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Internationalisation by Idiosyncrasy: Resource Commitments and Competencies for Professional Service Firm Internationalisation

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Internationalisation by idiosyncracy: how professional service firms internationalise

Introduction

As domestic markets in mature market economies become more saturated and communication and technology facilitates the globalisation of corporations, this has presented both opportunities and challenges for professional service firms (PSFs) to also internationalise their business. PSFs have predominantly industrial corporations, businesses and governments as their clients and thus operate in a uniquely challenging environment when compared to goods producing and consumer service industries.

Coupled with these particular environmental challenges, PSFs themselves have unique characteristics to other service firms, recently indentified collectively in literature as knowledge intensity, low capital intensity, and a professionalised workforce (Von Nordenflycht, 2010). This leads to different characteristics for PSF internationalisation (Faulconbridge, 2008; Morgan and Quack, 2005; Segal-Horn and Dean, 2007) some of which are identified by the aforementioned authors as limited scale and modes of internationalisation; local embeddedness with strongly rooted institutional traditions; specialized knowledge of the connections in the local environment; and a high degree of interaction between the producer and consumer to ensure trust and guarantee of standards of service delivery.

While PSF internationalisation is identified as an important phenomenon because they face different challenges and opportunities compared to other sectors and are among the most important growth sectors of knowledge economies (Scott, 1998), the process of identifying how PSFs internationalise has received little attention in academic literature.

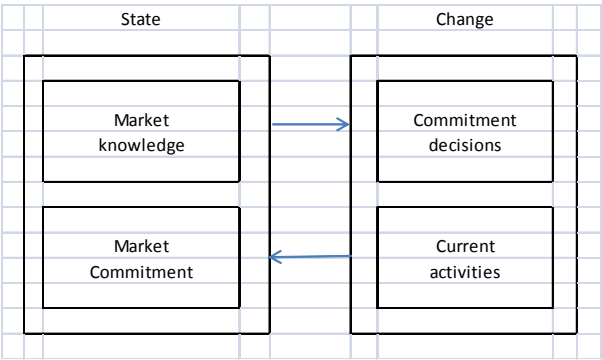
The existing literature on PSF internationalisation offers some limited contributions but lacks a coherent approach, possibly because the sector has only recently benefitted from a common definition (Jensen and Poulfelt, 2011; Von Nordenflycht, 2010). Much of the existing research on PSF internationalisation is focussed on large legal firms (Hitt et al., 2006a; Morgan and Quack, 2005; Segal-Horn and Dean, 2007) or to a lesser extent large accounting firms (Aharoni, 1999;

Cooper et al., 1998; Laird, Kirsch, and Evans, 2003). More recent attempts to broaden this sectoral base are evident with studies on the executive search industry (Beaverstock, Faulconbridge, and Hall, 2010) and combining multiple sectors like engineering, architecture, and law (Simon and Welsh, 2010). PSF internationalisation research not only lacks a coherent approach from a sectoral perspective, but it is also notable that many studies on PSF internationalisation to date relate to very large global firms for which differences are long recognised in literature not only relating to the internationalisation of SMEs (Bell, McNaughton, and Young, 2001; Brouthers and Nakos, 2005; Knight and Cavusgil, 1996) but also between international but non-global enterprises (Bartlett and Ghoshal, 1998).

Coherence in PSF internationalisation research is needed "to bring important similarities and differences to light and thus add to the knowledge of the role PSFs play in the modern economy" (Jensen and Poulfelt, 2011).

Within international business literature (IB), a behavioural process based perspective on PSF internationalisation is distinctively lacking, in particular research beyond the study of single building blocks of PSF internationalisation such as relational capital (Hitt et al., 2006a) or legitimisation and professionalization (Beaverstock, Faulconbridge, and Hall, 2010). This present study addresses the theoretical gap by using a process based perspective of IB to understand how PSFs engage in international market activities grounded in the Uppsala framework illustrated in Figure 1.

Figure 1



The basic mechanism of internationalisation: state and change aspects (Johanson and Vahlne, 1977)

Learning and the Internationalisation Process

An important research stream contributing to our understanding of internationalisation processes is the path-dependent process of learning (Johanson

and Vahlne, 1977, 1990; Johanson and Wiedersheim-Paul, 1975). The well known Uppsala model (Johanson and Vahlne, 1977, 1990) interprets the process through behavioural theory (Cyert and March, 1963), arguing that internationalisation is modelled as a process of incremental resource commitments to a new market driven by increased experiential knowledge. This framework suggests that managers reduce the lack of knowledge on the part of the firm and uncertainty associated with decisions (Andersen, 1993) inherent in internationalisation through a learning process derived from experiential knowledge.

While the Uppsala model recognises the importance of experiential knowledge to the internationalisation process, it has been critiqued for providing little guidance on how experiential knowledge can lead to organisational learning (Forsgren, 2002; Petersen, Pedersen, and Sharma, 2003). The existing model deals with knowledge acquisition and strongly emphasises learning at the host country level through market knowledge and current market commitment referred to as *state aspects* which drive *change aspects* decisions about future commitments and activities.

While the revisiting of the Uppsala model (Johanson and Vahlne, 2009) also encompasses knowledge production through networks, it still provides little insight on how knowledge creation can lead to organisational learning. Thus the model interprets knowledge which originates from unique experiences understood within a context (Davenport and Prusak, 1998) and remaining highly dependent on the individual (Johanson and Vahlne, 1977; Penrose, 1959) but without focus on the transfer to other individuals and contexts within the organisation. It therefore falls short in its use as a framework to analyse organisational learning which is connected to the transfer of knowledge within the firm and "often remains embedded, not only in written documents but also in the routines, tasks, processes, practices, norms and values of organisations" (Bhagat et al., 2002). Recent literature on the learning process for internationalisation calls for more research encompassing this more holistic view of organisational learning as the driver of international resource commitment (Jonsson and Foss, 2011), suggesting that the process not only involves the knowledge acquisition process but also the mechanisms to influence knowledge flows within the firm.

Resource Commitments for Internationalisation

Early interpretations of the internationalisation process (Aharoni, 1966; Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975; Root, 1987) suggest that firms commit to international markets in an incremental fashion based on cultural distance, educational level and language while starting with small level resource commitments such as exports and sales agents and moving eventually to FDI and subsidiary presence. This research was reflective of patterns of internationalisation activity emerging during the 1970s and earlier.

