Copyright Statement

The digital copy of this thesis is protected by the Copyright Act 1994 (New Zealand).

This thesis may be consulted by you, provided you comply with the provisions of the Act and the following conditions of use:

- Any use you make of these documents or images must be for research or private study purposes only, and you may not make them available to any other person.
- Authors control the copyright of their thesis. You will recognise the author’s right to be identified as the author of this thesis, and due acknowledgement will be made to the author where appropriate.
- You will obtain the author’s permission before publishing any material from their thesis.

To request permissions please use the Feedback form on our webpage. http://researchspace.auckland.ac.nz/feedback

General copyright and disclaimer

In addition to the above conditions, authors give their consent for the digital copy of their work to be used subject to the conditions specified on the Library Thesis Consent Form and Deposit Licence.

Note: Masters Theses

The digital copy of a masters thesis is as submitted for examination and contains no corrections. The print copy, usually available in the University Library, may contain corrections made by hand, which have been requested by the supervisor.
The international evolution of engineering consulting firms:

A strategy-tripod perspective

Anna Elisabeth Krull

A thesis submitted in fulfilment of the requirements for the degree of
I. Abstract

This research investigates the internationalisation of engineering consulting firms. The study draws on the elements of the strategy tripod (industry factors, resources and capabilities, and institutional factors) combined with the stages of the internationalisation process (motivation to internationalise, market selection, mode of entry, and subsequent market operations). The factors that influence this process are identified using a longitudinal single case study of a New Zealand based engineering consulting firm with 40 years of international experience. The research identifies the five phases through which the case firm passed during that period, and highlights the different strategies that were apparent. Some of these strategies emerged out of practical coping, supporting the notion of wayfinding found in recent strategy literature. Individual actors lead to an adjustment of the modes of operation. This in turn leads to the emergence of a new phase of strategic focus in the context of internationalisation.

The results demonstrate how sector specific industry factors influence the initial motivation for internationalisation and the motivation for further expansion. The entrepreneurial spirit of individuals, autonomous acting, and formal and informal networks were identified as firm-specific resources and capabilities. These are shown to be key drivers for market selections and permanent establishment in foreign markets. Informal institutional pressures such as client relationships were also shown to be partially influential in terms of market selections. The strategic patterns that were identified were largely influenced by firm-level institutions that in turn were shaped largely by these enthusiastic individuals. Overall, the role of individuals is emphasised.
II. Acknowledgements

The journey of compiling this thesis has been challenging yet exciting. I owe the greatest gratitude to my supervisors Peter Smith and Dr Gloria Ge. Gloria’s expertise in the field of IB was invaluable. I would especially like to extend my gratitude to Peter, whose enthusiasm, insight and unwavering encouragement, through even the most difficult of times, have made the culmination of this thesis feasible and enjoyable. Overall, their expertise, support and remarkable patience are immensely appreciated.

Thank you to the Ministry of Foreign Affairs and Trade (MFAT Trade and Investment Research Scholarship) and the University of Auckland Business School (Postgraduate Research Grant) for financially supporting this research. To all the participants – all of whom were very welcoming and cooperative – thank you for making it an absolute pleasure to undertake this research.

To my family, thank you for welcoming me back and showing interest in all my endeavours.

To my grandmother, for her understanding, and my aunt Marlies, for her ongoing support.

Finally, to my dear brother – thank you for your strength and encouragement.

To my friends in New Zealand and my peers and colleagues at the University of Auckland.

You all understood, without requiring any explanation. Thanks for the future ‘good old times’ that will be missed. To my friend and fellow sufferer, Aina. Lallallaahh. My dearest friends in Germany and the Netherlands, who have always remained close despite the geographical distance. Finally but certainly not least, Shahbaz, for his encouraging attitude and his wise advice in every situation.
# Table of Contents

I. Abstract ........................................................................................................................................... ii

II. Acknowledgements ......................................................................................................................... iii

III. Table of Contents ............................................................................................................................... iv

IV. List of Tables ....................................................................................................................................... vii

V. List of Figures ....................................................................................................................................... viii

CHAPTER 1: INTRODUCTION ............................................................................................................... 1

1.1 Background ...................................................................................................................................... 1

1.2 Research objectives and research questions ................................................................................... 2

1.3 Method .......................................................................................................................................... 4

1.4 Organisation of thesis ..................................................................................................................... 4

CHAPTER 2: LITERATURE REVIEW .................................................................................................... 5

2.1 The internationalisation of the firm .................................................................................................. 5

2.2 Characteristics of professional service firms (PSFs) ..................................................................... 13

2.3 Engineering consulting ................................................................................................................... 15

2.4 The internationalisation of engineering consulting firms .............................................................. 20

2.4.1 Motivation for engineering consulting firms to internationalise ............................................. 21

2.4.2 Market selection of engineering consulting firms ..................................................................... 22

2.4.3 Modes of entry .......................................................................................................................... 23

2.4.4 Subsequent establishment in foreign markets .......................................................................... 24

2.5 The strategy tripod ......................................................................................................................... 26

2.5.1 Industry-based view .................................................................................................................. 28

2.5.2 Resource-based view ............................................................................................................... 28

2.5.3 Institution-based view ............................................................................................................. 30

2.6 Chapter summary ............................................................................................................................ 32

CHAPTER 3: THEORETICAL DEVELOPMENT .................................................................................. 34

3.1 The strategy tripod in the context of engineering consulting firms ............................................... 34

3.1.1 Industry dynamics and the engineering consulting firm ....................................................... 34

3.1.2 Resources and capabilities of engineering consulting firms ................................................. 35

3.1.3 Institutions and the engineering consulting firm ..................................................................... 36
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 The strategy tripod and the stages of internationalisation</td>
<td>38</td>
</tr>
<tr>
<td>3.2.1 Motivation to internationalise</td>
<td>41</td>
</tr>
<tr>
<td>3.2.2 Market selections</td>
<td>42</td>
</tr>
<tr>
<td>3.2.3 Modes of entry</td>
<td>42</td>
</tr>
<tr>
<td>3.2.4 Subsequent market operations</td>
<td>43</td>
</tr>
<tr>
<td>3.3 Chapter summary</td>
<td>44</td>
</tr>
<tr>
<td>CHAPTER 4: METHOD</td>
<td>46</td>
</tr>
<tr>
<td>4.1 Research objectives</td>
<td>46</td>
</tr>
<tr>
<td>4.2 Research design</td>
<td>48</td>
</tr>
<tr>
<td>4.3 Overview of case firm</td>
<td>52</td>
</tr>
<tr>
<td>4.4 Data collection</td>
<td>53</td>
</tr>
<tr>
<td>4.5 Data management</td>
<td>57</td>
</tr>
<tr>
<td>4.6 Data analysis</td>
<td>62</td>
</tr>
<tr>
<td>4.7 Limitations of method</td>
<td>66</td>
</tr>
<tr>
<td>4.8 Chapter summary</td>
<td>67</td>
</tr>
<tr>
<td>CHAPTER 5: RESULTS AND ANALYSIS</td>
<td>68</td>
</tr>
<tr>
<td>5.1 Internationalisation of the case firm</td>
<td>68</td>
</tr>
<tr>
<td>5.2 The evolutionary phases of the case firm’s internationalisation</td>
<td>73</td>
</tr>
<tr>
<td>5.3 The stages of the internationalisation in evolutionary context</td>
<td>82</td>
</tr>
<tr>
<td>5.3.1 Motivation for internationalisation</td>
<td>83</td>
</tr>
<tr>
<td>5.3.2 Market selections</td>
<td>86</td>
</tr>
<tr>
<td>5.3.3 Modes of entry</td>
<td>91</td>
</tr>
<tr>
<td>5.3.4 Subsequent market operations</td>
<td>93</td>
</tr>
<tr>
<td>5.4 Summary of findings</td>
<td>99</td>
</tr>
<tr>
<td>5.5 Chapter summary</td>
<td>105</td>
</tr>
<tr>
<td>CHAPTER 6: DISCUSSION</td>
<td>106</td>
</tr>
<tr>
<td>6.1 The internationalisation process of engineering consulting firms</td>
<td>106</td>
</tr>
<tr>
<td>6.2 The role of the factors of the strategy tripod</td>
<td>111</td>
</tr>
<tr>
<td>6.2.1 Industry factors</td>
<td>111</td>
</tr>
<tr>
<td>6.2.2 Resources and capabilities</td>
<td>112</td>
</tr>
<tr>
<td>6.2.3 Institutional factors</td>
<td>113</td>
</tr>
</tbody>
</table>
6.3 Wayfinding in(to) international business ................................................................. 114
6.4 Chapter summary ........................................................................................................... 116
CHAPTER 7 : CONCLUSION ............................................................................................. 118
  7.1 Contributions of the research ....................................................................................... 119
  7.2 Limitations and future directions ................................................................................ 119
APPENDIX A: INTERVIEW GUIDELINE ............................................................................ 121
APPENDIX B: PARTICIPANT INFORMATION SHEETS .................................................... 122
APPENDIX C: CONSENT FORMS ..................................................................................... 126
REFERENCES ..................................................................................................................... 128
IV. List of Tables

Table 2.1: A review of the Innovation-Related Internationalisation Models.......................... 11
Table 2.2: Market categories of the engineering sector.......................................................... 16
Table 2.3: Varying emphases: Three pillars of institutions .................................................. 31
Table 3.1: Strategy tripod applied to engineering consulting firms ........................................ 38
Table 3.2: Factors influencing the internationalisation of engineering consulting firms...... 40
Table 4.1: Overview of data collection sites ............................................................................. 55
Table 4.2: Participant demographics ....................................................................................... 56
Table 4.3: Information to store, retrieve from, and retain ....................................................... 60
Table 4.4: Themes of the strategy tripod ................................................................................ 65
Table 5.1: Market entries in chronological order .................................................................... 72
Table 5.2: The stages of the internationalisation process in Phases 1-4................................. 81
Table 5.3: Strategy tripod and internationalisation process matrix ....................................... 82
Table 5.4: Strategy tripod and the motivation to internationalise ............................................ 85
Table 5.5: Strategy tripod and market selections ................................................................. 90
Table 5.6: Strategy tripod and modes of market entry ............................................................ 92
Table 5.7: Strategy tripod and subsequent market operations ............................................. 98
Table 5.8: Factors influencing the stages of internationalisation ....................................... 100
V. List of Figures

Figure 2.1: The basic mechanism of internationalisation—State and change aspects........... 8
Figure 2.2: The business network internationalisation process model .............................. 10
Figure 2.3: Resource commitment of project based organisations ................................. 25
Figure 2.4: The strategy tripod ......................................................................................... 27
Figure 3.1: Theoretical framework .................................................................................... 44
Figure 5.1: World map—Foreign market entries .............................................................. 69
Figure 5.2: The international evolution of Wilkinson ......................................................... 74
Figure 5.3: The international evolution of an engineering consulting firm ...................... 102
Figure 5.4: The ‘Professional’ internationalisation process model .................................. 104
CHAPTER 1: INTRODUCTION

This chapter introduces the nature of the study. First, background information about the research and its importance are provided. Then, the research objectives and the research questions are stated. Next, the method used to answer the research questions is explained. Finally, the structure of the thesis is outlined.

1.1 Background

This research investigates the international evolution of a New Zealand-based engineering consulting firm (ECF). Professional services such as engineering consulting, accounting or legal advice constitute a large part of today’s economy, and have a large potential for growth (Aharoni, 1993; Løwendahl, 2005). Engineering consulting services, for example, are used for large construction and infrastructure projects. According to the Engineering News Record, in 2009 the top 200 international engineering design firms generated revenues of US$ 52.45 billion worldwide (Reina & Tulacz, 2010). In an industry forecast published by Global Construction Perspectives and Oxford Economics, it is estimated that over the next 10 years approximately US$ 97.7 trillion will be spent in the construction industry. This implies a sector contribution of about 13.2% to the global GDP (Betts, Robinson, Blake, Burton, & Godden, 2011).

Compared to the breadth of knowledge that exists about the internationalisation of manufacturing firms or large multinational enterprises (MNEs), comparably little is known about the internationalisation of service firms (Grönroos, 1999; Løwendahl, 2005; Merchant & Gaur, 2008). Increasing interest in the internationalisation of this type of firm is however noticeable (Blomstermo & Sharma, 2003). These studies often include a diverse set of services and tend to generalise the findings to other types of services (see, for example,
Erramilli, 1989). However, there are significant differences between services that lead to different strategic behaviour (Malhotra & Morris, 2009).

Professional service firms (PSFs), such as ECFs are a type of service organisation that distinguishes itself from other service providers through social closure (Freidson, 2001). In this field most research is conducted on law firms and/or accounting firm. Research investigating international activities of ECFs, typically includes ECFs only as part of their investigation (see, for example, Erramilli, 1989; Malhotra & Hinings, 2009; O’Farrell, Wood, & Zheng, 1998), a partial examination of internationalisation (see, for example, Løwendahl, 1992, 1993, 2005; Roberts, 1972; Warf, 1996) or they tend to focus only on specific aspects of the internationalisation of ECFs, such as market entry (see, for example, Malhotra, 2003). One study that examines the overall internationalisation process of ECFs is Coviello and Martin’s (1999) investigation of small to medium sized ECFs. Their research applied traditional international business (IB) frameworks to this type of firm. It was shown that none of these frameworks, which emerged from research on the internationalisation of manufacturing firms, was fully applicable to ECFs. The focus of their study was on small to medium sized professional business service firms as opposed to ECFs per se. Despite the contribution of such studies to the body of knowledge of ECFs, a contextual holistic examination explaining the internationalisation and development of firms over time, has not yet been accomplished.

1.2 Research objectives and research questions

The emphasis in this research is placed on the uniqueness of an individual ECF while identifying and drawing on characteristics that are more common across ECFs, more than for other types of PSFs. The objectives of this research are to
(1) identify the evolution of the international strategy of the firm

(2) identify the interplay between institutions, industry and resources outlined in the strategy tripod and how they shape the international strategy

Based on the research objectives outlined above, the following research questions arise:

(1) What factors influence the internationalisation of an ECF?

(2) How do these factors change with firm maturation and growth?

In addressing these research questions, this study also addresses some of the recent issues in the field of international business (IB). A Delphi study on future research topics revealed that the internationalisation process of firms will remain one of the topics of primary importance (Griffith, Cavusgil, & Xu, 2008). The study suggested research questions include “How can we best describe firms’ international evolution?” and “What contextual factors moderate the internationalization [sic] process?” (Griffith et al., 2008, p. 1226).

In particular, contextual factors are addressed in this research. The internationalisation of an ECF is examined by using a recent framework, namely the strategy tripod (Peng, Sun, Pinkham, & Chen, 2009; Peng, Wang, & Jiang, 2008). This framework consists of three factors that are argued to have an impact on the firm’s strategy. These are (1) the firm-specific resources and capabilities, (2) the industry, and (3) formal and informal institutions. The contribution of each factor to the different stages of the internationalisation process of an ECF is assessed.
1.3 Method

This study aims to identify the dynamics of internationalisation and its underlying influencing factors using a longitudinal single case study approach. A New Zealand based multidisciplinary ECF was investigated. The firm has 40 years of international experience. Historical data and real-time data were collected over the period of one year. The data were collected in three countries—New Zealand, Hong Kong, and China—in the form of semi-structured interviews, observations, and secondary data. A total of 34 informants were interviewed. The sample included a mix of retired and currently active staff from senior management—including company founders and Board members—middle management, and support staff. This made it possible to capture a more holistic view of a firm’s international activities that span such a long period of time.

1.4 Organisation of thesis

This thesis is structured as seven chapters, including this chapter being the introduction. In Chapter 2, the literature is reviewed on the internationalisation process, in general, and specifically on the internationalisation of ECFs. In addition, the strategy tripod is introduced as an initial framework to examine the internationalisation process. A theoretical framework is developed in Chapter 3. First, the strategy tripod is applied to ECFs using information emerging from previous studies that were conducted on ECFs. The tripod elements are then related to the four decision areas involved in the internationalisation process. Chapter 4 outlines the method for investigating the research problem and includes an introduction of the case firm. In Chapter 5, the findings and analysis are presented. These then discussed in Chapter 6. The final chapter concludes the thesis and outlines implications and limitations of the research.
CHAPTER 2: LITERATURE REVIEW

The general literature on the internationalisation of the firm is briefly discussed, with an emphasis on the internationalisation process, before outlining the essence of the strategy tripod (Peng et al., 2009). The strategy tripod combines elements of two traditional research streams in the field of strategy, namely the resource-based view, and the industry-based view, which are then complemented by an institution-based view (Peng et al., 2008). Each element is introduced. Then, an overview of ECFs and respective industry characteristics is provided followed by a summary of the extant literature on the internationalisation of ECFs. Here, special emphasis is given to decisions that are made with respect to international activities. These are concerned with (1) the decision to internationalise per se; (2) the choice of markets; (3) the modes of entry; (4) subsequent operations in a foreign market.

2.1 The internationalisation of the firm

The field of international business (IB) is concerned with “the study of international activities of firms and their interactions with foreign governments, competitors, and employees” (Kogut, 2002, p. 261). It encompasses a diverse set of themes and research agendas (Griffith et al., 2008) and is generally guided by the aim to identify the determinants of success or failure of firms in the international arena (Peng, 2004). Broadly, the field of IB addresses the issues of why firms decide to enter foreign markets and how this is accomplished (Kogut, 2002; L. S. Welch & Luostarinen, 1988, 1999). Much IB research is based on either economic theory or behavioural theory (Andersson, 2000; Johanson & Vahlne, 1990). Whereas economic theories offer a good understanding of why multinational firms exist (Dunning, 1988; Kogut, 2002), behavioural theories examine how these firms
undertake their international activities (Johanson & Vahlne, 1977). The economic perspective is of a rather static nature and assumes rational decision-making, the latter on the other hand is more dynamic and of a processual nature (Andersen, 1993; Andersson, 2000; Johanson & Vahlne, 1990; Melin, 1992).

Research in both strands is predominantly conducted in the manufacturing sector (Buckley, Pass, & Prescott, 1992; Coviello & K. A.-M. Martin, 1999; Eriksson, Johanson, Majkgård, & Sharma, 1997; Grönroos, 1999; Merchant & Gaur, 2008). Furthermore, research in the field of IB is largely dominated by investigations of large multinational enterprises (MNEs) (c.f. Dunning, 2009; Kogut, 2002; Melin, 1992). As a result, scholars have a relatively better understanding of how MNEs operate in their international environment (Griffith et al., 2008; Ricart, Enright, Ghemawat, Hart, & Khanna, 2004) compared to other types of organisations that have received less attention. In addition, the focus of investigations is mainly on the firms as the dominant unit of analysis (Toyne & Nigh, 1997a). This results in overlooking the potential significance of actions taken by individuals in the international strategy of the firm (Andersson, 2000).

An analysis of the frequency of citation of articles in the period of 1996 to 2006 indicates that the subthemes of international strategy—such as market entry strategy and the internationalisation process—were some of the most researched areas during that period (Griffith et al., 2008). Whilst often treated separately, some authors include the mode of entry into the process and investigate it as part of the internationalisation process of the firm (see, for example, Coviello & K. A.-M. Martin, 1999). This is justifiable as “the rationality of behaviour is seen only if we observe the whole system, instead of concentrating our attention on one isolated phase of it” (Aharoni, 1966, 1999a, p. 4). As outlined in Chapter 1,
current research interest in the field of IB includes the contextual examination of the internationalisation of the firm (Griffith et al., 2008).

Broadly, internationalisation can be defined as “the process of increasing involvement in international operations” and is evolutionary in nature (L. S. Welch & Luostarinen, 1988, 1999, p. 84). This process is often described and depicted in evolutionary stage models (Andersen, 1993). Research in this area is greatly influenced by the ‘Uppsala Internationalisation Model’ or U-model (Blomstermo & Sharma, 2003; Coviello & Munro, 1997, 1999; Malhotra & Hinings, 2009; Melin, 1992). The model stems from behavioural theory (Cyert & March, 1963) and is based on empirical evidence from a multiple case study of four Swedish manufacturing firms operating in different industries (Johanson & Wiedersheim-Paul, 1975).

The model postulates that country markets are chosen based on their psychic distance to a firm’s home country. The psychic distance between two countries is indicated, for example, by “differences in language, education, business practices, culture, and industrial development” (Johanson & Vahlne, 1977, p. 24). High levels of psychic distance between the domestic country and the host country lead to difficulties in forming relationships, thus leading to a ‘liability of foreignness’ when operating in the host market (Johanson & Vahlne, 2009). The original U-model shows that culturally closer markets are entered first. With increasing internationalisation experience, culturally more distant countries are gradually entered (Johanson & Vahlne, 1977). This pattern is challenged in several studies, particularly in those investigating firms that operate on a project to project basis (Coviello & K. A.-M. Martin, 1999; Erramilli, 1989; Malhotra & Hinings, 2009; Sharma & Johanson, 1987). Furthermore, in a revision of the U-model three decades after its initial
conceptualisation, Johanson and Vahlne (2009) argue that network membership helps to overcome the problem of liability of foreignness. The relevance of psychic distance for engineering consulting firms is discussed in more detail in Section 2.4.2.

In terms of market commitment, the U-model suggests that firms in their internationalisation behave according to the establishment chain, that is, firms gradually increase their commitment in a foreign market. The case studies (Johanson & Wiedersheim-Paul, 1975) revealed that firms follow a sequence of (1) sporadic exporting in the beginning, then the (2) export through and independent agent, which often leads to the (3) establishment of sales subsidiaries, before potentially (4) setting up a production facility in the foreign country. The fourth stage comprises the highest possible resource commitment. This development is facilitated by market knowledge, that usually increases over time and with experience. Figure 2.1 displays the mechanism of internationalisation based on the U-model (Johanson & Vahlne, 1977).

