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The role of firm characteristics and knowledge in the international management of professional service firms

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Pour Alex et Borja,

nire taldea.

Together, we can do hard things.

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LIST OF ABBREVIATIONS

Abbreviation	**Term**
FDI	Foreign direct investment
FOM	Foreign operation mode
KBV	Knowledge-based view
IB	International business
MNE	Multinational firm
PSF	Professional service firm
RBV	Resource-based view

LIST OF PUBLICATIONS

Study 1:

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ABSTRACT

The field of international business (IB) seeks to understand and explain what determines the international success and failures of firms, yet it has long done so by assuming research is context-free. As a result, scholars have called for more contextualised research as a way to inspire new and managerially relevant theory development. This dissertation focusses on a context of growing empirical and theoretical relevance, namely international professional service firms (PSFs), and follows the recommendation of prominent IB scholars to focus on explaining the intricacies of such firms and examining the diversity among them. Drawing on theoretical perspectives from the fields of IB and PSFs, this doctoral research aims to explore the heterogeneity in international PSFs, and specifically to examine the role of PSF characteristics – knowledge intensity, professionalisation of the workforce, customisation and low capital intensity – in the international management of PSFs.

The dissertation is composed of four studies. First, a systematic literature review of the field of international management of PSFs examines where, how and what has been studied and applies the lens of PSF characteristics to propose a future research agenda for the field. Second, a thematic review synthesises the extant literature to identify ten international management challenges that international PSFs may face and potential causes for these challenges linked to PSF characteristics. Third, a comparative case study of seven international PSFs examines why and how PSFs internationalise, and in particular what role PSF characteristics play in the motives for internationalisation, the choice of foreign operation modes and the forms of internationalisation. Finally, a process study, building on a single, longitudinal case study, examines a firm's foreign operation mode combinations and their changes over time and reveals that changing knowledge needs are causing the changes in combinations.

Together, the findings of the dissertation contribute to enhancing theory in several ways. First, they provide a more nuanced understanding of the context-specific phenomenon of international management of PSFs, by showing how PSF characteristics can cause a number of challenges and influence key international management decisions. Second, by unpacking the characteristic of knowledge intensity, findings contribute to refining the knowledge-based view, in particular by expanding our understanding of the multinational firm as a knowledge-processing organisation. Indeed, by focussing on four key

knowledge processes, it was possible to show how configurations of knowledge types, knowledge processes and other PSF characteristics can influence a firm's motives for internationalisation, its choice of operation mode and forms of internationalisation. Third, the dissertation contributes to the field of international management by extending theory on foreign operation mode combinations, in particular by providing knowledge-based reasons for mode combinations and changes in combinations. In addition to its theoretical contributions, the dissertation also emphasises the practical implications of its findings for managers of international PSFs.

Keywords: international management, professional service firms, PSF characteristics, knowledge processes, foreign operation modes.

RESUMEN

El campo de investigación sobre la gestión internacional busca entender y explicar qué determina el éxito y el fracaso internacional de las empresas. Sin embargo, en este ámbito muchos estudios asumen que la investigación se abstrae del contexto. Como consecuencia, existe un llamamiento académico para realizar investigaciones contextualizadas, con el fin de contribuir al desarrollo de nuevas teorías que aporten relevancia práctica. Esta investigación doctoral se centra en un contexto de emergente relevancia empírica y teórica, a saber, el de las empresas de servicios profesionales (PSF, por sus siglas en inglés), y observa las recomendaciones de destacados investigadores en este campo que sugieren que investigaciones futuras se centren en intentar explicar los entresijos de dichas empresas y examinar su diversidad. Apoyándose en perspectivas teóricas de los campos de la gestión internacional y las PSF, esta investigación doctoral tiene como objetivo explorar la heterogeneidad de las PSF internacionales, y específicamente el de examinar el rol de las características de dichas empresas – intensidad en conocimiento, profesionalización de la plantilla, customización de los servicios y baja intensidad en capital – en su gestión internacional.

La investigación está compuesta por cuatro estudios. El primero, una revisión sistemática de la literatura sobre la gestión internacional de las PSF que examina dónde, cómo y qué se ha investigado hasta la fecha, y aplica la lente de sus características para proponer una agenda de cara a futuras investigaciones. El segundo, una revisión temática de la literatura, con el fin de identificar diez retos a los que las PSF pueden enfrentarse y determinar potenciales causas de los mismos, ligadas a las características de esas empresas. El tercero supone un estudio comparativo de siete casos que examina cómo y por qué las PSF se internacionalizan y, en particular, qué rol juegan sus características en la determinación de las motivaciones para la internacionalización, los modos de operar en el extranjero y las formas de internacionalización. Por último, el cuarto estudio se apoya en un caso de estudio análisis longitudinal para examinar las combinaciones de modos de operar en el extranjero y sus cambios a lo largo del tiempo, revelando que las cambiantes necesidades de conocimiento son las causantes de las modificaciones en estas combinaciones.

El conjunto de las conclusiones de la investigación hace varios aportes a la teoría. En primer lugar, proporciona una mejor comprensión del fenómeno específico de la

internacionalización de las empresas de servicios profesionales, mostrando que las características de dichas empresas pueden generar ciertas barreras, a la vez que influencian decisiones relevantes. En segundo lugar, a través de la profundización en la característica de intensidad en conocimiento, esta investigación contribuye a desarrollar el enfoque basado en el conocimiento (knowledge-based view), al proporcionar un mejor entendimiento de la empresa multinacional como organización procesadora de conocimiento. Precisamente al centrar la atención en cuatro procesos implicados en la gestión del conocimiento, se ha demostrado cómo diferentes configuraciones de tipos de conocimiento, procesos de gestión de conocimiento y características de las PSF pueden influir en los motivos de internacionalización de las compañías, así como en los modos de operar y las formas de internacionalización elegidas. En tercer lugar, la investigación realiza aportes teóricos relacionados con los modos de operar en el extranjero, en particular al destacar el papel del conocimiento en la construcción de combinaciones de modos y en los cambios en las mismas. Además de sus contribuciones teóricas, esta investigación busca subrayar cuáles son las implicaciones prácticas para las empresas de sus hallazgos.

Palabras clave: gestión internacional, empresas de servicios profesionales, características empresariales, procesos de gestión de conocimiento, modos de operación en el extranjero.

1. RESEARCH MOTIVATION

In this first chapter, the motivation of the dissertation is presented. Building on the need for more contextualised research in the field of international business (IB), this research aims to examine the particular context of professional service firms (PSFs). This context is presented below, together with a justification of its empirical and theoretical relevance for international business studies.

1.1. The need for contextualised international business research

The field of international business (IB) seeks to answer the overarching question of "what determines the international success and failure of firms?" (Peng, 2004). In its attempt to provide answers to this, IB researchers have developed a number of theories. Like in any domain, these theories simplify reality, make assumptions, define concepts and examine the relationships between these concepts (Cornelissen, Höllerer, & Seidl, 2021; Weick, 1995; Whetten, 1989). However, IB phenomena are inherently "*complex systems involving an intricate pattern of relationships between different objects that is difficult to understand*" (Casson & Li, 2022, p.2). So the challenge of capturing the complexity of real life in a theory that can be empirically tested, explained and taught is no small feat for IB theorists (Casson & Li, 2022).

Developing theory to explain and predict complex phenomena requires either focussing on a sufficiently small subset of factors that can be described and studied or abstracting from superfluous detail to construct a theory of the whole system (Casson & Li, 2022). In IB (like in other fields) the problem lies in the fact that researchers have often considered context to be superfluous detail that needs to be set aside to achieve parsimony (Michailova, 2011; Rousseau & Fried, 2001). Indeed, many seminal IB theories present as parsimonious. They explain the existence of the multinational enterprise (MNE) and identify factors that help predict its behaviour in international markets (Buckley & Casson, 1976, 2020). However, this seeming parsimony actually stems from the oversimplification of the complexity of IB phenomena, as a result of de-contextualising the object of study (Casson & Li, 2022; Rousseau & Fried, 2001). Early mainstream IB research that led to the development of IB theories was mostly set in large manufacturing firms of US or Western origin, although this context was not explicitly acknowledged or accounted for (Boyacigiller & Adler, 1991; Michailova, 2011; Tsui, 2007). These theories

were therefore *assumed* to be applicable across settings because they were considered context-free when in fact they were not (Rousseau & Fried, 2001; Tsui, 2004). This assumption of universal application of IB theories and the notion that IB research is and should be context-free have consolidated over time (C. Welch, Paavilainen-Mäntymäki, Piekkari, & Plakoyiannaki, 2022).

However, the dangers of de-contextualisation in IB research have been recognised. In particular, de-contextualisation poses risks to theory-building, namely oversimplification of explanations and causal mechanisms, misinterpretation of results (e.g. overseeing diversity), lack of relevance (because oversimplification of the complex reality is such that it not relevant to the subjects) and overgeneralisation (by assuming greater homogeneity than really exists) (C. Welch et al., 2022). As a result, a number of scholars are advocating for greater contextualised research in the field of IB (Michailova, 2011; Poulis, Poulis, & Plakoyiannaki, 2013; Roth & Kostova, 2003; Tsui, 2004, 2007; C. Welch et al., 2022; C. Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011), in a manner aligned with a similar call in management and organisational studies (Johns, 2006; Rousseau & Fried, 2001; Sergeeva & Andreeva, 2016; Tsoukas, 2017).

The call for contextualised research requires "deep contextualisation", i.e. for context to be well understood and taken in earnest (Johns, 2006; Tsui, 2007). To do this, we need to understand what context means for IB. Context has been defined as "*a dynamic array of factors, features, processes or events which have an influence on a phenomenon that is examined*" (Michailova, 2011). Additionally, context can be understood as emphasising links between phenomena at different levels of analysis, for example the effects of environmental factors (country, institutions, industry) on the firm, or of firm characteristics (size, state-owned, family-owned, knowledge-intensive) on groups, practices or individuals (Michailova, 2011; Mowday & Sutton, 1993). Recent examples of contexts that have contributed to developing the field of IB include small and medium-sized enterprises (SMEs) (Lamb, Sandberg, & Liesch, 2011; Maekelburger, Schwens, & Kabst, 2012; Monaghan & Tippmann, 2018), emerging market multinationals (Aguilera, Ciravegna, Cuervo-Cazurra, & Gonzalez-Perez, 2017; Hennart, 2012; Zhao, Liu, Andersson, & Shenkar, 2021), family firms (Debellis, Rondi, Plakoyiannaki, & De Massis, 2020; Hennart, Majocchi, & Forlani, 2017) and service firms (Capar & Kotabe, 2003; Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Zhang, Zhong, & Makino, 2015).

Indeed, contextualised research may serve different purposes (Roth & Kostova, 2003; Tsui, 2004). On the one hand, *context-embedded* research (when context is considered in a model through the inclusion of contextual variables), serves to validate theories and increase their robustness (i.e. increase their generalisability) and refine them. On the other hand, *context-specific* research, serves to examine context-specific phenomena (i.e. that relate exclusive to that context) or to develop new theory. This new theory development can occur either because the context exposes a new phenomenon or because it shines a different light on an existing topic of research (Michailova, 2011; Roth & Kostova, 2003; Tsui, 2004).

This dissertation answers the call for contextualised IB research, by exploring the international management of professional service firms (PSFs). In particular, the dissertation adopts a context-specific approach resulting in the generation of knowledge on the specific phenomenon of the international management of PSFs and the development of new theory on the role of knowledge in international management. This new theory is context-bounded, i.e. has well-specified contextual boundaries, allowing for future testing in similar or different contexts. In the following section, the PSF context is presented, with special emphasis on its empirical and theoretical relevance for research in international management.

1.2. Professional Service Firms as a research context

1.2.1. What are professional service firms?

Professional service firms are defined as those who apply the expertise of their professionals to meet clients' needs (Aharoni, 1993). As such, PSFs are organisations where the majority of the employees are highly educated professionals who belong to a professionalised occupational group and who exercise a high degree of personal judgement when working with clients (Løwendahl, 2005). Furthermore, these professionals work closely with clients, often with a high degree of personal interaction, in order to explore and solve a particular problem for a client (Aharoni, 1993; Løwendahl, 2005). PSFs often adopt a distinctive governance form, namely the professional partnership or P^2 (Greenwood & Empson, 2003; Greenwood, Hinings, & Brown, 1990). As such, many of the professionals are also partners of the firm and thus in charge of key decisions and activities (Løwendahl, 2005). In PSFs, managerial authority and

intervention are typically low, providing professionals with the autonomy and discretion expected in the practice of their profession (Empson, Hinings, Muzio, & Broschak, 2015; Greenwood & Empson, 2003).

Given the broad range of PSFs that exist, Von Nordenflycht (2010) proposed a taxonomy to classify PSFs. First, *classic* PSFs include PSFs the traditional or archetypal profession firms such as law and accounting firms. Second, *neo*-PSFs are those with newer professions such as management consulting or advertising. Third, *professional campuses* include firms with considerable physical infrastructures such as hospitals or universities. Fourth, *technology developers* are firms that require technological infrastructure and whose professionals come from scientific or technological professions.

Despite this classification and the growing body of work on PSFs, scholars agree that considerable ambiguity remains around the concept of PSFs (Empson et al., 2015; Løwendahl, 2005; Von Nordenflycht, 2010). Most often, they are described by listing examples: law, auditing, advertising, consulting, etc. However, this is problematic because while a consensus exists regarding the condition of certain firms as PSFs, namely "classical" PSFs (e.g. law and accounting) and "neo" PSFs (e.g. advertising and consulting), considerably less clarity exists for other types of firms such as financial services, software development or media agencies (Empson et al., 2015; Von Nordenflycht, 2010).

The lack of precision in defining the term "professional service firm" has made it difficult to define boundary conditions, which has created several barriers to the development of the field of research on PSFs. In particular, researchers gravitate to classical PSFs and much of the research is concentrated on law or accounting firms (Empson et al., 2015). Moreover, it is difficult to compare findings from studies set in different PSF industries or to construct comparative studies that examine how different types of PSFs operate (Von Nordenflycht, 2010). In light of these challenges, several authors have suggested that PSFs should be characterised by using certain characteristics (Empson et al., 2015; Løwendahl, 2005; Von Nordenflycht, 2010). Many different characteristics have been proposed in the literature, but most authors agree that the most relevant are knowledge intensity, degree of professionalisation of the workforce, customisation and low capital intensity (see section 2.2 below). This approach provides clearer boundaries to define the organisational phenomenon, without these boundaries being too narrow – at the risk of

excluding firms with potentially important insights – or too broad – at the risk amalgamating PSFs with knowledge-intensive firms (Empson et al., 2015).

Having addressed the question of what PSFs are, attention now turns to the relevance of international PSFs and why they should be studied.

1.2.2. The empirical relevance of PSFs

In the past three decades, PSFs have emerged as one of the fastest growing, profitable and influential sectors in the global economy (Boussebaa & Morgan, 2015; Empson et al., 2015). Although reliable, aggregated, global data is difficult to find due to the ambiguity about which PSF-industries to include, existing data suggests that the world market for professional services reached US$5.7 trillion in 2018, with close to US$2 trillion corresponding to the US market alone (Business Wire, 2019; Department of Commerce-US Government, 2020). Moreover, international trade in professional services has grown nearly twice as fast as trade in goods in the decade from 2007 to 2017 (McKinsey Global Institute, 2019). Therefore, merely in economic terms, the relevance of this sector is clear.

Furthermore, large PSF multinationals also warrant further attention as an empirical setting for IB research on par with other MNEs (Boussebaa & Morgan, 2015). In 2020, the so-called "Big 4", generated US$157 billion in income and employed close to 1.2 million people around the world. Other PSFs are not too far behind (see Table 1).

