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## The Internationalization of Creative Professional Service Firms

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# **The Internationalization of Creative Professional Service Firms**

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**Dublin Institute of Technology**

Thesis submitted for the Award of Doctor of Philosophy (PhD)

December 2013

## **Abstract**

The need to understand the internationalization process of the organization is a field of increasing contemporary interest due to greatly intensified trade flows between nations over the last two decades. While traditionally internationalization was generally pursued by manufacturing firms, service organizations, including creative professional service firms (creative PSFs) such as architects now commonly internationalize their activities. However, theory to date continues to focus on traditional manufacturing firms, and while insights relating to service firm internationalization have gained traction over the last decade, theoretical contributions remain fragmented and overlook the particular features of how creative PSFs internationalize. This is despite the growing recognition that trade in creative knowledge intensive services is a critical component to the health and competitiveness of both mature and emerging economies.

This study addresses this gap by exploring how creative PSFs internationalize using ten case studies within the architecture sector. The in-depth qualitative analysis of interview and archival data enables the composition of three research papers, representing three key theoretical contributions. The primary contributions are to international business (IB) literature, firstly by unpacking the portfolio of business models that creative PSFs use to internationalize, and secondly by identifying how creative PSFs internationalize by moving from outside to inside relevant international networks. The second paper also adds to organizational status literature by uncovering the interplay between hierarchies of networks. The identification of a strategic dichotomy within the particular creative PSF sector detailed in the first paper represents a significant contribution to the PSF literature.

## **Declaration**

I certify that this thesis which I now submit for examination for the award of Doctor of Philosophy is entirely my own work and has not been taken from the work of others, save and to the extent that such work has been cited and acknowledged within the text of my work.

This thesis was prepared according to the regulations for postgraduate study by research of the Dublin Institute of Technology and has not been submitted in whole or in part for another award in any Institute.

The work reported on in this thesis conforms to the principles and requirements of the Institute's guidelines for ethics in research.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Candidate

## **Acknowledgements**

For Paddy, Brian and my Mam and Dad

Thanks for helping me to get there

## List of Abbreviations

AA	Other Asia and Africa (excl. MENA)
AM	America
B2B	Business to Business
B2C	Business to Consumer
BM	Business Model
CEE	Central and Eastern Europe
DCMS	Department of Culture, Media and Sport (UK)
DIT	Dublin Institute of Technology
EU	European Union
GDP	Gross Domestic Product
HR	Human Resources
IB	International Business
IT	Information Technology
JIBS	Journal of International Business Studies
KPI	Key Performance Indicator
MENA	Middle East / North Africa
PSF	Professional Service Firm
RBV	Resource Based View
RTE	Radio Telefís Éireann
SME	Small and Medium Sized Enterprises
UN	United Nations
WE	Western Europe

## **Summary of the Thesis**

While the core contribution of this PhD is represented by the papers as listed below, the thesis is presented in the traditional format to position the work in a broader context and to demonstrate the rigour of the methodology.

### **Paper I**

Aligning Strategy and Talent in Creative Professional Service Firms (co-authored by Pamela Sharkey Scott and Vincent Mangematin).

### **Paper II**

From Outsider to Insider: How Creative Professional Service Firms Internationalize (co-authored by Pamela Sharkey Scott and Vincent Mangematin).

### **Paper III**

How Creative Professional Service Firms Internationalize; a business model portfolio approach (co-authored by Pamela Sharkey Scott and Vincent Mangematin).

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# General Thesis Structure

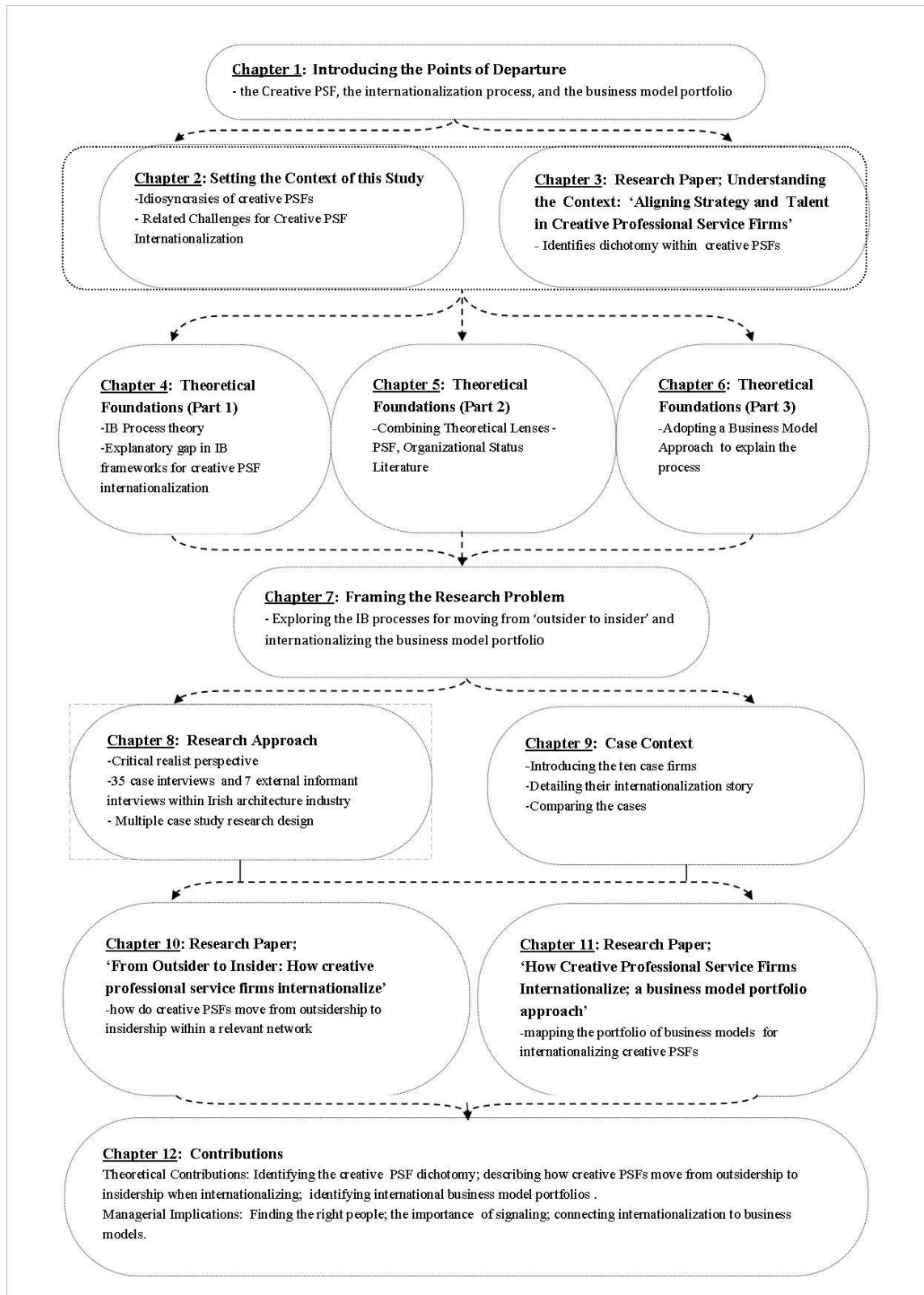
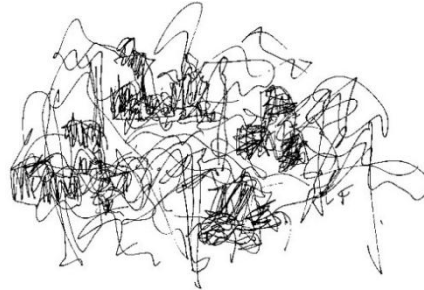


Figure 0-1: General Thesis Structure



## Chapter 1: Introducing the Points of Departure



*Gehry's sketch of the OHR-O'Keefe Museum in Biloxi, Mississippi*

OHR - 7/26/99

“You’ve got to bumble forward into the unknown.” (Frank Gehry, Pritzker Prize winning architect)

### 1.1 Introduction

The development of trade in creative knowledge intensive industries is of central importance for the competitive growth of both mature and emerging markets (EU, 2012, UNCTAD, 2010). Although internationalization is a relatively recent phenomenon for this sector, the services delivered by international creative professional service firms (PSFs) are increasingly evident globally. Confirmation of this could be a pop-up hotel concept to alleviate a real estate crisis in mid-town Manhattan developed by a Danish architecture firm; or the sale of a cartoon animation production by an Irish firm to a French television channel. Creative PSFs are increasingly more alert to international opportunities that can provide the intellectual and creative challenge to firms driving them to compete in international or even in global markets.

## **1.2 The Creative Professional Service Firm**

Identifying the creative PSF as a distinct segment is a novel approach undertaken in this study. Combining PSF and creative industry classifications (Von Nordenflycht, 2010, DCMS, 2011) this segment includes firms active in industries such as advertising, architecture, software development, media production, fashion design and graphic design. Creative PSFs are distinct from other types of professional services because not only do they have the common characteristics of the professional service firm involving high knowledge intensity, low capital intensity and a professionalized workforce (Von Nordenflycht, 2010) but focussing on the arts these firms use intellectual and creative capital to provide intellectual and artistic services with creative content (UNCTAD, 2010). In practice creative PSFs are balancing between art and business and face distinctive challenges when compared to other professional service sectors. As the sector has received limited scholarly attention, how these challenges impact on the activities and processes of the firm is not well understood.

A review of both the PSF and creative industry literature reveals that both PSFs and creative industry firms differ from other firms in their distinctive client interaction process (Amabile, 1988, Gummesson, 1981), the critical role of the professional in the process (Amabile, 1996, Lindsay et al., 2003), and because they have locally embedded characteristics (Faulconbridge, 2008a, Jeffcut, 2009). These challenges impact the activities and processes of the firm including its internationalization process, although their influence on the creative industry firm may require a different response compared to the PSF.

For example, when considering the issue of 'local embeddedness', the building of 'The Shard' skyscraper in London is celebrated by the nation and has even become a tourist attraction on the popular 'hop on hop off' bus route. In Dublin, a low rise city in a traditionally agrarian economy where its inhabitants like to see the sky, a planning

application submitted for this building would attract passionate public protest. This reflects the cultural embeddedness (Jeffcut and Pratt, 2002) that challenges creative industries. Concurrently, the PSF faces institutional and legal embeddedness (Faulconbridge, 2008a, Faulconbridge and Muzio, 2012), so a foreign architecture firm seeking to design and supervise a building project in Ireland would face scrutiny and challenges relating to such issues as registration, the education and skills of its architects, how it can work within a different legal system, and how it can demonstrate a specialized knowledge of connections (Segal-Horn and Dean, 2007) in the local environment. Creative PSFs face both the challenge of cultural embeddedness reflecting it's creative service and the challenge of institutional embeddedness reflecting it's professional service. The literature is unclear in describing how these firms address this and the other idiosyncratic challenges identified. Insight into this problem however is necessary to understand how creative PSFs internationalize.

### **1.3 Creative Professional Service Firm Internationalization**

The internationalization processes of both professional service firms and creative industry firms are under researched fields of IB and yet the different internationalization challenges facing these sectors compared to other traditional manufacturing and service firms is recognised (Faulconbridge and Muzio, 2012, Lorenzen and Mudambi, 2013, Segal-Horn and Dean, 2007, Aharoni and Nachum, 2000). Only recently has obvious academic interest started to focus on the peculiarities of the internationalization process of both professional service firms (Abdelzaher, 2012) and creative industry firms (Abecassis-Moedas et al., 2012). Yet despite limited theoretical insight, the growing importance of the sector in international trade represents a highly relevant, exciting and interesting field of research.

## **1.4 Areas for Exploration**

The aim of this study is to understand how creative PSFs internationalize. A review of the literature relating to creative PSFs and international services outlined in Chapters 2 and 5 suggests a need for deeper insight into the specific organizational characteristics of the segment. The initial pilot study undertaken combined with an extensive review of the literature indicated significant gaps in knowledge relating to creative PSFs. The literature treats industries within the creative PSF sector as homogenous, but the initial exploration in this study suggests a dichotomy.

To explain this dichotomy that exists within creative PSFs depending on whether the firm is positioned to deliver novel or efficient services, a study was conducted in advance of researching the internationalization phenomenon. This study forms the core of Chapter 3. The qualitative nature of the research design (Miles and Huberman, 1994) and the desire to maximize the potential for transferability (Schofield, 2000) required a robust understanding of how creative PSFs act and organize at the wider firm level before exploring how they internationalize.

Moving to the core research problem, this research then considers how creative PSFs internationalize by firstly focusing on how creative PSFs gain network insidership and secondly how portfolios of business models evolve and interplay during internationalization.

To explore how creative PSFs move from being outsiders to insiders in relevant international networks requires the researcher to combine existing IB process literature with other fields. In particular the PSF literature identifies the importance of reputation in the internationalization process and the distinctive client interfacing activities. Focussing on reputation also prompted exploration of other signalling mechanisms that contribute insight, mainly organizational status (Podolny, 1993, Sauder et al., 2012)

which informs the researcher of the sociological interactions that may exist prior to client relationships.

Once it was understood how creative PSFs gain access to foreign networks, the second problem to address was the need for a more holistic perspective of the complex internationalization process. Insights from mapping the business model portfolio show how multiple paths are pursued within the same sector inside and across different networks. These novel ‘outsider in’ and ‘business model portfolio’ approaches extend insight into existing IB frameworks, in particular the revisited incremental framework (Johanson and Vahlne, 2009). By detailing new insights found through the research, this project assists in closing the knowledge gap relating to the creative PSF internationalization process.

## **1.5 Outline of this Thesis**

Having introduced the points of departure for this thesis, the following chapters 2 and 3 enrich the depth of understanding relating to the non-typical creative PSF organizational form. Drawing on the literature, chapter 2 describes the idiosyncratic features of creative PSFs and the related challenges for strategizing and internationalizing. Chapter 3 addresses the research gap identified relating to the dichotomy identified during the preliminary research investigation. The first paper of the thesis forms the core of Chapter 3. Chapter’s 4-6 detail the theoretical foundations adopted to address the research question, how do creative PSFs internationalize. Chapter 7 frames the research problem within the literature while Chapter 8 presents the research methodology adopted for this study. The unusual nature of the context and the extent of the knowledge gaps within the literature influenced the development of a qualitative multiple case study research design adopting a critical realist perspective. This particular research design and philosophical approach is endorsed by research scholars

within IB (Birkinshaw et al., 2011, Welch et al., 2010) reflecting a need for more nuanced understanding of the fundamental constructs in the field. In Chapter 9 the ten case firms are presented and compared. A particular emphasis is placed on illustrating the variability between cases evolving from the case selection strategy. Chapters 10 and 11 present the second and third research papers of this thesis, addressing the two research sub-questions that require explanation to understand how creative PSFs internationalize. The first research problem relates to how creative PSFs access relevant networks. The second research problem adopts a business model portfolio approach to explain the creative PSF internationalization process. The thesis concludes by detailing the theoretical contributions and the managerial implications in Chapter 12. Overarching contributions are specified together with related sub-contributions derived from each of the three research papers.

## **Chapter 2: Setting the Context of this Study**

### **2.1 Introduction**

Having highlighted the points of departure in the previous chapter, this chapter highlights the distinguishing characteristics of creative PSFs that ultimately influence their internationalization process. As the focus of this study, the creative PSF is a non-typical organizational form two chapters are dedicated to describing and exploring the context. Context is particularly relevant in qualitative research (Miles and Huberman, 1994) as are the benefits for transferability of research designs involving unusual contexts (Schofield, 2000). While heterogeneity between segments in the broad services sector (Schmenner, 1986) and related services internationalization (Ball et al., 2008, Erramilli, 1990) is recognized, the review of the literature suggests that PSFs and creative industries are treated as having homogenous industry characteristics despite the diversity exhibited in strategy, structure and the motivations of the key principals across organizations. Our initial intuition of heterogeneity within the sector was supported by initial exploratory interviews. Exploration of this research gap guided the first paper in the thesis and forms the core of Chapter 3. Both chapters 2 and 3 together form the setting for investigating the internationalization process of creative PSFs.

### **2.2 Idiosyncrasies of the Creative Professional Service Firm**

Defining the organizational form and identifying the distinctive challenges for firms in the segment requires consideration. Creative PSFs differ from traditional manufacturing and other service firms across a number of dimensions. Combining the literature on professional service firms and creative industries, creative PSFs are organizations with high knowledge intensity, low capital intensity and a

professionalised workforce (Von Nordenflycht, 2010) that provide intellectual and artistic services with creative content (UNCTAD, 2010). The creative PSF shares the characteristics, opportunities and challenges of other PSFs, but critically, individuals including the founding partners of these firms are both artists and professionals at the same time. For example, Vivienne Westwood as head of her own fashion firm is required to be continuously creative, distinctive and controversial both in her fashion design and as a political activist. This presents a number of challenges that are distinctive to the creative PSF organizational form. In the current literature combining insights from PSF and creative industry studies, idiosyncrasies of the creative PSF can be broadly categorized as involving local embeddedness of the service, a distinctive client interaction process, and a particular role for the individual professional in the process.

### **2.2.1 Local Embeddedness of Service**

The services of the creative PSF can be described as locally embedded similar to other PSFs in their institutional and legal environment, while as creative industries their services are also culturally embedded. Institutional embeddedness in its broadest meaning involves a wide ranging definition (Coriat and Dosi, 1998) referring to embeddedness in the formal organizations within a society ranging from firms to technical societies, trade unions, universities to state agencies; the patterns of behaviours that are collectively shared from routines to social conventions to ethical codes; and negative norms and constraints from moral prescriptions to formal laws. Correspondingly cultural embeddedness refers to how a service is valued based on enduring cultural identity beliefs, transitory cultural beliefs that may be situational, and stereotypical beliefs related to race (Brumbaugh and Grier, 2006).



### ***2.2.1.1 Institutional and Legal Embeddedness***

The role and responsibilities of the professional can vary across the countries of Europe, the US, and other nations. There are also different expectations driven by variations in legislation, education, and regulatory requirements (ACE, 2011, Faulconbridge, 2009, Faulconbridge and Muzio, 2012) within professions across national contexts. Local peculiarities can often be traced back to the origins of the professions due to the formalization of the training and education (Makstutis, 2010) and also protectionist moves by guilds to defend their rights to provide exclusive services (Faulconbridge and Muzio, 2012). Many professions even outside of the legal profession rely heavily on legal and regulatory guidelines established by governments to protect both firms and consumers. The need therefore for strong local ‘know how’ explains why most PSFs exist as small, local organizations (Brock and Alon, 2009, ACE, 2012), although internationalization of the PSF has evolved since the 1980s (Faulconbridge and Muzio, 2012). Despite the challenges creative PSFs progressively take advantage of growing technological advancements, mutual practice agreements and global outsourcing and offshoring to internationalize. To address the challenges of institutional and legal embeddedness, more consideration is given to scale and modes of internationalization (Morgan and Quack, 2005) by PSFs. To highlight a recent example, a registration process for architects in Ireland was only implemented in 2009 responding to a need for more transparency and consistency in the sector for the consumer, but this concurrently has defensive benefits, creating barriers to outside firms seeking to compete in the market.

### ***2.2.1.2 Cultural Embeddedness***

In addition to institutional and legal embeddedness, creative industries are also culturally embedded (Jeffcut, 2009). Culture forms part of and interconnects with the social characterization and identity of individuals which is based on shared race, nationality, ancestry, culture, language and religion (Brumbaugh and Grier, 2006). The creative element of the service of the creative PSF may have different interpretations across different cultures. It may not be necessarily nation specific, but understanding and having a sense of place is a requirement of delivering these services, again also possibly impacting on scale and modes of internationalization.

### **2.2.2 Distinctive Client Interaction Process**

While embeddedness refers to the firm and its relationship with the environment, more specific complexities arise when the nature of the creative PSF relationship with its clients are considered. For most businesses the client relationship begins when a mutual agreement to work together is established (Dwyer et al., 1987, Ford, 1980). The relationship then moves through several lifecycle stages; awareness, exploration, expansion, commitment and dissolution (Dwyer et al., 1987). There is little understanding of the drivers explaining movements from one stage to the other (Edvardsson et al., 2008). However, the notion that opportunities are explored within the context of a relationship and that a continuity of commitment exists for a time thereafter (Dwyer et al., 1987) has remained central to the relationship focussed literature including more recent internationalization frameworks (Johanson and Vahlne, 2009, Knight and Cavusgil, 1996, Oviatt and McDougall, 1994). For the creative PSF client interactions are different than other non-professional services because they tend to be task oriented and are difficult to evaluate.

### *2.2.2.1 Task Oriented Service*

Typical client interaction explanations involving trust building about service delivery based on the formation and development of relationships provides limited insight as an explanation for the creative PSF. Professional services are highly customized, technically complex and intrinsically difficult for clients to evaluate (La et al., 2009). Creative PSFs are organizations of extreme knowledge intensity and the service they ‘sell’ is the skill and professionalism of their workforce (Von Nordenflycht, 2010) and its capacity to complete an assignment. This assignment may be to develop an advertising campaign or design a building, for example. Clients have a particular need, and the creative PSF is used to meet this need. A single assignment may be the limit of the professional’s involvement (Gummeson, 1981) with the client. Alternatively a relationship may be enduring but often characterised by relatively few transactions where considerable judgement is applied to meeting the customer needs (Rhian et al., 1992).

For example, Brown Bag Films, an Irish animation firm with Oscar, Bafta and Emmy award nominations has produced animation picked up by Disney, the BBC and Nickelodeon and has produced six projects for the Irish national broadcaster RTE. Even with its ‘enduring client’, RTE, future contracts relate strongly to the success of past productions. Because of the complexity of the service, clients rely on extrinsic cues (La et al., 2009) such as reputation (Greenwood et al., 2005, La et al., 2009, Paradeise and Thoenig, 2013) when selecting a creative PSF. One badly received production by Brown Bag Films will have a critical impact on its ability to attract future commissions from RTE. Clients will select a creative PSF and engage in a relationship based on their perception of the firm’s ability to complete the assignment and deliver enhanced value relative to other competitors. The creative PSF must build a perception of its capacity

to deliver on creativity and quality to ensure trust and guarantee standards of service delivery (Segal-Horn and Dean, 2007) in advance of starting a relationship.

#### *2.2.2.2 Opaque Quality of Service*

Not only do clients need to trust the quality of service that the creative PSF will deliver before starting a relationship, but service provision between the firm and its client is not the exchange of knowledge common to many service transactions. The role of the creative PSF is to use their judgement to create highly complex and customized service solutions (Rhian et al., 1992) to complete an assignment. There is an asymmetry of expertise between the professional and the ‘non-expert’ client that renders the client unable to assess the skill level and quality of the professional service (Gross and Kieser, 2006). The service has an opaque quality which is difficult to evaluate even after service delivery (Lowendahl, 2000). Problems about quality if they arise may not even be identified by a direct client, but much further down the client’s value chain. For example, problems with a building design such as the durability of certain building materials may not become a problem until many years after a project is delivered. Similarly, building design issues such as the omission of suitable fire escapes into a design may get passed when building in environments of lax regulation and weak guidelines. The ‘quality’ problem may only come to attention upon sale if a future buyer engages a conscientious solicitor to oversee the due diligence process. A creative PSF will need a track record to attract quality assignments, but once there is a ‘mutual agreement to exchange’ (Dwyer et al., 1987, Johanson and Vahlne, 2009) the individual professional has distinctive power and responsibility in the process.

### **2.2.3 The Role of the Individual in the Process**

The opaque quality of the creative PSF service implies that the professional in the creative PSF has a unique importance both within the context of his or her role as a professional and as an artist. Knowledge in the PSF is embodied in individuals. The creative PSF relies on its individuals that perform executive functions and also individuals working at the interface (Alvesson, 2000). Considerable judgement is applied to meeting customer needs (Rhian et al., 1992) which requires particular skills for client interfacing (Nahapiet and Ghoshal, 1998) but also an ability to be creative. As with all professional services (Hitt et al., 2006a), human capital is the most important resource of the creative PSF. The dual set of competencies and skills required straddles both professional and artistic output presenting distinctive challenges in terms of both client interfacing and creativity requirements.

#### ***2.2.3.1 Client Interfacing***

An important role of the individual involves client interfacing as part of relationship building, an inherently outward focused activity. Traditional explanations suggest that services have particular characteristics including intangibility of product, inseparability of production and consumption, heterogeneity and perishability of the service (Coviello and Martin, 1998). Creative PSFs have greater problems with intangibility and heterogeneity because they have higher levels of customization and employee discretion (Silvestro et al., 1992). Business models for professional services are often explained as needing more interaction of a relational nature (Edvardsson et al., 2008, Lian and Liang, 2007). The professional within the creative PSF is required to be visible to clients to enhance trust and develop the relationship during the course of an assignment.

Additional complexities arise when the service requires both interfacing to understand the client need and intellectual space required to achieve a creative output.

#### *2.2.3.2 Creative Output*

Concurrent to the need to be visible, the requirement for a creative service solution requires that the service delivered must offer a degree of novelty. A creative service can be defined as a service that is novel and useful (Amabile et al., 1996, Stein, 1974, Woodman et al., 1993, Amabile, 1983a, Amabile, 1983b) with social and cultural meaning (UNESCO, 2004). The individual either singly or collectively within a project team is responsible for those ideas.

The collective nature of creative accomplishments is long recognised not just within creative industries (Brown and Eisenhardt, 1997). However the ability to create novelty is central to the credible firm's existence. Attention within the firm must be paid not only to ideas management (Van Dijk and Van Den Ende, 2002) but also to the type of talent hired (Amabile et al., 1996, Shipton et al., 2005) and to the work environment (Hargadon and Bechky, 2006). Contesting with the need for client interfacing, creativity is an inwardly focussed activity (Tardif and Sternberg, 1988), the interaction between a person's thoughts and the socio-cultural context. Creativity in the organization requires a cohesive approach between the individual, the team level and the organizational level which all interact (Csikszentmalyi, 1990) in the internal environment to facilitate complex knowledge sharing.

Creativity is an intangible or invisible resource protected by knowledge barriers (Ozsomer and Genctuerk, 2003) that are unique and hard to understand. Successfully harnessed it can be an important source of sustainable competitive advantage for the creative PSF. This central importance of the individual both for client interfacing and

developing creative solutions ensures that more power is given to individuals and this is often reflected in the ownership structures of creative PSFs.

### ***2.2.3.3 Ownership Dynamics***

Control and ownership dynamics are a common feature within the PSF literature (Brivot, 2011). Individual professionals often combine together through partnership arrangements which results in less transparent reporting lines, more self-regulation through recognised qualifications and industry bodies which have certain autonomy, ideology, regulation and control over knowledge within their sector. As a result partners often operate more as a cohort of individuals rather than as a firm in the commercially understood sense. Principals may be antithetical to the nature of commercially oriented hierarchical bureaucracies (Faulconbridge and Muzio, 2012, Friedson, 1986, Malhotra et al., 2006). This brings certain challenges for strategy implementation including the firm internationalization process.

The importance of understanding ownership dynamics therefore lies in the power devolved to the professional when client interfacing and creating service solutions across borders, but also the influence of ownership dynamics when strategy making and perhaps more importantly for supporting international strategy implementation.

## **2.3 Challenges for Creative PSF Strategy Implementation**

Creative PSFs are unique from other sectors in that they are highly knowledge intensive firms providing professional services with artistic content. The professional is the most important resource of the firm and these individuals need to manage dual challenges of outward client interfacing and inwardly developing creative solutions to meet client needs. Meeting these complex service delivery expectations is critical not only to

satisfy the client but also to enhance the creative PSF's reputation. Because 'non-expert' clients often cannot assess the quality of the service the importance of reputation as an antecedent to client relationships (Zaheer and Soda, 2009) is a critical feature of creative PSFs. A creative PSF is dependent on its reputation to open doors to new clients and related opportunities. It is under unique pressure to continually enhance reputation and not destroy it, as it is reputation that provides the signals about service quality (Fombrun and Shanley, 1990). The opaque quality of the creative PSF's service is an even greater challenge when internationalizing because of the institutional, legal, and culturally embedded nature of the creative PSF's services.

### **2.3.1 Strategizing Considerations**

When considering the distinctive challenges that creative PSFs face when compared to other sectors, and in particular non-PSF sectors, strategizing requires specific considerations. In particular the management of human resources is critical when addressing the problem of how the balance can be achieved between being near to the client and being creative. Indeed, the characteristics of the individual are also an important consideration because highly creative individuals are not always great relationship builders and similarly, individuals who are brilliant networkers and relationship builders are not always highly creative. Business owners when strategizing must pay attention to the competencies and capabilities of their talent and their own artistic philosophy when deciding how to target business. An important consideration within the creative PSF's strategy is deciding how to internationalize.



### **2.3.2 Challenges for Creative PSF Internationalization**

The idiosyncratic nature of the creative PSF by comparison to other manufacturing and service firms, importantly their local embeddedness, their distinctive client interaction process and conflicting dual responsibilities in the role of the individual presents challenges when internationalizing. Studies have already highlighted that the locally embedded nature of the creative PSF services affects their scale and modes of internationalization (Morgan and Quack, 2005). The existence for example of a local registration process automatically restricts the business of foreign professionals until they address those barriers through possible alliances, local employment, or the establishment of a local office, all of which require the commitment of both time and scarce resources. Similarly other forms of defensive and quality protection regulations and laws need to be negotiated during the internationalization process. Additionally, a creative PSF entering a new market may find itself at a disadvantage compared to local operators and other established entrants as it has to negotiate the socio-culturally valued aspects of the artistic element of their service.

The requirement for specialized knowledge of connections in a foreign environment also presents a further challenge for the internationalizing creative PSF (Segal-Horn and Dean, 2007). This relates to the recognized need for client interaction (Edvardsson et al., 2008, Lian and Liang, 2007) but simultaneously the difficulty forming relationships where trust does not exist about standards of quality in service delivery. PSF literature has long identified the importance of reputation as a trust builder about output quality in internationalization (Cooper et al., 2000, Grosse, 2000, Hitt et al., 2006a, Lu et al., 2012). However, as reputation is network dependent (Lin et al., 2009, Podolny, 1993) an existing reputation only becomes an extrinsic cue (La et al., 2009) within a relevant network. How reputation is internationalized is not addressed in the literature yet a creative PSF needs a reputation to be certified about the

quality of services (Chandler et al., 2013) but also to demonstrate its strong 'local knowhow' (Brock and Alon, 2009) of the international market. These distinctive challenges to creative PSF internationalization lack clarity within IB process theory and the research gaps form the basis of this study.

## **Chapter 3: Understanding the Research Context**

### **3.1 Introduction**

Chapter 2 introduces the idiosyncrasies of the creative PSF and details the related challenges faced when internationalizing. This chapter explores the dichotomy that exists within creative PSFs evidenced by the researcher during the initial familiarization phase of the project, which required clarification in advance of considering the complexities of the internationalization process. Early exploration suggested that creative PSFs employ different structures depending on the firm's strategy, depending on the objective of delivering either a novel solution for clients or an efficient service. This variation appeared to be fundamental to understanding creative PSF business activity including internationalization processes, yet the literature classifying PSFs and creative industries treats the industry players as homogenous entities.

The following sections describe existing classifications in the literature relating to PSFs and creative industries. In particular existing typologies show how firms are considered to have similar characteristics across industries or groups of industries. This is succeeded by a paper published in the *Journal of Business Strategy* (Fneg/UQ/Vhb rating 3/C) in May 2013, a practitioner focussed journal. The paper provides new and significant insight, identifying a dichotomy based on organizational structuring and talent management within the creative PSF. Please note that the paper is included in its original format. Only the number sequence of sections and figures is altered to align to sequencing within this thesis.

### **3.2 Existing Typologies for the Professional Service Firm**

While PSFs have been the subject of academic interest for some decades (Gummesson, 1981, Maister, 1982) it is only recently that a coherent definition based on the distinctive characteristics of the PSF has been developed by organizational theory scholars. These distinctive characteristics of high knowledge intensity, low capital intensity and a professionalised workforce (Von Nordenflycht, 2010) encompass a wide range of industry sectors including accounting, architecture, law, media, hospitals, and biotech companies.

While the overarching definition helps to define the boundaries of the PSF sector and high level characteristics, it is recognized that variations between knowledge intensity, capital intensity and professional intensity exist across different categories of PSFs. For example, VonNordenflyct (2010) identifies four different types of PSF based on the relationship between their distinctive characteristics, managerial implications and organizational responses. As a benchmark he identifies the Classic or Regulated PSF which includes Law, Accounting and Architecture. These are the most common contexts of academic study and are distinctive in their ideology and self-regulation offering the highest degree of professional service intensity. Secondly, the Professional Campuses, are identifiable by their specialised physical infrastructure and includes hospitals and universities. Thirdly the neo-PSFs, which are described as broadly less professional and more knowledge intensive and include consulting and advertising firms. Finally, the Technology Developers including Biotech firms and R&D laboratories which employ a large amount of engineers and scientists. Although this last group of sectors are more knowledge intensive with relatively less professional service intensity, Von Nordenflycht suggests that they share common challenges and opportunities across the PSF sector in the complexity of their service offering, employee characteristics and management issues.

Other typologies mainly derived from the sociology of professions categorize professionals along other dimensions such as power and control dynamics (Reed, 1996), legitimacy (Halliday, 1987) or historical evolution of characteristics (Etzioni, 1969). A comparison of classification typologies is illustrated in Table 3.1.

**Table 3.1: Classifications of Professional Service Firms**

<b>Studies</b>	<b>Basis for Classification</b>	<b>Classifications</b>
ETZIONI, A. (1969) <i>The Semi-Professions and Their Organization Teachers: Teachers, Nurses and Social Workers</i> , Free Press, New York.	Categorizes between professions based on historic development whereby older professions meet all characteristics and emergent and semi professions are becoming more professional.	Older professions – law, medicine, theology, university teaching Newer professions – architecture, engineering Emerging professions and semi-professions – social work, teachers, nursing
HALLIDAY, T. (1987) Knowledge mandates: collective influence by scientific, normative and syncretic professions. <i>British Journal of Sociology</i> , 36, 421-447.	Profiles of influence and consequences for relations between professions and their publics.	Identifies variations between law, medicine, the clergy, engineering, the military and academe
REED, M. (1996) Expert Power and Control in Late Modernity: an empirical review and theoretical synthesis. <i>Organization Studies</i> , 17, 573-598.	Distinguishes between knowledge base, power strategy and organizational forms of ‘Expert Groups’	Independent / Liberal Professions – eg. doctors, architects, lawyers Organizational professions – eg. managers, administrators Knowledge workers – eg. financial consultants, R&D engineers
VON NORDENFLYCHT, A. (2010) What is a Professional Service Firm? Towards a Theory and Taxonomy of Knowledge Intensive Firms. <i>Academy of Management Review</i> , 35, 155-174.	Using Classic-Regulated PSFs as the benchmark, distinguishes variations between characteristics, managerial implications and organizational responses.	Classic-Regulated PSFs – law, accounting, architecture. Neo-PSFs – consulting, advertising Professional Campus’ – hospitals Technology Developers – Biotech, R&D Labs.

### **3.3 Existing Typologies for Creative Industries**

Creative industries is a more recently identified field of interest to researchers and typologies originate not through the literature but based on government policy directed towards the development of a particular sector. Creative industries as a group was initially classified interchangeably as the ‘cultural industries’ and defined as those activities which have their origins in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property (DCMS, 1998). Key sectors are identified within this definition as illustrated in Table 3.2. Subsequent to the DCMS classification system a number of new typologies evolved (Table 3.2) in an effort to improve interpretation of the sector.

**Table 3.2: Classifications of Creative Industries**

<b>Studies</b>	<b>Basis for Classification</b>	<b>Classifications</b>
DCMS (1998) <i>Creative Britain: new talents for the new economy</i> . London, Department of Culture, Media and Sport.	Interchangeable with cultural industries	Advertising, Architecture, Art and Antiques market, Crafts, Design, Fashion, Film and Video, Music, Performing Arts, Publishing, Software, Television and Radio, Video and Computer games.
THROSBY, D. (2001) <i>Economics and Culture</i> , Cambridge, Cambridge University Press.	Concentric circles model	Core Creative Arts – eg. Literature, Music  Other Core Cultural Industries – eg. Film, Museums  Wider Cultural Industries – eg. Heritage Services, Television and Radio  Related Industries – eg. Advertising, Architecture
HESMONDHALGH, D. (2002) <i>The Cultural Industries</i> , London, Sage Publications.	Symbolic texts model	Core Cultural Industries – eg. advertising, film, music  Peripheral Cultural Industries – eg. Creative arts  Borderline Cultural Industries – eg. Fashion, Sport
WIPO (2003) <i>Minding Culture: Case Studies on Intellectual Property and Traditional Cultural Expressions</i>	WIPO copyright model	Core Copyright Industries – eg. Advertising, Music  Interdependent Copyright Industries – eg. Consumer Electronics, Paper  Partial Copyright Industries – eg. Architecture, Fashion
UNCTAD (2010) <i>Creative Economy Report</i>	UNCTAD classification continuum.	Heritage – eg. Art, Craft, Archaeological Sites  Arts – eg. Music, Paintings  Media – eg. Film, Books  Functional Creations – eg. Architecture, Software

### **3.4 Identifying the Need for Greater Contextual Insight**

Although the classifications presented describing both PSFs and creative industries highlight sectors that can be represented under both cultural and copyright descriptions with professionalized characteristics, all of these typological explanations distinguish between industries or groups of industries. For example, architecture can be described as a Newer (Etzioni, 1969) or Liberal (Reed, 1996) or Classic (Von Nordenflycht, 2010) profession that is either Cultural (DCMS, 1998), Culturally Related (Throsby, 2001), a Partial Copyright industry (WIPO, 2003) or an industry developing Functional Creations (UNCTAD, 2010). The suggestion is therefore that all firms classified within a sector or a category are homogenous. Consideration is not given to different ways that creative outputs within these sectors may be developed and commercialized or that the philosophical approach of business owners to their art may diverge within the same industry. Existing typologies therefore provide little guidance when trying to understand strategizing and organizing for internationalization within creative PSFs.

Greater insight may be gained from moving from the view of creative PSFs as homogenous industry or sector groupings. For example, initial investigations in this study revealed that architects themselves loosely describe practices as either ‘commercial’ or ‘design’ practices reflecting how firms in the sector organize. Organizational behaviour scholars focussing on PSFs and creative industries appear to ignore this heterogeneity within the sector. Practice suggests that a study of the creative PSF organizational form should not be treated as homogenous, however existing literature provides little explanation how these firms strategize and structure for growth including for internationalization.



### **3.5 Strategy and Motivation Literature Informing Research Context Study**

Advancing on these early research insights regarding the existence of ‘commercial’ practices and ‘design’ practices within the creative PSF segment prompted the first paper addressing how creative PSFs strategize and organize for growth. Looking within the creative PSF to gain a greater understanding of the organization type, the creative PSF’s work, its strategy and its structure is fundamental and required prior to any exploration of the internationalization process.

The distinctive role and importance of the creative professional within creative PSFs is long recognised in the PSF literature (Von Nordenflycht, 2010, Hitt et al., 2006a) and in the creative industry literature (Amabile, 1996). These individuals are active in the intangible application of individual creativity, experience and judgement (Brivot, 2011) when developing a service. But as artists the profession may be more than a job to the individual. They may also perceive their work as part of a creative lifestyle (Eikhof and Haunschild, 2006, Bridgestock, 2011). The individual employee will need to be talented, but literature assumes the same ideal talent and motivation is required by all professionals. The individual as the key resource (Hitt et al., 2001) is fundamental to the success of the firm whether competing on a focus or differentiation strategy (Porter, 1985). A cohesive strategy provides the firm with the ability to gain competitive advantage and outperform rivals and shapes the supporting structure of the organization (Chandler, 1962, Galan and Sanchez-Bueno, 2009).

Employee motivation literature provides insight on career anchors (Wils et al., 2010, Schein, 1990, Schein, 1996) in terms of managing individual career aspirations. This literature assists when explaining divergences in the internationalization process which may be influenced by individual founders and employees of the firm. The individuals in turn influence the firms strategy making and implementation activities

and perhaps more importantly the firm's ability to compete. A sustainable strategy requires workforce engagement (Galpin and Whittington, 2012) in particular where the individual is so fundamental to the success of the firm.

The following paper responds to the need to understand how successful creative PSFs work in terms of identifying the professional motivations that drive their talent and aligning this to the firm's strategizing and structuring activities. Gaining insight on the differences between firms in terms of their strategizing and organizing activities provides a solid basis for the primary task of this thesis, understanding their internationalization activities.

### **3.6 Creative Professional Service Firms: Aligning Strategy and Talent (Paper 1)**

#### **3.6.1 Abstract**

Purpose – Reliance on individual talent and motivation renders creative professional service firms (PSFs) highly dependent on their ability to attract and mobilise the right individuals. This paper aims to build an integrated framework showing firstly how creative industry PSFs can differ in their strategy for growth, and secondly how these alternative strategies for growth can influence the firm's approach to organizing and the type of talent required.

Design/methodology/approach – The findings are based on a series of interviews with managing directors, senior management and practitioners of architectural organizations in a single country, combined with an extensive literature review.

Findings – The authors' framework illustrates how the proposed growth strategies for creative PSFs are aligned to alternative professional talent profiles – a product portfolio strategy where the firm structures for efficiency aligned to a managerial talent profile, and an artistic competency strategy where the firm structures for creativity aligned to a technical talent profile.

Research limitations/implications – The usual limitations apply in terms of generalizability of findings from case studies.

Practical implications – The authors' proposed framework represents a novel attempt to help management of creative PSFs to align their growth strategies with human resource practice to achieve the firm's objectives, and provide valuable practical advice to managers on achieving this “fit”.