Figure 2.1: The basic mechanism of internationalisation—State and change aspects

Source: Johanson and Vahlne (1977, 1990)
The model displayed in Figure 2.1 shows the interplay between state aspects and change aspects, leading to an overall dynamic nature. Deeper market knowledge and familiarity with the foreign country is argued to lead to increasing investments (Johanson & Vahlne, 1977, 1990). The resources that are already committed to foreign markets influence the decision-making process to commit further resources in foreign markets. This in turn affects current activities and vice-versa. Overall, the more experienced a firm is in a foreign country, the more resources it is willing to commit which explains the gradual development of establishment. The establishment chain explains the development of the firm in a single country (Andersen, 1993; Eriksson et al., 1997). Taken together, the two propositions made in the U-model imply that experience in internationalisation influences the choice of markets as well as the identification of new opportunities. Market specific knowledge influences the mode of entry and gradual establishment within these markets. In their revision, Johanson and Vahlne (2009) extend their model of the interplay of state and change mechanisms with “relationship-specific knowledge, which is developed through interaction between two partners, and that includes knowledge about each other’s heterogeneous resources and capabilities” (p. 146). The authors claim that a firm that is not well established in networks suffers from the liability of outsidership what worsens the disadvantage of the liability of foreignness when entering a foreign market. Overall, internationalisation is perceived as taking place in a network.
The identification and seizing of opportunities occurs in interaction between business partners (Johanson & Vahlne, 2006, 2009). The business network internationalisation process model implies that good network positions can be achieved through learning, trust, and commitment to a partner. Furthermore, the acquisition of knowledge through network partners gives the firm a cutting edge in terms of opportunity identification and creation.

An important question that is not addressed in these models but which is essential to be asked beforehand is “what factors make an organization [sic] veer off its ‘normal’ path and look abroad” (Aharoni, 1966, 1999a, p. 13). This aspect is partially considered in what Andersen (1993) calls the ‘Innovation-Related Internationalisation Models’ (I-models). In these models, internationalisation is perceived as an innovation and again, experiential knowledge is crucial for further development of international activities. The models, as summarised by Andersen (1993) are illustrated in Table 2.1.
Table 2.1: A review of the Innovation-Related Internationalisation Models

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td></td>
<td></td>
<td>Stage 1</td>
</tr>
<tr>
<td>Management is not</td>
<td>Stage 1</td>
<td></td>
<td>Export awareness:</td>
</tr>
<tr>
<td>interested in exporting</td>
<td>Domestic marketing:</td>
<td></td>
<td>Problem of opportunity recognition, arousal of need</td>
</tr>
<tr>
<td></td>
<td>The firm sells only to the home market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 2</td>
<td></td>
<td></td>
<td>Stage 2</td>
</tr>
<tr>
<td>Management is willing</td>
<td>Stage 2</td>
<td></td>
<td>The partially interested firm</td>
</tr>
<tr>
<td>to fill unsolicited</td>
<td>Pre-export stage: The firm searches for information and evaluates the feasibility of undertaking exporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>orders, but makes no</td>
<td></td>
<td></td>
<td>Stage 3</td>
</tr>
<tr>
<td>effort to explore the</td>
<td></td>
<td></td>
<td>The exploring firm</td>
</tr>
<tr>
<td>feasibility of active</td>
<td></td>
<td></td>
<td>Stage 4</td>
</tr>
<tr>
<td>exporting</td>
<td></td>
<td></td>
<td>The experimental firm</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Stage 5</td>
</tr>
<tr>
<td>Management actively</td>
<td></td>
<td></td>
<td>The experienced small exporter</td>
</tr>
<tr>
<td>explores the feasibility</td>
<td></td>
<td></td>
<td>Stage 6</td>
</tr>
<tr>
<td>of active exporting</td>
<td></td>
<td></td>
<td>The experienced large exporter</td>
</tr>
<tr>
<td>Stage 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management actively</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>explores the feasibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of active exporting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm exports on an</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>experimental basis to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>some psychologically</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>close country</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm is an</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>experienced exporter</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management explores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the feasibility of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>exporting to other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>more psychologically</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>distant countries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export awareness:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problem of opportunity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>recognition, arousal of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>need</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export intention:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation, attitude,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>beliefs, and expectancy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>about export</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export trial: Personal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>experience from limited</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>exporting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export evaluation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Results from engaging in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>exporting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export acceptance:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adoption of exporting/rejection of exporting</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Andersen (1993)

The models displayed in Table 2.1 show that differences exist between the motivation for initial and subsequent international activities. While the models of Bilkey and Tesar (1977) and Czinkota (1982) show no initial motivation for exporting, Cavusgil’s (1980) and Reid’s (1981) models imply a proactive motivation for internationalisation (as cited in Andersen, 1993).
Andersen (1993) critically reviews both types, the original U-model and the I-models. He finds that no stage model sufficiently explains the factors that lead to the transition from one stage to another. He argues that “critical events of the firms’ development and factors that affect the firms’ export behavior [sic] should be identified” (p. 228), suggesting research methods such as case studies for examination. The original U-model looks at the internationalisation from a firm level as it considers “knowledge to be vested in the decision-making system,” not the individuals (Johanson & Vahlne, 1977, p. 26). However, studies have shown that the success of previous experiences and the perceptions managers carry regarding future development leads to subsequent investments, for example, in the context of service firms (Cort, Griffith, & White, 2007). In addition, when revisiting the model, Johanson and Vahlne (2009) acknowledge that it is the decision makers, not the firm, who are crucial for whether psychically distant influence the order of market entries. This hints a shift of focus from firm-level to individual-level of analysis.

The review of the literature so far illustrates that the internationalisation of firms is a fairly complex undertaking that requires consideration of many factors. Stage models are often used to describe and explain the internationalisation process of firms. Whilst all stress the importance of experiential knowledge and gradual development, these findings are based on manufacturing firms. Comparatively little research is conducted in the service sector (Blomstermo & Sharma, 2003). Furthermore, the relevant factors leading to differences in internationalisation behaviour are not clearly identified. However, it can be summarised that the main decisions that are concerned with this process are (1) what is the motivation to internationalise in the first place, (2) what markets to enter, (3) what mode of entry is used, and (4) what subsequent operations are undertaken in the country (Coviello & K. A.-M.)
Martin, 1999). The next sections describe the characteristics of ECFs before these decision areas are addressed in the context of this type of firm.

2.2 Characteristics of professional service firms (PSFs)

This section introduces ECFs as a type of professional service firm (PSF) (Løwendahl, 2005; Malhotra & Morris, 2009; Von Nordenflycht, 2010). Other examples of traditional PSFs are law firms and accounting firms (Aharoni, 2000; Malhotra & Morris, 2009). Professionals undergo years of formal training in order to become eligible to work in the field and face clients (Maister, 1982). Furthermore, official accreditation is an inevitable requirement in order to be able to practise. The criteria emerged from the professions themselves through ‘codes of practices’ and are usually legally enacted by government authorities (Freidson, 2001). This leads to the social closure of professional services that distinguishes them from other types of services such as management consulting or advertisement. PSFs are a somewhat unique type of organisation that differs significantly from manufacturing firms per se (Løwendahl, 2005; Maister, 1982; Reihlen & Apel, 2007). Differences also exist between types of PSFs to the extent that many conclusions drawn from research on law firms, for example, cannot simply be transferred to accounting firms (Aharoni, 1999b; Malhotra, Morris, & Hinings, 2006). Although these differences are not the focus of this research, it is essential to understand some common characteristics that PSFs in general share. These characteristics are briefly outlined in this section.

First and foremost, PSFs are based on services. They are characterised by relatively low capital intensity (Von Nordenflycht, 2010). PSFs primarily depend on human capital (Løwendahl, 1992; Mintzberg, 1983) in contrast to manufacturing firms that typically invest in tangible assets such as machinery and production facilities (Kreitl & Oberndorfer, 2004).
In nature, professionals are mobile (Aharoni, 1993; Sharma, 1989; Sharma & Johanson, 1987) and not static like the tangible investments made by manufacturing firms (Sharma & Johanson, 1987). That means they can be allocated to different project sites fairly easily. The services they provide are highly customised and usually co-created with the client, often on site of the client’s project (Løwendahl, 1993, 2005; Reihlen & Apel, 2007; Warf, 1996). Consequently, this client requirement for proximity involves close relationships between professionals and their clients (Maister, 1982). Taken together, the professionals and their client-relationships are the firm’s main assets. This status gives them significant bargaining power within the organisation (Løwendahl, 2005).

Therefore, in a PSF “a good deal of power remains at the bottom of the [organisational] hierarchy, with the professional operators themselves” (Mintzberg, 1983, p. 198). Professionals generally strive for autonomy which makes it difficult to ‘manage’ them, particularly with the traditional top-down approach (Empson & Chapman, 2006; Løwendahl, 1992, 2005; Mintzberg, 1983; Von Nordenflycht, 2010). As noted by Mintzberg (1983), “[w]hen the professional does not get the autonomy he feels he requires, he is tempted to pick up his kit bag of skills and move on” (p. 195). Considering the complexity of training and knowledge development that accumulates over years (Freidson, 2001; Maister, 1982), it is not in a firm’s interest to lose this valuable resource. Furthermore, this power allows the individual professional, who has the motivation, persistence, and competence to negotiate his or her ideas through the organisation, to actively shape its strategy (Mintzberg, 1983). These differences lead to the conclusion that concepts that have been developed from research on manufacturing firms may not automatically apply to ECFs (Løwendahl, 1992, 2005; Roberts, 1972).
2.3 Engineering consulting

This section outlines the nature of ECFs and the complexity of this organisational type. The market sectors are briefly introduced and the project-based nature of engineering services is explained. In addition, the role of networks and relationships for winning work are discussed.

It is generally difficult to clearly define one single industry for engineering services due to the diversity of services applied to a diverse set of industries (Løwendahl, 1992, 2005; Roberts, 1972). The Engineering News Record (2008), when ranking international engineering design firms, divides the market for engineering services into ten categories, as shown in Table 2.2.
Table 2.2: Market categories of the engineering sector

<table>
<thead>
<tr>
<th>Market category</th>
<th>Sub-categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Buildings</td>
<td>Commercial buildings, offices, stores, educational facilities, government buildings, hospitals, medical facilities, hotels, apartments, housing, etc.</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Auto, electronic assembly, textile plants, etc.</td>
</tr>
<tr>
<td>Power</td>
<td>Thermal and hydroelectric power plants, waste-to-energy plants, transmission lines, substations, cogeneration plants, etc.</td>
</tr>
<tr>
<td>Water Supply</td>
<td>Dams, reservoirs, transmission pipelines, distribution mains, irrigation canals, desalination and drinking water treatment plants, pumping stations, etc.</td>
</tr>
<tr>
<td>Sewerage/solid waste</td>
<td>Sanitary and storm sewers, treatment plants, pumping plants, incinerators, industrial waste facilities, etc.</td>
</tr>
<tr>
<td>Industrial processes</td>
<td>Pulp and paper mills, steel mills, nonferrous metal refineries, pharmaceutical plants, chemical plants, food and other processing plants, etc.</td>
</tr>
<tr>
<td>Petroleum</td>
<td>Refineries, petrochemical plants, offshore facilities, pipelines, etc.</td>
</tr>
<tr>
<td>Transportation</td>
<td>Airports, bridges, roads, canals, locks, dredging, marine facilities, piers, railroads, tunnels, etc.</td>
</tr>
<tr>
<td>Hazardous waste</td>
<td>Chemical and nuclear waste treatment, asbestos and lead abatement, etc.</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>Transmission lines &amp; cabling, towers &amp; antennae, data centres, Web hotels, etc.</td>
</tr>
</tbody>
</table>


As shown in Table 2.2 the range of categories is fairly broad. ECFs provide their services at different stages of construction projects such as large-scale buildings, industrial plants, bridges or roads (Roberts, 1972; Warf, 1996). They deliver, for example, feasibility
studies, designs, cost and quality control, and advisory services to developers and project owners. However, they usually do not carry out any physical implementations (Kreitl & Oberndorfer, 2004; Malhotra & Morris, 2009; Roberts, 1972; Warf, 1996). Each category illustrated in Table 2.2 requires various types of engineering disciplines such as structural, mechanical, and electrical engineering. Although the purely technical knowledge of these various disciplines is generally transferable from one market category to another, an engineer’s expertise is usually gained through accumulated market experience (Løwendahl, 2005; Malhotra, 2003; Warf, 1996). Hence, in addition to the explicit knowledge that is acquired during the extensive formal training (Freidson, 2001), the value of a professional for the firm increases with experience and implicit knowledge. For example, a structural engineer might specialise in designing bridges, making it difficult to deploy him or her to designing tunnels.

The knowledge base of a firm—i.e. its expertise—is created by recruiting engineers from particular disciplines and by “learning from ‘lead clients’ in [the] industry during project work” (Reihlen & Apel, 2007, p. 142). This exemplifies the interdependence of the two markets PSFs are competing in. That is (1) the market of highly educated professionals, i.e. the labour market and (2) the market where their services are offered (Maister, 1982). The knowledge base depends on both of these markets. As services are created and applied by individuals, it is essential to recruit suitable junior professionals which are able to fill in the positions that become available after the retirement of senior staff (Maister, 1982). The organisational knowledge that is created in interaction with clients, and which accumulates over time and with experience, is transferred to junior consultants. The new consultants will
then—after sufficient on-the-job training and experience—be able to maintain and broaden the firm’s overall knowledge base.

One distinctive characteristic of many market categories in entail is their cyclical nature and the *ad hoc* demand for services (Kreitl & Oberndorfer, 2004; Løwendahl, 2005; Warf, 1996). In other professions such as accounting and auditing, a comparably stable demand for services exists, partly because large firms, for example, are legally obliged to be audited (Løwendahl, 2005). The demand for engineering services on the other hand is less predictable and based on *ad hoc* projects (Malhotra & Hinings, 2009). In addition, the demand for services depends on the development of each market category. That is, in the case of economic downturns, the industries and subsequently the engineering sectors are affected. The same is true for construction booms, resulting from a rising economy, that promise a plethora of project opportunities in the buildings sector. The completion of a project can take several years what may lead to sufficient workload during economic downturns, but investments also pick up slower after crisis recovery (ENR, 2010). This complicates the matter of strategic planning for ECFs.

Infrastructure projects, on the other hand, may be funded by governments or aid agencies (Kreitl & Oberndorfer, 2004; Løwendahl, 1992) such as multi-lateral development banks (MDBs). During economic downturns, governments may spend money on infrastructure projects to keep the economy going whereas in a healthy economy, commercial investors such as developers tend to start new projects. It could be argued that offering services in both areas would mitigate this problem. However, public projects are usually awarded after long bidding processes (Kreitl & Oberndorfer, 2004). Bidding for these types of projects requires the potential commitment of resources (professionals) in case...
the project is awarded to the bidding firm. During this waiting period it is difficult deploy these resources elsewhere. This makes it difficult for ECFs to plan ahead. Furthermore, these types of projects may often take a long time before their implementation (Løwendahl, 1992, 2005).

Service creation and delivery are characterised as interactive processes and consist of high client involvement (Løwendahl, 2005; Warf, 1996). In the services market, ECFs compete on these processes as opposed to the engineering design per se (Løwendahl, 1992; Malhotra, 2003). The client involvement in the process requires spatial proximity, often at project site. Furthermore, the engineering sector is characterised as being highly relationship driven. Networks and relationships that are established between clients and ECFs potentially lead to subsequent projects and identification of new projects opportunities. This is particularly relevant in the scope of internationalisation (Coviello & K. A.-M. Martin, 1999; Malhotra, 2003).

These dynamics make it difficult for ECFs to plan too far ahead and to optimise their resource commitment. Hence, in order to diversify the risk, ECFs become multidisciplinary and build expertise in several engineering services that can serve commercial as well as for governmental clients. In summary, ECFs are subjected to industry dynamics that make it difficult to plan in an efficient way. Although technical skills are generally transferable, expertise is based on experience in particular areas. In addition, there is a necessity to build and maintain good client relationships. This puts the firms in a position of being readily available if ad hoc service provision, particularly from industrial clients, is required.
2.4 The internationalisation of engineering consulting firms

This section reviews the literature on the internationalisation of ECFs. One of the early studies investigating the internationalisation of service firms was conducted by Sharma and Johanson (1987) on two Swedish technical consultancies (TCFs). The nature of TCFs is similar to that of ECFs (Coviello & K. A.-M. Martin, 1999) in terms of service delivery, the nature of the service, and the organisational form. The authors conclude that the establishment chain outlined in the U-model (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) does not hold for the investigated firms. Instead of gradually entering a country, firms set up temporary branch offices, hence leapfrogging the establishment chain. Furthermore, the firms tend to enter culturally more distant countries rather than those culturally closer ones (Coviello & K. A.-M. Martin, 1999; Sharma & Johanson, 1987).

In the same vein, ECFs tend to enter developing countries (which are usually psychically more distant) than developed, industrialised countries (Erramilli, 1989; O’Farrell et al., 1998). Multilateral development banks primarily sponsor or finance projects in developing countries (C. Welch, 2005) and ECFs follow this type of work (Coviello & K. A.-M. Martin, 1999). In addition, when manufacturing firms enter these countries to build production facilities (Vernon, 1966, 1999) they require engineering services for the construction of greenfield projects. Indigenous firms often lack sufficient technical knowledge and experience (Roberts, 1972) and are not in the position to conduct complex construction projects on their own. The availability of engineering talent is generally restricted in these developing countries (Warf, 1996). The potential high mobility of professionals and the associated low financial risk (Sharma & Johanson, 1987) that
characterise ECFs creates conditions that allow for entering these countries without being constrained by high risks if the project may not be successful (Johanson & Vahlne, 1990).

In their investigation of four small to medium sized New Zealand-based ECFs, Coviello and Martin (1999) conclude that four key characteristics influence the internationalisation of ECFs: “(1) a product embodied in skilled personnel, (2) a relatively high degree of client involvement, (3) relatively low capital intensity, and (4) the project-based nature of the business” (p. 60). As previously discussed, these characteristics differ significantly from manufacturing firms, which often place emphasise on tangible assets (Kreitl & Oberndorfer, 2004). International strategies of manufacturing firms are often concerned with optimizing the allocation and exploitation of those tangible assets. As mentioned earlier, the strategies of PSFs are primarily influenced by intangible assets. However, the firms aim to optimise the productivity of their professionals in the short run by deploying them most effectively.

The following sections provide a review of the literature on the internationalisation of ECFs with focus on (1) reasons for internationalising, (2) choice of market, (3) mode of entry, and (4) subsequent operations in a foreign market.

2.4.1 Motivation for engineering consulting firms to internationalise

There are several reasons for why ECFs decide to become internationally active. Industry dynamics comprised of high uncertainties and constrained growth opportunities are identified as one of the main drivers to actively seek international work (Coviello & K. A.-M. Martin, 1999; Sharma & Johanson, 1987). ECFs regard geographical diversification as spreading the risk. Furthermore, an internationalising client may require the firm’s expertise abroad, also leading to international expansion (Ball, Lindsay, & E. L. Rose, 2008;
Løwendahl, 2005). This is a rather reactive approach, often triggered through the desire for maintaining good relationships with the client (Coviello & K. A.-M. Martin, 1999; Sharma & Johanson, 1987).

It is important to note that not all firms are open to internationalising. For example, Coviello and Martin (1999) find that two out of the four investigated firms prioritised serving the domestic market. Even after initial international activities the focus remained on domestic work. However, contextual circumstances, such as the domestic economic situation, influenced the consideration of international work. For the other two firms, that pursued international work relatively early after their inception, the founders were identified as the main drivers (Coviello & K. A.-M. Martin, 1999). In each of the two latter cases, the firms actively pursued aid agency work in developing countries. However, it should be noted that in all cases the personal and/or professional relationships triggered initial internationalisation by presenting relevant opportunities (Coviello & K. A.-M. Martin, 1999).

2.4.2 Market selection of engineering consulting firms

According to the U-model (Johanson & Vahlne, 1977), the choice of foreign markets is influenced by the perceived psychic distance of a foreign country. Firms tend to enter culturally close countries first and then gradually enter more distant countries with increasing internationalisation experience. However, these findings are based on investigations of manufacturing firms (Johanson & Wiedersheim-Paul, 1975) and several studies outline that this does not hold entirely true for ECFs or similar types of organisations (Coviello & K. A.-M. Martin, 1999; Kreitl & Oberndorfer, 2004; Malhotra, 2003; Sharma & Johanson, 1987; Von Nordenflycht, 2010). The choice of market is often determined by the
geographical distance and/or project availability (Coviello & K. A.-M. Martin, 1999; O'Farrell et al., 1998). ECFs typically follow the work and choose the foreign markets based on this.

Sharma (1989), in his investigation of Swedish technical consulting firms (TCFs), finds that market entry decisions are either active or reactive. Active decisions are goal directed and deliberate. They are based on planned activities and the commitment of resources in order to achieve the goal. Reactive decisions are usually unintended and the result of client approaches or information provided through network relationships (Sharma, 1989). Based on the analysis of the four investigated case firms, Coviello and Martin (1999) conclude that “the choice of initial and subsequent market(s) was driven mainly by the location of clients and network contacts” (p. 53) and not based on thorough market analysis. Nevertheless, the authors also note that with increasing internationalisation experience, the firms become more selective in what market to enter.

2.4.3 Modes of entry

Typical foreign market entry modes for ECFs are based on project availability. This is done through client-following and piggybacking (Ball et al., 2008; Coviello & K. A.-M. Martin, 1999; Løwendahl, 1992; Malhotra & Hinings, 2009; O'Farrell et al., 1998). Client-following is where a firm enters a foreign market together with, or upon the request of a client, that demands the skills and services in another country (Erramilli & Rao, 1990; Majkgård & Sharma, 1998). More specifically, a project is assigned to an ECF prior to actual market entry, which enables the ECF to become familiar with the new environment without the pressure of seeking new work (Ball et al., 2008). Piggybacking occurs when a firm enters a foreign country ‘on the back’ of another service provider that internationalises (Ball et al., 2008;
In the case of ECFs, for example, this tends to be the case with architects.

