes a stripped-down characterization of value creation and capture activities (Baden Fuller & Mangematin, 2013) that can be replicated and innovated as firms grow their business internationally. Description, choice and interrelatedness of business model portfolios can therefore be compared and understood across international contexts, greatly improving the potential to build on our insights across other firms and sectors. By demonstrating the four business models used to internationalize the activities of our case professional service firms, we highlight a critical weakness in adopting a generic firm level explanation which fails to capture the heterogeneity of the service experiences and the complexity of process patterns that exist in practice. Our findings show that service firms may indeed pursue incremental internationalization into new markets, as theory has long held (Johanson & Vahlne, 1977, 2009), but they may simultaneously act like ‘born globals’ (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994), and their global activities may support market specific activities and vice versa. Thus, we argue that using an established generic framework of business model dimensions (Baden Fuller & Mangematin, 2013) allows for more flexible categorization and sub-categorization of how value is created and captured across firms and

sectors, providing both theory and practice with a generic approach to capturing the variability of internationalization activities. This rich contribution facilitates a new approach to modelling the internationalization process.

Portfolio Approaches to Internationalization.

Our second contribution is to not just substantiate firm's use of business model portfolios (Sabatier et al., 2010), but to provide richer insights into how they use multiple combinations of dominant and secondary business models to internationalize their activities. Our findings demonstrate that firms may have a dominant internationalization approach that relates to their positioning as 'Design' or 'Commercial' firms (labels ascribed domestically by the firms and their peers). This partially supports the notions that firm characteristics influence their internationalization patterns (Malhotra & Hinings, 2010), or that a single business model (Hennart, 2014) determines born global internationalization. However, our findings reveal a more sophisticated interplay at the business level that has not been captured by prior contributions. Our mapping of our case business models shows that firms may not always rely just on replicating their domestic activities internationally. For example Iota is a recognized 'Design' firm, but deploys a Multiple Local business model abroad, contrary to the firm characteristics explanation. More importantly, however, we suggest that firms do not rely solely on path dependent or linear activities to internationalize successfully, and that internationalization may require a portfolio of interrelated business models allowing them to enter new markets and manage the associated uncertainties.

Selection and Interrelatedness of Business Models for Professional Services Firm Internationalization.

Thirdly, we contribute to the emerging literature on professional service firm internationalization by shedding light on the ‘rules of the game’ of how such firms select their business models (Shafer et al., 2005), and of the interrelatedness (Sanchez & Ricart, 2010) of a firm’s portfolio of business models for internationalization. Our findings support the widely recognized view that reputation is critical to the internationalization of services, in particular professional services (Cooper et al., 2000; Grosse, 2000; La et al., 2009). Moreover, we show how both the need to build a reputation and the opportunities that extend from establishing a reputation impact on firms’ business model choices for internationalization. Our identification of the activities that support the building and extending of firms’ reputations provide insights into an important but under researched aspect of services internationalization, which the traditional frameworks have largely ignored.

Managerial Implications

We highlight three key insights of our study for managers, particularly within creative professional service firms. First, a deep understanding of their existing domestic business model(s) is critical for their decision making about internationalizing their activities. A process of analysis using a framework such as that applied in our study (Baden Fuller & Mangematin, 2013) can allow managers to analyze their current activities and the implications for how they might extend these activities abroad. Second, our identification of four business model types for internationalization may provoke managers to rethink their existing approaches to internationalizing the activities. Moreover, an appreciation of how combinations of business models may be used in a portfolio structure could assist managers in conceptualizing and resourcing for the internationalization process. Third, managers need to be aware of the range of complexities when internationalizing in today’s global market, and particularly of the value of their firms’ reputations. Our analysis of dominant and

secondary business model combinations suggests that activities in one market may have far-reaching consequences - for example, the decline in the reputation of a Design firm with a dominant Global business model approach may impact its ability to adopt a secondary Multiple Local business model approach, with significant implications for the firm.