Originality/value – By linking the firm's strategy and structure to identify the organization's human resource requirements, the authors provide a novel framework for

how creative PSFs can attract and retain the type of talent profile and motivational characteristics best suited to perform consistently and contribute to achieving the firm objectives.

### **3.6.2 Introduction**

All organizations are reliant on the quality of their human resources, but creative professional service firms (PSFs), including those involved in architecture, media, software development and advertising, are particularly dependant on the talent and motivation of their staff to exercise their expertise. The reputation of the firm is a combination of the professionalism and standing of its individual members and their macro reputation within their profession and wider society. There is no simple rule book or operating manual to address all of the scenarios professionals may encounter and the artistic element within the individual's work extends beyond technical competence, so individual talent and motivation to contribute are critical to firm performance.

This reliance on individual talent and motivation renders creative firms highly dependent on their ability to attract and mobilise the right individuals. PSFs need to attract not just creative people, but those who are best motivated to consistently perform and contribute at high levels and to work well with others within that particular firm. To date, the literature has treated PSFs within specific sectors as having homogenous human resource needs. Despite the intuitive importance of attracting and retaining individual professionals whose professional *motivation and talents* are aligned with a firm's strategy, our review of the literature suggests that theory provides few insights on how creative organizations can differ in their strategies for growth. We address this gap by firstly identifying distinct strategies for growth exhibited by creative firms, and secondly by exploring how these alternative strategies for growth can influence the firm's approach to organizing and the type of talent it needs. A need to find new

approaches to human resource management that are meaningful for business performance is required (Harris et al., 2011) to help business leaders manage talent and address the long term needs of the business. This is especially relevant to PSFs which tend to be small organizations ranging from a single individual to several hundred. In the case of the architecture industry only 1% of architectural practices in Europe have more than 30 staff (ACE, 2008). Thus with many firms, in the absence of human resource specialists the partners are often directly responsible for managing staff selection and rewards.

We address this challenge and provide guidance on how to manage talent within creative PSFs by undertaking a multifaceted project combining an extensive review of the academic and management literature with a series of interviews with managing directors or partners, senior management and practitioners of Irish based architectural organizations (See Exhibit 1). Ireland, which employs double the EU average within the creative industries (EU, 2010) is a particularly appropriate research site.

We firstly identify two alternative strategies for growth employed by creative PSFs, which we label *Product Portfolio Strategy* and *Artistic Competency Strategy*. Secondly, we illustrate that as expected (Chandler, 1962, Galan and Sanchez-Bueno, 2009) the adopted strategy shapes the supporting structure of the organization. By linking the firm's strategy and structure to identify the organization's human resource requirements, we identify how firms can attract and retain the type of talent profile and motivational characteristics best suited to consistently perform and contribute to achieving its strategy for growth.

### **3.6.3 How the Research was Conducted (Exhibit 1)**

In response to the needs of PSFs to formulate human resource policies to attract and develop their most critical resource – people, this study analyzed multiple cases,

incorporating semi structured interviews and archival data from seven firms. Case firms were selected for diversity on the basis of size and market engagement.

The research involved 21 semi structured interviews with founding partners, senior architects and ex-employees of the case firms. Data was collected on the evolution of the firm, the roles of individuals within the organization, key competitors, target clients, successes and challenges faced, the establishment of relationships, human resource management, transfer of knowledge, transfer of creativity, building of reputation and trust, and the position and role of the interviewee in the process. During the interview participants were encouraged to speak about their own history, motivations and values as regards their career as well as those of the firm. Interview data was triangulated through archival data on the firm, individual CVs as well as public sources. Findings are particularly relevant to PSFs active within creative sectors and to smaller sized firms pursuing a single business focus.

#### **3.6.4 Strategies for Growth in Creative PSFs**

To date research examining strategies for growth in PSFs have focused largely on the influence of managerial routines (Jensen et al., 2010). While valuable, this approach has overlooked the implications of the firm's strategy for growth on the required talent and motivation of its employees. Integrating the key findings from our research has enabled us to identify two distinct strategies for growth in PSFs, a *product portfolio strategy* and an *artistic competency strategy* (Figure 3-1):

##### **3.6.4.1 Product Portfolio Strategy**

We found that some creative PSFs achieve growth through developing a reputation for delivering a 'standard' product, on time and on budget. Their served market tends not to

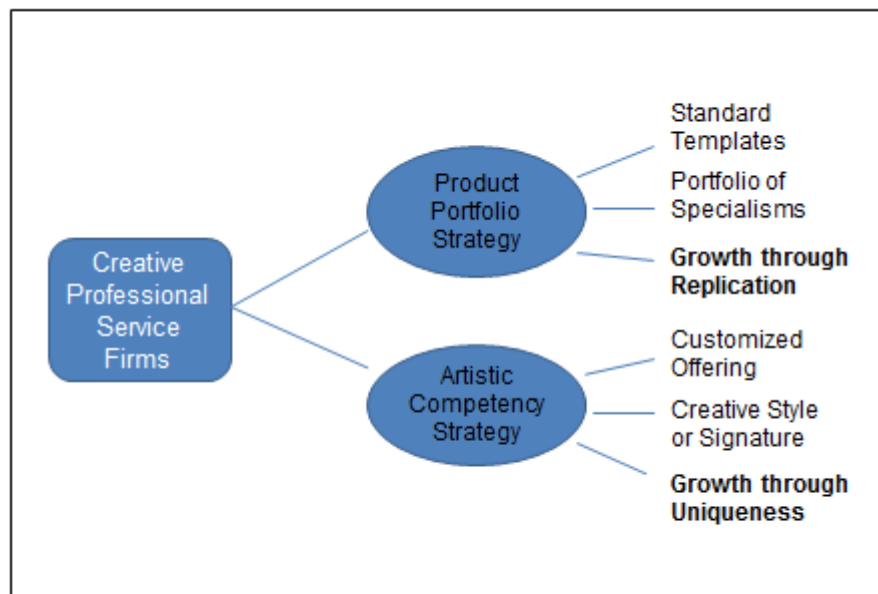
prioritize originality but to require competent and functional buildings, often with constrained budgets. For example, an architecture firm may have developed several templates for school buildings, which can be taken ‘off the shelf’ and adapted to meet a client’s specific criteria for size and budget. Architectural firms following this approach grow *through replication*, developing a broad portfolio of specialisms which can be applied to a range of projects, delivering an efficient solution to the client. We labelled this approach the *product portfolio strategy*, as the firms essentially develop a product or portfolio of products for sale to domestic and international markets, which are then adapted for different uses, allowing the firm to achieve economies through replication. Firms following this strategy may also project manage the complete project on behalf of the client.

#### ***3.6.4.2 Artistic Competency Strategy***

Contrasting with the Product Portfolio Strategy other PSFs achieve growth through developing reputations for creating artistic and iconic buildings, which may gain international renown and standing, for example IM Pei’s glass pyramid extension to the Louvre in 1989 which shocked the world, now one of the most popular visitor attractions in Paris. Our findings relating to the artistic competency strategy provides a novel insight into the role of art for business sake (Fillis, 2006) where art not only has a commercial value but also a functional value. The firm’s served market requires unique, customized and prestigious buildings which represent the client’s standing, culture or aspirations. Clients usually approach these firms with a briefing for a unique, symbolic and often expensive landmark. International competitions are often used by these firms to build their reputation for creativity and to differentiate their offering to their served markets. Architectural firms following an artistic competency strategy usually develop a strong style or recognisable signature, for example Frank Gehry &

Associates whose buildings include the Guggenheim Museum in Bilbao is widely acclaimed and almost instantly recognisable to the general public. Growth is achieved *through uniqueness*, exploiting a creative style or signature, often associated with the original founders of the firm.

Figure 3-1: Creative PSF's Strategies for Growth



### 3.6.5 Organizational Strategy and Structure

The two strategies adopted by creative PSFs, product portfolio and artistic competency strategy, echo the generic strategies of cost leadership and differentiation (Porter, 1985), that provide firms with the ability to gain competitive advantage and outperform rivals. Firms following a product portfolio strategy can achieve economies through replication, allowing them to compete on a cost basis while the artistic competency strategy allows firms to follow a differentiation strategy. In addition, as these strategies are almost mutually exclusive, determining the implications of the firm's strategy for growth on the talent and motivation of its employees required us to first examine the implications for organizational structure. As outlined in figure 3-2 below, our study discovered that



PSFs are either *structured for efficiency* or *structured for creativity* along three critical, mutually reinforcing organizational dimensions:

1. Hierarchy: Formal or Flat
2. Centralization: Mobile Decentralized / Centralized Teams
3. Control Orientation: Commercial / Reputational

#### **3.6.5.1 Hierarchy: Formal or Flat**

PSFs that follow a *product portfolio strategy* tend to emphasise formal reporting structures, with a clear distinction between technically qualified architects and supporting administrative staff working on more routine project management. Offices are managed by key professional architects, who are expected to be flexible in their higher level activities and to engage in roles outside of their architectural function. For example, in addition to their technical duties professional architects are expected to engage in business development with potential clients to sell the firm's portfolio of 'standard' products, and to supervise administrative staff. This allows more junior architects to become involved in technically challenging roles quite quickly and often architects are employed on short term contracts, based on completion of specific projects.

In contrast those PSFs following an *artistic competency strategy* tend to display a flatter organizational structure, employing fewer but largely professional staff who have a greater range of technical competence. Few if any technicians or other administrators are employed, as "all architects" are required to deliver a unique or iconic product . While this flatter structure can have negative implications for young architects who may spend "years at the lower reaches of firms", engaged in relatively routine duties, from an organizational perspective an environment for creativity is

developed, with ideas generated by inspiration from both within the team and from external sources. This creative ethos is also evidenced in the continuity of employment contracts, with fewer short term contract staff.

#### **3.6.5.2 Centralization: Mobile Decentralized / Centralized Teams**

Firm's following a *product portfolio strategy* utilise mobile *decentralized* teams, placed when and as required in response to business opportunities. Technology is utilised to facilitate communication back to headquarters as the primary emphasis is on being close to the client, to actively manage the project. Winning contracts often requires senior figures from the PSF to negotiate directly with the client and to be based on location, to actively manage the project for its duration. Knowledge of the specific local context is often critical to winning deals, and decentralized teams are then used to establish the firm culture on the project. As observed by one senior manager, "you need to get (local) people thinking the way you think, and therefore you need to have (firm) people there to help them in that process" .

In contrast, *centralized* in-house team structures facilitate staff development and knowledge transfer in firms following an *artistic competency strategy*. These organizations do not need to commit resources and be visible in business locations as face to face visibility has little relevance to attracting subsequent business. It is the uniqueness of the product or the iconic status the building or structure achieves which will generate additional design opportunities for the firm. Centralized in house teams stimulate creativity. One director described the creative process as "needing to weave the experience with the people" requiring that the architects involved physically sit around a table to generate ideas. In house communication between professional colleagues is more important than direct client interaction to generate and then allow the creative process to evolve. Despite the potential problems of virtual communication,

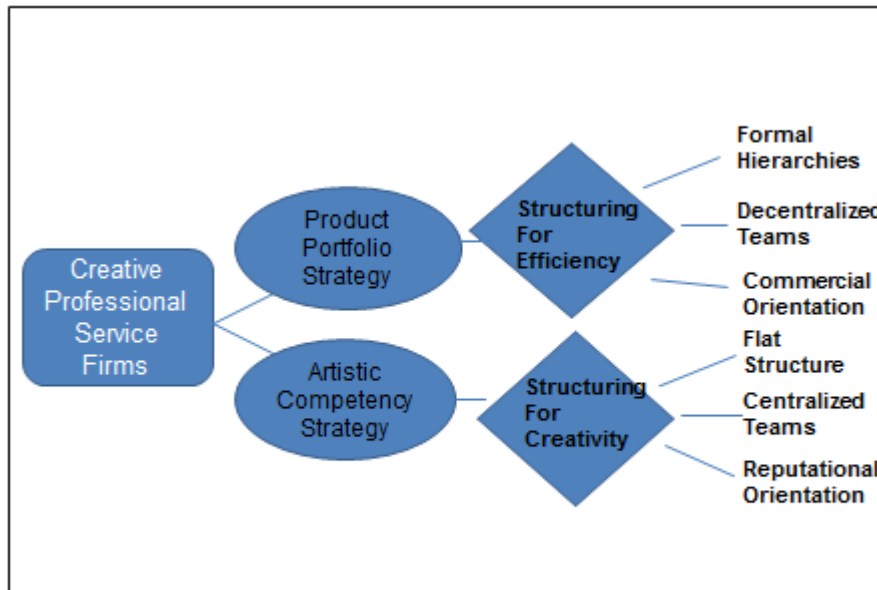
modern technology suffices to connect the centrally based business development director with remote clients. This results in centralization of the planning, design work and tender drawing at the home location. The firm may not be directly responsible for the post design phase of the project although centralized decision making and development of the creative input are supplemented by on-site support as necessary.

### ***3.6.5.3 Control Orientation: Commercial / Reputation***

Creative PSFs following a *product portfolio strategy* tended to operate in a highly competitive environment which may explain their strong commitment to achieving efficiency and clear commercial objectives. Business decisions are often ‘commercially’ rather than artistically motivated, based for example, on the number of opportunities in a market, “if a couple of projects that we are looking for happen, we will have to set up an office or set up a joint venture”. This strategy, which offers the client a ‘standard’ product requires firms to compete on efficiency which then underlies their approach to structuring the organization. One director suggested that this was because “there is a *commercial focus* to our work, so we understand, we measure it, we drive value through this measurement”.

A different approach was exhibited by those firms following an *artistic competency strategy*, as the principals tend to become involved in projects which motivated them and captured their attention, where they could be ‘hands on’ to develop a customized solution which would build their firm’s reputation. These firms tend to target projects where the client requires “people who are thinkers and makers and architects” rather than delivering a standard recipe or approach. The emphasis is on individual professional skills which cannot be replicated, to build the firm’s reputation and achieve growth. The individual professionals are focused on the project more as a learning opportunity which evidences their skills and builds their *reputation for creativity* with less emphasis on the direct commercial implications of success.

Figure 3-2: Creative PSFs; Strategies for Growth and Structuring for Success



The structural implications of the alternative growth strategies are presented here as distinct and separately identifiable for clarity, but in reality the implications of each strategy are overlapping and collectively reinforcing. For example, for PSFs growing through an artistic competency strategy the use of centralized teams reduces the requirement for extended supervision and reporting structures across the organization and acts as an ideas incubator, thus enhancing the firm’s ability to design unique and symbolic projects.

### 3.6.6 Aligning Strategies for Growth and Talent Management

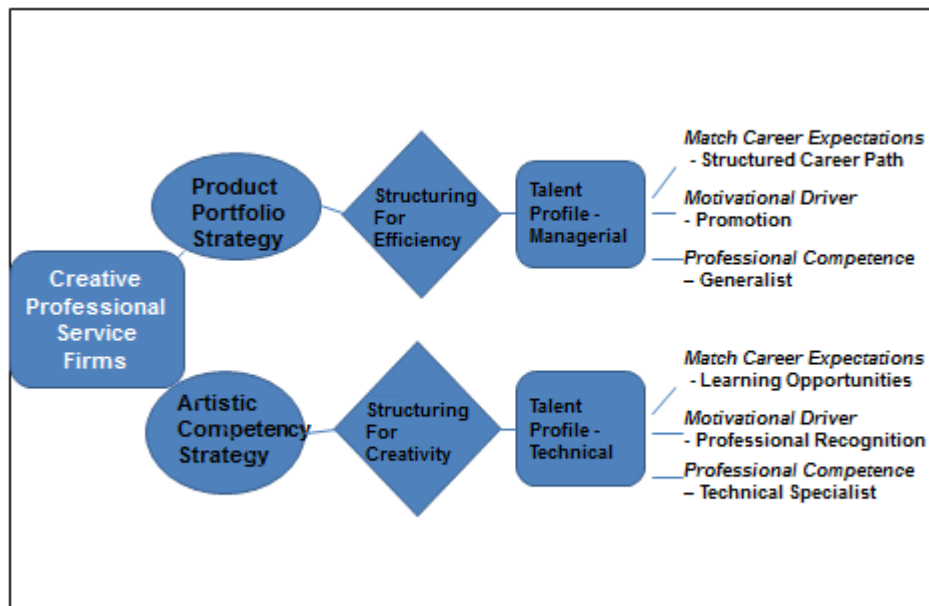
Our findings have interesting insights for creative firms striving to achieve consistent performance and contribution from their individual employees. Firms want to employ not just the most talented and capable architects, but also those most motivated to achieving the organization’s objectives. A sustainable strategy requires workforce engagement (Galpin and Whittington, 2012) and an individual is more likely to work

better and engage when his / her personal objectives and characteristics are aligned with the organization's strategy for growth and the organization's supportive structure. Linking existing theory of career identification (Ibarra, 1999, Thornborrow and Brown, 2009) and associated threats (Ibarra and Petriglieri, 2010), with the findings from our study, we recognised that *each growth strategy has clear implications for the type of talent suited to achieving the firm's objectives*. To maximise the likelihood of success, and to retain skilled and satisfied staff, the creative firm must recognise the implications of the firm's strategy for the required talent profile of its employees.

Based on our review of individual motivation from the literature (Bennett, 2010, Bridgestock, 2011, Carpenter and Strawser, 1970, Schein, 1990, Schein, 1996, Wils et al., 2010): we identified two distinct talent profiles aligned with the alternative creative PSFs strategies for growth. As summarised in Figure 3-3, we labelled these a *managerial talent profile* and a *technical talent profile*, which we associate with a product portfolio strategy and an artistic competency strategy respectively. The dimensions of individual talent and motivational profile identified comprise:

1. Employee Career Expectations: Career Paths / Learning Opportunities
2. Motivational Drivers: Promotion / Professional Recognition
3. Professional Competence: Generalist / Technical Specialist.

Figure 3-3: Aligning Strategies for Growth and Talent Management in Creative PSFs



### 3.6.6.1 *Matching Employees Career Expectations: Career Paths / Learning Opportunities*

The PSF must recognise the impact of individual career expectations to ensure employee commitment to the firm’s strategic objectives. The professional architect tends to choose his/her career path based either largely on his/her ambition to work in a specific firm because of its artistic reputation or the offer of structured career progression up the corporate ladder. For example, one architect summarised these alternatives, saying ”it’s really about your CV, trying to work at all the good practices and use that to either go into better practices or go into more commercial practices in a better role”.

The PSF achieving growth through a product portfolio strategy is aligned with those individuals who prefer a *structured career path*, given its hierarchical organization structure and decentralized teams. To fully engage this type of employee and support their contribution to the firm detailed maps of opportunities on progression within the organization should be available. In contrast, creative PSFs achieving growth through an artistic competency strategy should aim to attract employees to the firm’s

reputation, because “people want to work there”. The firm’s status is derived from peer recognised reputation. To attract and retain technically competent, artistic and perhaps less conventional individuals, despite the slow and unstructured career progression within these firms, individuals expect to be exposed to opportunities for design recognition and *learning* from eminent specialists.

#### ***3.6.6.2 Recognizing Motivational Drivers: Promotion / Professional Recognition***

The PSF achieving growth through a product portfolio strategy is motivated by progressing up the corporate career ladder. These are often “key self-driving individuals” and to enhance the commitment of these employees, the firm must provide individual *promotional* opportunities, status and rewards, recognising their commitment to achieving the firm’s objectives.

Financial rewards are not as critical for encouraging employee commitment to firm objectives for the PSF pursuing an artistic competency strategy. The greater the artistic standing of the firm the “less you actually have to pay because people actually want to work there”. In addition, due to their long and arduous training, architects are accustomed to working to fulfil the requirements of the client’s brief and “finances don’t particularly come into play” but they are conscious of their *professional reputation*. These PSFs must recognise that employees are motivated by “working with good people.... not letting the team down ... because you can’t contribute to success on your own”, and tailor their recruitment and retention policies to attract this type of individual.

### 3.6.6.3 Professional Competence: Managerial / Technical

The flexibility required by firms pursuing a product portfolio strategy requires not only technical competence across multiple areas but also a high degree of managerial competency. Employees may be expected to work across various locations and also to take on a range of functional tasks as the environment dictates. These organizations are often managed as a collection of separate projects, where "everybody would be fairly proactive on things". Employees need to be able to manage teams, set up new offices, engage in business development, and interact with new and existing clients and partner in a range of markets. Flexible employees able to undertake administrative, technical, and business development roles, with professional competence across a range of areas and the ability to multi task are likely to be aligned with achieving the product portfolio strategy. While the employee within this type of firm needs to be technically skilled across a range of sectors, to have a breadth of skills across the firm's portfolio of products, e.g. from office to residential, the key professional competence is *managerial*.

In contrast, the artistic competency strategy places a high value on the employee's depth of *technical* ability in a specific area of specialization, his / her capacity to create 'unique designs' for iconic buildings or bridges. The focus is not on achieving generic designs which can be 'reused' but to be benchmarked against the best, requiring "a lot of hard work, in terms of making the jump from the practical to the symbolic". Our findings suggest that to achieve the firm's artistic competency strategy requires recruiting individuals with a long term specialism and creative inspiration. Exhibit 2 provides examples of where the individual's motivation is aligned / misaligned with the firm's strategy for growth.



### **3.6.7 Examples of Success / Failure to Align to Firm Strategy, Structure and Employee Talents and Motivation (Exhibit 2)**

*Employee aligned to artistic competency strategy: Success* - Alice co-founded her architectural practice in the 1970s and since then has focussed on one niche sector specialism. She also lectures internationally on architecture on a guest basis and runs a number of research projects within international universities. Alice prefers to have a hands on involvement in projects as a contributing member of the project team. Her design inspiration comes not only from within but from working in a studio structure with her colleagues and from teaching and travelling. Alice describes architecture as “the reason [she] gets out of bed in the morning”. She has been invited onto numerous prestigious art and industry body councils.

*Employee aligned to product portfolio strategy: Success* - Patrick joined his current firm in 2007 following a position heading up an office at another firm where he headed up a regional office. He has built up experience on a large number of national and international projects across various sectors which he is noted as project managing. At his current firm he has been given responsibility for international business development which he co-ordinates within the firm. He spends most of his time travelling and meeting clients as the face of his organization and places primary emphasis and being visible to the client. His title and role within his firm has changed numerous times as the firm adapts to volatile business environments.

*Employee not aligned to product portfolio strategy: Failure* - John spent seven years at college which he believes were his best years professionally because he could focus on designing and making ”where finances don’t particularly come into play”. He then moved several times across “design firms”, working on public infrastructure projects

with some success. John became more financially focused and changed "from a design firm to a much more commercial firm". However, he was not comfortable with the "commercial rat run" and left to set up on as a sole trader, "using [his] own technology" instead of employing individuals to maximise his output.

### **3.6.8 Conclusion**

Our proposed framework demonstrates that creative PSFs need to be aware that their strategy for growth has clear implications for the talent profile suited to achieving the firm's objectives. As individuals are more likely to contribute if their personal career objectives are met, PSFs must consider the type of employee which will be motivated and aligned to their strategy for growth and then develop human resource policies to attract and retain the 'right' talent. The findings from our study facilitate an understanding of what desired employee characteristics complement PSF growth strategy. This has implications for human resource practice in these organizations if creative PSFs are to not just attract, but to retain the key professionals for facilitating organizational survival if not success.

## **Chapter 4: Theoretical Foundations (Part 1)**

Having achieved new insight into the dichotomy within the creative PSF segment in terms of understanding the motivation, strategizing and organizing activities detailed in Chapter 3, this study is now positioned to address the primary aim of exploring the internationalization process of creative PSFs. This chapter explains the theoretical foundations underlying the research project providing a review of the international business process literature and the international services literature. The review of the international services literature shows why it is necessary when studying international services to explore groupings within the sector rather than trying to broadly generalise across services. Theoretical gaps are identified within IB processes and international services for explaining creative PSF internationalization. These gaps form the basis for exploration through extending the literature review and primary research detailed in later chapters.

### **4.1 International Business Process Theory**

#### **4.1.1 Introduction**

IB process theory originated in the 1970s (Johanson and Vahlne, 1977, Johanson and Wiedersheim-Paul, 1975) and has since evolved to account for changes in the global environment influenced by advances in communication and technology. The study of the firm's internationalization process is pursued by scholars largely through a behavioural approach (Cyert and March, 1963).

Historically internationalization research focussed mainly on large manufacturing corporations. With greater internationalization of services and small firms, a body of literature has now built up providing insight into other contexts of

internationalization. While some of these explanations have developed by relaxing certain assumptions of the seminal 'incremental' framework (Johanson and Vahlne, 1977), other IB scholars suggest alternate explanations such as International New Venture Theory (Oviatt and McDougall, 1994) and the 'Born Global' phenomenon (Knight and Cavusgil, 1996). The recent revisiting of the incremental framework (Johanson and Vahlne, 2009) reflects the more globalized environment and brings more coherence between the multiple explanations as detailed in this chapter.

#### **4.1.2 International Risk**

International business process theory is mainly concerned with how firms manage the risk of uncertainty (Ghoshal, 1987). Although the focus of this study is to explore the process of internationalization and not the actual risk an overview of international risk is constructive to set the internationalization scene. International risk arises in business due to a lack of knowledge relating to a new foreign market and associate managerial decisions (Andersen, 1993). Externally the firm faces both environmental and industry uncertainties. Environmental uncertainties have traditionally been categorised as natural, legal, societal, political and governmental (Daniell, 2000, Hill, 2002) while industry uncertainties relate to competition, inputs and outputs (Brouthers, 1995, Miller, 1992). Both the perception of uncertainties and the integrated totality of risk whether external or internal to the firm are important to internationalization decisions (Brouthers, 1995, Miller, 1992). Adopting a resource based view perspective (RBV) (Barney, 1991) the internal uncertainties can be considered as the risk of the loss of scarce resources especially those that are valuable, rare, inimitable and non-substitutable (VRIN).

Firms engage in risk adverse behaviour to protect their resources. This may be through gaining knowledge and learning as the incremental framework proposes

(Johanson and Vahlne, 1977, Johanson and Vahlne, 2009). Alternately it may be reflected in lower levels of resource commitment to individual foreign markets as Born Global explanations suggest (Knight and Cavusgil, 1996). For Born Global firms, riskier forms of market commitment (Johanson and Vahlne, 1977) may be unnecessary as technological platforms can be relied on for trade. Correspondingly, entrepreneurial knowledge gained from prior experience, prior relationships and education facilitates internationalization as captured in international new venture theory (Oviatt and McDougall, 1994). In this process uncertainty is comparatively low from the outset of the internationalization decision.

Current explanations of how firms internationalize are based on the acquisition of knowledge, in particular mutual relationship knowledge (Johanson and Vahlne, 2009) to overcome the uncertainty associated with ‘outsidership’ and influencing the commitment of resources (assuming there are continuing opportunities) as firms become more embedded within a network.

#### **4.1.3 Dominant Paradigms of International Business Process Theory**

These dominant paradigms introduced above comprise the incremental framework (Johanson and Vahlne, 2009), international new venture theory (Oviatt and McDougall, 1994) and the born global phenomenon (Knight and Cavusgil, 1996). Explanations are adopted by IB process researchers as frameworks to explain how firms internationalize. International new venture theory and the born global phenomenon are briefly described below for comparative purposes and because they provide relevant insights for the researcher and this study. However, this study is grounded in the standard incremental explanation (Johanson and Vahlne, 2009) with outside perspectives combined where the incremental framework lacks clarity. Most of the case firms involved in this study have not internationalized from inception and creative PSFs are locally embedded both

institutionally and culturally suggesting that both international new venture theory and the born global explanation are unsuitable for cross case comparison. To incorporate the variation of experience across multiple case firms and diversity of internationalization paths depending on whether firms adopt a ‘product portfolio’ or ‘artistic competency’ growth strategy and related structure, a high level generic framework is most desirable for comparing across firms to develop theoretical contributions.

#### ***4.1.3.1 The Incremental Framework***

Commencing therefore with the adopted paradigm, the incremental framework (Johanson and Vahlne, 1977, Johanson and Vahlne, 2009) is often referred to as the ‘Stages’ model or the ‘Uppsala Internationalization Process’ framework. This explanatory framework evolved from earlier studies on Swedish manufacturing firms that identified four successive modes for entering foreign markets (Johanson and Wiedersheim-Paul, 1975) progressing from searching for export opportunities to the establishment of an overseas production facility. The incremental framework proposes that internationalization is a path dependent process of knowledge acquisition leading to learning which influences resource commitment as management become more comfortable with the perceived risks of internationalization. As knowledge and learning progresses, it is hypothesized that firms would enter new markets with successively greater psychic distance.

While the incremental framework remains a robust and dominant explanation of how firms internationalize the original framework was criticized for being too static and rigid (Coviello and Martin, 1998) to explain the internationalization process for non-traditional manufacturing firms. This argument suggests that other types of firms such as service firms and small and medium sized enterprises (SMEs) have different

characteristics and resource endowments to traditional large manufacturing firms that influences how they internationalize. Other critiques suggest that the incremental framework places too much emphasis on experiential knowledge as the source of learning (Forsgren, 2002) giving little attention on the importance of ‘short-cuts’ (Huber, 1991) such as imitating the activities of others or the alternative of acquiring a foreign business. The fundamental question as to whether internationalization really continues to be incremental or not has also been interrogated (Barkema and Drogendijk, 2007).

In recognition of the changing global environment and to ensure its continued relevance, the incremental framework has been revisited (Johanson and Vahlne, 2009). Central to the revision is the recognition that for a firm the market environment relates specifically to a relevant business network. The major risk facing the internationalizing firm is the risk of outsidership from a relevant network as opposed to psychic distance and the liability of foreignness identified in the original explanation. Whereas the previous model considered psychic distance as the factor that made it difficult to understand foreign environments, psychic distance in the revisited framework relates to the cultural and institutional difficulties for parties to build relationships. With this revisit core tenets of the framework including ‘incrementalism’ are re-interpreted into a network / relationship based environment, an important component already recognized in the alternate explanatory frameworks.

#### ***4.1.3.2 International New Venture Theory***

In response to criticism of the incremental framework and recognizing that some firms are international from inception, international new venture theory (Oviatt and McDougall, 1994) evolved as an alternative explanation to the incremental approach. International new ventures are defined as “a business organization that, from inception,

seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 1994)(p49). These firms are international from origin as demonstrated by observable and significant commitments of resources. This is influenced by technological innovation, entrepreneurs with increasing levels of international business experience and a willingness to enter new markets. It is also possible through an ability by those entrepreneurs to attract capital to conduct business. The framework describes four necessary and sufficient elements for the existence of international new ventures: 1) organizational formation through internalization of some transactions; 2) strong reliance on alternative governance structures to access resources; 3) establishment of foreign location advantages; and 4) control over unique resources. Whereas international new ventures recognize instances of firm internationalization from inception, the more extreme phenomenon of ‘Born Global’ firms led to the engaging born global explanation.

#### ***4.1.3.3 The ‘Born Global’ Phenomenon***

The ‘Born Global’ phenomenon (Knight and Cavusgil, 1996) emerged in the early 1990s presenting a further challenge to the incremental explanation. Similar to the development of international new venture theory, technological advancements and increasing internationalization of firms during the 1990s highlighted perceived shortfalls in the explanatory power of the incremental framework.

The born global phenomenon tended towards an explanation for smaller firms that adopt a global focus from the outset and embark on rapid and dedicated internationalization (McKinsey&Co, 1993). It explains the internationalization process for knowledge intensive high technology firms, responding to opportunities made possible by the pervasive impact of new technologies (Knight and Cavusgil, 1996, McKinsey&Co, 1993). The desire to gain ‘first mover’ advantage and ‘lock in’ in new



markets can be achieved because born global firms are technology driven and not normally required to engage in incrementally riskier forms of resource commitment to new markets over time. They are therefore inherently flexible and adaptable. However as indicated earlier, creative PSFs with their locally embedded characteristics (Faulconbridge, 2008b, Faulconbridge and Muzio, 2012, Jeffcut and Pratt, 2002) don't easily fit the born global explanation, even if some of them are international from inception.

#### **4.1.4 Comparative Features of the Dominant Paradigms**

Whether the revisited incremental framework complements the international new ventures model and the born global phenomenon is open to consideration. Certainly Oviatt and McDougall (1994) suggest that at least when compared to the original incremental framework, international new ventures present a unique challenge because their resources are constrained by their usually small size, their markets are the most volatile so that the concept of relevant learning which can be further applied is challenged. Additionally international new ventures are not moving into psychically close markets where previous experience may be generalizable to the new arena. Similarly, the entrepreneurial approach of born global gives little consideration to psychic distance, instead focussing on being first to market and achieving lock in (Bell et al., 2001). These firms engage in more flexible forms of market entry permissible through technology somewhat mitigating the risks associated with going into unfamiliar markets in the traditional sense.

The revisited incremental framework shows greater complementariness between international new venture theory and the born global phenomenon. Certainly the description that resources are committed within the context of a relationship could explain forms of alliancing and governance that make international new ventures and

born global processes possible. Similarly recognition that psychic distance is an individual level phenomenon impacting on the individual's ability to form a relationship has conceivable applications for international new ventures and born global. Relaxing the interpretation as to whether relationships and knowledge exist during the internationalization process or prior to internationalization brings the frameworks more into alignment. Additionally, interpreting more flexible, less resource intensive modes of entry characterizing the born global process as lower risk forms of market entry, possibly not moving past exporting if selling online, implies that these entrepreneurs do not need the same level of knowledge about a new market because they commit less resources.

Thus while incrementalism may be influenced by a high degree of path dependency compared to the entrepreneurial frameworks, there appears now to be a strong degree of alignment between the three dominant models. The main difference exists in their unit of analysis, as international new venture and born global consider the decisions of the entrepreneur while the incremental framework explains the process at the firm level. Given that this research requires a generic framework capable of interpreting multiple experiences across organizations at the firm level, the incremental framework is desirable as the overarching theoretical foundation in this study.

## **4.2 The Internationalization of Services**

The scholarly debate as to whether the internationalization process for service industries is distinctive from manufacturing firms (Sanchez and Pla-Barber, 2006) or not (Elg et al., 2008) or whether this distinction is now blurring (Pla-Barber and Ghauri, 2012) has gained traction with the globalization of services since the 1990s and early academic insights on the idiosyncratic challenges facing globalizing service firms (Aharoni and

Nachum, 2000). In particular challenges for internationalizing knowledge intensive services such as reputation certification (Aharoni, 2000), the need to protect intellectual property rights (Kretschmer et al., 2000) and knowledge creation and transfer (Grosse, 2000) are identified by early scholars in the field and have significant relevance to PSFs and creative industries.

Nevertheless, although service sector firms are now the most active in internationalizing their operations, research has tended to be highly fragmented. This is in part because of the significant variability between service sub-sectors (Pla-Barber and Ghauri, 2012) but also because services and manufacturing are becoming increasingly entwined because of intra-firm division of labour (Aharoni and Nachum, 2000) and additionally the growing need by manufacturing firms to provide a service package around their product in order to be competitive. For example, the new Sony Playstation is accompanied by a host of services linking customers to the 'Playstation Community' and providing technical and product information. Whether the product or the accompanying services contribute most to customer value is unclear.

In general scholarly contribution to literature on the internationalization of services focusses on the continuum of service sub-sectors, the changing nature of firms, and distinctive characteristics of services internationalization.

#### **4.2.1 The Service Continuum**

Multiple frameworks for distinguishing between services exist implying considerable differences in internationalization patterns including competitiveness and geographical distribution (Pla-Barber and Ghauri, 2012). Although services are traditionally distinguished from manufacturing by the characteristics of intangibility, inseparability, heterogeneity, perishability, customer participation and non-transferable ownership

(Buckley et al., 1992, Zeithaml et al., 1985) few services distinctively display all of these characteristics. Similarly, economic activity ranges on a continuum from 'pure goods' to 'pure services' (Sanchez and Pla-Barber, 2006). For example, a trip to a restaurant may be positively affected by the ambiance of the surroundings and the excellent service of the waiting staff, but equally the quality of food produced behind the scenes and consumed contributes to the overall service experience.

One generic explanation that has dominated the services literature explaining distinctions between services is the Service Process Matrix (Schmenner, 1986) which identifies services through the degree of labour intensity and the degree of interaction and customization. This framework identifies different challenges for managers dependent on whether they are characterized as a service factory, a service shop, a mass service or a professional service (Figure 4.1). For example, challenges for managers of a hospital involve capital decisions, technological advances, managing demand and scheduling service delivery due to its low labour intensity. Similarly, the high degree of interaction and customization broadly incurs challenges in maintaining quality and talent management. The services internationalization literature often describes related characteristics such as degree of complexity and intangibility (Villar et al., 2012), capital intensity and inseparability (Erramilli and Rao, 1993) as moderating influences on entry mode choice when managing the environmental uncertainty of internationalization.

**Figure 4.1: The Service Process Matrix**

		Degree of interaction and customization	
		Low	High
Degree of labour intensity	Low	<b>Service factory:</b> - Airlines - Trucking - Hotels - Resorts and recreations	<b>Service shop:</b> - Hospitals - Auto repair - Other repair services
	High	<b>Mass service:</b> - Retailing - Wholesaling - Schools - Retail aspects of commercial banking	<b>Professional service:</b> - Physicians - Lawyers - Accountants - Architects

Source: SCHMENNER, R. (1986) *How Can Service Businesses Survive and Prosper?* Sloan Management Review, Spring, 21-32.

Another often cited distinction dividing internationally traded services defines services as either hard or soft (Erramilli, 1990). Grounded in the *inseparability* characteristic, hard services are those where production can be separated from consumption such as accounting services while soft services are characterized by simultaneous production and consumption such as cleaning services. It is obvious therefore how internationalization patterns can differ with the varying need for the service provider to be present for consumption to occur. Linking back to the Service Process Matrix (Schmenner, 1986) soft services are broadly categorized as those services that require a large degree of client interaction and customization (Ball et al., 2008). Furthermore, advancements in technology now suggest an even finer distinction for soft services in *location-intensive soft services* and *information-intensive soft services* (Ball et al., 2008).

Reflecting on the international services literature it could be suggested that little value is gained through the generation of broad scholarly insights into the services sector in general except for comparative purposes. The interplay of service

characteristics with environmental uncertainty associated with internationalization fragments insights across groups within the sector. Adding to this, service sectors themselves exist along a continuum and cannot be easily boxed off. For example, architecture – a classic professional service, may require architects to be ‘on site’ to oversee the implementation of a building design, yet much of the design work is created in a studio with intermittent client contact. Similarly, much of the work of the architect may require ‘expert’ insight and be customized to the client need, however, the range of services provided may be determined based on a continuum between service replication and customization. Thus even traditional insights on international services are understandably fragmented and difficult to classify, but the changing nature of services and service internationalization presents an interesting dynamic which is arguably bringing some cohesion by blurring the boundaries between services and manufacturing.

#### **4.2.2 The Changing Nature of Service Internationalization**

It is well documented that the globalization of markets driven by mutual trade agreements and advancements in communication and technology has led to greater globalization of services, the emergence of new services and more competition from emerging markets. However, an interesting and more recent dynamic stemming from the global transformation of markets is emerging whereby distinctions between manufacturing and services are blurring and are possibly becoming more entwined (Pla-Barber and Ghauri, 2012). Three factors would appear to be driving this trend;

- an outsourcing trend experienced in many value chain activities. No longer are firms only outsourcing manufacturing activities but outsourcing is now rapidly

spreading to services (Lewin and Volberda, 2011) and within service industries (Lahiri and Kedia, 2011);

- the increasing proportion of services in manufactured goods. Most manufactured goods now include intangible parts through their complementary service components. A more competitive environment and the rapid and global transfer of knowledge has led to more discerning consumers (Fitzsimmons et al., 2013/14, Pla-Barber and Ghauri, 2012) who are continually ‘upping the ante’ (Homburg et al., 2009) in their expectations; and
- the intra-firm division of labour. In the last decade many Western firms have become more sophisticated in their decision making, moving divisions to emerging markets to achieve cost benefits or other types of efficiencies (Buckley and Ghauri, 2004).

These evolving dynamics may ensure that fresh perspectives are required to contribute to scholarly understanding of the manufacturing sector. Perhaps interestingly some reversal of the traditional trajectory may occur with insights from the services literature now able to inform manufacturing studies or possibly contributing to a revitalized cohesion among both services and manufacturing fields.

#### **4.2.3 Distinctive Characteristics of the Service Internationalization Process**

Having outlined the development of the literature on international services since the emergence of the phenomenon in the 1990s it is judicious to imply that service industry firms pursue distinctive internationalization processes leading to particular modes of entry by comparison to manufacturing firms. Existing studies suggest that capital

intensity, knowledge intensity, degree of customization, asset specificity, inseparability and intangibility of service firms all affect entry mode choice (Erramilli and Rao, 1993, Villar et al., 2012, Sanchez and Pla-Barber, 2006, Pla-Barber et al., 2010, Ball et al., 2008, Erramilli and Rao, 1990, Erramilli, 1990).

This level of variability or heterogeneity among service industries makes generalizing across the sector of little value, in particular when considering that the outcomes of some of these studies suggest the subject variables are only moderating influences (Erramilli and Rao, 1993, Villar et al., 2012) when combined with environmental uncertainties such as cultural distance and country risk. The challenge for scholars attempting to explain the internationalization process therefore lies in the complexity between managers evaluation of “the characteristics of the service that will be offered in international markets and assess[ment] of the international potential they present” (Sanchez et al., 2007)(p87) at the strategic level together with the moderating influences of environmental uncertainties when internationalizing.

### **4.3 Problems with Adopting a Homogenous Approach to Explanation**

With the multiple challenges involved in explaining the services internationalization process identified the issue arising is whether a single explanatory framework can adequately address the research problem.