Although temporary branch offices may be established (Coviello & K. A.-M. Martin, 1999; Sharma & Johanson, 1987), ECFs tend to exit the market again upon project completion (Malhotra & Hinings, 2009). Due to the project-based nature of engineering services (Coviello & K. A.-M. Martin, 1999; Malhotra & Hinings, 2009; Malhotra & Morris, 2009) it is common for ECFs to allocate professionals in the host country only on a temporary basis. Ball et al. (2008) refer to this entry mode as ‘embodied people exports’ which is in contrast to setting up permanent offices.

Other modes of entry that are observed include formal joint-ventures (JVs) and informal alliances with architects or other consulting firms (Coviello & K. A.-M. Martin, 1999; Løwendahl, 1993). Often, JVs are formed with ECFs from the domestic market in which they are competitors (Coviello & K. A.-M. Martin, 1999; Løwendahl, 1993). The reason behind this is often to complement each other’s service repertoire and successfully bid in foreign markets. The same is true for informal alliances.

2.4.4 Subsequent establishment in foreign markets

As discussed in the previous section, ECFs enter foreign countries predominantly on a project-basis and exit the market after the project is completed (Coviello & K. A.-M. Martin, 1999; Malhotra & Hinings, 2009). Permanent offices are usually not established. As Løwendahl (2005) notes:

for ad hoc services such as bridges and tunnels and opera houses,

there is no point in setting up a permanent local office, whereas for
recurring “problems” such as auditing, advertising, and legal counselling, local offices may be more cost-efficient than flying the experts in and out from [Head Quarters] (p. 175).

This would lead to the assumption that ECFs tend not to establish a permanent presence in a country. Nevertheless, it is observed that firms do open local offices in foreign markets (Coviello & K. A.-M. Martin, 1999). However, the resource commitment in form of professionals is fluctuating and depending on project workload. Figure 2.3 illustrates the nature of resource commitments of project-based firms. This is usually dictated by the project stages and resource requirements.

**Figure 2.3: Resource commitment of project based organisations**

![Resource commitment diagram](image)

Source: Malhotra and Hinings (2009)

The resource commitment increases if new projects are awarded and decreases with completion of projects to the extent that no resources, *i.e.* professionals, are located in the foreign country. Even in the case of office establishment, the resources are deployed and
withdrawn depending on necessity (Malhotra & Hinings, 2009). The resource commitment increases if new projects are awarded and decreases with completion of projects.

Despite a fairly good understanding of the internationalisation of ECFs emerges from the literature, a holistic examination of the underlying factors is not yet presented. The strategy tripod may be a suitable framework for holistically identify these factors and apply them to each stage.

2.5 The strategy tripod

The strategy tripod is a recently developed framework based on three research strands. It examines the factors that influence a firm’s strategic choices. Conceptualised by Peng and his collaborators (Peng & Khoury, 2009; Peng et al., 2009; 2008), it aims to complement the traditional streams of strategy research, i.e. industry-based view and resource-based view by incorporating an institution-based view. The usefulness of the strategy tripod for the field of IB is shown in studies that use it as a framework for examining the international activities of firms (e.g. Gao, Murray, Kotabe, & Lu, 2009; Y. H. Xie, Zhao, Q. J. Xie, & Arnold, 2011). According to Peng et al. (2008) the tripod helps answering the question “What drives firm strategy in IB?” (p. 931). Overall, the fields of IB and strategy are closely related and influence each other (Peng, 2001; Ricart et al., 2004; Toyne & Nigh, 1997b). This justifies the framing of an IB investigation according to elements that partially emerge from the field of strategic management research.

Peng et al. (2008) argue that the industry-based view and the resource-based view do not sufficiently include contextual conditions. They focus on either industry conditions or firm-internal resources and capabilities respectively in order to explain and suggest strategic behaviour of firms. However, there is research that shows how institutional factors also
influence strategic decision making (DiMaggio & Powell, 1983; Gao et al., 2009; Meyer, Estrin, Bhaumik, & Peng, 2009; Oliver, 1991; Peng et al., 2008; Y. H. Xie et al., 2011). Hence, the importance of institutional conditions and particularly the lack of official institutional bodies, as is the case in many developing countries, plays an important role in the strategy formulation (Peng & Khoury, 2009; Peng et al., 2009, 2008). The strategy tripod, as depicted in Figure 2.4, illustrates how each factor makes its contribution to the strategic choices of the firm. The framework aims to investigate how these choices are influenced by (1) the industry the organisation competes in, (2) the organisational resources and capabilities, and (3) the formal and informal institutions (Gao et al., 2009; Peng et al., 2009, 2008).

![Figure 2.4: The strategy tripod](image)

Source: Adapted from Peng et al. (2008)

The individual factors displayed in Figure 2.4 are introduced in the following three sections. In Chapter 3, the characteristics of ECFs are embedded in the framework and each element for this type of firm is identified.
2.5.1 Industry-based view

The industry-based view has been a dominant perspective on strategy since it was articulated by Porter in the 1980s. As proposed by Porter (1980), it is mainly concerned with a firm’s positioning within an industry, moreover, the right positioning leads to competitive advantage. This school of thought stems from the idea that the structure of the industry influences the conduct of the firm which in turn results in some level of performance (Porter, 1980, 1981). Defined as “the group of firms producing products [and/or services] that are close substitutes for each other” (Porter, 1980, p. 5), the industry consists primarily of competitive forces. In order for a firm to find its favourable position within an industry, the industrial environment needs to be assessed as to what ideally results in opportunity identification.

Frameworks such as Porter’s Five Forces (Porter, 1979, 1983) suggest that the strategy of the firm should be adjusted to cope with competitive forces. These forces are, for example, current and potential competitors but also the negotiation power of customers and sellers (Porter, 1983). Empirical studies show that the industry dynamics directly impact firm’s strategies also in the context of IB. Competitive pressures in both home and host market shape the strategic positioning but also motivate the firm to seek alternative markets abroad (Gao et al., 2009; Y. H. Xie et al., 2011). The industry-based view takes an outside-in perspective. It focuses on the external factors that influence the firm’s strategy (Eisenhardt & J. A. Martin, 2000; Gao et al., 2009; Peng et al., 2008).

2.5.2 Resource-based view

The resource-based view aims to explain how firms gain a sustainable competitive advantage through the accumulation of tangible and intangible resources (Barney, 1991).
These resources are usually heterogeneously distributed as opposed to being homogenous and freely available as suggested in the industry-based (Barney, 1991). In addition, resources leading to sustainable competitive advantage are usually firm-specific and difficult to imitate (Barney, 1991). The focus of this theoretical perspective is the internal factors of an organisation and is mainly seen as complementary to traditional industry-based views (Barney, 1991; Barney, Wright, & Ketchen, 2001; Eisenhardt & J. A. Martin, 2000; Gao et al., 2009). One valuable insight that can be ascribed to the resource-based view is the notion that firm-specific resources play an important role in organisational success (Gao et al., 2009; Peng, 2001).

Since its first inception, the resource-based view is further developed and empirically tested (Barney, 2001). Aside from resources, which are firm-specific assets, capabilities are also crucial for a firm’s success. Capabilities are the competences that facilitate the advantageous use of these assets (Gao et al., 2009). However, in dynamic environments, where good decision-making is essential, the usefulness of the traditional resources and capabilities needs to be reconsidered (Eisenhardt & J. A. Martin, 2000; Teece, Pisano, & Shuen, 1997). A specific type of capabilities, called dynamic capabilities, is defined as:

[t]he ability to sense and then seize new opportunities, and to reconfigure and protect knowledge assets, competencies and complementary assets so as to achieve sustained competitive advantage (Teece, 2009, p. 206).

Overall, according to the resource-based view, resources, capabilities, and dynamic capabilities all play a crucial role in a firm’s success and its strategy formulation. These are internal, firm-specific factors that enable the firm to gain a competitive advantage. What
distinguishes this view from the industry-based view is that it takes an inside-out perspective. Strategy formulation is based on internal conditions as opposed to external conditions.

2.5.3 Institution-based view

Industrial theory is primarily concerned with how institutions come into existence and how they shape society, organisations, and individuals; but also, how these in turn affect institutions. A widely accepted definition of institutions is that they are “the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interactions” (North, 1990, p. 3). Institutions comprise several levels “from the world system to subunits of organizations [sic]” (Scott, 1995, p. 34). North (1990), coming from an economic perspective, is mainly concerned with the interplay between institutions and economies and takes a rather macro-level perspective on institutions. On the sociological side, DiMaggio and Powell (1983) are interested in what makes organisations become similar in structure and behaviour. They argue, for example, that organisations imitate other organisations that they perceive as successful and/or that they depend on. This is particularly the case in times of uncertainty. Organisations represent the micro-level of analysis in institutional theory (Lawrence & Suddaby, 2006).

Scott (1995), extending North’s (1990) and DiMaggio and Powell’s (1983) understanding of institutions, conceptualises institutions based on three pillars. These are regulative, normative, and cultural-cognitive which combine several research strands— economical, sociological and political—in the field of institutional theory.
Table 2.3: Varying emphases: Three pillars of institutions

<table>
<thead>
<tr>
<th>Basis of compliance</th>
<th>Regulative</th>
<th>Normative</th>
<th>Cognitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expedience</td>
<td>Social obligation</td>
<td>Taken for granted</td>
<td></td>
</tr>
<tr>
<td>Coercive</td>
<td>Normative</td>
<td>Mimetic</td>
<td></td>
</tr>
<tr>
<td>Instrumentality</td>
<td>Appropriateness</td>
<td>Orthodoxy</td>
<td></td>
</tr>
<tr>
<td>Rules, laws, sanctions</td>
<td>Certification, accreditation</td>
<td>Prevalence, isomorphism</td>
<td></td>
</tr>
<tr>
<td>Legally sanctioned</td>
<td>Morally governed</td>
<td>Culturally supported, conceptually correct</td>
<td></td>
</tr>
</tbody>
</table>

Source: Scott (1995, p. 35)

As shown in Table 2.3, institutions are not solely based on official rules and regulations but also on somewhat subtle aspects such as norms, values and culture. The institution-based view as proposed by Peng and collaborators (Peng & Khoury, 2009; Peng et al., 2009, 2008) borrows from both institutional economics (North, 1990) and institutional theory (Scott, 1995). They broadly define institutions as “formal and informal structures for social and economic exchanges” (Peng & Khoury, 2009, p. 257). These structures can be regarded as formal and informal ‘rules of the game’ or ‘ways of how things are done’ (Gao et al., 2009; North, 1990; Peng & Khoury, 2009). The first type—i.e. formal rules or the regulative pillar—comprises the formal laws and regulations of a host country. These are officially enacted, often by governmental bodies.

Informal rules are embedded in norms, cultures or ethics and could, although not being legally formalised, lead to negative consequences if violated (Peng et al., 2008). These can be seen as the normative and cognitive institutions. The former is concerned with appropriate behaviour according to values and norms that govern social life. The cognitive
pillar stresses the importance of symbols and the sense-making that lead to further behavior. It focuses on “the central role played by the socially mediated construction of a common framework of meaning” (p. 45) and is based on shared beliefs that emerge during interaction with other individuals.

Instead of treating the impact of institutional settings as a background force, organisations actively resist or respond to institutional pressures (Oliver, 1991). The ‘rules of the game’ contribute to the strategic decision making within an organisation. Peng et al. (2008) argue that due to a lack of attention to contextual factors in both the resource-based view and the industry-based view, it is important to include the institutional conditions when analysing the strategy of the firm. Institutions can exacerbate or facilitate how business is conducted in a foreign country, depending on how well a firm is able to identify and respond to them. Hence, both formal and informal institutions can have an impact on the strategic choices of organisations (Peng & Khoury, 2009).

2.6 Chapter summary

This chapter began with a brief review of the literature in international business with emphasis on the stage theories. Important decisions that are made in the context of internationalisation are (1) to internationalise in the first place, (2) what markets are entered, (3) what mode of entry is chosen, and (4) what, if any, types of subsequent market operations are anticipated. The majority of studies that were undertaken on this process examine manufacturing firms. It was shown that experiential knowledge has an impact on the gradual development and movement from one stage to another.

Research on service firms examining this process however is comparatively scarce. The characteristics of PSFs in general and ECFs in particular were discussed. Subsequently,
the literature on the internationalisation of ECFs was reviewed and structured according to the four stages outlined above. Considering the complexity of the internationalisation process in general and the context in which ECFs operate, a more holistic approach of examining the internationalisation is appropriate.

The strategy tripod offers a suitable framework. Integrating the industry-based view, the resource-based view, and the emerging institution-based view, it is possible to examine the internationalisation of ECFs in a more holistic manner. Whereas the resource-based view focuses on firm-internal aspects, the industry-based view and the institution-based view emphasise the external factors that drive strategic decisions. Hence, combining these three elements offers an opportunity to identify the relevant factors that drive the internationalisation of ECFs.
CHAPTER 3: THEORETICAL DEVELOPMENT

In this chapter, the theoretical framework for the internationalisation of an engineering consulting firm is developed. This is done by combining the aspects identified in the literature review. First, the elements of the strategy tripod are applied to the context of ECFs. Next, these elements are combined with the stages of internationalisation that were also identified in the literature review. Finally, a framework for the internationalisation process of ECFs is proposed.

3.1 The strategy tripod in the context of engineering consulting firms

The review of the literature about the internationalisation of ECFs indicates that it is a highly complex undertaking. Organisational internal and external factors contribute to the decision making around international activities of the firm. Therefore is insufficient to look at the internal and external factors separately. Rather, a framework that looks at a broader range of factors impacting on the internationalisation process is more desirable, ideally embedded in the specific context of where the phenomenon takes place (Andersen, 1993; Blomstermo & Sharma, 2003; Melin, 1992). The strategy tripod allows the examination of the firm’s strategy from three perspectives: (1) industry conditions, (2) firm-specific resources and capabilities, and (3) formal and informal constraints in form or institutions. Based on the review of the literature the following three sections conceptualise each element of the strategy tripod in relation to ECFs.

3.1.1 Industry dynamics and the engineering consulting firm

Uncertainty and high levels of competition in the domestic industry can be a motivator for many firms to consider international markets (Gao et al., 2009). The cyclical nature of available work and the ad hoc demand of engineering services lead to a high uncertainty for
this type of firm with regard to future workload. In order to break the domestic cycle, ECFs may seek work in foreign countries and hence mitigate the risk of depending only on one cycle. This means that the firms are pushed into foreign markets (O’Farrell et al., 1998). Furthermore, the economic situation in the domestic industry may prompt the consideration for international work, even by those firms that are first rather hesitant in pursuing international work (Coviello & K. A.-M. Martin, 1999).

In summary, three unique industry-based factors are identified that characterise the ECF sector. These are the cyclical nature of project-work, the ad hoc demand for services, and the dependence on the economic development of the industries that are serviced.

### 3.1.2 Resources and capabilities of engineering consulting firms

The low capital-intensity of PSFs (Von Nordenflycht, 2010) makes the professionals (Løwendahl, 1993) and their embedded knowledge the main assets of these types of organisations (Løwendahl, 2005; Løwendahl, Revang, & Fosstenløkken, 2001). In her investigation of 20 ECFs, Malhotra (2003) finds that the combination of technical knowledge and experiential knowledge leads to a firm-specific competitive advantage that is difficult to imitate. In addition, individuals’ experiences in working on international projects add to the advantage of firms in the context of internationalisation (Coviello & K. A.-M. Martin, 1999).

Formal and informal relationships and networks can lead to a competitive advantage and are crucial for the internationalisation of ECFs (Coviello & K. A.-M. Martin, 1999; Løwendahl, 2005; Malhotra, 2003; O’Farrell et al., 1998; Von Nordenflycht, 2010; Warf, 1996). They provide opportunities for future work which in turn adds to the track record (or project portfolio) of the firm. The track record, as well as the firm’s reputation, is regarded as another key resource of ECFs (Løwendahl, 1993). It offers opportunities for firms to get
invited into bidding processes by industrial clients. Furthermore, the track record is crucial for winning aid agency work (C. Welch, 2005)

In summary, four crucial resources and capabilities relevant for successful internationalisation are identified. First, the professionals themselves, including their internalised knowledge and experience, are essential for basic operations but become more valuable with increasing experience. In addition, the international experience of professionals adds to the advantages in an international context. The second crucial resource in the context of the ECF sector is the membership in good networks and the maintenance of good (personal) relationships. This is where many opportunities arise, what may lead to international work. Furthermore, the firm’s track record and subsequently reputation with clients and aid agencies is another valuable resource that enhances project opportunities.

3.1.3 Institutions and the engineering consulting firm

Mimetic isomorphic pressures (DiMaggio & Powell, 1983) may lead to firms considering internationalisation. Seeing their peers internationalising may trigger other ECFs to imitate this behaviour. Although Gao et al. (2009) categorise this phenomenon as an industry factor, it can be counted for as an institutional pressure. The uncertainty that may be experienced in an industry sector (arising from the cyclical nature of project-based work or economic crises) can be the initial motivation for change, but the actions taken are often the result of imitating firms that are perceived to be successful (DiMaggio & Powell, 1983). Thus, other ECFs that internationalise may be seen as role models. The phenomenon of client-following is also explainable on the basis of the mimetic institutional pressure. According to DiMaggio and Powell (1983), organisations imitate other organisation upon whom they are dependent. Clients that internationalise are an example of this since they award the projects to the ECF.
Psychic distance, that is the how culturally different two countries are, can be considered as an informal institution. It is argued that manufacturing firms tend to enter countries with less psychic distance first and then gradually enter markets with higher psychic distance (Andersen, 1993; Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). In the case of ECFs and technical consulting firms it is shown that psychic distance does heavily influence the decision to enter a country (Coviello & K. A.-M. Martin, 1999; Malhotra, 2003; Sharma, 1989; Sharma & Johanson, 1987). Although Coviello and Martin (1999) argue that may be acknowledged by the firms but mitigated through employment of staff with international experience. Given the project-based nature of engineering services (Kreitl & Oberndorfer, 2004; Malhotra, 2003; Malhotra & Hinings, 2009; Malhotra & Morris, 2009; Malhotra et al., 2006), these findings are not surprising as firms often exit the country after a project is completed (Ball et al., 2008; Malhotra & Hinings, 2009). Furthermore, it entails comparably fewer financial resource commitments what leads to the possibility to take greater risks (Sharma & Johanson, 1987). However, often the service is provided to a domestic client (Ball et al., 2008; Coviello & K. A.-M. Martin, 1999). Subsequent activities or the decision for permanent presence in a host country may still be influenced by previous experiences within the context of prevailing informal norms and values. This is particularly the case when the ECF aims to attract local clients. Hence, psychic distance may be relevant at later stages of the internationalisation, *i.e.* subsequent market operations.

In addition, formal institutions, such as host government regulations, can have an impact on the foreign market entry mode. Although embodied people export is a common market entry mode (Ball et al., 2008; Coviello & K. A.-M. Martin, 1999), government requirements may lead to the establishment of offices in the respective country (Malhotra &
Hinings, 2009) or the formation of JVs (O’Farrell et al., 1998). Furthermore, regulations in the form of tax or employment laws may constrain or foster the further establishment in the country. *Vice versa*, tax incentives, either from the domestic government to encourage service exports or from the host government to attract new knowledge, might be a driver for entry and/or establishment in a foreign market.

In summary, formal institutions such as home and host governmental rules and regulations as well as informal institutions such as psychic distance can guide the international strategy of the firm.

### 3.2 The strategy tripod and the stages of internationalisation

Based on the key points from previous sections, the factors from each perspective—the industry-based view, the resource-based view, and the institution-based view—can be summarised as illustrated in Table 3.1

#### Table 3.1: Strategy tripod applied to engineering consulting firms

<table>
<thead>
<tr>
<th>Resource-based view</th>
<th>Industry-based view</th>
<th>Institution-based view</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionals and their skills, knowledge, client-</td>
<td>Industry dynamics such as cyclical nature of project</td>
<td><em>Formal</em>: Host country laws and</td>
</tr>
<tr>
<td>relationships, and international experience</td>
<td>availability</td>
<td>regulations</td>
</tr>
<tr>
<td>Reputations of the firm</td>
<td>Economic downturns in countries of operations</td>
<td>Project specifications and bidding</td>
</tr>
<tr>
<td>Networks and relationships with clients and other</td>
<td><em>Ad hoc</em> service demand from clients</td>
<td>requirements of aid agencies</td>
</tr>
<tr>
<td>business partners</td>
<td></td>
<td>Taxes in both host countries and home</td>
</tr>
<tr>
<td>Experience that is reflected in the track record of the</td>
<td></td>
<td>country</td>
</tr>
<tr>
<td>firm</td>
<td></td>
<td><em>Informal</em>: Mimetic isomorphic pressures that lead to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>behave similar to other organisations</td>
</tr>
</tbody>
</table>

In this research, the elements of the strategy tripod outlined in Table 3.1 are considered as the relevant factors for the internationalisation of ECFs. Based on the review of the literature, these elements are integrated into a framework that addresses the internationalisation process of the firm. The proposed influence of each tripod elements on each stage of the internationalisation process are illustrated in Table 3.2.
<table>
<thead>
<tr>
<th>Internationalisation process</th>
<th>Strategy tripod</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motivation to internationalise</strong></td>
<td>Industry factors</td>
</tr>
<tr>
<td></td>
<td>In order to mitigate the cyclical nature of the domestic industry, firms seek international expansion (Coviello &amp; K. A.-M. Martin, 1999)</td>
</tr>
<tr>
<td></td>
<td>Project-availability determines what markets are entered. This may happen through piggybacking or following aid agency work (Kreitl &amp; Oberndorfer, 2004; O'Farrell et al., 1998). The project-availability underlies industry dynamics and economic cycles.</td>
</tr>
<tr>
<td><strong>Market selection</strong></td>
<td>Ad hoc service demand (Løwendahl, 1992; 2005; Malhotra, 2003; Malhotra &amp; Hinings, 2009) leads to embodied people export</td>
</tr>
<tr>
<td><strong>Mode of entry</strong></td>
<td>During project implementation new project opportunities may arise (Malhotra &amp; Hinings, 2009) leading the firm to consider subsequent operations</td>
</tr>
<tr>
<td><strong>Subsequent operations in foreign market</strong></td>
<td></td>
</tr>
</tbody>
</table>

The following four sections explain these considerations in more detail, addressing each stage of the internationalisation process.
3.2.1 Motivation to internationalise

The initial motivation for ECFs to become internationally active is influenced by internal resources and capabilities and industry factors. ECFs receive opportunities for international projects resulting from their client relationships but also personal relationships (Coviello & K. A.-M. Martin, 1999; Malhotra, 2003). Furthermore, these ties sometimes lead to ECFs being pulled into foreign markets in order to maintain these relationships (Coviello & K.A.-M. Martin, 1999; O’Farrell et al., 1998). This means that despite initial hesitation to internationalise due to a sufficient work load in the domestic market, for example, these firms still follow their clients abroad.