Table 1. Illustrative selection of global PSFs

Company	PSF-industry	2020 Income Billion US$	Employees	Countries
Deloitte *	Accounting (multi-disciplinary)	47.6	338,400	150
Accenture	Consulting	44.3	506,000	120
PwC*	Accounting (multi-disciplinary)	43.3	298,965	157
EY*	Accounting (multi-disciplinary)	37.2	284,258	150
KPMG*	Accounting (multi-disciplinary)	29.2	226,882	145
WPP	Advertising	15.4	100,000	100
Omnicom Group	Advertising	15.3	60,000	70
AECOM	Engineering	13.2	47,000	150
McKinsey & Co	Consulting	10.6	30,000	50
Wood	Engineering	10	40,000	60

Source: Statista.com and website of the firms.

*Note: * The "Big 4" PSFs were traditionally accounting firms, although their activities today span a broad variety of professional services.*

Indeed, the scale that global PSFs, and in particular the "Big 4", have attained is such that it has become necessary to examine the role of these players in the globalisation phenomenon. For example, global PSFs have played an important role in the development and implementation of international accounting standards and the liberalisation of trade in services (Suddaby, Cooper, & Greenwood, 2007). By forming alliances and lobbying national and international institutions such as the World Trade Organisation (WTO) or the European Commission (EC), large global PSFs are active agents of economic globalisation, and are shaping global policies, often in line with their own corporate goals (Boussebaa & Faulconbridge, 2019). The role of PSFs in the global economy and their societal impact is not uncontroversial. Notable cases of sustained corporate fraud such as Enron and Parmalat remind us that PSFs have failed to expose and sometimes even enabled corrupt practices (Gabbioneta, Prakash, & Greenwood, 2014). Recently, the role of PSFs in the Covid-19 global pandemic has been also been questioned, in particular their ability to advise government on global health issues (Hurl & Barrett Werner, 2021).

Nevertheless, not all international PSFs are large, global players. The market is highly fragmented, with a large number of medium or small sized players or "high street" practices (Business Wire, 2019; Empson et al., 2015). These smaller PSFs play an important role in the internationalisation of their clients, often also smaller firms, and there is some evidence to suggest their internationalisation differs from that of the "Big 4" (Boussebaa & Morgan, 2015).

PSFs are important players in the global economy, and are considered as such in important international trade treaties. For example, Chapter 11 of the CETA Agreement between the European Union and Canada provides a framework for the mutual recognition of professional qualifications to facilitate the practice of the profession in each other's territory. Such consideration by states in their negotiation further underlines the important of these firms in international business. Nevertheless, despite their scale and significance for the global economy, PSFs have remained in the shadows of management and IB research (Boussebaa & Morgan, 2015; Empson et al., 2015).

1.2.3. The theoretical relevance of PSFs

In the literature, two approaches have been adopted to justify the theoretical relevance of the PSF as a research context.

The first consists of underlining the theoretical distinctiveness of PSFs, and arguing that due to their particular features, PSFs are different from other firms. The adoption of this approach has led to some important theoretical contributions. For example, examination of the strategic management processes of PSFs led to the identification of a new type of organisational form – professional partnership (or P^2 form) that influenced how researchers thought about balance between professional and bureaucratic modes of organising (Greenwood et al., 1990; Smets, Morris, von Nordenflycht, & Brock, 2017). Another example is Stabell and Fjeldstad's (1998) proposal of three distinct models of value configuration (value chains, value shops and value networks) that stemmed from questioning the applicability of Porter's (1985, 1986) value chain framework to different types of firms, including PSFs. Similarly, comparison of PSFs with other service firms and manufacturing firms led IB scholars to refine regional strategy theory (Campbell & Verbeke, 1994; Rugman & Verbeke, 2008; Verbeke & Asmussen, 2016) and to propose that PSFs adopt different forms of internationalisation to other firms (Boussebaa & Morgan, 2015).

The second approach consists of highlighting a particular characteristic of PSFs, and arguing that the salience of this feature makes the PSF an ideal setting to study related phenomena. In particular, the knowledge-intensive nature of PSFs has made them fertile ground for new perspectives on management in the knowledge economy (Smets et al., 2017). PSFs have long served as inspiration for popular managerial frameworks such as the codification – personalisation classification of knowledge management strategies (Hansen, Nohria, & Tierney, 1999; Morris, 2001) or the classification of employees as "hunters" (entrepreneurial profiles that "hunt" for new and diverse opportunities) and "farmers" (who focus on specialising in a specific knowledge-domain) (Maister, 1993).

Moreover, the critical knowledge of PSFs stems from its human capital, and as a result, PSFs have inspired research on a number of human resource management issues. Some notable examples include the research examining issues of identity (Alvesson, 2000, 2001; Alvesson & Empson, 2008) and power (Mosonyi, Empson, & Gond, 2020), or how to create an environment which facilitates the retention and development of talent or "stars" (Groysberg, Lee, & Nanda, 2008). More recently, given their long-standing experience with remote work, scholars have turned to PSFs to explore remote and hybrid

work modes, and how firms will need to adapt in the post-pandemic economy (Empson, 2021; Empson & Howard-Grenville, 2021).

In addition to their relevance for firms seeking to adopt knowledge-based forms of working, PSFs are of particular interest to firms with high levels of relational embeddedness (Empson, 2021; Empson et al., 2015). Given their need to customise services to client needs, PSFs tend to have a high degree of interaction with clients, which makes them an ideal setting to examine how client relations are formed, maintained and dissolved (Broschak, 2015), how value is co-created between clients and PSFs (Bettencourt, Ostrom, Brown, & Roundtree, 2002; Fosstenløkken, Løwendahl, & Revang, 2003; Løwendahl, Revang, & Fosstenløkken, 2001), or how reputation is built and maintained in contexts where quality is difficult to assess (Dou, Li, Zhou, & Su, 2010; Harvey & Michell, 2015).

Crucial contributions have also been made to the field of IB by focusing on a particularly salient feature of PSFs. For example, Hitt et al.'s (2006) study was one of the first to reveal the importance of resources for internationalisation, in particular by demonstrating the critical nature of human capital and relational capital for international performance. Similarly, Malhotra's (2003) study on entry modes demonstrated how the combination of individual, team and organisational knowledge contributed to minimising the risk of opportunism in foreign entry mode decisions (Malhotra, 2003). In doing so, she made a substantial contribution to the knowledge-based view of entry modes.

In sum, the contribution of PSFs to developing theories in a variety of disciplines, such as strategic management, knowledge management, marketing, human resources and international business, has been high and confirms their theoretical relevance as a research setting (Empson et al., 2015).

1.3. Structure of the dissertation

Following the outline of the motivation of this dissertation in this first chapter, namely to study international PSFs, the remainder of this dissertation is structured as follows. In chapter 2, the main theoretical perspectives of the field of international business are reviewed, followed by an examination of the framework of PSF characteristics. Together, these analyses point to the need to bridge these two literatures in order to examine the

heterogeneity among international PSFs and the role of PSF characteristics in their international management.

Chapter 3 presents this overall objective of the dissertation and how this objective is broken down into the four studies of which it is composed. An overview of the four studies is also presented, including the research gap or problem each study addresses, its specific objectives, research questions and contributions.

Chapter 4 explains the overall research strategy adopted in this doctoral project, starting with its epistemological stance and following with the methodological research approach, including a number of methodological considerations relating to the methods chosen for the empirical work.

Chapters 5, 6, 7 and 8 include the four studies of the dissertation in the order in which they were designed. Studies 1, 2 and 4 (corresponding to chapters 5, 6 and 8) have been published in international peer-reviewed journals. Study 3 is reported in chapter 7, and a paper based on this study has been accepted in the 82nd Annual Meeting of the Academy of Management.

Chapter 9 synthesises the findings and contributions of the four studies, and integrates them to highlight the key contributions of the dissertation to the fields of international management of PSFs, to the knowledge-based view of multinational enterprises and to the broader field of international business. Additionally, chapter 9 presents the managerial contributions of this doctoral project.

Finally, chapter 10 summarises the final conclusions of the dissertation, highlights its major limitations, and outlines promising opportunities for future research.

2. THEORETICAL FOUNDATIONS

This chapter reviews relevant theoretical perspectives from the field of international business and professional service firms to identify how these two literatures can be bridged in order to study the international management of PSFs.

2.1. Theoretical perspectives in international business

The origins of the field of IB date back to the period after the Second World War, when trade barriers were progressively removed and foreign trade and investment began to grow, although the field did not begin to consolidate until the late 20th century (Engwall, Pahlberg, & Persson, 2018). After an initial focus on explaining the existence, strategy and structure of MNEs, the field grew to incorporate new forms of internationalisation and examine the central role of the MNE in the globalisation phenomenon (Buckley, 2002). Over the years, the field of IB has attracted scholars from a wide variety of disciplines, including economics, strategic management, marketing, sociology, political science, economic geography among others, who have applied a wide range of theoretical perspectives to their research problems (Dunning, 1989b; Engwall et al., 2018; Griffith, Cavusgil, & Xu, 2008). The main theoretical perspectives of the field of IB are reviewed and discussed in the following sections.

2.1.1. Transaction cost theory and internalisation theory

Historically, the field of IB has predominantly been anchored in economics, with a number of scholars building on transactional cost economics (Coase, 1988; Williamson, 1975) to explain the existence of the MNE. In this sense, internalisation theory explains that MNEs exist as a more efficient way to conduct business (than markets), i.e. a firm will internalise transactions when the expected gains from doing so exceed those of operating through market contracts (Anderson & Gatignon, 1986; Buckley & Casson, 1976, 2020). Furthermore, internalisation theory predicts that as the firm seeks to minimise the risks of bounded rationality and the possibility of opportunistic behaviour, it will choose the governance mechanism (market, hierarchy or hybrid) which best aligns with the characteristics of the transaction (in particular asset specificity, uncertainty and the frequency) (Cuypers, Hennart, Silverman, & Ertug, 2021; Hennart, 1991, 2010). In

sum, internalisation theory helps predict how a firm will operate in a foreign market and explain why.

Further developments in this theoretical stream led researchers to explore firm specific advantages and their role in foreign direct investments (Rugman, Verbeke, & Nguyen, 2011). One such example is the OLI (or Eclectic) Framework (Ownership advantages – Location advantages – Internalisation), which posits that if the firm has sufficient ownership advantages to overcome the liability of foreignness and can access compelling location advantages stemming from the local market, they will opt for internalisation, i.e. foreign direct investment (FDI) (Dunning, 1980, 1988). More recently, however, the boundaries between country specific advantages and firm specific advantages have become blurred and it has been suggested that it may be more helpful to view market entry decisions as a bundling together of MNE and local assets (Hennart, 2009). Overall, in IB, internalisation theory has most often been applied to the study of market entry or operation mode – including alliances and joint ventures (Cuypers et al., 2021), where it has generated a plethora of variables that help explain the choice of governance mode (Brouthers & Hennart, 2007; Canabal & White, 2008).

2.1.2. Internationalisation process theory

In parallel, a different perspective of international firms emerged in the 1970s, inspired by the behavioural theory of the firm (Cyert & March, 1963). Indeed, research on the internationalisation patterns of firms originated in Northern Europe, with the study of Swedish (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) and Finnish firms (Luostarinen, 1994; L. Welch & Luostarinen, 1988). These studies explored the role of factors such as uncertainty, experiential knowledge, cultural distance or the lateral rigidity of decision makers in the internationalisation of firms (C. Welch, Nummela, & Liesch, 2016).

The Uppsala model emerged as the dominant model in this stream of literature focussing on the internationalisation process of firms. The original model described a staged or incremental pattern of internationalisation and posited that as firms seek to reduce uncertainty they choose countries that are culturally more proximal and gradually accumulate knowledge before increasing their commitment to that market (Johanson & Vahlne, 1977). The model was subsequently developed to recognise that knowledge accumulation does not only occur within the firm but also through interaction with the

context and the firm's networks (Johanson & Vahlne, 1990, 2009); that internationalisation is an entrepreneurial process in which firms identify and develop opportunities (Johanson & Vahlne, 2006, 2009); and that a firm's knowledge development extends beyond accumulation of experiential knowledge of the market (Johanson & Vahlne, 2003, 2009; Vahlne & Johanson, 2017). The knowledge development – resource commitment cycle that explains how and why firms internationalise, has nevertheless remained the core mechanism of the model (C. Welch et al., 2016).

The Uppsala model has been criticised for a number of reasons (Forsgren, 2002; C. Welch et al., 2016). The most common criticism is that not all firms follow the typical staged pattern of exports – sales agent – commercial subsidiary – production subsidiary. Indeed, a number of studies provide evidence to show different patterns with firms often leap-frogging over one phase or another or decreasing commitment in a given market (e.g. Carneiro, Rocha, & Silva, 2008; Forsgren & Hagström, 2007). However, as the authors have recognised themselves (Johanson & Vahlne, 1990, 2006), their model does not suggest all firms will internationalise following this pattern, but rather that internationalisation is driven by the cycle of knowledge development and resource commitment, which can lead to a number of different patterns (C. Welch et al., 2016).

Despite this criticism, the Uppsala model remains the most prominent theoretical framework to explore and explain the internationalisation process of firms. The model will continue to evolve, in acknowledgement of the importance of the firm's ecosystem, its knowledge development process and managers (Vahlne & Johanson, 2017, 2020).

2.1.3. Institutional theory

As the field of IB has grown and matured, and incorporated the perspective of researchers, firms and other economic agents from a growing number of countries across the globe, research has become more sensitive to contextual and in particular institutional differences as drivers of MNE behaviour (Tihanyi, Devinney, & Pedersen, 2012). As a result, institutional theory has drawn the attention of IB scholars. As defined by Scott (2014, p.56), "*institutions comprise regulative, normative, and cognitive elements, that together with associated activities and resources, provide stability and meaning to social life*". As such, institutions represent "the rules of the game" that organisations will respond and adapt to (North, 1990). In other words, institutional theory predicts that firms

will need to consider the influence of formal (laws and regulations) and non-formal institutions (e.g. culture, norms) and be consistent with them when implementing their strategies (DiMaggio & Powell, 1983; North, 1990; Scott, 2014).

For MNEs – that operate in multiple institutional contexts – this means facing environmental and organisational complexity (Kostova & Zaheer, 1999). In addition to seeking legitimacy in different (and potentially conflicting) regulatory contexts, MNEs (through their subsidiaries) must balance multiple internal contexts. Proponents of institutional theory suggest it is a useful approach to study how MNEs differ, how they behave, what determines their scope and what determines their success and failure (Peng, Sun, Pinkham, & Chen, 2009). Indeed, this perspective has been successful in bringing new contexts to the forefront, for example emerging market multinationals (Peng, 2009; Peng, Wang, & Jiang, 2008), family firms (Lahiri, Mukherjee, & Peng, 2020) or from a particular geographic region (Lu, Tsang, & Peng, 2008; Peng, 2002).

2.1.4. Strategic management approach

Two frameworks have been especially impactful in the field of strategic management regarding the study of international firms.

The first, is Porter's (1985) value creation framework, which proposes that in order to compete globally, firms disaggregate their value chain activities and decide in which country to perform each one. Value chain activities can be categorised as upstream activities (linked to production and support activities) and downstream activities (linked to the buyer and their location) (Porter, 1985, 1986). Considerable debate ensued regarding the applicability of such a framework to service firms, which in turn have led to proposals of adaptations of Porter's value creation approach (Ball, Lindsay, & Rose, 2008; Jensen & Petersen, 2014; Løwendahl, 2000; Rugman & Verbeke, 2008; Stabell & Fjeldstad, 1998).