Limitations and Future Research

The usual caveats apply to this case study research and to the conceptual generalization of our theoretical insights, but interesting ideas emerge from our findings that may be transferable to other service sectors. Research designs involving unusual contexts (Schofield, 2000) shed light on 'what could be' - what might be possible in terms of the internationalization process - and future research could focus on testing transferability across different industries and sectors. One interesting area for further research could be exploring whether alternative explanations of selection and interdependencies of business models can also be observed in other internationalization contexts, as well as the reputation and revenue generating insights suggested in our study.

A second limitation of our study relates specifically to the Irish context, and to whether our findings are transferable across international contexts. While Ireland, as an open and outwardly-focused economy, is a favorable setting from which to explore the internationalization process, further research could clearly be conducted into other international contexts.

Further exploration of the interaction of dominant and secondary business models represents another interesting area for future research. Theories on the dominant logic of the firm (Bettis & Prahalad, 1995; Prahalad & Bettis, 1986) suggest that bounded rationality hinders firms from deploying multiple business models, but our study offers an approach that future studies could adopt in exploring this area.

Finally, it would be interesting to explore and understand the different dynamics of internationalization or globalization between large and small professional service firms, and how larger firms adopt business model portfolios in their internationalization process. The architecture industry is mostly comprised of smaller sized firms: even Aecom, the world's largest architecture practice, employs only 1,370 architects (Quirk, 2013). Valuable insights may be gained by studies of other professional service sectors such as the accounting and legal industries, which have global practices on a much larger scale.

Conclusion

Our study provides key insights for the internationalization literature by applying a business model approach to understanding how value is created and captured when professional service firms internationalize their activities. Substantiating four business model types for internationalization, uncovering business model portfolio effects, and providing insights into the selection and interrelatedness of portfolio business models testify to the value of applying the business model concept as a modelling device. Given the complexities of professional service firms' relationships and operations, there is strong potential for transferring our findings to other analogous contexts to add further to our understanding of firm internationalization.

Acknowledgements

The authors would like to acknowledge the support and guidance from the editors - Vincent Mangematin and Charles Baden-Fuller - and more general thanks for encouragement and insights from other colleagues at Cass Business School and Grenoble Ecole de Management. We would also like to acknowledge funding to support this project from the College of Business, Dublin Institute of Technology.

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Biographies

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Tables

Table 1. Description of Data Collected from each Case Firm and Sampling Criteria

	Est. (years)+	Recognized Sector Expertise	Empl. Nos. (largest over decade)+	No. of Offices	Selected Projects listed on website	Years since first international experience+	Peer Identification
Alpha	30	Multi Specialist – Commercial	50 (250)	6	75	10	Commercial
Beta	30	Specialist – Education	20	1	18	12	Design
Gamma	20	Multi Specialist – Commercial	100 (300)	4	154	12	Commercial
Delta	20	Dual Specialist – Retail Design / Project Management	25 (85)	1	18	10	Commercial
Epsilon	30* (now 3)	Multi Specialist – Public & Commercial	20 (250)	1 (. 6)	49 (assigned to existing directors)	20	Design
Kappa	100	Multi Specialist – Public & Technology	100 (200)	7	86	30	Commercial
Zeta	90	Multi Specialist – Commercial	50 (100)	3	99	30	Commercial
Theta	10	Specialist – Cultural	20	1	23	10	Design
Iota	10	Specialist – Education	20	1	40	5	Design
Lambda	30	Dual Specialist –residential and cultural	15	1	39	10	Design

*in 2010 Epsilon went into liquidation and the partners formed a new partnership employing former architects and working in a co-operative arrangement with other former architects of the firm.

+ Years established and Years since first international experience, employee numbers and years since first international experience are rounded to the nearest 5

Table 2. Archival Sources of Data

Informants	Data Source	
Archival Data Sources		
	<i>Pre Interview Collection</i>	<i>Post Interview Collection</i>
Firm Level	<ul style="list-style-type: none"> - Firm Websites - Media Information - Key Management CVs - Search of awards and project tendering - Financial Reports 	<ul style="list-style-type: none"> - Marketing Reports - New Market Entry Plans - Notes recording details of visual aids such as project models and drawings - Meeting minutes and notes
Industry Level	<ul style="list-style-type: none"> - Industry Agency websites - Competitor websites and media articles - OECD/World Bank, RIAI and other industry reports 	<ul style="list-style-type: none"> - Competitor and peer group comments from other Case Firms and External Informants - Ongoing data collection from public sources - Search in Irish Architecture Archives - External Informant Interviews
Economy Level	<ul style="list-style-type: none"> - Key economic data on select markets - EU tenders 	
Other		<ul style="list-style-type: none"> - Field Notes
	Total: ca. 3,000 pages	Total: ca. 1,200 pages