The need to balance the cyclical domestic industry dynamics and the unpredictable workload also significantly influences the decision to internationalise. The same is true for economic downturns leading to lack of work in the domestic country (Coviello & K. A.-M. Martin, 1999). Under this circumstance—that is high uncertainty—firms tend to imitate their successful peers (DiMaggio & Powell, 1983). Provided that these internationalise to balance the work load, it is likely that other firms follow. Similar, the client-following can be partially attributed to institutional conditions since the ECF is dependent on its clients (DiMaggio & Powell, 1983).

Overall, it is presumed that networks and relationships—firm-specific resources—and industry conditions predominantly influence the decision to internationalise. However, institutional pressures may also lead the firm to be motivated to internationalise but rather under high uncertainty.
3.2.2 Market selections

The choice of what markets to enter is influenced by all three elements of the strategy tripod. In terms of resources and capabilities, client relationships play a significant role as they entail client-following. It is argued that the project itself has priority over the country where it is implemented (O'Farrell et al., 1998). In many cases, the market selection is not based on market analysis or prospective market outlooks but rather on following a client (Coviello & K. A.-M. Martin, 1999; O'Farrell et al., 1998). A quote provided by an interviewee in Malhotra’s (2003) investigation of engineering firms shows the importance of these relationships: “a lot of our success has been because we don’t get into bids rather we get the work handed to us on a relationship basis” (p. 943).

It is also expected that the market selection is influenced by industry conditions. In this context, it means that projects are available in foreign countries. Industrial clients usually invite ECFs into the bidding process and sometimes directly award projects without a formal bidding process (Løwendahl, 1992). This stresses the importance of good relationships. For aid agency work however, formal procedures have to be followed. This indicates that ECFs aiming for this type of work select their markets based on the financial resources allocated to certain developing countries (Kreitl & Oberndorfer, 2004; O'Farrell et al., 1998).

3.2.3 Modes of entry

The mode of entry is largely determined by client-following. Embodied people export, *i.e.* the temporary allocation of staff to the project site, is found to be a common mode of market entry (Ball et al., 2008). Piggy-backing is another form of entry. A business partner, such as an architect, may acquire a project opportunity in a foreign country and sub-contract the
ECF for its services (Ball et al., 2008). The general notion of *ad hoc* service demand also adds to preference for project-based market entry. Both forms of market entries are initiated by resources in form of networks and relationships.

The market entry in form of JVs is another form of entry (Løwendahl, 1993). These are often formed between firms that are competitors in the domestic market. Whilst often considered to be a risk in terms of knowledge protection (Buckley & Casson, 1979, 1999; Williamson, 1979), ECFs are usually not at risk of being disadvantaged by this form of entry. The uniqueness of the resources embedded in experiential knowledge is generally difficult to imitate (Malhotra, 2003). Legal requirements in the host country may also lead to the formation of a JV between an ECF and a local firm. The same is true for the establishment of permanent offices (Malhotra & Hinings, 2009). Again, the risk of being disadvantaged is fairly low and the firm could even benefit from extensive networks and local expertise of the partner firm (Roberts, 1972).

### 3.2.4 Subsequent market operations

The consideration for subsequent operations in a foreign market can be assumed to depend on the local industry development. If new project opportunities arise while one project is implemented, the ECF may decide to commit further resources in that country (Malhotra & Hinings, 2009).

While the right industry conditions potentially lead to new project opportunities, the winning of new projects also depends on the performance in previous projects. The process of service creation is often more valuable for the client than the result, *i.e.* the design, itself (Løwendahl, 2005). Furthermore, the track record of a firm may enhance the possibility to attract new local clients. In addition, networks and relationships that are crucial for ECFs
winning new work in any context (Coviello & K. A.-M. Martin, 1999; Malhotra, 2003) may play an important role.

These finding of the considerations in this section can be summarised into the conceptual framework displayed in Figure 3.1

![Figure 3.1: Theoretical framework](image)

As shown in Figure 3.1, several factors, external and internal, may influence the internationalisation of engineering consulting firms.

### 3.3 Chapter summary

This chapter outlined the framework for the potentially relevant factors influencing the internationalisation of ECFs. Based on the literature review in Chapter 2, potential industry factors, resources and capabilities, and institutional factors that may play a role for internationalisation in the context of the engineering sector were identified and summarised.
Furthermore, these factors were examined according to their potential relevance for each stage of the internationalisation process. The following chapter explains the method that was used in order to assess the relevance of each factor and potentially identify additional factors.
CHAPTER 4: METHOD

This chapter explains and justifies the research design that was used to meet the objectives of this research. The research method is the actual actions taken to conduct the research such as gathering, managing and analysing data (Carter & Little, 2007). The research objectives and the research questions are first revisited. Then, the research design that was chosen for this investigation is discussed. Next, the case firm that was investigated is introduced. The elements of the research process such as data collection, data management and data analysis are presented in separate sections. Finally, limitations of the chosen research design and method are indicated and where possible, actions that were taken to mitigate these are presented.

4.1 Research objectives

The objective of this research is to identify how the internationalisation of an ECF evolves. By contextually examining the internationalisation of an ECF, it is sought that it will be possible to identify how this phenomenon is influenced by external and internal conditions. As indicated in Chapter 2, research regarding the internationalisation of firms is typically concerned with four issues: (1) why firms internationalise, (2) how potential new markets are selected, (3) how to enter these markets, and (4) how firms establish themselves in a country, i.e. what form of subsequent activities are undertaken (Aharoni, 1966, 1999b; Ball et al., 2008; Cantwell, Dunning, & Lundan, 2009; Coviello & K. A.-M. Martin, 1999; Griffith et al., 2008; Johanson & Vahlne, 1977, 1990; Kogut, 2002; Peng, 2004).

These decisions are impacted by several factors. Externally, industrial and institutional factors moderate a firm’s strategic direction whereas internally, firm-specific resources and capabilities play an important role, too (Peng et al., 2008). Overall, the
internationalisation of firms comprises several stages and is of a dynamic and processual nature (Johanson & Vahlne, 1977; Melin, 1992). This research aims to combine the four stages of the internationalisation outlined above into a framework that draws on the theoretical foundations of the strategy tripod. The stages of the process and the elements of the strategy tripod are applied specifically to the characteristics of an ECF.

The primary aim is to provide a more holistic view of how a professional service firm internationalises. Subsequently conclusions are drawn based on the findings of the prevailing IB literature. More specifically, the research objectives are to:

1. identify the evolution of the international strategy of the firm
2. identify the interplay between institutions, industry and resources outlined in the strategy tripod and how they determine the international strategy

Based on the research objectives outlined above, the following research questions arise:

1. What factors influence the internationalisation of an ECF?
2. How do these factors change with firm maturation and growth?

The following sections provide a detailed overview of how these research questions were approached.
4.2 Research design

In order to be able to answer the research questions, a longitudinal single case study was conducted. This enabled me to identify the relevant factors and assess their relevance for the international strategy. The firm-specific historical and biographic aspects were considered in order to set the international activities into a contextual setting. Development and change such as in the case of internationalisation takes place over time and in a path dependent manner (Eriksson, Majkgård, & Sharma, 2000; Melin, 1992; Mintzberg & Waters, 1982; Pettigrew, 1990, 1992). Hence, an in-depth understanding of external and internal forces is required and set in relation to the organisational history (Melin, 1992). The history of the case firm comprises more than five decades, starting in the late 1960s.

Case study research can serve as an instrument to develop a deep understanding of a research problem by investigating it carefully and contextually (Stake, 1995). As noted by Yin (1981, p. 59):

the distinguishing characteristic of the case study is that it attempts to examine: (a) a contemporary phenomenon in its real-life context, especially when (b) the boundaries between phenomenon and context are not clearly evident.

Internationalisation can be seen as an aspect of change in an organisation’s mode of operations. However, often it is not clear what leads to these changes and how the internationalisation occurs in relation to the sectorial context (Melin, 1992).

Most research that was conducted on the internationalisation of ECFs or firms in general was analysed at the firm-level and not at the individual-level (e.g. Coviello &
Martin, 1999; Kreitl & Oberndorfer, 2004; Löwendahl, 1992). The former perspective postulates that the ‘firm’ internationalises whilst the individuals—who are actually driving, initiating and implementing relevant actions—are left out (Andersson, 2000). In this study, the emphasis is on the depth of the investigation and an understanding about the phenomenon. Furthermore, the need for richness of data when investigating a problem of such complexity justifies the collection of data from one site as opposed to several (Pettigrew, 1990). Hence, a single case study was prioritised in order to investigate the deeper organisational dynamics and its coherence. It allows for a thorough understanding of the decision-making processes and actions taken by individuals that influenced the firm’s courses and directions, i.e. strategies, in international markets. In addition, it enables the researcher and the reader alike to draw conclusions (Stake, 1995) based on their knowledge of the internationalisation of other organisations.

A research design that meets the requirements outlined above is the longitudinal case study (Melin, 1992). The need for longitudinal investigation of the internationalisation of the firm has already been pointed out (Aharoni, 1966, 1999a). Typical methods include participant observations, interviews, and review of documentary data that help shed light into the research problem (Pettigrew, 1990; Stake, 1995). As suggested by Coviello and Martin (1999) a longitudinal research design for the investigation of the internationalisation of ECFs helps to “understand if and how the internationalization [sic] patterns evolve” (p. 62). Therefore, a longitudinal single-case study was chosen for this research. Interview techniques and relevant secondary data were used with the aim of gaining the most holistic understanding of the phenomenon within the time constraints of this research project.
Methodical rigor is essential for any research project. Muir-Cochrane (2006) describe rigor “as demonstrating integrity and competence within a study” (p. 82). Lincoln and Guba (1985) coin the term ‘trustworthiness’ as umbrella term for the criteria that are used for judging the relevance of a study in qualitative research. The basic question to be answered is:

“How can an inquirer persuade his or her audiences (including self)
that the findings of an inquiry are worth paying attention to, worth
taking account of?” (Lincoln & Guba, 1985, p. 290).

According to the authors, trustworthiness of a study can be enhanced through (1) credibility, (2) transferability, (3) dependability, and (4) confirmability.

For qualitative research, at least from a constructivist view, there is no objective truth. According to Guba and Lincoln (1989) the “truth of any proposition” (p. 104) is its credibility. In other words, credibility is how well the interpretations and conclusions of the researcher about the realities revealed by the informants match their actual realities. Credibility can be enhanced, for example, through member checks. That is, the findings are presented to the informants who in turn can comment on them (Guba & Lincoln, 1989). Although the results were not presented to the research participants, in Chapter 5, where the findings are presented and analysed, excerpts from the raw data are provided. By demonstrating how the interpretations of the data were reached, interpretive rigor and credibility is enhanced (Fereday & Muir-Cochrane, 2006). The reader is in the position to make his or her own conclusions based on the presented data.
The second criterion, transferability, implies the application—or transfer—of the findings to other, similar contexts (Guba & Lincoln, 1989). This of course requires a detailed description of the context the original study was embedded in. Thick description, which “goes beyond details of spoken content to include wider semiotic analysis, attention to context, and other products of careful observation” (Bazeley, 2007, p. 179) therefore enhances the transferability of the findings. Section 4.3 gives an overview of the case firm and in Chapter 5, detailed information about the internationalisation in the context of the engineering sector is provided.

The criterion of dependability entails “the stability of the data over time” (Guba & Lincoln, 1989, p. 242). The analytical process of qualitative research is iterative (Guba & Lincoln, 1989; Lincoln & Guba, 1985; Stake, 1995). Concepts that make sense to the researcher at some stage of the research process are revised, strengthened or abandoned with increasing progress and knowledge and the constructs get more sophisticated. To keep the data stable over time, these adjustments should be documented “so that outside reviewers of such an evaluation can explore the process, judge the decisions that were made, and understand what salient factors in the context led the evaluator to the decisions and interpretations made” (Guba & Lincoln, 1989, p. 242). Hence, dependability is enhanced when the thought processes on how these concepts emerged and were adjusted is carefully documented. Section 4.5 provides more details on how the criterion of dependability was met in my research.

Finally, confirmability refers to the confirmation of “the data and interpretations of a given study” (Guba & Lincoln, 1989, p. 243) by an independent researcher to minimise the
risk of researcher bias. In this research, other researchers had access to the raw data (interviews) and my concepts and interpretations were discussed on a regular basis.

4.3 Overview of case firm

For this research, a large New Zealand-based multi-disciplinary engineering consultancy was investigated. The firm was chosen based on accessibility and willingness to participate in this research. Furthermore, size and age of the case firm offered the possibility of adding to the body of knowledge that already exists about New Zealand-based ECFs. For example, the study conducted by Coviello and Martin (1999) examined small-to-medium-sized ECFs. For confidentiality reasons, its real name was changed and in this thesis the name Wilkinson & Associates (Wilkinson) is used.

Since its founding, Wilkinson has been active in more than 60 countries. Based in New Zealand, the modern firm of Wilkinson was founded in the late 1960s as the result of a merger between three engineering firms. Its roots however can be traced back to the late 1910’s. Initial specialisation of the firm was within civil structural engineering. At the time of the merger, Wilkinson had more than 100 employees and it began to internationalise in the same year. An overseas section, with responsibilities for Wilkinson’s international operations, was established in 1982. As a result of domestic tax incentives, an additional limited liability company was set up in the mid-1980s to specifically pursue aid agency work. In 2000, the firm underwent major restructuring. Aside from change in management, a new IT business management system was implemented to enhance the efficiency of global operations. This enabled Wilkinson to better monitor their on-going and future projects worldwide. Today, Wilkinson has a workforce of about 3000 employees located in offices worldwide.
The firm is employee-owned with about one-third of its employees holding shares. Wilkinson is structured as a holding company—Wilkinson Group Limited—that holds a number of other operating companies, internationally as well as domestically. Each of these companies has its independent Board of Directors, but membership of the Board members significantly overlaps. Most control over strategic and operational decision-making is held and executed by New Zealand-based Directors. In addition to the headquarters, two regional centre offices have been established. Each regional centre office oversees the projects and local offices that fall under their geographically determined area of responsibility. The final reports however, are still submitted to the corporate head office.

Along with its geographical diversification, Wilkinson has also diversified its services, becoming a multidisciplinary firm. Today, it is offering services ranging from civil and structural engineering over mechanical and electrical engineering to project management and evaluations. As outlined in the literature review, several markets can be served with each field of engineering. Wilkinson, for example, operates in several markets that cover a broad range of expertise. Referring to the market categories outlined in Table 2.2, Wilkinson operates in the following market segments: (1) general buildings, (2) water supply, (3) industrial process and petroleum, and (4) transportation. The next section describes how and where the data were collected.

4.4 Data collection

The data was collected in the form of semi-structured interviews. Key informants that currently have or have had involvement in the international activities of the firm (retired and current) were interviewed. The participants were asked about their experience of the internationalisation of the firm. An outline of the interview guide is attached in Appendix 1.
My research is part of an ongoing longitudinal study conducted by two other researchers. Despite its relevance for my study and the sole emphasis on the internationalisation of the case firm, the interview guide also contained questions that were not part of my study *per se*. Nevertheless, most of the information was very useful to set information into further context and gain a better understanding of the phenomenon and the case firm. Furthermore, each stage of the internationalisation process was addressed and it was possible to categorise the information according to the elements of the strategy tripod.

The range of participants was not limited to the top-management level. It is important to choose participants who are competent with the phenomenon under investigation (Guba & Lincoln, 1989). This is not necessarily equated with the power these individuals officially hold in the organisation. In PSFs, for example, the operating professionals are highly influential (Mintzberg, 1983). Their contribution to and experience with the internationalisation of this firm is pivotal. The acquisition of “interpretations of the people most knowledgeable about the case” (Stake, 1995, p. 102) enabled me to gain an in-depth understanding of the case and the phenomenon of its internationalisation.

Therefore, supporting staff from the departments of marketing, accounting and human resources (HR) were included in this research. It was anticipated that different viewpoints from different informants would be obtained because it were simply not possible for any participant to be directly involved in all processes. It is a major task of the researcher to solve the puzzle of international activities by combining and analysing different viewpoints, experiences and perceptions. Furthermore, I was in the position to develop a fairly good understanding of ‘what was going on’ in this particular case. Reported perceptions and interpretations of the decisions made and strategies employed were
examined and analysed in relation to contextual settings. This allowed for a more holistic view on the evolution of the international strategy which is essential for an investigation of such complexity.

Data were collected in offices located in New Zealand and China. In addition, I had access to data that were collected by another researcher in an office located in Hong Kong. Table 4.1 provides an overview of how many interviews were collected in each country:

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>23</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>

The interviews conducted in China and some in New Zealand were carried out by me. I was also present during most of the other interviews that were conducted in New Zealand. This enabled me to ask questions which were specifically relevant to my own research.

Over the period of 12 months, a total of 34 interviews were carried out, where each interview took between 1 and 2 hours. The interviews provided both, retrospective and real-time data; spanning over several generations. This included company founders and the current Chief Executive Officer (CEO). The focus was not exclusively on informants from the
top-management. As professionals tend to strive for autonomy, this does usually not allow for a top-down management approach (Løwendahl, 2005; Mintzberg, 1983). Actions taken by professionals in lower or non-management positions can potentially have a significant impact on the firm’s strategy. Hence, middle-management was considered, too. By inclusion of supporting staff, in addition to active and retired engineers, I was in the position to gain a multi-level perspective which is important when aiming to identify the ‘real story’ (Jarzabkowski & Balogun, 2009). Table 4.2 provides an overview of the participant demographics in terms of positions held within the firm and current status of employment.

Table 4.2: Participant demographics

<table>
<thead>
<tr>
<th>Position held</th>
<th>In office</th>
<th>Retired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officers (CEOs)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Company founders</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Board members (Directors)</td>
<td>9</td>
<td>8</td>
<td>17</td>
</tr>
<tr>
<td>Middle-management</td>
<td>11</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Supporting staff (such as accountants, human resource managers, advisory role)</td>
<td>5</td>
<td>1</td>
<td>6</td>
</tr>
</tbody>
</table>

It must be noted that some positions overlapped. That is, the same interviewee held several positions within the firm throughout his or her career. Hence, the total number of interviews was still 36 whereas the number of participants was only 34.

From the top-management, the data of 17 participants were collected. In the case firm, executive top-managers typically also hold membership in the Board of Directors. Therefore, in this study the top-managers are equated with Board memberships. In total, 17 Board members were interviewed of which eight had retired. In total three CEOs were
interviewed of which two had retired. However, one of the former CEOs was still actively involved on the Board of Directors. Of the four original founding members, two were interviewed.

In the context of this study middle-managers are all those managers who occupy managerial position but who are not members of the Board of Directors. From middle-management, a total of 12 informants were interviewed. Supporting staff is considered to either occupy positions that are not related to the engineering profession or are not managerial positions. A total of six participants were supporting staff of which one was retired.

In addition to primary data, i.e. data collected for the purpose of this study, secondary data was used to examine the internationalisation of Wilkinson. Information included annual reports and newsletters from the last 10 years, company home pages, and firm-internal presentations. This was used to confirm information provided by participants but also to get a clearer picture of the direction the company was aiming to take, how it was presented, and how it was achieved. The next section explains how the collected information was managed.

4.5 Data management

Considering the large amount of data that resulted from more than 50 hours of recorded information it is essential for the researcher to have a robust data management system in place (Huberman & Miles, 1994; Miles & Huberman, 1994). Systematic storage of information and their easy retrieval contribute to the researcher’s effectiveness in working
with the information (Huberman & Miles, 1994). In addition, it enhances the transferability of the study as it contributes to the degree of replicability of the study.

The interviews were only recorded if permission was given by the participant. The recordings were subsequently professionally transcribed. However, the raw data needed to be processed/organised in a way that allowed the reader to (1) draw his or her own conclusions based on the data that were presented and (2) understand the starting point for the researcher’s conclusions.
Table 4.3 provides an overview of information stored, retrieved and retained according to Huberman and Miles (1994, p. 431). It provides a clear overview of relevant information while simultaneously giving information on the procedure of data management the qualitative researcher should apply for rigorous research.
Table 4.3: Information to store, retrieve from, and retain

<table>
<thead>
<tr>
<th>Type of data</th>
<th>Examples and methods of data processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw material</td>
<td>Field notes, tapes, site documents</td>
</tr>
<tr>
<td>Partially processed data</td>
<td>Write-ups, transcriptions. Ideally, these should appear in their initial version, and in subsequent corrected, “cleaned,” “commented-on” versions. Write-ups may profitably include marginal or reflective remarks made by the researcher during or after data collection.</td>
</tr>
<tr>
<td>Coded data</td>
<td>Write-ups with specific codes attached</td>
</tr>
<tr>
<td>The coding scheme or thesaurus</td>
<td>In its successive iterations</td>
</tr>
<tr>
<td>Memos or other analytic material</td>
<td>The researcher’s reflections on the conceptual meaning of the data</td>
</tr>
<tr>
<td>Search and retrieval records</td>
<td>Information showing which coded chunks or data segments the researcher looked for during analysis, and the retrieved material; records of links made among segments</td>
</tr>
<tr>
<td>Data displays</td>
<td>Matrices, charts or networks used to display retrieved information in a more compressed, organised form, along with the associated analytic text. Typically, there are several revised versions of these.</td>
</tr>
<tr>
<td>Analysis episodes</td>
<td>Documentation of what was done, step by step, to assemble the displays and write the analytic text</td>
</tr>
<tr>
<td>Report text</td>
<td>Successive drafts of what is written on the design, methods, and findings of the study</td>
</tr>
<tr>
<td>General chronological log or documentation</td>
<td>Data collection and analysis work chronologically documented</td>
</tr>
<tr>
<td>Index</td>
<td>Indexes all the above material</td>
</tr>
</tbody>
</table>

Source: Huberman and Miles (1994, p. 431)
During and after the interviews, field notes were taken which included first impressions, observations and general notes about the interview such as time and location. These notes were later transcribed. Along with the digital recordings and transcriptions of the audio data they were uploaded to a data management program: QRS NVivo (Bazeley, 2007; Crowley, Harré, & Tagg, 2002). In addition, secondary data such as annual reviews were uploaded.