The second strategic management framework that has influenced international strategy and management research, is the responsiveness-integration framework (Bartlett & Ghoshal, 1987, 1989; Doz, Bartlett, & Prahalad, 1981; Doz & Prahalad, 1991). Essentially, the framework proposes that MNEs are simultaneously faced with global integration and local responsiveness pressures, and different responses to these pressures will lead firms to choose between four different strategies and become one of four types

of MNEs (Bartlett & Ghoshal, 1989; Harzing, 2000). The *international* MNE looks to international markets for incremental sales of products and services, i.e. focusses on export of home-produced products and services. The *global* MNE focusses its efforts on achieving efficiency, in particular by generating economies of scale and strong coordination mechanisms across the different markets where the company operates. The *multi-domestic* MNE adapts its products and services to the preferences and needs of each market which it serves and by focussing on becoming locally responsive foregoes opportunities for economies of scale across international markets. Finally, *transnational* MNEs attempt to balance both local responsiveness and global efficiency, and share knowledge across the firm to leverage "worldwide learning" (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1990).

2.1.5. Knowledge based view of multinational enterprises

The knowledge-based view (KBV) builds on the resource-based view (RBV), which posits that a firm's sustained competitive advantage stems from its ability to create value from its valuable, rare, inimitable and non-substitutability resources and capabilities (Barney, 1991; Penrose, 1959; Wernerfelt, 1984). In particular, KBV considers knowledge the most important of these strategic resources (Grant, 1996), with its value stemming from it being both a resource and capability that can be replicated, integrated, transformed and transferred across the firm (Grant & Phene, 2021). Indeed, KBV looks inside the firm to examine how it operates and how its competitive advantage is created and sustained over time. As such, the firm is seen as a knowledge-processing organisation, where social communities specialise in managing knowledge efficiently (Kogut & Zander, 1993). Additionally, given that these social communities and the firm's knowledge evolve over time, the firm is in constant flux and knowledge processes are on-going (Tsoukas, 1996).

From an IB perspective, KBV is a particularly useful theoretical perspective because it provides both an explanation for the existence of the MNE – to enable the efficient transfer of knowledge across borders (Kogut & Zander, 1993) – and a lens to explore the cross-border knowledge flows that are so critical to MNE competitiveness (Bartlett & Ghoshal, 1989; Doz & Prahalad, 1991). Indeed, KBV has been applied in a number of studies to explore and explain the management of the MNE, in particular the transfer across organisational and geographic boundaries (Grant & Phene, 2021). More

specifically, much attention has been paid to knowledge from MNE headquarters to international subsidiaries, the characteristics of actors and their relationships, and the outcome of those flows (Michailova & Mustaffa, 2012). Moreover, building on seminal works that examine the tacit and explicit nature of knowledge and the processes necessary to manage them (Nonaka & Takeuchi, 1995; Polanyi, 1966), researchers have explored the socialisation mechanisms and practices through which tacit knowledge is shared in MNEs (Gupta & Govindarajan, 2000; Monteiro, Arvidsson, & Birkinshaw, 2008; Tallman & Chacar, 2011).

2.1.6. Conclusions

These theoretical perspectives have also been applied to study service and professional service firms, often to test them in a new context. This has led to an on-going debate regarding whether or not these theoretical perspectives apply to service multinationals and to PSFs. Some scholars claim that IB theories do apply, albeit with some fine-tuning to the distinctive nature of service firms (Boddewyn, Halbrich, & Perry, 1986; Dunning, 1989a; Erramilli & Rao, 1993). Others, however, argue that the international growth trajectories of service and professional service firms will differ from that of manufacturing firms and existing theories are limited in explaining them (Campbell & Verbeke, 1994; Carneiro et al., 2008; Rugman & Verbeke, 2008; Sanchez-Peinado & Pla-Barber, 2006). This debate remains open (Blagoeva, Jensen, & Merchant, 2020; Merchant & Gaur, 2008), but by building on the manufacturing – service dichotomy, researchers tend to consider the service sector (including PSFs) as homogeneous, and this has hindered the development of the field (Kundu & Merchant, 2008).

In effect, there is considerable heterogeneity within the service sector, which IB scholars have begun to recognise. Exploring this diversity – in particular by comparing firms specific attributes, industry settings and geographic locations – can provide new insights to explain service internationalisation (Blagoeva et al., 2020; Kundu & Lahiri, 2015; Merchant & Gaur, 2008). From this perspective, rather than test existing IB theories on PSFs or compare international PSFs to manufacturing MNEs, scholars have been invited to focus on how PSFs operate internationally and compare different PSFs across diverse industries and settings (Blagoeva et al., 2020; Kundu & Lahiri, 2015; Kundu & Merchant, 2008). Moreover, it has also been suggested that adopting a multi-theoretical perspective may prove helpful to explain the intricacies of service firms (Merchant & Gaur, 2008).

This dissertation focusses on this gap in the IB literature, and in particular seeks to explore the heterogeneity in international PSFs in order to explain why PSFs internationalise differently. In doing so, the dissertation also aims to refine or extend existing IB theory.

2.2. Theoretical perspectives in the field of PSFs

The origins of research on professional service firms can be found in the literature on the sociology of the professions, where the spotlight was placed on professionals and the regulations of their conduct and work (Skjølsvik, Pemer, & Løwendahl, 2017; Von Nordenflycht, 2010). The shift from professionals *in* organisations to professional organisations or professional service firms occurred in the early 1990s, largely due to Greenwood, Hinings and Brown's (1990) paper highlighting the distinctive organisational form or PSF (Malhotra, Morris, & Hinings, 2006; Smets et al., 2017). Scholars turned their attention to how PSFs were strategically managed, and in particular how professionals – with their values of autonomy and professional judgement – could work within bureaucratic organisations (Kirkpatrick & Noordegraaf, 2015). Research on management of PSFs grew from this point on, and two recent reviews (Skjølsvik et al., 2017; Smets et al., 2017) summarise this research and the themes that have emerged since then. In particular, they identify the following in the extant literature: internal organisation and management, client and market strategies, knowledge management, human resource strategy, institutional strategies and innovation and technology and internationalisation of PSFs. Indeed, the importance of studying the PSF in its global context is recognised and the international management of PSFs is identified as one of the key areas for future research and theory development (Skjølsvik et al., 2017; Smets et al., 2017).

Both review studies, together with the works of other prominent scholars (Empson, 2021; Empson et al., 2015; Malhotra & Morris, 2009; Von Nordenflycht, 2010), advocate for research that plays an integrative role, by capitalising on what is already known and exploring both the homogeneity and heterogeneity of PSFs. Overall, scholars agree that PSF characteristics provide a way to achieve this, and that they are central to the study of PSFs for several reasons (Empson et al., 2015; Løwendahl, 2005; Von Nordenflycht, 2010). First, PSF characteristics provide a means of conceptualising PSFs and defining clearer conceptual boundaries. As they are common to all PSFs, taken together, PSF characteristics distinguish PSFs from other firms (Løwendahl, 2005; Von Nordenflycht, 2010). However, taken individually, these characteristics are not exclusive to PSFs, and

therefore PSFs may serve as an exemplary research context for other firms that also possess this characteristic (Empson et al., 2015).

Second, these characteristics help to differentiate between different types of PSFs, as firms possess certain characteristics to different degrees and the overall degree of professional service intensity also varies (Von Nordenflycht, 2010). For example, although all PSFs customise their professional services, some PSFs such as accounting firms can find ways of standardising or streamlining some of their tasks through standards and methodologies. Similarly, while all professionals belong to a profession, some professions are more traditional and subject to stricter professional norms (e.g. accreditation, professional membership, etc.) than others (Faulconbridge & Muzio, 2007; Von Nordenflycht, 2010). As such, PSF characteristics provide a means of exploring the homogeneity and heterogeneity across different PSFs (Malhotra & Morris, 2009; Von Nordenflycht, Malhotra, & Morris, 2015).

Finally, PSF characteristics have been theorised to have managerial implications and therefore understanding them provides greater insights into the behaviour of PSFs. Indeed, von Nordenflycht (2010) theorised a number of challenges and opportunities for PSFs stemming from three characteristics: knowledge intensity, degree of professionalisation of the workforce and low capital intensity. Similarly, Løwendahl (2005) identified a number of managerial challenges for PSFs and classified them into three categories: challenges resulting from the characteristics of the input (i.e. knowledge embedded in professionals); from the interaction with the client (i.e. customisation); and from the characteristics of the output (quality expectations around a service whose intangible output is difficult to assess). Maister (1993) explained that due to knowledge intensity and customisation PSFs must "*compete actively in two markets simultaneously: the output market for its services and the input market for its productive resources, the professional workforce*" (Maister, 1993, p.xv).

Table 2 provides an overview of the PSF characteristics considered by the seminal authors in the field. In the following sub-sections, these characteristics are discussed with the aim of defining and outlining the distinctive features of the context of study. Moreover, for each characteristic, potential managerial implications are considered.

Table 2. Characteristics of PSFs

(Maister, 1993)	**(Løwendahl, 2000, 2005)**	**(Von Nordenflycht, 2010, 2011)**	**(Empson, 2021; Empson et al., 2015)**
• Customisation • High face to face interaction with clients • "Our people are our assets"	• Value creation centres around the delivery of highly knowledge-intensive services • Customisation • Interaction with the client • Reliant on careful professional assessment or diagnosis • Reliant on discretion and personal judgment • Constrained by professional norms of conduct	• Knowledge intensity (embodied in individuals) • Low capital intensity • Professionalised workforce • Customisation*	• Primary activity: application of specialist knowledge to creation of customised solutions to clients' problems • Knowledge: core assets are specialist technical knowledge of professionals and in-depth knowledge of their clients • Governance: extensive individual autonomy and contingent managerial authority, where core producers own or control core assets • Identity: Core producers recognise each other as professionals and are recognised as such by clients and competitors

Note:

** Although Von Nordenflycht does not include customisation in his framework, he does recognise it as a relevant characteristic of PSFs.*

2.2.1. Knowledge intensity

The first of the characteristics that define PSFs is knowledge intensity, which is defined as "*the extent to which a firm depends on the knowledge inherent in its activities and outputs as a source of competitive advantage*" (Autio, Sapienza, & Almeida, 2000, p.913). Given that all PSFs are knowledge-intensive, they represent a subset of knowledge-intensive firms, which are defined as those that rely on frontline workers who possess a substantial body of complex knowledge (Starbuck, 1992). However, despite these definitions, the concept of knowledge intensity remains ambiguous (Alvesson, 1993, 2011) for a number of reasons.

First, the definition of knowledge itself remains ambiguous despite centuries of philosophical debate on epistemology (Grant & Phene, 2021). In the field of management in particular, two broad perspectives have emerged, namely those who view "knowledge as an asset" or "knowing as a process" (Empson, 2001; Grant & Phene, 2021). The first, considers knowledge as objective and individualised, and as such a resource that can be created and managed (created, integrated, transferred) in such a way that it represents a source of competitive advantage for firms (Barney, 1991; Grant, 1996; Penrose, 1959; Szulanski, 1996; Teece, 1981, 1998). The second, however, considers knowledge as socially constructed through the interactions of individuals within the distributed knowledge system which is the firm (Spender, 1996; Tsoukas, 1996). Given that knowledge is both an input and an output for PSFs, these considerations of knowledge and key knowledge holders are central to the study of PSFs (Empson, 2001; Faulconbridge, 2015).

Second, to distinguish between knowledge-intensive (including PSFs) and other firms, a boundary needs to be drawn between general knowledge possessed by anyone or any firm and "exceptional or valuable expertise" (Starbuck, 1992) or "fairly sophisticated knowledge" (Alvesson, 2004) on which the firm can build its competitive advantage, which is not a small feat. In the specific case of PSFs, this distinction may appear simpler because the knowledge possessed by the firm is not only valuable expertise but also professional in nature (Faulconbridge, 2015; Starbuck, 1992). In other words, PSFs can be distinguished from other firms through the highly specialised and professional nature of the knowledge or expertise. Nevertheless, ambiguity is not fully overcome, as the boundaries of what constitutes a profession are also unclear (Faulconbridge, 2015; Løwendahl, 2005; Von Nordenflycht, 2010).

Third, scholars are also divided on whether knowledge is mainly that which is embodied in people (Maister, 1993; Von Nordenflycht, 2010) or whether it should also include knowledge accumulated and stored in its assets, products, organisational routines and culture or other forms should be (Morris & Empson, 1998; Starbuck, 1992). Inclusion of organisational knowledge, in particular linked to the knowledge of clients and their operations is considered key for some authors (Empson et al., 2015; Faulconbridge, 2015; Morris & Empson, 1998), but for others, represents a risk of including an overly broad universe of firms in the definition (Von Nordenflycht, 2010).

In sum, while consensus exists that knowledge intensity is a core characteristic of PSFs (Empson et al., 2015; Løwendahl, 2005; Von Nordenflycht, 2010), and that this knowledge is a source of homogeneity across PSFs (Malhotra & Morris, 2009; Von Nordenflycht, 2010; Von Nordenflycht et al., 2015), considerable ambiguity remains around the concept itself and a need exists to unpack this characteristic further. Nevertheless, knowledge intensity and the high reliance of PSFs on knowledge embedded in people (even if other types of knowledge should also be acknowledged), have been theorised to create specific managerial challenges for PSFs. In particular, PSFs are known to suffer from opaqueness of quality, i.e. the difficulty of assessing the quality of a service even after it has been delivered, stemming from the lack of expertise of non-professionals and clients more specifically (Løwendahl, 2000, 2005; Von Nordenflycht, 2010). Moreover, the difficulties arising from managing the human capital of PSFs have been described as akin to "herding cats" (Løwendahl, 2005; Von Nordenflycht, 2010). Indeed, attracting, directing and retaining professionals remains a challenge for PSFs, who have been described as competing not only for clients but also for people (Løwendahl, 2000; Maister, 1993).

In sum, all PSFs are knowledge-intensive, and as such, this characteristic is considered a source of homogeneity among PSFs (Von Nordenflycht, 2010; Von Nordenflycht et al., 2015). However, given the ambiguity surrounding its definition and conceptualisation, and the likely implications of this characteristic on the international management of PSFs (Hitt et al., 2006), this characteristic of knowledge intensity deserves greater attention and needs to be explored further.

2.2.2. Professionalisation of the workforce

The second characteristic most referenced by scholars studying PSFs is the professional nature of the workforce. Although there has been an extensive debate in the field of sociology on what constitutes a profession (Muzio, Brock, & Suddaby, 2013; Suddaby & Muzio, 2015), some common features can be defined (Von Nordenflycht, 2010). These include the application of a specialist technical body of knowledge to provide clients with solutions, the regulation and control of the profession, and a common set of professional values including the need for autonomy and professional discretion in the delivery of services (Løwendahl, 2005; Malhotra & Morris, 2009; Starbuck, 1992; Von

Nordenflycht, 2010). Having already addressed knowledge in the previous section, the remaining features are discussed below.

First, regarding regulation and control, Faulconbridge and Muzio (2007) highlight two aspects of importance: control over the production of producers (i.e. occupational closure) and control over production by producers (i.e. jurisdictional regulations for service delivery). On the one hand, occupational closure is articulated through entry barriers such as a formalised education or training system, an accreditation system and/or membership to an official professional college or association, all of which enables a professional to practice (Faulconbridge & Muzio, 2007; Malhotra & Morris, 2009). Lawyers, for example, must hold a law degree, (in many countries) pass a bar exam and then register in a law society. Similarly, engineers and architects must have a university degree and register in their professional college; and accountants and auditors pass an exam and registering with their professional association. On the other hand, jurisdictional boundaries arise as a result of the standards and regulations delineated by national bodies (Malhotra & Morris, 2009; Von Nordenflycht et al., 2015). These boundaries may be impermeable, like in the case of law firms, where lawyers are specialised in the laws of a particular country and are unlikely to be able to practice in another country. Engineers and architects, on the other hand, will face more permeable jurisdictional boundaries. They may need to acquire knowledge of certain local regulations and obtain a licence to practice locally, but much of their expertise is based on universal laws of physics, mechanics, etc. thus enabling them to practice in a variety of jurisdictions. Therefore, different PSFs face different degrees of occupational closure and of permeability of jurisdictional boundaries, and overall the degree to which PSFs are subject to regulation and control by their profession is a source of variation among PSFs.