In more recent years academics recognise that changes in the global environment challenge the incremental framework (Coviello and McAuley, 1999) with other studies suggesting alternatives to incremental learning behaviour (Knight and Cavusgil, 1996; Loane and Bell, 2006; Oviatt and McDougall, 1994).

PSFs are a good example of new types of firms entering foreign markets with different production technologies and asset portfolios, having globalised mainly over the last 20 years driven in the 1980s by technological advancements, spurred on in the 1990s through mutual practice recognition agreements, and over the last decade through increased trends towards global outsourcing and offshoring (OECD / World Bank Report 2007).

As well as the development of new IB frameworks, the Uppsala model has also adopted to global market changes through recognition of the role of networks in the framework (Johanson and Vahlne, 2009). In the Johanson and Vahlne (2009) article, the authors provide clarity of their intention when suggesting that the Uppsala model does not specify what form commitment presents itself as (Johanson and Vahlne, 2009) but suggests that it is “the exploitation of an opportunity” (p1420) and it can increase or decrease dependent on performance and prospects. They further suggest it is a dynamic framework as learning and commitment compound whereby levels of commitment engender more learning and the casual relation between learning and commitment is not deterministic but one variable does influence the other and the activities that flow from that commitment.

Despite academic critique of the Uppsala framework for researching the process of firm internationalisation and the development of alternative IB frameworks, it has proved to be a robust and modern framework in conceptualising the internationalisation of firms as a sequential, path-dependent, learning process which influences commitment. Theory recognises that commitment may not always be incremental (Barkema and Drogendijk, 2007) and how learning is achieved may

require broader understanding than experiential learning (Forsgren, 2002; Petersen, Pedersen, and Sharma, 2003), and this project recognises critique centred on the narrow focus and rigidity of the Uppsala framework. Drawing on international business theory in framing this interest and through a lens of the resource based view (RBV) (Barney, 1996; Wernerfelt, 1984), we use the core variables of learning influencing resource commitment to address a theoretical gap investigating how PSFs internationalise.

This research is designed to be explorative, descriptive and theory generating (Eisenhardt, 1989; Welch et al., 2010; Yin, 1994) undertaken within the context of the architecture industry, a professional service within the construction sector.

Key Contributions

The study contributes to IB theory by demonstrating how a process model of internationalisation can apply to the internationalisation of PSFs while supporting and extending theory regarding the role of firm characteristics affecting internationalisation processes. While it reinforces some existing criticisms regarding the rigidities of the Uppsala model, it shows it to be a useful framework at a conceptual level for understanding modern internationalisation challenges that firms experience. The research also shows how the Uppsala framework is also conceptually useful as a framework for researching more recently internationalised industry sectors.

Our study contributes new insight into PSF literature by highlighting distinctive approaches to internationalisation and the interplay between resources and their relative importance that are known to be critical for PSF internationalisation. It further contributes to PSF literature by addressing a theoretical gap in the internationalisation of smaller sized firms which have generally been neglected by academics and it also sheds light on the role of professionalism or technical competency in the firm internationalisation process.

The findings contribute in a practical way by identifying the link between learning processes influencing resource commitment and development so managers can be aware of the need to align learning processes, resource and competency development with their desired service output.

METHODOLOGY

Multiple Case Study Research Design and Setting

Given that few systematic studies relating to the internationalisation of PSFs exist, that the existing PSF research relating to firm internationalisation lacks a coherent approach (Jensen and Poulfelt, 2011), and given that the unique characteristics of these firms requires novel approaches to internationalisation (Faulconbridge, 2008; Morgan and Quack, 2005; Segal-Horn and Dean, 2007), we designed this research to be explorative, descriptive and theory generating. A multiple case study research design was particularly suitable to the nature of this research (Eisenhardt, 1989; Welch et al., 2010; Yin, 1994) as it allows for the development of a holistic and in-depth understanding of complex phenomena (Eisenhardt, 1989; Yin, 2003a) and the development of more robust practical contributions.

Our design focussed on the firm and its internationalisation process as the two units of analysis.

As critical resources tend to vary by industry (Dess, Ireland, and Hitt, 1990) a single-industry sample in which to conduct the research was desirable for conducting cross case comparison. The research setting comprised Irish architecture firms with international experience. The architecture industry is a professional service within the construction sector, mutually dependent on other building services. Architecture can be described as a traditional PSF industry (Von Nordenflycht, 2010). A drive to internationalise the Irish architecture industry was recognised by industry bodies as far back as 1999 (PWC/BMG, 1999), while globally, the internationalisation of the architecture industry is driven since the 1980s by technological advancements, spurred on in the 1990s through mutual practice recognition agreements, and over the last decade through increased trends towards global outsourcing and offshoring (Keune, 2007).

Having defined the study's population a diverse sample was created (Santos and Eisenhardt, 2009). We selected 5 organisations for in-depth analysis. To safeguard their anonymity and confidentiality, we call these firms Alpha, Beta, Gamma, Delta and Epsilon. The case selection was guided by the principal of theoretical variation. Diversity was achieved both through the size of the firm and the range of international markets. Allowing for this diversity ensured that a

multitude of internationalisation experiences across culturally diverse markets were examined within a single firm and on a cross case comparison. Including firms of varying size enhanced our understanding of firm resources for internationalisation (Baird, Lyles, and Orris, 1994; Freeman, Edwards, and Schroder, 2006; Shuman and Seeger, 1986). Table 1 summarises the diverse characteristics of the case firms which offers firmer grounding of theory than a more homogenous sample (Harris and Sutton, 1986).

Table 1 – Description of Sample Firms and Case Data

	Alpha	Beta	Gamma	Delta	Epsilon
Years since Establishment	30+	30+	20+	10+	30+
Employee Nos	>75	>25	>125	<25	<25
Years since first international project	5+	10+	10+	3	20+
No of international locations	3	2	8+	1	10+
Sector Expertise	Multi Specialist – Commercial Segments	Single Specialist – Public	Multi Specialist – Commercial	Dual Specialist – Commercial	Multi Specialist – Public
Internal Informants	Managing Director, Founder Senior Architect	Founding Partner	Director	Managing Director, Founder; Director; Architect	Founding Director; Director Senior Architect
External Informants (case related)	Partner	Competitor	Competitor, Partner	Partner	Ex-Employee, Competitor, Partner
External Informants (generic)	Government Agency, Academic, Industry Body				

Alpha: our first case organisation is headed by its founding partner and at its peak size had close to 300 employees. It has multiple offices and has conducted international business in both emerging and mature markets in a small number of locations for more than 10 years. International business development rests with the CEO. The firm is a well recognised multi specialist within its home country having completed multiple projects across nine architectural sub-segments within the commercial, industrial, and public core business sectors.