There is strong support that the revisiting of the incremental framework to incorporate evolution of the global economy over past decades ensures that it is the most suitable of the three frameworks to adopt as a generic firm level explanation of the internationalization processes in a contemporary environment. By relaxing the assumption that relationships and experience must be developed during the internationalization process but rather they could also exist before the creation of a firm



which Johansson and Vahlne describe as “a formality of no major significance” (Johanson and Vahlne, 2009)(p1421), the incremental framework can also explain international new venture and born global insights. Therefore the framework is adopted as the broad theoretical foundation for this multiple case study on the internationalization of creative PSFs.

Notwithstanding that the incremental framework is deemed as the most suitable explanatory model, it lacks clarity on a number of aspects. Chapter 2 highlighted differences in the creative PSF sector relating to local embeddedness, the distinctive client interaction process, and the role of the individual in service delivery. Earlier in this chapter variations across service segments influencing internationalization patterns were identified. These peculiarities influence how firms enter new markets, form relationships and commit resources to internationalization. Describing the process as a path dependent process of learning influencing commitment (Johanson and Vahlne, 1977, Johanson and Vahlne, 2009) where learning mainly comes from mutual relationship based exchanges or experiential learning neglects the requirement that clients want to trust their creative PSF in advance of forming a relationship. Thus the incremental framework does not easily explain how creative PSFs move from being outsiders to insiders within relevant networks and scholarly insights have not been forthcoming exploring this problem. A knowledge gap needs to be addressed therefore to explain this part of the process.

A second problem arises with the incremental framework when describing heterogeneous processes existing within one sector or even within one firm. Chapter 3 identifies a dichotomy within creative PSFs which suggests that at least two internationalization paths may exist, but firms can internationalize in different ways which may have different levels of path dependent influences. The critique concerning the rigid and static nature of the incremental framework for explaining non-typical

organizational structures (Coviello and Martin, 1998) remains a problem also for this study. Rather than developing an entirely new framework for creative PSF internationalization however, by combining insights from different fields to explore the idiosyncrasies, new richer theoretical contributions to IB process theory can emerge.

The next Chapter introduces the literature that is combined with IB process theory to address the first problem of how firms move from being outsiders to insiders within relevant networks when internationalizing. Insights are combined from PSF and creative industry literature as well as organizational status theory to help address the lack of insight within IB process theory on this area. The second business problem and research gap is then addressed in the succeeding chapter.

## **Chapter 5: Theoretical Foundations (Part 2)**

### **5.1 Introduction**

Chapter 4 concluded by suggesting that the incremental framework (Johanson and Vahlne, 2009), although the most suitable IB process explanation to address the research problem of this study could benefit from combining literature from other fields. This chapter now introduces organizational status theory to uncover the role of reputation in the internationalization of creative PSFs.

### **5.2 Combining Lenses to Enhance Insight**

It is not unusual to combine fields of literature to enhance insight. Management research often uses combinations of ideas or blends of theories to advance new insights and further scholarly understanding (Okhuysen and Bonardi, 2011). This reflects the diversity and complexity of the research setting and the need to reflect reality in theorizing to ensure relevance within the field (Ozbilgin, 2010). Combining literature also helps to bridge silos within and across disciplines (Burrell, 1996). However, developing theory that builds on multiple overarching approaches also presents challenges, most notably relating to the degree of compatibility of the underlying assumptions and the distance between phenomena in the original theories (Okhuysen and Bonardi, 2011).

In this study, creativity and PSF literature informs the IB process to help clarify aspects of the internationalization process. The role of reputation as identified in PSF literature is the ‘lynch pin’ in the internationalization process but it is not easily explained through IB process theory how reputation is built and internationalized,

particularly when interpreted through an RBV perspective. To address this gap and to understand how reputation is internationalized, this study combines the IB process lens with organizational status theory. This is a compatible fit as the incremental framework (Johanson and Vahlne, 2009) and organizational theory are both sociological interpretations relating to behaviour within networks of business relationships.

Outlined in Chapter 6 is the business model portfolio approach (Baden Fuller and Mangematin, 2013, Sabatier et al., 2010, Teece, 2010) which combines with IB process theory to identify the multiple internationalization paths within the non-typical creative PSF organizational form. This combination complements IB process theory by adding depth to theoretical and managerial insights gained from research into a complex setting.

### **5.3 Professional Service Firm Literature**

Following an extensive review of IB process literature to explain creative PSF internationalization, the first search for answers to questions where knowledge gaps appeared was within the PSF literature. PSFs exhibit unique characteristics yet despite the existence of research on PSFs since the 1980s (Gummesson, 1981, Maister, 1982, Blau, 1984), the academic focus has largely been on accounting, law, and consultancy firms and to a lesser extent architecture, advertising and engineering firms (Von Nordenflycht, 2010). This is possibly due to the absence of a coherent definition for the PSF sector within the field of organizational studies until recently. As detailed in Chapter 3, most classifications of the professions prior to Von Nordenflycht (2010) come from sociology and not the setting of the firm.

In particular within the PSF literature the internationalization of PSFs is an under researched phenomenon. The few existing studies predominantly focus on large

global law and accounting firms, with minor consideration also given to architecture (Winch, 2008, Faulconbridge, 2009, Skaates et al., 2002). The focus of existing studies in the field of PSF internationalization centres on market entry modes (Blomstermo et al., 2006, Malhotra, 2003, Freeman et al., 2007), strategic planning (Beaverstock et al., 2010, Segal-Horn and Dean, 2009, Aharoni, 1996) and performance (Brock and Alon, 2009, Hitt et al., 2006a). Fewer studies focus on knowledge and learning processes (Kennel and Batenburg, 2012, Reihlen and Apel, 2007) central to the incremental framework.

Interestingly, reputation is recognized to be of critical importance in the internationalization process (Cooper et al., 2000, Grosse, 2000, Hitt et al., 2006a, Lu et al., 2012), but limited attention has been given to how an international reputation is established. Studies in the PSF literature that endorse the importance of reputation assume that reputation exists already in the international setting, but as reputation is network dependent (Lin et al., 2009, Podolny, 1993) this is frequently not the case.

For the media production firm, its portfolio of productions at home are important signals of quality to local potential clients. Signals of quality will be related to its portfolio of productions, who bought them, viewer numbers in terms of public popularity and the type and nature of industry awards. For the creative PSF reputation is a critical antecedent to forming relationship ties. However, a successful British comedy often does not translate to successful comedy in the US or Germany where cultural differences exist that influence what viewers regard as funny. Success at home does not effortlessly translate to the potential for success abroad.

Reputation within the PSF literature is identified mainly for its positive impact on performance and related metrics (Greenwood et al., 2005, La et al., 2009) and on enhancing the ability to form relationships within a network (Jensen and Roy, 2008). The researcher's extensive literature review failed to find any study describing how a

firm's reputation transfers internationally or how reputation is created by the PSF when internationalizing. Addressing this research gap forms an important part of this project.

#### **5.4 Creative Industry Literature**

While the PSF literature has gained increasing scholarly attention for some years, examining the creative industries is a much more recent field of academic inquiry. Theory on creativity in organizations has existed since the 1980s (Amabile, 1988), but despite the growing importance of 'creative industries' as a distinct economic segment in both emerging and mature markets (EU, 2012, UNCTAD, 2010), organizational theorists provide little insight on creative industries as a coherent group. This sector tends to be classified on the basis of the creative industry definition as detailed in Chapter 3, but explored through other theoretical lenses. Moreover the focus for inquiry has mainly centred on developing a creative economy (Florida, 2007) and developing creativity in organizations (Mainemelis, 2010, Moultrie and Young, 2009) or single sector studies rather than focussing on what creative sector organizations actually do.

Not surprisingly therefore and similar to PSF internationalization, creative industry literature has not extensively focussed on the internationalization process although there is evidence of recent interest in this phenomenon. The literature review identifies a small number of studies relating to modes of market entry (Abecassis-Moedas et al., 2012); the role of cultural intermediaries in the internationalization of art (Ryan et al., 2008); and a typology of entrepreneurial orientations within creative industries (Fillis, 2008) that were of interest and were informative to the researcher. However, these studies fail to address the critical question of how the creative PSF internationalizes. Importantly, insights are not evident in the literature relating to the tension between the need for a creative environment and the need for client interfacing

that influences the firm's international business model nor how the creative PSF moves from outside to inside relevant networks.

## **5.5 Organizational Status Theory**

Insights from PSF literature and creative industry literature highlighting the importance of reputation in the internationalization process but lacking insight on how reputation is internationalized directed the literature review towards organizational status theory. Recent insights from reputation literature suggest a need to study both reputation and organizational status in tandem (Chandler et al., 2013, Sauder et al., 2012, Washington and Zajac, 2005). As organizational status theory is sociologically based it is complementary to IB process theory in explaining sociological interactions within networks (Johanson and Vahlne, 2009). In addition, because reputation is identified in the literature as a network dependent construct (Lin et al., 2009, Podolny, 1993), possibly explaining the lack of empirical insight regarding how reputation forms part of the internationalization process, it suggested that this knowledge deficit could be explained through an organizational status lens.

Over the past two decades organizational status theory has become a critical construct for understanding organizational behavior and status processes generally. Despite the intuitive complementary characteristics between organizational status theory and IB theory, international business scholars have so far shown little interest in adopting this approach to bring clarity to aspects of the internationalization process.

Status may be understood as an indicator of quality (Sauder et al., 2012). Even if full information regarding results is not available status is the most observable characteristic reflecting the standing of those affiliated with a firm. Status can be defined as the position in a social hierarchy that results from 'accumulated acts of

deference' (Goode, 1978, Whyte, 1943). Organizations, individuals, or networks (Sauder et al., 2012) hold others in high regard. For example Barack Obama was formerly an editor of the Harvard Law Review yet although very few individuals or organizations have any insight into the quality of his work, his association with Harvard confers deference or esteem. Similarly Harvard University itself as an organization has influence globally because of its status even though lesser known colleges may actually produce better students academically. Insights from original studies explaining a status based model of market competition (Podolny, 1993) suggest that connections with high status others are often viewed positively, conversely low status connections can be penalized (Washington and Zajac, 2005).

Important to explaining the creative PSF internationalization phenomenon is the strand of research that focuses on the role of external arbiters or critics (Graffin et al., 2012, Sauder and Fine, 2008, Simcoe and Waguespack, 2011). This research suggests that status has a signaling capability that can be picked up by other networks or the broader community. It has the potential therefore to signal into unrelated networks whereas both relationships and reputation are described as existing within a relevant network context. Status plays a particular role in markets for cultural goods (White and White, 1993) which are particularly susceptible to the influence of external evaluators, suggesting its potential relevance for generating creative PSF insights.

### **5.5.1 Bringing Reputation into Organizational Status Explanation**

Organizational reputation and organizational status are increasingly studied in tandem (Chandler et al., 2013, Washington and Zajac, 2005). RBV insights into the characteristics of organizational reputation suggest that it is an intangible asset (Barney, 1991) and an important component of strategic competitive advantage (Fombrun, 1996). Studies about reputation normally describe reputation as a firm based construct



(Chandler et al., 2013, Davies et al., 2010, Lange et al., 2010) or accorded to individuals (Boutinot, 2010, Delmestri et al., 2005). Providing a definition of reputation has been the subject of much empirical debate. It is commonly understood as an economic construct based on merit that is capable of being observed (Washington and Zajac, 2005) and can act as a signal of quality (Fombrun and Shanley, 1990) to others. Recent efforts to define reputation (Lange et al., 2011) suggest that studies usually describe three conceptualizations of organizational reputation; being known in a generalized way, being known for something, and generalized favorability which is accorded to an organization overall. For the creative PSF having a reputation enables a client to trust the quality of the firm's service prior to the start of a relationship.

Defining organizational reputation as 'being known' is rooted in concepts of reputation as a reconciliation of multiple images held by all (Fombrun, 1996). Alternatively the 'being known for something' definition is rooted in the stakeholder perspective (Clarkson, 1995) which holds that different stakeholders will hold different reputation perceptions dependent on specific attributes, primarily the service of the firm (Chandler et al., 2013).

There is common agreement by scholars regarding the network dependency of reputation as information asymmetries can exist between different networks (Fombrun, 1996) in particular for specialized services (Yu and Lester, 2008). While reputation can influence the genesis of status (Washington and Zajac, 2005) it may be decoupled from status where uncertainty exists, possibly caused by artistic or technical complexity (Lang and Lang, 1988, Podolny and Stuart, 1995) or the newness of a market (Podolny, 1994). The interconnectedness of status and reputation through informing, replacing, enhancing and mobilizing each other justifies the need to consider the impact of both in informing the creative PSF internationalization process.

## **5.6 Summary**

This chapter introduced the theoretical lenses that are combined with IB process theory to study the phenomenon of how creative PSFs internationalize. Idiosyncrasies of the creative PSF organizational form that influence the internationalization process are identified in the first two chapters of this thesis. Specifically the challenges of local embeddedness and the specific client interaction process create challenges that cannot clearly be explained by the incremental framework. PSF and creative industry literatures give insights on both the peculiarities of the sector and guidance as to how those peculiarities influence the internationalization process. However, their suggestion that reputation is the missing explanatory ingredient does not fully address the problem because these literatures fail to explain how reputation is internationalized. Bringing organizational status theory to the mix provides greater insight to the problem suggesting how the knowledge gap in IB process theory can be addressed for the creative PSF.

## **Chapter 6: Theoretical Foundations (Part 3)**

### **6.1 Introduction**

Having recognized organizational status theory detailed in Chapter 5 as the key to explaining one identified research problem, this chapter brings the business model approach to the combination to help explain the second research problem. The second research problem relates to explaining internationalization of a non-typical and complex organizational form where multiple internationalization paths are expected. It is introduced in previous chapters and is a longstanding critique of the incremental framework (Coviello and Martin, 1998) that because it is static and rigid it lacks clarity when explaining internationalization of heterogeneous non-typical and more complex organizational forms.

This chapter details the business model portfolio approach (Sabatier et al., 2010, Teece, 2010, Baden Fuller and Mangematin, 2013) adopted to map the internationalization processes and mechanisms. The preliminary research that formed part of the familiarization phase of this project described in Chapter 3 identifies a dichotomy between creative PSFs strategy and growth. This suggests that processes and mechanisms of internationalization also diverge between firms influenced by their underlying growth strategy and structure. The dichotomy suggests that at least two and possibly more paths to internationalization will exist in the study.

### **6.2 The Business Model Approach**

The business model approach (Teece, 2010, Teece, 2010b) is combined with IB process theory to address the second research problem of this project. The business model approach has received somewhat of a revival from its origins in the late 1990s when the

concept was vaguely defined and was often described interchangeably with strategy (Magretta, 2002). More recent research has augmented the need to understand business models as a set of activities aimed at both addressing customer needs and converting that to revenue earning for the firm. Teece (2010) suggests that a business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profits.

Particular insight can be gained from the idea that portfolios of business models exist within the firm to ensure idiosyncrasy and protect future health (Sabatier et al., 2010). They are often ‘hidden’ behind an emblematic model, which is the model observable outside of the organization such as the ‘Wal-Mart’ or the ‘McDonald’s’ business model.

Business models often explore a connection between the choice of business model and competitive advantage (Zott and Amit, 2007) simplifying the firm’s networks of sophisticated interdependencies. Another use for business models, and the approach adopted in this study, is as a cognitive tool for visualization (Arend, 2013) helping to theoretically explain firm behaviors and organizational survival (Baden Fuller and Mangematin, 2013) as well as supporting improved managerial decision making (Hacklin and Wallnoefer, 2012).

Attempts to describe and classify business models rarely deal with the dimensions of the business model (Baden Fuller and Mangematin, 2013), in particular dimensions separate from the actual context relating to the cause-effect relationships between customers, the organization and money. They normally tend to be contextual and are often based on abstract observations, for example the ‘Gillette Model’ or the ‘Ryanair Model’, or from an industry context the ‘Low Cost Airline Model’. Grounded in the business model definition (Teece, 2010) and incorporating the important variables of value sensing, value creating and value capturing (Teece, 2010b), business model

dimensions: Identifying Customers, Value Proposition, Monetization, and Governance are proposed (Baden Fuller and Mangematin, 2013) for this study. This recent framework captures the essence of the business model that is separable from a firm's context. Importantly, these generic dimensions allow researchers to explore and compare business models across contexts enhancing theorizing potential.

### **6.3 Adopting a Business Model Approach to Explaining the International Business Process**

Adopting the business model approach from a perspective that incorporates the core dimensions of the widely accepted business model definition (Teece, 2010) with generic categories permitting flexible sub-categorization (Baden Fuller and Mangematin, 2013) can greatly enhance insights into explaining complex internationalization processes. These benefits are identified; firstly, enhancing insights relating to value that IB process theory recognizes but is vague on description; secondly mapping multiple internationalization paths within the firm; thirdly, and perhaps most importantly improving practitioner understandings. The approach is complementary to the incremental framework and can contribute to IB process theory by providing better cross case comparison within the complex setting.

The central concern of the business model approach relates to value (Teece, 2010, Teece, 2010b) and the approach has the flexibility to identify value relating both to the customer proposition and for the firm. Value is a core consideration for the incremental framework also although it is not defined, only vaguely suggested as lying within network embeddedness (Johanson and Vahlne, 2009). A business model approach explores the complexity of value, adding an additional richness to potential IB process insights.

Secondly, the business model approach also enables the researcher to explore heterogeneous paths to internationalization that exist across a creative PSF sector. Current literature generally assumes that industries are homogenous in their approach to internationalization. Through business model mapping heterogeneous sector variations can be identified and compared. Thirdly, the business model approach enhances the potential for managerial understanding by bringing more generic theory closer to practice.

#### **6.4 Review of Literature Combining Business Models and International Business**

A review of the IB literature suggests that the business model approach is uncommon and certainly not often adopted as a cognitive framework to assist with explaining how firms internationalize. Two searches of the literature were undertaken; firstly a search for references to business models in general within the Journal of International Business Studies (JIBS) (ABS ranking 4), the premier cited journal in the field illustrated in Table 5.1; and secondly, a general review through Google Scholar of Teece (2010) citations in journals pertaining to have an 'international focus' (Appendix D). As Teece's 2010 definition is used in this study and is the most widely accepted in the field, this second search of the literature was undertaken to identify studies that may apply a similar interpretation of the business model to the internationalization process. The JIBS search was undertaken to provide a general overview of the business model discussion within the journal.

**Table 6.1: Summary of ‘Business Model’ References in JIBS articles**

<b>Studies</b>	<b>Basis for Classification</b>	<b>Classifications</b>
<i>References to ‘Business Model’ in the Journal of International Business Studies</i>		
(Asmussen et al., 2009).	2000 subsidiaries across 7 European countries. Quantitative survey testing Rugman and Verbeke’s diamond network model	Shows how multinational enterprises and overcome unbalanced national diamonds by acquiring complementary capabilities across borders.
(Barkema and Drogendijk, 2007).	Dutch companies entering CEE / Quantitate method	Suggests only that the ‘business model’ may be restrictive. Not a study of business models.
(Batjargal, 2007).	Venture capitalists in China and Russia	Considers decision making.
(Cantwell et al., 2010).	MNEs / Examines patterns of institutional change in wider business systems with micro processes of the firm.	Considers idea that firms may adopt or change their home country business models when internationalizing. Not a study of business models.
(Ciabuschi et al., 2011).	Examines influence of MNE headquarters on subsidiary innovation.	Suggests only that business model may be different between B2B and B2C firms. Not a study of business models.
(Coucke and Sleuwaegen, 2008).	Analyses the impact of globalization on the exit behaviour of manufacturing firms in Belgium.	Introduces the idea of exit models.
(Di Gregorio et al., 2009).	Studies outsourcing processes.	Suggest that outsource partners need to understand their client’s business model. Not a study of business models.
(Fernandez, 2011).	Quantitative survey using data from 10,000 firms from more than 30 emerging markets.	Compares emerging and mature markets suggesting that over time leverage is determined by the firm’s business models and also by overall country environment.
(Ferner et al., 2005).	Studies how diversity is internationalized	Relates to workforce diversity

**Table 5.1: Summary of ‘Business Model’ References in JIBS articles (contd. #1)**

<b>Studies</b>	<b>Basis for Classification</b>	<b>Classifications</b>
<i>References to ‘Business Model’ in the Journal of International Business Studies</i>		
(Ghemawat, 2003).	International business strategy paper.	Call for research on types of international business models (1) adaptation, in which the business model originated in the ‘home base’ becomes the basis for local modification; (2) platform or front-to-back approaches, in which certain core features of a business model (the ‘platform’) are pre-set globally, while others can be altered in light of local conditions; and (3) clustering, which emphasizes grouping countries – regionalization is a subcase – in order to pursue commonalities more aggressively than would be possible with pure country-by-country adaptation. Not a study of business models but a call for more research into the field.
(Hutzschenreuter and Israel, 2009).	Explores role of path dependency based on institutional and selection forces – IB process paper	Loose link with focus on selection forces. Not a business model paper.
(Jonsson and Foss, 2011).	Studies replication of business model at Ikea but focusses on replication-as-strategy and IB literature.	“we possess relatively little theoretically informed knowledge about what features of a business model international replicators replicate across countries, how much local variation they allow for, whether they garner local learning and utilize this elsewhere in the organization, how they modify the traits that they replicate, and so on.” (p1081). Call for research on business models.
(Kotha et al., 2001).	Quantitative study on the internationalization of internet forms.	References business models in literature review but hones in on firm specific resources in study.
(La et al., 2009).	Test model of antecedents of client based value in the context of PSFs. Quantitative survey of firms in Malaysia and Thailand	Client perceived performance is impacted by a firms internal resources, this relationship is contingent upon the country of origin effect and moderated by the client’s buying experience. Potential alignment to business models with focus on value.



**Table 5.1: Summary of ‘Business Model’ References in JIBS articles (contd. #2)**

<b>Studies</b>	<b>Basis for Classification</b>	<b>Classifications</b>
<i>References to ‘Business Model’ in the Journal of International Business Studies</i>		
(London and Hart, 2004).	Emerging market study; extending transnational model	Uses strategy literature to show how business model is developed.
(Luk et al., 2008).	Factoring in role of guanxi on social capital.	Considers business model variations in different institutional contexts.
(Malhotra and Hinings, 2010).	Characteristics identified from international process and organizational typologies.	Describes why certain business models exist in IB without identifying how they are created.
(Peng et al., 2008).	Direct link made between strategy and business model.	Calls for research on new business models from the bottom of the economic pyramid relating to emerging economies.
(Ricart et al., 2004).	Study focusses on critique of international new ventures.	Identifies low cost business model suited to institutional environment. Not a business model paper.
(Ruey-Jer et al., 2010).	Focusses on IT to enhance international customer-supplier relations in Taiwan.	Discusses customer value that can be derived from IT systems in outsourcing. Not a business model paper.
(Rugman and Verbeke, 2004).	Lists of the global and regional firms and discusses their business models	Abstract observational study connected to strategy.
(Sun et al., 2010).	Discusses Volkswagen’s need to change business model because of changes in political embeddedness in China.	“While exploitation of the existing business model was expected to generate bountiful revenues for years to come, Volkswagen believed that the returns from adopting the latter option were less certain and more remote in time.” (p1178)
(Wang et al., 2012).	Identifies gaps in business model. Explores government involvement in FDI	“government ties, an integral part of the business model adopted by EMEs ... EMEs must excel at developing both relationship-based and conventional capabilities. A business model resting upon the combination of the two is the most fruitful mechanism for increasing international expansion.”
(Zahra, 2005).	Tracks new venture theory – but makes link to BM about experimentation – suggests it is trial and error.	“Experimentation is essential for INVs to discover the winning business model and market recipe.” (p24)

While recognition is infrequently given to business models in the Journal of International Business Studies (JIBS), this is normally based on its application as a narrative tool (Arend, 2013) based on abstract observations. The business model is commonly introduced without definition or author citation. Notwithstanding the ill-defined use of the business model in JIBS, studies identify the restrictions that business models can have on the internationalisation process (Balogun et al., 2011, Barkema and Droogendijk, 2007), and replication of the value chain (Jonsson and Foss, 2011) is also recognized although no studies formally explore the internationalization process through a business model lens. The review of JIBS articles reveals that the cognitive approach adopted in this study (Baden Fuller and Mangematin, 2013, Sabatier et al., 2010, Teece, 2010) has not been introduced to assist in theorizing despite its ability to generate valuable insights. There is recognition however of the value of business models in the field (Cantwell et al., 2010, Di Gregorio et al., 2009, Zahra, 2005) and also calls for more insights to be developed to inform IB scholars (Ghemawat, 2003, Jonsson and Foss, 2011, Peng et al., 2008).

While other internationally focussed business journals recognize the renewed interest and importance of the business model approach, the extensive literature review (Appendix D) shows that there are very few studies that bring business model thinking to the internationalization process. Two frameworks are identified specifically for new venture technology firms (Breuer, 2013, Trimi and Berbegal-Mirabent, 2012). Only one study is identified (including the search across JIBS articles) that maps the internationalization process using a combination of international entrepreneurship theory and the business model approach (Sainio et al., 2011). This exploration adopts the activity system perspective (Zott and Amit, 2010) concentrating on the upstream and downstream activities of the value chain to show how value formation and exchange in

the process. This study however assumes that the firm only has one business model rather than a portfolio of business models (Sabatier et al., 2010) interacting in the process. The study also makes little contribution to IB process theory because while it explores entrepreneurial behaviour it fails to contribute to existing IB process explanations (Johanson and Vahlne, 2009, Knight and Cavusgil, 1996, Oviatt and McDougall, 1994) regarding how firms internationalize.

Despite the dearth of IB studies using business models to explain the internationalization process, in reality many firms adopt different internationalization patterns to address varying client needs. Mapping these different paths can provide rich insights offering great potential to advance IB process theory.

## **Chapter 7: Framing the Research Problem**

### **7.1 Introduction**

This study combines IB process theory, organizational status theory and literature from the fields of business models, professional service firms and creative industries to gain insight into how creative PSFs internationalize. Having outlined the context in Chapters 2-3, and the theoretical foundations in Chapters 4-6, this chapter details how this study addresses the theoretical gaps and positions the research question of this thesis.

### **7.2 Overall Research Question**

The overall research question for this thesis asks; **how do creative professional service firms internationalize?** Exploration of the literature and primary research examining the context to address gaps in existing knowledge reveal that two critical elements of this question are not addressed in the literature; how creative PSFs move from outsidership to insidership within relevant networks and the more holistic perspective of how multiple paths are pursued within the same sector inside and across different networks when internationalizing. It is critical to understand those processes that are fundamental to creative PSF internationalization.

### **7.3 Moving ‘Outside-In’**

The need to understand how to move from being an outsider to an insider within a relevant network is recognised as central to this investigation because explaining how creative PSFs internationalize in the absence of pre-existing relationships is unclear

using existing IB explanatory frameworks. The most suitable framework for this study, the incremental framework (Johanson and Vahlne, 1977, Johanson and Vahlne, 2009) suggests that firm's incrementally increase resource commitments as relationships develop and mutual knowledge is gained, allowing the firm to grow its international presence through developing stronger and wider relationship ties within a relevant network. This framework lacks clarity however when addressing peculiarities in creative PSFs compared to other sectors, notably there is limited transfer of the creative PSFs specialized and complex knowledge, and the quality of services are difficult for non-experts to assess (Gross and Kieser, 2006). Because of the complexity of the service and because the creative PSFs services are both institutionally (Faulconbridge, 2008b, Faulconbridge and Muzio, 2012) and culturally (Jeffcut, 2009) embedded, a client must trust that standards of delivery will be provided in advance of the formation of a relationship (Morgan and Quack, 2005). Reputation is critical to the process but it is also network dependent (Lin et al., 2009, Podolny, 1993).

How reputation internationalizes is largely ignored in existing IB process literature although insights are provided on why reputation is critical to the process including as an alternative way to overcome market failures (Meyer et al., 2009), as a way to leapfrog exporting stages (Fillis, 2003), as a source of sustainable competitive advantage (La et al., 2009), and as a threat to deter new market incumbents (Clark and Montgomery, 1998, Jensen, 2008). While these studies and others reinforce the importance of reputation to the internationalization process, they neglect the critical question for reputation dependent sectors relating to how reputation is internationalized which is central to this investigation.

The importance of extending insight into existing IB frameworks to explain this process is both interesting and relevant because the risk of outsidership from a relevant

network is identified in the literature as the greatest risk facing the internationalizing firm (Johanson and Vahlne, 2009).

### **7.3.1 Research Sub-Question Part I**

The first focus of study therefore asks: **How do creative PSFs move from outsidership to insidership within relevant international networks?**

Combining organizational status theory (Sauder et al., 2012) and international business process theory enables the researcher to address this lack of insight whereby the sociological signals of status and its potential to signal to external arbiters (Graffin et al., 2012, Sauder and Fine, 2008, Simcoe and Waguespack, 2011) outside a relevant network suggests an alternate path to relationships for gaining network insidership. The study is also informed by the professional service firm literature regarding the critical importance of reputation in the process (Greenwood et al., 2005, La et al., 2009, Paradeise and Thoenig, 2013) which extends insight on the role of status that is at least initially informed by reputation (Sauder et al., 2012, Washington and Zajac, 2005). In addition to explaining the process of moving from outsidership to insidership within relevant international networks this inquiry also aims to address an empirical gap regarding the internationalization of reputation.

## **7.4 Internationalizing the Business Model Portfolio**

The second focus for investigation addresses the problem of heterogeneity that exists within the creative PSF sector. This study explores the internationalization process (Johanson and Vahlne, 1977, Johanson and Vahlne, 2009) adopting a business model portfolio approach (Sabatier et al., 2010). The recently developed business model

framework (Baden Fuller and Mangematin, 2013) assists in the creation of a meaningful map of internationalization possibilities for the creative PSF sector. This framework is grounded in the business model definition (Teece, 2010) describing how the enterprise creates and delivers value to customers, and then converts payments received to profits. It incorporates the three aspects of value sensing, value creation and value delivery (Teece, 2010b) in its four dimensions comprising: customer identification; value proposition; monetization; and governance.

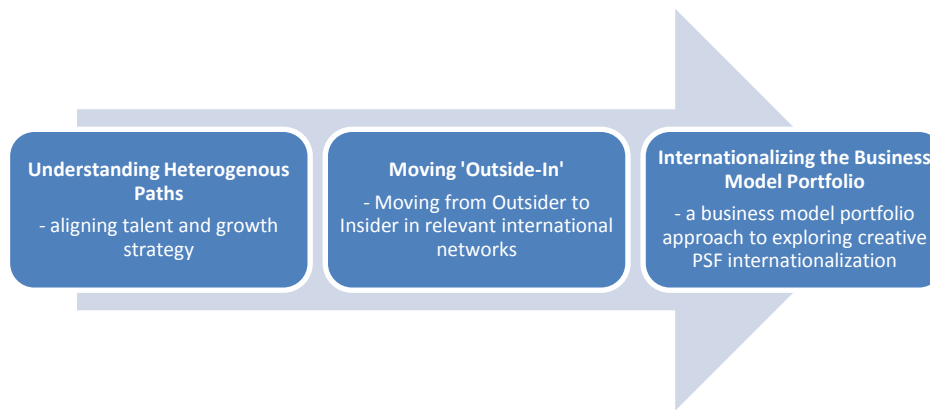
Using the business model portfolio approach to explain the internationalization process is complementary to the incremental framework because it is a process study, identifying 'how' value is created and captured. Addressing the international client need inside the network the business model portfolio describes how creative PSFs internationalize capturing the complexity and variation in the paths within and across networks.

#### **7.4.1 Research Sub-Question Part II**

The focus for the second study therefore questions: **how do creative PSFs internationalize, a business model portfolio approach?**

By investigating the problem through mapping out the specific processes described by the case firms the study can create an in-depth and broad picture of heterogeneous internationalization paths within the creative PSF sector. Sense can then be made through an IB process lens. How business models are combined within a firm can provide insight into the management of business model portfolios to reduce risk in the firm (Sabatier et al., 2010) potentially contributing new insights to IB.

**Figure 7-1: Framing the Research Problem**



## **7.5 Summary**

This chapter identifies the central focus of this thesis asking how do creative PSFs internationalize and frames this research question into two sub-questions. Firstly asking how do creative PSFs move from outside to inside relevant international networks and secondly, exploring how heterogeneous creative PSFs internationalize adopting a business model portfolio approach. Including exploration of the context in Chapter 3, this study addresses three related aspects that build theoretical insights into the creative PSF internationalization process as illustrated in Figure 7-1. It addresses increasing calls for more exploration of this field to catch up with the growing importance of creative PSFs within global trade. The next chapter outlines the research design developed to explore the phenomenon.



## **Chapter 8: Research Methodology**

### **8.1 Introduction**

Having outlined in the previous chapter the research problem under investigation, the aim of this chapter is to firstly, defend the philosophical approach based on critical realism; and secondly, to detail the research method in terms of design, data collection and analysis. No research methodology is distinctly better than any other, only more or less appropriate for answering a particular research problem. The focus of this chapter therefore to detail convincingly that the research approach chosen is the most appropriate to explore and explain how creative PSFs internationalize.

### **8.2 Paradigm Selection – Post-Positivism**

The worldview (Creswell, 2009) or paradigm (Lincoln and Guba, 2000) reflects the beliefs about the world that guides the approach to research. Four different worldviews guide qualitative research including post-positivism, constructivism, advocacy/participatory, and pragmatism (Creswell, 2009). This study adopts a post positivist worldview challenging the absolute trust of positivism by suggesting a deterministic philosophy in which causes probably determine effects or outcomes (Creswell, 2009). This qualitative multiple case study research design investigates the empirical world (Bhaskar, 1975) created through a sample of architecture firms. Theories are critically evaluated (Miller and Tsang, 2010) according to the critical realist research philosophy and combined to enhance insight as detailed in Chapters 4-6.

By comparison to other paradigms, the post positivistic worldview combines the scientific with the constructivist view to gain insights to the real world, potentially

offering greater transferability of findings than other approaches. Ensuring the potential for transferability is an important goal of this study to generate interest from the academic community of this exciting and important phenomenon.

### **8.2.1 Comparison to Alternate Paradigms**

Comparing the post-positivist worldview adopted for this study to other paradigms: Social constructivists assume that individuals develop subjective meanings of their experiences with researchers looking for a complexity of views rather than narrowing meaning (Lincoln and Guba, 2000). This inherently restricts potential for transferability and is therefore not a desirable approach given that achieving potential transferability is an important research objective. The advocacy or participatory worldview which holds that research needs to be intertwined with politics and a political agenda focussing on individuals that may be marginalised or disenfranchised (Neuman, 2000) is not particularly complimentary to the study of organizations. It focusses on research collaboration to construct a picture of the issues being examined. Pragmatism emphasises a research problem and uses all approaches available to understand the problem which arises out of actions, situations and consequences (Patton, 2000). Mixed method studies are particularly suited to pragmatism encompassing different forms of data collection and analysis. The exploratory nature of this study however where the problem emerges through investigation is not especially suited to such a mixed method design.

### **8.3 The Critical Realist Research Philosophy**

Critical realism (CR) is a relatively new philosophical approach to ontological, epistemological, and axiological issues. Pioneered by Roy Bhaskar (Bhaskar, 1975) the

approach challenges the common conceptions of both natural and social science, particularly as regards causation (Sayer, 2000). Critical realists assume there is a real world out there that is independent of an individual's perceptions. Providing a way to reconcile explanation and understanding (Welch et al., 2010), Bhaskar's CR approach regards explanation of social phenomena as being both casual and interpretative. The underlying tenet of CR is that a researcher can use casual language to describe the world and behave as if it were true (Easton, 2010). Hence, while reality is different from what is observed, and therefore not wholly discoverable (Bhaskar, 1989) critical realists are interested in observable things (Ackroyd, 2009) because of what they reveal about the mechanisms that are the real or underlying causes of social processes. This focus on processes and mechanisms is particularly complimentary to understanding 'how' firms internationalize. A study of the processes of internationalization where ontological assumptions allow the real world to emerge is assisted by the multiple case study research design.

### **8.3.1 Ontology**

Ontology refers to the nature and form of reality. Traditionally ontological assumptions distinguished between the realist assumptions – that a real world exists independent of the individual's conscious (positivist paradigm / naïve realist), or a constructivist approach which suggests that reality exists within the consciousness of the individual thus the world is socially constructed. CR has emerged as an alternative approach and has been taken up by many disciplines including management theory (Ackroyd and Fleetwood, 2004). While there are a number of different approaches to realism (Hunt, 2003) insights for this study are based mainly on the interpretations of Andrew Sayer (Sayer, 1992, Sayer, 2000), who guided by the original work of Roy Bhaskar provides the most detailed and comprehensive insights that can be applied to the study of

organizations. This multiple case study examines the processes of creative PSFs within the empirical domain comprising a sample of Irish architecture firms, consistent with the CR ontology.

In identifying the world and the researcher's experience of it CR distinguishes between the real, the actual and the empirical (Bhaskar, 1975). The real is whatever exists, the realm of objects, their structures and powers (including unexercised powers), regardless of whether a researcher has an adequate understanding of its nature or not. The actual refers to what happens if and when those powers are activated. The empirical is the domain of experience, what the researcher can study. However, just because researchers cannot fully observe the real or the actual, it is still connected.

In distinguishing the real, the actual and the empirical CR proposes that the world is both 'stratified' and 'characterised by emergence' (Sayer, 2000). A stratified ontology proposes that in the empirical world it is possible to observe all that exists, while in the actual world *events* whether activated or dormant, observed or unobserved, exhaust the world, leaving no domain for the real. CR researchers therefore are concerned with events (external and visible behaviours of people, systems and things as they occur or as they have happened (Easton, 2010)) and the generative mechanisms (ways in which structured entities act and cause particular events (Easton, 2010)(p120)) upon which new structures or phenomena emerge. For example, in the empirical realm an architect may only be explained in relation to his or her building designs and a teacher in relation to his or her students, and vice versa. This relationship is sensitive to change.

Causation, a distinctive feature of CR, depends on identifying casual mechanisms and how they work, whether they are activated and under what conditions (Sayer, 2000). Thus, paying particular attention to observing processes (Easton, 2010), the CR approach to research aims to identify the generative mechanisms and conditions

that cause events to happen whereupon new structures may emerge. For example, exploring the processes of internationalization helps to explain how creative PSFs internationalize.

### **8.3.2 Epistemology**

CR posits that a researcher's knowledge of the world is socially produced (Miller and Tsang, 2010) and therefore “takes a balanced or modest stance regarding the prospects for affirming and rejecting theories based on empirical evidence” (Miller and Tsang, 2010)(p144). This view assumes that while the world is socially constructed, reality kicks in at some point, hence researchers construe rather than construct the world (Easton, 2010). These joint claims motivate the need for the researcher to critically evaluate data through different theoretical lenses and collect further data that allows the researcher to distinguish among various explanations so that an understanding of some of features of the real world occur (Easton, 2010)(p123). In this study multiple theoretical lenses are adopted to explain phenomena. The multiple case study research design also enhances explanatory insight.

### **8.3.3 Axiology**

CR assumes a emancipatory axiology (Easton, 2010) although researchers need to protect their research participants and manage ethical questions on such issues as maintaining confidentiality of the informants and the research subject, authenticity and credibility of the research report, the role of the researcher in the process and their professional conduct (Creswell, 2009). For this study advance approval from the DIT Research Ethics Committee was gained before conducting any research. This involved the preparation of a report outlining the research ideas, the data collection method and the intended use of the data. The researcher agreed to follow the guidelines for good

ethical research and scholarly practice developed by DIT's Research Ethics Committee who are guided in their work by commonly agreed standards of good practice as laid down in the Declaration of Helsinki. Before conducting any interviews a Confidentiality Letter was signed titled 'Interviewee Confidentiality Declaration / Data Protection' (Appendix C) by each participant. This advised the interviewee of the ethical code of practice followed by the researcher, confirmed that confidentiality, anonymity and privacy would be maintained through coding of material, that interviews would be recorded and transcribed and that interviewees would have the opportunity to review transcripts upon completion. Informants were also provided in advance with an Access Document (Appendix B) providing project details, the expectations of participants, and information about the researcher. Permission was obtained at the most senior level to access the company for data collection to ensure owners understood the extent of their firm's involvement.

#### **8.4 Critical Realism and this Study**

CR is particularly suited to this study because of its exploratory nature. Investigating the internationalization process of creative PSFs lacks theoretical insight from the professional services domain (Abdelzaher, 2012), the creative industry domain (Florida, 2007) and within IB. But generic answers cannot explain the phenomenon however as a dichotomy exists within the creative PSF sector and these firms experience unique challenges when internationalizing such as the institutional, legal and cultural embeddedness of their service (Faulconbridge, 2008a, Faulconbridge and Muzio, 2012, UNESCO, 2004). Because of this the internationalization process is different and more challenging compared to other traditional manufacturing and service firms.

The dichotomy, idiosyncrasies and limited scholarly insight explaining the phenomenon form the opinion that a qualitative approach is needed for this

examination. It is also decided that a CR approach within the post positivist paradigm is the most appropriate philosophical perspective as it allows the researcher to identify what is observable within an empirical setting.

A focus on the processes of internationalization facilitating theoretical insight into the incremental explanation (Johanson and Vahlne, 2009) reflects a CR approach (Easton, 2010). The CR approach to the multiple case study research design incorporating interviews and archival data for replication and triangulation supports the development of theories (Easton, 2010, Welch et al., 2010, Miller and Tsang, 2010).