Second, regarding professional values, these are defined by the professional guild and are considered the ethical standards that are to be maintained by professionals practicing in a given profession. The traits that underpin the exercise of a profession include independence, autonomy, discretion, collegiality, partnership and self-regulation (Faulconbridge & Muzio, 2012). As Løwendahl (2000, 2005) describes it, services are based on the professional assessment of experts who exercise a high degree of personal judgement to such an extent that they can be held responsible for liability claims, and these services are constrained by professional norms of conduct. The shared set of

professional values is a feature common to all professions, but where variation may arise is among professionals from different countries, a concept labelled varieties of professionalism (Faulconbridge & Muzio, 2007).

In sum, the professional nature of the workforce is determined by the application of professional expertise, by occupational closure and jurisdictional boundaries of the profession and by the values upheld by professionals. However, not all PSFs share the same degree of professionalisation of the workforce. Von Nordenflycht explains that not all PSFs will exhibit as high a degree of professionalisation as law or accounting firms. Other professions may not be bound as strictly as these classical professions, such as for example consulting, marketing or advertising firms. Yet others, such as engineering or architecture, may be situated somewhere in between these two extremes. As such, the degree of professionalisation of the workforce is a source of variability across different types of PSFs (Malhotra & Morris, 2009; Von Nordenflycht, 2010; Von Nordenflycht et al., 2015).

These features of the profession are relevant to understanding the international management of PSFs, as they are likely to impact the choice of organisational structure (Malhotra & Morris, 2009) or to create barriers to the implementation of global practices (Muzio & Faulconbridge, 2013; Segal-Horn & Dean, 2009). However, in order to better understand the overall implications of the degree of professionalisation for the internationalisation of PSFs, and more specifically if these differ across types of PSFs, further research is still necessary.

2.2.3. Customisation

The third characteristic of PSFs is the customisation of professional services, which entails the application of complex knowledge and professional expertise to provide creative, analytically rigorous advice to resolve client situations (Greenwood, Li, Prakash, & Deephouse, 2005; Hansen et al., 1999). In other words, professionals build on their specialised expertise to create tailor a bespoke solution to the specific challenge that a client is facing. In order to construct customised solution for clients, professionals need to reach sufficient depth of understanding of the client's circumstances, and this often requires a close and trusting relationship. For this reason, customisation requires a high degree of face-to-face interaction with clients (Malhotra & Morris, 2009). Moreover, in

many cases, the client's involvement in the creation or co-creation of the solution is high (Fosstenløkken et al., 2003).

As such, customisation is juxtaposed with standardisation, where knowledge is codified and reused, and as a result economies of scale can be achieved (Hansen et al., 1999). Indeed, the need for customisation that PSFs makes it difficult for PSFs to achieve economies of scale (Løwendahl, 2000). When compared with manufacturing firms or other service firms, all PSFs are considered to offer customised solutions to their clients. However, a degree of variability exists among PSFs (Von Nordenflycht et al., 2015), and some professional services allow for some degree of customisation. For example, accounting and auditing firms achieve consistency and a certain degree of standardisation, by implementing standardised methodologies and practices (Barrett, Cooper, & Jamal, 2005; Malhotra & Morris, 2009). Therefore, although all PSFs offer greater customisation than other firms, the degree to which their services are customised can be considered a source of variability or heterogeneity across PSFs (Von Nordenflycht et al., 2015).

The characteristic of customisation has relevant managerial implications for international PSFs. First, the need for close interaction with the client has led scholars to conclude that disaggregation of activities carried out by international PSFs is difficult or impossible; and this has important implications for the provision of global services (Løwendahl, 2000), for example they will tend to favour a larger number of dispersed international offices (Malhotra & Morris, 2009). Conversely, if activities can be disaggregated, some activities can be centralised and done remotely and PSFs will need to assess when face-to-face interaction is more appropriate and necessary (Ball et al., 2008; Malhotra & Morris, 2009; Rugman & Verbeke, 2008).

2.2.4. Low capital intensity

Low capital-intensive firms are those whose production does not rely heavily on physical assets such as infrastructure or equipment (Von Nordenflycht, 2010). Indeed, PSFs rely mostly on knowledge-based assets and more specifically human capital for the delivery of services. Law, accounting and consulting firms are generally considered low capital-intensive, although the high-end offices out of which many operate could be considered relevant physical infrastructure.

Nevertheless, a degree of heterogeneity exists in the capital intensity of PSFs. For example, in von Nordenflycht's (2010) taxonomy, the typologies of *technology developers* and *professional campuses* are both capital-intensive. Technology developers, including research and development labs, biotech firms or even software development firms may rely on physical infrastructure. Professional campuses such as hospitals or universities undoubtedly rely on the buildings in which they provide their services. Similarly, large engineering projects tendered through complex public private partnerships can also entail substantial capital investments for a consortium of firms to be eligible and for the project to be executed and completed (Von Nordenflycht et al., 2015).

The managerial implications of low capital intensity for international PSFs are two-fold. On the one hand, if PSFs do not require an investment in infrastructure for their international operations, the capital requirements represent much less of a barrier than for manufacturing firms, and apparently place them at an advantage for rapid internationalisation. On the other hand, PSFs face greater difficulty in achieving economies of scale from their international development as they lack the physical assets, which provide manufacturing firms with efficiencies from larger volume (Bartlett & Ghoshal, 1989). For PSFs, an increase in service volume necessarily requires an increase in professionals for service delivery, making economies of scale much harder for PSFs to achieve (Løwendahl, 2000, 2005).

2.2.5. Conclusions

In the field of PSFs, the heterogeneity of PSFs has not only been acknowledged, but identified as a contributing factor to its fragmentation. In an attempt to encourage a more cohesive development of the field, von Nordenflycht (2010) proposed that PSF characteristics provide a framework for comparison of PSFs and exploration the diversity among firms.

Indeed, as discussed above, three of the four characteristics are a source of heterogeneity among PSFs, i.e. PSF have different degrees of professionalisation of the workforce, degrees of customisation and degrees of capital intensity. This framework of characteristics proposed by von Nordenflycht (2010, 2011) allows comparison of firms with high and low professionalisation, with high and low customisation of professional services and with high and low capital intensity. These comparisons are expected to provide useful insights to explain the intricacies of how different PSFs operate and why.

Although the fourth characteristics – knowledge intensity – is common to all PSFs and therefore generally a source of homogeneity, there is much to unpack in this characteristic, as discussed above. Some authors have suggested that when examined closer, the knowledge that PSFs build on to offer their services is different (Malhotra & Morris, 2009), an idea that resonates with scholars calling for greater attention to be paid to the types of knowledge firms use and the processes implemented to do so (Grant & Phene, 2021).

This dissertation proposes to apply this framework of PSF characteristics to the international management domain, which has been identified by PSFs scholars as promising for future research (Skjølsvik et al., 2017; Smets et al., 2017), but where it has not yet been applied. Specifically, in this research the lens of PSF characteristics is applied as a framework to compare international PSFs and explore the diversity in their international management. In doing so, it aims to refine the theoretical framework of PSF characteristics and contribute to the knowledge on international management of PSFs.

3. RESEARCH OBJECTIVES AND RESEARCH QUESTIONS

As discussed in the previous chapters, this research project lies at the intersection of two literatures, namely international business (IB) and professional service firms (PSFs).

In the field of IB, the need for more contextualised research has been recognised (Michailova, 2011; Tsui, 2007; C. Welch et al., 2022, 2011); i.e. research that explicitly acknowledges and builds on contextual features to develop new theory. Moreover, IB scholars have recognised that one such context is professional service firms (Blagoeva et al., 2020; Brock & Alon, 2009; Kundu & Lahiri, 2015; Rugman & Verbeke, 2008). Additionally, scholars are beginning to acknowledge that until now, because of the juxtaposition or comparison with manufacturing context, the PSF context has been treated as homogeneous and future research should explore the heterogeneity among firms to provide better explanations of the intricacies of international PSF operations. Similarly, in the field of PSFs, scholars have called for research to address the heterogeneity among PSFs by applying the lens of PSF characteristics to compare firms and exploring how they differ (Von Nordenflycht, 2010; Von Nordenflycht et al., 2015); and also for greater attention to be paid to the international management of PSFs (Skjølsvik et al., 2017; Smets et al., 2017).

This dissertation bridges these two literatures and aims to explore the heterogeneity of international PSFs to develop a better understanding of how and why international PSFs differ. To do this, the research builds on PSF characteristics – and specifically on the proposal that PSF characteristics are a source of distinctive challenges and organisational outcomes – with the aim of discovering what implications these characteristics may have in the international arena. The overall objective of this dissertation is to explore what role PSF characteristics play in the international management of PSFs.

The project's first aim, therefore, was to understand what literature exists at the intersection of the two fields, i.e. what is known about the international management of PSFs? In particular, study 1 sought to identify where (which settings), how (methodological and theoretical approaches) and what (research themes) research has been carried out. The application of the lens of PSF characteristics was useful in revealing where, how and what should be studied in the future and as a result what the most promising future research questions regarding the international management of PSFs are.

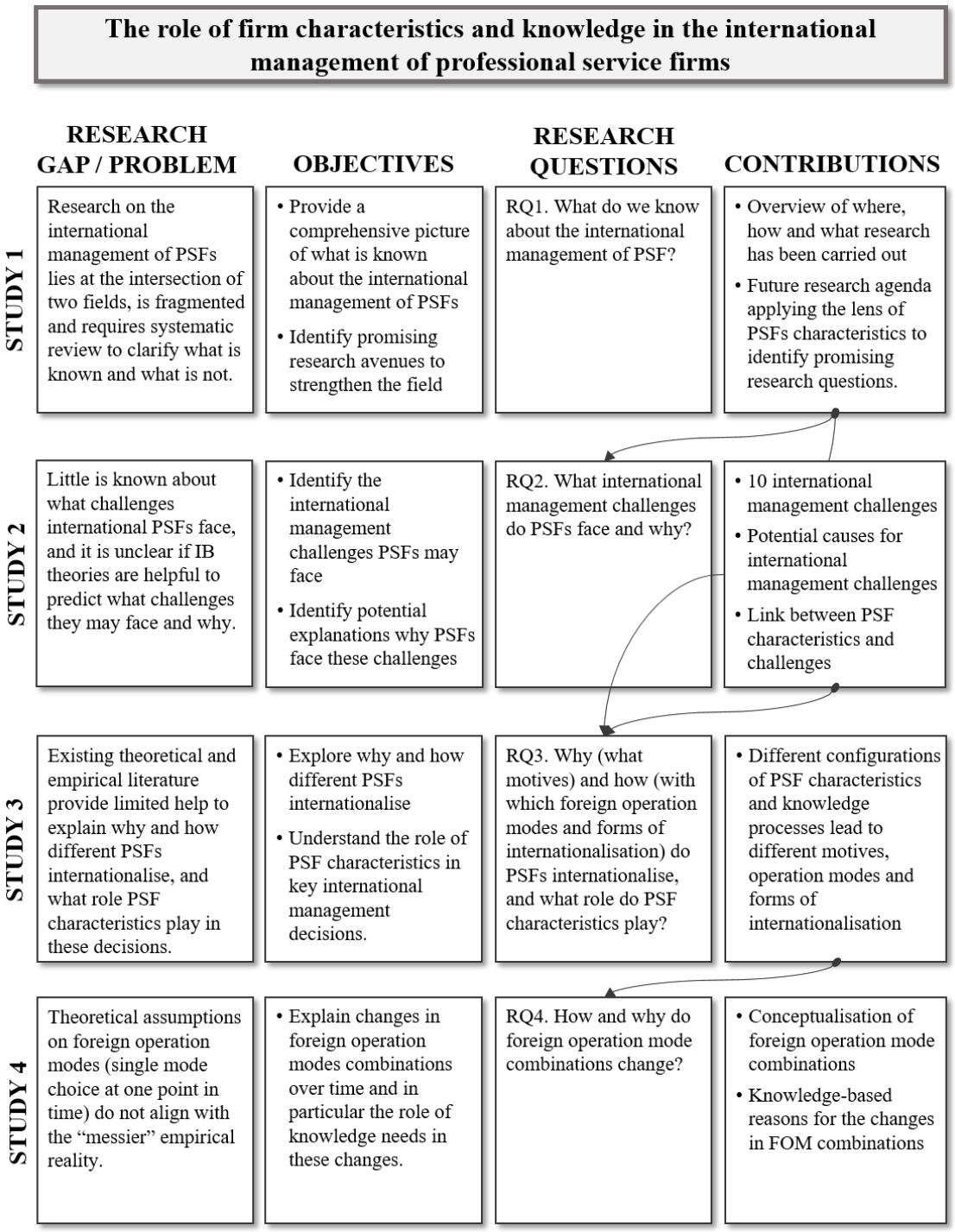
Study 1 identified a number of gaps and important research problems that remain in the literature on the international management of PSFs, including the drivers and barriers to PSF internationalisation, foreign operation modes and forms of internationalisation. Studies 2 and 3 address these gaps, and aim to provide insights to the research problems by applying the lens of PSF characteristics.

Study 2 addresses the question of what international management challenges PSF may face and why? As well as managerially relevant, this problem is pertinent to researchers because it is unclear if existing theories can help shed light on the matter, and because subsequent international management decisions may be dependent on the challenges firms face or expect to face. Therefore, study 2 aimed to discover what challenges PSF are likely to face and if PSF characteristics can help explain why they might face them.

Study 3 addresses the question of why and how PSFs internationalise? Research on motives for internationalisation has often been de-contextualised, and research on foreign operation modes often treats service firms (including PSFs) as a homogeneous group. Additionally, the PSF literature describes different forms of internationalisation (Boussebaa & Morgan, 2015), but without explaining which PSFs adopt them or why. Study 3 therefore aims to explain why (what motives) and how PSFs internationalise (through which operation modes and forms of internationalisation) by exploring the role of PSF characteristics in these decisions. In particular, by unpacking the characteristic of knowledge intensity and exploring the different knowledge types and knowledge processes, study 3 seeks to examine different factors and how they combine to shape key international management decisions.

Finally, study 4 addresses an existing gap in the extant literature on operation mode combinations and changes in those combinations (Putzhammer, Puck, & Lindner, 2019). Indeed, much of the extant literature on foreign operation modes has built on underlying assumptions about operation mode choices, i.e. that firms choose between single, discrete mode alternatives and that these modes remain stable over time, despite evidence that firms combine several modes and that these combinations change. By exploring the goals, activities and knowledge needs of a single firm over a 21-year period in 3 Latin American countries, study 4 aims to explain how and why foreign operation mode combinations changed over time and the role of the firm's knowledge needs in these changes.

Figure 1. Overview of research gaps, objectives, questions and contributions



4. RESEARCH STRATEGY

4.1. Epistemological stance

In IB research, the positivist paradigm is dominant (Brannen & Doz, 2010). From this perspective, reality is objective, knowledge is independent of our values and interpretations of it and therefore scientific investigation strives to collect facts (Morais, 2011). In particular, it seeks law-like generalisations by examining cause-effect relationships between dependent and independent variables (Piekkari, Welch, & Paavilainen, 2009; C. Welch et al., 2011). This paradigm underpins the quantitative research carried out in the field, but also much of the qualitative research. Indeed, positivism has also become the dominant paradigm in case study research in IB (Piekkari et al., 2009), with scholars building on the work of Eisenhardt (e.g. Eisenhardt, 1989; Eisenhardt & Graebner, 2007) and Yin (2018). However, this positivistic approach can only focus on few variables a time and seeks to abstract away context in the pursuit of generalisability (Morais, 2011; Ragin, 2014).