Beta: our second case organisation is a long established Irish firm that has focussed on single sector specialism throughout its history. Unlike some of the other cases, this firm has intentionally maintained a small size and never employed more than 32 individuals. It operates out of a single office premises and has two founding

directors. Beta has built up an international presence over 10 years within European markets and is a highly regarded and award winning international participant within its public sector specialist segment.

Our third case firm **Gamma** is a multi specialist firm headed by a founding director and at its peak size had over 300 employees. Gamma has international experience across multiple emerging and mature markets both within and outside of Europe and has a number of international office locations. International business development is concentrated on a small team deemed competent to push the firms international strategy, with one single director appointed with responsibility to coordinate this role. The firm is a well recognised multi specialist within its home country having completed multiple projects across nine architectural sub-segments within the commercial and public core business sectors.

Delta a firm with two prominent sector specialisms within commercial architecture is headed by its founding partner. The firm came from a mid size peak of >75 employees, but has pared its operations back to ca. 25 employees and similar to other practices now uses contract staff as needed on a project by project basis. It operates out of its single Irish office and although it has investigated and bid for business further afield in numerous international markets, it has only completed projects in the UK. International business development rests mainly with a senior director appointed by the board for this role.

Our final case firm **Epsilon** has an interesting history in that it was recently formed following the collapse of a much larger internationally recognised firm. Thus, there is continuity in the internationalisation experience of the founding directors which is that of a much larger firm of ca. 300 people, but not less than 10 are currently employed on a permanent basis. The new firm also maintains close connections with numerous senior architects of the former firm and engages in some business by way of a type of cooperative arrangement. Its experience in internationalisation is considerable across both mature and emerging markets and dates more than 20 years. This firm, in particular its founding directors, are very well recognised in public architecture, but also have a strong portfolio of commercial and mixed use projects.

Contacts and pre-existing relationships were relied on where possible to gain access. Other firms were written to seeking agreement to participate by their managing directors. In our initial contact we outlined our rules on confidentiality to

promote informant openness and enhance the possibility of extensive access to data (Huber and Power, 1985; Miller, Cardinal, and Glick, 1997).

Data Collection

Data was collected involving a number of collection techniques to counteract the possibility of investigator, source, and respondent bias (Jick, 1979). Data collection comprised five phases: 1) review of public information sources; 2) interviews with founders/CEOs; 3) interviews with other senior directors and architects; 4) review of additional archival material internal to the firm and provided during and post interview; and 5) external stakeholder informant interviews. The inclusion of external stakeholder informants in the data collection provided the "outsider perspective for a reality check" (Santos and Eisenhardt, 2009).

In the first phase of data collection, we gathered firm level, industry level, economy level and other archival sources of data available in the public domain relating to the Irish architecture sector. From this data a report on the architecture industry was completed to assess the viability of the sector as a research setting as well as the potential to involve case firms within the sector in our research. This report was prepared using multiple public information sources, outlined in Table 2, and with guidance and data from the Royal Irish Architecture Institute (RIAI). Reports on the global architecture industry were also reviewed including those of the OECD and World Bank (Keune, 2007) and on the European (ACE, 2008, 2009) and Irish context (Rooney, 2009).

Second, we collected face to face interview data from the founding member or CEO of the five case firms. A semi structured interview technique was used with interviews lasting between 45 minutes and 1 hour 50 minutes. The interviews were focused on the internationalisation process and featured open ended questions and probes relating to the role of the interviewee within the organisation; firm experience and triggers for internationalising; where and how firms internationalised; who the key competitors were; target clients, successes and challenges faced, the establishment of international relationships, human resource management, transfer of knowledge, transfer of creativity, building of reputation, building of trust, and the structure and role of interviewee in the internationalisation process. Interviewees were encouraged to speak in general about their firms internationalisation experiences but also in more depth on single international experiences to provide the

depth of data needed for analysing process and practices. Interviewees were encouraged to speak mainly of their direct involvement in internationalisation activities rather than opinions, intentions or beliefs in order to increase the accuracy in the accounts (Golden, 1992; Miller, Cardinal, and Glick, 1997). At the end of the interview the interviewee was asked to suggest suitable additional interviewees from their firm that had been involved in single or multiple firm internationalisation experiences who could be contacted. All interviews were recorded and transcribed into nVivo. These were then copied to the interviewee to confirm accuracy. Upon completion of the interview, field notes were written up within 24 hours following the face to face interviews to incorporate impression management and retrospective sense making into the data collection to help reduce bias (Eisenhardt and Graebner, 2007).

The third phase of data collection involved the interviewing of senior directors and architects who had direct experience in international markets with the case firm. This was to ensure that multiple informants from each firm were interviewed to mitigate against individual response bias (Golden, 1992; Miller, Cardinal, and Glick, 1997) and to add to data collected in Stage 2. Stage 3 replicated the Stage 2 process. [Note: it is the intention to interview at least 3 directors and senior architects with international experience within the case firms, This process is ongoing at the time of writing].

Stage 4 involved a review of all the archival data collected during and post the face to face interviews, as outlined in Table 2, and this yielded rich contextual data on the internationalisation process to assist in replication and triangulation of findings (Van de Ven, 2007).

Table 2 Archival Sources of Data

Informants	Data Source	
Archival Data Sources		
	Pre Interview Collection (Stage 1)	*Post Interview Collection (Stage 4)*
Firm Level	- Company Websites - Media Information - Key Management CVs - Search of awards and project tendering	- Marketing Reports - New Market Entry Plans - Samples of project models and drawings - Meeting minutes and notes
Industry Level	- Brochures issued by RIAC - Meeting with RIAC - Competitor and peer group comments - Industry Agency websites - Competitor websites and media articles	- Competitor and peer group comments from other Case Firms.