The research method chosen provides a rich empirical base from which to study mechanisms relevant to the phenomenon of interest (Miller and Tsang, 2010) while clarifying the nature and range of mechanisms more fully (Ackroyd, 2009). Additionally the CR approach is highly suited to a research context investigating networks and relationships (Ryan et al., 2012) within a behavioural setting as described in the incremental framework (Johanson and Vahlne, 2009) adopted to this study.

Overall, the exploratory nature of this investigation requires a qualitative and rigorous approach that the multiple case study research design provides. IB scholars are calling for more qualitative research designs reflecting a need for more nuanced understanding of the fundamental constructs in the field (Birkinshaw et al., 2011). This study addresses the call.

## **8.5 Method**

### **8.5.1 Research Design: Multiple Case Study**

Having decided on the most appropriate research philosophy, the study was designed to meet the tests of construct validity, internal validity, external validity and reliability (Yin, 2009). A qualitative approach was chosen because of the need to explore and

understand behaviours within a complex setting (Creswell, 2007) where little insight was provided in the literature. It is highly desirable that this study in the domain of IB processes addresses the challenges of providing explanation with the potential to be transferable across multiple contexts. A case study method offers a high degree of contextualisation without sacrificing the goal of casual explanation (Welch et al., 2010) and is suited to addressing research questions of ‘how’ by focussing on contemporary events (Yin, 2009). A post-modernist CR approach compliments the case study research design because it involves observing empirical sets of ideas (Bhaskar, 1975) focussing on processes (Easton, 2010) that describe how causes probably determine effects or outcomes (Creswell, 2009) explaining how firms internationalize.

Comparative case studies greatly extend the range of the research (Ackroyd, 2009) as looking at several cases at the same time allows the researcher to compare similarities and differences and to draw conclusions. A multiple case study method in an unusual context has very insightful transferability potential (Schofield, 2000) for findings. The more theory driven variance and divergence in the data (Pauwels and Matthyssens, 2004b) of a multiple case study research design also facilitates more powerful analytic conclusions (Yin, 2009) strengthening the validity and reliability of findings.

### **8.5.2 The Research Setting**

The multiple case study research design explores the phenomenon within the context of Irish architecture firms. The following sections highlight the favourability of this context for exploring creative PSF internationalization, describing firstly the characteristics of the architecture industry in general, then within the Irish setting.



### *8.5.2.1 The Architecture Industry and Applicability to this Study*

This section adds to the applicability of the context by detailing in a general way the characteristics of the architecture industry supporting its suitability as a context for exploring the internationalization of creative PSFs. As critical resources tend to vary by industry (Dess and Lumpkin, 2005) a single-industry sample in which to conduct the research is desirable for conducting cross case comparison.

Architecture firms represent a classic PSF (Von Nordenflycht, 2010) exhibiting characteristics by which other PSFs are benchmarked when describing the sector. The industry has been identified as a distinctive profession since the eighteenth century (Makstutis, 2010). These firms also provide services firmly rooted in the arts. The Pritzker Prize winning artist and architect Richard Meier suggests that:

“Architecture is the greatest of the arts, and it encompasses thinking that other arts don’t even deal with. Like relationship of the work to the individual human being – the person who uses it; the person who experiences it; the person who sees it; and how that person perceives that space.” *Richard Meier – Artist and Architect (Meier, 2008)*

The architecture industry itself comprises a mix of organizations and diversity. On a global scale even the largest architecture firm in the world (Aecom) employs only 1,370 architects ([www.archdaily.com](http://www.archdaily.com)) while world famous firms like Fosters and Zaha Hadid have 646 and 246 architects employed respectively, yet they are ranked number 10 and number 45 in the world in terms of size based on architects employed. This implies fragmented industry characteristics with a large number of organizations. The variation identified between ‘commercial’ and ‘design’ firms influences the scale and scope of services. Variation also exists in the types of practice whether sole practitioner, partnership, or company (Makstutis, 2010).

Chapter 3 outlines the various typologies and classification systems of creative industries and PSFs found in the literature whereupon architecture is prominent within all classification frameworks. The general characteristics of the industry as a creative PSF is considered highly appropriate to a study of the sector given that it has well documented professional and creative industry characteristics.

#### **8.5.2.2            *The Architecture Context in the Irish Setting***

Having briefly highlighted the characteristics of the architecture industry, this section highlights the favourability of Irish architecture firms as the context for exploring creative PSF internationalization. Although Ireland is used as a location to set the context, it should be noted that the management problems advanced are not confined to this geographical region, rather the Irish setting is used to orient the reader to the internationalization process of creative PSFs.

Originally an agrarian economy, Ireland has transformed itself since the 1970s to become one of the most globalized economies in the world, second only to Belgium (KOF, 2013). Exports are of critical importance to the Irish economy and were valued at €177 billion in 2012 (ESRI, 2013).

Multiple factors support the success of Ireland as an exporter of goods and services including a stable and relatively low risk political and legal environment from which to conduct trade (WorldBank, 2013); the dominance of the English language among its citizens; Ireland's important bilateral relations with the United States and the United Kingdom; together with membership of the European Union. The government of Ireland plays an important role in supporting the internationalization of Irish firms through its agencies including Enterprise Ireland, the Irish Development Authority, and Fórfas. In addition, Irish entrepreneurs generally exhibit a strong outward looking focus derived from their international experience, education, and from necessity due to the

size of the Irish economy (IDA, 2013, Forfas, 2013, Lappin, 2009). The population of the island of Ireland is 6.4 million including 4.6 million in the Republic of Ireland characterizing a mid-sized economy globally (WorldBank, 2013). This median position supports the attractiveness of Ireland as a suitable setting for exploring the internationalization phenomenon.

As a nation, Ireland employs double the EU average in creative industries (EU, 2012) many of which are professional services (Von Nordenflycht, 2010). The country has successfully evolved into a knowledge intensive economy with important clusters of creative PSFs expanding and gaining international recognition (EU, 2012). The animation industry (Corcoran, 2012) and software development are two notable success stories of creative PSF internationalization from Ireland that are gaining current global attention. Europe's largest internet conference, Web Summit, is an Irish based event and reflects the importance of the nation as a key location for software development globally.

Additionally, Irish architecture firms which have been internationalizing in the current wave since the 1990s are gaining important international recognition. Irish architecture firms are behind three out of six buildings shortlisted for the prestigious 2013 Royal Institute of British Architects (RIBA) Stirling Prize for architecture: Heneghen Peng with the Giants Causeway Visitor Centre; Grafton Architects with their University of Limerick Medical School and children's housing and Niall McLaughlin's Bishop Edward King Chapel.

Overall Ireland is a very favourable location and the architecture industry is a solid context from which to study creative PSF internationalization. Researching creative PSFs specifically within the context of Irish architecture firms in this study can provide a widely varied sample of firms with demonstrated international experience and success over twenty years.

### **8.5.3 Sampling the Case Organizations**

Having identified the suitability of the setting and the context for exploring creative PSF internationalization, determining variation was the next step.

The number of cases within a multiple case study research design reflects the number of literal and theoretical case replications (Yin, 2009) needed to understand the phenomenon and the importance of rival explanations. This research engaged ten cases in the study which is at the high end of ideal cases (Eisenhardt, 1989) for this type of research design. However, as the data analysis progressed the researcher realised that a dichotomy existed within the sector as described in Chapter 3. To address rival explanations the research needed an equal number of peer identified ‘design’ firms and ‘commercial’ firms. Theoretical saturation (Eisenhardt, 1989) and greater certainty (Yin, 2009) was only achieved when data was collected from five ‘commercial’ firms and five ‘design’ firms. Including this ‘peer identification’ variable together with variations in size and international experience provides the ideal-typical polar rather than identical cases (Pauwels and Matthyssens, 2004b) representing the empirical core of developing theory. Variation in firm size was an important variable to consider within the internationalization process because the resource constraints (Freeman et al., 2006) of small firms and correspondingly greater resources of larger firms may influence the process. Variation of international experience evident from international project completions was also factored into the design as international entrepreneurship theory (Knight and Cavusgil, 1996, Oviatt and McDougall, 1994) identifies experience as significantly influential to the internationalization process.

In addition theoretic logic steered sampling to include informants from multiple levels within the hierarchy of the firm to address the effect of varying descriptions regarding internationalization into multiple international contexts (Marschan-Piekkari et al., 2004) and to achieve validity and reliability. Key informants were involved at different levels of the firm (Pauwels and Matthyssens, 2004b) including founding partners, directors, associate directors, senior architects and architects.

#### **8.5.4 Data Collection**

Data collection involved two stages, a preliminary stage and a main stage, identified as the familiarization stage and systemization stages (Turner and Rindova, 2012).

##### ***8.5.4.1 Familiarization Stage***

The familiarization stage commenced by gathering 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 in Ireland was completed to assess the viability of the sector as a research setting as well as the potential to select suitable case firms for the research. Seven open ended interviews were then conducted with a broadly sampled set of industry informants, all architects with some currently involved in practice and others active within the academic sphere. Confidentiality Letters were signed in advance of all interviews. A semi structured interview technique was used (Appendix A) focused mainly on the internationalization process.

Informants were probed on their background and their role within the organization; firm experience and triggers for internationalizing; where and how firms internationalized; who the key competitors were; target clients, successes and

challenges faced; establishment of international relationships; structural changes within the firm; transfer of creativity and knowledge; building of reputation; and trust.

Interviewees were given scope to discuss any other matters they felt relevant that were not highlighted on the probe sheet. All interviews were recorded and transcribed with field notes written up within 24 hours (Turner and Rindova, 2012) to reduce retrospective sense making that lead to bias (Eisenhardt and Graebner, 2007). Field notes described the nonverbal signals, communication and observations of the informant and the environment by the researcher. Typed transcripts were sent to interviewees with an invitation to respond further if desired.

#### ***8.5.4.2 Systemization Stage***

Based on observations in the familiarization stage, a qualitative multiple case study research design was developed to facilitate robust and transferable theoretical insights. The study was designed to be explorative, descriptive and theory generating and also mindful of the 'paper based' approach to presenting findings that would inform the units of analysis.

A sample was created informed by the familiarization stage interviews and archival sources which offered firmer grounding of theory than a more homogenous sample (Harris and Sutton, 1986). Five of the familiarization phase informants agreed to their respective firms participating in the research and therefore agreement was needed from five additional firms. Once agreement was received from each firm to participate a number of collection techniques were used to collect data to counteract the possibility of investigator, source, and respondent bias (Jick, 1979). In the systemization stage three data sources were adopted: 1) face to face recorded interviews with founders, directors and architects; 2) review of archival material and 3) face to face recorded

external stakeholder informant interviews providing the “outsider perspective for a reality check” (Santos and Eisenhardt, 2009).

Multiple informants from each firm were interviewed to mitigate against individual response bias (Golden, 1992, Miller et al., 1997) and to understand variations in the internationalization process at a hierarchical level (Turner and Rindova, 2012). Confidentiality letters were signed in advance of each interview. A semi structured interview technique was used and informants were probed on the same aspects outlined in the Familiarization Stage to ensure consistency across interviews.

As the data collection progressed and findings began to emerge, key informants were probed for more depth of information concerning areas of theoretical interest, particularly in relation to background detail of the informants and how they perceived their role as architects, aspects relating to value sensing, value creating and value capturing, as well as extending the discussion on reputation to a broader high level discussion on signalling. This was done where necessary by phone and email if interviews had already been completed and more depth of insight was needed.

During the interviewing process, the researcher gained access to archival material including business plans, marketing brochures, financial statements and other publications. Three dimensional architectural models, drawings, various websites and awards were brought into the interview to bring visual meaning to key informant descriptions. Archival data collected before, during and after interview is illustrated in Table 8-1.

**Table 8-1 Archival Sources of Data**

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

Overall, including five interviews collected during the familiarization stage, thirty five face to face recorded interviews were held with key informants across ten case firms. Founding partners, directors, senior architects and architects were interviewed. Interviews lasted between thirty minutes and one hour and fifty minutes, but averaged about one hour in length. Table 8-2 summarizes data collected from each organization.



**Table 8-2: Description of Data Collected from each Case Firm and Sampling Criteria**

	<b>Employee Nos.</b>	<b>Peer Identity</b>	<b>International Locations</b>	<b>Number of Key Informant Interviews</b>	<b>Period of Data Collection</b>
Alpha	50+	Commercial	8	5	July 2010 – Feb 2013
Beta	25+	Design	4	3	July 2010 – May 2013
Gamma	100+	Commercial	22	3	Aug 2010 – May 2013
Delta	25+	Commercial	3	2	June 2010
Epsilon	20+	Design	18	4	Nov 2010 – Aug 2013
Kappa	100+	Commercial	13	4	May 2012 – Nov 2013
Zeta	50+	Commercial	12	3	May 2012 – Nov 2012
Theta	25+	Design	10	4	Nov 2012 – Mar 2013
Iota	20+	Design	4	3	July 2013 – Aug 2013
Lambda	15+	Design	8	4	Sept 2013

A third source of data came from face to face interviews with external informants which numbered seven in total (Table 8-3), two of whom were interviewed at the familiarization phase. These included three architects mainly engaged in teaching architecture within a School of Architecture, one from the relevant section of the government support agency responsible for promoting Irish business internationally, and three that had extensive international experience including experience within two large globally recognised non-Irish architecture practices. During the familiarization phase the researcher interviewed two external informants, one from the government agency responsible for the export of Irish building services and another practicing

architect that had international experience but whose business proved unsuitable for inclusion as a case firm because he worked as a sole trader using alliances and contract staff as necessary. The government agency representative was interviewed following interesting insights from key informants regarding their use of government agencies.

The remaining five informants were either architects from the academic field or with extensive international experience in large and globally recognized non-Irish practices. The use of multiple informants provided the reality check to internal accounts (Santos and Eisenhardt, 2009) and together with archival data provided for a more rich, triangulated and more accurate understanding of the phenomena (Kumar et al., 1993, Yin, 2009). Techniques for conducting external informant interviews replicated those of the case firms. All external informants had direct international experience within their current or former careers within architecture practices.

**Table 8-3: External Informant Summary**

	<b>Academic Informants</b>	<b>Government Informants</b>	<b>International Industry Informants</b>	<b>Other</b>
No. of External Informants	3	1	2	1

### **8.5.5 Data Analysis**

Prior to conducting the interviews a careful review of the literature was undertaken which helped to inform the researchers probe sheet and make sense of particular events described by classifying them as belonging to a category or broader phenomenon, or possibly even identifying rival explanations (Welch et al., 2010). A case study database was also created in NVivo into which interview transcripts and archival data were attached forming part of the chain of evidence (Yin, 2009). From the interviews a *first*

*order analysis* to capture informant's understandings of each process and a *second order analysis* to move findings to a theoretical level (Gioia and Chittipeddi, 1991) was performed. Getting to this point for the three papers required the evolution of the data analysis through multiple steps, involving broad level coding, refining the coding and theoretical underpinning

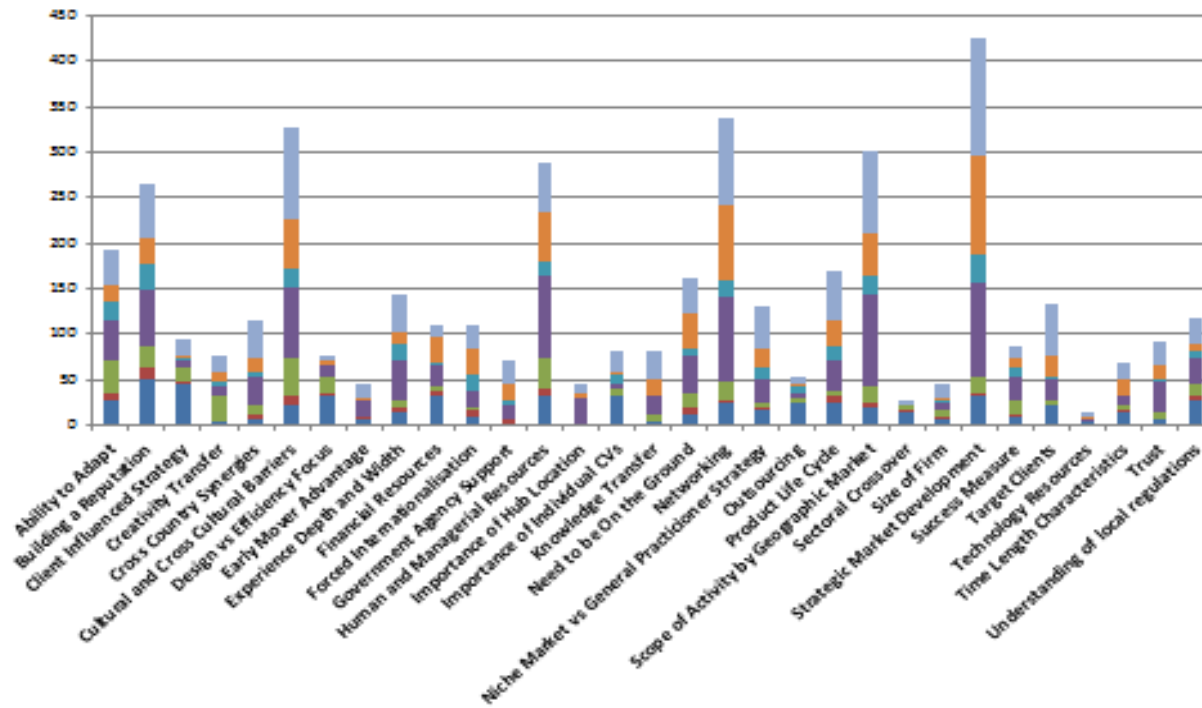
#### **8.5.5.1            *Step One – Broad Level Coding***

The data analysis process commenced during the familiarization phase to develop an industry specific understanding of the internationalization process and the dominant logic (Prahalad and Bettis, 1986) of the sector. Initial categories were established intuitively, guided by the interview and archival data collected, and during the literature review. NVivo was used to assist with the text based coding of interviews. At the completion of this stage of analysis 31 higher order themes were identified and 662 lower order codes (Figure 8-1). Starting at this very broad level provided a more complete perspective of the internationalization process where unexpected relationships, influences, and associations may emerge later in the analysis process. From this step it is possible to gain insight into the challenges and opportunities facing architecture firms, in particular during the internationalization process. Emerging insights showed how existing theories explained broad level aspects of the phenomenon, but also aspects that required more investigation. This process also guided the researcher on the sampling criteria and expansion of interview prompts to provide direct insight into the units of analysis for the three papers as they emerged. Once broad level coding was complete the process moved to more refined analysis.

#### **8.5.5.2            *Step Two – Refining Coding and Step Three – Theoretical Underpinning***

Following broad level coding, the next step moved to case firm data. Analysis of the interviews and related archival and observational data commenced by establishing themes and lower order codes. Tables and graphs were developed for each case (Miles and Huberman, 1994) to facilitate the analysis including future cross case comparison. The data analysis was conducted in an iterative fashion, travelling back and forth between the primary and secondary data, emerging observations, and existing literature (Locke, 2001). The following table (Table 8-4) illustrates the linkages between the research question and the germane focus and analytical logic of each paper in Chapters 3, 10 and 11. The refinement of coding and theoretical underpinning is detailed more fully in the respective chapters. The discussion in this section describes only common features of the analysis.

Figure 8-1: Key Themes Arising from Familiarization Stage



31 themes identified in relation to the internationalization of the firms.  
 No theme present in less than 4 firms.

**Table 8-4: Overview of Different Analysis Approaches to Generate Findings**

<b>Research Question: How do creative professional service firms internationalize?</b>			
<b>Focus</b>	Chapter 2; Paper #1: organizational context – aligning strategy and talent management	Chapter 9; Paper #2: international context – moving from outsidership to insidership within relevant networks	Chapter 10; Paper #3: international business model context – business model portfolios
<b>Cases</b>	Multiple Cases – (seven)	Multiple Cases – (ten)	Multiple Cases – (ten)
<b>Units of Analysis</b>	The Firm and The Individual	The Firm and The Internationalization Process	The Firm, The Internationalization process and the Business Model
<b>Approach</b>	Deductive logic: analysis of strategy and growth in firm.  Abductive logic: analysis of professional motivations	Inductive logic: explore how creative PSFs move from outsiders to insiders in relevant network(s)	Inductive logic: explore how creative PSFs internationalize  Abductive logic: analysis of business models related to internationalization

**8.5.5.2.1. Use of Software**

NVivo software was used from inception of the study to analyse data. By facilitating the organization and analysis of large volumes of data, computer assisted qualitative data analysis systems (CAQDAS) can reduce time spent on coding and analyzing (Seale, 2000, Weitzman, 2000) and provide more rigour and traceability in the interpretation of transcripts and interview results (Seale, 2000). Notwithstanding the benefits of CAQDAS, analysis is ultimately the responsibility of the researcher and it is important that the individual(s) identify and manage their own strengths and weaknesses in the analysis process. During the coding process, the use of CAQDAS may also disaggregate data from the overall context (Lindsay, 2004). It is the role of the researcher therefore to ensure analysis and interpretation of the data includes

consideration of the broader contexts in which the data sits. The use of NVivo assisted with the data analysis in a number of ways:

- It acted as a single repository for data collection where a database could be created to facilitate accurate and efficient retrieval of interviews as well as archival data and observational notes and spreadsheets.
- It allows for graphic modelling which was particularly useful in the familiarization phase when the researcher was trying to make sense out of voluminous data.
- Its coding capabilities enabled detailed coding of categories to assist with sensemaking and for conducting first and second order analysis.
- Its coding and retrieval capabilities had significant benefit for cross case analysis of the data.
- It is a powerful tool for text searching which was particularly useful when moving backwards and forwards between the data and patterns and relationships were uncovered. As analysis advanced multiple coding revisions were required during the process. Time was greatly reduced through the ability to search for individual words and phrases across all data.
- Overall, NVivo assisted the researcher through saving time during the analysis phase helping to create the visual chain of evidence (Yin, 2009) thus increasing reliability of the data.

#### **8.5.5.2.2 Coding Stages**

Labelling created in NVivo reflected the CR approach of describing events and mechanisms in the data to provide insight into the research phenomenon. The naming of codes was mostly determined by the researcher facilitating easier comparisons with terminology used in the literature (Easterby-Smith et al., 2002). As the process

progressed, the researcher moved back and forth recording, renaming and linking of the codes and the data (Lindsay, 2004). Starting with general or open coding using Free Nodes in NVivo where broad themes were identified during the familiarization stage, the coding then moved to Tree Nodes identifying sub themes and finally selective coding around the emerging themes that addressed interesting theoretical and managerial problems within the three papers. Codes were constantly re-evaluated and coding only reached completion when categories were saturated and sufficient numbers of regularities emerged (Miles and Huberman, 1994).

#### **8.5.5.2.3 Single Case Analysis before Cross Case Comparison**

The replication logic for the study was analogous to that used in multiple experiments (Yin, 2009) firstly analyzing each case separately and then drawing cross case conclusions that advance theoretical insight. Once single cases were reviewed, coded and analysed, a cross case analysis process commenced where data from single cases was compared to other cases to identify consistent patterns and themes (Eisenhardt & Graebner, 2007). The first step was to identify tensions and similarities in the data between the case firms for each of the queries that eventually led to the creation of the three studies. This was done by firstly comparing two cases and then adding cases as patterns emerged (Santos & Eisenhardt, 2009). This required constantly reviewing the coding of processes in NVivo to make sense of the data and refine cross case tensions and similarities for discrepancies and agreements. Spreadsheets were created to assist in the analysis which evolved through several major revisions in the process.

#### **8.5.5.2.4 Reaching Closure**

A sense of completeness was identified when the collection of evidence reached a point where it had little relevance to the researcher given the boundaries of the study (Yin,



2009). This point of theoretical saturation (Eisenhardt, 1989) determines when to stop adding cases and when to stop iterating between theory and data. For this study, the point of reaching closure was earlier for the first paper which identified the growth strategies and talent profiles of multiple case firms detailed in Chapter 3, compared to the second paper detailed in Chapter 10 and the third paper detailed in Chapter 11. This was in part because of the more practical focus of the audience reading the Journal of Business Strategy and also because of the more tangible nature of firm growth and talent profiles.

At the point where the researcher collected twenty five interviews evidence of the dichotomous characteristics of the sector related to what key informants themselves described as ‘commercial’ and ‘design’ firms was substantial. Yet the literature was weak in explaining this phenomenon so there was a need to make sense of the dichotomy.

The remaining papers are more theoretically oriented and insights were slower to reach conclusion. Insights relating to the underlying research problems constantly evolved through multiple iterations. At a point where data was collected from multiple informants within seven case firms it was identified that sufficient variation in sampling was not yet achieved. The study included five peer identified ‘commercial’ firms only two ‘design’ firms. At this stage further access was proving difficult with ‘design’ firm Beta, so it was uncertain whether this firm could be included in the data set. The researcher eventually gained access to multiple informants in Beta and they became the eighth firm and the third ‘design’ firm in the study. Two new ‘design’ firms were added, Iota and Lambda. The ninth and tenth case firms provided little new insight to explain the internationalization process, although the data was valuable for replication and triangulation purposes.

Within each firm the researcher was often provided with very little new insight after meeting more than three individuals, either because the firm was small and roles less defined, or because only a small number of individuals were involved directly in international business. Multiple key informants of between two and five for each firm did nevertheless achieve the objectives of replication and triangulation.

## **8.6 Validity and Reliability of this Study**

The criteria for judging the quality of research designs common to all social science methods (Yin, 2009) involves four tests of construct validity, internal validity, external validity, and reliability. Relying on the tactics proposed by Yin (2009) the following details how each requirement is addressed is outlined below.

### **8.6.1 Construct Validity**

In order to outline the development of a “sufficiently operational set of measures and [show] that ‘subjective’ judgements [were] used to collect the data” (Yin, 2009)(p41), issues of the research design are firstly addressed followed by an outline of the multiple sources of evidence used. This research involves a qualitative multiple case study design with a CR approach. This approach has been identified by leading IB method scholars as appropriate and desirable to the study of the international business process phenomenon (Birkinshaw et al., 2011, Welch et al., 2010). The research design was guided by the extensive literature on conducting qualitative case studies including those applying a CR perspective within organizational settings (Ackroyd, 2009, Sayer, 2000) and within the international business setting (Marschan-Piekkari and Welch, 2004). Literature guided the researcher on the requirement to use multiple sources of evidence (Yin, 2009) both within the firm and across firms and establishing a chain of evidence.

Key informants were given the opportunity to review their transcripts, the case study report and the individual research papers upon completion.

### **8.6.2 Internal Validity**

Internal validity was addressed by using a three pronged approach. Firstly, through careful presentation of data collection details and procedures (Andersen and Skaates, 2004) as detailed in Section 8.5 of this chapter. Secondly, a pattern matching technique (Yin, 2009) for replication across multiple cases formed part of the research design. Thirdly, explicit analysis of the contradictions between the study's results and any previous research results (Andersen and Skaates, 2004). In particular the literature review and discussion sections of the research papers address competing logics and differences in results which are mainly from the fields of international business, organizational status, business models, and professional service firms. In building up the explanations and theoretical contributions the researcher took guidance from seminal articles concerned with theory building (Eisenhardt, 1989, Weick, 1989, Whetten, 1989).

### **8.6.3 External Validity**

This research design does not aim to achieve 'generalizable' findings and therefore tests for external validity centre more on the potential for 'transferability'. The multiple case study design supports the attainment of transferability (Schofield, 2000, Yin, 2009) where replication logic is used while analysing the multiple cases. In particular the sampling technique (Schofield, 2000) of designing the study to ideal-typical polar samples (Pauwels and Matthyssens, 2004b) and the number of firms required (Yin, 2009) were identified to understand the phenomenon and to achieve transferability of results within the creative PSF sector. External validity of the findings is also

considered with regard to the research context which is complex (Schofield, 2000) and whereby an industry was chosen that typified both a professional services sector and a creative industry. Findings could offer transferable insights to other sectors within those broader fields. It has also been suggested that PSFs are distinct in ways that will become increasingly relevant to non-PSFs (Von Nordenflycht, 2010). Finally, the choice of location was constrained by the domicile of the researcher but correspondingly facilitated greatly enhanced accessibility. In addition, Ireland as the setting has relatively low barriers to internationalization that could unduly influence the study's findings and thus restrict transferability.

#### **8.6.4 Reliability**

The goal of reliability is to minimise the errors and biases in a study (Yin, 2009). The research design detailed in this chapter was carefully planned to adhere sufficient rigor. Thorough planning went into all stages of the process to ensure that best practice was followed according to the literature, including data collection procedures, the role of the investigator, conducting interviews and evaluation of data. Strong supervisory guidance was provided to the researcher throughout this process. The familiarization phase also acted as a pilot to test the case study protocol. Together with a carefully planned and researched design, the researcher also focussed on attaining consistency across interviews in terms of probing and with field procedures. Throughout the research phase the researcher sought to replicate and triangulate findings to ensure more robust insights. The use of NVivo as a central repository for data and careful filing and recording of all materials ensures that the research steps are “as operational as possible ... and capable of being audited” (Yin, 2009)(p45).

## **8.7 Conclusion**

Throughout this research project careful consideration is given to ensure that the methodology is rigorous with carefully developed theoretical constructs. The research design was considered based on the nature of the research problem supported by scholarly guidance from the literature. Cases were carefully selected to meet the requirement for variability that aids the potential for transferability. Throughout the project close supervisory guidance was provided to support the researcher. The next chapter presents the sample of case firms that formed the basis for this study.

## **Chapter 9: Presentation of the Cases**

### **9.1 Introduction**

In the previous chapter details of how the research was designed and conducted are outlined. This chapter now provides an overview of the selected cases. To safeguard their anonymity and confidentiality, code names are assigned to the ten case firms based on the Greek alphabet between Alpha and Lambda. To maximise protection of firm data in a smaller domestic market only the region of internationalization is identified which comprises Western Europe (WE), Central and Eastern Europe (CEE), America (AM), Middle East and North Africa (MENA), and Other Asia and Africa (AA). Consecutive numbers are then assigned to each country described. Company names, places, people and other nouns with the potential to be identified back to the case firm are coded.

The structure of the chapter presents the five case firms identified by their peers as ‘design’ firms first. This is followed by a cross case comparison of the ‘design’ firms to highlight variability. These are Beta, Epsilon, Theta, Iota, and Lambda. This is followed by the five peer identified ‘commercial’ firms; Alpha, Gamma, Delta, Zeta, Kappa, succeeded by a cross case comparison to show variability. The final section of this chapter details variability across all cases.

## **9.2 The ‘Design’ Firms**

### **9.2.1 Beta: concentrates on the cultural climate of the building**

#### **9.2.1.1 *Facts and Figures***

Beta is more than 30 years in existence and is identified mainly as a specialist in the delivery of education buildings. Notwithstanding that it is known mainly for its expertise in this segment, Beta has also designed multiple award winning civic buildings since the early 1990s. The firm’s interest in education buildings has existed since its foundation. It is driven by Beta’s two founding directors who each have established careers in both practice and teaching within the field. Beta could be described as a typical ‘design’ firm; operating from a single office studio structure, has never employed more than thirty two people and normally maintains employee numbers at a level where the principals can maintain direct involvement in the design process. Beta employs only architects. It does not employ technicians or administrators. The responsibilities of each architect within the firm therefore is fairly broad as they manage their own administrative needs and provide their expertise to all facets of activity. The founding directors are directly involved in all projects and this philosophical approach is the major reason for constraining the size of the firm. It has an important influence on the types of projects that the firm is interested in.

#### **9.2.2.2 *Approach to Internationalization***

Working on international projects since the early 2000s, Beta has received international acclaim for its work through awards and other merits. Beta has successfully won projects in three international locations, but it targets specific projects rather than locations. The firm has tendered for work in multiple other locations as well, although unsuccessfully. Business is chased often through carefully selected entry to limited and restricted competitions. Competitions are selected based on particular interesting aspects of a site or building, practical considerations such as transport access and financial considerations. Based on its reputation Beta receives offers from around the

world to participate in projects. The acceptance of these offers can also be influenced by Beta's prior experience, possibly from having completed an existing project in one market creating efficiency through relationships and an understanding of legal and institutional environment. In this regard it is not solely targeting international competitions, but may also pursue opportunities that arise from opportunistic events.

## **9.2.2 Theta: a high profile practice**

### **9.2.2.1 *Facts and Figures***

Theta is the winner of some of the most significant global architecture competitions of the last ten years and has risen to become one of Ireland's most high profile practices. After winning a public building competition in Ireland, the founding partners established their office over ten years ago. Theta has globally demonstrated a particular competence in cultural projects on a very large scale and has an impressive portfolio in this area. The firm operates from a centralised location and maintains a small size never employing more than 32 individuals but usually notably less, all architects with the exception of one administrative assistant. The two founding directors oversee and control all aspects of the firm, and have very specific requirements in terms of the profile of individuals employed at the firm. Theta attributes much of its success to simply entering many competitions and developing a certain expertise at interpreting essential requirements quickly. This is described as being the main path to acquiring business for the firm.

### **9.2.2.2 *Approach to Internationalization***

The presence of Theta in Ireland is described by various key informants as being simply because they won a competition and therefore decided to set up their office here. While it is likely that a decision to establish a permanent office in a peripheral location is more complex than simply winning a project, Theta has proved very successful at winning international architecture projects in both culturally and psychically distant and close



locations globally. Since establishment, the firm has demonstrated a continuous flow of international business without a particular dominance of projects in Ireland. One particular characteristic of Theta's internationalization is its alignment with similarly high status consultants. Its ever increasing portfolio of important projects enhances Theta's ability to work with world class others. This assists in winning projects because of a combined stronger package, but also introduces opportunities to the firm facilitating 'short cuts' into restricted and closed competitions.

### **9.2.3 Epsilon: acclaimed for both commercial and public architecture**

#### **9.2.3.1 *Facts and Figures***

The origins of Epsilon are inextricably linked to the legacy, success and ultimate demise of a former much larger firm that existed with almost 300 staff and had multiple offices both nationally, in Western Europe and in Central and Eastern Europe. Two related structures arose from the ashes following the liquidation of Epsilon's business in 2010. Firstly, some of the directors reformed into a smaller partnership adopting identifiable characteristics of the former firm to provide a collective vessel for their former colleagues to operate and practice as architects and urban designers. Secondly, within the same location a cooperative exchange was established by a former director which comprised not only architects but also other creative professionals who share working space to facilitate 'a professional atmosphere for creative and regenerative growth'. Some of the architects involved in the old firm either joined the new partnership (which is located in the exchange) or joined the exchange as sole traders. Professional services are contracted as necessary between exchange members, thus Epsilon is comprised of this new partnership which has its own staff and contract workers from the exchange who have previously worked with the former larger firm.

The experience of the firm in both its old and new format is dominated in the public sector across multiple segments. Directors, staff and consultants of the firm have

been the recipients of multiple national and international awards for public architecture and they bring that skill and recognition into the new structure. This is evidenced by the awarding of some high profile projects and the agreement by clients to transfer pipeline projects from the former practice into the new one. Epsilon would describe itself as ‘a bit of both’ when disclosing whether they could be described as a ‘commercial’ or a ‘design’ firm and this is reflected in the types of projects undertaken and the recognition over the years through awards and the public profiles of its directors.

#### **9.2.3.2            *Approach to Internationalization***

The continuity of international experience described by informants at Epsilon stretches back more than twenty years when early in the 1990s the firm followed some of its important clients to Eastern Europe. As an early mover into these markets, Epsilon was able to establish itself and quickly and became a prominent player servicing both international clients and wealthy local clients. Epsilon would describe many of its internationalization experiences as ‘opportunistic’ yet it provided evidence of exploring and exploiting opportunities in twenty five international locations. This was often following clients, but also derived from opportunities that came their way because of their international profile, and opportunities that could be developed because of foreign architects working in the practice. The internationalization story at Epsilon appears to reflect above all a relaxed approach to internationalization, pursuing interesting opportunities that arose with less emphasis on formulating specific country or regional strategies.

#### **9.2.4    Iota: ‘an excellent design firm’ focussing on process streamlining**

##### **9.2.4.1            *Facts and Figures***

This firm was recommended to the researcher as an ‘excellent design firm’ that had some success in winning international projects in Western Europe. The firm was established over ten years ago as a company although evolved from a predecessor who

was structured as a sole trader, in existence for around a decade before that. The firm is mainly known for its public sector work, in particular in the education and health sectors. While demonstrating many of the characteristics of the 'design studio' such as a limiting growth by targeting specific building projects and activity out of a central office environment, some of the firm's characteristics are more identifiable with the process focussed firm, notably the firm is a pioneer in its field for adopting ISO certifications and invests heavily in this area as well as in technologies to streamline processes. In addition Iota has segregated director responsibilities to a significant extent and mainly focuses on efficiency in design rather than trying to create novel solutions. Iota experienced little contraction after the property market collapse although does now find its core markets much more competitive which may influence what appears to be an evolving focus. In this regard it is focusing on expanding its expertise through bringing individuals into the firm and through building international alliances that allows Iota to compete on a larger scale and provide a wider field into which they can offer services.

#### **9.2.4.2            *Approach to Internationalization***

Iota has spent a couple of years and some considerable time investing in international peer alliances. Respondents suggest that this is more for the benefit of expanding their expertise in their local market than offering international opportunities but it does have a dual purpose and forms the basis of their international strategy to date. Iota together with an international peer has won a project to deliver multiple public sector buildings in Western Europe and other such opportunities are in the pipeline from its international alliance building. Internationalization for Iota is fairly recent, and this is the only firm from the case firms that started internationalizing post 2008.

## **9.2.5 Lambda: a source of critical interrogation by “almost all younger architects”**

### **9.2.5.1 *Facts and Figures***

Lambda is one of the most recognised and highly reputed ‘design’ firms in Ireland. Its two founding directors established the firm over thirty years ago and the pervasive impact of their work ensures that they are the source of critical interrogation in Ireland by students and young architects regarding how Irish architecture can and should be built. Lambda are the recipients of an extensive range of prestigious national and international awards over the last thirty years. Their structure and growth strategy epitomises the design studio, very rarely ever surpassing thirty people and more often closer to twenty, with significant input in all projects by the founding architects. A key informant suggests that when Lambda grew to a size where the principals were becoming ‘administrators’ rather than having direct architectural input, the founders quickly curbed growth. This highlights the important influence of the founders in the architectural style of the firm. Lambda have achieved recognition for residential, public, religious and cultural buildings over the decades, although are now mainly focused on opportunities provided through invites rather than competitive tenders and open market competitive processes.

### **9.2.5.2 *Approach to Internationalization***

Lambda’s international experience is mainly in the bespoke residential market and most of its work is never published. The firm have completed some commercial work as well for key clients. Lambda have completed projects in various countries in Western Europe and are engaged in opportunities on the back of this in the Americas as well as commercial projects in the Americas. Lambda do not nowadays engage in a proactive internationalization strategy but rather opportunities arise through word of mouth or enquiries from clients that have viewed their existing properties, as well as interest generated from media publication. The firm rarely enters international competitions

although do so infrequently where a project is of particular interest to the founding partners.

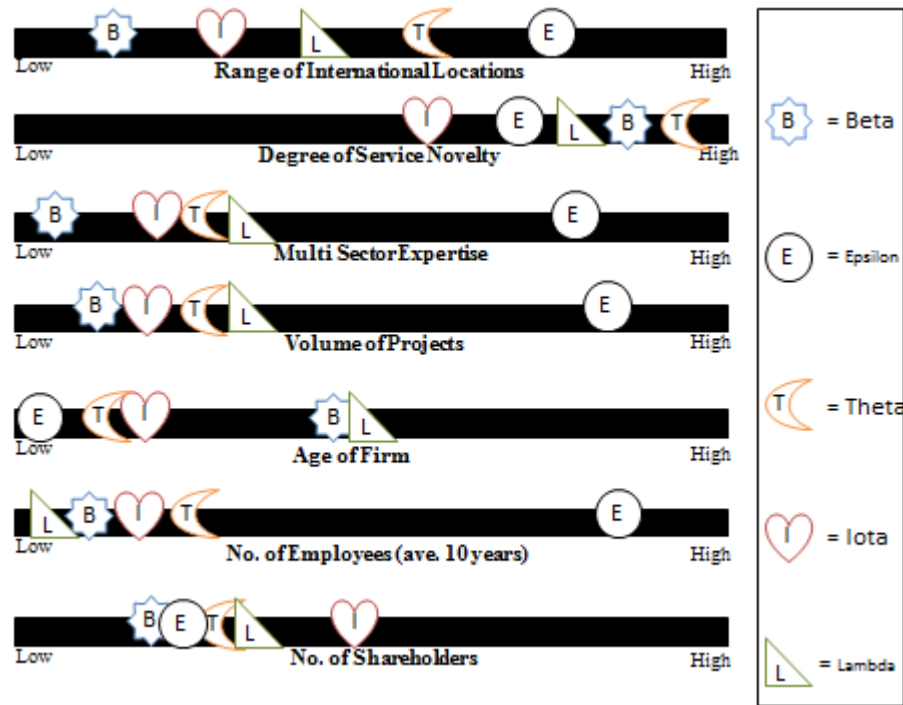
#### **9.2.6 Cross Case Comparison of ‘Design’ Firms**

The ‘design’ firms selected for this study show high variation in the geographic range of their international experience. Epsilon, formally a very large firm was active in a wide number of locations across WE, CEE, AA and AM (Table 9-1). At the other end of the continuum is Beta who describes international experience in four locations. Consistent with the peer identification, all ‘design’ firms have a focus on delivering services that have a high degree of novelty, often to public sector clients. Iota appears to be currently moving towards greater focus on efficiency than the other ‘design’ firms and increasingly concentrates on streamlining its processes to compete with other more ‘commercial’ firms.