In this dissertation a different approach is adopted, based on critical realism (Easton, 2010; Morais, 2011). Critical realism combines realist ontology – the world is assumed to exist independently of the researcher's beliefs or knowledge of it – with constructivist epistemology, i.e. that knowledge of this world is our construction and that it is not possible to achieve an "objective" perspective of it (Maxwell, 2012; Sayer, 1992). As such, critical realism shares the view of constructivists that social phenomena are dependent on the social meaning ascribed to them, that knowledge production is a social practice influencing its content and that researchers must be aware of the influences and conditions under which it is produced (Morais, 2011; Sayer, 1992, 2004). However, critical realism also shares with positivism its acknowledgement of a reality that exists independently of our knowledge of it and the goal to search for causal explanations of social phenomena (C. Welch et al., 2011).

In particular, the critical realist view adopts a mechanism-centred approach to causation, which focusses on the ways in which structures of necessarily related objects cause events to occur (Morais, 2011). Objects have causal powers, but whether or not a causal mechanism is activated depends on the conditions in which it operates, i.e. mechanisms are tendencies that may not occur, and if they do, they may not be observable (C. Welch et al., 2011). The critical realist therefore seeks to provide an explanation for events by

identifying mechanisms that are capable of producing them (Easton, 2010; Sayer, 1992). To do this requires a theoretically guided analysis of the relationships between mechanisms, contexts and outcomes (Morais, 2011), and therefore is neither a purely inductive nor purely deductive process, but rather a movement between empirical observations and existing theory (Easton, 2010; C. Welch et al., 2011).

4.2. Methodological research approach

In line with this critical realist stance, this dissertation adopts an abductive research approach, which consists of continuously confronting theory with the empirical world, in particular to identify anomalies or puzzles to search for explanations for these anomalies with the aim of developing theory (Dubois & Gadde, 2002; Sætre & Van de Ven, 2021).

The initial motivation and point of departure originated from observing the behaviour of PSFs in practice. Building on practitioner experiences similar to those described by Løwendahl (2005, p.x), the dissertation began with a systematic review of the empirical literature on the international management of PSFs to obtain an understanding of what was known about the international management of PSFs (study 1). A second exploration of the dataset of academic papers with thematic content analysis lens sought to identify the challenges international PSFs face and their causes (study 2).

Having explored the literature through these two literature review studies, to identify research gaps and research problems upon which to construct relevant research questions, and having revealed initial clues to suggest that the role of PSF characteristics was relevant, an in-depth empirical study was designed to explore international PSFs and the role of PSF characteristics in their international management. In particular, a comparative case study approach was designed (Stake, 2000, 2006), to examine the motives, foreign operation modes and forms of internationalisation of PSFs with different degrees of professionalisation to see if they differ and why.

The case study is an appropriate research strategy for this purpose, because it allows for complex phenomena to be examined in depth in their naturalistic context (Piekkari et al., 2009). Case studies provide the possibility to collect data from a variety of sources, with the intent of presenting a "*picture as clear and suitably meaningful as we can get*" (Stake, 2006, p.77). Moreover, given their different purposes, namely to describe, to explore or to explain the phenomenon in question (Ghauri, 2004; Yin, 2018), case studies can result in different forms of theorising, e.g. propositional theorising, process theorising or

configurational theorising, among others (Cornelissen et al., 2021; C. Welch et al., 2022, 2011).

Cases for the comparative case study were carefully selected using theoretical sampling (Fletcher & Plakoyiannaki, 2011), in order to obtain a diverse sample of international PSFs that included variation along the different PSF characteristics (Stake, 2006). Data was then collected from these seven international PSFs (see interview protocol in Appendix 1) and analysis with the aim of understanding why and how PSFs internationalise and the role of PSF characteristics in key international management decisions. The analysis revealed that despite knowledge intensity being considered a source of homogeneity among PSFs (Von Nordenflycht, 2010), the types of knowledge they used and the knowledge processes they implemented differed. Further analysis revealed that in fact, different configurations of PSF characteristics and knowledge types and processes led to different international management outcomes. As such, Study 3 lays the groundwork for configurational theorising about the international management of PSFs in terms of outcomes caused by different combinations of factors (C. Welch et al., 2022).

The data collected from the collective case study also revealed that one firm, from whom it had been possible to collect more data, had, over time, implemented a fairly complex operation mode strategy, specifically it combined different modes in the same country. Theory provided some explanations of this phenomenon but the answers provided by the traditional theories of operation modes (internalisation theory and internationalisation process theory) were incomplete. Further data was therefore collected, in particular sufficient data to reconstruct a 21-year period that would allow for a process approach to be adopted (Blazejewski, 2011). Study 4, a single longitudinal retrospective case study, used temporal bracketing (Langley, 2009; Langley, Smallman, Tsoukas, & Van de Ven, 2013) and categorisation (Grodal, Anteby, & Holm, 2020) techniques to analyse the data in search for causal mechanisms for the changes in foreign operation mode combinations. Ultimately, Study 4 provided a contextualised explanation (C. Welch et al., 2022, 2011) of the phenomenon of operation mode combinations and in so doing revealed the causal mechanism of changing knowledge needs. In other words, study 4 is an example of an explanatory case study, where careful consideration of the context revealed the underlying processes and causal mechanisms, and resulted in process theorising

(Cornelissen et al., 2021; C. Welch et al., 2022) and the enhancement of the knowledge-based view of the multinational enterprise.

Overall the research process was not linear. The systematic review of the literature was divided into two separate studies: one classical approach aiming to identify and advance the building blocks of a theory through an examination of a body of prior work (Post, Sarala, Gatrell, & Prescott, 2020), and another, inspired by qualitative meta-synthesis techniques (Hoon, 2013) treating the extant literature as empirical data in search for answers about a specific theme, namely international management challenges of PSFs. Furthermore, the comparative case study approach made it possible to identify an opportunity to extend the data collection phase in one particular firm, to pursue an emergent research question. In sum, the abductive approach adopted throughout the research process (and in particular with the case study strategy) allowed for repeated iterations between empirical data and existing theory, and ultimately contributing to enhancing theory in different ways (Dubois & Gadde, 2002; Piekkari et al., 2009).

4.3. Other methodological considerations

4.3.1. Reflexivity

As explained above, critical realists believe that it is important for researchers to be aware of the conditions and influences that affect the production of knowledge (Sayer, 1992). One such influence is my prior professional experience in the PSF context. As such, reflexivity was an important component of this research project.

First, it was crucial to reflect on positionality, in particular to transition from the role of practitioner seeking managerial solutions for managerial problems towards one of contributing to expanding knowledge on a given topic and in particular to theory development. This involved a process of evolving from an insider to an outsider role, and finding a balance between the benefits and limitations of each position (Anteby, 2013; Corlett & Mavin, 2018). In particular, as befits their role, my doctoral co-supervisors provided invaluable guidance in this matter, as well as contrasting views on interpretations of data and alternative causal mechanisms.

Second, the benefits of understanding of the phenomena from a practical perspective were numerous, from accessing firms, informants and data, to creating a trusting environment during interviews so as to engage informants in discussing relevant issues and identify

contradictions in their narratives (Collins, 2004). Prior understanding of the phenomenon from a practical perspective was most useful during data analysis. In particular this experience shaped the data analysis phases (Langley et al., 2013), and more specifically the provided me with the ability to see below the surface of the empirical observations as narrated by the interviewees to identify patterns, configurations or combinations, and causal links (Corlett & Mavin, 2018; Day, 2012).

Nevertheless, it was also important to remain aware of the potential pitfalls of knowing the context. Some examples included the risk of jumping to conclusions about an interviewee's answers or skipping analytical steps (e.g. overstretching in the conceptual leap (Klag & Langley, 2013)). These risks were managed through periodic individual reflections on how the cases, concepts and causal mechanisms could be seen from different perspectives as well as group multi-perspective reflexive practices (Alvesson, 2012; Corlett & Mavin, 2018). In addition to this researcher triangulation, data triangulation and analytical triangulation were useful to contrast these different perspectives (Nielsen et al., 2020) and reduce potential negative impacts of practical experience in this context. Finally, findings and causal mechanisms were contrasted with some of the key interviewees, in particular in Study 4.

In sum, understanding the self as a research tool (Watts, 2006) was an important part of the research project, and in doing so I needed to ask myself what I was a case of. Appendix 2 summarises the conclusions from this introspective exercise carried out during the research process.

4.3.2. Trustworthiness

Methodological and editorial guidance regarding quality and rigour in qualitative research is now widespread (Cuervo-Cazurra, Andersson, Brannen, Nielsen, & Reuber, 2016; Gioia, Corley, & Hamilton, 2012; Pratt, 2009; Rheinhardt, Kreiner, Gioia, & Corley, 2018; Sinkovics, Penz, & Ghauri, 2008; C. Welch & Piekkari, 2017). A number of techniques were used to ensure the trustworthiness of the research process, although the main two are transparency and triangulation.

Transparency involved careful noting of the chain of events, including the parts of the analysis process that occurred in parallel with the data collection process (Langley, 2009). Particular attention was paid to the transparency in the interview process (Aguinis & Solarino, 2019). Interviews were recorded and transcribed in full, following which

transcripts and translated summaries of the interviews were sent to the interviewees, with an invitation to correct or clarify issues they deemed necessary.

Transparency in the data analysis process was also achieved through the construction of a number of tables (Cloutier & Ravasi, 2020) and visual artefacts (Langley & Ravasi, 2019). Most of these did not end up in the final documents, but they were nevertheless critical to the clarification of ideas (in particular of concepts, relationships and causal mechanisms), discussion with paper co-authors (doctoral supervisors) and the analysis of interpretations and findings from different perspectives.

Triangulation was also a critical element to ensure the rigour of the process and trustworthiness of the findings. In particular, the purpose of triangulation was not to achieve a convergent account, but rather to obtain a more holistic understanding of each firm and the phenomenon more broadly (Stake, 2006; C. Welch & Piekkari, 2017). Various types of triangulation were carried out (Nielsen et al., 2020):

- Data triangulation (combining multiple data sources): interviews, archival data, corporate websites and videos, recorded video material, etc.
- Analytical triangulation (using different analytical techniques on the same dataset): e.g. temporal bracketing, cross-case comparison, categorisation in study 4.
- Theoretical triangulation (examining the same dataset through different theoretical lenses): e.g. use of different theoretical lenses to predict challenges in study 2 or to seek to explain mode combination changes in study 4.
- Contextual triangulation (building in different settings, locations, units, times in data collection and analysis): e.g. PSFs with different intensities of PSF characteristics in study 3, different time periods in study 4.
- Investigator triangulation (using more than one researcher to collect or interpret data): contrasting of interpretations and causal mechanisms in all studies with doctoral supervisors, contrasting of interpretations and causal mechanisms with key interviewees in study 4.

In sum, a number of steps were taken to ensure rigour and trustworthiness throughout the project, specifically with on-going concern for transparency, triangulation and reflexivity.

4.3.3. Ethical considerations

Both the University of Deusto and the University of Maynooth have endorsed the European Charter for Researchers published by the European Commission. This research project followed and respected this code of conduct as well as the good research practices it proposes. In particular, this research was conducted under the umbrella of the Innovation, Knowledge, Entrepreneurship and Sustainability Research Team of Deusto Business School and financed by the Deusto Research Training Grant (FPI) and therefore respected the corresponding responsibilities stemming from each, in particular in relation to the progress of the project and results generated.

Furthermore, relationships with case firms and informants were carefully managed. All participating firms formally accepted their participation in writing and a non-disclosure agreement was signed with each.

Individual informants were invited to participate and informed of the general conditions of participation in the study before the interview. Specifically, they were sent an informed consent form before the interview, this form was presented and discussed at the beginning of the interview following which it was signed. Only one informant failed to return the form, but consented orally in the recording. The informed consent form included:

- Objectives of the doctoral research;
- Acceptance of the participation of the firm and authorisation to interview informants;
- Statement of the voluntary nature of the informants' participation and that they may choose at any time to discontinue their participation;
- Guarantee of anonymity;
- Conditions of the interview: duration, recording, access to the full transcript of the interview and summary in English and authorisation to make corrections or amendments changes to any part of the interview, if so requested; and
- Contact details of researchers that can be contacted at any time for questions about the research or the informant's rights and conditions for participation.

In line with the European Commission strategy for increased Gender Equality in Research within the H2020 Programme, this research project also took gender equality considerations into account. In particular, a proactive effort was made to ensure a gender balance in the interviews, resulting in 10 women out of the 27 informants (37%).

5. STUDY 1

MANAGING INTERNATIONAL PROFESSIONAL SERVICE FIRMS: A REVIEW AND FUTURE RESEARCH AGENDA

MANAGING INTERNATIONAL PROFESSIONAL SERVICE FIRMS:

A REVIEW AND FUTURE RESEARCH AGENDA

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MANAGING INTERNATIONAL PROFESSIONAL SERVICE FIRMS: A REVIEW AND FUTURE RESEARCH AGENDA

Purpose: Research on international professional service firms (PSFs) has grown in recent years, reflecting the increasing relevance of these firms in the global economy. However, to date, no attempt has been made to systematically examine and integrate this literature. This study reviews the body of knowledge on the international management of PSFs and proposes a future research agenda that aims to strengthen the research on international PSFs, by applying the conceptual lens of PSF characteristics.

Design/methodology/approach: A systematic review of 108 empirical articles on the management of international PSFs was carried out.

Findings: The authors analyse *where*, *how* and *what* research was carried out on the international management of PSFs, and find that currently the field offers few opportunities to integrate findings or explain differences across different types of international PSFs. In recommendations for future research, the authors show how the lens of PSF characteristics can help overcome these issues and unveil promising avenues for future research that will lead to a more fine-grained theorising and understanding of the international management of PSFs.

Originality: The study provides a comprehensive state of the art of research on the international management of PSFs and a future research agenda, which builds on PSF characteristics to explore and better understand the heterogeneity of international PSFs, in order to develop more robust explanations of their behaviour and open new research avenues.

Keywords: International management, professional service firms, PSF characteristics, literature review

INTRODUCTION

Over the past three decades, professional service firms (PSFs) have expanded internationally to achieve impressive global reach (Boussebaa and Morgan, 2015). Today, international PSFs have become important actors for a number of reasons: first because of how they support the internationalisation of other multinationals; second because of their influence on institutional actors (Boussebaa and Faulconbridge, 2019; Suddaby *et al.*, 2007); and third because, as drivers of new business practices, PSF are often considered role models for other firms striving to compete in the knowledge economy (Skjølsvik *et al.*, 2017).

As the relevance of PSFs as global actors grows and is recognised, PSFs are coming out of the shadows of management research (Empson *et al.*, 2015). In particular, research on the international management of PSFs has increased in recent years; yet much remains unknown about the phenomenon (Boussebaa and Morgan, 2015), and little has been done to systematically organise and integrate existing research thereon. Moreover, the field suffers from a lack of clarity around its core concept – PSFs – and therefore faces difficulties in establishing the boundaries of applicability of findings; and this hinders more nuanced theorising on the international management of PSFs (Von Nordenflycht *et al.*, 2015).

This study systematically reviews the literature on the international management of PSFs in order to take stock of what is known and what remains unexplained. Our findings portray a field that is fragmented and provides few opportunities to integrate or compare findings. To overcome these shortcomings and pave a pathway for future research, we propose that PSF characteristics be brought to the forefront of research. By defining PSFs in terms of their core characteristics (knowledge-intensity, degree of professionalisation, low capital-intensity and customisation), greater clarity can be provided regarding the boundaries of each study. As a result, the homogeneity and heterogeneity among international PSFs can be explored, which would allow for comparison and integration of findings, and ultimately the development and

refinement of robust theories to provide a more nuanced understanding of the behaviour of international PSFs (Von Nordenflycht, 2010; Von Nordenflycht *et al.*, 2015).

Our study contributes to the literature on the international management of PSFs by providing the first comprehensive overview of the literature to date and a research agenda seeking a more fine-grained theorisation and understanding of the phenomenon. In particular, our PSF characteristics driven research agenda invites researchers to consider unexplored research settings, more varied methodological approaches and the key international management topics for PSFs, i.e. their internationalisation process, foreign operation mode choices, management of the integration-responsiveness dilemma, professionals and knowledge, and how they adapt to the global context. In sum, the PSF characteristics lens provides a scaffolding for conceptual, methodological and theoretical developments that will contribute to the development of this research field.