	- OECD/World Bank and other industry reports	
Economy Level	- Key economic data on select markets - EU tenders	
Other		- Field Notes

Finally in Stage 5 of the data collection process we interviewed external stakeholder informants for all the case firms. Ten external informant interviews were held with stakeholders of the case firms and general stakeholders such as government support agencies, industry agency bodies and academics. This data was collected only for verification purposes, to reduce respondent bias and provide a reality check. The process for Stage five replicated that of Stage 2 and Stage 3. Interviews lasted between 50 minutes and 1 hour 30 minutes. Due to confidentiality promises with case firms at the outset, the external informants were not aware who the case firms were, unless a specific introduction was made by the case firm to the external informant which was the case in four of the interviews. The inclusion of the government agency, industry representative bodies and academics was informed by data collected during previous stages which suggested a high relevance of these bodies in the internationalisation process. The same prompt sheet was used in Stage 5 as for earlier stages to allow for direct comparison across the data.

Data Analysis

To unbundle the process and activities of internationalisation at a firm level the data analysis advanced through multiple steps. It commenced using Yin's (Yin, 2003b) "pattern matching" method where empirical patterns in the case are compared to those in theory. It commenced therefore with three main foci derived from IB: the learning process for internationalisation, international market commitment process, and cross firm comparison. Data was analysed through an RBV lens (Barney, 1996; Wernerfelt, 1984) to understand the firms resources and how they are used in the process of internationalisation.

Step one: the learning process for internationalisation. The units of analysis in this research project were the firm and its internationalisation process and the analysis was guided by identification of knowledge creation (Johanson and Vahlne, 1977, 1990) and knowledge transfer events and routines which leads to organisational learning driving the internationalisation process (Forsgren, 2002;

Jonsson and Foss, 2011). The coding was deductive, starting with the two broad categories of knowledge creation and knowledge transfer. Knowledge was identified through the Davenport and Prusak (1998) definition, thus data was coded where the information was deemed to be framed, valuable, contextual and insightful regarding the internationalisation process. This did not preclude knowledge created and transferred for conducting business in the home market environment, as the incremental model suggests that the international learning process starts from domestic markets (Jonsson and Foss, 2011). Moreover, the lower order themes distinguished between home market and host market which could then be compared. The lower order themes were built deductively from the data under the two categories of knowledge creation and knowledge transfer.

Step two: the international market commitment process. This process searched for evidence in the data regarding how firms committed themselves to international markets and because the existing Uppsala framework is not prescriptive in the form of commitment (Johanson and Vahlne, 2009), initial categories were established intuitively and built on during the analysis process. Initial higher order themes covering firm structure, end product description, industry awards won, type of projects, location of project, how commitment is sustained and enhanced, and important resources. At the completion of this stage of analysis 31 higher order themes were identified and 662 lower order themes which were later refined. Step two used a dual lens of an activity perspective (Orlikowski, 2010) and theoretical IB and RBV underpinnings. Where necessary, data was categorised across multiple higher and lower order categories to help establish associations later in the process.

Step three: cross case comparison. Once single cases were reviewed, coded, analysed and confirmed with respondents, a cross case analysis process commenced where data from single cases was compared to other cases to identify consistent patterns and themes (Eisenhardt and Graebner, 2007). The first step was to identify tensions and similarities in the data between the case firms relating to the internationalisation process, firstly by comparing two cases and then adding cases as patterns emerged (Santos and Eisenhardt, 2009). This required constantly reviewing the coding of processes to make sense of the data and refine cross case tensions and similarities for discrepancies and agreements. Tables and graphs were

compiled to assist in the process (Miles and Huberman, 1994). nVivo was used to manage the data analysis process in a systematic manner, thus increasing reliability (Yin, 2003b). Three techniques were employed to interpret the themes, routines, and activity patterns across the firms. Firstly, identification and comparison of the resources and the resource commitments in the learning and commitment processes which was theoretically grounded in terms of definition and identification categories. The second technique involved identification and comparison of activities from the informant interviews and archival material. Thirdly, it was recorded how firms described themselves, how their peers described them and what archival evidence supported this in terms of the nature and types of awards won and media information.

Multiple measures were employed to strengthen the trustworthiness of the qualitative data and analysis (Lincoln & Guba, 1985): multiple iterations of data analysis, constant moving back and forth between data and theory, respondent confirmations of case analysis and triangulation.

FINDINGS

Findings One: Learning Processes for PSFs

This section describes how PSFs learn to internationalise and our data suggests that a dyadic exists between the case firms as to whether they pursue a project learning process or a market learning process to deal with uncertainty arising in the internationalisation process. The learning process is understood through evidence within the case firm data of the mechanisms for the creation and internal transfer of knowledge relevant to the internationalisation context. Mechanisms are highlighted in Table 3 below.

Table 3: PSF Learning Processes for Internationalisation

Learning Process	Illustrative Quotes
Knowledge Creation	
Market Learning	
- **External Executive Training**	"it was executive training. But it was how to internationalise your business" (Delta, Interviewee 2)
- **Mergers and Acquisitions (short cuts)**	"we took over local practices and grew them" (Alpha, Interviewee 1)
- **Market Location Research**	"we done market research into a number of locations (Gamma, Interviewee 1)
- **Market learning across locations**	"what you might learn from one project or location you may need to transfer to another one" (Gamma, Interviewee 1)
Project Learning	
- **Learning across projects**	"we would have done a lot of international competitions" (Epsilon, Interviewee 1

- **Cross Sectoral learning**	"using the design and creative competence we have to move into this area a bit more" (Epsilon, Interviewee 1 – referring to book publishing)
- **Product Research**	"we use teaching as a kind of tool for research" (Beta, Interviewee 1 – evidence of both product research and cross sectoral activity)
Knowledge Transfer	
Market Learning	
- **Decentralisation of teams**	"somebody from here was going out to head up because we needed to have the culture of the organisation here, to establish that culture over there" (Delta, Interviewee 2)
- **Formal meetings and reporting**	"we went back and started to write a business plan …. when I came back we met as a board" (Delta, Interviewee 2)
- **Separation of international business development role and hierarchical status**	"I have a coordinating role for business development (Gamma, Interviewee 1)
Project Learning	
- **Centralisation of teams**	"we have a studio structure here. We need to weave experience with the people … like a beehive" (Beta, Interviewee 1)
- **Technology and virtual presence**	"its not so much the issue of the day to day … with Skyping" (Beta, Interviewee 1) "we had an intranet office system and it would kind of deal with all kind of QA matters" (Epsilon, Interviewee 1)
- **Hierarchy of technical role**	"they wanted people who were thinkers and makers and architects involved not somebody who would hand it down to team X and somebody would do it within the firm" (Beta, Interviewee 1)

Project Learning Process

An emphasis on a project learning process to deal with market uncertainty was evidenced by both Beta and Epsilon.