With the exception of Epsilon, these firms have remained small since inception thus reflecting the number of projects and employees at the lower end of the continuum. Epsilon is different to the other firms in that historically it did not operate as a small design studio, but grew to be one of the largest firms in Ireland. Notwithstanding its history, Epsilon has many characteristics of the design firm. It provided services dominated by public sector buildings and landmarks and was the recipient of many internationally recognized awards. The firm could perhaps have lost harmony between its strategy, structure, talent over the years, possibly contributing to the collapse of the larger firm. This view is supported by a key informant and partner of Epsilon who suggests that “I am a lousy business man”.

There are no new firms with the exception of Epsilon, although it devolved from an existing well established structure. The midrange age of Beta and Lambda is thirty five years while Theta and Iota are 10-15 years established.

**Figure 9-1: ‘Design’ Firms Cross Case Comparison Continuum**



### 9.3 The ‘Commercial’ Firms

#### 9.3.1 Alpha: a ‘canny’ player in a cut throat commercial environment

##### 9.3.1.1 Facts and Figures

Alpha was established more than thirty years ago and remains wholly owned and headed by its founding partner. At its peak size in the mid 2000s Alpha employed over 250 architects. Multiple offices both nationally and abroad created growth both organically and through merger and acquisition activity. The firm is a multi-specialist firm with significant projects across all building segments including interior design and masterplanning, but it is recognised mostly as a strong competitor in the private commercial building segments. Its wide ranging expertise is reflected in the 350 projects listed on its website. The global financial crisis and the bursting of the Irish property bubble forced Alpha to dramatically downsize as building projects dried up both locally and in their international markets. Since 2008, the company started to grow again both nationally and internationally albeit supported by a more flexible structure employing contract architects as necessary.

### **9.3.1.2            *Approach to Internationalization***

Alpha began to internationalize its business from the mid-2000s initially through following key clients from its Irish operations. Originally the firm focussed on the Irish market but by the mid 2000s realised that the building boom could not continue to sustain the number of architects and the size of the firms within Ireland. Compared to other firms of a similar size, Alpha's internationalization was fairly limited in terms of the number of locations, initially centred only on two markets in CEE, and more recently a single WE location. The significant commitment on the ground recognises Alpha's internationalization strategy, the firm's competence in delivering on efficiency and Alpha's ability to compete on price factored mainly into the implementation phase of building projects.

### **9.3.2    **Gamma: benchmarking of all projects****

#### **9.3.2.1            *Facts and Figures***

Gamma was established more than twenty years ago and is known as a multi specialist targeting mostly private clients within the commercial building sector. At its peak Gamma had over 300 employees mainly located in its headquarters in Ireland and across multiple international locations. The firm is headed by its founding director although following a recent restructure there are multiple interests in the ownership of the firm. Gamma could be differentiated from other Irish multi-specialist firms by its unwavering focus on delivering efficiency into projects and its aggressive internationalization strategy. Gamma benchmarks all projects through key performance indicators and these efficiencies are achieved in the firm through strategically having technicians involved in all stages of the project. This place in the hierarchy given to technicians embodies the efficiency focus of the firm. With this structure Gamma believe that efficiency is driven into projects from the earliest conceptual and design

stages. This extends to the innovative use of materials including modular building structures.

### **9.3.2.2            *Approach to Internationalization***

Gamma started to internationalize its business in the early 2000s and since then acquired extensive international experience across all continents through both the establishment of multiple full service offices, project offices, or exploring and exploiting earlier phase opportunities without establishing a presence on the ground. The researcher identified twenty four international locations where Gamma was involved in projects. International business has become more relevant to Gamma over recent years and the office in Ireland now provides less headquarter functions and more support functions to major international subsidiaries located in Western Europe and the Middle East. Gamma no longer describes itself as an ‘Irish practice’ but as an ‘international practice’. Its main Middle Eastern office has a regional function supporting activities throughout the Middle East and North Africa. Its Western European practice supports activities throughout the rest of the world. Various services are shared across offices and provided by the Irish office, but certainly all major opportunities that Gamma pursues now are international. In essence its successful internationalization strategy has ensured the survival of the firm and allowed Gamma to remain as a sizeable global competitor in the provision of architectural services.

### **9.3.3    Delta: ‘world class’ project managers and retail designers**

#### **9.3.3.1            *Facts and Figures***

Delta is headed by its founding partner who owns one third of the firm along with two other long standing partners. The firm is identified as having dual specialisms both in project management and retail design. The firm operates out of a single office in Ireland and was established just over fifteen years ago. Like other larger sized architecture firms in Ireland, from a peak of over 75 employees in 2008 Delta had to



significantly downsize and restructure its operations in recent years and now employs less than 25 architects. The firm has provided retail design and project management services to some of the most recognized projects in Ireland and this has attracted several international opportunities and also fit-out work in major international firms.

#### **9.3.3.2            *Approach to Internationalization***

Although Delta invested in market research and considerable on the ground exploration of multiple markets in the Middle East and in Central Europe, the firm was only actively involved in opportunities through client following or providing consultancy services to other architecture practices in the area of retail design. Its competencies in project management and particularly retail design facilitated opportunities to partner with other Irish and international firms that had limited expertise in these areas. This fairly conservative approach to internationalization has on one level ensured that international business remains a small part of Delta's focus, but also has presented opportunities because potential partner firms don't really see them as competitors in foreign markets in the short term.

#### **9.3.4    *Zeta: a multi-generational family firm***

##### **9.3.4.1            *Facts and Figures***

Zeta has a history of almost one hundred years and is long recognised for its specialism in commercial buildings, although the firm has recently been the recipient of an important public choice award for public architecture. The firm maintains a level of family ownership although transformed from a partnership to a company in recent years with ownership spread across multiple individuals. In more recent years Zeta has had particular success in the interior fit out segment with some notable global clients in this area. This firm never reached the size of some of its competitors in Ireland and does not appear either to have suffered the same level of collapse in numbers. In 2007 the firm had over 100 employees and about half that number today with contract architects

employed as necessary. Zeta operates out of two national offices and has one established overseas location.

#### **9.3.4.2 Approach to Internationalization**

Client following has been an influential catalyst for much of Zeta's internationalization activity although the firm has actively committed itself to establishing in the Middle East region and in Western Europe for a number of years now. This firm reports multiple periods of internationalization during the 1980s and 1990s separately into the Middle East and into Western Europe. In more recent years, Zeta has established a presence again in the Middle East. They also followed clients into Asia and Western Europe. Having a key client in Asia also facilitated the establishment of a low cost architectural service business which allowed the firm to deliver international projects at an efficient price and achieve decision turnarounds in twenty four hours because of time differences. The firm is also engaging in business in Western Europe. One of the key criticisms described by informants relating to the firm's internationalization is that the interest in international business was not shared by all directors, thus there often appears to be a lack of coherent support at the head quarter level for development and growth internationally.

### **9.3.5 Kappa: a long standing commercial service provider**

#### **9.3.5.1 Facts and Figures**

Kappa recently celebrated one hundred years in existence and is one of the largest practices in Ireland with multiple national and international offices. The firm remains substantially family owned and is a major competitor for large-scale building projects across multiple sectors including healthcare, education, mixed use and commercial property. The firm also has a number of specialisms in global high technology sectors which provides global opportunities to build specialised facilities for global clients.

Kappa has managed to maintain a substantial size reducing from about 200 to over 100 employees, even through the economic recession in Ireland. This is due to its portfolio of high profile global clients and public clients as well as international diversity in its portfolio.

#### **9.3.5.2            *Approach to Internationalization***

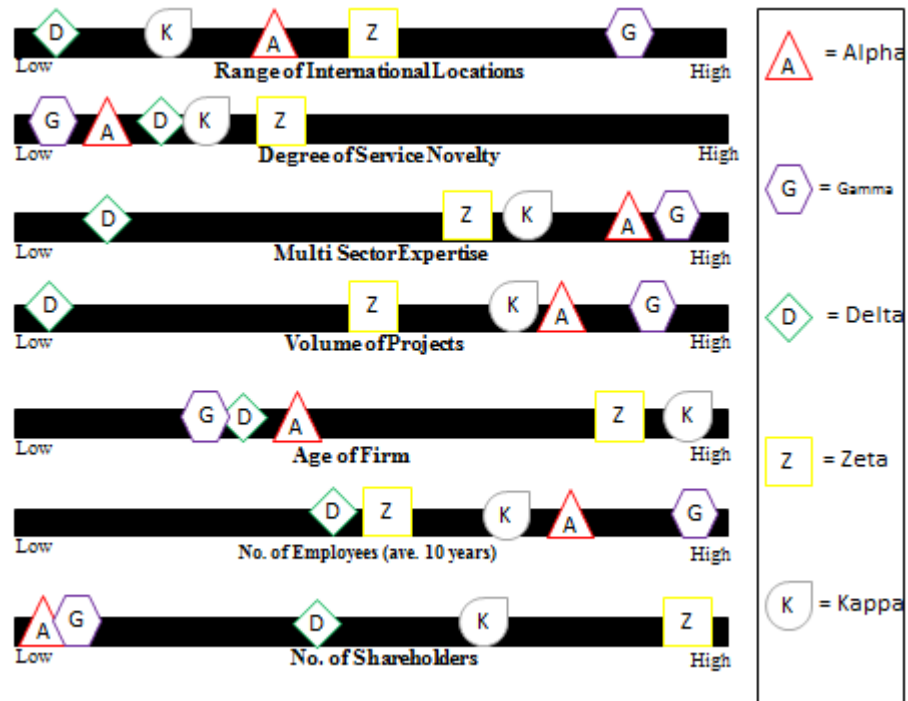
Kappa has a long history involving multiple phases of internationalization. The firm engaged in international projects in the 1960s and then again in the late 1980s when they set up an office in Western Europe. This was however closed in 1992 following a cyclical downturn in the property market there. For the next decade international activity was fairly quiet but in the early 2000s management started looking at international activity again. It wasn't until the later part of that decade that business started to happen, originally in the Middle East succeeded by client following across Europe and thereafter in Asia.

It was during this time also that global opportunities for specialised high technology work began to emerge. Concurrently a full service office was established in one Western European location and a partnership arrangement was established in a second location, as well as offices in the Middle East and Asia. The Asian opportunity surfaced on the back of an invitation. Business in Asia is supported by senior architects located in Kappa's headquarters combined with local expertise. Thus while the current period of internationalization is fairly recent and initiated after a transfer of the firm to the next generation of the family, its combination of niche specialisms, partnering arrangements, and 'cold starts' is creating a substantial portfolio of international business strategically diversifying Kappa's dependency on a single market.

### 9.3.6 Cross Case Comparison of ‘Commercial’ Firms

Apart from the preference of the ‘commercial’ firms to compete on the basis of efficiency driven through service replication, there appears to be more variety evident within the ‘commercial’ firms as compared to the ‘design’ firms (Figure 9-2). This is because of their variations in size and structure. Again the scope of international experience varies across the continuum for ‘commercial’ firms. Two of these firms Alpha and Gamma, like Epsilon, grew very large in the late 2000s and have huge amount of expertise built up in terms of volumes and range of projects. Kappa and Zeta are close to one hundred years old and are multi generational family firms, hence the large number of shareholders compared to other cases. Alternatively both Alpha and Gamma have just one owner, although Gamma was formerly a partnership that underwent a recent restructure.

*Figure 9-2: ‘Commercial’ Firms Cross Case Comparison Continuum*



## **9.12 Comparison of All Sampled Cases**

Table 9-1 below provides a summary of key data relating to the case firms. The degree of variation among the ten selected cases is illustrated on the continuum in Figure 9-3. This shows that firms have both variability and similarities along multiple dimensions and not solely concentrated on the distinction related to the ‘design’ firms and the ‘commercial’ firms. For example, both Beta and Delta were very low on the number of international locations targeted relative to the other firms yet Beta is described as a ‘design’ firm and Delta is described as a ‘commercial’ firm.

Table 9-1 Summary of Cross Case Comparison

	Est. (years)	Recognised Sector Expertise	Empl. Nos. (largest over decade)	No. of Offices	International Experience	Selected Projects listed on website	Peer Identification
<b>Alpha</b>	30+	Multi Specialist – Commercial	50+ (250+)	6	8 (AA-2; AM-1; CEE-3; MENA-1; WE-1)	75	Commercial
<b>Beta</b>	30+	Specialist – Education	20+	1	4 (AM-1; WE-3)	18	Design
<b>Gamma</b>	20+	Multi Specialist – Commercial	100+ (300+)	4	22 (5-AA; 2-AM; 6-CEE; 8-MENA; 1-WE)	154	Commercial
<b>Delta</b>	20+	Dual Specialist – Retail Design / Project Management	25+ (85+)	1	3 (MENA-2; WE-1)	18	Commercial
<b>Epsilon</b>	30+* (3 under new structure)	Multi Specialist – Public & Commercial	20+ (250+)	1 (prev. 6)	18 (AA-3; AM-3; CEE-7; WE-5)	49 (assigned to existing directors)	Design
<b>Zeta</b>	90+	Multi Specialist – Commercial	50+ (100+)	3	13 (AA-3; CEE-2; MENA-3; WE-5)	99	Commercial
<b>Theta</b>	10+	Specialist – Cultural	20+	1	12 (AA-3; CEE-2; MENA-5; WE-2)	23	Design
<b>Iota</b>	10+	Specialist – Education	20+	1	10 (AA-2; AM-1; MENA-3; WE-4)	40	Design
<b>Kappa</b>	100+	Multi Specialist – Public & Technology	100+ (200+)	7	4 (MENA-1; WE-3)	86	Commercial
<b>Lambda</b>	30+	Dual Specialist –residential and cultural	15+	1	8 (AM-3; WE - 5)	39	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.

Each of Alpha, Gamma, Epsilon and Kappa had more than 200 staff up until the global economic crisis and between 2007 and 2009 were forced to significantly downsize while Delta and Zeta had between 50 and 100 staff. This in part explains the amount of

internationalization experience the case firms demonstrated relative to their current size. Beta, Theta, Iota, and Lambda were more selective in their growth strategy and intentionally never employed more than thirty five people.

An important descriptor emanating from the familiarization stage related to how architecture firms described each other as either ‘commercial’ practices or ‘design’ practices. This description was supported through research of public documents, number and types of awards won, and the types of projects recorded on the firm’s website. The informant data suggests that design firms tended to operate in a studio style structure, tended to be more active in public or cultural building segments and won more awards relative to the size of their portfolio. Alternatively commercial firms tended to be multi-specialists, often operating out of multiple offices or decentralised teams, with a tendency for more business concentrated in the private sector.

While the aspirational strategy, structure and talent profile relating to the dichotomy should be in alignment as detailed in Chapter 3, in reality firms can waiver from this focus. They are presented here along a continuum relating to different variables. It is interesting therefore that Epsilon describes itself as ‘a bit of both’ when asked whether it considered itself a ‘design’ practice or a ‘commercial’ practice. Initial insights would suggest that Epsilon employed the talent and philosophy of a ‘design’ firm but the structure more akin to a ‘commercial’ practice. It did not survive the Irish property crash in its larger multi-location form.

These firms were all established as partnerships or limited companies with family members or founding partners still involved in key roles. With the exception of Iota, all of the case firms explored international opportunities prior to the 2007 financial crisis. Thus while undoubtedly the virtual collapse of the building sector in Ireland impacted on international strategies, with some case firms temporarily pulling out of foreign markets to focus on stabilising domestic activity and others actively seeking out

new markets, the international activity of the firms was not forced by that single cataclysmic event.

Having detailed the context and research method and introduced the case firms, the next two chapters present the papers that form the core of this thesis.

**Figure 8-3: Cross Case Comparison Continuum Across All Firms**





## **Chapter 10: From Outsider to Insider: How creative professional service firms internationalize**

### **10.1 Introducing the Paper**

This chapter presents a paper submitted for consideration to the International Marketing Review journal (ABS ranking 3) in September 2013. The paper remains under review at the time of writing and is submitted in response to a call for papers relating to a special issue on the internationalization of service firms. Note that the paper is included in its original format. Only the number sequence of sections and figures is altered to align to sequencing within this thesis.

Previous versions of this paper were presented as competitive papers at AIB-UKI in 2012 and 2013 and were well received among IB scholars. The paper was also presented at the United Nations Trade & Development Conference in Reading UK in 2013 and was nominated from its stream for the best paper award by the eminent IB scholar Mark Casson. The paper was also presented at EGOS in 2012 to researchers within a PSF stream.

### **10.2 Abstract**

Purpose – Professional service firms (PSFs) have unique characteristics which translates to idiosyncrasies when internationalizing, including a distinctive client interaction process. The focus of this research paper is to gain valuable insight into how creative industry PSFs move from outsidership to insidership within relevant networks during the internationalization process.

Design/methodology/approach – The authors draw on international business, professional service firm and organizational status literature in supporting the investigation. The research design included a multiple case study exploring the Irish architecture industry. Using in-depth interviews we explored how creative PSFs internationalized with particular emphasis on how they accessed relevant networks.

Findings - The findings provide insight on the development and role of both reputation and status signalling in the process. We identified also multiple hierarchical networks in the process that require adaptive responses from organizations to gain network insidership. We also provide insight on how reputation, a network dependent construct, can transfer across network boundaries.

Research Limitations/Implications – Research within other sectoral and geographical contexts could support transferability of the findings.

Practical implications – The study has implications for international business strategies as it identifies heterogeneous paths to relevant network insidership within firms that require different responses.

Originality / Value – We believe that researching the process of gaining network insidership through signalling mechanisms is a novel approach to understanding the phenomenon. Creative PSF business leaders should benefit as it helps them to focus on signal building that provides a catalyst for starting relationships and network access. The paper should also assist in theory building within the international business, PSF and organizational status fields.

### **10.3 Introduction**

At the crossroads of the arts, business and technology, creative professional service firms (PSFs) including architecture, advertising, fashion design and software development (DCMS, 2008, Von Nordenflycht, 2010) are increasingly important

contributors to indigenous economies (EU, 2010, Hoekman and Mattoo, 2011). Similarly, there is growing awareness of the internationalization of creative PSFs which along with other service industries accounted for 40% of global foreign direct investment in 2011 (UNCTAD, 2012). The internationalization of creative PSFs is illustrated by Pink Cloud, a Danish practice entering and winning a prize at the Hospitality Design Expo in Las Vegas for a radical Pop Up Hotel concept to reduce the real estate crisis in Midtown Manhattan. In an increasingly global world it is imperative that we develop an in-depth understanding of the creative PSF internationalization process and how it can best be facilitated and managed.

The dominant framework for explaining the internationalization process, the Incremental framework (Johanson and Vahlne, 1977, Johanson and Vahlne, 1990, Johanson and Vahlne, 2009) assumes that a firm gradually increases its international presence, and moves from outsidership to insidership within a relevant network through developing stronger and wider relationship ties and resource commitments. The Incremental model assumes that relationships are deepened gradually, and become more embedded as network ties are strengthened over time, and customers or clients increasingly trust the firm's capacity to deliver the quality of product or service required (Johanson and Vahlne, 2009). This contrasts with the distinctive client interaction process of creative PSFs (Segal Horn and Dean, 2007). The high knowledge intensity and assignment based nature of the creative PSF service requires a firm to demonstrate its capacity to deliver on a client need in advance of starting the relationship (Segal-Horn, 2005). In addition, there may be little opportunity to become embedded as the relationship between client and PSF may be limited to a single assignment (Gummesson, 1981), for example developing an advertising campaign or designing a building. In such circumstances, the professional services literature suggests that the capacity to deliver the quality of service required is indicated by extrinsic cues or

signals (La et al., 2009, Bolton and Myers, 2003). This raises the question of how do creative PSFs attract clients across international contexts if they cannot do so incrementally as the dominant paradigm suggests; how do they move from outsidership to insidership within a relevant network?

We explored the internationalization process of ten architecture firms to uncover how creative PSFs use signalling activities and mechanisms to internationalize (outside of those instances where they are following existing clients abroad). Our findings show that in the absence of relationship ties, creative PSFs use both reputation (Fombrun and Shanley, 1990) and status (Benjamin and Podolny, 1999) signals of quality to establish within relevant networks. Our study identifies interactions between three relevant networks for creative PSFs, firstly, the client network including international market clients, niche global clients and global clients, secondly, the global professional network comprising of peers, educational bodies and industry representatives and finally, the public representative network including arts councils, elected representatives and media. Our findings add to the incremental model of internationalization by showing how creative PSFs use signalling mechanisms, of both reputation and status, from these three networks to establish insidership within international and global markets,

Our theoretical contributions from our research are threefold. Firstly, we contribute to the leading theory of internationalization by uncovering the signalling mechanisms that creative PSFs use to establish their capacity to deliver quality, to move from outsidership to insidership within relevant networks. The case firms habitually selected different mechanisms for signalling to their market, specialist or global clients, as aligned with the firm's strategy for internationalization. Our findings show how different signalling mechanisms are utilized to achieve insidership within different international networks. Direct reputation building is combined with associations with local high status operators and possibly alliances with local peers to build insidership

for creative PSFs within a local market network. Direct reputation building is combined with signals that the firm is associated with high status global clients to develop insidership within a niche or specialist global client network, for example to be known as an architect that can build specialized scientific research facilities for multinational companies. Insidership within a global client network (which is usually project specific) is achieved when signals of artistic and professional competencies are awarded by professional networks (such as winning worldwide competitions) and recognised by the client and public representative networks to build a firm's global reputation.

Secondly, our research provides valuable insights into the presence of a hierarchy of networks or status systems which firms negotiate when internationalizing. To date the incremental model only recognises the presence of multiple separate networks. We reveal the presence of a hierarchy of interacting networks for creative PSF internationalization, whereby the client network, the professional network and the public representative network interact to build a firm's global reputation and status. This indicates that some internationalizing firms must build and manage multiple network ties, adding to the complexity and intricacies of managing the internationalization process.

Finally, by uncovering the mechanisms of reputation building in international networks, we address a theoretical gap within international business (IB) and professional service firm literature.

Our findings are particularly meaningful for managers in creative PSFs as we provide insight on the heterogeneous paths to network insidership that exist within firms in the sector.

Our paper is structured as follows. First, we provide an overview of the literature relating to the internationalization of PSFs highlighting idiosyncrasies between creative PSFs and other firms that require closer consideration. Theory

relating to status and reputation is then reviewed, providing a lens for investigating the international business process. We then outline our methodology, and present our findings on how creative PSFs move from being an outsider to an insider of relevant networks when internationalizing, in particular identifying three types of relevant networks in the process. Finally we discuss our findings in light of existing theory.

#### **10.4 Literature Review**

Despite increased academic interest in PSF internationalization we continue to understand little of the process (Abdelzaher, 2012). The few IB process studies undertaken to explore the area are mainly grounded within the traditional IB explanatory frameworks (Johanson and Vahlne, 2009, Knight and Cavusgil, 1996, Oviatt and McDougall, 1994). These highlight the role of entrepreneurship (Deprey, 2012, Benson et al., 2009), linking internationalization with the propensity to take risks (Knight and Cavusgil, 1996, Oviatt and McDougall, 1994) which may be based on the entrepreneurial mindset and prior experience. Alternatively, some studies provide insight on learning and knowledge transfer (Faulconbridge, 2006, Hitt et al., 2006a, Kennel and Batenburg, 2012, Reihlen and Apel, 2007) and the critical importance of relationships (Freeman et al., 2007, Amonini et al., 2010) within the process to explain how to reduce uncertainty, mainly the risk of relevant network outsidership (Johanson and Vahlne, 2009). While considered challenging even for traditional commercial and professional firms, moving from being an outsider to being an insider within a relevant network presents additional difficulties for creative PSFs which must also cross institutional (Faulconbridge, 2008a, Faulconbridge and Muzio, 2012) and cultural (Jeffcut, 2009) boundaries; for example, the role and importance of feng shui to architecture in the oriental traditions.

Prior to the client approaching a creative PSF and the two parties reaching a mutual agreement to work together indicating the start of a relationship (Dwyer et al., 1987), a PSF's client must be comfortable that standards of delivery are guaranteed. This departs from a fundamental assumption of the Incremental model; that insidership within a relevant network is achieved through the exchange of knowledge as a relationship develops. The incremental development of a set of well established relationships in a relevant network required to become 'an insider' (Johanson and Vahlne, 2009) may not explain the process for creative PSFs.

In particular, creative PSFs are faced with the challenge of internationalizing creative services that are novel and useful (Amabile et al., 1996, Stein, 1974, Woodman et al., 1993) and have social and cultural meaning (UNESCO, 2004). A critical challenge for the creative PSF therefore is how to signal a capacity to deliver on quality to the client that enables the firm to achieve insidership within relevant international networks, in the absence of an existing relationship.

#### **10.4.1 Network Signalling Literature**

In considering the particular challenges of creative PSF internationalization we have identified the need for clients to rely on extrinsic cues or signals about quality before the start of a relationship. Organizational status literature outlines that two types of signals may apply: reputation signals which signals to consumers about quality (Fombrun and Shanley, 1990) and sociological signals which reflect the status of the supplier within its industry and network of relationships (Benjamin and Podolny, 1999).

The importance of reputation for PSF internationalization is long established (Cooper et al., 2000, Grosse, 2000, Hitt et al., 2006a, Lu et al., 2012), but there are few insights on how it contributes to the process or the mechanisms that develop reputation within a network. In contrast, the role of status as a signaling mechanism of quality in

the internationalization process has been largely overlooked. This may be in part because status and reputation are not clearly differentiated within the IB and PSF literature (Washington and Zajac, 2005). This distinction is important as reputation refers to the economic notion of perceived quality or merit generating performance based awards and is influenced by information asymmetries (Fombrun, 1996) between different networks. Reputation is essentially network dependent (Lin et al., 2009, Podolny, 1993), a supplier will only have a reputation for delivering on product quality within its local network. Reputation alone does not provide an explanation of how creative PSFs can move from outsidership to insidership within a relevant network. Without strong relationship ties, an unknown firm that wins multiple new contracts in England stemming from an award winning television commercial that appeals to the local market could not generally expect to exploit business in France without ‘proving’ itself in that institutional and cultural environment.

Alternatively, status may provide an indicator of quality (Sauder et al., 2012). Even if full information is not available resulting in information asymmetries, status is the most observable characteristic reflecting the standing of those affiliated with the firm. Status can be defined as the position in a social hierarchy that results from ‘accumulated acts of deference’ (Goode, 1978, Whyte, 1943), and high status actors enjoy privileges within the social system (Washington and Zajac, 2005). Hierarchies can be among organizations, individuals, or indeed hierarchies of networks (Sauder et al., 2012). Reputation can influence the genesis of status (Washington and Zajac, 2005) but may be decoupled from status where uncertainty exists, possibly caused by artistic or technical complexity (Lang and Lang, 1988, Podolny and Stuart, 1995) or the newness of a market (Podolny, 1994). We argue that when firms provide an artistic and technically complex service across multiple markets, there is a greater need to understand both reputation and status signals. An easily recognizable example of the



distinction between reputation and status could be a business school which may initially build a reputation through the level of examination results, but its status will eventually be determined by the achievements, positions and social status of its past pupils.

We propose that the role of status within the creative PSF internationalization process relates firstly to the status of the firm itself as regarded by its client and other network participants. We argue that high status will be an indicator of quality or capacity to deliver for creative PSFs. High status network participants may create brokerage opportunities (Burt and Merluzzi, 2012) or less tangible privileges. The status of the firm's portfolio of clients may also be an indicator of quality signal (Lin et al., 2009). A PSF that has 'Apple' or 'Google' on its list of high profile clients will often be able to open doors internationally even if the PSF's own reputation is unknown to a client. This is irrespective of whether 'Apple' and 'Google' have relationship ties to the client. Thus, similar privileges may be generated from outside of the network where network hierarchies exist although existing studies provide little insight on the dynamics of network hierarchies and academics are calling for more research into this phenomenon (Sauder et al., 2012).

In summary, we argue that while existing frameworks explain the role of relationships for building trust about the ability to deliver on quality in the internationalization process, they overlook the mechanisms of signalling quality that facilitates the moving from outsidership to insidership within a relevant network. This leads us to ask how do creative PSFs which utilise reputation and status signalling move from outsidership to insidership within relevant international networks.

## **10.5 Methodology**

### **10.5.1 Research Design and Setting**

While there have been many studies of the internationalization process of traditional commercial organizations, how creative PSFs internationalize in practice is not well understood. Given the aim of generating a better understanding, a case study design was particularly suited to this research, allowing us to gain an in-depth understanding of the role of reputation and status signalling in the internationalization process of creative PSFs.

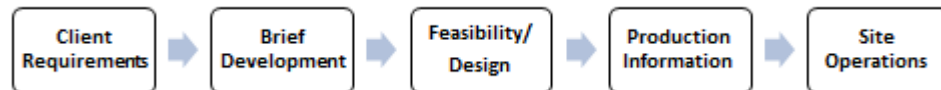
Following theoretical sampling (Pauwels and Matthyssens, 2004a), and to reduce extraneous variation, we selected ten Irish architecture firms with international experience. Architecture is a classic professional service (Von Nordenflycht, 2010) distinguished from other sectors by a combination of high knowledge intensity, low capital intensity and a professionalised workforce. It also meets the definition of a creative industry as it “has its origin in individual creativity, skill and talent and a potential for wealth and job creation through the generation and exploitation of intellectual property” (DCMS, 2008). Architects operate within the inherently cyclical construction sector, mutually dependent on other building services. The role of the architect may vary somewhat across different institutional, legal and cultural barriers or may even be project specific, but is commonly agreed to involve design and advice on building construction (Makstutis, 2010). The architect’s involvement in the building project (Figure 1) is highly dynamic with potential for largescale review and revisions between stages.

In addition to core ‘Architecture’ service, architecture firms often engage in related services involving interiors projects, masterplanning and urban design.

The small size of the indigenous market prompted the internationalization of the Irish architecture industry back in the 1990s (PWC/BMG, 1999), while globally, the

internationalization of the architecture industry has been driven by technological advancements, mutual practice agreements and global outsourcing and offshoring. As a research context Ireland is particularly appropriate, as government policy and institutional structures support an outwardly focussed economy.

Figure 10-1: Building Project Structure



### 10.5.2 Data Collection

Our data collection involved two stages, a familiarization stage and a systemization stage (Turner and Rindova, 2012). Commencing in the familiarization stage we developed a report to assess the viability of the sector as a research setting and then conducted seven open ended interviews with a broadly sampled set of industry informants. Based on observations in the familiarization stage, we developed a research design to facilitate robust and transferable theoretical insights. Given that few systematic studies relating to the internationalization of PSFs exist and these are concentrated heavily on large multinational accounting and legal firms (Von Nordenflycht, 2010) rather than creative PSFs, we designed this research to be explorative, descriptive and theory generating. A multiple case study research design was particularly suited to the nature of this research (Eisenhardt, 1989, Welch et al., 2010, Yin, 1994), allowing for the development of a holistic and in-depth understanding of complex phenomena (Eisenhardt, 1989, Yin, 2003) and the development of more robust practitioner contributions.

Our design adopted two units of analysis, the firm and the internationalization process. Having defined the study's population a diverse sample was created (Santos and Eisenhardt, 2009) selected on the basis of three identifiable variations. Firstly the

size of the firm, secondly the number of international projects engaged in (both of which were identifiable through the firm's website supported by various public sources), and thirdly whether a firm was identified by its peers as a 'design' practice or a 'commercial' practice. The creation of this diverse sample informed by our familiarization stage interviews and archival sources offered firmer grounding of theory than a more homogenous sample (Harris and Sutton, 1986).

We determined that an in-depth analysis of ten organizations was required which is at the higher end of ideal case numbers for multiple case study method (Eisenhardt, 1989) but was required because of the small number suitable key informants within each firm with direct international experience. We then used a number of data collection techniques comprising face to face semi structured interviews, archival data and external informant interviews to counteract the possibility of investigator, source, and respondent bias (Jick, 1979). The external stakeholder informants provided the "outsider perspective for a reality check" (Santos and Eisenhardt, 2009). Data was collected from multiple key informants from each firm to mitigate against individual response bias (Golden, 1992, Miller et al., 1997). Thirty five interviews were collected across the ten case firms while seven external informant interviews were collected for triangulation purposes from academics in the field, a government agency representative and architects in foreign firms. Archival data collected (Table 10-1) assisted in replication and triangulation of findings (Van de Ven, 2007). All internal and external informant interviews were transcribed, recorded in NVivo and verified with the interviewees prior to our data analysis.

Table 10-1 Archival Sources of Data

<b>Archival Data Sources</b>		
	<i>Pre Interview Collection</i>	<i>Post Interview Collection</i>
Firm Level	<ul style="list-style-type: none"> <li>- Firm Websites</li> <li>- Media Information</li> <li>- Key Management CVs</li> <li>- Search of awards and project tendering</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing Reports</li> <li>- New Market Entry Plans</li> <li>- Samples of project models and drawings</li> <li>- Meeting minutes and notes</li> </ul>
Industry Level	<ul style="list-style-type: none"> <li>- Brochures issued by RIAC</li> <li>- Meeting with RIAC</li> <li>- Competitor and peer group comments</li> <li>- Industry Agency websites</li> <li>- Competitor websites and media articles</li> <li>- OECD/World Bank and other industry reports</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- Competitor and peer group comments from other Case Firms and External Informants</li> <li>- Ongoing data collection from public sources</li> </ul>
Economy Level	<ul style="list-style-type: none"> <li>- Key economic data on select markets</li> <li>- EU tenders</li> <li>-</li> </ul>	
Other		<ul style="list-style-type: none"> <li>- Field Notes</li> </ul>

To safeguard their anonymity and confidentiality, we assigned code names to our ten case firms based on the Greek alphabet from Alpha to Lambda (excluding ‘eta’). We identified only the region of internationalization which comprised Western Europe (WE), Central and Eastern Europe (CEE), America (AM), Middle East and North Africa (MENA), and Other Asia and Africa (AA) and assigned consecutive numbers to each country described. This coded data provided the starting point for analysing the interplay between how firms internationalized and the scope or absence of their network relationships. A summary of our data is illustrated in Table 10-2 below.

**Table 10-2: Description of Sample Firms and Case Data**

	<b>Years since establishment</b>	<b>Employee Nos.</b>	<b>Peer Identity</b>	<b>International Locations</b>	<b>Internal Informants</b>
Alpha	30+	50+	Commercial	8	5
Beta	30+	25+	Design	4	3
Gamma	20+	100+	Commercial	22	3
Delta	10+	25+	Commercial	3	2
Epsilon	30+	20+	Design	18	4
Kappa	100+	100+	Commercial	13	4
Zeta	100+	50+	Commercial	12	3
Theta	20+	25+	Design	10	4
Iota	10+	20+	Design	4	3
Lambda	30+	15+	Design	5	4

These firms were all established as partnerships or limited companies with family members or founding partners still involved in key roles. Each of Alpha, Gamma, Epsilon and Kappa had more than 200 staff up until the global economic crisis and between 2007 and 2009 were forced to significantly downsize while Delta and Zeta had between 50 and 100 staff. This in part explains the amount of internationalization experience our case firms demonstrated relative to their current size. Beta, Theta, Iota, and Lambda were more selective in their growth strategy and intentionally never employed more than 35 people. With the exception of Iota, all of our case firms explored international opportunities prior to the 2007 financial crisis thus internationalization processes described were not dominated by that cataclysmic event.

### **10.5.3 Data Analysis**

To unbundle insights on moving between outsidership and insidership within relevant networks the data analysis advanced through multiple steps in an iterative fashion, travelling back and forth between the primary and secondary data, emerging

observations, and existing literature (Locke, 2001). From the interviews we performed both a *first order analysis* to capture informant's understandings of each process and a *second order analysis* to move findings to a theoretical level (Gioia and Chittipeddi, 1991). Achieving this involved a number of steps.

#### ***10.5.3.1 Step One – broad level coding***

Our data analysis process commenced during the familiarization phase to develop an industry specific understanding of the internationalization process and the dominant logic (Prahalad and Bettis, 1986) of the sector.

#### ***10.5.3.2 Step Two – refining coding***

We then moved to case firm data and commenced our analysis of the interviews and related archival and observational data by establishing themes and lower order codes. Tables and graphs were developed for each case (Miles and Huberman, 1994) to facilitate the analysis including future cross case comparison. Moving through each interview we were constantly comparing and contrasting observations across informants and archival data within each organization.

Once single cases were reviewed, coded and analysed, a cross case analysis process commenced where data from single cases was compared to other cases to identify consistent patterns and themes (Eisenhardt & Graebner, 2007). Tensions and similarities in the data between the case firms for each of the queries were identified, firstly by comparing two cases and then adding cases as patterns emerged (Santos & Eisenhardt, 2009).

#### ***10.5.3.3 Step Three – theoretical underpinning***

Travelling back and forth between our data, emerging insights, and existing theory (Eisenhardt, 1989, Gioia and Chittipeddi, 1991) we developed our second order categories to provide a framework for how creative PSFs become 'insiders' within

relevant international networks. Table 10-3 presents the evolution of our findings from first order categories found in our data to second order codes that provide theoretical insight relating to relevant network access.

**Table 10-3: Data Structure**

<b>Empirical Evidence (First Order)</b>	<b>Theoretical Categories (Second Order)</b>	<b>Aggregate Dimensions</b>
Portfolio of local buildings and local awards.	Developing Local Market Reputation	
Obtaining ISO Certification. Creating visibility with client. Developing website and marketing documents.	Direct Signalling of Local Reputation	Market Network Signalling
Creating local peer alliances.	Acquiring Local Market Reputation Signals	
Using introducers for 'warm calling'. Promoting portfolio of high status clients.	Local Status Building by Association	
Portfolio of specialised buildings.	Extending Global Reputation within Specialised field	
Demonstrating perceived 'industry know how'. Demonstrating flexibility on location of opportunities.	Direct Reputation Signalling for Specialised service	Niche Global Network Signalling
Promoting portfolio of high status (industry based) clients.	Status Building by Association within Specialised network	
Portfolio of landmark buildings. International Peer Awards.	Extending Global Reputation	
Entering high profile competitions. Alliancing with high status consultants. Industry body participating. Teaching Assignments. Organizing design exhibitions. Developing profile through industry media.	Status Buildings by Signalling Professional Competencies within Professional Network	Global Network Signalling
Accepting invitations to exhibit. Building relationships with public representatives. Accepting public council participations. Developing General Media Profile.	Status Building by Signalling Artistic Competencies to Public	



## 10.6 Findings

In this section, we present the insights that emerged from our data. Our presentation links descriptions of events with our theoretical categories to develop a theoretical explanation of how creative PSFs move from outsidership to insidership within relevant international networks. We separate our findings to reflect the three sets of mechanisms and processes found within the data to explain how our case firms internationalize. We identified how our case firms established their perceived capacity to deliver on quality within the three types of client networks; local market networks, niche global networks, and global networks.

Within our case firms we were able to incorporate a significant number of internationalization experiences (Table 10-4) across the world spanning both mature and emerging markets.

**Table 10-4: International Locations of Case Firm**

Region	Western Europe (WE)	Central & Eastern Europe (CEE)	America (AM)	Middle East & North Africa (MENA)	Other Asia & Africa (AA)
No. of Countries in Region	30	17	11	23	18

### 10.6.1 Relevant Networks in the Process

Relating to our case firm's environment, our findings propose three important groups of relationships important for creative PSF internationalization (Figure 10-2). The first group we label as the client network which is the network for exploiting professional business opportunities. This group includes various consultants providing services to the building sector, developers, financiers and others that could form part of a building project team and specifically those relationships that are directly involved in project delivery for the firm in a target market. The client network also includes project owners

and agents that may facilitate international introductions. The client network's boundary is determined by the reach of the network participants in relation to professional service delivery for the focal case firm. Some client network participants therefore are national or region specific within the target location of the case firm, which we label as the market network.

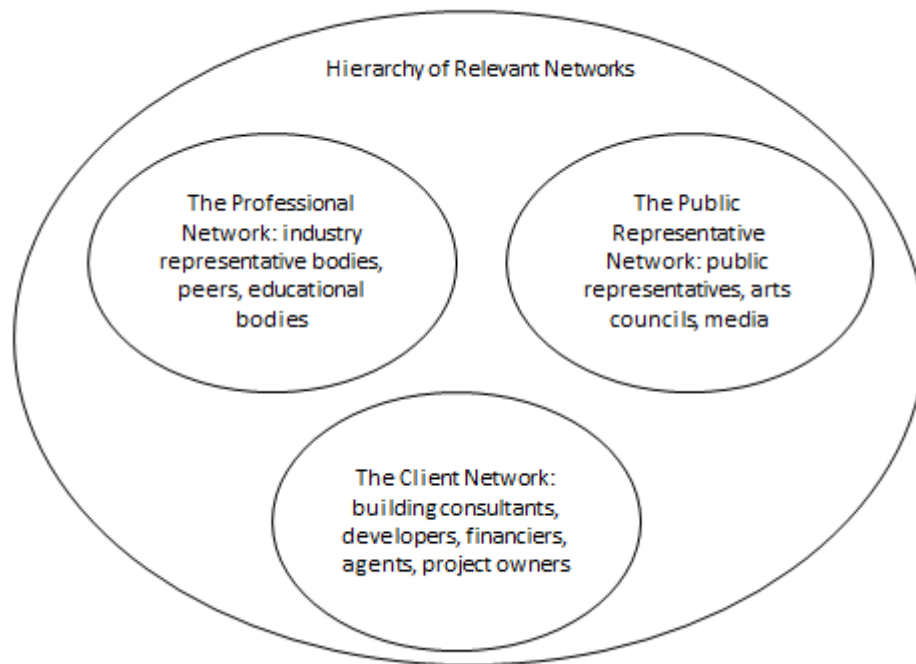
Other client networks may be global but focussed on delivering specialized architectural services within a particular niche segment, for example the pharmaceutical industry. Alternatively, some client networks are global with relationship ties not dominated within any single location nor focussed on a single industry for delivering architectural services. In this global network individual client relationships are likely to be project specific, for example building a museum for a government department which will be a landmark of cultural and social importance and requires an international project team of leading building consultants.