In the remainder of this paper, we clarify the PSF context and review how the field of international management of PSFs has developed, before presenting our research methods. We then discuss our findings, in particular by analysing *where* research was carried out, *how* PSFs were studied and *what* themes were explored and apply the lens of PSF characteristics to identify relevant research gaps. Finally, we build on PSF characteristics to propose a research agenda that identifies *where* and *how* future research should be carried out, as well as *what* are the most promising research lines, before outlining some limitations and managerial implications of our study.

THEORETICAL BACKGROUND

Professional service firms

Professional service firms (PSFs) can be defined as firms that provide customised, knowledge-intensive services, delivered by highly educated professionals to solve the specific problem of

a customer (Aharoni, 1993; Maister, 1993). Nevertheless, a considerable degree of ambiguity remains regarding which firms should be considered PSFs. For example, law, accounting and architectural firms are unambiguously classified as PSFs and a fairly broad consensus exists regarding the inclusion of consulting, advertising and other "neo-PSFs" (Empson *et al.*, 2015; Von Nordenflycht, 2010). However, the term PSF has been also applied to many knowledge-intensive firms such as real estate, software development or insurance firms (Von Nordenflycht, 2010). To provide clearer boundaries, Von Nordenflycht (2010) proposed that PSFs are best defined through a set of core characteristics – knowledge-intensity, professionalised workforce, and low capital-intensity. The customised nature of professional services is also recognised as a distinctive characteristic of PSFs (Greenwood *et al.*, 2005; Løwendahl, 2005).

Evidently, these characteristics are not exclusive to PSFs. Indeed, PSFs are a subset of knowledge-intensive firms, but as an extreme case of knowledge-intensity they are increasingly considered a model for other firms and have become a relevant context to study the strategic management of human capital and knowledge (Von Nordenflycht, 2010; Skjølsvik *et al.*, 2017). Similarly, PSFs are not the only firms to have strong ties to their clients, but their provision of highly customised services does offer a particularly illustrative setting in which to study client relationships (Empson *et al.*, 2015). So taken individually these characteristics do not distinguish PSFs from other firms, but rather their salience makes PSFs a theoretically relevant context to study their implications. Taken together, however, these characteristics do distinguish PSFs from other firms, and are theorised to have distinctive managerial implications (Løwendahl, 2000; Von Nordenflycht, 2010).

These characteristics have been used to describe PSFs in relation to other types of firms, either to underline their similarity based on a given characteristic or to differentiate them based on the combination of characteristics. However, in addition to their relevance when juxtaposing

PSFs to other types of firms, PSF characteristics also provide a means to identify similarities and differences between PSFs. Different PSFs possess characteristics to varying degrees, e.g. law firms are more highly professionalised than consulting firms; architectural services are more customised than accounting services. Defining PSFs in these terms allows us to identify and explore the homogeneity and heterogeneity across PSF-industries and clarify to which firms findings apply, a necessary endeavour to refine and confirm theories relating to the international management of PSFs (Empson *et al.*, 2015; Malhotra and Morris, 2009; Von Nordenflycht *et al.*, 2015).

International management of PSFs

International PSFs have been studied from several different perspectives. First from an international business (IB) perspective, where PSFs are often treated as a subset of service multinationals. Here it is often argued that service firms are different from manufacturing firms; and so a debate has arisen around the applicability of traditional IB theories to service firms (Blagoeva *et al.*, 2020), and more particularly to PSFs (Aharoni, 2000). For example, the applicability of internalisation or foreign direct investment (FDI) theory, which predicts that firms will choose the entry mode that best balances the trade-offs between the cost of control and of resource commitment (Anderson and Gatignon, 1986; Buckley and Casson, 1976), was tested in service settings. These studies concluded that existing theory could essentially be used to predict the behaviour of service firms, although adjustments to the service or PSF context may be required (Boddewyn *et al.*, 1986; Erramilli and Rao, 1993). Overall, PSFs were considered to be limited in their choice of foreign entry modes due to their knowledge-intensive nature (Dunning, 1989), although this was later challenged when new technologies enabled a broader array of knowledge-sharing mechanisms, and it became apparent that firms could choose from a broad range of operation modes (Ball *et al.*, 2008).

Similarly, internationalisation process theory – which posits that firms will increase their

commitment to a foreign market as their experience in that market increases (Johanson and Vahlne, 1977, 2009) – was also explored in PSF settings. Findings seem to indicate that while the overall pattern of increased commitment seems to apply, the patterns of internationalisation appear to differ (Sharma, 1989), leaving its applicability to PSFs inconclusive.

Due to its focus on assessing the applicability of IB theories to service firms, research in the field of IB has focused on comparing service with manufacturing multinationals. As a result, it has largely ignored the heterogeneity among service firms, and PSFs more particularly. Yet, if we ignore this diversity, our ability to understand their behaviour is limited and the potential for theory development is weakened. The heterogeneity of the service sector, and indeed of PSFs, is recognised by IB scholars, but approaches that provide insights on this diversity are still lacking (Blagoeva *et al.*, 2020; Kundu and Merchant, 2008).

A second research perspective originated from the field of strategy. Here, scholars argue that the conventional strategic approach to globalisation does not apply to PSFs. In particular, two elements are challenged: First, a PSF's ability to exploit economies of scale is limited, as is its ability to disaggregate value chain activities into upstream and downstream activities (Løwendahl, 2000; Rugman and Verbeke, 2008). Second, the value chain of PSFs is actually different to that of manufacturing firms (Jensen and Petersen, 2014; Løwendahl, 2000).

Building on this, Løwendahl proposes that value creation in PSFs rests on three processes: the sale of a credible promise to customers, the delivery on that promise (i.e. service delivery) and knowledge development (Fosstenløkken *et al.*, 2003; Løwendahl *et al.*, 2001). This distinctive value creation logic will have strategic and managerial implications for internationalising PSFs (Løwendahl, 2000). Jensen and Petersen (2014) propose that the particular value creation logic of PSFs will lead them to internationalise at a slow pace and choose foreign direct investment as a foreign operation mode. However, their theoretical propositions remain unexplored empirically. Moreover, in a similar manner to the approach taken in the field of IB, these

theoretical contributions were built by comparing PSFs to manufacturing firms. Undoubtedly, they provide additional nuance to our understanding of PSF internationalisation, however they remain silent on why international PSFs differ in their strategies.

A third approximation to the study of international PSFs comes from the field of professions and professional organisations, with scholars building on institutional theory and the sociology of organisations. Here, the focus is placed on the implications of the PSF's distinctive nature, namely the professional nature of their employees and their interactions with institutions (Morgan and Quack, 2005; Skjølsvik *et al.*, 2017). Particular attention has been given to whether the one-firm model (i.e. an integrated organisation with professionals sharing common practices and values (Maister, 1993)) is feasible and appropriate for all PSFs (Muzio and Faulconbridge, 2013; Segal-Horn and Dean, 2009). Building on this, four different forms of PSF internationalisation have been proposed (Boussebaa and Morgan, 2015): the *project form* (requiring temporary ad-hoc project teams), the *network form* (independent network of firms working together), the *federal form* (single brand identity, centralised management and intertwined partnership structure) and the *transnational form* (firms that balance global efficiency and local responsiveness strategies by means of leveraging learning throughout the firm (Bartlett and Ghoshal, 1989)). Specific PSF-industries have been used to exemplify these different forms, and they provide useful building blocks to explore PSF heterogeneity. However we still know little about which PSFs choose these forms, why, and what strategic and managerial issues will ensue; or how these forms align with traditional classifications of foreign operation modes so that existing research can be mapped onto them.

Overall, the field of international management of PSFs has benefitted from the variety of disciplinary and theoretical approaches adopted, as a wide range of issues have been explored and a significant body of empirical work accumulated. This makes a literature review timely. Our approach to the review consists of bringing PSF characteristics to the forefront. Defining

international PSFs in terms of their characteristics would allow researchers to identify and discuss the boundaries of their research more clearly and point to PSFs with similar characteristics to which their findings might apply. This approach also allows PSFs to be compared, and potential answers found to why they behave differently in the international arena. We apply the lens of PSF characteristics to analyse *where, how* and *what* research has been studied to date and identify the main gaps in the extant literature and identify promising future research avenues. By building on PSF characteristics to develop the future research agenda, we provide a means of achieving greater conceptual rigour, more varied methods and more nuanced theorising, which will lead to greater understanding of the phenomenon and ultimately greater ability to support managers of international PSFs.

RESEARCH METHOD

To address our research aims, we carried out a systematic literature review, following guidelines suggested in the literature (Tranfield *et al.*, 2003) and as described below.

Step 1: Review protocol

Our review protocol included several inclusion / exclusion criteria that are detailed below. First, due to the ambiguity surrounding the industries considered PSFs, we focused on articles that explicitly used the term “professional service”. We acknowledge that defining the boundary this way may have led to omitting studies on PSFs that did not use the term explicitly, i.e. studies on a particular PSF-industry without referencing the PSF concept or that framed them as knowledge-intensive firms rather than PSFs. We concluded that this was an indication that the PSF lens was not central to their analysis and for our review. However, we acknowledge that our findings must be interpreted within these boundaries, and that further insights may be imported from related fields (e.g. services, knowledge-intensive firms).

Second, we focused on studies with an international dimension, i.e. cross-border activities of firms and the impact of the international environment on these firms (Tung and Van Witteloostuijn, 2008). The terms “international”, “global” and “transnational” were considered as synonyms because, despite being conceptually different, they are often used interchangeably (Bartlett and Ghoshal, 1989).

As a result, our search protocol included the search string “professional service” AND “international*” OR “global*” OR “transnational”.

Finally, two further inclusion criteria were defined. As the focus of this study was to identify what empirical work has been done, only empirical articles were included. Also, following other recent literature reviews aiming to include high quality research (e.g. Skjølsvik et al., 2017), articles needed to be published in peer-reviewed journals included in the Chartered Association of Business Schools ranking. Therefore, our search did not include book chapters or other sources. No time limit was set for the publication date, to cover all the scholarship on the topic from its origin.

Step 2: Data collection

The search was run according to our search protocol (with the string defined above) in Scopus and Web of Science, two of the leading academic databases that follow a rigorous selection of indexed sources. Once duplicates were removed, the search resulted in 137 articles. 50 additional articles were identified manually through citation analysis, providing a total of 187 articles for further filtering.

Title, abstract and keywords were analysed for each of these 187 articles in order to apply inclusion and exclusion criteria, and where further clarification was necessary, articles were read in full. In the subsequent screening of articles, studies that, while empirically set in international or global PSFs, did not investigate international or cross-border issues were

excluded. This search and filtering process was completed in December 2020. The resulting dataset of articles for the analysis includes 108 empirical articles that focus on the international management of PSFs[1].

Step 3: Data analysis

Content analysis, a helpful method to take stock of existing knowledge in a systematic manner (Gaur and Kumar, 2018), was used to structure the content and themes identified in the dataset.

We designed a coding scheme composed of attribute and thematic codes (Saldaña, 2013). Attribute codes were assigned standardised values, i.e. descriptive information about the study and its dataset, e.g. research setting (size, industry and geography) and methodology; and theory-based thematic coding was used for theoretical approaches and research themes. In particular, to map the research themes in our dataset, we used a categorisation of international management themes, which has proven useful for literature reviews in the field (Werner, 2002).

To ensure coding reliability, the coding scheme was tested on a subset of articles by two of the co-authors, and all doubts were discussed to reach a consensus. The first author then coded the remainder of the dataset, and arising doubts were discussed among all co-authors. To further enhance coding reliability, various cycles of coding, recoding and classification were carried out (Gioia *et al.*, 2012; Miles *et al.*, 2013), and themes were grouped or subdivided where necessary (e.g. research themes) through joint discussions between the authors. The NVivo software was then used to analyse the data, namely to generate frequency tables and graphs, as well as to link different codes.

[1] A complete list of articles included in the dataset may be requested from the corresponding author.

FINDINGS

We examined *where* research was carried out, namely the research settings most frequently chosen, *how* international PSFs were studied, i.e. the theoretical and methodological approaches, and explore *what* was studied in the field. The application of the lens of PSF characteristics then helped highlight important questions that remain unanswered.

Where: Research setting

First, we examined the research setting of the studies in our dataset, in particular the size, country and the industry of the firms in the sample. Findings are summarised in Figure 1.

PLEASE INSERT FIGURE 1

Firm size. The papers in our dataset focus mainly on large PSFs, with only 11 studies of small or medium-sized firms (SMEs). This is not representative of the overall population of PSFs, which includes the "Big Four" and global top tier consulting or law firms, but also small high street practices (Empson *et al.*, 2015). These smaller PSFs may find the international path of the Big Four (e.g. federal form) unsuitable and may internationalise differently (Deprey *et al.*, 2012; Poulfelt *et al.*, 2014), but little guidance can be found in the literature.

Geography. Having coded the geographic location of samples used in each study, we calculated the frequency with which research was carried out in countries across the world (see figure 2). Data samples from United Kingdom (UK), United States (US), Canada, Australia and New Zealand, grouped together as "Anglo-Saxon", make up nearly half of the total (41%). Adding Western economies, 74% of the sample is reached, indicating a lack of focus on non-Anglo-Saxon and emerging economy PSFs. This reflects the historical origins and international development of traditional PSF-industries such as law or accounting firms (Morgan and Quack, 2005; Spar, 1997). However, critical scholars contend that this is a reflection of the imperialist mind-set adopted in global PSFs and that greater attention should be paid to peripheral offices

(Boussebaa, 2015a; Boussebaa *et al.*, 2012). Studies on PSFs from emerging markets are growing in number and show that these firms rely on different performance drivers (Mathew *et al.*, 2020; Radulovich *et al.*, 2018). If confirmed, the recent shift towards alternative research settings promises a more holistic understanding of international PSFs.

PLEASE INSERT FIGURE 2

PSF Industries and types. Law, engineering and accounting have received most attention, followed by consulting, advertising and architecture. Overall, the predominance of single industry studies (81%) is salient. This single-industry focus, which has become a convention in the field, is contributing to the fragmentation of the field, as many of these studies rooted in a particular PSF-industry omit clues of how findings apply to other PSFs. An analysis of these industries through the lens of PSF characteristics, and more specifically the taxonomy proposed by von Nordenflycht (2010) (see table I) revealed that of the 87 papers that could be classified (the 21 studies in multidisciplinary or unspecified settings and mixed samples could not), 72% were set in *Classical PSFs*, 24% in *Neo-PSFs*, 2% in *Professional campuses* and 1% in *Technology Developers*. Table I also highlights a prevalence of studies in highly professionalised (75%), highly customised (78%) or low capital-intensive (97%) contexts, leaving us with an incomplete picture of the diversity of PSFs.

PLEASE INSERT TABLE I

How: Theoretical and methodological approaches

The second step in our analysis was to examine the approach used to study the international management of PSFs. Findings are summarised in figure 2 and discussed below.

Theoretical Approaches. The dataset unveiled that a broad range of theories (24) or theoretical frameworks (12) have been used to analyse international PSFs, with most of them being used in one to three papers only. The conceptual works building on the distinctive nature of PSFs

(namely their characteristics) (e.g. Løwendahl, 2005; Malhotra and Morris, 2009; Von Nordenflycht, 2010) were often cited, but rarely used as a theoretical foundation on which to build empirical studies. Instead, scholars have mainly anchored their research in general management or international business theories and frameworks. In particular, five theoretical approaches were used between 11 and 18 times each: resource-based view, knowledge-based view, the responsiveness-integration framework, institutional theory and network theory. The proportion of studies using general management or IB theories would suggest that these theories do apply to PSFs; however, as the theoretical propositions put forward by PSF scholars have rarely been explored empirically, it is difficult to determine which theories may be more useful to explain or predict the behaviour of international PSFs.