The qualitative data analysis software used for storing, organising and coding of the data had a supporting function for the subsequent analysis. Concepts and categories that were pre-defined or emerged from the data were stored as ‘nodes’ in NVivo. The software program also allowed for writing and storing memos (e.g. analytical reflections) and annotations (e.g. remarks on certain passages of the transcript) of sources (e.g. interviews) and nodes. This helped to retain thoughts on concepts and data that could later be revisited. The software also enabled ‘quick questions’ about the data. For example, by searching the transcripts for keywords such as ‘market entry’ and ‘enter’. Text passages that contained these keywords were then displayed and the queries were stored. The results could be retrieved at any time. Furthermore, relationships between sources or nodes were displayed in models. Prior to working with the software tool I underwent training in order to gain familiarity with the software and to learn how to effectively use it in the context of conducting qualitative research.

However, the use of such a tool in data analysis does not confer credibility of the research rather it is to be seen as a supporting tool (Gilbert, 2002). Hence, a detailed description of the analytical processes and the obtained results is provided in the following section. A detailed documentation of the procedures and findings as well as thorough
description of the context is also essential in order to enhance transferability (Guba & Lincoln, 1989; Koch, 1994, 2006). This enables the reader to draw his or her own conclusions and make judgements about the findings or to replicate the study.

4.6 Data analysis

My involvement in data collection beforehand for a research project conducted by another researcher provided me with an understanding of the investigated firm. Furthermore, insider knowledge about the nature of the firm and the nature of the engineering consulting business was gained. In addition, as part of a course in strategic management offered at the University of Auckland, the diversification strategies of two North American engineering firms were analysed. Taken together, the knowledge that was acquired enabled me to identify differences between conventional IB theory and the internationalisation of firms in the engineering sector. Furthermore, it allowed me to contextualise the phenomenon appropriately. That is, from an angle of ECFs as opposed to merely IB.

The data analysis of interpretive inquiries is iterative and concepts are normally adjusted and revisited during the process (Guba & Lincoln, 1989; Lincoln & Guba, 1985). The data were analysed using thematic analysis. Each transcript was read and in a first step organised into broadly defined categories, or nodes, such as ‘country’ or ‘decade’ with relevant sub-categories such as ‘China’ and ‘1990s’ respectively. This enabled me to summarise all information about the firm’s activities in, ‘China’ for example, and hence made it possible to quickly revisit these when needed. This approach increases familiarity and closeness with the data and opens the researcher’s mind towards it. Furthermore, it provides the opportunity to identify new themes or concepts ‘by accident’.
Simultaneously, the data were indexed according to the framework provided in Chapter 3, the elements of the strategy tripod and the stages of the internationalisation process. These categories emerged from the literature review and personal experience. Hence, the investigation was of a deductive nature. In this context deductive means that most patterns are known in advance (Huberman & Miles, 1994; Stake, 1995). This knowledge was acquired during previous exposure to the case firm.

In addition to the coding of the data, key information was summarised in spreadsheets, uploaded to NVivo and related to each other. This information included, for example, key events in general (e.g. joining, promotion and retirement of key staff; joint ventures), external information (e.g. country specific economic crisis; amendments of laws) and events concerning the international operations of the firm (e.g. mode of market entry; reason for market selection; opening of branch offices). This was done for the purpose of data reduction which enables the researcher to better overlook the data set them into context and identify potential themes and patterns (Huberman & Miles, 1983).

During the process of coding the data, new themes emerged and existing ones had to be refined. Key statements that were perceived as strikingly relevant for the investigation of the phenomenon were examined closely (Denzin, 2002). Their meanings were interpreted and further inspected for their relevance to the understanding of the phenomenon. For example, in this study factors that could be counted for as ‘industry’, ‘institutional’ and ‘resources’ became clearer and finer sub-categories for each factor emerged. In addition, new themes were identified. After the initial coding process so-called ‘matrix queries’ were created. This enabled me to identify the elements of the strategy tripod that mainly influenced each stage of the internationalisation. The overlapping nodes were closely
examined which often led to the emergence of new themes. By overlapping coding references I mean that information from the transcripts was coded as both the respective stage of the internationalisation process (e.g. market selection) as well as the respective element of the strategy tripod (e.g. resources and capabilities). However, the numeric data of overlapping nodes could not be taken as absolute. Themes that emerged during the analysis might not have been coded as extensively as those that had been part of the theoretical framework. Nevertheless, they provided a good indication of the general tendency of the data. Due to an awareness of this potential problem, actions were taken to mitigate this risk. For example, transcripts and concepts were revisited several times and every step was recorded in a memo. Other themes, in turn, proved to be irrelevant. Similarly, the research questions were adjusted, which is not unusual for research of qualitative nature as the best questions “evolve during the study” (Stake, 1995, p. 33). By means of iteration, the data were then examined according to these newly emerged themes and further interpreted. The following Table 4.4 provides an overview and explanation of the themes that emerged for the strategy tripod.
<table>
<thead>
<tr>
<th>Resources and capabilities</th>
<th>Industry factors</th>
<th>Institutional factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Autonomy</strong> – individual agents act autonomously against general firm policy which leads to enhanced business opportunities</td>
<td><em>Ad hoc</em> service demand</td>
<td><em>Aid agencies</em> – specific rules and regulations such as payment rules, requirements for bidding e.g. good track record</td>
</tr>
<tr>
<td><strong>Entrepreneurial spirit</strong> – the passion and enthusiasm of individual agents to enter new countries and/or set up permanent presence in a country</td>
<td><strong>Cyclical nature</strong> – the uncertainty of getting work which underlies periods of sufficient work and periods of a lack of work</td>
<td><em>Firm-internal institutional factors</em> – stemming from organisational culture; taken-for-grantedness of how things are done e.g. establish offices; the Wilkinson way of doing things</td>
</tr>
<tr>
<td><strong>Individual agents</strong> – the individuals who implement strategies and take leadership of certain projects</td>
<td><strong>Economic crises</strong> – the economic downturns that affect the building industry and hence affect the ECF sector</td>
<td><em>Informal rules</em> – corruption in countries but also the tacit rules that stem from client relationships such as mutual trust and/or expectations to follow when service is requested</td>
</tr>
<tr>
<td><strong>Networks and relationships</strong> – includes client network and personal relationships; sometimes the boundaries between these two are blurred</td>
<td><strong>Good or prospective market</strong> – good market outlook and potential projects</td>
<td><em>Laws and regulations</em> – of host and home country, particularly laws that are concerned with IB activities</td>
</tr>
<tr>
<td><strong>Track record</strong> – the project portfolio that accumulates with increasing experience and reflects skills and enhances the firm’s reputation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The themes were further analysed and brought into context with the stages of the internationalisation. The results are presented in Chapter 5.
4.7 Limitations of method

It can be claimed that every research method has its own limitations. However, depending on the philosophical stances of the researcher as well as the research problem, some are perceived to be more suitable than others in certain situations. It is thus important to choose the most suitable one. Still, instead of ignoring possible drawbacks it is of more value to highlight them so that the reader can make his or her own judgments. Furthermore, it is essential for me as the researcher to consider these drawbacks as it prevents premature conclusions to be drawn. In this section, potential limitations of the chosen method are outlined as well as actions that have been taken to mitigate these.

One drawback of research that is based on retrospective memories of people is that over time, these memories and perceptions may be subconsciously adjusted in order to construct a more sense making past. It is difficult for everyone to recall what was thought and rationalised at the moment of decision making or when the action took place. Furthermore, some informants prepared themselves for the interviews by writing notes. The Participant Information Sheets (see Appendix B) provided sufficient background information about the research what may lead to a focus on the ‘good’ stories. In addition, it can be difficult to distinguish between anecdotes, or ‘company stories’ and those incidents that actually took place and have been experienced by people. Therefore, the researcher must pay close attention to what is being said and by whom and subsequently carefully examine the information.

Due to time and cost constraints not all offices of the organisation could be visited. Nevertheless, all current and former key decision makers were located in one of the three
countries. The international experiences of the firm’s founders and leaders and how these made sense of these experiences were captured.

4.8 Chapter summary

This chapter outlined the method that was used in this research. A longitudinal single case study was conducted where the internationalisation of a New Zealand based ECF was examined. Historical data comprising 40 years and real-time data were collected over the period of one year. In total, 34 participants were interviewed located in offices in three countries.

Thematic analysis was used to analyse the data which was supported with the qualitative data analysis software NVivo. The process of data analysis was described in detail and emerging themes were presented. Furthermore, actions that were taken to enhance methodical rigor were highlighted. In addition, methodical limitations were presented.
CHAPTER 5: RESULTS AND ANALYSIS

This chapter presents the findings of the data analysis. The first section provides an overview of the foreign markets that have been entered by Wilkinson. Then, the five evolutionary phases that emerged from the data are described using thick description. Finally, the elements of the strategy tripod are examined regarding their relevance for the internationalisation of an engineering consulting firm (ECF). This is done by applying the theoretical framework proposed in Chapter 4 to the phases that were identified in the data analysis. In each phase the elements of the strategy tripod that predominantly influenced the stages of the internationalisation process—(1) motivation for internationalisation, (2) choice of market, (3) mode of market entry, and (4) subsequent market operations—are highlighted.

5.1 Internationalisation of the case firm

This section briefly outlines the internationalisation of the case firm Wilkinson. Figure 5.1 displays the countries and years of entry on a world map. More detailed information on the respective countries is provided in Table 5.1. Here, the countries are listed in chronological order of entry. Furthermore, the mode of entry, type of market selection and subsequent activities in the foreign country after first entry are listed.
Figure 5.1: World map—Foreign market entries
Wilkinson expanded shortly after the merger in the late 1960s and primarily entered countries in the Southeast Asian and Australasian regions during the 1970s. The first foreign country entered from Hong Kong was Brunei, in 1983. Overall, the geographical distance to the home base significantly increased during the 1980s. Wilkinson implemented projects on four continents: Africa, Asia, Australia and the Americas. During the 1990s, expansion from the local office in Hong Kong increased. Furthermore, more work was undertaken in African countries. From 2000 onwards, operations in South America increased, and in addition Europe and North America were entered. Based on the information displayed in Figure 5.1, an expansion pattern of gradually increasing geographical distance can be observed.

Three broad modes of entry emerged from the data. One was the project-based entry. Wilkinson followed an existing client who approached the firm for its services. Usually the project was awarded beforehand. Also based on project availability, Wilkinson followed the funding of multilateral development banks (MDBs) into developing countries. In the event of successful bidding, expatriates were allocated to the project site, usually for the duration of the project. Another form of market entry was the joint-venture (JV). Wilkinson partnered up with an engineering or architectural firm that was already operating in the target market and formed a jointly owned entity. The third mode of entry was to open an office as initial operation in a foreign country. Overall, the project-based market entry was the most common mode of entry.

The decision of what markets to enter was influenced by several factors. These are further discussed in Section 5.3.2. In terms of initiative coming from the firm (or lack thereof), it is possible to distinguished between proactive and reactive market selections. As shown in Table 5.1, most market selections were of a proactive nature. This means that
opportunities were either actively sought or that opportunities were seized immediately. Only one market selection was considered reactive. Wilkinson initially would have preferred to not seize a project opportunity. Yet, in the end the market was entered in order to prevent any potential damage to the client-relationship. It should be noted that the initial hesitation was mainly reported by New Zealand management. Hong Kong-based management on the other hand perceived these market entries rather as an opportunity. Furthermore, they emphasised on the damage of client-relationships in the cases where the client-following did not take place due to lack of resources or restrictions from the New Zealand office.

Further establishment was done either by forming JVs with indigenous firms or by establishing offices in the foreign country. The latter was either in the form of a wholly owned subsidiary (WOS) or a representative office (rep office). A WOS usually operates as a distinct legal entity and complies with the legal and tax requirements of the foreign country where it is established. This means that profits are taxed in the respective country and typically—as is, for example, the case in China—monthly reports and annual financial statements are to be produced and submitted. These are then audited by local tax authorities. The rep office, on the other hand, is established primarily for representative purposes and the operations, or projects, are carried out by another entity. For example, the headquarters or other foreign offices committed their resources. Hence, the establishment of a WOS is a higher commitment to a foreign market than the establishment of a rep office. It was found that aside from forming JVs or establishing offices, Wilkinson also carried out subsequent projects. This implies that staff are allocated in the country based on project availability but no permanent presence is established. The following Table 5.1 lists the
countries in chronological order and includes further information regarding operations in the foreign markets:

Table 5.1: Market entries in chronological order

<table>
<thead>
<tr>
<th>Year of first entry</th>
<th>Country</th>
<th>Entry mode</th>
<th>Reactive (R) / Proactive (A) market selection</th>
<th>Type of work at point of entry (Aid = aid agency work; I = industrial work)</th>
<th>Subsequent activities in country after first entry (WOS = wholly owned subsidiary; JV = joint venture; Rep office = representative office)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>Australia</td>
<td>Office</td>
<td>A</td>
<td>I</td>
<td>WOS, JV</td>
</tr>
<tr>
<td>1970</td>
<td>Papua New Guinea</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>JV</td>
</tr>
<tr>
<td>1971</td>
<td>Indonesia</td>
<td>Project-based</td>
<td>A</td>
<td>I</td>
<td>JV</td>
</tr>
<tr>
<td>1972</td>
<td>Thailand</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>None</td>
</tr>
<tr>
<td>1975</td>
<td>Fiji</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>Exit after project; re-entry in 1998</td>
</tr>
<tr>
<td>1976</td>
<td>Samoa</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>Subsequent projects</td>
</tr>
<tr>
<td>1977</td>
<td>Malaysia</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>JV</td>
</tr>
<tr>
<td>1977</td>
<td>Hong Kong (HK)</td>
<td>JV</td>
<td>A</td>
<td>I</td>
<td>WOS</td>
</tr>
<tr>
<td>1980</td>
<td>Mozambique</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>None</td>
</tr>
<tr>
<td>1982</td>
<td>Dominica</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>Subsequent projects</td>
</tr>
<tr>
<td>1983</td>
<td>Brunei</td>
<td>JV</td>
<td>A (from HK)</td>
<td>I</td>
<td>WOS</td>
</tr>
<tr>
<td>1984</td>
<td>Afghanistan</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>None</td>
</tr>
<tr>
<td>1987</td>
<td>Dominican Republic</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>None</td>
</tr>
<tr>
<td>1990</td>
<td>Ethiopia</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>None</td>
</tr>
<tr>
<td>1991</td>
<td>Tanzania</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>None</td>
</tr>
<tr>
<td>1992</td>
<td>Nepal</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>Subsequent projects</td>
</tr>
<tr>
<td>1992</td>
<td>New Caledonia</td>
<td>Project-based</td>
<td>A (from Indonesia)</td>
<td>I</td>
<td>WOS</td>
</tr>
<tr>
<td>1993</td>
<td>Myanmar</td>
<td>Project-based</td>
<td>A (from HK)</td>
<td>I</td>
<td>WOS</td>
</tr>
<tr>
<td>1995</td>
<td>Vietnam</td>
<td>Project-based</td>
<td>A (from HK)</td>
<td>I</td>
<td>Rep office</td>
</tr>
<tr>
<td>1996</td>
<td>China</td>
<td>Project-based</td>
<td>A</td>
<td>I</td>
<td>Rep office, WOS</td>
</tr>
<tr>
<td>1998</td>
<td>Fiji re-entry</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>JV</td>
</tr>
<tr>
<td>2001</td>
<td>Brazil</td>
<td>Project-based</td>
<td>A</td>
<td>I</td>
<td>WOS</td>
</tr>
<tr>
<td>2002</td>
<td>Marshall Islands</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>Subsequent projects</td>
</tr>
<tr>
<td>2002</td>
<td>India</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>Subsequent projects</td>
</tr>
<tr>
<td>2003</td>
<td>USA</td>
<td>JV</td>
<td>A</td>
<td>I</td>
<td>Ongoing operations</td>
</tr>
<tr>
<td>2004</td>
<td>UK</td>
<td>Office</td>
<td>A</td>
<td>I</td>
<td>WOS</td>
</tr>
<tr>
<td>2005</td>
<td>Uzbekistan</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>None</td>
</tr>
<tr>
<td>2005</td>
<td>Dubai</td>
<td>Office</td>
<td>R (from HK)</td>
<td>I</td>
<td>Rep office</td>
</tr>
<tr>
<td>2005</td>
<td>Turkey</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>None</td>
</tr>
<tr>
<td>2006</td>
<td>Chile</td>
<td>JV</td>
<td>A</td>
<td>I</td>
<td>JV</td>
</tr>
<tr>
<td>2010</td>
<td>Romania</td>
<td>Project-based</td>
<td>A</td>
<td>Aid</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>
Looking at the data presented in Table 5.1, five periodical patterns can be identified in terms of geographical diversification and subsequent market operations. These are further explained in the following section.

5.2 The evolutionary phases of the case firm’s internationalisation

Section 5.1 provides a broad picture of Wilkinson’s internationalisation. The number of countries listed in Table 5.1 indicates Wilkinson’s international experience that has accumulated over the past four decades. This section outlines the evolutionary development Wilkinson underwent during that process.

From the analysis, five phases of Wilkinson’s internationalisation emerged. Figure 5.2 displays the periods of each phase and the approximate number of employees respectively. It must be borne in mind that these phases are merely indications of the primary modes of operations prevailing during these particular periods. The ending of any phase does not necessarily imply that the previous modes of operations were not continued. It simply means that different modes of operations were identified as most prevalent in other phases.
Phase 1: Entrepreneurial establishment (1969-1980)

During the first phase, Wilkinson expanded primarily into the Southeast Asian and Australasian regions. The countries were geographically relatively close to New Zealand. This phase was characterised by the establishment of local offices or JVs in these countries as well as the employment of local staff. The motivation was to mitigate the cyclical workload in the domestic markets. Offices were established in Australia, Papua New Guinea, Indonesia, Malaysia, and Hong Kong. A retired Managing Director, who also held the
position of managing Wilkinson’s overseas section, described the prevailing business model as follows:

> But our philosophy at that stage in [...] places like Hong Kong, Papua New Guinea and Indonesia was to try and get a foothold in the country on the back of a particular project having decided that that’s a country we’d like to go to. See if there’s a suitable project there, and then part of determining that’s the country we want to go to would be that they’ve got the projects that suited us. So having got a project we would then look around for good local people, establish a local office and a local company. Train up the local people with a view that in later years those people would be able to run the company on their own, by which time we would have developed such a close relationship with them that they would call upon us as first point of call for any work, specialist work from off-shore.

Two of the founders—namely Andrew Wilkinson and Philip Parker—were reported to be the main drivers for both the international expansion and the establishment in these countries. In return, good relationships were formed with both local firms and local government authorities. These relationships would play an important role in subsequent phases of Wilkinson’s internationalisation as will be discussed later.

Phase 2: Conquering the world (1981-1991)

In this phase, Wilkinson expanded beyond the regions of Southeast Asia and Australasia as evident in Figure 5.1 and Table 5.1. For example, three African countries and two Caribbean countries were entered during this time. Most market entries resulted from successful
bidding for aid agency work. Whilst aid work was already pursued in Phase 1, this type of work was now sought more systematically in order to benefit from the financial security these projects offered. A former employee, who subsequently was directly involved with aid agencies, brought the benefits of aid agency work to management’s attention. Consequently, staff with experience in this area was hired. A Managing Director, who had working experience in African countries before joining Wilkinson, refers to his ‘sabbatical year’ in 1987:

> And then when I was travelling I did some marketing, because we went up through East Africa, so I called in on various government departments in Malawi, and Tanzania, and Kenya, and Ethiopia. […] We were interested at that stage in World Bank and ADB funded work […]. It was a cost plus fee type basis, they both worked on the same basis at that stage. So if you could win the work, you could almost guarantee you were going to make a profit.

In other words, the focus during that time was specifically on increasing aid agency work. In 1985, as a result of a New Zealand export tax incentive, a company was set up—Wilkinson Overseas Consulting—that complemented the overseas section which was established in 1982. According to an informant responsible for the overseas section 1982 until 2000, Wilkinson Overseas Consulting became “the company that would do work for all the multilateral agencies, such as the Asian Development Bank, World Bank, United Nations and the like.” This indicates the focus on this type of work. As shown in Table 5.1 countries were usually exited after project completion, *i.e.* no further projects were conducted. The focus was on following the work of aid agencies but not to get established in these countries.
Geographical distance and corruption particularly in African countries were reported to be another reason for not establishing a permanent presence there.

*Phase 3: Client-following (1992-2000)*

In this phase, new countries were increasingly entered from local offices such as Hong Kong. Although aid agency work was still pursued particularly in countries that were entered during other phases, most new entries resulted from client-following and hence were based on industrial project work. The client-relationships that were previously formed, particularly with developers in Hong Kong, put Wilkinson in a position where they could practically choose their projects. A retired Hong Kong-based Managing Director recalls:

> We sort of piggybacked on our clients, and we had quite a few good clients that go, and one of them in Asia was [name of client]. And almost at one time, you know they had all their jobs with us; they felt so vulnerable that the CEO had to say “look, you know, decide you want this, or you want that, we cannot give you everything.” So we had that, well it was a nice position, and we went into, for instance, Myanmar with them.