Table 3. Progression of Theme Building

Empirical Observations	Second Order Themes
Desktop researching of market. Visiting 'on the ground'. Using introducers.	Identifying new customers in each host market.
Scanning public databases. Invitations from professional sources.	Identifying new customers globally.
Competing with solutions based on efficiency. Competing with solutions based on low cost. Competing with solutions based on 'international expertise'.	Developing Customer Engagement in host market.
Competing with novel solutions.	Customer Engagement to enhance global status of client.
Decentralizing teams. Centralizing teams. Decentralizing project specific teams.	Decentralizing Value Chain and Linkages. Centralizing Value Chain and Linkages. Hybrid Value Chain and Linkages.
Managing revenue from multiple networks. Managing revenue globally.	Localizing monetization opportunities. Globalizing monetization opportunities.
Invitations to access new networks.	Facilitated by global reputation.
Desire to access new host market networks.	Facilitating need to build international reputation.
Little or no interrelatedness within business models.	Revenue diversification.

Table 4. Data Structure – The Business Models and Drivers of the Business Models

Second Order Themes	Aggregate Dimensions
Identifying new customers or unsatisfied needs in each market. Proposing local customer engagement. Localizing monetization opportunities. Decentralizing value chain and linkages.	Multiple Local Business Model
Identifying new customers globally. Proposing global customer engagement. Global monetization opportunities. Centralizing value chain and linkages.	Global Business Model
Identifying new customers or unsatisfied needs within specialized global network. Proposing customer engagement specialized global network. Globalizing monetization opportunities. Hybrid value chain and linkages.	Niche Global Business Model
Identifying new customers locally, then globally Proposing local or global customer engagement Leapfrogging from local to global monetization opportunities Centralized value chain and linkages	Local to Global Business Model
Facilitated by global reputation. Facilitating need to build international reputation. Revenue diversification.	Drivers of Secondary Business Model Portfolio

Table 5. Comparison of Business Models

Replication/Extension of Activities through:	Multiple Local Business Model	Global Business Model	Niche Global Business Model	Local to Global Business Model
Customer Identification	Responding to local demand	Responding to global demand	Responding to global demand in one industry segment	Responding to local demand initially, then globally
	Through local network building	Global network building	Global network building in narrow segment	Both local and global network building
Customer Engagement	Efficiency - Template Solution (standard building)	Creativity - Novel solution (iconic building)	Efficiency - Template Solution (specialized purpose building)	Creativity- Demonstration of artistic capabilities outside core business
Monetizing Operations	Local customers, local revenues.	Global clients, global revenues.	Global clients in narrow segment, global revenues.	Local to global revenues.
Value Chain and Linkages	Deeply embedded miniature replica operations.	Project based, minimally embedded.	Geographically project based, highly embedded in industry network.	Embeddedness in multiple local and global networks, outside core operations
	Independent activities – confined to local market	Moderately Interdependent Activities – project based clients but working with global consultants	Interdependent activities – global clients	Becoming more interdependent as activities leapfrog from local to global
	Decentralized	Centralized	Centralized	Centralized
Internationalization process	Local to local	Global	Local to niche global	Local to global

Table 6. Illustrative Evidence: Multiple Local Business Model approach

Dimension	Illustrative Quotations
Identifying customers in each host market	<i>'[We are] looking out for new work internationally'</i> (Iota #3)
Proposing local customer engagement	<i>'it's all international work in the sense that we can use an international, American or [home country] approach to projects'</i> (Kappa #2)
Localizing monetization opportunities	<i>'It's easier to get more work there when you are working locally'</i> (Gamma #1)
Decentralizing value chain and linkages	<i>'there were people over there on the ground, they had set up an office'</i> (Gamma #2)