The second set of relationships are with industry representative bodies, peers and educational bodies. This professional network will not normally engage in building services with the case firms but they recognize signals and certify the firm's reputation because they are industry experts and are a network of high status. The professional network has the ability to act as a prism signalling superior professional capability on behalf of the case firm to the client network and the public representative network.

Playing a similar role to the professional network is the case firm's public representative network which includes arts councils, public representatives and the media. Relying on signal about artistic quality from the professional network, this network certifies the case firm's reputation to the public, including clients. Both professional and public representative networks effectively comprise end-users or evaluators of the building post completion, or their representative groups. Participants in these networks often have status on a multi-national, regional or even global scale.

Our findings indicate that while the client network and these other networks are not always autonomous, there is not a significant intensity of relationship ties between them, but there are interactions relating to confirming the firm’s status and reputation.

Figure 10-2: Relevant Networks in the Process



### 10.6.2 From Outsidership to Insidership through (local) Market Network Signalling

Case Firm	Illustrative Quotations
Alpha	“The trick then is to find ways to keep yourself in front of those clients.” (Alpha #3)
Beta	n/a
Gamma	“We have developed sector specific brochures.” (Gamma #1)
Delta	“We had contact with a local agent over there.” (Delta #2)
Epsilon	“These are brochures that we translate into different languages for different markets.”
Kappa	“companies like [company name] who would be a global brand. So they already have a base in [AA14]. We work with them here in [home country].” (Kappa #3)
Zeta	“In [MENA26] we employed a business development manager....So we were able to talk to everybody from agent grouping, to consultant groupings, to development groupings that we had never spoken to before” (Zeta #2)
Theta	n/a
Iota	“We are ISO 9001 compliant ..... We are ISO 14001 ... We have that and we are just about to go for ISO 18000.” (Iota #1)
Lambda	n/a

With the exception of Beta, Theta and Lambda and a specialized sector of Kappa and Epsilon’s business, our case firms commenced the process of internationalization often

without an international reputation even though they were all well-known firms in their home country. Alpha informs us that “[home country] firms will suffer because you may be well known nationally, but to be internationally well known is a different thing again” (Alpha #1). A portfolio of projects in their home country contributes to the expertise of the firm but does not constitute a “portfolio of international credibility” (Gamma #1). A three pronged approach to becoming insiders in an international market network (Figure 10-3) incorporating both status and signalling mechanisms was uncovered in our data (Table 10-5).

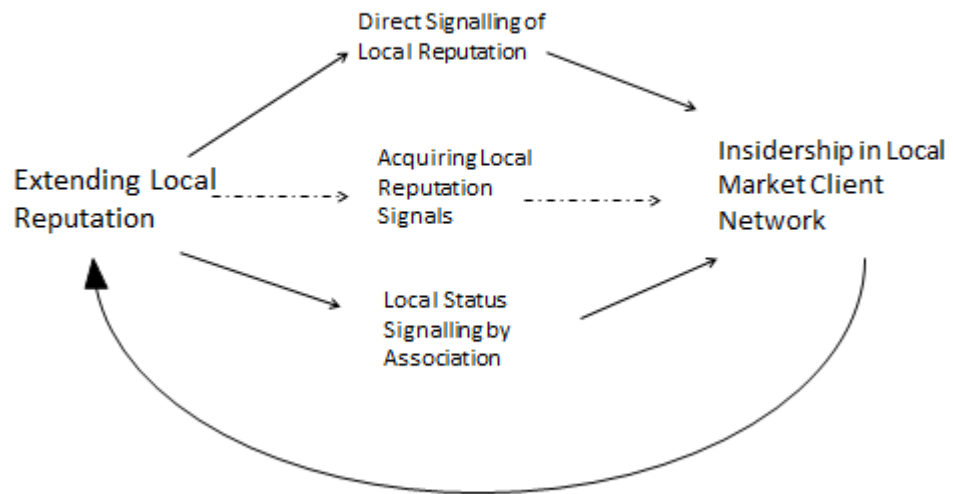
Firstly, the creative PSF may acquire a local reputation and possibly a status by creating alliances with peers in the target market. This provides signals about local knowledge and addresses the challenge of competing “with what he [the client] perceives as his people who know the culture better” (Alpha #2). The local peer also acts as a signalling broker giving credibility to the case firm’s portfolio. Iota won a public education project in [WE-23] because they partnered with “one of the biggest practices in [WE-23] who had no educational experience” (Iota #1).

Other signalling mechanisms are used when an international reputation cannot be acquired or brokered by a local peer. Engaging directly with the client, the firm may develop their website and other marketing material for the international market, perhaps creating brochures in different languages targeting different sectors. Having ISO certifications was also a good signal of quality. In particular Iota invests significant resources becoming ISO certified across various aspects of their business to become “very progressive in how [they’ve] met the challenges” (Iota #1). Moreover, the route of direct reputation signalling is a slow one but “being there and being visible” (Gamma #1) is critical to gaining insidership within a relevant client network. Alpha provides good insight on this necessary challenge:

*“It takes two years to break into a new market ....You spend most of the first year walking the streets, knocking on doors, spreading the word, slowly building up relationships, networking like mad, gradually forming connections, showing your face so that people get the impression that you are here. “ (Alpha #3)*

Finally, in addition to using direct mechanisms for local reputation signalling and acquiring reputation from a local peer, our case firms also elevated their status in a new local market network by using intermediaries as brokers, signalling about quality on behalf of the case firm and also signalling status by association. They often use introducers for ‘warm calling’ and promote their portfolio of high status clients. Introducers get firms in front of clients and in markets such as MENA having an ‘agent’ is a requirement of the market. In that region a helpful introducer is about “how high up the royal family they are” (Gamma #1). A portfolio of high status clients also signals a capacity to deliver although it is cautionary that the status of those clients may reduce. For example, multiple case firms relied on promoting their home market portfolio of international developers as clients when entering foreign markets.

Figure 10-3: Market Network Signalling (Local)



### 10.6.3 From Outsidership to Insidership within Niche Global Networks

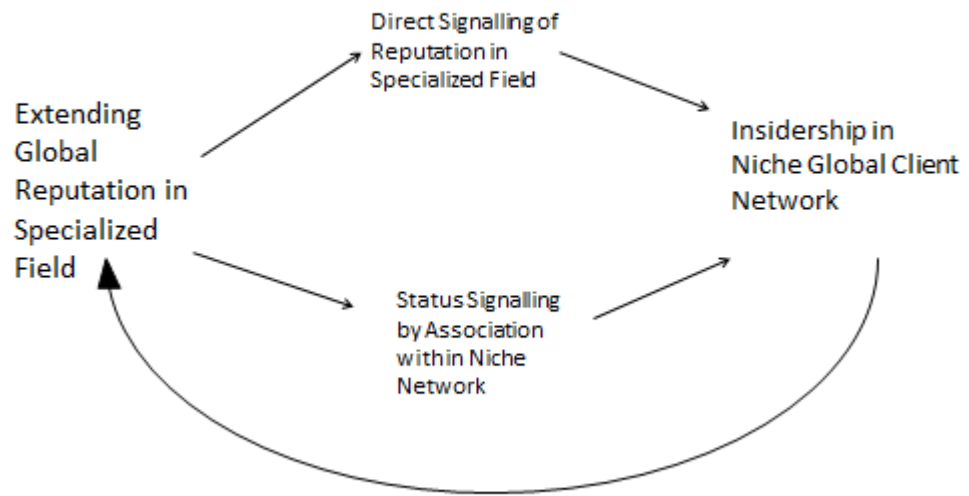
Case Firm	Illustrative Quotations
Alpha	n/a
Beta	n/a
Gamma	n/a
Delta	n/a
Epsilon	“we got the offer to build a [specialised sports facility] in [AM3]. We have since entered into discussions about other [specialised sports facilities], one in [AM5].” (Epsilon #4)
Kappa	“I can speak their language.” (Kappa #2)
Zeta	n/a
Theta	n/a
Iota	n/a
Lambda	n/a

In our findings we noted two cases that combined trying to gain insidership within each relevant local market network with ambitions to internationalize a specialized niche service within a small but global client network (Figure 10-4). Kappa has a reputation within an industrial segment for building facilities with certain “complicated manufacturing processes” (Kappa #2). There is no notable overlap of relationships between Kappa’s more mainstream public and commercial business and this specialized

field. Our Kappa informant describes how he has “kind of two roles in the company” one running the general practice office in WE29 and the other developing a global business building specialized facilities for large multinational companies. This may involve “a serious project in the Far East which I have to back and forward for” and alternately “I also get work in [home country] on that basis”. Thus signalling for this type of business (Table 10-6) requires an understanding of the specialized needs and also to “speak their [technical] language” and where you are delivering projects that “very few companies have the capacity to do ... [the client] will recommend you to somebody else because you know this stuff is good” (Kappa #2). Epsilon who is also active in a sector relating to specialized sports facilities describes how subsequent to the delivering of a project in AM3, the opportunity to provide other similar facilities in South America and “as far away as [AA5]” (Epsilon #3) which is located in South East Asia arose.

Status building by association with clients in this niche has high rewards and challenges. Certainly, “if you are doing a good job for one company, they talk to another company” (Kappa #2) and this leads to new business opportunities although correspondingly unsatisfactory service is more challenging to redeem from within a small niche global network.

Figure 10-4: Niche Global Network Signalling





### 10.6.4 From Outsidership to Insidership within Global Networks

Table 10-7 Illustrative Evidence: Global Network Signalling		
Case Firm	Illustrative Quotations	
	Signalling to Global Professional Network	Signalling to Public
Alpha	“That bar there in [home country city] we collaborated with [interiors designer]. They are an international interiors firm. They work all over the world.” (Alpha #4)	n/a
Beta	“[Founding directors], they taught and are teaching in the best schools all over the world from Europe to America” (Beta #2)	“[Founding director] is speaking to the mayor of [WE12] in reference to the building, it has been on exhibition in [WE12] (Beta #1)
Gamma	“we brought in a Sage, old kind of man, with a really well established name” (Gamma #2)	n/a
Delta	n/a	n/a
Epsilon	“We’ve won a rake of awards over the years.” (Epsilon #2)	“I was very proud of having designed the [home country] Pavilion in [WE16] as kind representing your country” (Epsilon #2)
Kappa	“We were invited last year because we were involved in the [home country visitor attraction], we were invited into a project in [AA20]. A visitor attraction.” (Kappa #1)	n/a
Zeta	“we won the [home country] public choice award for that building” (Zeta #3)	n/a
Theta	“yes [it is important]. [Ivey league university] has a reputation” (Theta #4)	“this year we were asked to represent [home country] in the [global exhibition]” (Theta #4)
Iota	“I am currently President of the [European alliance].” (Iota #1)	n/a
Lambda	“we have been selected for over 40 major national and international awards over the years” (Lambda #1)	“we are published fairly frequently in [WE42] publications and then occasionally in [WE43] and [WE44]” (Lambda #1)

The third set of mechanisms was evident in all firms except Delta (Table 10-7). The case companies used signalling mechanisms to move from outsidership to insidership within global client networks (Figure 10-5). Signals of professional competency are delivered to professional networks through having a single or portfolio of ‘landmark’ building design(s) won through international competitions or created through collaboration with other designers of globally high status and reputation. These buildings provide a basis for reputation signalling about professional competency and

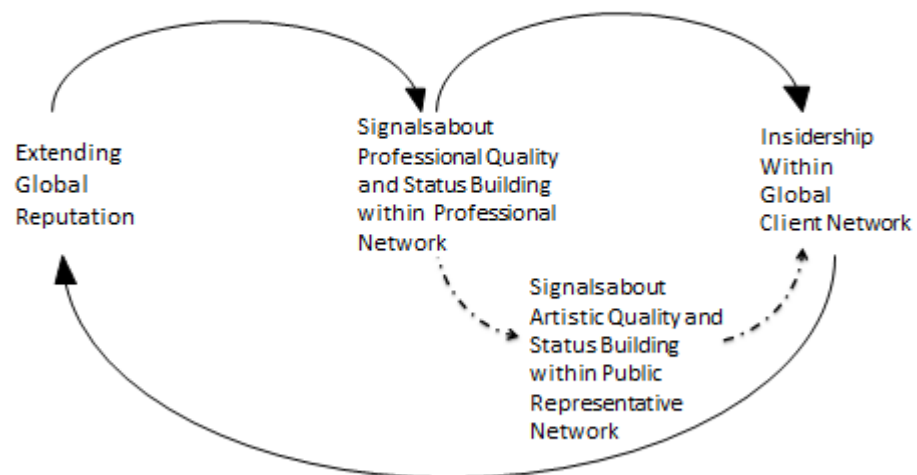
where there is high novelty also artistic competency. Multiple mechanisms such as teaching assignments at the 'top' universities, developing a profile within industry media, organizing design exhibitions and participation in prominent roles within industry representative bodies are used to build status within the firm's professional network.

Thus gaining insidership within the professional network starts with the network participants recognising and certifying signals about reputation, possibly awarding buildings of exceptional professional merit. Internationalization extending from recognition and certification of a reputation within a professional network and a status within that network can take two paths. The first path was identified in Alpha, Gamma, Kappa and Iota whereby their reputation and status within the professional network resulted in international opportunities such as Kappa's opportunity to build a visitor attraction in Asia because they were involved in a similar award winning project in their home market. In this case, the professional network awards were globally recognised as signals of quality by a foreign client, and this created the business opportunity and the corresponding relationship that allowed Kappa to become an insider within the project specific client network.

Certain firms however, Beta, Epsilon, Theta and Lambda, also extend their signals to the public through public representative networks. These firms achieved the most prestigious and numerous international awards and were globally respected within their professional network as top 'design firms'. Our findings suggest that these firms were recognized beyond the field of architecture for their novel outputs as artists and this was reflected in opportunities extending beyond architecture but into more general art and design. Basically the reputation and status accorded to these firms for professional competence incorporated significant novelty signalling also artistic competence to public representative networks. Evidence of insidership within this

public representative network includes invitations to exhibit and prestigious posts offered to founding directors to sit on various ‘art’ or ‘design’ panels, exhibitions and councils. Firms who enjoy this status have a prominent general media profile.

Figure 10-5: Global Network Signalling



## 10.7 Discussion

### 10.7.1 From Outsidership to Insidership within Relevant Networks

This study develops our understanding of how creative PSFs internationalize by exploring how these firms use the signalling mechanisms of reputation and status to move from outsidership to insidership within relevant international networks. A key assumption of the incremental model is that network insidership is a gradual process achieved through multiple relationship exchanges (Johanson and Vahlne, 2009). We add to our understanding of the incremental model by uncovering the role of signaling mechanisms to create insidership when this assumption is relaxed. Clients rely on signals of reputation and status to provide indicators of a firm’s capacity to deliver in advance of the establishment of a relationship and further exchanges.

The variations in the signalling mechanisms used reflected a firm's strategy of internationalization, through building a presence in a local market, a niche global market, or a global market. We identified through the process that while most firms appeared to have a dominant internationalization strategy, they may also have areas of specialist expertise, and also pay attention to their professional reputation by engaging in design competitions on occasion. More than half of our firms engaged in more than one signalling path.

Our study addresses a knowledge gap relating to how insidership can be achieved without the sociological ties of a relationship or where reputation may not be recognized or certified (Lin et al., 2009, Podolny, 1993) within a relevant network. Through identifying the signaling mechanisms that creative PSFs use to access international market networks we describe how this happens through a process of direct signaling, acquisition of reputation, and status building within a local client network to activate the mutual agreement to work together (Dwyer et al., 1987) signaling the start of a relationship and facilitating relevant network insidership. We identify similar processes, albeit different mechanisms for accessing niche global networks. We also identify the need for insidership within multiple networks required for firms that play the rules of the game in a global market where insidership to a relevant client network requires global signals of professional and/or artistic competence to deliver.

This IB contribution of our study extends the Incremental framework (Johanson and Vahlne, 2009) by identifying the processes involved in moving from being an outsider to an insider within a relevant network through mechanisms other than embedded relationships.

### **10.7.2 The Interplay of Network Hierarchies and Internationalizing Reputation**

In our study we identified that that for creative PSFs gaining insidership to local market networks and small niche global networks, the process involved the recognition and certifying of signals within those relevant client networks. However, we also identified a process relating to global client network signalling where multiple more exclusive networks interact and the creative PSF is applying multiple strategies within its client network, its professional network and its public representative network, contributing theoretical insights into how multiple networks interact in a hierarchical way over each other (Sauder et al., 2012).

Within this process we suggest that while a firm achieves design and deliverability within the client network, the professional network initially certifies the reputation of the firm by awards and other merits. Status opportunities are provided by the professional network through teaching assignments and other mechanisms and thus gaining insidership into this network affords privileges (Washington and Zajac, 2005) and further status building opportunities. Because of the professional expertise of its participants, the professional network plays an important role by signalling the firm's reputation to global clients and to the public representative network. Additionally, the status of the firm within the professional network is an indicator of quality (Sauder et al., 2012) globally to clients and the public representative network.

Where the professional network recognises and certifies signals of artistic competence, these signals of artistic competency derived from useful novelty (Amabile et al., 1996, Stein, 1974, Woodman et al., 1993) within the service facilitate insidership into the public representative network where opportunities for status building are also provided. Ultimately the public representative network signals artistic competency to the public which includes the global client network. Further we suggest that its public

representative network status influences the PSF's status when tendering for public and culturally important projects involving multiple stakeholder involvement. Within this process the client network is often project specific and is lowest on the hierarchy for influencing future opportunities. In this sense, the professional network signals are certified by the public representative network which ultimately facilitates a public reputation within the creative arts. Within the architecture field examples such as Zaha Hadid and Frank Gehry are instantly recognisable global names with a high status both professionally and creatively to the wider public.

In terms of reputation transfer, we found that consistent with existing theory, reputation is network specific (Lin et al., 2009, Podolny, 1993). It was interesting also from our findings that reputation came from the actual buildings which reflects the economic notion distinguished in the literature (Washington and Zajac, 2005) but also that firms could have a global reputation for some buildings because of their high specialism or design, but the remaining portfolio maintained a local reputation within the firm's market network. This suggests that the creative PSFs reputation is more complex when internationalizing than the literature would normally identify as the 'reputation of the firm'.

We gained insight on mechanisms that firms used to facilitate reputation transfer. Without high status or brokerage opportunities (Burt and Merluzzi, 2012) however this is a slow process of creating visibility chances and adopting promotional materials, thus resource intensive. Nevertheless without prior relationships or an internationally recognized client base, this was the avenue that firms followed to successfully internationalize.

Alternatively firms acquire local reputation through aligning with local peers and this certifies their reputation within international contexts allaying client's concerns

regarding the creative PSF's ability to deliver in different institutional and legal (Faulconbridge, 2008a, Faulconbridge and Muzio, 2012) environments.

## **10.8 Managerial Implications**

While our research may trigger issues for managers outside of the PSF sector, this study has direct implications for creative PSFs facing firm internationalization in a growingly complex and volatile international environment.

Firstly, we can advise managers how instead of one generic model, creative PSFs have three routes to internationalizing. The mechanisms identified for becoming an insider within a relevant network within each path vary and therefore require different strategies and resources commitments.

Secondly, we identify the interplay and hierarchy of different networks for creative PSFs active in a global market. Understanding the role and importance of each network as well as the mechanisms for gaining insidership into each network provides managers with knowledge relating to where resources and efforts need to be focussed to build a global reputation.

Thirdly, we show how reputation and status interact, and notably how creative PSFs can build a reputation and have it recognized across international boundaries through direct mechanisms which on their own take time to be recognized, acquisition, and status from their high status client associations.

## **10.9 Limitations and Future Research**

While the first limitation relates to the usual caveats applying to case study research and conceptual generalisation through our proposed model, the second limitation of our study relates specifically to the Irish context and the position of Ireland on the periphery

of Europe which may explain part of our findings. Further research could be conducted into other contexts and settings to improve transferability of findings. A third limitation relates to our recognition that firms, in particular long established firms, have 'periods of internationalization'. Our findings suggest that these are delineated by the loss of relationships and knowledge over time (usually decades) and management changes, however we have based our study on the current firm experience and have not investigated how periods of internationalization in previous decades influenced the current one, although from our findings we suspect only a limited influence. Despite these limitations, our research provides a novel understanding of how creative PSFs use signalling mechanisms to overcome network outsidership, offering a new and exciting perspective of the internationalization process.



## **Chapter 11: How Creative Professional Service Firms Internationalize: a business model portfolio approach**

### **11.1 Introducing the Paper**

Having presented the study addressing the problem relating to how creative PSFs move from outside to inside relevant networks when internationalizing in the previous chapter, the final research problem is now addressed. This chapter presents a paper aimed at the Journal of International Business Studies and most recently presented at an IB special interest group workshop in Dublin in November 2013, a round table seminar in Grenoble in December 2013 and the European International Business Association conference in Bremen also in December 2013. Overall the paper was very well received in all forums. The paper has not yet been submitted to a journal at the time of writing. Note that the paper is included in its original format. Only the number sequence of sections and figures is altered to align to sequencing within this thesis.

### **11.2 Abstract**

The creative professional service firm (PSF) is concerned with both art and business. Firms in this sector differ depending on the philosophical approach to business of their owners which guides the strategy and structure in the firm and the particular talent employed by the firm. For creative PSFs the process of internationalization is influenced by these differences but it also presents particular difficulties because of the complexity and the locally embedded nature of their service offering. Using a business model lens to identify the internationalization processes, this multiple case study research design brings new theoretical insight to international business process theory relating to the non-typical organizational form of the creative PSF.

### **11.3 Introduction**

Creative Professional Service Firms (PSFs) exist at the crossroads between art, business and technology. The owners and the talent within these firms through their education and a philosophical belief in their profession can hold dichotomous positions regarding the meaning of the service they provide to clients. For example, the Pritzker Prize winning artist and architect Richard Meier when interviewed suggests that “Architecture is the greatest of the arts [yet] there’s lots of buildings that have nothing to do with architecture. They have to do with economics” (Meier, 2008)(1.32).

How the creative PSF strategizes and organizes guided by its artistic competencies or service replication competencies (Canavan et al., 2013) influences how the firm internationalizes. At least two and possibly more business models will define how the sector profitably creates and delivers value to customers (Teece, 2010) when internationalising. But internationalization for the creative PSF also brings other unique challenges including local embeddedness (Faulconbridge, 2008a, Faulconbridge and Muzio, 2012, Jeffcut and Pratt, 2002) of its practice and service and a distinctive client interaction process (Amabile, 1988, Gummesson, 1981). The creative PSF is providing a professionalized service to its customers involving expert and complex knowledge that is difficult for ‘non-experts’ to evaluate (Gross and Kieser, 2006). This ultimately impacts on scale and modes of internationalization for the firm (Brock and Alon, 2009, Morgan and Quack, 2005) and ensures that extrinsic cues such as reputation (Hitt et al., 2006a, Lu et al., 2012) are critical to the internationalization process.

International business (IB) process theory provides a generic ‘incremental framework’ (Johanson and Vahlne, 2009, Johanson and Vahlne, 1977) to explain the internationalization process for firms. Although recently revisited to reflect the more globalized environment and to bring more coherence to other explanations (Knight and Cavusgil, 1996, Oviatt and McDougall, 1994), the incremental framework has proved to

be the dominant model adopted by researchers investigating how firms internationalize. Exploring the research question; **how do creative PSFs internationalize?** presents a challenge for IB process theory however because the incremental framework assumes a homogenous internationalization path within an investigation, whether relating to a firm, an industry, or a sector. A dichotomy exists within the creative PSF sector (Canavan et al., 2013) that influences the alignment of growth strategy, structure and talent in the firm suggesting at least two internationalization paths. In addition, the distinctive client interaction process and locally embedded characteristics of the service add another layer of complexity guiding how the firm internationalizes.

To address this problem our study brings the business model conversation to IB, combining a business model portfolio approach (Baden Fuller and Mangematin, 2013, Sabatier et al., 2010, Teece, 2010) with IB process insights. Combining the business model approach with IB process theory enables us to articulate the complexity within the process and provide for richer theorizing potential. We designed a qualitative study exploring the internationalization process across ten architecture firms.

The findings of our study suggest that for creative PSFs five business model configurations are identified when internationalizing with varying degrees of interrelatedness between each. Creative PSFs either adopt a global model; adopt a global model for niche markets; replicate their business model into different markets; follow their clients; or adopt gateway models to test markets or to get their services 'known' in a foreign market.

Two major theoretical contributions can be derived from the findings. Firstly, identifying the business model portfolios that creative PSFs use to internationalize extends insight into IB process theory relating to a heterogeneous non-typical sector. Secondly, a framework is developed from the findings to show how international risk for creative PSFs can be counterintuitive to traditional explanations within IB.

Our insights for managers are threefold. Firstly including business model thinking in strategy making enables managers connect strategy to value oriented implementation. Secondly, for reputation dependent sectors international risk may be counterintuitive. Finally, it reminds managers of a need to rethink localisation versus delocalisation as firms cannot delocalise or move between markets if they are global.

## **11.4 Literature Review**

### **11.4.1 A Business Model Perspective to Internationalization**

We adopt the business model approach in this study as a cognitive tool to explain how creative PSFs internationalize. This approach assists with visualization of the process (Arend, 2013) and enables a meaningful map of possibilities to be created (Baden Fuller and Mangematin, 2013) to provide richer insights into a heterogeneous and complex phenomenon. Despite its growing importance to practitioners and more rigorous academic scrutiny, the business model approach has not yet gained the level of traction among IB scholars compared to other fields. Our extensive review of the literature reveals very few studies that have combined a business model approach to provide insight into international business research problems.

More often the ‘business model’ term is loosely used to describe an activity or event within a firm, for example that business models may be restrictive when internationalizing (Barkema and Drogendijk, 2007) or that firms may change their home country business models when internationalizing (Cantwell et al., 2010). These reflections provide limited insight on how business models are defined in the internationalization process because they lack any definition or analysis of the underlying dimensions.

Business models have received more meaningful insight in IB when described at a systemic level such as emerging market models (London and Hart, 2004, Luk et al., 2008, Peng et al., 2008, Ricart et al., 2004). At a firm level business model elements have been applied to describe international replication strategies, notably that of Ikea (Jonsson and Foss, 2011) and also business models that firms use for exiting markets (Coucke and Sleuwaegen, 2008).

Often representation of business models in IB relates to abstract observations to define multi-national firms (Cameron, 2011, Rugman and Verbeke, 2004), for example the 'Wal-Mart' or 'Macquarie Bank' business models. These are applied to global industries too for example the global 'fast fashion' industry business model (Runfola and Simone, 2013).

Closer to the interpretation of this study, business models as an approach to address research problems has gained traction within international journals relating to new ventures, in particular technology based new ventures (Breuer, 2013, Trimi and Berbegal-Mirabent, 2012, Waldner et al., 2013). While these may provide enhanced and interesting insight to international new venture theory (Oviatt and McDougall, 1994) or the technology driven born global explanation (Knight and Cavusgil, 1996), interpretations based on new ventures are unsuitable for explaining events across established firms within the heterogeneous creative PSF segment.

Despite an extensive review of the literature we identified only one other study that explains the internationalization process adopting a business model approach (Sainio et al., 2011). Rather than recognizing the portfolio of business models that exists in the firm (Sabatier et al., 2010), this study adopts an activity system perspective (Zott and Amit, 2010) mapping the internationalization process using a combination of international entrepreneurship theory and the business model approach (Sainio et al., 2011). This exploration concentrates on the upstream and downstream activities of the

value chain to show how value formation and exchange influence the process. This study does not provide contributions to the IB process frameworks (Johanson and Vahlne, 2009, Knight and Cavusgil, 1996, Oviatt and McDougall, 1994) however and provides little insight for our study because the approach taken is unsuited to explaining multiple interrelated internationalization paths within a firm or across a sector.

While there is very limited insight contributed to IB process theory from the business model approach, this does not suggest that IB scholars are neglectful of the benefits. There is recognition of the value of business models in the field (Cantwell et al., 2010, Di Gregorio et al., 2009, Zahra, 2005) and also numerous calls for more insights to be developed to inform IB scholars (Ghemawat, 2003, Jonsson and Foss, 2011, Peng et al., 2008).

#### **11.4.2 The Business Model Approach**

The business model approach has received somewhat of a revival from its origins in the late 1990s when the concept was vaguely defined and suffered from a problem of having a grey area between the boundaries of strategy and business models (Magretta, 2002). More recent research has augmented the need to understand business models as a set of activities aimed at both addressing customer needs and converting that to revenue earning for the firm. Teece (2010) suggests that a business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profits.

Bringing the business model portfolio approach to explain the internationalization process concerns firstly, how a firm's portfolio of business models evolves or crosses over institutional and cultural boundaries and secondly, how the health of the firm's overall portfolio of business models is sustained. Business models are concerned with value creation and value capturing (Teece, 2010b). They are also

concerned with strategic choices or value sensing connected to value creation and value capture (Shafer et al., 2005) as well as the interdependencies (Sanchez and Ricart, 2010) that different models may have to reinforce or detract from each other. Firms manage portfolios of business models to develop market value and revenue streams and to balance uncertainties typical of the sector (Sabatier et al., 2010). These uncertainties can morph over time (Teece, 2010) as changing markets, technologies and legal structures facilitate. IB process theory is also mainly concerned with how firms manage the risk of uncertainty (Ghoshal, 1987) as firms are dealing with multiple environmental, industry and internal risks in the process that themselves are dynamic.

Recently business model scholars have made efforts to consolidate advances in the field (Arend, 2013, Baden Fuller and Mangematin, 2013) and move the agenda forward. One progressive outcome is the development of a cognitive framework, separable from the underlying context (Baden Fuller and Mangematin, 2013). This can be applied across firms or groups of firms, or for defining portfolios of business models within the firm. This important advance based on customer identification, value proposition, monetization and governance is derived from the literature and allows for greatly improved comparative and theorizing capabilities. The new framework enables us to explore how creative PSFs internationalize through a business model portfolio approach capturing the true complexity of the process while providing richness to insights gained. Adopting the business model lens can also importantly strengthen insight on managerial implications.

#### **11.4.3 Creative Professional Service Firm Internationalization; a dichotomy**

The business model approach adopted for this study is highly constructive because of the unusual and complex context that we are exploring. The creative PSF sector of professional services encompasses firms that have the unique characteristics of the PSF

comprising high knowledge intensity, low capital intensity and a professionalized workforce (Von Nordenflycht, 2010) and also the cultural embeddedness of services recognized within creative industries (Jeffcut and Pratt, 2002). International trade in creative PSFs is of enormous importance to both emerging and mature markets (EU, 2012, UNCTAD, 2010) yet the need for distinct scholarly attention is only recently recognized (Abdelzaher, 2012, Abecassis-Moedas et al., 2012). The creative PSF shares the characteristics, opportunities and challenges of other PSFs, but critically, individuals including the founding partners of these firms are both artists and professionals at the same time.

Grounded in traditional frameworks, most current research either highlights the role of entrepreneurship (Deprey, 2012, Benson et al., 2009) in the propensity to take risks (Knight and Cavusgil, 1996, Oviatt and McDougall, 1994), or alternatively adds insight on learning and knowledge transfer (Faulconbridge, 2006, Hitt et al., 2006a, Kennel and Batenburg, 2012, Reihlen and Apel, 2007) and the critical importance of relationships (Freeman et al., 2007, Amonini et al., 2010) within the process in order explain how to reduce uncertainty aligned to the incremental framework (Johanson and Vahlne, 1977, Johanson and Vahlne, 2009). IB scholars have largely ignored the vital importance of reputation in the process although this is long identified in the PSF literature as critical to internationalization (Cooper et al., 2000, Grosse, 2000, Hitt et al., 2006a, Lu et al., 2012) due to the locally embedded nature of the sector with strongly rooted institutional traditions (Faulconbridge, 2008a), the high knowledge intensity of the PSFs services (Von Nordenflycht, 2010), and a generally task orientated client interaction process (Gummesson, 1981).

The complexity of knowledge transfer across international boundaries is heightened further in creative PSFs due to the culturally embedded (Jeffcut, 2009) nature of the services delivered by creative industries. In addition, the inwardly



focussed characteristics of creative activity (Tardif and Sternberg, 1988) compounds the challenges facing firms. Creativity involves the interaction between a person's thoughts and the socio-cultural environment. At the organizational level it requires an inwardly cohesive approach between the individual, the team level and the organizational level which all interact (Csikszentmalyi, 1990) in the internal environment to facilitate complex knowledge sharing.

The creative PSF therefore is dealing with the dual and conflicting requirement to interact with clients and interact internally to deliver a service. This is a difficult balance when dealing with physical distance in internationalization.

While a few studies have addressed the internationalization process of PSFs in general, or focus on specific industries, multiple knowledge gaps remain when explaining how creative PSFs internationalize. Firstly, studies on internationalization and typographical groupings (Throsby, 2001, Von Nordenflycht, 2010) suggest PSFs are homogenous with common characteristics across industries. This is not the case for creative PSFs in reality however (Canavan et al., 2013) where a dichotomy exists influencing whether a creative PSF strategizes based on artistic competencies or product portfolio competencies that support replicating services across clients. Secondly, studies neglect the importance of extrinsic cues such as network dependent reputation (Lin et al., 2009, Podolny, 1993) in the process (La et al., 2009). Reputation is often required as an antecedent to forming a relationship (Zaheer and Soda, 2009).

## **11.5 Methodology**

### **11.5.1 Research Setting and Context**

As critical resources tend to vary by industry (Dess and Lumpkin, 2005) 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. Architecture is a classic professional service (Von Nordenflycht, 2010) and a functional creative industry (UNCTAD, 2010). Other creative professional service sectors include advertising, fashion design, media production, graphic design and software development (UNCTAD, 2010, Von Nordenflycht, 2010).

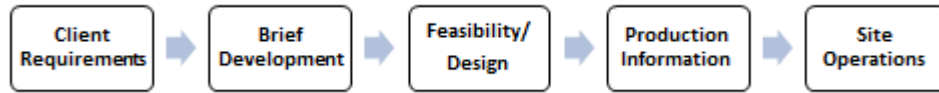
Architects operate within the construction sector, mutually dependent on other building services and are highly exposed to the inherent cyclicity that prevails within the construction industry. While, as with other professions, the scope and responsibilities of the architect may vary somewhat across different institutional, legal and cultural barriers (Bridgestock, 2011, Burrage and Torstendahl, 1990, Faulconbridge, 2009, Faulconbridge and Muzio, 2012) or may even be project specific, a commonly agreed definition on the role of the architect is to design buildings and advise on their construction (Makstutis, 2010). The architects involvement in the building project (Figure 11.1) is highly dynamic with potential for largescale review and revisions between the stages.

Within the architecture firm and in addition to qualified architects, the practice may also include administrators, technicians, visualisation and specification experts and cost consultants. The architectural process also requires them to work on the project formally or informally with other consultants, usually including engineers as well as project managers, construction managers, operations managers and facilities managers. As well as core 'Architecture' service, architecture firms often engage in related services involving interiors projects, masterplanning and urban design.

A drive to internationalize the Irish architecture industry began as far back as 1999 in response to the small size of the domestic market (PWC/BMG, 1999), while globally, the internationalization of the architecture industry has been driven by

technological advancements, mutual practice agreements and global outsourcing and offshoring.

Figure 11-1: Building Project Structure



### 11.5.2 Data Collection and Research Design

Our data collection involved two stages, a preliminary stage and a main stage, identified as the familiarization stage and systemization stages (Turner and Rindova, 2012). The research was approached from a post-positivist worldview (Creswell, 2009) adopting a critical realist perspective (Bhaskar, 1975, Sayer, 2000). This allows for the reconciliation between both context and explanation (Welch et al., 2010) particularly important in the field of IB and where contexts may differ in future testing for transferability (Schofield, 2000).

#### 11.5.2.1 *Familiarization Stage*

We commenced the familiarization stage by gathering 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 in Ireland was completed to assess the viability of the sector as a research setting as well as the potential to select case firms for our research. We then conducted seven open ended interviews with a broadly sampled set of industry informants, all architects with some currently involved in practice and others active within the academic sphere. A semi structured interview technique was focused on the internationalization process. Interviewees were given scope to discuss any other matters they felt relevant that were not highlighted on our probe sheet. All interviews were recorded and transcribed with

field notes written up within 24 hours. Typed transcripts were sent to interviewees with an invitation to respond further if desired.

#### *11.5.2.2 Systemization Stage*

Based on observations in the familiarization stage, we developed a research design to facilitate robust and transferable theoretical insights. Given that few systematic studies relating to the internationalization of PSFs exist and these are concentrated heavily on large multinational accounting and legal firms (Von Nordenflycht, 2010) rather than creative PSFs which are additionally culturally embedded (Jeffcut, 2009), we designed this research to be explorative, descriptive and theory generating. A multiple case study research design was particularly suited to the nature of this research (Eisenhardt, 1989, Welch et al., 2010, Yin, 1994), allowing for the development of a holistic and in-depth understanding of complex phenomena (Eisenhardt, 1989, Yin, 2003) and the development of more robust practitioner contributions.

Our design adopted three units of analysis, the firm, the internationalization event and the business model. Having defined the study's population a diverse sample was created (Santos and Eisenhardt, 2009) centred around three identifiable variations. The first two considered the size of the firm and its number of international projects, both of which were identifiable through the firm's website supported by various public sources. The third variation considered whether a firm was identified by its peers as a 'design' practice or a 'commercial' practice. This can influence the strategy and structure of the firms (Canavan et al., 2013) which in turn guides internationalization paths. The creation of this diverse sample informed by our familiarization stage interviews and archival sources offered firmer grounding of theory than a more homogenous sample (Harris and Sutton, 1986).

We determined that ten organizations for in-depth analysis were needed of which five should be described as 'design' practices and five as 'commercial' practices, all of varying size and international experience. Five of our familiarization phase

informants agreed to their respective firms participating in the research. These were deemed by the researcher to be suitable for the sample and we therefore only needed agreement from five additional firms. Once we received agreement from each firm to participate a number of collection techniques were used to collect data to counteract the possibility of investigator, source, and respondent bias (Jick, 1979). In the systemization stage we adopted three data sources: 1) face to face recorded interviews with founders, senior directors and architects; 2) review of archival material and 3) face to face recorded external stakeholder informant interviews providing the outsider perspective for a “reality check” (Santos and Eisenhardt, 2009) (p648).

Multiple informants from each firm were interviewed to mitigate against individual response bias (Golden, 1992, Miller et al., 1997) and confidentiality letters were signed in advance of each interview. A semi structured interview technique was used primarily focussed on the internationalization process. Interviewees were encouraged to speak of their direct involvement in internationalization episodes rather than opinions, intentions or beliefs in order to increase the accuracy in the accounts (Golden, 1992, Miller et al., 1997). Reproducing techniques used in the familiarization stage, interviewees were given scope to discuss any other matters they felt relevant that were not alluded to on our probe sheet. All interviews were recorded and transcribed with field notes written up within 24 hours. Typed transcripts were sent to interviewees with an invitation to respond further if desired.

Archival data (Table 11.1) was collected before, during and after the face to face interviews. This yielded rich contextual data on the internationalization process to assist in replication and triangulation of findings (Van de Ven, 2007).

**Table 11.1 Archival Sources of Data**

Informants	Data Source	
	<i>Pre Interview Collection</i>	<i>Post Interview Collection</i>
Firm Level	<ul style="list-style-type: none"> <li>- Company Websites</li> <li>- Media Information</li> <li>- Key Management CVs</li> <li>- Search of awards and project tendering</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing Reports</li> <li>- New Market Entry Plans</li> <li>- Samples of project models and drawings</li> <li>- Meeting minutes and notes</li> </ul>
Industry Level	<ul style="list-style-type: none"> <li>- Brochures issued by RIAC</li> <li>- Meeting with RIAC</li> <li>- Competitor and peer group comments</li> <li>- Industry Agency websites</li> <li>- Competitor websites and media articles</li> <li>- OECD/World Bank and other industry reports</li> </ul>	<ul style="list-style-type: none"> <li>- Competitor and peer group comments from other Case Firms.</li> </ul>
Economy Level	<ul style="list-style-type: none"> <li>- Key economic data on select markets</li> <li>- EU tenders</li> </ul>	
Other		<ul style="list-style-type: none"> <li>- Field Notes</li> </ul>

Our third source of data came from face to face interviews with external informants which numbered seven in total, two of whom were interviewed at the familiarization phase. These included three architects mainly engaged in teaching architecture within a School of Architecture, one from the relevant section of the government support agency responsible for promoting Irish business internationally, and three that had extensive international experience including within two large globally recognised non-Irish architecture practices. Techniques for conducting external informant interviews replicated those of the case firm informants. Data collected from external informant interviews was only used to replicate and verify findings existing within our case firm data and to enhance insight into explanations provided in interviews with the case firms.

To safeguard their anonymity and confidentiality, we assigned code names to our ten case firms based on the Greek alphabet between Alpha and Lambda. We identified only the region of internationalization which comprised Western Europe

(WE), Central and Eastern Europe (CEE), America (AM), Middle East and North Africa (MENA), and Other Asia and Africa (AA) and assigned consecutive numbers to each country described. This coded data provided the starting point for analysing the interplay between where firms engaged in international business and how they did it. A summary of our data is illustrated in Table 11.2 below.