Likewise, the market entry into China made from the New Zealand office was the result of a long-lasting client-relationship. In addition, permanent presence in form of JVs or offices was established in most newly entered countries. This is in contrast to the previous phase where most countries were exited after the project was finished.

*Phase 4: Planned expansion (2001-2009)*

As can be seen from Table 5.1, this phase was again characterised by expansion beyond the Southeast Asian and Australasian regions, similar to Phase 2. European and South American
countries were entered. In contrast to Phase 2 however, permanent offices were established despite relatively large geographical distances. Another significant difference was the development stage of the countries. In this phase developed countries were increasingly entered. It was found that the motivation for entering some of these markets significantly differed from previous phases. Only a few individuals were reported to drive this expansion. The majority of the Board members initially opposed these new market entries but were more or less convinced by these individuals. Another difference is that the market selections and modes of entry were not based on project-availability. Brazil, Chile and India were considered as potential markets in order to have “a third leg” in addition to Southeast Asia and Australasia. It was reported by the initiators that mitigation of the risk of economic crises and hence less dependence on these regions were the main reason.

Simultaneously, the two original regions were further developed. In the year 2000 the local offices in Australia and Hong Kong were officially implemented as regional centre offices. They received increasing responsibility for other local offices and operations within geographical proximity. A Managing Director explained these changes:

*And so the early days, the offshore offices were there to even out the workload for New Zealand effectively, and be somewhere for New Zealand people to get good experience. As Wilkinson has grown, about 10 years ago we really did change the philosophy, too. Because New Zealand was such a big footprint we needed to grow Australia and Asia, and the [concept of regional centre offices] was formed to make those [centre offices’] strengths in their own right to handle the economic cycles as opposed to the political cycles in New Zealand. And that strategy is still in place.*
This indicates a certain degree of maturation. The regions that were served for about three decades and where offices were established were now at a stage where more systematic development was needed. Still, new countries were entered in order to mitigate potential risks that may have occurred in these regions.

Phase 5: Mature development (2010 onwards)

The final phase started recently in 2010. The focus in this phase is on strengthening and developing the three bases: Australia, Asia, and New Zealand. This is the actual situation based on information provided by the present Chief Executive Officer (CEO) and other Board members. According to a Managing Director the original business model as described in Phase 1 will change:

I mean it has been like that; on the whole it’s not been an unsuccessful model, so you know whatever works. I think it will change now; [name of new top-manager] seems to be a more structured thinker, more disciplined around what we’re doing, and how we’re planning our business.

Although further expansion into new regions is not ruled out, the main focus is on the systematic structuring of the organisation and Wilkinson’s current business operations. In addition, it is planned to systematically grow particularly in Australia and Asia in terms of staff numbers. Due to the recent beginning of this phase and the unpredictable future, it is not possible to comment further on the operations. However, in order to paint a more complete picture of Wilkinson’s internationalisation, this phase has to be acknowledged as part of the evolution of the case firm. Table 5.2 presents a summary of the findings for each phase regarding each stage of the internationalisation process respectively. Having
identified these phases, the factors from the strategy tripod that predominantly contributed to the development in each stage are discussed in the following sections. Changes that occurred in the context of the development of Wilkinson’s internationalisation are revealed in each section.
### Table 5.2: The stages of the internationalisation process in Phases 1-4

<table>
<thead>
<tr>
<th>Stages of internationalisation</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to internationalise</td>
<td>Cyclical nature of the domestic industry that led company leaders to actively internationalise in order to mitigate these industry conditions</td>
<td>Aid agency work was considered to be profitable; former employee drew attention to potential projects</td>
<td>Many countries were entered from local office in Hong Kong in order for them to mitigate potential economic crises</td>
<td>Further foreign market entries were initiated by individual actors to cushion potential economic downturns; collective focus however was on strengthening and developing regional centre offices</td>
</tr>
<tr>
<td>Market selection</td>
<td>Autocratic company leaders who seized opportunities resulting from personal and professional relationships selected markets that were entered</td>
<td>Countries were targeted based on availability of aid agency work in combination with enthusiastic individual actors who took ownership of projects</td>
<td>Countries were selected based on clients who approached both local and home offices to follow into new markets</td>
<td>Countries were selected based on their geographic location and independence from conditions occurring in Australasian and Southeast Asian regions</td>
</tr>
<tr>
<td>Mode of entry</td>
<td>Project based market entry in anticipation of long-term establishment</td>
<td>Project based with no intention to become permanently established due to geographic distance</td>
<td>Project based market entry primarily in order to serve client</td>
<td>Countries were predominantly entered in forms of JVs or offices in anticipation of long-term establishment</td>
</tr>
<tr>
<td>Subsequent operations in foreign markets</td>
<td>Individual actors, their autonomy and their entrepreneurial led to the establishment of permanent offices which in turn led to subsequent projects</td>
<td>Mostly none in newly entered countries but in one case, an enthusiastic individual agent led the firm to form a JV; client contacts in Southeast Asian countries were reactivated in order to find industrial work</td>
<td>Establishment of permanent presence due to individual agents and expatriates who were on site and pushing to seize further project opportunities in respective countries; service diversification in several markets that were entered during Phase 1</td>
<td>Often subsequent projects in newly entered countries but in some cases withdrawal from markets due to difficulties to win work and economic crises in these countries</td>
</tr>
</tbody>
</table>
5.3 The stages of the internationalisation in evolutionary context

This section presents the international evolution of Wilkinson in more detail. During data analysis, the phases outlined in Section 5.2 were examined for each stage of the internationalisation process identified in the literature review. Furthermore, the relevance of each element of the strategy tripod for the each stage and phase respectively was identified. The results were obtained on the basis of the method outlined in Chapter 4. The proportion of overlapping coding references of each tripod element’s influence on each stage is displayed in Table 5.3. It must be borne in mind that these are indications only. It shows the broad trends expressed in quantitative values. However, during data analysis the coding references were revisited and analysed in more depth in order to draw conclusions for the internationalisation process of Wilkinson.

Table 5.3: Strategy tripod and internationalisation process matrix

<table>
<thead>
<tr>
<th>Internationalisation process</th>
<th>Resources and capabilities</th>
<th>Industry</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to internationalise</td>
<td>very strong</td>
<td>strong</td>
<td>weak</td>
</tr>
<tr>
<td>Market selection</td>
<td>very strong</td>
<td>weak</td>
<td>weak</td>
</tr>
<tr>
<td>Mode of entry</td>
<td>very strong</td>
<td>weak</td>
<td>weak</td>
</tr>
<tr>
<td>Subsequent market operations</td>
<td>very strong</td>
<td>weak</td>
<td>strong</td>
</tr>
</tbody>
</table>

As evident in Table 5.3 it was found that resources and capabilities significantly influenced all stages of the internationalisation process. In particular the selection of what foreign market to enter was highly influenced by this tripod element. The industry factor
played an important role solely in the motivation to internationalise in the first place. Institutional factors had an effect on the subsequent market operations in a foreign country, but here resources and capabilities made a more significant contribution. The following sections present the findings in more detail and pay attention to both the phases and the sub categories of each tripod element.

5.3.1 Motivation for internationalisation

This section examines the motivation for Wilkinson’s internationalisation. The data revealed that the initial decision to internationalise was driven by two individual actors in order to counteract the cyclical nature of the domestic market. This was described as being a common problem for engineering firms at that time. One Managing Director pointed out that, “in those days [the early 1970s] the New Zealand building industry went up and down with [...] the 3 year political cycle.” Philip Parker, one of the founding members, stated the motives for internationalising:

> It gave us some stability, the possibility of working in an economic cycle, as the rollercoaster ride in New Zealand construction, which has continued since that time, [...] was evident then. There were times when [work] dropped away, and we hoped we could get more continuity of work by having some overseas presence.

Overall, the interviews showed that in the first phase, the decision to internationalise was proactive and driven by a decision to mitigate the effects of industry cycles, rather than as a means to expand. Although work was available in New Zealand, and one of the founders “was busily running around, like a bee in a bottle, trying to look after all this work [Wilkinson was] getting,” the determination to seek international work was strong. This
was, referring back to the quote presented above, in order to “get more continuity of work by having some overseas presence.” All informants named two of the four original founding members, Andrew Wilkinson and Philip Parker, as the main drivers to move into international markets as a reaction to the domestic industry conditions. Their entrepreneurial spirit—which was identified as a resource of the focal firm—and the efforts significantly shaped the first phase of Wilkinson’s internationalisation.

Industry uncertainties and economic crises also played a significant role in the other three phases. In particular, the economic crisis in 1987 and the Asian financial crisis in 1997 effected Wilkinson’s operations and drove the firm to seek work beyond the Southeast Asian and Australasian regions. However, the move into African and Caribbean countries during Phase 2 was also moderated by the desire to increase aid agency work. A participant who was professionally involved with aid agencies encouraged Wilkinson to bid for projects in some of those countries. At that stage, aid agency work was perceived as a safe source of income because the agencies usually paid expenses plus additional fees.

The international expansion in Phase 3 was predominantly driven by client relationships from both the New Zealand office and the Hong Kong office. Again, during data analysis these were identified as unique resources of the firm. In both cases approaching clients were the trigger to enter new countries, partly in order to maintain good relationships. The expansion driven by Hong Kong management was also perceived as a way of mitigating potential economic downturns that may have led to losing business in Hong Kong and subsequently laying off staff.

By Phase 4, Wilkinson had experienced two economic downturns. The Asian financial crisis was reported to be the main driver to seek new markets beyond the Southeast
Asian region and become less dependent on its economy. However, informants associated the Manager of the international section with most market entries. He was described by many as very enthusiastic and passionate about growing the business. By motivating and encouraging other “conspirators” he often acted before official approval of the other Board members was given. Nevertheless, his enthusiasm and endurance eventually convinced the Board.

Table 5.4: Strategy tripod and the motivation to internationalise

<table>
<thead>
<tr>
<th>Motivation to internationalise</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources &amp; capabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autonomy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial spirit</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Individual actors</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Networks and relationships</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Track record and experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad hoc service demand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cyclical nature of industry</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Economic crises</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Good or prospective market</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Institutional factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aid agency rules and regulations</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Firm-internal institutional factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal rules of the game</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laws and regulations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In summary, external conditions such as industry conditions and economic downturns were the most crucial factor influencing the decision to internationalise. However, particularly in Phase 1 the motivation to seek international work was based on the two founding members. Hence, whilst domestic industry conditions were the initial trigger to internationalise, it took these individuals and their entrepreneurial spirit—i.e. resources and capabilities—to actually execute it. Furthermore, the perceived profitability of aid
agency work and client-relationships played important roles in Phases 2 and 3 respectively. A significant difference between Phases 1 and 4 was the motivation of the individual drivers. Whereas in Phase 1 internationalisation was seen as a means to stabilise work flow, in Phase 4 the focus was on growing and expanding the business.

5.3.2 Market selections

This section examines the second stage of the internationalisation process: the market selection. Overall, the market selection was largely determined by resources and capabilities. Networks and relationships in combination with autonomously acting individuals were particularly influential.

However, variations were found between the different phases. The interviews revealed that in Phase 1, most markets were selected based on opportunities that emerged from personal and professional relationships of the two founding members. The type of work was both industrial and aid agency work. For example, when asked about to what extent personal contacts from schooling facilitated the internationalisation of Wilkinson, one of the founders confirmed:

_They did. They opened a door you see, but they didn’t do any more than that._

_I mean, but you do have to see, I mean it’s almost like something passes, there’s a vehicle passing across in front of you. Do you want to get on it or don’t you? You know I mean there was very little, very little analysis. There was no sort of well hang on let’s do a study of this opportunity and then in 4 weeks’ time we’ll get so and so to look at this. And we’ll send so and so up there, and they can look at it, and come back and report. And we’ll put it_
Before the Board, and we’ll show what it does to our bottom-line. Absolutely none of that.

The statement shows the spontaneous and situational aspect of Wilkinson’s decision making about international activities that was evident particularly in Phases 1 and 2. It further indicates that no market analysis was accomplished before entering the markets. At that time, no deliberate strategy in terms of market assessments was pursued. The founding member further continued:

So that when you asked me, you know “what’s your strategy for overseas work,” yes there was some determination to go and work overseas. But primarily it just seemed to be opportunities arise and you have to decide whether you take advantage of them or not. [...] one of the luxuries I had was complete, if you like autonomy. If I said we were going to do this, Andrew said “yeah, well when are you starting?”

The autonomy given to professionals had a significant impact on the way Wilkinson internationalised in most phases. It allowed for flexible decision making, seizing of opportunities that arose and hence better and faster service for a client or business partner. This in turn strengthened these networks and relationships.

In the same vein project proposals for aid agency work were made. As mentioned earlier, the focus in Phase 2 was on this type of work. The market selection in that phase was primarily determined by the project availability and hence the locations of funding. Particularly the African countries were not entered in order to develop an attractive new market beyond the scope of the project. Rather, the market selection was situational and for
the purpose of securing work and establishing a reputation with the agencies. A former employee of Wilkinson who was actively involved with aid agencies suggested following this type of work more systematically. He was familiar with upcoming funding and due to his insider knowledge he knew the advantages of working in these types of projects.

The countries that were entered during Phase 3 were largely the result of following existing clients. Networks and relationships played a significant role. In most cases, Wilkinson was approached by long-term clients. The long-term relationship was reported to be perceived as a risk-mitigating factor. Nevertheless, some entry opportunities were turned down and overall Wilkinson became more selective in what work would be pursued and where. A retired Managing Director explained the reason:

So I think [in the 1970s and 1980s] we were very much focussed on, in all parts of our business, on doing everything. We had very little selection in what we would do. We would pursue jobs where we could do well. But if we were offered any job we would say “yes we can do that.” Because when you’re in growth mode in a new market, there’s not much alternative. You know you’re not a critical mass, so until you’re a critical mass you tend to do everything. And it wasn’t until quite a bit later, I would say not until the 90’s that we started to become more selective, and more demanding. Our systems were getting better; our training of our people was improving. And the strategy of what we wanted to do, what we wanted to be, became clearer.

This indicates a certain degree of maturation as a result of organisational growth. As shown in Figure 5.2, during the 1990s the Wilkinson broke the 1000 employees mark and grew faster from the mid-1990s onwards. Furthermore, a bid/no bid procedure was
introduced during Phase 3. Potential projects were assessed according to the risk they might entail. It was reported that a certain size also leads to an increasing possibility to get sued if anything goes wrong during project completion. Smaller firms are often not at risk to be made responsible due to the overall perception that these firms do not possess many financial assets so that it is not worth pursuing anything.

Whereas enthusiastic individual actors were also a crucial factor for market selections in Phase 4, the other criteria changed significantly. At the beginning of this phase, significant change of management occurred. A new CEO was appointed and a new manager was made responsible for the international section. This had a significant influence on the way Wilkinson internationalised. In addition, as evident in Table 5.2, the firm grew more rapidly. The following quote was provided by the previous Manager of the international section during Phase 4. He was also responsible for many new market entries during that phase. The quote exemplifies how a new generation of management can lead to a transition such as the transition from Phase 3 to Phase 4:

> About, on a different track, about the year 2000 I think it was, or 2001, thereafter, I took over running [the international section] from [name of predecessor]. So [he] and I had slightly different views of where we should go and what we should do, and that was fine. I just wanted to go different places to what he wanted to go, that was okay.

In contrast to the prevailing mode of operations, some markets were selected based on future outlooks on potential projects as opposed to existing ones. However, these markets were entered without a project at hand and without a trusted client or reliable project sponsor. In hindsight, some of the endeavours that were undertaken in Phase 4 were
reported to be not as successful as expected. In addition, it was identified that several countries were entered without official consensus. Here, the countries were selected based on project opportunity and no further establishment in these countries was planned. This occurred primarily in a niche market sector that is not crucial for the firm’s survival. This again implies autonomous behaviour of individuals. Table 5.5 summarises the findings presented in this section.

Table 5.5: Strategy tripod and market selections

<table>
<thead>
<tr>
<th>Market selection</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources &amp; capabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autonomy</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Entrepreneurial spirit</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Individual actors</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Networks and relationships</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Track record and experience</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Industry factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad hoc service demand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cyclical nature of industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic crises</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Good or prospective market</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Institutional factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aid agency rules and regulations</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Firm-internal institutional factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal rules of the game</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laws and regulations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overall, resources and capabilities dominated the market selections. Furthermore, individual actors along with their enthusiasm and willingness to undertake a project in a foreign country, were crucial. Networks and relationships offered project opportunities in markets that were already entered and for entering new markets. It was shown that in different phases, different priorities influenced the decision for what market to select. Industry factors in form of prospective markets were one reason to enter geographically
distant and developed countries during Phase 4. However, this was again predominantly driven by autonomous, enthusiastic individuals. Autonomous behaviour was also very strong in Phase 1. Bearing in mind that the firm already comprised of more than 100 employees, markets were still selected without consensus of other company founders.

5.3.3 Modes of entry

It was found that embodied people export, *i.e.* the allocation of domestic staff to a project site only for the duration of the project, was the most common mode of entry. This was reported to be based on the *ad hoc* demand for engineering services. Overall, the internationalisation of Wilkinson was described as following the client or a client’s request on the one hand and pursuing aid agency work on the other hand. New countries were predominantly entered based on project availability. Market analyses and evaluations of subsequent projects were typically not undertaken. This was particularly the case in Phases 1 to 3.

The market entry via JV was usually not project-based. The formation of these JVs was primarily the result of individuals who established relationships with individuals from the partner firm. In Phases 1 and 2, Wilkinson was approached by potential partner firms or individuals. In contrast, in Phase 4 Wilkinson actively looked for partner firms in the respective countries that were targeted for entry.

In Phase 4, the majority of market entries were project-based. Yet, an increasing number of countries were entered in the form of JVs or offices which in some instances were without project-availability. This can be ascribed to two different things. First, the markets were selected based on considerations that were meant to support and strengthen Wilkinson’s future development as well as grow the firm as opposed to primarily serving the short-term needs. Second, the same business model proved to be successful in the Phase
where countries were entered with the aim of accommodating for the uncertainties in the domestic market, resulting in establishing permanent presence.

Table 5.6: Strategy tripod and modes of market entry

<table>
<thead>
<tr>
<th>Modes of market entry</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources &amp; capabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autonomy</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial spirit</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Individual actors</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Networks and relationships</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Track record and experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Industry factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad hoc service demand</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Cyclical nature of industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic crises</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good or prospective market</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Institutional factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aid agency rules and regulations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm-internal institutional factors</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Informal rules of the game</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laws and regulations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In summary, resources and capabilities had an influence on the formation of JVs. Specifically networks and relationships in combination with individuals who proactively formed these relationships were essential. But also motivated individuals who were willing to pursue an opportunity led to market entries in the form of JVs and offices, particularly in Phase 4. There, autonomously acting individuals who were determined to enter these markets initiated these forms of entry. The aim was often long-term establishment and the approach was based on the prevailing business model seeded by the company founders in Phase 1. However, typically the modes of entry were predominantly through embodied people export. This can be ascribed to an industry factor, namely the *ad hoc* demand for project work.
5.3.4 Subsequent market operations

This section examines the contributions of the elements of the strategy tripod for decisions concerned with the final stage of the internationalisation process: subsequent market operations. Different forms of establishment were identified, depending on situational conditions and strategy that was pursued at that time. In some countries, no further projects were undertaken after initial project completion. In other countries, subsequent operations were undertaken on an on-off project basis. Here, commitment was relatively low compared to other forms of establishment.

The form of “non-operation” occurred predominantly in newly entered countries during Phase 2. The focus was specifically on aid agency work, thus not developing new markets. Furthermore, the non-establishment and lack of interest to bid for subsequent projects can be ascribed to institutional factors such as difficult legal requirements and corruption prevailing particularly in the African countries. In addition, no interviewee reported any personal interest in remaining in one of these countries. Geographic distance was another point that was mentioned. Instead, particularly after the financial crisis in 1987, employees were sent to countries into Southeast Asian countries to re-activate client contacts and personal relationships. Some of these projects that were acquired during these “marketing trips” were purely the result of old relationships and were reported to significantly contributed to the survival of the firm in addition to the aid work pursued in the African countries.

Overall, in Phases 1, 3, and 4, more permanent forms of establishment were preferred. Often, JVs or co-operations with local firms were formed. Furthermore, permanent offices were established. Two of these offices developed into regional offices of
their own right. They monitor the activities in countries that fall within their geographical remit. It was also shown that Wilkinson diversified into different service markets in many countries, i.e. servicing different market segments/categories. The relationships that were formed with companies entering New Zealand often led to service diversification in foreign markets.

One of the founders, namely Philip Parker, was associated with many JVs that were formed especially during the first two phases. This is not to be confused with the market entry which was outlined in the previous section. Many JVs were formed during Phases 1 and 2 in countries that were initially entered on a project basis. Furthermore, during Phase 2 JVs and alliances were formed with foreign firms entering New Zealand. These connections led subsequently to market entries in other countries where the partner firms were already active, leading to the formation of additional JVs or the establishment of offices. These partners and/or clients approached Wilkinson to provide services in other countries. The track record and experience Wilkinson had with these clients as well as the good relationships that were established, led to continuing service in other countries. Often, Wilkinson was already established in these countries and hence started to offer additional services for the approaching partner/client.

Networks and relationships dominated the final stage of the internationalisation process. They were particularly important for getting subsequent new work in a foreign market. One founding member stresses the importance of relationships with local people:

Well one of the most important things that we established in our work offshore was relationships with local people that we could really trust. And you’ll find that a lot of people with overseas businesses that fail didn’t
actually get that relationship going at the beginning. And when we, we went into Hong Kong, and formed a joint venture with a local firm, and [...] it was getting some decent work. But all of the introductions that were coming to us were coming from our local partner.