Table 7. Illustrative Evidence: Global Business Model approach

Dimension	Illustrative Quotations
Identifying new customers globally	<i>'Generally what happens is that ...one of our administrators here she would get a mailshot and she would trawl through a number of different sites'</i> (Theta #1)
Proposing global customer engagement	<i>'it very much reflects what their client believes their market is ... you see them in all the James Bond movies'</i> (Epsilon #2)
Globalizing monetization opportunities	<i>'Reputation comes from the building and the building comes from the reputationWell I suppose the reputation comes first and then people take an interest in the building.'</i> (Beta #3)
Centralizing value chain and linkages	<i>'Everything is run from this office.'</i> (Lambda #1)

Table 8. Illustrative Evidence: Niche Global Business Model approach

Dimension	Illustrative Quotations
Identifying customers within specialized global network.	<i>'We would do specialist industrial work ... which has quite a limited number of people'</i> (Kappa #1)
Proposing customer engagement in specialized global network.	<i>'it's sort of a romantic thing That got a lot of publicity, and anecdotally we are being told now that the president of the [sporting organization] wants to show [the building] as an example to other [sporting organization's internationally] that are wondering what can be done'</i> (Epsilon #2)
Globalizing monetization Opportunities.	<i>'there is one real rule for reputation. You are as good as your last jobwe now have several clients as we were seen to be doing a good job for the first one.'</i> (Kappa #1)
Hybrid value chain and linkages.	<i>'sometimes you need to see people, but generally we can use technology to do that'</i> (Epsilon #4)

Table 9. Illustrative Evidence: Local to Global Business Model approach

Dimension	Illustrative Quotations
Identifying local, then global customers	<i>'we take a multi-disciplinary approach to design'</i> (Theta #4)
Proposing local to global valued proposition	<i>'one area we are trying to move into a bit is publishing Well using the design and creative competence that we have to move into this area a bit more'</i> (Epsilon #1)
Local to globalizing monetization opportunities	<i>'They had taught in [local university] and then they started to be invited abroad to give lectures and on the back of lectures they also had a chair in [two top tier universities in the US]'</i> (Beta #3)
Centralizing value chain and linkages	<i>'[Founders] teach in the States and therefore spend a lot of time in the air'</i> (Theta #1)

Table 10. Case Firm Comparison: no. of internationalization projects/events [denoted by “*”], regions and business model approach

	No. of international projects (regions)	Multiple Local Business Model	Global Business Model	Niche Global Business Model	Local to Global Business Model
Alpha (Commercial)	8 (AM; CEE;MENA;WE)	*****	**		
Beta (Design)	9 (AM; WE)	***	****		**
Gamma (Commercial)	33 (AA; AM; CEE; MENA; WE)	*** ***** ***** ***	**		
Delta (Commercial)	4 (MENA; WE)	****			
Epsilon (Design – “bit of both”)	28 (AA; AM; CEE; MENA; WE)	***** *****	*****	**	***
Kappa (Commercial)	19 (AA; CEE; MENA; WE)	***** *	**	****	
Zeta (Commercial)	13 (AA; CEE; MENA; WE)	*****	*		
Theta (Design)	14 (AA; AM; MENA; WE)	*	***** *		**
Iota (Design)	4 (MENA; WE)	****			
Lambda (Design)	12 (AM; WE)	***	*****		***
<i>Total</i>	<i>144 projects (45 countries in total)</i>				

Table 11. Business Model Portfolios, Selection and Relatedness

Business Model Portfolios		Selection and Interrelatedness of BM Portfolio	
Dominant BM	Secondary BM	Selection	Degree of interrelatedness
Global	Dominant business model of the firm replicated or innovated for global projects		
Multiple Local	Dominant business model of the firm replicated or innovated in multiple international markets		
Multiple Local	Global	Need to build international reputation	high
Global	Multiple Local	Facilitated by reputation	medium
Multiple Local	Niche Global	Revenue diversification	low
Global	Local to Global	Facilitated by reputation and revenue diversification	medium