**Table 11.2: Description of Sample Firms and Case Data**

	<b>Years since establishment</b>	<b>Employee Nos.</b>	<b>Peer Identity</b>	<b>International Locations</b>	<b>Internal Informants</b>
Alpha	30+	50+	Commercial	8 (AA-2; AM-1; CEE-3; MENA-1; WE-1)	5
Beta	30+	25+	Design	4 (AM-1; WE-3)	3
Gamma	20+	100+	Commercial	22 (5-AA; 2-AM; 6- CEE; 8-MENA; 1- WE)	3
Delta	10+	25+	Commercial	3 (MENA-2; WE-1)	2
Epsilon	30+	20+	Design	18 (AA-3; AM-3; CEE-7; WE-5)	4
Kappa	100+	100+	Commercial	13 (AA-3; CEE-2; MENA-3; WE-5)	4
Zeta	100+	50+	Commercial	12 (AA-3; CEE-2; MENA-5; WE-2)	3
Theta	20+	25+	Design	10 (AA-2; AM-1; MENA-3; WE-4)	4
Iota	10+	20+	Design	4 (MENA-1; WE-3)	3
Lambda	30+	15+	Design	5 (AM-1; WE -5)	4

These firms were all established as partnerships or limited companies with family members or founding partners still involved in key roles. Each of Alpha, Gamma, Epsilon and Kappa had more than 200 staff up until the global economic crisis and between 2007 and 2009 were forced to significantly downsize while Delta and Zeta had between 50 and 100 staff. This in part explains the amount of internationalization experience our case firms demonstrated relative to their current size. Beta, Theta, Iota, and Lambda were more selective in their growth strategy and intentionally never employed more than 35 people. With the exception of Iota, all of our case firms explored international opportunities prior to the 2007 financial crisis. Thus while undoubtedly the virtual collapse of the building sector in Ireland impacted on international strategies, with some case firms temporarily pulling back from foreign markets to focus on stabilising domestic activity and others actively seeking out new markets, the international strategy of our firms was not initiated by that single cataclysmic event.

An important descriptor emanating from our familiarization stage related to how architecture firms described each other as either ‘commercial’ practices or ‘design’ practices. Prior to our data analysis we relied on how firms were identified by their peers to select a variation of firms crossing both descriptions. This was supported through research of public documents, number and types of awards won, and the types of projects recorded on the firm’s website. Our informant data suggested that ‘design’ firms tended to be more active in public or cultural building segments and won more awards relative to the size of their portfolio. Alternatively ‘commercial’ firms tended to be multi-specialists, operated out of multiple offices, with more business concentrated in the private sector.



### **11.5.3 Data Analysis**

To unbundle the processes of internationalization through a business model lens, involving identifying clients, identifying value proposition, monetizing, and governing, the data analysis advanced through multiple steps and was conducted in an iterative fashion, travelling back and forth between the primary and secondary data, emerging observations, and existing literature (Locke, 2001). From the interviews we performed both a *first order analysis* to capture informant's understandings of each process and a *second order analysis* to move findings to a theoretical level (Gioia and Chittipeddi, 1991). Achieving this involved a number of steps.

#### ***11.5.3.1 Step One – broad level coding***

Our data analysis process commenced during the familiarization phase to develop an industry specific understanding of the internationalization process and the dominant logic (Prahalad and Bettis, 1986, Sabatier et al., 2012) of the sector that influenced the business models. Initial categories were established intuitively and guided by the interview data. NVivo was used to assist with coding. At the completion of this stage of analysis 31 higher order themes were identified and 662 lower order codes. Starting at this very broad level provided a more complete perspective of the internationalization process where unexpected relationships, influences, and associations may emerge later in the analysis process. From this step we were able to gain insight into the challenges and opportunities facing architecture firms in international markets from both the direct experience of our practitioner informants and the combined theoretical and practical knowledge of our academic informants, who themselves had careers in practice prior to and along with academic careers.

#### ***11.5.3.2 Step Two – refining coding***

We then moved to case firm data and commenced our analysis of the interviews and related archival and observational data by establishing themes and lower order codes.

Tables and graphs were developed for each case (Miles and Huberman, 1994) to facilitate the analysis including future cross case comparison. We started by identifying the international locations identified in each interview as well as the relevant text segment and recorded this into nVivo. We also set up a spreadsheet to record the location. We then re-read each interview, identifying and recording the processes of how firms went to a location, why they went there, what service they provided there, and the process path from the initial entry opportunity to further opportunity development. Moving through each interview we were constantly comparing and contrasting observations across informants and archival data within each organization.

Once single cases were reviewed, coded and analyzed, a cross case analysis process commenced where data from single cases was compared to other cases to identify consistent patterns and themes (Eisenhardt & Graebner, 2007). The first step was to identify tensions and similarities in the data between the case firms for each of the above queries, firstly by comparing two cases and then adding cases as patterns emerged (Santos & 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. Our spread sheet evolved through multiple versions as data was recorded and compared across cases.

As our cross case comparison progressed we were surprised how internationalization processes became less distinguishable as a clear dichotomy between 'commercial' and 'design' firms. Moreover, firms approached different markets in different ways and we had numerous incidences where design firms followed similar processes as commercial firms to engage in certain business opportunities and vice versa. This suggests firstly that not all cases were 'black or white' in terms of aligning their strategy to structure. It suggests secondly that internationalization processes for

the cases are not always path dependent. This insight added support to our approach of adopting a business model lens to highlight the complexities in the process.

#### ***11.5.3.3 Step Three – theoretical underpinning***

Travelling back and forth between our data, emerging insights, and existing theory (Eisenhardt, 1989, Gioia and Chittipeddi, 1991) we developed our second order categories to provide a framework for how creative PSFs internationalize that incorporates the dynamism and complexity found in the process. To assist in this our third unit of analysis relating to business models focussed our interviews on gaining insights relating into the processes of identifying clients, value creating and value capturing (Teece, 2010, Teece, 2010b). Rather than inventing new business model labels to explain the dimensions, we adapted those from existing literature (Baden Fuller and Mangematin, 2013) to explain the process. These comprised identifying customers, proposing solutions, monetizing opportunities and governing structures. Table 11.3 presents the evolution of our findings from first order categories found in our data to second order codes that provide insight relating to the internationalization process.

**Table 11.3: Progression of Theme Building**

Empirical Observations	Second Order Codes
Desktop researching of market. Visiting 'on the ground'. Using introducers.	Identifying new customers in each market.
Scanning public databases. Invitations from professional sources.	Identifying new customers globally.
Invitations from client.	Identifying unsatisfied needs from existing customers.
Competing with solutions based on efficiency. Competing with solutions based on low cost. Competing with solutions based on 'international expertise'.	Proposing locally valued solutions.
Competing with novel solutions.	Proposing solutions that enhance global status of client.
Developing efficient solution.	Developing international solution.
Decentralizing teams.	Decentralizing governance.
Centralizing teams.	Centralizing governance.
Decentralizing project specific teams.	Hybrid governance.
Managing revenue from multiple networks.	Localizing monetization opportunities.
Managing single revenue stream.	International monetization opportunities.
Managing revenue from global network.	Global monetization opportunities.

From this we formed our aggregate dimensions which identified five groups of business models used by creative PSFs to internationalize as detailed in Table 11.4. This enabled us to develop our framework explaining international risk for creative PSFs illustrated in Figure 11.2.

**Table 11.4: Data Structure**

Second Order Codes	Aggregate Dimensions
Identifying new customers or unsatisfied needs in each market. Proposing locally valued solutions. Localizing monetization opportunities. Decentralizing governance.	Business Model Replication
Identifying new customers globally. Proposing globally valued solutions. Global monetization opportunities. Centralizing governance.	Business Model Extension
Identifying new customers in each market. Proposing locally valued solutions. Localizing monetization opportunities. Centralizing governance.	Gateway Business Model
Identifying unsatisfied needs from existing customers. Developing international solution. Internationalizing monetization opportunities. Hybrid governance.	Client Following
Identifying new customers or unsatisfied needs within specialised global network. Proposing solution valued by specialised global network. Globalizing monetization opportunities. Hybrid governance.	Hybrid Business Model

Consistent with methods of inductive inquiry, we discussed our emerging findings with key informants, presented our evolving findings at research conferences and discussed with valued academics within the field of international business and business models. Suggestions were considered and our framework underwent several major revisions in this process.

## **11.6 Findings**

Our findings highlight above all the diversity of process combinations used to internationalize which is reflected through the forty four business model combinations

(Section 11.11: Appendix 1) that can be categorized into five business model types. This enables us to create a framework for creative PSF internationalization illustrated in Figure 11.2.

### 11.6.1 Business Model Replication

Dimension	Illustrative Quotations
Identifying new customers or unsatisfied needs in each market	"[Iota is focussing on] looking out for new work internationally and building the partnership with [international alliance group] (Iota #3)
Proposing locally valued solutions	"it's all international work in the sense that we can use an international, American or [home country] approach to projects" (Kappa #2)
Localizing monetization opportunities	"I've always perceived that the work you have done kind of determines the work you are going to get." (Iota #2)
Decentralizing governance	"there were people over there on the ground, they had set up an office" (Gamma #2)

This approach involves the replication by case firms of their value chain into targeted relevant networks that are mainly located in a single country or region (see Table 11.5 for representative data across firms). Firms may enter these markets as virtual 'unknowns' but with the capability of addressing customer needs because they are 'early movers' into the market or because they provide a more efficient solution. Business model replication may be an incremental process whereby gateway business models may be adopted to gain recognition and build reputation in advance of establishing a local presence.

We find that from our case firms seven firms provide evidence value chain replication that facilitates the replication of services internationally. Five of these firms meet this need through an established presence on the ground. One firm Delta is in a more exploratory phase of internationalization but suggests that this is part of their plan and "unless you open an office there you would not stand a chance" (Delta #2). Iota also replicates its ability to "produce good solid quality work that is produced on time and on budget" (Iota #2) in the public sector but strategically always partners with a local firm to gain market entry. Instead of using a partner only in the early phases of the process,

Iota strategically builds its alliances internationally taking only the role as design architect in building projects. The replication of its value chain is achieved through formal alliancing. Beta, Theta and Lambda provide no evidence of addressing client needs for service replication.

#### ***11.6.1.1 Identifying Customers***

While potential customers can be identified through mechanisms such as desktop research and utilising other public sources for market researching, our findings suggest that customers seeking replicated services require “visibility but also personal contact itself” (Zeta #3). Creating visibility and personal contact is a challenge for the firms when entering new markets. Often an introducer will be used in a process described as ‘warm calling’ to get the case firm in front of prospective clients.

Clients that seek ‘replicated’ architectural services are looking for a service that is either not available through local firms or that can be addressed more efficiently by international firms. We found four main client groups that our case firms are targeting. Firstly, customers may be international clients active in less developed markets. For these opportunities our case firms are also ‘early movers’ establishing presence in international markets. They are prepared to work in weaker legal and institutional environments in order to become established on the ground early and build a reputation as well as forge durable relationships. This is a learning process for the case firms insofar as “you are learning all the time. What you might learn from one project or one location, you may need to transfer into another one ... [even though] markets are all very different” (Gamma #1).

Secondly, potential clients may exist in a well developed and mature market but one where the particular expertise of the case firm is very limited locally. For example, architects in some Western European countries have limited expertise in sectors of public building because they have relied on renovating older buildings for decades and

have therefore lost competitiveness. Iota was able to leverage such a gap to successfully enter into [WE-23].

Thirdly, they may be clients in mature markets that are looking for low cost services. Although this may not be a sustainable business model in the long term, a case firm may be “very competitive on fees and the only way to do that is to be highly efficient” (Alpha #3). Finally, they may be addressing the needs of local clients in less mature markets seeking the services of an ‘international architect’ for both efficiency and status reasons. Clients may perceive that the ‘international architect’ has “the credibility that comes from working within a highly demanding environment” (Gamma #2) such as the London market or the client may believe that having an international building team attributes credibility to their building project.

In all cases clients are demanding visibility and presence and services are localized. The firms therefore need to replicate their value chain in each market.

### 11.6.2 Business Model Extension

Table 11-6 Illustrative Evidence: Business Model Extension	
Dimension	Illustrative Quotations
Identifying new customers globally	“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” (Theta #1)
Proposing globally valued solutions	“it very much reflects what their client believes their market is ... you see them in all the James Bond movies” (Epsilon #2)
Global monetization opportunities	“Reputation comes from the building and the building comes from the reputation.... Well I suppose the reputation comes first and then people take an interest in the building.” (Beta #3)
Centralizing governance	“Everything is run from this office.” (Lambda #1)

Certain of our case firms evidence an internationalization process whereby they “target projects” (Beta #1) rather than places or relationship networks. Differences between the home market and foreign markets have less of a distinction for these firms. They extend their existing value chain. One firm even describes their country of origin as “purely coincidence” (Theta #2) highlighting the point that the firm could exist in another location and still deliver the same service. These firms have a global reputation and are



highly regarded both within professional circles and with the wider public. Owing to the degree of novelty within their service, they are frequently the recipients of internationally recognised awards and they attract widespread professional and general media attention. Students of architecture study closely the philosophy and buildings of these firms and their work is widely cited in books of architecture and academic literature. While our findings suggest that all of our firms engage on occasion in services that allow them to “showcase [their] skills as designers” (Gamma #2) and maintain professional recognition, we find that Beta, Theta and Lambda extend their service internationally. Their dominant value chain extends globally. This internationalization process addresses the needs of clients looking for a prestigious and unique service appreciated by the wider public (Table 11-6).

#### ***11.6.2.1 Identifying Customers***

Case firms are searching for customers that have a desire for a high degree of novelty and artistic merit from their service. Because it is global, this market may be intensely competitive whereby the most prestigious building projects can attract hundreds of competition entrants through an open competition format. Our case firms describe criteria for selecting projects possibly based on “what [they] are good at [so that they] are able to get noticed among the crowd and be recognised by competition panels” (Theta #4). There may also be financial considerations in the selection of competition entries such as the fee structure or the costs involved in accessing a location. It may be a “prestigious or interesting site, or just building, or something that hasn’t been done before” (Beta #3). Reputation earned through existing buildings and awards is particularly important for gaining access to restricted competitions and competition shortlists as well as invitations to participate, which are usually more preferable projects for the case firms to be involved in.

Thus addressing customer needs is about “looking at each project separately trying to figure out what is unique about this and how can it both fit into its cultural and physical space but also be appreciated through time” (Theta #4). This interesting dynamic between “doing deep research into places and culture” (Beta #1) to create a unique project that attracts a wide global reputation is common across Beta, Theta and Lambda. Lambda now puts little effort into international competitions because they are “very time consuming and very costly” (Lambda #1). They mainly attract new clients internationally through invitations on the back of public media sources, potential clients visiting their buildings and ‘word of mouth’. An example of the global nature of their business is described as follows whereby buildings in Western Europe are leading to opportunities in America:

*“the PR company published this [building] .... It kind of went a bit viral and it went up on various websites around the world. And out of that we got an enquiry to build ... on [AM-11 prime location] which you don’t say no to.” (Lambda #3)*

### 11.6.3 Gateway Business Model

Dimension	Illustrative Quotations
Identifying new customers in each market	“We do a lot of peer reviews, say like we say that your project isn’t efficient enough you could do it better” (Gamma #1)
Proposing locally valued solutions	“we came in as retail designer consultants” (Delta #2)
Localizing monetization opportunities	“Well [Directors] are part of the concept design. But most of the design is realised over here. But again, I would think that at some stage it has to come that [WE-1] does its own work in [WE-1] and then gets assistance from here. (Alpha #3)
Centralizing governance	“I would not always recommend not travelling somewhere but it’s a long way away. But [masterplanning] travels very well internationally” (Gamma #1)

We identify through our mapping of the business models across each firm that where clients are requiring the replication of case firm services internationally, our case firms may not immediately be in a position to address those needs (Table 11-7). This may be

because they have no reputation in the relevant network and clients therefore have no signal about quality to trust the case firm, or it may be because the case firms are unwilling to commit sufficient resources on the ground to replicate their value chain because they have not gained sufficient knowledge. We find evidence of firms using ‘gateway’ business models to facilitate entry into international networks. These are either market based or service based.

#### **11.6.3.1        *Based on Market***

One interesting insight from our findings is the status accorded to experience in specific locations in terms of enhancing the ability to win business. London was of particular importance and numerous firms use London not only as a source of direct business opportunity, but also as a “showcase of our skills as designers” (Gamma #2) and an important market to find out what is going on because for architecture “London is the centre of the universe” (Alpha #4). International markets, in particular lesser developed nations, want an ‘international architect’ and thus a “portfolio of international credibility” (Gamma #1) is critical to achieving this status.

#### **11.6.3.2        *Based on Service***

In terms of gateway services, firms often engage in a ‘top down’ approach whereby they start by offering earlier phase work such as masterplanning and feasibility studies which are internationally transferrable and have the potential to facilitate early entry into building projects. At the same time they can be delivered from a centralized governance structure, thus lower resource intensive.

#### **11.6.3.3        *Identifying Customers***

Gateway services target two groups of customers. Firstly, the direct beneficiaries of the service in each local market and secondly, potential clients in other local networks seeking signals about quality through high status locations such as London.

## 11.6.4 Client Following

Table 11-8 Illustrative Evidence: Client Following	
Dimension	Illustrative Quotations
Identifying unsatisfied needs from existing customers.	“we were following [home country] clients” (Epsilon #1)
Developing international solution	“[the client] had an architect in [CEE-8] and they wanted to bring in someone who understood the way they worked and could help to bring all that together” (Epsilon #3)
Internationalizing monetization opportunities	“the owner [of the building in AM-9] is a friend of mine and we have known each other for years and I do a lot of things for him and his family” (Lambda #1)
Hybrid governance	“[the client] felt that we needed a presence over there and actually we set up a branch office” (Zeta #2)

Following a client to an international market is as expected a common catalyst for internationalization among our case firms (Table 11-8). This is often the case where key clients in the home market are engaging in business internationally and request the services of their architect to follow them, but it is also evident in international markets where relationships are formed for example in the case of Epsilon "basically it was a big international client from [CEE-6] that caused our entry into [CEE-8]" (Epsilon #1).

### 11.6.4.1 *Identifying Customers*

Our case firms are addressing unfulfilled needs from existing customers. Clients have a need for their case firms to follow them internationally either because they need someone “to hold their hand and say this is what we are trying to achieve and maybe the local architects don’t know where they are coming from” (Alpha #1) or possibly because the customers of the client are from their country of origin and the case firm can deliver “what people expect” (Alpha #1). Case firms frequently describe these internationalization events as ‘opportunistic’ or “not strategically planned” (Delta #2) although perceive value from them for two reasons. Firstly, it is an opportunity to grow an existing client relationship internationally but also the case firm can use the opportunity as “the anchor [in the international market] because otherwise it would have been quite a big step for the [case firm] to actually set up an office and go into a location cold like that” (Epsilon #3).

## 11.6.5 Hybrid Business Model

Dimension	Illustrative Quotations
Identifying new customers or unsatisfied needs within specialised global network.	“even now there are very few companies in [WE-28] who have the capacity to do this, so therefore [the client] will recommend you to somebody else because [they] know this stuff is good. So I got another potential project in the [WE-30]” (Kappa #2)
Proposing solution valued by specialised global network.	“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” (Epsilon #2)
Globalizing monetization Opportunities.	“there is one real rule for reputation. You are as good as your last job.....we now have several clients as we were seen to be doing a good job for the first one.” (Kappa #1)
Hybrid governance.	“sometimes you need to see people, but generally we can use technology to do that” (Epsilon #4)

The final combination of processes are described as a hybrid between business model replication and extension (Table 11-9). These relate to case firms active in specialised global markets. They provide a replicable service but relationships within that market are global and everybody knows everybody. We found that Kappa and Epsilon used this business model to deliver complex technical projects on a global scale. While not delivering artistic high profile services across each project, their skills at delivery are rare and “there are very few companies .... that have the capacity to do this” (Kappa #2).

### 11.6.5.1 Identifying Customers

This business model meets unmet needs from existing customers or addresses new needs from new customers, all of whom are known to the case firms. Opportunities are through “word of mouth, track record and go and talk to the right people” (Kappa #2). Customers require a firm that can understand things from their background, “that can speak their language” (Kappa #2). These clients can be very much influenced by each other. For Epsilon their opportunities relate to building specialised sports facilities across various international locations whereby following the completion of a project in [AM-3], “we are being told now that the president of the [sporting association] wants to

show what [AM-3] are doing as an example to other .. clubs [globally] that are wondering what can be done” (Epsilon #3).

## **11.7 Discussion**

This study develops our understanding of how creative PSFs internationalize by exploring through the identification of business models the internationalization paths of architecture firms. We now discuss our findings in relation to the two theoretical gaps set out earlier in this paper, namely identifying the business model portfolios that creative PSFs use to internationalize and how international risk for creative PSFs can be counterintuitive to traditional explanations within IB. Our findings add important theoretical insights to international business theory.

### **11.7.1 Exploring Internationalization in Heterogeneous Sectors**

The business model approach to our study shows the complexity of process combinations used by creative PSFs to internationalize detailed in Table 11.10. The dichotomy in creative PSFs (Canavan et al., 2013) influences a dominant internationalization process. This is either defined by business model extension for firms active in a global market and delivering ‘novel’ solutions, or business model replication defining firms replicating their value chain in each new market.

Where the firm’s internationalization process is defined by business model extension, this firm is focussing mainly on specific projects and relies on its reputation to internationalize. With its global reputation architecture firms for example get invited into closed and restricted competition processes. They are also able to align with other high status global consultants that create new opportunities. The ability of the firm to create novel solutions is supported by centralized resources and competencies at the organizational level with interaction mostly within the internal environment

(Csikszentmalyi, 1990). This internationalization process has features of the born global phenomenon (Knight and Cavusgil, 1996) whereby firms have little distinction between doing business domestically or globally. They don't need to re-invent their value chain. A distinguishing feature of creative PSFs however is that the service is locally embedded (Faulconbridge, 2008a) and internationalization is not dedicated and rapid (McKinsey&Co, 1993) or facilitated by new technology (Knight and Cavusgil, 1996). It is not the 'culture free' knowledge intensive service that born global describes or driven by experience and pre-existing relationships that new venture theory describes (Oviatt and McDougall, 1994). We show that the internationalization path defined by business model extension is about the global certification of art which is 'culture laden' and IB process theory is unclear about explaining this important feature of creative PSF internationalisation.

When the firm is replicating its value chain into each market, the firm is focussed mainly on delivering efficiency to clients. Due to the localized nature of the creative PSF services (Faulconbridge, 2008a, Faulconbridge and Muzio, 2012) these firms need to be visible on the ground showing local know how (Brock and Alon, 2009) and a specialized knowledge of connections in the foreign environment (Segal-Horn and Dean, 2007). They are internationalizing by adapting to customer needs in new markets and reinventing their value chain in each new market. Their reputation is certified locally, for example through ISO certifications.

The internationalisation process defined by firstly the gateway business model as a pre-cursor to business model replication aligns with ideas about incrementalism (Johanson and Vahlne, 2009) whereby firms may be exploring and learning about a market before committing further resources. However, this is only one process defined in the Gateway business model. This model may be adapted as well because the client will only engage in shorter term and less committed activities even if the firm is

prepared commit more resources locally. Through addressing short term needs of customers, creative PSFs can establish their local network reputation and gain the trust of their clients before establishing governance structures locally.

For the creative PSF however, the business model portfolio is even more complex. Some firms have multiple specialisms which may also include competing in globalised niche markets based on a network dependent (Lin et al., 2009, Podolny, 1993) reputation. This could be for example designing specialized pharmaceutical buildings that are highly technical although have a low level of artistic novelty. This internationalization process is defined by the hybrid business model which combines the project based nature of the service similar to business model extension with the focus on delivering efficient services similar to business model replication.

Another common internationalization pattern is client following. It is well recognized in the literature that firms often follow clients to international markets (Freeman et al., 2006) and this can be defined as another form of hybrid business model. The firm is usually required to replicate its value chain locally but on a project basis to deliver services to an existing client. The creative PSF's reputation is certified within the key client network globally rather than the international market.



**Table 11.10: Business Model Portfolio Comparison**

	Customer Identification	Value Proposition	Monetization	Governance
Business Model Extension	No Adaptation Required	Extension/Novelty	Global	No Change
Business Model Replication	Adapt to new Market	Replication/Efficiency	Local	Reinvent value chain
Gateway Business Model	Adapt to new Market	Replication/Efficiency	Local	No Change
Client Following	No Adaptation Required	Replication or Novelty	Global	Reinvent value chain
Hybrid Business Model	No Adaptation Required	Replication/Efficiency	Global	No Change

#### **11.7.1.1 The Role of Value Sensing**

Our findings provide particular insight into the value sensing process where the choice (Shafer et al., 2005) is made about which customers to choose, how to address their needs and how profit can be derived from that opportunity. Taking the extension of the business model for example, opportunities are presented on a global basis through public and widely available sources such as open competition calls and electronic databases. However, the reputation of the firm is protected through carefully selecting projects based on the core competencies of the firm and their capacity to deliver based on their organizational expertise. As reputation strengthens it enhances opportunity creation through invitations into restricted opportunities or shortlists.

### **11.7.1.2 *Interconnectedness Between Business Models***

Creative PSFs may have an international strategy, exploring and exploiting opportunities that requires replication of the value chain in each relevant network (Johanson and Vahlne, 2009). Concurrently, they may have a specialism capable of providing services to a small niche but global market. These strategies sit alongside each other but there is no overlap between the client networks and little overlap between locations where the creative PSF is providing services, yet they both contribute to the performance of the firm. Similarly, it is the case that where the dominant strategy of the firm may be implemented within a global market where they have a public and professional profile and their buildings are recognised and appreciated globally. This does not mean that these same firms do not take advantage of providing ‘replicable’ services within international markets where they have completed a high status project. The differentiation point here is that they are not actively searching for this business but their good reputation facilitates invitations into other interesting local projects.

Especially close interconnectedness between the business models exists where clients adopt gateway business models. While these on their own represent a low risk form of centralized governance, they also open the way to international opportunities where a creative PSF can re-invent its value chain to replicate services in local networks.

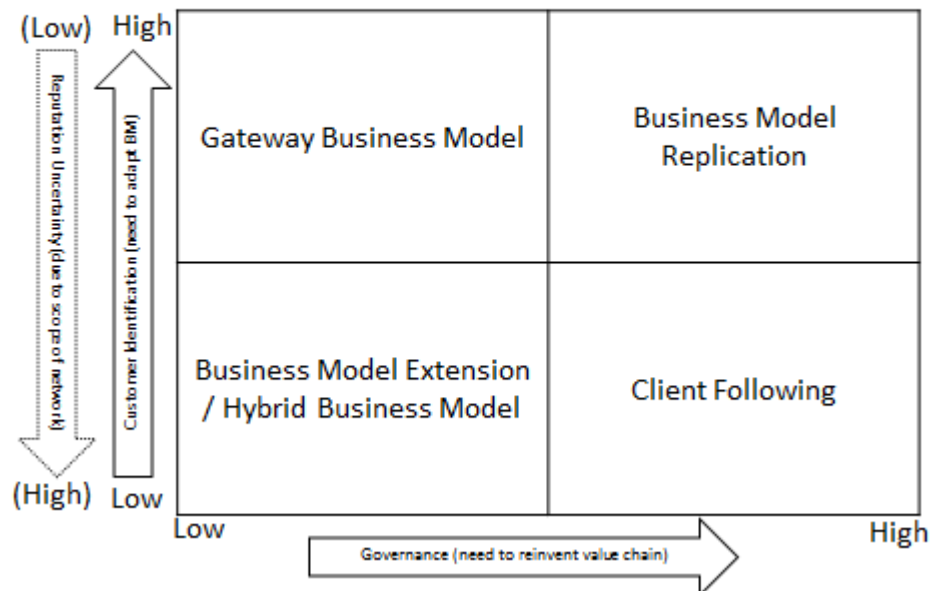
Similarly client following can provide opportunities for reputation building and new opportunity exploitation while clients are established internationally. Client following also provides opportunities for global reputation depending on the type of services involved.

### **11.7.2. International Risk and the Business Model Portfolio**

Our findings contribute to insights on business model portfolios (Sabatier et al., 2010) that balance uncertainties and protect the future health of the firm. Internationalization,

while risky, is normally considered in the context of overcoming uncertainties in particular associated with outsidership from a relevant network (Johanson and Vahlne, 2009). However, in reputation dependent sectors the network dictates ‘who knows?’ if quality is not delivered. As reputation is network dependent, firms that internationalize by business model replication need to manage their reputation in local networks. Despite the decentralized governance requirement relating to re-inventing the value chain, the reputation risk is actually low compared to firms internationalizing through business model extension. Firms active in a global network extend their existing value chain and do not need to adapt to each new market, however, if they do not deliver on quality, ‘everybody knows’. This insight relating to reputation risk inside the network is counterintuitive compared to traditional insights relating to uncertainty in the IB process and is a novel finding.

**Figure 11-2: Business Model Portfolio and Risk for Internationalizing Creative PSFs**



## **11.8 Managerial Implications**

While our research may trigger issues for managers outside of the PSF sector, this study has direct implications for creative PSFs facing firm internationalization in a growingly complex and volatile international environment.

Firstly, it encourages managers to adopt business model thinking into their strategy making processes. Creative PSFs can co-exist in different international markets, targeting different client groups and requiring different value chain responses. Giving consideration to different value propositions that have varying levels of path dependency and understanding how to capture these responses ensures that strategy is flexible to manage alternative paths.

Secondly, we show that focussing only on the risk of outsidership from a relevant network is not sufficient for creative PSFs. Firms need to consider the implications of managing reputation. Firms need to ensure that they have the competencies to deliver on client needs since reputation is difficult to acquire and easy to damage. Consideration of the core competencies of the firm and its ability to continually build reputation needs to be a considered within growth strategies.

Finally, Managers also need to consider the risks of delocalisation as well as localisation not only relating to resources but also reputation.

## **11.9 Limitations and Future Research**

While the first limitation relates to the usual caveats applying to case study research and conceptual generalisation through our proposed model, the second limitation of our study relates specifically to the Irish context and the position of Ireland on the periphery of Europe. Although Ireland benefits from a very favourable environment for

international trade, further research could be conducted into other contexts and settings to improve transferability of findings.

### **11.10 Conclusion**

Building on international business theory through a business model lens, our study provides key insights into how creative PSFs internationalize which complements and detail our existing knowledge. Our exploration of an unusual and heterogeneous context and our framework identifying business models for creative PSF internationalization represents a significant step towards understanding research gaps in the field. We also extend insight on business models, in particular the literature on business model portfolios by adopting the approach to explain the internationalization process. Understanding how business models interconnect and are selected for internationalization provides a basis for future study to test transferability of findings across different sectors and contexts.

## 11.11 Appendix 1: International Business Models in the Creative PSF

Case Firms	Identifying Mechanism	Timing of Entry	Service Offering	Value Proposition	Identifying Customers	Proposing Solutions	Monetizing Opportunities	Governing Structures	Illustrative Quotes	Business Model
Beta, Lambda	Invite	Mature Market	Architecture	Novelty/Client Status	Global New	Global	Global	Centralizing	"what we've done in [WE-2], we've stuck with the local architect and his assistant" (Beta 3)	Business Model Extension
Beta, Epsilon, Theta, Lambda	Invite	Project specific	Other Design Services	Novelty/Client Status	Global New	Global	Global	Centralizing	"I'd say about two thirds of the architects in the office teach as well" (Beta 3)	Business Model Extension
Beta, Epsilon, Theta, Lambda	Invite	Project specific	Architecture	Novelty/Client Status	Global New	Global	Global	Centralizing	"we never looked at [AM-1]. We have been contacted because we could possibly answer the spec". (Beta 3)	Business Model Extension
Epsilon, Theta	Invite	Project specific	Interior Design	Novelty/Client Status	Global New	Global	Global	Centralizing	"there is one we submitted for [AA-16]" (Theta 2)	Business Model Extension
Beta, Gamma, Epsilon, Theta	Public Database	Project specific	Architecture	Novelty/Client Status	Global New	Global	Global	Centralizing	"we won a competition in [WE-3]" (Beta 1)	Business Model Extension
Epsilon	Public Database	Project specific	Masterplanning/Urban Design	Novelty/Client Status	Global New	Global	Global	Centralizing	"I won a design competition for a town in [WE-17]" (Epsilon 2)	Business Model Extension

11.11 Appendix 1 (Contd)

Case Firms	Identifying Mechanism	Timing of Entry	Service Offering	Value Proposition	Identifying Customers	Proposing Solutions	Monetizing Opportunities	Governing Structures	Illustrative Quotes	Business Model
Kappa	Introducers	Mature Market	Architecture	Project Efficiency	Global Specialized	Global Niche	Global	Hybrid governing	"it's all international work in the sense that we can use an international, American, or Irish approach to projects" (Kappa 2)	Hybrid Business Model
Kappa	Introducers	Project specific	Architecture	Project Efficiency	Global Specialized	Global Niche	Global	Hybrid governing	"we are doing a good job for one company, they talk to another company." (Kappa 2)	Hybrid Business Model
Epsilon	Invite	Project specific	Architecture	Project Efficiency	Global Specialized	Global Niche	Global	Hybrid governing	"this was played on television in [AM-3] and from this we got the offer to build a [sports facility] in [AM-3]" (Epsilon 4)	Hybrid Business Model
Kappa	Unsatisfied need	Project specific	Architecture	Project Efficiency	Global Specialized	Global Niche	Global	Hybrid governing	"and another interesting thing that came out of the relationship there, we actually began working on a much bigger pharma plant in [AA-13]" (Kappa 1)	Hybrid Business Model
Kappa	Invite	Mature Market	Interior Design	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"we are developing a substantial business with [retail client] working on their retail stores in [WE-26]" (Kappa 1)	Client Following

## 11.11 Appendix 1 (contd.)

Case Firms	Identifying Mechanism	Timing of Entry	Service Offering	Value Proposition	Identifying Customers	Proposing Solutions	Monetizing Opportunities	Governing Structures	Illustrative Quotes	Business Model
Epsilon	Unsatisfied need	Early Mover	Architecture	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"before we knew it we had 8 or 9 people out there working, mostly Irish people, working on projects with mostly Irish investors" (Epsilon 1)	Client Following
Epsilon	Unsatisfied need	Early Mover	Interior Design	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"so then we opened an office in [CEE-8], so basically it was a big international client from [CEE-6] that caused our entry into [CEE-8]" (Epsilon 1)	Client Following
Epsilon, Zeta	Unsatisfied need	Early Mover	Masterplanning/Urban Design	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"he is building what he calls an Irish village and he has asked me to masterplan that" (Zeta 1)	Client Following
Epsilon	Unsatisfied need	Early Mover	Project Management	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"they had a design architect in [CEE-8] and they wanted to bring in someone who understood the way they worked and could help to bring all that together" (Epsilon 3)	Client Following
Gamma, Zeta	Unsatisfied need	Mature Market	Architecture	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"he felt that we needed a presence over there and actually we set up a branch office" (Zeta 2)	Client Following



11.11 Appendix 1 (Contd.)

Case Firms	Identifying Mechanism	Timing of Entry	Service Offering	Value Proposition	Identifying Customers	Proposing Solutions	Monetizing Opportunities	Governing Structures	Illustrative Quotes	Business Model
Delta	Unsatisfied need	Mature Market	Project Management	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"we've two projects in [WE-5] but that is with an Irish partner" (Delta 2)	Client Following
Beta, Lambda	Unsatisfied need	Project specific	Architecture	Client Status	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"we had done a competition with them in [WE-15] for [project], a developer led competition with [developer client]" (Beta 3)	Client Following
Alpha, Lambda	Unsatisfied need	Project specific	Architecture	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"all these projects were driven and financed by Irish firms" (Alpha 1)	Client Following
Epsilon, Gamma	Unsatisfied need	Project specific	Architecture	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"we looked at a project in [AM-7]. Through somebody coming to us and asking us if we would look at a project there" (Gamma 1)	Client Following
Gamma	Unsatisfied need	Project specific	Masterplanning/Urban Design	Project Efficiency	Internationalizing Key Client Relationship	Internationalizing	Internationalizing	Hybrid governing	"[Gamma] was appointed to plan a new urban quarter in [CEE-25] on a 250 acre site being developed by [developer client]" (Gamma 4)	Client Following
Epsilon	Invite	Early Mover	Masterplanning/Urban Design	International Expertize	Market New	Local	Local	Centralizing	"you'd never go there and provide architecture ... they want an image and they build it" (Epsilon 2)	Gateway Business Model (based on service)

## 11.11 Appendix 1 (Contd)

Case Firms	Identifying Mechanism	Timing of Entry	Service Offering	Value Proposition	Identifying Customers	Proposing Solutions	Monetizing Opportunities	Governing Structures	Illustrative Quotes	Business Model
Alpha	Invite	Project specific	Architecture	Client Status	Market New	Local	Local	Centralizing	"if I give anyone an address in [WE-8] it is good enough to go to any part of the world" (Gamma 2)	Gateway Business Model (based on market)
Delta, Kappa	Invite	Project specific	Architecture	Project Efficiency	Market New	Local	Local	Centralizing	"we came as retail designer consultants" (Delta 2)	Gateway Business Model (based on service)
Gamma	Invite	Project specific	Masterplanning/Urban Design	Project Efficiency	Market New	Local	Local	Centralizing	"we've done work in [AA-4]" (Gamma 1)	Gateway Business Model (based on service)
Kappa	Market Researching	Early Mover	Architecture	International Expertize	Market New	Local	Local	Centralizing	"today I have people in [Irish city] designing an office building for [AA-14]" (Kappa 1)	Gateway Business Model (based on service)
Gamma, Kappa	Market Researching	Early Mover	Masterplanning/Urban Design	Project Efficiency	Market New	Local	Local	Centralizing	"we are using our [Irish city] office as a hub .. Aligning ourselves with local partners in cities like [CEE-10]" (Gamma 4)	Gateway Business Model (based on service)

## 11.11 Appendix 1 (contd.)

Case Firms	Identifying Mechanism	Timing of Entry	Service Offering	Value Proposition	Identifying Customers	Proposing Solutions	Monetizing Opportunities	Governing Structures	Illustrative Quotes	Business Model
Alpha	Market Researching	Mature Market	Architecture	Project Efficiency	Market New	Local	Local	Centralizing	"from [WE-39] I know [employee name] has worked on a hotel and shopping centre in [CEE-12]" (Alpha 4)	Gateway Business Model (based on service)
Gamma	Market Researching	Mature Market	Masterplanning/Urban Design	Project Efficiency	Market New	Local	Local	Centralizing	"particularly masterplanning is a huge area that we do a lot of work" (Gamma 1)	Gateway Business Model (based on service)
Gamma	Market Researching	Project specific	Architecture	Project Efficiency	Market New	Local	Local	Centralizing	"[MENA-9] the same. We don't set up an office there" (Gamma 1)	Gateway Business Model (based on service)
Epsilon	Market Researching	Project specific	Masterplanning/Urban Design	Client Status	Market New	Local	Local	Centralizing	"I had worked with people in the Dublin office on a project in [CEE-13]" (Epsilon 3)	Gateway Business Model (based on service)
Gamma	Market Researching	Project specific	Masterplanning/Urban Design	Project Efficiency	Market New	Local	Local	Centralizing	"masterplanning is a huge area that we do a lot of work. We can do that very internationally" (Gamma 1)	Gateway Business Model (based on service)
Gamma	new global	Mature Market	Architecture	International Expertize	Market New	Local	Local	Centralizing	"the work we do in [WE-9] is to showcase our skills as designers" (Gamma 2)	Gateway Business Model (based on market)

## 11.11 Appendix 1 (contd.)

Case Firms	Identifying Mechanism	Timing of Entry	Service Offering	Value Proposition	Identifying Customers	Proposing Solutions	Monetizing Opportunities	Governing Structures	Illustrative Quotes	Business Model
Epsilon, Iota	Introducers	Mature Market	Architecture	Project Efficiency	Market New	Local	Local	Decentralizing	"not everyone can be ringing bells and whistles" (Iota 2)	Business Model Replication (incl. peer partnering)
Gamma	Introducers	Project specific	Architecture	Project Efficiency	Market New	Local	Local	Decentralizing	"Jerry is in [AA-12] at the moment because the contractor is [AA-12]. And an awful lot of work in that region is procured through [AA-12] contractors" (Gamma 2)	Business Model Replication
Gamma, Zeta	Invite	Project specific	Architecture	Project Efficiency	Market New	Local	Local	Decentralizing	"our client at the time for the project was [MENA-4] based. They invited us to put tenders in for other projects in the middle east" (Gamma 3)	Business Model Replication
Epsilon, Zeta	Market Researching	Early Mover	Architecture	International Expertize	Market New	Local	Local	Decentralizing	"we were following [Irish city] clients and then we got more international clients. And then I suppose in the last four or five years where would have been a lot of wealthy [CEE-15] who would have become our clients" (Epsilon 1)	Business Model Replication

## 11.11 Appendix 1 (contd.)

Case Firms	Identifying Mechanism	Timing of Entry	Service Offering	Value Proposition	Identifying Customers	Proposing Solutions	Monetizing Opportunities	Governing Structures	Illustrative Quotes	Business Model
Zeta	Market Researching	Early Mover	Architecture	Low Cost Service	Market New	Local	Local	Decentralizing	"we would have done the real design work here and any of the hard work would have been outsourced to our [AA-18] office" (Zeta 2)	Business Model Replication
Alpha, Delta, Epsilon, Gamma, Kappa, Zeta	Market Researching	Early Mover	Architecture	Project Efficiency	Market New	Local	Local	Decentralizing	"you need to be seen to be there all the time" (Gamma 1)	Business Model Replication
Epsilon	Market Researching	Early Mover	Interior Design	Project Efficiency	Market New	Local	Local	Decentralizing	"we did quite a lot of fit out work, especially in [CEE-6]" (Epsilon 1)	Business Model Replication
Alpha	Market Researching	Mature Market	Architecture	Low Cost Service	Market New	Local	Local	Decentralizing	"we are very competitive on fees and the only way to do that is to be highly efficient" (Alpha 3)	Business Model Replication
Epsilon	Market Researching	Mature Market	Architecture	Project Efficiency	Market New	Local	Local	Decentralizing	"we had two very good architects from here ... and they decided they were going to go home and we didn't want to lose the talent" (Epsilon 1)	Business Model Replication

## 11.11 Appendix 1 (contd.)

<b>Case Firms</b>	<b>Identifying Mechanism</b>	<b>Timing of Entry</b>	<b>Service Offering</b>	<b>Value Proposition</b>	<b>Identifying Customers</b>	<b>Proposing Solutions</b>	<b>Monetizing Opportunities</b>	<b>Governing Structures</b>	<b>Illustrative Quotes</b>	<b>Business Model</b>
Gamma, Kappa, Zeta	Market Researching	Mature Market	Architecture	Project Efficiency	Market New	Local	Local	Decentralizing	"we are a [WE-29] office. We are not selling ourselves as coming from an Irish office" (Kappa 2)	Business Model Replication
Gamma, Iota	Market Researching	Project specific	Architecture	Project Efficiency	Market New	Local	Local	Decentralizing	"we are against five or six international companies" (Gamma 1)	Business Model Replication ( incl. peer partnering)

## **Chapter 12: Concluding Discussion**

The purpose of this thesis is to advance scholarly understanding of the research problem **‘How do creative professional service firms internationalize?’** Insights are provided in the study on (1) the dichotomy in creative PSFs influencing their growth strategy and driven by the motivations of the talent within the firm (2) the process for moving from outside to inside relevant international networks and (3) international business model portfolios within creative PSFs. This concluding section discusses the key theoretical contributions and the managerial implications of the thesis. Contributions can be made from the findings to the fields of IB, organizational status theory and PSF literature. Following the presentation of theoretical contributions and managerial implications, the study’s limitations are then acknowledged. This chapter concludes by presenting some potentially interesting areas for future research.