Management realised that these connections were essential for subsequent project opportunities. Most informants described the prevailing business model as entering a country, employing and training local engineers as well as forming of formal JVs. Overall, the early internationalisation in particular was driven by entrepreneurial individuals who initiated this model. The ethos was set by two of the founding members: Andrew and Philip. They were not only identified as the main drivers for the internationalisation in general but also for the subsequent market operations particularly in Phase 1. As exemplified by one manager it was also in their interest to remain in these countries:

*Andrew and Philip were very keen to establish offices and expand, and grow,*

*and (laughter) essentially divided the world between them.*

But also in other phases was the establishment of permanent office primarily driven by enthusiastic individuals. Whilst not so much relevant for Phase 2, Phases 3 and 4 were shaped by the individuals who committed themselves to a certain foreign country where they saw opportunities. A former manager of the international division described a typical reaction of the Board of Directors when concerned with the decision to formally establish an office in a country:

“*Oh heck we’ve got used to this, you know we’ve been winning work in [country A], and doing work, and we’re getting paid. And oh yeah I*
suppose if [name of the Managing Director] wants to stay in [country A], well I won’t stop him.” […] And I think […] you could find a similar sort of approach if you went back. If you were talking to [name of another Managing Director] that you’d probably find similar things for [country B] or [country C].

In other words, individuals who were determined to get established in a country were able to convince the Board of Directors to open an office although this was not a key priority according to the firm’s strategy. Often, the driving individuals acted autonomously as evident from the following quote provided by a Regional Manager:

I remember [the CEO] telling me that he was in a Board meeting and they were going: “We’ll set up an office in [country A]”. And he was going: “Not in my lifetime, we’ll never set up an office in [country A], I do not want us to, for all sorts of reasons it’s completely wrong”. […] And then someone had to quietly take him aside and tell him: “Well, actually we’ve already done it” (laughter).

The behaviour described exemplifies the autonomous action taken by individuals, often without the knowledge of the official decision-making body. According to several informants, processes for better evaluation of risks and opportunities were introduced over time; with firm growth and management change. For example, if an opportunity for an international project occurs, it should be formally examined in a so called ‘bid/no bid’ procedure. Furthermore, the new CEO, who was appointed in the beginning of Phase 4, indicated that his focus was on developing the regional centre offices and focus on
geographically close markets. Nevertheless, when asked about how these changes happened, a retired Managing Director who is still involved in the business commented:

*I don’t think it’s quite there yet (laughter) there’s still a bit of random chasing goes on, yeah (laughter). So I think it’s been more formal, it’s been a bit more disciplined probably the last 5 years, yeah. But even within those 5 years [...] there’s been a bit of people going off on their (laughter) on their missions. And coming back and saying “wow this is a great idea”, you know. But still you’ve got to have, you’ve got to do sufficient work to establish whether or not it’s worth a go. Cause you don’t want to be, and I think that’s where we have been successful, that we have been flexible.*

This flexibility, often as a result of autonomous acting of individuals, was described as being a key success factor, particularly in the early internationalisation. Although the processes became “more formal,” it is still an essential part of the business culture. Phase 5 recently started in 2010 and was also initiated by change of top-management. The focus is on growth, particularly of the regional centre offices. Furthermore, business operations become more integrated. The autonomy that was previously enjoyed by the Hong Kong office was reported to cease. Nevertheless, it would be too early to report on any changes.
Table 5.7: Strategy tripod and subsequent market operations

<table>
<thead>
<tr>
<th>Subsequent market operations</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources &amp; capabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autonomy</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial spirit</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Individual actors</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Networks and relationships</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Track record and experience</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Industry factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Ad hoc</em> service demand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cyclical nature of industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic crises</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good or prospective market</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Institutional factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aid agency rules and regulations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm-internal institutional factors</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Informal rules of the game</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Laws and regulations</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

In summary, the subsequent activities and forms of establishment were largely influenced by the individual actors and their willingness to develop the market, i.e. their entrepreneurial spirit. However, the non-establishment in countries was mainly a result of institutional factors, what occurred primarily in Phase 2. Still, it is noteworthy that no participant expressed interest in continuing to work in the newly entered countries. Hence, a lack of motivation to seek subsequent work in these countries was prevalent. Networks and relationships led to subsequent projects in the other phases even to the extent that they were essential for Wilkinson’s survival particularly in the Southeast Asian region during Phase 2. The client relationships also led to service diversification within countries. This was mainly the result of clients demanding certain skills that were previously developed in other countries.
5.4 Summary of findings

This section summarises the findings of the analysis. The following Table 5.8 displays the factors that predominately shaped each stage of the internationalisation process in each phase. The factors are divided into external and internal influences as it was found that institutions can be counted for as both.
Table 5.8: Factors influencing the stages of internationalisation

<table>
<thead>
<tr>
<th>Stages of the internationalisation process</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to internationalise</td>
<td><strong>External:</strong> Industry conditions</td>
<td><strong>External:</strong> Industry conditions and economic crises; institutionalised regulations of aid agencies</td>
<td><strong>Internal:</strong> Client relationships; motivated individuals</td>
<td><strong>External:</strong> Industry conditions (current and prospective) and economic crises</td>
</tr>
<tr>
<td></td>
<td><strong>Internal:</strong> Entrepreneurial spirit of individual actors</td>
<td><strong>Internal:</strong> Informal relationship; motivated individuals</td>
<td></td>
<td><strong>Internal:</strong> Entrepreneurial spirit of individual actors</td>
</tr>
<tr>
<td>Market selection</td>
<td><strong>Internal:</strong> Entrepreneurial spirit of individuals who acted autonomously; client and personal relationships offering opportunities</td>
<td><strong>External:</strong> Institutionalised aid agencies regulations require track record</td>
<td><strong>Internal:</strong> Motivated individuals and client relationships leading to clients approaching the firm to follow</td>
<td><strong>External:</strong> Prospective profitable markets</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Internal:</strong> Entrepreneurial spirit of individuals; track record and project experience</td>
<td></td>
<td><strong>Internal:</strong> Entrepreneurial spirit of individuals acting autonomously</td>
</tr>
<tr>
<td>Mode of entry</td>
<td><strong>External:</strong> Ad hoc service demand</td>
<td><strong>External:</strong> Ad hoc service demand</td>
<td><strong>External:</strong> Ad hoc service demand</td>
<td><strong>External:</strong> Ad hoc service demand and the prospect of future long-term market development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Internal:</strong> Entrepreneurial spirit of individuals who acted autonomously; institutionalised business model</td>
</tr>
<tr>
<td>Subsequent market operations</td>
<td><strong>Internal:</strong> Entrepreneurial spirit of individuals who acted autonomously; international networks were formed that offered opportunities for subsequent work; institutionalised business model was established by two motivated individuals</td>
<td><strong>External:</strong> Institutional forces such as corruption and legal difficulties prevented subsequent operations in newly entered countries</td>
<td><strong>Internal:</strong> Individual actors that seized project opportunities arising from client relationships and established track record; institutionalised business model to train local staff and become established if opportunity presents itself</td>
<td><strong>External:</strong> Prospect of future long-term market development</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Internal:</strong> Lack of motivation of individuals to undertake further projects in newly entered countries; client networks led to subsequent work in previously entered countries</td>
<td></td>
<td><strong>Internal:</strong> Entrepreneurial spirit of individuals who acted autonomously; institutionalised business model</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The analysis showed that industry factors primarily influenced the general motivation to be internationally active as well as the typical mode of entry which was embodied people export. Although the initial motivation to internationalise was primarily triggered by industry conditions, the enthusiasm and determination of individuals to actively find alternatives laid the groundwork for international success. These entrepreneurial and motivated individuals were identified to be essential drivers for the international activities. In addition, it was found that often individuals acted autonomously, without collective consent of the Board of Directors.

The prevailing business model that was described as to enter a country based on a project, train local staff and become established in the country. This was the ethos seeded by two company founders and still influenced the strategy four decades later. The emphasis on the long-term view of the firm and establishing and maintaining relationships was predominantly associated with two of the founders of the firm and noticeable throughout the different phases the firm underwent. This business model was institutionalised within the firm and hence regarded as an internal factor.

Networks and relationships that were formed in both foreign and domestic markets particularly led to the opportunity for subsequent work. But also initial market selections were triggered by these networks as they often presented a project opportunity. Here again, the importance of individuals for forming these relationships was highlighted. To sum up, firm-internal factors, in particular motivated individuals played a significant role in the international development of the case firm. The transitions from one phase to the next were also largely influenced by internal factors. This evolution is illustrated in Figure 5.3.
The international evolution of an ECF that is demonstrated in Figure 5.3 includes a Phase 0. During this phase, no internationalisation took place but it indicates the factors that led to initial international activities. As mentioned before, whilst external industry conditions triggered the considerations for becoming internationally active, it was predominantly the motivation of two of the founders that resulted in the internationalisation of the firm. In addition, formal and informal networks and relationships led to the recognition of project opportunities and subsequently the decision of what markets to enter. Phase 1 was therefore dominated by seizing these opportunities during which new international relationships were formed. The focus was on winning project work. In a similar vein, Phase 2 was characterised by the focus on project-work. Motivated individuals, who were interested in pursuing aid agency work and willing to work in geographically distant countries, initiated this phase. Furthermore, the profitability of this type of work was realised and hence it was sought more systematically.
During Phase 3, the prevailing mode of operations was to follow existing clients. This was the result of clients who internationalised and approached Wilkinson to continue to service them. In order to maintain these relationships, it was essential to follow. This can be regarded as an external institutional pressure. Nevertheless, most new markets were entered proactively, what goes back to the motivation of individuals. The transition from Phase 3 to Phase 4 was again predominantly based on internal factors. Change in management and increasing firm size resulted in a focus on the development of the centre offices. The newly appointed CEO specifically focussed on the development and growth of one of the regional centre offices. In contrast, other individuals pursued their own ideas of international growth what eventually resulted in new market entries, showing the autonomous behaviour that took place. Here again, the trigger was reported to be industry conditions and the markets were selected based on their potential to serve as an alternative for the Southeast Asian and Australasian industry dynamics. The transition to Phase 5 can again be ascribed to change in top-management positions. The focus in on growing the business and integrating business operations. It is notably that the overall development and the behaviour of individuals were shaped by the ethos that was seeded by the two company founders during Phase 1. Informants often referred to these two individuals and strongly associated them with the business model, which became institutionalised within the firm. However, over time the influence became less obvious. New modes of operations were undertaken, shaped by other individuals. In fact, from Phase 3 onwards, many new market entries were associated with a Manager who was described to be passionate about internationalising.

These findings can further be compressed into a model that incorporates the main characteristics of the internationalisation of an ECF. The structure is borrowed from
Johanson and Vahlne’s (1977, 2009) U-model/Business network internationalisation model as it demonstrates the interdependencies between change and state aspects particularly well and implies the dynamic nature of the process.

Figure 5.4: The ‘Professional’ internationalisation process model

![Diagram showing the 'Professional' internationalisation process model]

Source: Based on Johanson and Vahlne (1977, 2009)

Figure 5.4 illustrates the internationalisation of ECFs that is based on individuals, *i.e.* professionals. The importance of the motivation and entrepreneurial spirit of individual actors for the internationalisation of the case firm was highlighted several times in the previous sections. Furthermore, the transition from one phase to another was ascribed to a change of individual managers and motivated individuals. In addition, as shown in Phase 2, individuals’ lack of interest to pursue subsequent work in a country usually results in exit after project completion. In contrast, their determination to continue to pursue work in a country often led further resource commitment in the form of office establishment. Therefore, the motivation of individual actors can be seen as a change variable that has an effect on the commitment to internationalise and shapes the direction that the firm takes.
Furthermore, it also influences the formation of international relationships. In this case, the level commitment to internationalise and international networks and relationships can be seen as state variables that influence the change aspects. As evident from the data, networks and relationships as well as commitment to internationalisation offer new project opportunities, which is the second change aspect. Nevertheless, these project opportunities need to be seized by individuals what in turn demonstrates their internationalisation commitment.

5.5 Chapter summary

The chapter demonstrated the results of the analysis. First, an overview of the case firm’s internationalisation was provided including data on specific foreign market entries in chronological order. Subsequently, the five phases of the firm’s international development that emerged from the data analysis were presented. Each phase showed a distinct pattern of modes of operations. The transition from one phase to the next was often the result of motivated individuals pursuing their interest. Particularly change in top-management, initiated new foci of operations.

The stages of the internationalisation process were examined incorporating each phase based on how these were shaped by the elements of the strategy tripod. It was shown that firm-internal resources and capabilities had the largest influence on all stages. In particular, the entrepreneurial spirit of individuals and their autonomous behaviour contributed to the international development of the case firm. The findings were summarised in Section 5.4 where an internationalisation model based on these findings was presented.
CHAPTER 6: DISCUSSION

This chapter discusses the findings from the analysis in the context of the literature. First, the internationalisation process of engineering consulting firms is discussed and contrasted to the U-model what subsequently leads to the identification of the P-model. Furthermore, the findings are briefly related to other PSFs to highlight the importance of looking at each separately. Then, the elements of the strategy tripod are discussed. It was found that the notion of wayfinding well reflects the international strategy of the case firm. Hence, the final section introduces wayfinding.

6.1 The internationalisation process of engineering consulting firms

This section discusses the internationalisation process of the case firm in the context of the relevant literature. For the evolution of the case firm’s internationalisation, five phases were identified. The transition from one phase of operations to another is often commenced by revolutionary stages an organisation naturally undergoes (Greiner, 1972, 1998). Management practices that are prevailing in one phase become less appropriate over time and with firm growth. Furthermore, individuals may pursue different goals. This was confirmed by the evolutionary transition from a firm chasing projects opportunistically in order to get work in Phases 1 and 2 and later becoming more selective.

This transition would be what Greiner (1972, 1998) labels a “revolutionary stage” in form of people changes. The rationales behind some of the markets selected in Phase 3 and particularly in Phase 4 indicate that the actors in the case firm become more deliberate. The choice of markets was based on maintaining client relationships or with the aim to develop future markets. This is in line with Coviello and Martin’s (1999) findings. They argue that with increasing experience and knowledge, decisions focus on countries as opposed to
solely on projects. Furthermore, an increasing focus on developing and strengthening the existing markets emerged. New procedures were introduced in order to employ the resources (in the form of professionals) more efficiently but also in order to avoid risk. Nevertheless, the pattern of entering new countries based on these considerations was initiated by a few individuals. The majority of the Board members were not convinced from the beginning. Yet, eventually these individuals succeeded, confirming Mintzberg’s (1983) portrayal of the strong-minded professional negotiating his or her way through the firm and pursuing own interests.

As expected, the gradual resource commitment in foreign markets stressed in the stage models of the internationalisation process (Johanson & Vahlne, 1977, 1990; Andersen, 1993) was not confirmed. Yet, the models offered a useful insight into what decision areas are essential in the internationalisation of the firm. It was found that the establishment of permanent offices was not the result of prolonged experience in that market. Rather, a project opportunity presented itself and was identified by individuals who were motivated to pursue work in those countries. Instead of gaining extensive experience in the new country, these entities were often established after a short period of time.

Furthermore, psychic distance was not found to be crucial for the market selection, confirming research that was conducted on this type of firms (Coviello & Martin, 1999; Sharma & Johanson, 1987; Malhotra, 2003). Instead, it was found that countries with a relatively large psychic distant to New Zealand were entered first. Often, these countries were developing countries, and differed “in language, education, business practices, culture, and industrial development” (Johanson & Vahlne, 1977, p. 24) from New Zealand. As hinted by Roberts (1972), the lack of local education in the field of engineering and the need for
expertise for the industrial (and infrastructural) development of these countries offer an explanation for this phenomenon. This was found to be the case particularly during Phases 1 to 3 and even in Phase 4 only two developed countries were entered. Furthermore, motivated individuals who seized opportunities led to new market entries. Johanson and Vahlne (2009) in their revision of the U-model acknowledge that the relationship between market entries and psychic distance depends on the decision-makers and their perceptions. However, in this study it was shown that also individuals who do not hold ‘official’ power were able to eventually lead the firm into new countries and drive subsequent market operations. In addition, whilst Coviello and Martin (1999) pointed out the importance of management motivation for the firm to internationalise, the findings of this research show that also subsequent operations largely depend on motivated individuals.

This leads to the consideration for a model that is more appropriate for reflecting the internationalisation of ECFs. Figure 5.3 displays the ‘Professional’-model (P-model) based on the crucial role individuals, or in this case professionals, play in the internationalisation process of an ECF. The structure is based on the U-model (Johanson & Vahlne, 1977, 2009) but the criteria were adjusted according to the internationalisation of ECFs.

In the P-model, the change variables are the motivation of individuals and the project opportunities, reflecting the findings of the analysis. In Chapter 5 it was shown that the motivation of the individuals is essential for several stages of the internationalisation process. For example, individuals showed no interest to pursue further work in the newly entered countries during Phase 2. A top-down approach in the form of management orders to remain in the countries may unlikely be feasible what highlights the autonomy of professionals. This is in line with Mintzberg’s (1983) argument that in PSFs, the traditional
top-down management approach is difficult to implement. Professionals’ striving for autonomy and the power they hold, being the most valuable asset of the firm (Løwendahl, 2005) make it difficult for management to expect these professionals to do projects against their will.

Furthermore, in later phases the case firm’s Board of Directors did not always fully agree with new market entries, the forms of entry and subsequent market operations. Here, motivated individuals eventually took actions what heralded the start of a new phase but also had an effect on the commitment to internationalise, the first state variable in the P-model. The second state aspect comprises of the international networks and relationships that in turn present new project opportunities. This is in line with the revised U-model (Johanson & Vahlne, 2009) where new opportunities are created through interaction of business partners. The ECF sector in particular is driven by networks and relationships (Løwendahl, 1992, 1993; Malhotra, 2003) what makes it even more crucial for this type of firm to establish good relationships.

It was shown that several factors influence the internationalisation of ECFs. The unique characteristics of PSFs and ECF sector specific factors, influence the strategic direction of the firm. As argued by Malhotra et al. (2006), despite many common features, not all PSFs are the same. For example, this study confirms that the motivation for ECFs to internationalise is largely driven by industry dynamics and managerial decision-making, (Coviello & K. A.-M. Martin, 1999). Legal and accounting firms on the other hand primarily start internationalisation as a result of internationalising domestic clients who expect continuous service abroad (Aharoni, 1999b; Cooper, T. Rose, Greenwood, & Hinings, 2000; Løwendahl, 2005; Morgan & Quack, 2006; T. Rose & Hinings, 1999; Segal-Horn & Dean,
In contrast, the *ad hoc* demand for engineering services often leads the ECF to exit the country after project completion (Løwendahl, 2005; Malhotra & Hinings, 2009; Malhotra & Morris, 2009). Although in most phases, it was continued to pursue projects, this was not the result of the same client requesting continuous services. Rather, other project opportunities presented themselves and were seized by individuals. In addition, during Phase 2 many countries were exited partially due to individual’s lack of interest to remain in these countries.

Furthermore, differences in modes of market entry exist between different types of PSFs. In this study it was shown that the case firm predominantly entered countries through embodied people exports. Professionals travel on site and provide their services. Subsequent market operations often result in wholly owned subsidiaries or JVs. The analysis showed that these establishments were not the result of laws and regulations (institutions) but rather motivated individuals. However, this phenomenon was not observed in other PSFs. The typical entry mode of British law firms, for example, is typically through mergers and acquisitions of local law firms (Morgan & Quack, 2006). The international transferability of the technical knowledge of engineering services is generally not restricted by social closure (Freidson, 2001; Malhotra & Morris, 2009). In contrast, legal services are very country-specific and require country-specific education and certification and underlie jurisdictional control (Malhotra & Morris, 2009; Spar, 1997; Warf, 2011). These differences highly impact the way different types of PSFs internationalise. Hence, it is essential to examine the context in which the organisation of investigation is embedded.
6.2 The role of the factors of the strategy tripod

The following sections discuss the findings in the context of the strategy tripod. The tripod offered a useful framework for examining the various factors that influence the internalisation of an ECF. It further enabled a contextual and holistic investigation of the research problem.

6.2.1 Industry factors

The industry conditions in the context of ECFs had a particularly large impact on the motivation for internationalisation, confirming Coviello and Martin’s (1999) findings. Although management attitudes towards internationalisation and international experience of individuals—both resources of the firm—have been reported to be essential for the final decision to internationalise (Cort et al., 2007; Coviello & K. A.-M. Martin, 1999), the nature of the industry is the initial trigger. The necessity to look into international markets in order to balance the uncertainties accompanied by the ad hoc demand for engineering services drives these managers to look beyond their domestic market and elude these pressures.

However, limited support was found for the firm adopting a Porterian (1980) industry-based view. It was not shown that Wilkinson tried to position itself within the industry as a result of competitive pressures. Porter’s (1980) concept of competitive advantage through optimal industry positioning was not found to be relevant for the strategic directions that were taken. Whilst during the interviews it became clear that the management was well aware of Wilkinson’s competitors, it was not found that these significantly influenced the business operations. In addition, it is typical for competing ECFs to form alliances or JVs in order to bid for a project where their skills complement each other (Løwendahl, 1993). Here again the project itself builds the focus of attention and competition.
is not as fierce as in other industries. Instead, client firms and the maintenance of these relationships were essentially influencing the modes of operations. It is notably that since Phase 5 and passed data collection, it is proactively planned to become differentiated from competition. This indicates that a shift of strategy may occur. Nevertheless, the previous four decades were predominantly driven by client relationships which might be seen as using networking and relationship building as a strategy in order to position the firm in the industry. In fact, as mentioned earlier, the engineering sector in particular is driven by relationships what is evident in the bidding process for industrial projects (Løwendahl, 1992, 2005; Malhotra, 2003).

6.2.2 Resources and capabilities

The findings show that resources and capabilities dominated the internationalisation and its underlying strategic decision. Informal, personal relationships had a significant impact on the internationalisation of the case firm. Primarily market selections, modes of entry and subsequent operations in the foreign markets were moderated by these factors. This is in line with previous studies conducted on ECFs and hence supports their findings (Coviello & K. A.-M. Martin, 1999; Løwendahl, 1992, 2005; Malhotra, 2003; O’Farrell et al., 1998). However, in the present research the role of individuals for forming these relationships was highlighted and strongly supported by evidence. In total, 32 market entries were assessed and in most, a relationship at a personal level helped to sense and seize these opportunities.