Research Methods. The overwhelming majority of the articles (75%) are qualitative studies. These provide a wealth of detail regarding the historical development of PSF industries, institutional factors and internal organisation of PSFs but limited opportunities to generalise across different settings. Due to this, and the fact that many studies are set in a single industry, the field is suffering from fragmentation. Furthermore, dominance of qualitative studies can be indicative of a new, emerging field (Yin, 2016), but given that this research area has been developing for several decades and generated a wealth of theoretical propositions, opportunities exist for quantitative studies also.

What: Research Themes

The third step in our analysis was to explore what topics had been studied in relation to the international management of PSFs. Inspired by Werner's (2002) themes in international management, we identified the six themes discussed below. Table II builds on table I, and presents these research themes by PSF-industries and PSF characteristics. Here too, the lens of characteristics provided a useful means of identifying the relevant gaps and future research questions.

PLEASE INSERT TABLE II

(1) Internationalisation process of PSFs. This theme is prominent and is covered in all PSF-industries (see table II). The literature is rich in contextual descriptions of the internationalisation of PSFs of different origins (Japanese, German, French etc.), or industries (law, architecture, engineering etc.), but provides few generalisable conclusions about the drivers of these patterns. Recent studies have identified determinants of international performance such as order of entry effects (Magnusson *et al.*, 2009), human and relational capital (Hitt *et al.*, 2006; Suseno and Pinnington, 2018) or certain firm capabilities (Bello *et al.*, 2016; Uner *et al.*, 2020). Overall, however, the central question of what are the drivers and barriers of PSF internationalisation remains largely unanswered. Moreover, evidence is lacking to support the proposition that the pace of PSF internationalisation will be slow due to the time required to recruit and train professionals (Jensen and Petersen, 2014). While the literature does link the international growth of PSFs to human capital or knowledge-intensity (Boxall and Steeneveld, 1999; Hitt *et al.*, 2006), there is also evidence to suggest that PSFs engage in inorganic growth strategies (Jewell *et al.*, 2014) or may be born as international new ventures (Bunz *et al.*, 2017).

(2) *PSF Foreign Operation Modes.* In contrast with the general IB literature, research on the modes (e.g. exports, foreign direct investment (FDI), franchises, alliances and networks) that PSFs use to operate in foreign markets remains scant. As a result, the contradictory findings remain unclarified: While there is some evidence to support the idea that PSFs choose the FDI mode (Muzio and Faulconbridge, 2013; Poulfelt *et al.*, 2014; Ström and Mattsson, 2006), there is also evidence to suggest PSFs choose from a range of other modes such as networks (Salvoldi and Brock, 2019), franchises (Alon and Bian, 2005; Alon and McKee, 1999) and exports (Leo and Phillippe, 2001). Boussebaa and Morgan (2015) propose four forms of PSF internationalisation, but their implications remain to be explored, and it remains unclear how

these can be reconciled with traditional mode classifications.

(3) *Integration-responsiveness dilemma.* Our data indicates that this theme is among the most frequently studied in the field and across nearly all types of international PSFs, although mostly in highly professionalised PSFs (see table II). In particular, research has explored how firms struggle to implement the "one-firm model" internationally or achieve global integration given the local embeddedness of many professional services (Faulconbridge and Muzio, 2016; Muzio and Faulconbridge, 2013). Although PSF characteristics may not have been explicitly highlighted, the dataset provides evidence of their role in the implementation of global integration practices. For example, given the need for customisation of services, international PSFs seem to standardise their managerial practices rather than the services themselves (Brock and Hydle, 2018; Segal-Horn and Dean, 2009). Additionally, the literature provides clues on how other characteristics can hinder global integration, namely the resistance linked with the autonomy of professionals (Faulconbridge and Muzio, 2008; Klimkeit and Reihlen, 2015; Segal-Horn and Dean, 2007); or the internal power struggles caused by cost differentials (Boussebaa, 2015a; Boussebaa *et al.*, 2012). Given this evidence, it would appear this topic is ripe for the testing of relationships between characteristics and the PSF's ability to balance global integration and local responsiveness in larger and broader samples.

(4) Managing professionals. By definition, PSFs are highly dependent on the professionals and their knowledge, and the term "herding wild cats" is often used to describe the difficulty of managing professionals, something all the more complex in the international context (Løwendahl, 2005; Suseno and Pinnington, 2017). The dataset highlights the importance of human and social capital (Hitt *et al.*, 2006; Kittler and Schuster, 2010; Suseno and Pinnington, 2018) in the success of international PSFs, and the role of managers in managing professionals across geographies (Benson *et al.*, 2009; Boxall and Steeneveld, 1999; Richardson and McKenna, 2014). Moreover, the role professional values play in firm dynamics has been

highlighted, in particular in classical PSFs such as law and accounting (Pinnington and Sandberg, 2014; Spence *et al.*, 2015, 2016). These professional values may, however, vary from country to country, a concept coined as the *varieties of professionalism* (Faulconbridge and Muzio, 2007) and which has been empirically explored in the context of law firms (Morgan and Quack, 2005; Muzio and Faulconbridge, 2013) and the Big 4 (Spence *et al.*, 2016, 2017). Nevertheless, the extent to which this affects PSFs (and which PSFs) remains unclear, as this theme has mostly been studied in highly professionalised PSF (see table II).

(5) Managing knowledge. Unsurprisingly, given the knowledge-intensive nature of PSFs, our dataset illustrates the importance of knowledge flows for international PSFs of many industries (see table II) and provides clues on how knowledge is transferred. In particular, it delivers evidence of how PSFs combine practices aimed at managing explicit knowledge with others aimed at stimulating networking and learning spaces to share tacit knowledge (Faulconbridge, 2006, 2007; Hydle *et al.*, 2014). Potential barriers to knowledge transfer are also identified; one such barrier emerging as particularly relevant is the impact of geopolitical and power relations (Boussebaa, 2015b; Boussebaa *et al.*, 2014). Overall, however, research has predominantly focused on process (knowledge flows) and has not paid attention to content – that is, what knowledge can and should be transferred (Sergeeva and Andreeva, 2016), thus limiting our understanding of this key topic for international PSFs, and other firms that look to them as a model for new knowledge management practices.

(6) Adapting to the global context. The prominence of this theme in the dataset highlights the relevance of institutions for international PSFs, in particular the need to adapt to different and sometimes conflicting institutional contexts. This seems particularly salient for *classical* PSFs. Their professional nature makes them particularly susceptible to institutional pressures and their international expansion strategy must adapt to multiple institutional contexts (Faulconbridge and Muzio, 2016; Muzio and Faulconbridge, 2013). Nevertheless, questions

remain regarding why and how institutional complexity affects other types of international PSFs, and how they respond. Recently, attention has also turned to how PSFs act as agents of economic globalisation by shaping institutions (Boussebaa and Faulconbridge, 2019; Suddaby *et al.*, 2007).

Similarly, research has begun to focus on how PSFs adapt to the local client context. Studies have examined how PSFs build their brand and reputation in international markets (Harvey *et al.*, 2017), and how this has proven particularly difficult for emerging market PSFs (Mathew *et al.*, 2020) and firms with a low degree of professionalisation (Hall *et al.*, 2009). These studies highlight how much remains unknown about how non-"Big 4" PSFs establish their reputation abroad and if and how they differ from other firms in this respect.

PLEASE INSERT TABLE III

DISCUSSION & FUTURE RESEARCH DIRECTIONS

Building on our findings and the lens of PSF characteristics, we propose the future research agenda discussed below and summarised in table III.

Where: Research setting

Our analysis highlighted that despite a broad spectrum of PSF-industries appearing in the literature, a number of settings remain unexplored, leaving us with a partial understanding of international PSFs. In particular, attention should shift beyond large, classical, Anglo-Saxon PSFs ("Big 4") to confirm or refine existing theories in a broader range of international PSFs (Von Nordenflycht, 2010, 2011). Indeed, the dataset provides only two cases of *Professional Campuses* and one *Technology Developers* in von Nordenflycht's (2010) taxonomy of PSFs. Rather than conclude that no research exists on these types of firms, we reflected on the types of firms that might be included in these categories. For example, software or IT firms are often considered PSFs, but our search for studies on international PSFs did not capture any studies

on global software and IT firms, indicating that scholars are not labelling these firms PSFs. Given that these firms share the defining characteristics of PSFs, and therefore findings from such studies could apply to other PSFs (albeit to varying degrees), they should be considered part of the field.

PSF characteristics provide a means with which to define the context of study in a more explicit manner, thus providing clearer boundaries of the applicability of findings. For example, rather than discussing the conclusions exclusively in the context of law firms, a study analysing findings in terms of the high degree of professionalisation of the workforce could shed light on implications for PSFs with the same characteristic (e.g. accounting firms). Indeed, defining the research setting in terms of PSF characteristics rather than industries, allows researchers to identify the broader range of settings to which their findings apply, as well as identify where existing theoretical approaches remain unexplored or untested. This search for generalisability aims to refine theory by clarifying which firms findings apply to, rather than seek universal applicability (Greenwood *et al.*, 2014).

How: Theoretical and methodological approaches

Our analysis revealed that existing research has built on a wide variety of theoretical perspectives, but applied a limited variety of methodological approaches. An opportunity exists, therefore, to enrich the field not only with greater methodological diversity but also with different forms of theorisation (Cornelissen *et al.*, 2021), and PSF characteristics can help reveal fertile paths for more pluralistic and holistic future research.

First, by comparing PSFs at different levels on the continuum of a particular characteristic (e.g. high versus low degree of professionalisation) it becomes possible to compare international PSFs and explain the heterogeneity among them (Malhotra and Morris, 2009; Von Nordenflycht, 2010). For example, the strategies law firms use to adapt to institutional

complexity might be compared to those used by consulting firms. Such comparative research could include qualitative and/or quantitative methods to explore and test if and when logical relationships exist between PSF characteristics and international management phenomena (Boddewyn, 1965; Greenwood *et al.*, 2014).

Second, given the complex nature of international management and probable interdependencies between PSF characteristics, a configurational approach could prove insightful (Fainshmidt *et al.*, 2020). For example, how different combinations of PSF characteristics (and/or indeed other factors) might lead to a given operation mode choice. Moreover, these operation modes are likely to change over time and the adoption of a process approach would surely produce novel findings regarding how international PSFs are managed.

What: research themes

The application of the PSF characteristics lens enabled us to identify promising avenues for future research, which are discussed below.

(1) Internationalisation process of PSFs. We propose that the drivers and barriers to PSF internationalisation should be analysed through the characteristics lens. For example, it is commonly accepted that PSFs will follow their clients abroad, perhaps due to the trust built between client and PSF during the customisation process. However, to achieve a sustainable international presence, PSFs will need local clients, which may be difficult due to knowledge asymmetry (Dou *et al.*, 2010). Additional barriers also appear to stem from the professional nature of services: evidence from law firms shows that the regulation of professions generates internationalisation barriers that need to be overcome (Faulconbridge *et al.*, 2012; Morgan and Quack, 2005; Muzio and Faulconbridge, 2013). However, these drivers and barriers need to be explored and tested in different settings to establish to what extent they affect different types of PSFs (e.g. with different degrees of professionalisation).

(2) *PSF Foreign Operation Modes.* PSF characteristics may also provide clues to resolve the contradictions and open questions regarding PSF operation modes. For example, scholars have posited that PSFs favour the FDI mode to facilitate knowledge transfer that is so central to their services (Dunning, 1989; Erramilli and Rao, 1993). While many PSFs do choose FDI, our dataset also showed a number of alternative mode choices. Examination of these choices through the lens of other characteristics (e.g. degree of professionalisation) can provide additional insights: Highly professionalised PSFs face jurisdictional boundaries limiting the ability of professionals to practice in other places and/or share knowledge across subsidiaries, so they may need to internationalise through networks and alliances (Salvoldi and Brock, 2019); while other professionals can resort to a fly-in, fly-out (export) mode (Deprey *et al.*, 2012; Winch, 2008, 2014). Similarly, customisation requires face-to-face interaction, but deeper analysis will undoubtedly reveal a range of options for partial remote provision and potential mode combinations (Ball *et al.*, 2008), i.e. exports and a local presence (FDI or partner) (Boojihawon, 2007; Faulconbridge, 2009; McQuillan *et al.*, 2018). These illustrative examples from our dataset point to the need to further explore how individual and combinations of PSF characteristics influence foreign operation mode choices.

(3) *Integration-responsiveness dilemma.* Our analysis revealed that this topic has received sufficient attention to allow for comparison and integration of results. Moreover, we discussed how PSF characteristics (e.g. professionalisation or customisation) have played an important role in explaining the resistance firms experience to global integration and as such findings can be tested in broader settings to confirm or refine existing theories. Another relevant avenue is the open debate on the extent to which PSFs are and should be considered prime examples of the *transnational* firm, given the role of PSF characteristics in the struggle to balance global integration and local responsiveness (Boussebaa, 2015a; Klimkeit and Reihlen, 2015).

(4) Managing professionals. Our findings pointed to a promising path forward, namely the

impact of *national varieties of professionalism* on the management of professionals in the international PSF and the resulting organisational arrangements (Boussebaa and Morgan, 2015; Faulconbridge and Muzio, 2007). Indeed, the diversity of habits and expectations of professionals could contribute positively or negatively to the firm's international success, and its impact would be expected to vary based on the degree of professional intensity (Spence *et al.*, 2016). Of particular relevance would be the effects of these varieties of professionalism on the neo-colonialist power struggles that have been identified in international PSFs (Boussebaa *et al.*, 2012; Sayed and Agndal, 2020).

(5) Managing knowledge. Our analysis identified an important gap in the literature, namely that knowledge has largely been treated as a monolithic concept, with the exception of differentiating between explicit and tacit knowledge. However, we know from the broader IB literature that firms require and build different types of knowledge to compete in international markets (Fletcher *et al.*, 2013), and from the dataset that PSFs apply both technical professional knowledge and experiential knowledge in the provision of services (Faulconbridge, 2006; Malhotra and Morris, 2009; Werr and Stjernberg, 2003). A deeper understanding of *what* knowledge international PSFs are sharing and *how* they do so could help identify the most effective transfer mechanisms, provide a means of comparison of PSF knowledge management strategies, and clarify to what extent lessons from international PSFs are applicable to other multinational firms.

(6) Adapting to the global context. Research on the interaction between PSFs and the global context, in particular with institutions and clients, has already placed PSF characteristics at the heart of its analysis. Future research could explore the applicability of these findings in broader research settings, e.g. to determine whether PSFs with a lower degree of professionalisation (e.g. consulting or technological firms) will be affected by institutions in the same way as highly professionalised PSFs, or whether they will behave more like other service or

manufacturing firms. Similarly, given the focus of the value creation perspective on knowledge co-creation with clients (Fosstenløkken *et al.*, 2003; Løwendahl *et al.*, 2001), this approach seems particularly apt to analyse the role of customisation and knowledge-intensity in the interaction between PSFs and their international clients.

CONCLUSIONS

This literature review has attempted to paint a picture of what is known about the management of international PSFs. Like any picture, it is a (limited) reflection of reality. First, our focus on studies that explicitly referred to PSFs, due to the conceptual ambiguity, may have excluded potentially relevant studies and therefore our findings should be interpreted within the boundaries we defined. Second, it is difficult to fully eliminate subjectivity in the coding, and content analysis process. Where possible, we have built on existing categorisations and where no such previous categorisation existed, emerging themes were discussed between the authors, who have different backgrounds, experience and thus perspectives on the data.