Learning across projects: In the acquisition or creation of knowledge, both Beta and Epsilon demonstrate the ability to overcome market uncertainty by learning from one project to the next. These firms are engaging in international business through doing "a lot of international competitions" (Epsilon). Their emphasis is on tendering and learning from the tendering process, suggesting "you have to tender a few to get a feel for it" (Epsilon). They have a business focus towards international tenders, but experience little cross cultural barriers because their clients "really admire architecture" (Beta). Beta advises that the only possible cross cultural barrier is language "because you can't have a great conversation with these people". The decision to choose a competition to enter is based on expertise and competitive success in building type, for example a public building winning a prestigious award in Italy leading to a shortlisting for a competition in Norway.

Cross sectoral activity: Knowledge creation for firms emphasising project learning is also derived from cross sectoral activity. These firms are "using the design and creative competence" (Epsilon) they have to move into other areas, but also using other sectors "as a kind of tool for research" (Beta). This ultimately builds

on their ability to compete not only from the research, but also provides access to specific networks that may help them be invited to competitions. Alpha, a peer of Beta, tells us that Beta is "on a circuit" related to commissioning bodies.

Product research: this is an important source of knowledge creation for both Beta and Epsilon. This is evident from Beta's using of teaching "as a kind of tool for research", but also evidenced in their description of a certain brick used for a prestigious project:

> "This is going to be a brick building. So we are doing a lot of research into brick, and making brick, and also environmentally as well. Its hotter, at the moment its 30 something, it can go up to 40. So how do you make buildings that are environmentally good for the place? We are very aware of that, so we try to build in environmental strategies from the word go"

Centralisation of teams: Knowledge transfer within the case firms evidencing a project learning emphasis for internationalisation has three main characteristics. Firstly, the importance of the studio structure is emphasized in the centralised project team. These firms "have coffee and sit around a table…..like a beehive" (Beta) suggesting a high level of non hierarchical knowledge transfer and also a relatively high importance to learn from each other rather than looking outwards for knowledge.

Technology and virtual presence: Related to this also, it appears that both Beta and Epsilon have a high acceptance of technology such as Skype as a means for communication, rather than physical presence. Thus, we find that Beta and Epsilon place high level importance on being in the same physical space as other members of their firm for knowledge transfer. However, knowledge transfer from third parties can afford to miss aspects of communication often attributed to virtual communication such as communication depersonalization, process dissatisfaction, conflict, and low levels of closeness (Jarvenpaa and Leidner, 1999; Kankanhalli, Tan, and Wei, 2006; Sproull and Kiesler, 1986).

Hierarchy of technical role: Finally, for both Beta and Epsilon, principals are directly involved in the design of each project. Thus the professional or technical expertise of the principals supports the firms output at a micro level, and this appears to be an expectation from their international clients. Beta tells us that an international client did not want "somebody who would hand it down to team X". Thus it can be suggested from the findings that there is a high level of technical

knowledge transfer as well as managerial both to and from principals and their team and this directly contributes to international success.

Market Learning Process

Alpha, Gamma, and Delta, emphasised the need for market learning in the internationalisation process.

External executive training: For these firms knowledge is created through formal training in international business (often funded or provided by government agencies). All three of these firms reported senior staff participation on government agency sector specific executive courses on business internationalisation. Two firms, reported subsequent other training initiatives in sales or having an outside "mentor all the way through the year" (Delta).

Mergers and acquisitions: these featured strongly as a knowledge acquisition strategy for Alpha when entering new markets where they "took over local practices and grew them". This provided an immediate resource acquisition strategy including local market knowledge.

Market research: A planned entry strategy into new geographic markets was evident in the data from both Gamma and Delta. These were not just following clients to new markets, but engaged actively in market research for potential partnership opportunities and market gaps in service. Gamma reports "doing market research into a number of locations" before deciding on new market entries. This is conducted "sometimes through visits …. and then coming up with a business plan and pursuing it" (Gamma) or through government agency databases (Delta). The extent of market research is highlighted by Gamma:

> "You try and learn absolutely everything you can by talking to, we don't get information from our competitors, but we talk to other project managers, all the engineers, all the developers, we talk to people in London, we talk to people here, you just try and learn absolutely everything you can."

Market learning across locations: Another important learning acquisition method was learning by doing from one location to another insofar as "what you might learn from one location you may need to transfer to another one" (Gamma). The case firms recognise that "all [markets are] different …. There is no one solution for any one of them" (Gamma) and "architectural firms are very much in the culture of the locality" (Alpha). In this regard the ability to learn from one location to another required certain competence to drive the effort. Gamma ponders "how many people

can I send that can happily go into a country, have never been there before, turn up and meet clients that they have never met before, be put in situations where there are planning or regulations they have never met before". Similarly, Delta CEO assigns business development to one senior executive suggesting "[Interviewee 2] was certainly one person competent to drive it", and all Alphas new market entries were undertaken by its CEO. This suggests that learning from one location to the next is a challenge and firms with a market learning emphasis assign responsibility for this with a single or small number of high level executives to concentrate the knowledge acquisition process.

Separation and hierarchy of international business development role: Similarly, the knowledge transfer process is recognised in its importance through the separation of business development and appointment of the role to a senior executive within the firm who holds "a coordinating role in business development" (Gamma). At each of Alpha, Delta and Gamma there is evidence that the role of international business development holds high status within the firm and is appointed to a senior executive, from a knowledge acquisition perspective and to undertake the role internally of knowledge transfer.

Formal meetings and reporting: These are important mechanisms for knowledge transfer is evidenced in Delta and Gamma through the writing of business plans and board meetings, and committee meetings.