Nevertheless, the opportunities resulting from these relationships were only valuable when they were seized. This is in line with Teece’s (2009) notion of dynamic capabilities that a firm needs particularly in uncertain or fast moving environments. Simply sensing an opportunity is not sufficient for success, it also involves acting upon it. Teece (2009) argues
that “at the most basic level, seizing is about making good decisions under uncertainty, and executing well on those decisions” (p. 209). Hence, the motivation of individuals is essential for opportunity seizing. Teece further notes that “good decision making requires disciplined investment routines; information and data collection (both external and internal) and analyses, objective reasoning, attention to history, and good governance” (Teece, 2009, p. 209). This paints a picture of deliberateness and planning approaches that forego the action. Strategizing in general—and consequently strategizing at an international level—is often characterised as a deliberate, planning activity (Chia & Holt, 2006; Johnson, Melin, & Whittington, 2003; Mintzberg, 1978; Mintzberg & Waters, 1982). In contrast, the results show that in fact most market selections and hence market entries, particularly in Phases 1 to 3, were not a result of thorough planning efforts and goal-oriented, purposeful action. Rather, the internationalisation was a journey that was willingly embarked on by individuals who actively seized opportunities as they came along. As soon as the opportunity arose the decision had to be made to either seize it or not to take advantage of it. This is also reflected in the *ad hoc* demand for engineering services (Løwendahl, 2005).

### 6.2.3 Institutional factors

Institutional factors influenced the internationalisation of the focal firm in terms of both formal and informal rules and regulations. Host country laws and regulations guide the firm in their business operations but not necessarily to the extent that operations are avoided. However, it was shown that firm-internal institutions have a greater influence on the internationalisation of the case firm.

Pattern building, whilst not necessarily deliberate, can be regarded as a form of institutionalisation within the company context, hence the micro-level of analysis (Lawrence
For example, establishing permanent offices in newly entered countries is a distinct pattern in Phase 1 of the case firm’s evolution. Many offices that were established during Phase 1 were the result of situational circumstances such as ongoing work or relationships in these countries in addition to the founders’ strong anticipation to work internationally in order to mitigate the uncertainties in the domestic market. In Phase 4, local offices were established in foreign countries for the purpose of penetrating these markets, which was not a typical mode of operations before.

The successes of past activities that were accomplished in a similar way may have moderated this phenomenon. Recalling the three pillars of institutions, this scenario can be described as the cultural-cognitive pillar (Scott, 1995). Most informants reported that Wilkinson’s business model is to enter a country, train locals and get established. Using Scott’s (1995) lingo, this is the belief that the individuals share within the organisational context. The ethos that was seeded by two company founders—Andrew Wilkinson and Philip Parker—was that this is the way things should be done. They pioneered in what they did and most importantly, they did it successfully. More specifically, as decades later the firm still benefits from these actions in the form of solid relationships that lead to subsequent work.

6.3 Wayfinding in(to) international business

In Chapter 5 it was highlighted that business operations were not deliberately planned. Yet, patterns in the prevailing modes of operations were identified. Promoters of the ‘wayfinding’ school of thought (Chia & Holt, 2006, 2009) suggest that practical coping in situ can lead to the emergence of strategies, observable as consistent, routinized actions. Based on the Heideggerian notion of dwelling, practical coping are those actions that are “directed
towards overcoming immediate impediment[s]” (Chia & Holt, 2006, p. 244). The industry uncertainty led the company founders to consider internationalisation in order to balance the work load and avoid periods without project work. The markets were selected based on project availability and motivation of individuals as opposed to market analysis. The subsequent establishment of permanent offices was also the result of situational circumstances such as project opportunities in combination with motivated, entrepreneurial individuals, which was also highlighted in the P-model in Section 6.1. As mentioned several times, Wilkinson’s business model was described by participants as being to enter a country, then train and employ local staff, and finally develop them in order to form good relationships.

Nevertheless, it is unlikely that this was the initial plan the founders had when they first entered these countries. By reference to past experiences and expectations for similar occurrence in the future, actors are likely to repeat an action in a similar situation (Emirbayer & Mische, 1998) which can lead to patterns that are not necessarily deliberate in the first place but are consistent and can thus be regarded as strategizing (Chia, 2004; Chia & Holt, 2006). This is very much in line with Mintzberg’s (1978) notion of strategy when he defines it as “a pattern in a stream of decisions” (p. 466). However, these patterns are often only recognized retrospectively but are then communicated as a deliberate strategy. For example, the business model became a business model after its success was recognised and was reported to be the ‘Wilkinson’ way of doing things. Nevertheless, as evident from the data, in many countries the model was not applied. Furthermore, individuals’ motivation was crucial in this context.
Chia and Holt (2009) introduce the term “map-making” which refers to the “detached translation of [an] experience into a permanently recorded form” (p. 168). Actions such as the establishment of permanent offices and the training of local staff, which is usually not common for ECFs (Malhotra & Hinings, 2009) have been de-contextualised. Retrospectively, these actions are portrayed as the prevailing business model when in fact the common practices were the result of situational circumstances and practical coping.

In the case of Wilkinson, it was shown that the international undertakings were rather purposive. Motivated individuals found their ways into foreign markets by seizing opportunities that arose through personal and professional relationships with individuals from other organisations. The markets were entered for the purpose of securing work in a general uncertain domestic market environment and during project completion, new opportunities arose. However, the map-making leads to a rhetoric of purposefulness and presents the actions as deliberate and planned. Hence, it was essential to collect data from those individuals who initiated these strategies and to re-contextualise it in order to identify the underlying factors of motivation. The focus on the firm as a unit of analysis in the IB literature (Toyne & Nigh, 1997a) may be a factor that leads to the overall notion of deliberateness in the fields of strategy and IB (Johnson et al., 2003). The naturally occurring rhetoric of purposefulness may facilitate an impression of planned activities when in fact this may not always be the case.

6.4 Chapter summary

In this chapter the findings were discussed in the context of the literature that was reviewed in Chapter 2. The international evolution of the case firm was shown to be largely influenced by individual professionals, leading to the emergence of the P-model. Subsequently, the
factors of the strategy tripod were discussed individually based on the relevant literature. Again, the significance of individuals for each tripod element was highlighted. Finally, the notion of wayfinding was introduced which was found to reflect the internationalisation of the case firm fairly well.
CHAPTER 7: CONCLUSION

This thesis examined the internationalisation of engineering consulting firms (ECFs). Background information on the importance of the research was provided in the introductory chapter. In Chapter 2, the relevant literature was reviewed. A general overview of the literature on the internationalisation process of firms was provided highlighting the four main decision areas—the stages—of this process, namely (1) motivation to internationalise, (2) selection of foreign market, (3) mode of market entry, and (4) subsequent market operations. After providing an overview of the characteristics of ECFs, the literature was reviewed in the context of these stages of internationalisation. This provided justification for choosing the strategy tripod as a framework for further investigating the internationalisation process of this type of firm. Subsequently, the three elements of the tripod—industry factors, resources and capabilities, and institutional factors—were introduced. In Chapter 3, a theoretical framework was developed, based on the characteristics of ECFs and the information emerging from the literature review. This was done by applying the strategy tripod to the four stages of the internationalisation process. Following the development of the theoretical framework, the method that was used to investigate the research problem was described in Chapter 4. A longitudinal case study was conducted on a New Zealand based engineering consultancy. The firm, comprising 40 years of history in international markets, was introduced. Chapter 5 presented the results and findings of the analysis. It was shown that the firm underwent five phases of international business operations. Further, firm-internal factors primarily drove the case firm’s internationalisation. The findings were discussed in Chapter 6, where the notion of wayfinding was used to explain the internationalisation of the case firm. Furthermore, it was stressed that institutions, despite often being regarded as external factors influencing a firm’s strategy, also shape a firm’s
strategy from inside. This chapter concludes the research. First, the main findings in this research are summarised and contributions to the literature in the field of IB and PSFs are highlighted. Then, the limitations and implications of the research are presented.

7.1 Contributions of the research

This research contributes to the body of knowledge of the prevailing IB literature in several ways. First, it was shown what factors shape the internationalisation of ECFs. The results showed that although external factors such as industry conditions initially motivated the firm to internationalise, enthusiastic and motivated individuals shaped most of the firm’s strategy. The individual as a unit of analysis shed further light onto the ‘black-box’ of internationalisation, stressing factors that are often not considered (Andersson, 2000). This led to the emergence of the P-model based on structure of the U-model (Johanson & Vahlne, 1977). In addition, the notion of wayfinding was introduced to the field of IB, showing new insights on how strategies in the field may emerge. It was shown that in the context of ECFs, the international activities are not planned but rather of a situational nature.

Furthermore, this research extends the body of knowledge of the PSF literature. Whilst engineering consulting firms were assessed in previous studies (Coviello & K. A.-M. Martin, 1999; Malhotra, 2003), the characteristics of PSFs were not fully highlighted. For example, in this research the autonomous behaviour of professionals was shown to be crucial for the internationalisation of the case firm. In addition, the importance of differentiating between different forms of PSFs was stressed.

7.2 Limitations and future directions

In the field of IB as well as in schools of thoughts that coin strategy research, the firm is seen as a so-called ‘black-box’ (Boddewyn, 1997). This means that it is often de-contextualised
from its environment or seen as a separate entity. Peng et al. (2009) take a similar view when they point out “the frustration associated with the industry-based and resource-based views’ lack of adequate attention to contexts” (p. 65). Yet, it cannot simply be assumed that the inclusion of institutional contexts—as suggested by Peng et al. (2009)—provides the overall solution. The organisation should be seen as embedded in and being an active part of its very specific context (Schatzki, 2005). Whilst this was partially accomplished in this research, it is suggested for future research on ECFs to include clients and business partners in the analysis. This would shed further light onto the unique characteristics that shape the strategies of these firms.

Multiple case studies at the level of individuals may also be beneficial for comparing and contrasting the modes of operations and how these are shaped by different individuals. Furthermore, the P-model that emerged from the analysis of a single-case study and its transferability may be tested on other ECFs of varying sizes.

In addition, research in the form of participant observation would reveal the underlying dynamics that go on between clients and professionals. Future investigations may be warranted in exploring these relationships in more detail. Whilst the presented research is of a longitudinal nature and includes visits of and observations in international offices, it does not sufficiently explain the dynamics of how the relationships are formed and what it takes to maintain them. This is in line with Johanson and Vahlne (2009) who highlight the importance of specifically examining these dynamics in the context of internationalisation.
APPENDIX A: INTERVIEW GUIDELINE

Background

1. When did you start working for Wilkinson? Outline your career in Wilkinson; what roles have you held in Wilkinson?
2. Would you please describe the overall process of Wilkinson’s internationalisation over the years? What was the sequence of the countries entered? Where were foreign subsidiaries/offices?
3. What type of structures has/does Wilkinson use for its international subsidiaries/offices?
4. What has been your involvement in Wilkinson’s moves into international markets? Which country did Wilkinson enter first? In which format/how? Why was that country chosen?
5. Who were the key persons behind Wilkinson’s initial entry into international markets? Were they in the Board of Directors then? Do you think their experiences or background have impact on their orientation toward international markets?
6. From which markets has Wilkinson withdrawn? What were the drivers behind those withdrawals? How (and by whom) were the decisions made to exit?
7. How did Wilkinson find its first clients in foreign markets? And subsequent clients?
8. Where did Wilkinson get advice for its international strategy?
9. What are Wilkinson’s advantages in different markets (UK; Australia; Hong Kong; China and others)? What about its limitations/disadvantages?
10. What kinds of barriers and difficulties did Wilkinson encounter in its overseas expansion process?
11. What were the funding sources for Wilkinson’s overseas operation?

Looking forward

12. How important is international market to the overall growth strategy of Wilkinson?
13. What is the current strategic focus of Wilkinson regarding its international market?
14. What is Wilkinson’s strategy in terms of hiring and deployment of its employees?
APPENDIX B: PARTICIPANT INFORMATION SHEETS

PARTICIPANT INFORMATION SHEET

(organisation)

Project title: The internationalisation of engineering consulting firms
Researcher: Elisabeth Krull

Dear Sir or Madam,

My name is Elisabeth Krull. I am a Research Assistant in the Department of Management & International Business at the University of Auckland Business School. In addition, I am conducting a research to obtain the degree of Master of Commerce in International Business.

As part of a long-term programme of research being undertaken by Peter Smith (also of the University of Auckland Business School), you are invited to participate in research that will contribute to that research and to my Masters degree. I would appreciate any assistance you can offer me. You have been identified as a potential participant by my supervisor, Peter Smith. For my research, I am conducting a case study on your organisation with the aim to develop theoretical insights into the activities of organisations similar to yours. This investigation will particularly emphasise on the practices and strategies that are used to internationalise. Your organisation has consented to be part of this research.

I would like to interview you, but you are under no obligation at all to be interviewed. The interview would take about 1–2 hours and would be during work time. You can withdraw the information you provide any time up to 5 working days after being interviewed. The General Manager of your organisation has given assurance that participation or non-participation in this research should not affect your employment or relationship with this organisation.

To ensure accurate collection of information, I would like to make audio recordings of the interview. Even if you agree to be recorded, you may choose to have the recorder turned off at any time. You may also request a copy of the transcript of the recording. Such transcription may be done by a professional third-party operating under a confidentiality agreement. Aside from the transcriber, my supervisor will have access to the data. If you wish to receive a copy of the digital audio file of your interview and/or the transcription of your interview, you are more than welcome to contact me.

The information that you provide will be treated in a confidential manner and will only be translated in a general manner. The outcomes will be presented in my Masters thesis, potential journal articles and as an Industry Report for the Ministry of Foreign Affairs and Trade, who awarded me a research scholarship. The purpose of the scholarship is to increase the value of New Zealand’s exports and offshore earnings. This Industry Report will outline key findings as they relate to your industry. Any information given by you will not be directly identifiable as being provided by you. However, there is a possibility that some of your colleagues can correctly guess your identity but all efforts will be made to minimise this likelihood by coding the data. If you agree to be interviewed please let me know by filling in the attached Participant Consent Form.

The data collected in this research will contribute to a long-term research agenda into strategy making conducted by Peter Smith of the University of Auckland. All data collected will be securely stored digitally for an indefinite period. When the data is destroyed, any digital data will be erased and any paper data will be disposed by use of the University’s secure waste disposal system.

APPROVED BY THE UNIVERSITY OF AUCKLAND HUMAN PARTICIPANTS ETHICS COMMITTEE ON 15 September 2010 for 3 years, Reference Number 2010/428
Thank you very much for your time and help in making this study possible. If you have any queries or wish to know more please do not hesitate to contact me.

With kind regards,

Elisabeth Krull
Department of Management and International Business
The University of Auckland Business School
Private Bag 92019
Auckland 1142
Email: akru015@aucklanduni.ac.nz
Phone: 0064 (0) 9 373 7599 extn. 86437

You can also contact my supervisor:
Peter Smith
Department of Management and International Business
The University of Auckland Business School
Private Bag 92019
Auckland 1142
Email: p.smith@auckland.ac.nz
Phone: 0064 (0) 9 373 7599 extn. 87178

and/or the Head of Department:
Professor Hugh Whittaker
Department of Management and International Business
The University of Auckland Business School
Private Bag 92019
Auckland 1142
Email: h.whittaker@auckland.ac.nz
Phone: 0064 (0) 9 373 7599 extn. 83266

For any queries regarding ethical concerns you may contact the Chair, The University of Auckland Human Participants Ethics Committee; The University of Auckland, Research Office - Office of the Vice Chancellor; Private Bag 92019, Auckland 1142, Telephone 0064 (0) 9 373-7599 extn. 83711.
Dear Sir or Madam,

My name is Elisabeth Krull. I am a Research Assistant in the Department of Management & International Business at the University of Auckland Business School. In addition, I am conducting a research to obtain the degree of Master of Commerce in International Business.

As part of a long-term programme of research being undertaken by Peter Smith (also of the University of Auckland Business School), you are invited to participate in research that will contribute to that research and to my Masters degree. I would appreciate any assistance you can offer me. You have been identified as a potential participant by my supervisor, Peter Smith. For my research, I am conducting a case study on your organisation with the aim to develop theoretical insights into the activities of organisations similar to yours. This investigation will particularly emphasise on the practices and strategies that are used to internationalise. Your organisation has consented to be part of this research.

I would like to interview you, but you are under no obligation at all to be interviewed. The interview would take about 1–2 hours and would be during work time. You can withdraw the information you provide any time up to 5 working days after being interviewed. The General Manager of your organisation has given assurance that participation or non-participation in this research should not affect your employment or relationship with this organisation.

To ensure accurate collection of information, I would like to make audio recordings of the interview. Even if you agree to be recorded, you may choose to have the recorder turned off at any time. You may also request a copy of the transcript of the recording. Such transcription may be done by a professional third-party operating under a confidentiality agreement. Aside from the transcriber, my supervisor will have access to the data. If you wish to receive a copy of the digital audio file of your interview and/or the transcription of your interview, you are more than welcome to contact me.

The information that you provide will be treated in a confidential manner and will only be translated in a general manner. The outcomes will be presented in my Masters thesis, potential journal articles and as an Industry Report for the Ministry of Foreign Affairs and Trade, who awarded me a research scholarship. The purpose of the scholarship is to increase the value of New Zealand’s exports and offshore earnings. This Industry Report will outline key findings as they relate to your industry. Any information given by you will not be directly identifiable as being provided by you. However, there is a possibility that some of your colleagues can correctly guess your identity but all efforts will be made to minimise this likelihood by coding the data. If you agree to be interviewed please let me know by filling in the attached Participant Consent Form.

The data collected in this research will contribute to a long-term research agenda into strategy making conducted by Peter Smith of the University of Auckland. All data collected will be securely stored digitally for an indefinite period. When the data is destroyed, any digital data will be erased and any paper data will be disposed by use of the University’s secure waste disposal system.
Thank you very much for your time and help in making this study possible. If you have any queries or wish to know more please do not hesitate to contact me.

With kind regards,

Elisabeth Krull
Department of Management and International Business
The University of Auckland Business School
Private Bag 92019
Auckland 1142
Email: akru015@aucklanduni.ac.nz
Phone: 0064 (0) 9 373 7599 extn. 86437

You can also contact my supervisor:
Peter Smith
Department of Management and International Business
The University of Auckland Business School
Private Bag 92019
Auckland 1142
Email: p.smith@auckland.ac.nz
Phone: 0064 (0) 9 373 7599 extn. 87178

and/or the Head of Department:
Professor Hugh Whittaker
Department of Management and International Business
The University of Auckland Business School
Private Bag 92019
Auckland 1142
Email: h.whittaker@auckland.ac.nz
Phone: 0064 (0) 9 373 7599 extn. 83266

For any queries regarding ethical concerns you may contact the Chair, The University of Auckland Human Participants Ethics Committee; The University of Auckland, Research Office - Office of the Vice Chancellor; Private Bag 92019, Auckland 1142, Telephone 0064 (0) 9 373-7599 extn. 83711.
APPENDIX C: CONSENT FORMS

CONSENT FORM
(Organisation)

THIS FORM WILL BE HELD FOR A PERIOD OF 6 YEARS

Project title: The internationalisation of a professional service firm
Name of Researcher: Elisabeth Krull

As the principal representative/contact for this research within my organisation, I have been given and have understood an explanation of this research project. I have had an opportunity to ask questions and have them answered.

I understand that:

- The data collected in this research will contribute to a long-term research agenda into strategy making which conducted by Peter Smith of the University of Auckland.
- All those who are participating in the study, may be interviewed only after they give formal consent on consent forms.
- The possibility exists that colleagues of participants may correctly guess the details of some participants.
- Individual participants can withdraw their participation and any information traceable to them at any time up to 5 working days after their respective interviews without giving a reason.
- Audio recordings may be made of interviews and that participants may request that the recorder be turned off at any time.
- Participants may request copies of the transcription of their interviews, and that transcriptions may be done by a professional third-party operating under a confidentiality agreement.
- All data collected will be securely stored digitally for an indefinite period. When the data is destroyed, any digital data will be erased and any paper data will be disposed by use of the University's secure waste disposal system.

I confirm that participation or non-participation in this research will not affect anyone's employment or relation with the firm.

I agree for my organisation to take part in this research.

Name

Signature

Date

126
CONSENT FORM
(Professional)

THIS FORM WILL BE HELD FOR A PERIOD OF 6 YEARS

Project title: The internationalisation of a professional service firm
Name of Researcher: Elisabeth Krull

I have read the Participant Information Sheet, have understood the nature of the research and why I have been selected. I have had the opportunity to ask questions and have them answered to my satisfaction.

I understand that

- The data collected in this research will contribute to a long-term research agenda into strategy making conducted by Peter Smith of the University of Auckland.
- I am free to withdraw participation at any time, and to withdraw any data traceable to me up to a 5 working days after being interviewed without giving any reason.
- None of the information I offer will be communicated within the organisation without my explicit consent.
- The possibility exists that colleagues of participants may correctly guess the details of some participants.
- If I agree to be audiotaped, I may request that the recorder be turned off at any time.
- If I agree to be audiotaped, a third party who has signed a confidentiality agreement will transcribe the tapes.
- Copies of my transcriptions and/or audio files will be made available to me if I request them.
- All data collected will be securely stored digitally for an indefinite period. When the data is destroyed, any digital data will be erased and any paper data will be disposed by use of the University’s secure waste disposal system.

I agree to take part in this research.

I agree / disagree to be audiotaped.

Name ______________________
Signature ____________________ Date ____________

APPROVED BY THE UNIVERSITY OF AUCKLAND HUMAN PARTICIPANTS ETHICS COMMITTEE ON 15 September 2010 for 3 years, Reference Number 2010/428


doi:10.1057/jibs.2009.27


doi:10.1080/13645570210146276


doi:10.1057/palgrave.jibs.8400412


doi:10.1007/BF00167541


doi:10.1111/j.1467-6486.2009.00853.x


*Journal of Global Marketing, 2*(2), 89-110. doi:10.1300/J042v02n02_06


*Strategic Management Journal, 18*(7), 509-533.