### **12.1 Contributions to International Business Theory**

#### **12.1.1 First Theoretical Contribution of Thesis: International Business Model Portfolios for the Creative PSF**

The intuition to use a business model portfolio approach (Sabatier et al., 2010) to visualize complex internationalization processes has not been adopted by IB scholars to date. This is despite the potential for greatly enhanced theoretical insights that the approach can provide. In particular the fragmented nature of the international services literature due to variability across service sectors (Erramilli, 1990, Schmenner, 1986) has fuelled the debate as to whether the internationalization of services is different to manufacturing and scholars have long criticized theoretical frameworks for being dominated in manufacturing and failing to explain the internationalization process for service firms (Coviello and Munro, 1993, Pla-Barber and Ghauri, 2012). The review of

the international services literature for this project shows that this debate may become obsolete as goods offerings incur ever greater service dimensions. Additionally, with globalization, both organizations and customers are becoming increasingly sophisticated and discerning (Buckley and Ghauri, 2004, Homburg et al., 2009) in both manufacturing and service organizations. In such dynamic and evolving environments generic frameworks enable researchers to compare and contrast differences and learn from the findings. At the same time how to visualize the complexities remains a challenge and bringing the business model portfolio approach to enhance insight is extremely illuminating.

For the creative PSF, evidence of a dichotomy within the sector described in Chapter 3 suggests that firms within this sector pursue at least two different paths to internationalize. The findings from this study described in Chapter 11 identify that even more than two business models may be adopted. By combining the business model approach with IB, a meaningful map of possibilities can be generated (Baden Fuller and Mangematin, 2013) across firms that can enhance explanation and theoretical insight. While an alternative framework to the dominant IB process explanation is not proposed, the business model approach allows the researcher to capture and compare idiosyncratic processes existing within and across firms providing significantly richer insights that can be compared across contexts.

#### ***12.1.1.1 Internationalization Risk in the Business Model Portfolio***

The business model portfolio approach is concerned with balancing the portfolio of business models to reduce risk and protect the health of the firm (Sabatier et al., 2010). A business model approach can potentially extend insight into international risk. This is what the proposed framework derived from this study achieves (Figure 11.2) relating to business model configurations and reputation risk for creative PSFs. For the creative



PSF which is reputation dependent, international risk can be counterintuitive to traditional IB insights (Johanson and Vahlne, 2009, Miller, 1992, Brouthers and Brouthers, 2003). For example, where governance is centralised and firms are active in a global network, they do not have to adapt to different markets. Traditional theory would suggest that this is a lower risk form of market commitment (Johanson and Wiedersheim-Paul, 1975) as the organization does not have to establish a presence ‘on the ground’ requiring the commitment of resources. However, because they operate in a global environment they cannot delocalize from a market. In this case if reputation is destroyed everybody knows.

#### ***12.1.1.2 Explaining how Creative PSF Idiosyncrasies influence the internationalization process***

The business model approach also helps to clarify how the idiosyncrasies of the creative PSF detailed in Chapter 2 influence the internationalization process. A core focus of services internationalization literature relates to the interplay between the distinctive characteristics of services (Buckley et al., 1992, Zeithaml et al., 1985) and their influence the internationalization process (Sanchez and Pla-Barber, 2006) and entry mode choice (Erramilli, 1990, Villar et al., 2012). The variability of findings from different studies is reflective of heterogeneity across the services sector. This study shows that for internationalizing creative PSFs, they need to manage challenges such as local and cultural embeddedness (Faulconbridge, 2008a, Jeffcut and Pratt, 2002) and particular client interaction processes (Amabile, 1988, Gummesson, 1981) in ways unique to firms that are providing both creative and professional services.

The business model approach provides insight on the multiple ways that creative PSFs approach these distinctive challenges. For example, existing theory suggests that the distinction between internationalization relates to whether a service is a hard service

or a soft service (Ball et al., 2008, Erramilli, 1990) with soft services broadly involving a high degree of client interaction and customization (Ball et al., 2008) involving interaction intensity whether on location or through technology. For the creative PSF however much of the customization is from professional creativity as opposed to client interaction. Contrary to decentralized decision making and structures, creative PSFs providing highly customized services are often centralized operating out of studio structure environments and have relatively limited client interaction.

Insights also into business model interrelatedness (Sabatier et al., 2010) also emerge from the study as firms may leverage off one business model to develop alternate revenue streams.

#### **12.1.2 Second Theoretical Contribution of Thesis: Moving from Outsider to Insider within relevant Networks**

The second theoretical contribution of this thesis also contributes insights to international business process theory by explaining how creative PSFs move from being outsiders to insiders within relevant networks. The study shows through combining IB process theory with organizational status theory how creative PSFs can internationalize independent of existing relationships. Existing studies generally highlight the role of relationships (Lindsay et al., 2003) and network embeddedness (Faulconbridge and Muzio, 2007, Freeman et al., 2007) in the internationalization of PSFs. This neglects the reality that creative PSFs often internationalize independent of existing relationships and the process for this was not understood before now. This vital insight is central to addressing the research problem explaining how creative PSFs internationalize.

### ***12.1.2.1 Internationalizing Reputation***

Reputation is central to moving from outside to inside relevant networks, but although widely identified in PSF literature, prior studies provide little insight as to how reputation is internationalized. The review of the literature details the need to rely on extrinsic cues (La et al., 2009) because of the complexity of the creative PSF service which is difficult to evaluate and also because the service is locally embedded (Faulconbridge, 2008a, Jeffcut and Pratt, 2002). When internationalizing firms are crossing relational, institutional, legal and cultural boundaries and reputation is widely recognized as critical to the internationalization process for the creative PSF (Cooper et al., 2000, Grosse, 2000, Hitt et al., 2006a, Lu et al., 2012).

Despite long held recognition of the importance of reputation to the internationalization process, the literature is almost silent on explaining how it is internationalized across relevant networks. This study shows that although reputation is network dependent (Lin et al., 2009, Podolny, 1993) and creative PSFs are reputation dependent, these firms still internationalize successfully without following clients. The study shows how reputation internationalizes through combining organizational status theory with IB process theory to show how signaling mechanisms interplay in the process.

### ***12.1.2.2 Internationalizing Signalling Mechanisms***

Combining organizational status theory with IB process theory can provide very relevant insights, in particular in explaining how reputation internationalizes. While other studies suggest a need to combine organizational reputation and organizational

status theory (Chandler et al., 2013, Washington and Zajac, 2005) in other domains, this has not received attention in IB. Yet to understand how creative PSFs move from outside to inside relevant networks requires an understanding of how reputation is internationalized. This study shows that the process of moving from outside to inside relevant networks involves an interplay of both reputation and status signals. This is because while reputation may form the genesis of status (Washington and Zajac, 2005) it may be decoupled from status where uncertainty exists, possibly caused by artistic or technical complexity (Lang and Lang, 1988, Podolny and Stuart, 1995) or the newness of a market (Podolny, 1994). Additionally, status may act as an indicator of quality (Sauder et al., 2012) where a firm does not have a reputation and critically status may be recognized outside of a relevant network (Graffin et al., 2012, Sauder and Fine, 2008, Simcoe and Waguespack, 2011). For example if a firm has done work for BMW this globally recognized ‘high status client’ association may open doors in foreign markets. For the creative PSF the sociological signals of status together with reputation are the mechanisms for signaling about quality to a potential client prior to the start of a relationship. This study identifies those signals extending traditional IB process frameworks.

## **12.2 Contribution to Organizational Status Theory**

### **12.2.1 Network Hierarchies**

This study contributes significantly to the debate on network hierarchies (Sauder et al., 2012) as it shows how creative PSFs in a global network move from outsider to insider within relevant networks. The findings identify three networks critical to creative PSF internationalization; the client network, the professional network, and the public representative network. This study highlights the importance of different networks to the sector. Of particular relevance is the influence of the professional network on the client network and the public representative network for creative PSFs. The interplay of these networks actually facilitates the internationalization process for creative PSFs active within a global network environment.

## **12.3 Contributions to Creative PSF Literature**

### **12.3.1 Third Theoretical Contribution of Thesis: Identifying the Dichotomy**

While the major contributions of this thesis relate to International Business consistent with the overarching research question, the study also provided new and important findings relating to the general context of creative PSFs. These findings may also be transferable and have important implications for understanding other PSFs and creative industry firms. Although the existence of the ‘commercial’ versus the ‘design’ practice is commonly referred to in practice, the terms are loosely applied with limited insight showing how firms differ or how differences influence strategy and growth within the creative PSF. It was necessary to gain insight into this phenomenon prior to investigating the internationalization process which is frequently path dependent (Johanson and Vahlne, 2009).

The dichotomy existing within creative PSFs relates to the growth strategy of the firm. This study identifies either a Product Portfolio Strategy or an Artistic Competency Strategy. The study revealed the characteristics of these strategies which can be aligned to the generic strategies (Porter, 1985) of differentiation and focus. This research project identifies the mechanisms that contribute to the strategic dichotomy which influences the structure (Galan and Sanchez-Bueno, 2009).

#### *12.3.1.1 Aligning Strategy, Structure and Talent*

The relationship between strategy and structure is long identified in the literature (Chandler, 1962, Galan and Sanchez-Bueno, 2009), moreover that the adopted strategy shapes the supporting structure of the organization. For the creative PSF however the individual has a central role in both interfacing and service delivery detailed in Chapter 2. The motivation and competencies of the individual therefore are an essential aspect of service delivery. A firm that is required to deliver services with a high degree of novelty for a building that will become a status symbol for a client, for example a museum or a corporate headquarters, must be artistically creative and must enjoy working in a creative environment structured like an ideas incubator (Csikszentmihalyi, 1990, Hargadon and Bechky, 2006). The findings of this study suggest that the dichotomy existing within creative PSFs requires an alignment between strategy, structure and talent. The study was able to show how creative PSFs may be unable to hold on to talent if an alignment is not in place. This research project identifies the strategy and organizational structure within the sector but also a particular talent profile needed to complement each. Interestingly, the findings evidenced both success stories and failures dependent on whether the creative professional's motivation was or was not aligned to that of the firm.

### *12.3.1.2 Career Motivation for the Creative Professional*

This study uniquely combines insights from multiple frameworks and develops motivation characteristics that can be aligned to growth strategy and structure within the dichotomy evident in creative PSFs. Important academic insights are provided within literature regarding the importance of career identification for the professional (Ibarra, 1999, Thornborrow and Brown, 2009, Carpenter and Strawser, 1970) and associated threats (Ibarra and Petriglieri, 2010). Similarly creativity theory describes the importance of the intrinsic motivation of the individual (Amabile, 1983a, Amabile, 1983b). After a long period of professional study in the arts, it can be expected that individuals have an idea how and where they would like to see their career progress. The literature does not however describe these motivations specific to the context of creative PSFs. Motivation theory contains number of generic frameworks to assess motivation (Schein, 1990, Schein, 1996, Wils et al., 2010) while creative industry literature recognises aspects such as lifestyle careers (Bennett, 2010, Bridgestock, 2011) that could motivate creative individuals. Existing insights are either too generic or offer homogenous descriptions of individual motivations within an industry or sector. The identification of the managerial and technical profile for the creative PSF sector shows that talent profiles can be aligned to support the success of the firm.

## **12.4 Managerial Implications**

### **12.4.1 First Managerial Implication of Thesis: Connecting Internationalization to Business Model Portfolios**

Training in business management is increasingly reinforcing the idea that to be successful firms must be delivering on client's needs. The popularity of the business model approach (Teece, 2010) incorporating the value creation, value capture and money making relationship between the firm and the client reinforces this notion. Firms that do not heed client needs will quickly be outmanoeuvred by competitors. Nokia is a good current example of this whereby the firm continually misjudges what clients want and now finds itself falling from its formerly prime position globally and losing out to formally lesser known mobile device manufacturers like Samsung who are now leading the market.

Managers therefore need to understand how strategy can be implemented in a value centred way and the business model approach is a way to profitably focus implementation.

#### ***12.4.1.1 Managing the Portfolio of Business Models***

This portfolio of international models can create balance in the firm, in particular if markets are cyclical or volatile. The business model portfolio approach helps managers to define profitable ways for addressing client needs that can apply in different local markets.



#### ***12.4.1.2 Interconnectedness of Business Models***

The business model approach helps managers to understand how some business models can act as gateways to others, leading the way into markets through creating necessary signals to gain client trust for new opportunities. Additionally certain business models may not generate high profitability but may be important across the portfolio of the firm. For example, following a client into an international market may not meet desired profit levels. It may require a higher level of resource commitment than desired and may not be in a prime market of the firms choosing. However, business with key clients across the portfolio, possibly in the home market warrants the international expansion. Similarly, some business may involve staged payments while other business models may carry high upfront fees. This allows the firm to balance its services between longer term contracts and shorter term contracts carrying frontloaded fees.

#### ***12.4.1.3 Understanding International Risk through Business Models***

The research shows that focussing only on traditional IB risk considerations for reputation dependent sectors is not enough. Managers need to consider the counterintuitive implications of reputation risk. Firms need to identify business opportunities that align to the competencies of the firm because building a reputation is difficult, but destroying a reputation can be exponentially damaging. Warren Buffet famously states that it takes twenty years to build a reputation and five minutes to ruin it (Buffett, 1995) . This impacts on the types of client and the markets that the firm operates in. Since reputation is difficult to acquire and easy to damage, consideration of the core competencies of the firm and its ability to continually build reputation needs to be considered within growth strategies.

#### **12.4.2 Second Managerial Implication of Thesis: The Importance of Signalling**

Managers need to understand the limited scope of their reputation in reputation dependent sectors such as creative PSFs. For example, a portfolio of buildings in Ireland may be valued by potential clients in the UK where institutional, cultural and legal environments are similar and regional networks exist. This does not mean it will be valued in China where institutions, culture and systems are quite different and no business relationship ties may exist. However, if an Irish firm seeking to enter China has Google on its portfolio of clients, it is important to understand the status that may be assigned to Google by potential Chinese clients. Google could have a high status to potential clients in China and facilitate favourable treatment of the Irish firm, or it may be perceived negatively.

In reputation dependent sectors such as for creative PSFs it is unlikely that relationships can be formed without a reputation. But the mechanisms by which reputation is certified are important to understand. Within this study it was noted that firms that normally compete in a market delivering replicable services sometimes enter competitions for high profile design projects to boost their professional profile. These projects may win an award or may be internationally recognized, and can act as a gateway to other business opportunities. Entering competitions requires considerable time and creative resources which can be costly where a firm has not organized for developing those competencies. The firm may need to contract them from outside. However, the reputation from this may be certified regionally or globally and those signals can be an antecedent to international relationship development.

#### ***12.4.2.1 Building International Reputation***

It is described above how reputation is network dependent and yet creative PSFs still internationalize into new markets. The mechanisms for building an international reputation vary depending on whether a firm is internationalizing into a local market, a specialized niche global market or globally. While building a reputation into a local market on its own is time consuming, requiring visibility and other quality signals such as ISO certifications to be in place, managers need to budget for this recognizing that entering new markets takes time and resources.

Internationalizing in specialised niche global markets requires managers to 'speak their language'. Understanding the specialized needs of clients provides confidence regarding the creative PSF's ability to deliver. Managers need to consider that all clients in this network are talking to each other therefore opportunities are created by demonstrating technical knowhow. However, there is also a risk if quality is not delivered reputation will likely collapse.

#### ***12.4.2.2 Networking Across Multiple Networks***

Creative PSFs that are active in a global market can play different games within different networks that assists in global status and reputation building. In particular the findings suggest the power of the professional network. Participants in this network are the experts that actually understand the service of the creative PSF, so other networks defer to them. An example of this is the international recognition that professional awards hold, and the findings highlight how these awards create further international opportunities for creative PSFs. These are often not resulting from existing relationships. Managers that understand the power and dynamics of professional networks can position themselves for internationalization. For example, an award

winning cultural project designed by Kappa in Ireland created an opportunity in Asia. Kappa's business is normally more commercial focussed or technically specialized, but selecting when to seek professional recognition is a valuable signalling mechanism.

#### ***12.4.2.3 Understanding Network Scope***

A network may be local, regional or global and for the creative PSF understanding the scope of the network implies a knowledge about the scope of the firm's reputation. This is important for managers for two reasons; the building of reputation and the destruction of reputation. A good reputation within a network can be an antecedent to new opportunities and relationships. As services are delivered these contribute to reputation building developing a 'portfolio of international credibility' for the firm. However, if quality is not delivered in line with perceived expectations then network scope is important as well for managers to understand the extent of who knows. Decisions then need to be made as to whether to invest further to try to salvage a damaged reputation or to delocalize from a market.

#### **12.4.3 Third Managerial Implication of Thesis: Finding the Right People**

In Chapter 3, it is described how creative professionals have a career identity (Ibarra, 1999, Thornborrow and Brown, 2009, Bridgestock, 2011) that motivates them towards and within certain career paths. It is also highlighted how a sustainable strategy requires workforce engagement (Galpin and Whittington, 2012). This study describes examples of creative professionals that were very successful within their practices and others that were ill matched and were not committed. Because the dichotomy identified in creative PSFs commonly requires polarized structures such as centralized or

decentralized teams or working as an individual or working in a team, it is conceivable that an environment unsuited to an individual could become very challenging.

For example, a highly creative individual who enjoys the artistic aspect of the role, working in an inwardly focused work environment creating novel solutions may be challenged by a role that requires the individual to be visible in a foreign location for two years and build up as many relevant relationships as possible. In this second scenario, while the use of expert insight and supervision is required, the psychological design work is passed to lower levels within the organization. Concurrently the project leader or director needs to communicate with, manage and supervise these lower echelon individuals internally as well as manage external relationships.

For the creative PSF the findings from this study suggest that the distinction is whether creative professionals are motivated by the managerial aspects of the profession or whether they want to develop technical skills. Human resource strategy informed by this can achieve competitive advantage where both structures and people are fully aligned to either a focus (product portfolio competency) or a differentiation (artistic competency) strategy (Porter, 1985).

#### ***12.4.3.1 Recognizing Motivation Factors***

The findings from this study detail for managers the differences between the motivation factors relevant to the artistic competency strategy and the product portfolio strategy. Aligning an individual to a product portfolio strategy requires the manager to seek individuals that are seeking a structured career path involving promotion to higher levels of the organization. In return for this they are prepared to be flexible in their functions, taking on more managerial responsibilities as they move upwards. The product portfolio strategy requires individuals to move around as necessary, possibly taking on overseas assignments. They also need to be good communicators as they will

need to build relationships, frequently interface externally, manage lower echelon employees and actively promote the business of the firm. Alternatively, the individual suited to the artistic competency strategy is possibly more cerebral, happy to have space to sit and think about creating. They build relationships externally as projects require and are not active in sales, but they do greatly value the input of their team internally. In return for the space to create and design, these individuals are contented to work in a flat structure. Their motivation comes from the reputation assigned by their peers.

#### ***12.4.3.2 Adopting Human Resource Policies***

The findings from this study diverge somewhat in terms of the human resource policies adopted by the business owners within the case firms. Theta, a highly successful firm with an artistic portfolio strategy is extremely precise regarding the type of people they employ. They are generally young, mostly taken straight from or soon after college and moulded to fit the organization. Alternatively, Lambda, also a highly successful ‘design’ firm seeks out individuals whom the founders know both they and their team will get along with. Also they look for someone who can bring something different. This is a reflection of the decision making styles of the founders. Some firms adopting an artistic competency strategy are cooperative in decision making while in others decisions are made and controlled by the founders. In both cases these firms are looking for individuals that share the design studio philosophy of the firm.

Conversely firms with a product portfolio strategy are not necessarily looking for the most creative professionals but to more all-rounded individuals. These need to be flexible, willing to travel, and be good communicators.

### **12.4.3.3      *Structuring for Success***

Together with the human resources who are the most important resources to the PSF (Hitt et al., 2001), managers also need to align other resources to create the appropriate structure. The product portfolio strategy requires the firm to be near its client and to compete head on with other firms. This requires a commitment of resources on the ground where opportunities exist. Conversely the design work can be replicated across different locations, so resource commitments in this area are relatively low.

Conversely, the artistic competency strategy requires structures that are conducive to new ideas and ideas management. These firms are likely to remain small so that the principals have direct involvement in each project. They have a centralized structure and their work is more project based, thus they are not investing heavily in relationship or business development activities.

## **12.2    Limitations and Directions for Future Research**

This research has several limitations which need to be considered when interpreting the results. Firstly, as is typical for case study research, questions arise regarding to what extent the findings are transferrable to other contexts. In an effort to yield more robust findings and to increase the transferability of findings (Yin, 2009) the study was replicated across ten organizations. New cases were added to the study until theoretical saturation was achieved (Eisenhardt, 1989). However, the findings could gain more generalizable insights through incorporating a qualitative approach as the next step, testing the findings across a broader number and scope of firms.

Secondly, this study was focused on architecture firms. While this focus facilitated a more meaningful cross case analysis, controlled for industry effects (Dess

and Lumpkin, 2005) and allowed for contextually rich insight (Eisenhardt, 1989b; George and Bennett, 2005) further research could establish the transferability of the findings in other organizational and industry contexts. This would be particularly relevant to other creative PSFs. Other future research opportunities could also include research designs seeking to replicate findings from the unusual context of this study into more typical sites. This meets a target for generalizing based on ‘what could be’ (Schofield, 2000).

The study was undertaken in Ireland, a mid-sized country on the periphery of Europe. It is shown in this study that Ireland is a very attractive country from which to conduct this research due to its favourable foreign trade environment and the availability of firms from which to select a suitable research sample. However, further study in other geographic contexts would verify transferability.

A number of new and exciting avenues for future research also emerge around multiple themes addressed in the study:

*Reputation.* This study introduces the processes for building a reputation to international business theory. A number of further questions arise relating to reputation. More insight could be gained from exploring the multiple stakeholder reputations in the process or reputation assigned to different services. Reputation deterioration is also interesting, in particular for creative PSFs that are reputation dependent. This is an under researched field of organizational reputation. Reputation and status insights from this study could also be applied to other organizational types.

*Network Hierarchies.* The findings relating to network hierarchies for creative PSFs are novel and address a gap identified in the organizational status literature



(Sauder et al., 2012). It is conceivable that other sectors also use multiple networks that interplay with each other to assist in opportunity development both in their home market and when internationalizing. It would be very interesting to explore this idea further particularly since networks are central to both IB process and organizational status explanations of firm activities. Replicating this study in other sectors or building on this study with a more qualitative approach could provide deeper and more transferrable insight. It would also be interesting to take a closer look at the dynamics between hierarchical networks and the mechanisms for network embeddedness.

*Business Models.* Business model thinking has gained traction in recent years within the field of organizational studies yet despite calls for more research, IB scholars have not yet fully embraced the enhanced insight that can be achieved through adopting this approach to internationalization. Applying the approach from the unusual context of creative PSFs to more mainstream sectors could add credibility to the findings in this project. In particular identifying variability within firms and between firms in more mainstream sectors can help to provide visibility to increasingly dynamic and challenging environments. In addition comparing business models used within home markets and adopted when internationalizing could be of significant interest to both IB and strategy scholars.

*Creative Industries.* Also exploring internationalization within creative industries represents a very important area in practice but has received little scholarly attention to date.

*International Business.* The literature review relating to services internationalization in Chapter 4 shows that not only is the services sector fragmented

and requires separate attention and comparison between sectors to understand the dynamics, but there may also be a huge opportunity to turn the table around and bring services thinking to manufacturing within the IB field. The evolution of manufacturing is not only blurring and entwining the boundaries between goods and services but actually important features of services are being incorporated into traditional manufacturing firms and processes.

### 12.3 Conclusion

This study exploring the internationalization of creative PSFs presents exciting findings relevant to both the professional services and creative industries and extends insights on service internationalization. It addresses growing calls for more research into professional services internationalization and focusses attention on the creative industries, a little explored but critically important contributor to global trade. Exploring creative PSFs as a distinct organizational form is a novel approach to the study of the internationalization process. Yet it comprises a significant sector of the service industry that warrants specific investigation due to its importance and its unique and complex features. Insights on the internationalization of reputation assist with closing knowledge gaps relating to the sector that have been recognized for some time. Bringing the business model approach to the internationalization process is new but very beneficial to enhance theorizing potential. Overall, a number of theoretical lenses from other fields are brought to international business theory that have not to date contributed to explaining IB processes. These new insights greatly enhance understanding of the creative PSF internationalization phenomenon. With this study, rich insights addressing increasing calls for better insight into professional service firm internationalization and creative industry internationalization emerge.

Capturing the essence of the challenges, the need for flexibility, and the need to be client focussed, Gamma suggests “We had shown willingness to go beyond our comfort zone. So nowadays our key offering to our client in terms of the international market is that we will go where you want to. We are not just going to sit in our comfort zone. We will deliver what you want to.” (# 3).

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## **Appendices**

## **Appendix A: Interview Guide**

Please begin by describing your business.

How would you describe your role within your organization.

How does the activities of your department fit within the organization or does your department represent the organization's activities.

What has been your organization's experience of internationalizing its activities?

What triggered the internationalization activities?

Where did you internationalize? How did you identify particular countries to target? (role of current / target customers / competitors / competitions)

How would you explain the internationalization process?

How did internationalization affect the roles of the people you employ ? the selection of new staff ? the transfer of staff ? the training and development of staff?

Were there any particular successes that you experienced? What were the key elements that supported this success (for example, previous experience, knowledge of the target country, worker in your firm with contacts to exploit, Enterprise Ireland or other agency role)

Were there are particular difficulties that you experienced? What were the key elements that led to these difficulties (for example, lack of internationalizing experience, lack of knowledge of the target country, Enterprise Ireland or other agency lacking in their role)

What would you identify as the key complexities within the process? How did you address these?

How did you establish relationships in your target country? What type of individuals/firms do relationships need to be established with? How are those relationships maintained? Trust? Information Transfer? Joint Problem Solving ?

How did you develop the new structure?

How did you transfer creativity (did it stay at home or did it internationalize)

How did you manage knowledge? Did you transfer people from the home office? Did you transfer people from the new host country? Creation ? Transfer ? Use ?

How did you approach building a reputation in the host country? Signals of ability (input/asset quality)? Certifications (media / awards) ? high status affiliations?

How would you describe your organization's general approach? To developing its internationalization strategy? Is it risktaking? Proactive? Innovative? Does it like to do things differently?



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[Firm Name] – Access Request

The Internationalization of Creative  
Professional Service Firms – a study of  
the Irish architecture industry

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Deirdre McQuillan, PhD Researcher

*Research Team*

Dr. Pamela Sharkey Scott, Research Fellow, Faculty of Business, Dublin Institute of Technology

Prof. Vincent Mangematin, Scientific Director, School of Management, Grenoble Ecole de Management

## Overview of the Research Project

In the prevailing economic climate, Irish businesses are faced with the serious challenge of ‘where to next’? While some indigenous sectors of the economy are showing signs of recovery and growth, others, such as those related to the building sector, face extremely challenging domestic market prospects. Within those sectors firms need to innovate to survive and some are seeking international market expansion.

This research project is exploring how architects use their existing networks and resources to establish in foreign markets. It is examining the functionality of firm resources and their relationship to the external service market through newly creating, structuring, bundling, or leveraging resource combinations.

The relative benefits of the approaches and techniques adopted in practice will be assessed following a series of interviews with key personnel within the architecture industry. Detailed and customized feedback reports and presentations of our findings will be provided to firms who participate in the interview series.

## Access Request

To allow us to gain insights into the internationalization process, we could undertake a series of short (30-60 minute) interviews with some of the key decision makers at your firm. This will be a semi structured exploratory interview using some prompt questions to give guidance and focus to the conversation if necessary.

## benefits of Participating for [Firm Name]

Architectural firms are presently suffering and are under pressure to derive the maximum benefit from their existing resources and networks. Feedback on our exploration will be provided through customized management reports and summary presentations for the participating firm or individuals. These reports will provide valuable insights into:

- how the resources of the firm are utilised to support international activity
- the generic approaches undertaken by the participating firms

## Provisions for Confidentiality, Anonymity and Informed Consent

At all times this research will follow the guidelines of the DIT Ethics Committee (<http://www.dit.ie/researchandenterprise/researchatdit/researchsupportoffice/ethicsindit/guidelines/>), the official DIT body that promotes good ethical research and scholarly practice. To ensure that confidentiality, anonymity and privacy are maintained, all respondents and participating companies will be referred to within the thesis and any publications by a pseudonym. Interview respondents will also be given the opportunity to review interview transcripts and will have the opportunity to review draft material before submission for publication in journals. The data/input from the interview may be used in the analysis and documentation of research findings in the researcher's PhD thesis and other related papers. Any recording of interviews will only be used for research analysis and to provide quotes from the interviews in the final analysis of the research.

Prior to conducting the interviews, an information sheet and consent form will be provided to all respondents. The information sheet includes a statement that clearly describes the aims of the project and the nature of the data gathering technique. Participants will be clearly informed of their rights which include a statement addressing confidentiality and anonymity.

Further, participants will be advised that participation is completely voluntary and they are at liberty to withdraw at any time without prejudice or negative consequences. In the case that the participant requires additional information in relation to the study, the contact details of the researcher and a supervisor will be given.

## **Curriculum Vitae: Deirdre McQuillan**

### **Relevant Professional Experience**

**Part Time Lecturer and Disability Support Teaching**, School of Management, *Dublin Institute of Technology* (2012-2013)

**Consultant**, financial services projects in both Dublin and Munich (2011 – 2012)

**Associate Director**, *Head of Operations at private wealth manager* (2006-2009)

**Various Roles in International Commercial Banking**, *positions held at Australian, French and German banks within their corporate banking divisions*  
- Most recent positions include business development manager, account management executive, senior credit analyst. (1990-2006)

**Member of the Council of Management and appointed Chairperson in 2012,**  
*Ana Liffey Drug Project, 48 Middle Abbey St, Dublin 1 (2000-present)*

**Member of the Board of Directors and appointed Treasurer,** *Louth  
Community Drug and Alcohol Team, Stockwell St., Drogheda (2011-present)*

### **Academic Profile and Achievements**

**PhD Research Student** - Full time doctoral research student, School of Management, Dublin Institute of Technology [awarded 4 year scholarship – ending Nov 2013]

Research Area: Internationalization of Creative Professional Service Firms

**Masters in Business Administration (Marketing),** Dublin Institute of Technology (2005) [awarded First Class Honour]

Dissertation Project: Identification of cross cultural barriers for a European bank entering China and Japan

**CPD in Teaching in Higher Education,** Dublin Institute of Technology (2010)

**Qualified Financial Advisor (QFA),** Bankers Institute of Ireland, (2009)

**Diploma in Financial Markets (SIA),** Securities Institute of Australia, (1998)

### **Conference Papers and Publications:**

Canavan, D, Sharkey Scott, P & Mangematin, V (2013) *Aligning Strategy and Talent in Creative Professional Service Firms*, Journal of Business Strategy.

Canavan, D, Sharkey Scott, P (2013) *Risk in International Management*, Volume 6 International Management of the Wiley Encyclopaedia of Management, 3rd edition.

Presented competitive papers in AIB-UKI Conferences 2011, 2012 and 2013, EGOS Conferences 2011 and 2012

Nominated for best paper award Reading UNCTAD International Business Conference 2013

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## Appendix C: Confidentiality Letter

[Name]  
[Address]  
[Address]  
[Address]

[Date]

### *Interviewee Confidentiality Declaration / Data Protection*

Many thanks for agreeing to participate in the research process undertaken by Deirdre McQuillan, PhD Researcher, School of Management, investigating the internationalization of professional service firms and using the context of Irish architecture firms to study this.

The data/ input from your interview may be used in the analysis and documentation of research findings in the researcher's PhD thesis and other related papers. Any recording of interviews will only be used for research analysis and to provide quotes from your interview in the final analysis of the research.

To ensure that confidentiality, anonymity and privacy are maintained, all respondents and participating companies will be referred to within the thesis and any publications by a pseudonym. You will also be given the opportunity to review interview transcripts and will have the opportunity to review draft material before submission for publication in journals.

At all times this research will follow the guidelines of the DIT Ethics Committee (<http://www.dit.ie/researchandenterprise/researchatdit/researchsupportoffice/ethicsindit/guidelines/>), the official DIT body that promotes good ethical research and scholarly practice.

We would be grateful if you could sign this form to record your agreement to be interviewed and return to Deirdre McQuillan. I also enclose a copy for your own files.

Many thanks for your valuable contribution to this research.

Yours sincerely

Deirdre McQuillan

Interviewee Name:

Interviewee Organization:

Interviewee Signature:  
\_\_\_\_\_

## Appendix D: Review of International Literature citing Teece (2010a) Business Model Definition

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### *Review of Teece (2010a) citations in' international journals*

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<p>ABDELKAFI, N., MAKHOTIN, S. &amp; POSSELT, T. Business Model Innovations for Electric Mobility - What can be learned from Business Model Patterns? <i>International Journal of Innovation Management</i>, 17, 41.</p>	<p>Systematically maps BMs in electric mobility sector (not IB process)</p>
<p>BREUER, H. (2013) Lean Venturing: Learning to Create New Business Through Exploration, Elaboration, Evaluation, Experimentation, and Evolution. <i>International Journal of Innovation Management</i>, 17, 22.</p>	<p>Develops '5 E' framework for new venturing in telecom industry showing how to explore, elaborate upon, evaluate, experiment with and evolve assumptions. (not IB process)</p>
<p>CAMERON, G. (2011) Competing in Global Niche Markets: the case of Macquarie Bank. <i>International Journal of Bank Marketing</i>, 29, 293-307.</p>	<p>Case study examining the value creation model of Macquarie Bank (emblematic model)</p>
<p>DOTTORE, A., BAAKEN, T. &amp; CORKINDALE, D. (2010) A Partnering Business Model for Technology Transfer: the case of Muenster University of Applied Sciences. <i>International Journal of Entrepreneurship &amp; Innovation Management</i>, 12, 190-216.</p>	<p>Technology transfer BMs adopting transaction costs and agency theory. (not IB process)</p>
<p>ENKEL, E. &amp; MEZGER, F. (2013) Imitation Processes and Their Application for Business Model Innovation: An Explorative Study. <i>International Journal of Innovation Management</i>, 17, 1-34.</p>	<p>Multiple case study exploring imitation of BM across industries through a process of abstraction, analogy identification and adaptation. (not IB process)</p>
<p>GIANNOPOULOU, E., YSTROEM, A. &amp; OLLILA, S. (2011) Turning Open Innovation Into Practice: Open Innovation Research Through the Lens of Managers. <i>International Journal of Innovation Management</i>, 15, 505.</p>	<p>Promotes the need to understand value components of BM when engaging in Open Innovation.</p>
<p>GUIHERY, L. (2009) International Road Freight Transport in France: Experiences from Germany, The Netherlands, and Driver Cost Analysis. <i>Theoretical and Applied Economics</i>, 16, 3-12.</p>	<p>Describes the industry business model of the transport industry in different locations across Europe.</p>
<p>MCDERMOTT, G., MUDAMBI, R. &amp; PARENTE, R. (2013) Special Issue: Strategic Modularity and the Architecture of Multinational Firm. <i>Global Strategy Journal</i>, 3, 1-7.</p>	<p>Describes restrictions that a business model can create on modularization or business such as creating efficiencies through outsourcing.</p>
<p>RUNFOLA, A. &amp; SIMONE, G. (2013) Fast Fashion Companies Coping with Internationalization: driving the change or changing the model? <i>Journal of Fashion, Marketing and Management</i>, 17, 190-205.</p>	<p>Describes the difficulty that internationalization places on the 'fast fashion' business model. (Does not cite Teece but interesting as it shows creative PSF industry BM)</p>
<p>SAINIO, L., SAARENKETO, S., NUMMELA, N. &amp; ERIKSSON, T. (2011) Value Creation of an Internationalizing Entrepreneurial Firm: The Business</p>	<p>Combines international entrepreneurship theory with value chain configuration to describe the different emblematic business</p>



- Model Perspective. *Journal of Small Business and Enterprise Development*, 18, 556-570.
- SANDSTROEM, C. & R, O. (2011) Managing Business Model Renewal. *International Journal of Business and Systems Research*, 5, 461-474.
- SHARMA, R., PEREIRA, F., RAMASUBBU, N., TAN, M. & TSCHANG, T. (2010) Assessing Value Creation and Value Capture in Digital Business Ecosystems. *International Journal of Information Technology*, 16.
- TRIMI, S. & BERBEGAL-MIRABENT, S. (2012) Business Model Innovation in Entrepreneurship. *International Entrepreneurship and Management Journal*, 8, 449-465.
- VELAMURI, V., BANSEMIR, B., NEYER, A. & MOESLEIN, K. (2013) Product Service Systems as a Driver for Business Model Innovation: Lessons Learned from the Manufacturing Industry. *International Journal of Innovation Management*, 17, 25.
- WALDNER, F., ZSIFKOVITS, M. & HEIDENBERGER, K. (2013) Are service based business models of the video game industry blueprints for the music industry. *International Journal of Services, Economics and Management*, 5, 5-20.
- ZAEHRINGER, D., NIEDERBERGER, J., BLIND, K. & SCHLETZ, A. (2011) Revenue Creation: business models for product-related services in international markets - the case of Zwick GmgH & Co. KG. *Service Industries Journal*, 31, 629-641.
- model of three firms. Based on Amit and Zott (2010) design and shows either system, channel and technology novelty.
- Explains why it is difficult to change the established BM because of interdependence of actors (Industrial Network Theory approach)
- Formulates an ADVISOR framework for modelling the business strategies of enterprises in the Interactive Digital Media. Focuses on value in digital business eco systems.
- BM for new technology firm start-ups.
- Uncovers five distinct kinds of services that help firms innovate ‘produce focussed’ business models; (1) business consulting, (2)comprehensive services, (3)educational services, (4) financing services, and (5) information management services.
- Exploratory study among recently founded video game start-ups and two case studies of music-technology start-ups investigating whether and how the video game industry is a vital source from which to draw analogies for the music industry- specifically how to capture value from delivering digital music files which users expect to download for free.
- Single case study using combined BM and Dunning's OLI approach to discover why certain BMs are used when internationalizing.

## List of Publications and Awards

- 2013      Canavan, D., Sharkey Scott, P., Mangematin, V. (2013) *Aligning Strategy and Talent in Creative Professional Service Firms*, *Journal of Business Strategy*, 34 (4), 24-32.
- Canavan, D., Sharkey Scott, P. (2013) *Risk in International Management*, Volume 6 *International Management of the Wiley Encyclopaedia of Management*, 3rd edition.
- Canavan, D, Sharkey Scott, P & Mangematin, V (2013) *How creative professional service firms internationalize: A New Model?* Paper presented as competitive paper at UNCTAD International Business Conference, Reading – **Nominated for Best Paper Award at Conference**
- Canavan, D, Sharkey Scott, P & Mangematin, V (2013) *Assessing International Markets: how professional service firms internationalize*, Paper presented as competitive paper at AIB-UKI 2013, Birmingham
- 2012      Canavan, D, Sharkey Scott, P & Mangematin, V (2012) *Internationalization by Idiosyncrasy: how professional service firms internationalize*, Presented as competitive paper at EGOS 2012, Helsinki
- Canavan, D, Sharkey Scott, P & Mangematin, V (2012) *How Professional Service Firms Internationalize: resource commitments and competencies for internationalization*, Paper presented as competitive paper at AIB-UKI 2012, Liverpool
- 2011      Canavan, D, Sharkey Scott, P & Mangematin, V (2011) *How SMEs Internationalize: A study of the internationalization of Irish architecture firms*, Presented as working paper at AIB-UKI 2011, Edinburgh
- Canavan, D, Sharkey Scott, P & Mangematin, V (2011) *How do creative professional service firms internationalize: an empirical study of how architecture firms internationalize*, Paper presented as working paper at EGOS 2011, Gothenburg