Decentralisation of teams: Once a new market entry decision moves ahead, knowledge transfer from market learning is achieved by moving people around such as "somebody from here going out to head up because we needed to have the culture of the organisation here, to establish that culture over there" (Delta) or for "getting people to think the way you think" (Alpha). This assists in the transfer of knowledge both upstream from the market and downstream to the local operation to ensure corporate culture and ethos is maintained. Alpha, Delta and Gamma spoke of this mechanism to achieve the two way knowledge transfer process both to and from host markets.

Findings Two: International Market Commitment for PSFs

Table 4: Resource Commitment Driving Opportunity Exploitation

Resource Commitment	Illustrative Quotes
Organisational learning by market process	
Relational Capital	
- **High**	"people are not only talking but genuinely see the advantage of

	collaboration. Because Collaboration is value (Delta, Interviewee X) "finding the right partner …. anyone you can trust ..someone who will sponsor you and help you meet the right people" (Gamma, Interviewee 1)
Reputational Capital - **Low**	"you need a portfolio that has credibility internationally. So if you show about 20 projects in Ireland, they go "so what?" (Gamma, Interviewee 1) "architecture firms are very much in the culture of the locality" (Alpha, interviewee 1)
Organisational learning by project process	
Relational Capital - **Low**	"it takes a huge amount of energy to wine and dine and we are not good at that kind of thing" (Beta, Interviewee 1) "trust is about professionalism" (Beta, interviewee 1)
Reputational Capital - **High**	"since the beginning of our practice we've been dealing in schools" (Beta, interviewee 1) "had a very strong international reputation" [reference of Alpha to its peer Beta] "we would have done a lot of international competitions. We would have won a few" (Epsilon, interviewee 1)

Consistent with theoretical understanding of the process (Johanson and Vahlne, 2009), the learning process of firm internationalisation influences the commitment and the related activities. Thus, the findings support this argument by showing a dichotomy between two parallel groups of learning modes which drive resource commitment influencing opportunity exploitation.

Once step 2 of the data analysis was complete, there was clear evidence that all case firms had limited financial resources and that international presence was built and sustained on reputational and relational capital. Evidence of financial constraints was conveyed directly through comments such as "we wouldn't have had that much money in the tank" (Epsilon) to "we don't have it. That's why we do so much research" (Delta). Evidence also pointed to the importance of reputational capital and relational capital as critical resources for internationalisation, but upon cross case comparison suggested interesting insights as regards the relative importance of each one aligned to the dual learning process mechanisms. We used theoretical definitions to identify these resources. Reputational capital was identified through evidence of signals and certifications as well as affiliations with high status actors (Rindova et al., 2005) while relational capital was evidenced through the presence of trust, information transfer, and joint problem solving (Uzzi, 1997).

Reputational capital (high) / relational capital (low)

Firms that evidence a project learning process in their organisational learning for internationalisation rely strongly on their international reputation which is evidenced through winning international awards and competitions, as an important mode for engaging in international business, thus reputational capital is high for this group of firms. We suggest that relational capital is a less important resource from statements such as “we are not good at that kind of thing” (Beta) and from their use of client assigned project teams once the tendering process is successful.

Reputation plays a highly important role for Beta and Epsilon. This is signalled mainly through the depth of niche specialism of the firm with Beta stating that “since the beginning of our practice we’ve been dealing with schools” and also its number of years experience. Essentially it is the specialised portfolio of the firm that creates the resource signals. Reputation is certified through a firm’s general media and industry journal profile and not unrelated to this, the type and number of awards won by the firm for which internationally recognised architecture awards numbered 29 for Beta and 30 for Epsilon, compared to a combined total of 8 for the other three cases. There is evidence also of strong affiliations to industry representative bodies which certainly initiated international business for Epsilon, and merit based honorary memberships of internationally recognised arts councils, academic bodies, and industry bodies which enhances the reputation of the principals and thus supports the business of their underlying firms.

While **relational capital** is of relatively low importance for both Beta and Epsilon, network relationships do exist. It is an external informant that gives good insight on where relationships exist for this group of firms by suggesting in the case of Beta, “They are in a circuit, its almost like an academic circuit” as assisting them in winning international tenders. Epsilon also wins business in this manner, such as initiating Chinese introductions that eventually led to very important projects for them through a close connection at the Royal Institute of British Architects. This type of relationship suggests affiliations with high status actors are evident, but a continuous resource commitment towards developing and building those relationships was not evident in the data. The element of trust is of importance but is described as built on “professionalism” (Beta) and the track record of projects, thus suggesting it is about the quality of the architecture/professional expertise and not the development of the relational capital resource that drives and sustains international activity.

Reputational capital (low) / relational capital (high)

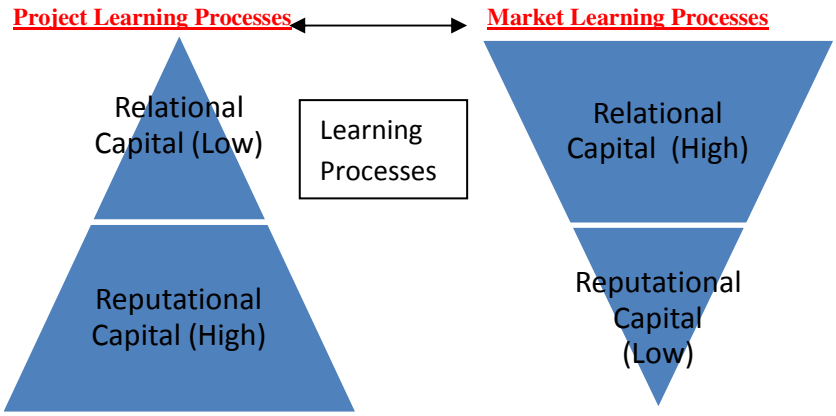
Evidence within the data regarding the relative high importance of relational capital for Alpha, Gamma and Delta can be found in suggestions such as the high importance of "finding the right partner" (Gamma) and "collaboration is value" (Delta), also the evidence of leveraging off relationships to move from one country to the next. Regarding the relative importance of reputation, it is found that for the same group of firms, having a home country reputation does not convert easily to a host country reputation and quotes such as "you need a portfolio that has credibility internationally. So if you show about 20 projects in Ireland, they go 'So What?'" (Gamma). Given that reputation is a long term concept built on "interpretations of an organisation based on behaviour over a period of time" (Fillis, 2003), it is not easy for a firm to build reputational capital when they pursue multi sector specialisms dependent on the international market.

Relational Capital would appear to be the driving resource for developing and sustaining international business for the group of firms that engage in a market learning process for internationalisation. Trust is demonstrated through a demonstrable track record in projects and locations, "you guys have incredible experience" (Alpha) was reported back from a project team member to the case firm. "Finding the right partner …. anyone you can trust" (Gamma) is complemented by "only sending people you can trust" highlights the two way importance of trust building in relational capital and the need to have the right people involved. This may be dependent on location, possibly "someone who will sponsor you and help you to meet the right people" (Gamma), but also trust can based on nationality whether dealing with partners of home country nationality, "because they have great faith in their own" (Delta) or because they are deemed friendly, "[UK firms] saw Irish as their friends out there … they would have seen the big Australian and South African companies as competitors" (Delta). Information transfer is achieved through promoting expertise, "they saw that we could have our expertise brought in which would be helpful to them in getting work out there" (Delta). Joint problem solving is achieved because this group of firms see "collaboration as value" (Delta) and from leveraging off existing relationships "you've already done all your work, you've built the relationship and they want to work with you" (Gamma).

Reputational capital building for the firms that engage in a market learning process of organisational learning is less clear cut than for those case firms that engage in a project learning process who evidence a strong focus on international award winning which attracts a media and peer profile. Having a portfolio of international projects, in particular based in hub locations such as the UK or the US is important, in particular in emerging markets where locations such as Ireland are "not on their radar" (Gamma). Gamma signals its resources suggesting that they have "a reasonably international portfolio and we have a good degree of international locations to work from …. A portfolio that has credibility internationally". Alternatively, the firm may have a landmark project which "acts as a mantelpiece" (Delta). For Alpha, Delta and Gamma, the firms reputation signalling may not even be from the portfolio, but from "show[ing] presence and commitment …. Be[ing] there and be[ing] visible" (Gamma) to a market, particularly in markets where people "don't respond to writing, they respond to shaking hands, to conversation, to looking in the eye, meeting regularly" (Gamma). Thus, in a similar way to how the description of trust being about professionalism and networks being more about affiliations with high status actors for both Beta and Epsilon which indicates a close association with reputational capital, we can also see a similar trait for market learning firms where reputational signalling is aligned closely to relational capital development.

Certification of reputation is evidenced mainly through the strength of business alliances, possibly about "how far up the ladder you get" (Gamma) with business agents. Thus, it would appear that there is a strong link again with the market learning group between relational capital and reputational capital, where trust is built on the ground through face to face contact, thus the need to build relational capital is the critical resource for building and sustaining international activity.

Figure 2 – The Internationalisation of PSFs



DISCUSSION

This study sought to explore an under researched field of IB relating to the internationalisation of PSFs. It combined IB and RBV theory to understand how PSFs learn and subsequently commit to international markets. The study was undertaken within the context of the Irish architecture sector using case firms that have international experience either currently or in the past. While recognising that preconceived hypothetical understandings of the incremental model (Johanson and Vahlne, 1977, 1990, 2009) can prove too rigid and static for some more recently internationalising sectors of the global economy (Barkema and Drogendijk, 2007; Forsgren, 2002; Malhotra and Hinings, 2010), this research uses a broad level interpretation of the framework as a path dependent, sequential process where learning drives commitment into international markets. The findings provide evidence of learning driving commitment which inturn drives learning to sustain international commitment, complementary to the Uppsala model (Johanson and Vahlne, 2009).

An important finding from the research however provides novel insight into how learning drives commitment in the internationalisation process for PSFs. The findings suggest a dyadic in the path dependent sequential process of internationalisation between the case firms, supporting theoretical arguments that internationalisation processes differ based on firm characteristics (Barkema and

Drogendijk, 2007; Erramilli and Rao, 1993; Goerzen and Makino, 2007; Malhotra and Hinings, 2010). Insights gained from the findings suggest some complementariness to previous research on organisational diversity and modal paths in the process of internationalisation (Malhotra and Hinings, 2010), however, the requirement of novel approaches to internationalisation for PSFs (Faulconbridge, 2008; Morgan and Quack, 2005; Segal-Horn and Dean, 2007) is evident in the findings and suggests existing typologies are inadequate to explain PSF internationalisation. In particular, the role of professionalism is of critical influence in the internationalisation process for some PSFs and this study addresses previous calls for research on this unique characteristic (Jensen and Poulfelt, 2011; Von Nordenflycht, 2010).

The section that follows addresses the theoretical contribution of the study in relation to the two separate paths of learning and commitment evident in the findings. The findings support the casual link between learning processes and commitment in that learning processes influence commitment in a dynamic and continuous way (Johanson and Vahlne, 2009).

Organisational learning through a market learning process

This group of cases learn through the acquisition and transfer of knowledge within the firm to build and sustain relational capital supporting research alluding to the importance of relational capital for PSF internationalisation (Hitt et al., 2006a).

The findings for Alpha, Delta and Gamma are aligned closely to the incremental model of internationalisation revisited to incorporate liability of outsidership (Johanson and Vahlne, 2009), where “outsidership, in relation to the relevant network, more than psychic distance, is the root of uncertainty” (p1411).

For firms engaging in a market learning process of organisational learning, the findings suggest that their experiential knowledge is gained at the market level through on-the-ground research, mergers and acquisitions, and learning from one location to the next. We find that criticisms of the incremental model in terms of learning types (Forsgren, 2002; Petersen, Pedersen, and Sharma, 2003) are valid. Formal training on internationalisation, a focussed search for information such as through databases and web based sources, and ‘short cuts’ (Barkema and Vermeulen, 1998; Huber, 1991) such as mergers and acquisitions are important sources of knowledge acquisition for a market learning process as well as experiential knowledge. Furthermore the importance of organisational learning

(Forsgren, 2002) and not just market level knowledge acquisition is evident in the knowledge transfer mechanisms exhibited by PSFs that engage in market learning processese to drive the commitment decision. These firms move people around their operations to facilitate a two way flow of information, have formal meetings and reporting structures in place and separate out the business development role not only to gain experiential market knowledge, but as a "coordinating role" (Gamma) within the firm, suggesting internal knowledge transfer towards organisational learning.

The findings suggest that for firms engaged in market learning activities, learning influences the development of relational capital which is the primary resource commitment in international opportunity exploitation (Johanson and Vahlne, 2009). This supports what the incremental model suggests that outsidership from a relevant network is the root of uncertainty, and correspondingly uncertainty avoidance is established through relational capital.

Organisational learning through a project learning process

Beta and Epsilon learn through the acquisition and transfer of knowledge within the firm to build and sustain reputational capital supporting research alluding to the importance of reputational capital for PSF internationalisation (Cooper et al., 2000; Grosse, 2000).

While both these firms demonstrate a learning and commitment process, they do not internationalise incrementally, although support theory that sequential theories still matter (Barkema and Drogendijk, 2007) insofar as there is a demonstrated sequential path dependent process of internationalisation by both Beta and Epsilon.

The research reveals numerous novel theoretical insights relating to the internationalisation through a project learning organisational learning process. Firstly, the relatively low importance of relational capital is very much adverse to the modes presented in the Uppsala model (Johanson and Vahlne, 2009). It has similarities to the project based organisation which has bounded commitment paths (Malhotra and Hinings, 2010), however, in this prior study relating to project based organisations the authors still suggest that international business is driven by relationships although country specificity is less important . The PSFs in our study that engage in a project learning process for internationalisation indicate that it is

mostly reputational capital that drives new business and not relational capital. Furthermore, the trust built from specific partners that creates reputational capital as opposed to specialty expertise (Cooper et al., 2000; Grosse, 2000) do not appear to be distinctive elements in our study where specialty expertise appears to be a strong signaller for reputational capital development.

Prior studies would suggest that because of the centrality of the client to the project for the project based organisation, this reinforces the need for a physical presence, albeit temporary, with "physical demands adapted to the needs of each client" (Sharma, 1997). This project finds that for Beta and Epsilon, they can rely heavily on technology to create a virtual presence as opposed to the need for the physical presence. This is because the professional competence that drives reputational capital is more relevant than relational capital. The need for face to face physical presence is more evident within the *beehive* (Beta) of the firm compared to the experience of Alpha, Gamma and Delta who have clients "who only want to meet over there, you need to be there and visible".

However, both Beta and Epsilon do present sequential path dependent learning and commitment, where they learn through tendering, but also learn professional or technical competencies that aid internationalisation. Our understanding of the role of technical resource competency for internationalisation is a novel finding. Prior research on PSF internationalisation highlights the importance of management competency (Brock & Alon, 2009; Sapienza et al., 2006; Hitt, 2006a) but technical competencies have to date been overlooked. Literature would even suggest that technical competency above management competency can inhibit change and progress in the PSF (Hinings et al, 1991). Contrary to theoretically based expectations, findings in this study suggest that in certain circumstances technical competency can support change and progressive activity such as internationalisation. This finding also supports calls for a coherent approach to PSF internationalisation (Jensen and Poulfelt, 2011) by providing new insight on the role of professionalism in PSF internationalisation.

This study focuses on medium and smaller sized firms ranging from 200 to 10 individuals, thus offers a complementary perspective to much of the existing PSF internationalisation studies which look at large multi national PSFs. Characteristics of our case firms support the new definition (Von Nordenflycht, 2010) of firms

characterising low capital intensity, professionalism and knowledge intensity and highlights that these characteristics also influence the internationalisation context.

Implications for Future Research

This study provides novel insight on firm internationalisation. While it supports existing theory regarding resource commitments for internationalisation by firm characteristics (Erramilli & Rao, 1993; Barkema & Drogendijk, 2007; Goerzen & Makino, 2007) and even goes some way to supporting existing typologies of firm types (Malholtra & Hinings, 2010), it adds to theory by suggesting that these typologies are not fully reflective of PSFs when describing their internationalisation. Furthermore, it highlights the alternative emphasis on how resources are developed and utilised during the internationalisation process influenced by the learning process. The relative importance of critical resources influenced by the learning process has not heretofore been covered in literature relating to for PSF internationalisation.

Further research therefore could be conducted into the typologies existing for PSF internationalisation and how resource commitment influences these. This project identifies two from the five case firms studied. However the research is focussed on smaller and medium sized PSFs and this may vary for larger global and multinational PSFs.

A limitation of this research is firstly that while the project offers new and interesting insights, the research base is comparatively small, and this will be further expanded by case firm number and number of interview participants to building further replication and triangulation of data and to improve the robustness of the findings. This is the next phase for this project.

A second limitation relates to the use of only Irish home country firms. While using a single geographic context of firm origination is regarded as more beneficial for this qualitative project because of much higher levels of accessibility coupled with the openness of the Irish market which places little environmental barriers on internationalisation, the findings would benefit from replication through further studies using other international contexts regarding firm origination.

Finally, the single industry base of the study using the architecture industry needs to be replicated across other PSF industry sectors to assist in the generalisation of the theory. Using numerous other PSF sectors that have an

inherent creative element such as fashion and graphic design, talent agencies, media, advertising, marketing, professional sports, and software development (vonNordenflycht, 2010) would be an obvious option, however this cannot regard other less obvious industries such as law, accounting, financial services, and engineering that may be in search of a highly customised and niche market international output and thus may demonstrate the characteristics of the project learning process.

Once the research is suitably advanced through replication across geographic and industry context and a full typology for PSFs of all size and scope is identifiable, quantitative methods can be used to generalise the findings and offer an alternate angle from which to study international business.

Implications for Managers

This study also has important managerial implications for PSFs. Firstly, it identifies a link between learning processes which drive commitment so that managers can be aware of the need to align their competency development when internationalising. This allows them to minimise mistakes and maximising their use and development of resources.

Secondly, it assists managers in their strategic planning capabilities as it offers guidance on the management of resources to achieve a desired service outcome.

Third, it re-enforces existing theory regarding the critical resources for PSFs which assists managers in terms of what they need to focus on. Added to this however, it outlines that the relative value of these critical resources and the learning process that drives them. It therefore provides scope for managers to focus not only on their critical resources but also understand how much relative importance they hold and how they can be developed and sustained.

Finally, it provides an understanding for managers of how they need to develop their competencies whether managerial or technical to achieve successful internationalisation outcomes.

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