Despite these limitations, we contribute to the fields of IB and PSFs by taking stock of the extant literature on the international management of PSFs and highlighting promising avenues for future research. In particular, we propose that PSF characteristics should play a more prominent role in future research. Not only do PSF characteristics provide a means to explicate the contextual boundaries of a study and its considerations of generalisability, but they also provide a means to explore and explain the heterogeneity of PSFs, thus enabling confirmation and/or further refinement of existing theories and more fine-grained explanation of the behaviour of different international PSFs. As a result, this study proposes a PSF characteristic-based research agenda that contributes to the conceptual, methodological and theoretical development of the field.

Our proposal to bring PSF characteristics to the forefront of research includes important

managerial considerations. Research explaining and predicting how PSF characteristics will influence a firm's internationalisation can help managers understand the decision alternatives available to them and better evaluate which are more likely to succeed in their context. Additionally, this approach provides managers with clues regarding the types of firms they might learn from (i.e. those with similar characteristics) and to what extent they may serve as an example for others.

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Figure 1: Where: Research setting

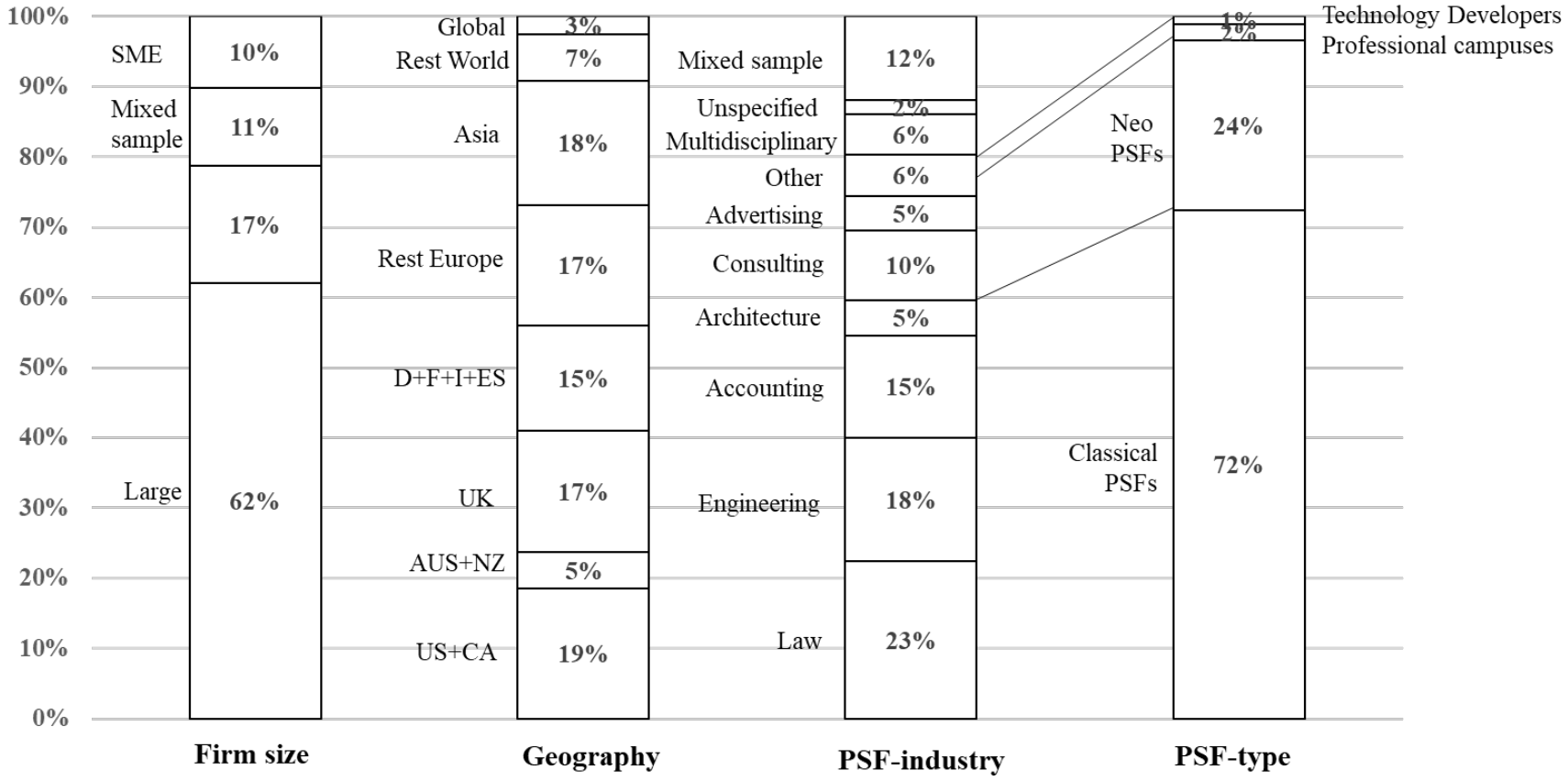

Figure 2: How: theoretical and methodological approaches

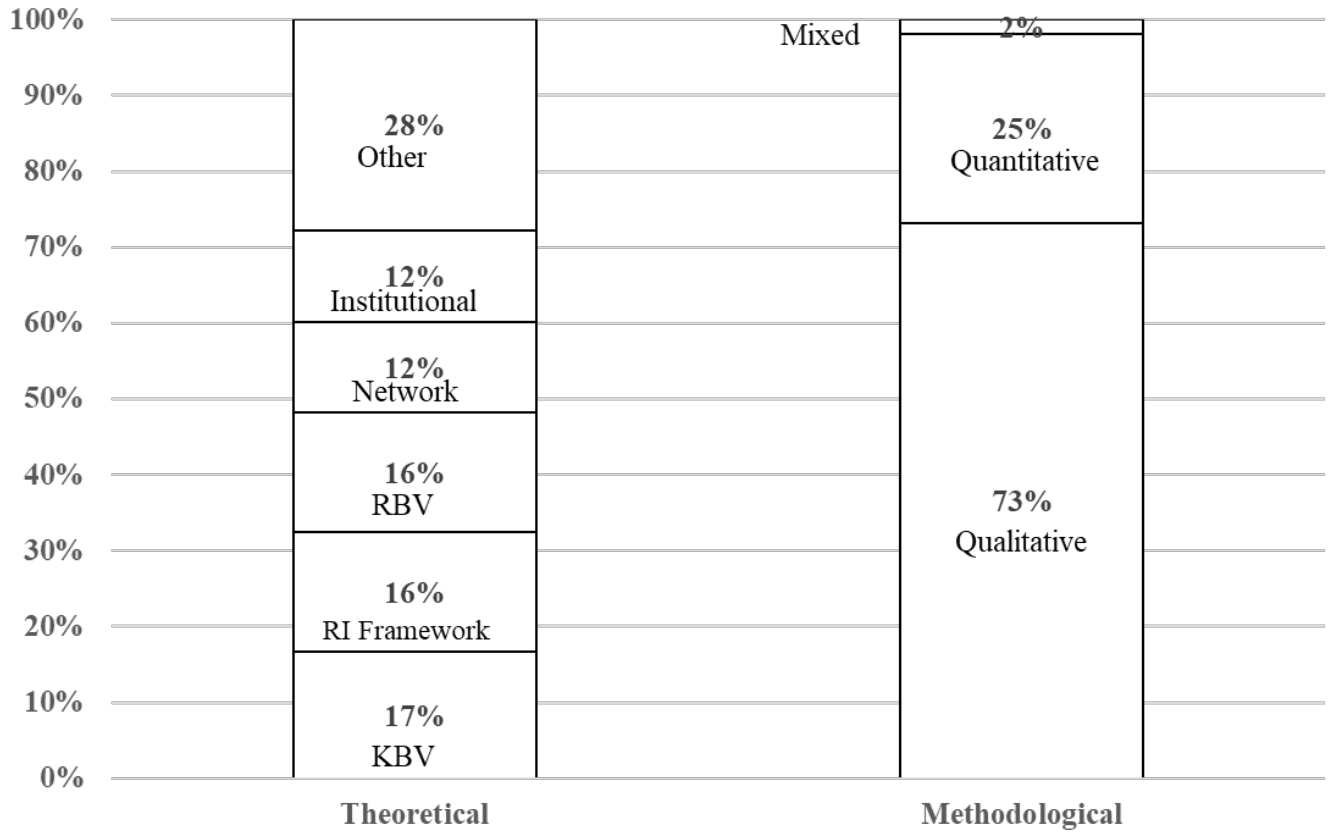

Table I: PSF Industries, types and characteristics

PSF-industry	**Frequency in dataset**	***Type of PSF by von Nordenflycht (2010) (% of classified papers)***	**Characteristics from von Nordenflycht taxonomy**			**High Customisation(*)**
			Knowledge-intensity	**Low capital intensity**	**Highly Professionalised workforce**	
Law	25	*Classical PSFs (72%)*	X	X	X	X
Accounting	5		X	X	X	
Engineering	18		X	X	X	X
Architecture	15		X	X	X	X
Consulting	10	*Neo-PSFs (24%)*	X	X		X
Advertising	5		X	X		X
Headhunting	3		X	X		X
Financial services	2		X	X		
Real estate	1		X	X		X
Hospitals	1	*Professional campuses (2%)*	X		X	Insufficient data
News agency (**)	1		X		X	
Weather forecast service provider (**)	1	*Technology developer (1%)*	X			X
Total: Single industry studies	**87 *****		**87**	**84**	**65**	**68**
% of classified papers			**100%**	**97%**	**75%**	**78%**

Notes:

(*) Assignment of customisation category is based on extant literature (Greenwood et al., 2005; Malhotra and Morris, 2009; Von Nordenflycht et al., 2015) and information provided in the dataset.

(**) Assignment to von Nordenflycht taxonomy based on information provided in the dataset.

(***) of the remaining 21 papers, 6 included multidisciplinary firms; 13 mixed sample and 2 did not specify the industry.

Table II: Research theme by industry and PSF characteristic

THEMES	PSF-Industry										TOTAL	PSF characteristics					
												Capital intensity		Professionalisation		Customisation	
	Accounting	Advertising	Architecture	Engineering	Law	Consultancy	Other	Mixed sample	Multidisciplinary	Unspecified		Low*	%**	High*	%**	High*	%**
(1) Internationalisation	2	3	2	6	4	2	2	4	0	0	**25**	20	95%	15	71%	17	81%
(2) Foreign Operation Mode	2	0	1	2	2	0	1	4	0	0	**12**	8	100%	7	88%	6	75%
(3) Integration – responsiveness dilemma	4	0	0	5	3	1	2	2	6	0	**23**	14	93%	13	87%	10	67%
(4) Managing Professionals	4	0	0	2	6	1	0	2	0	2	**17**	13	100%	12	92%	9	69%
(5) Managing Knowledge	1	1	0	3	2	4	2	0	0	0	**13**	12	92%	6	46%	11	85%
(6) Adapting to Global Context	2	1	2	0	8	2	2	1	0	0	**18**	17	100%	12	71%	15	88%
TOTAL	**15**	**5**	**5**	**18**	**25**	**10**	**9**	**13**	**6**	**2**	**108**	**84***		**65***		**68***	

Notes: Knowledge-intensity is not included in this table as all PSFs are knowledge-intensive (see table 1).

(*) Number of papers in the theme set in a context with this characteristic (see table 1 for assignment of characteristics).

(**) % of papers in the theme with this characteristic with respect to papers that can be assigned a characteristic (i.e. excludes mixed sample, multidisciplinary and unspecified).

Table II: Research themes: Past & future

Theme	Articles (%)	Subthemes identified in dataset (frequency)	Future research questions building on the PSF characteristics lens
(1) PSF Internationalisation	25 (23%)	• Patterns of internationalisation (14) • International success / performance (7) • Growth (2) • Liability of foreignness / outsidership (2)	• How do PSF characteristics (knowledge-intensity, degree of professionalisation, customisation or low capital-intensity) drive or impede the internationalisation of different types of PSFs?
(2) PSF Foreign operation modes (FOM)	12 (11%)	• Exporting decision (1) • Market entry strategies (2) • Entry modes (2) • Franchise models (2) • Determinants of export success (1) • Role of home and host country networks (3) • Network internationalisation (1)	• Which foreign operation modes do PSFs use and why? How do PSF characteristics influence mode choice individually and/or in combination? • What role do PSF characteristics play in Boussebaa & Morgan's (2015) forms of PSF-internationalisation? How can traditional operation modes be mapped against them?
(3) Integration – responsiveness dilemma	23 (21%)	• Integration and coordination practices (18) • Organisational structure (3) • Global business models (2)	• How do PSF characteristics affect the integration – responsiveness dilemma? To what extent does a high degree of professionalisation hinder global integration? To what extent does a need for customisation lead to greater local responsiveness? • Given the combination of PSF characteristics, to what extent can PSFs implement a transnational strategy? Considering individual characteristics (e.g. knowledge-intensity or customisation through strong client-interaction) could PSFs serve as an exemplary cases for

			other firms aspiring to a transnational strategy and why?
(4) Managing Professionals	17 (16%)	• Impact of professions on HRM: habitus, partnership, varieties of professionalism (5) • Social and relational capital (4) • Role of managers (4) • HRM Strategy (2) • Borders to mobility of professionals (1) • Social networks (1)	• Considering its degree of professionalisation, how do national varieties of professionalism impact the international management of a PSF? • Can national varieties of professionalism intensify or reduce geopolitical power dynamics?
(5) Managing knowledge	13 (12%)	• Global learning spaces (7) • Types of knowledge (2) • Knowledge transfer & performance (1) • Knowledge management & expatriation (1) • Barriers to knowledge transfer (1) • Micro-processes of experiential learning (1)	• What knowledge is relevant to international PSFs? How is this knowledge best shared or transferred and what barriers exist to these processes? Do the other PSF characteristics affect these knowledge flows and how? • To what extent are the knowledge management practices of transnational PSFs applicable to other firms?
(6) Adapting to the global context	18 (17%)	• Strategic responses to institutional context (10) • Home market / industry factors (2) • Specific PSF business environments (1) • Role of global PSFs in shaping the global business environment (1) • Adapting to the local client context (4)	• How do PSFs differ in their interaction with institutions based on their degree of professionalisation? • How do PSFs manage the value creation process with international clients? What role do PSF characteristics (in particular knowledge-intensity and customisation) play in this process?
TOTAL	**108**		

6. STUDY 2

INTERNATIONAL MANAGEMENT CHALLENGES OF PSFS: SYNTHESIS OF THE LITERATURE

International Management Challenges of Professional Service Firms:

A Synthesis of the Literature

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International Management Challenges of Professional Service Firms: A Synthesis of the Literature

Purpose: This paper aims to identify what international management challenges professional services firms (PSFs) face and why they face them.

Design/methodology/approach: We carried a focussed thematic literature review of 102 empirical articles. We used content analysis to extract and aggregate challenges identified by researchers in their fieldwork, and then analysed this data using qualitative and quantitative methods.

Findings: We identified 10 international management challenges that PSFs face, as well as a number of causes for these challenges. Our analysis also suggests that the distinctive characteristics of PSFs generate some of international management challenges for PSFs.

Practical implications: This study helps PSF managers understand the international management challenges they may face depending on the specifics of their company, thus helping them better prepare their internationalisation.

Originality/value: This study contributes to providing a greater understanding of what is holding PSFs back in their internationalisation and why. It demonstrates that distinctive characteristics of PSFs may predict the challenges that PSFs will face, thus paving the way for further research on international management in PSFs and for development of the diagnostic tool for practitioners that could help them to identify which challenges they should prepare for most.

Keywords: Professional service firms, international management challenges, internationalisation, PSF characteristics

1. Introduction

Professional service firms (PSFs) are increasingly important players in the global economy, especially as competition is increasingly knowledge-based (Empson et al., 2015); and they contribute to the globalisation phenomenon as both global service providers for their multinational clients and as political and economic agents of globalisation (Boussebaa and Faulconbridge, 2019). European data indicates that international trade in services (including professional services) continues to represent three times less than trade in goods, despite accounting for three quarters of employment and GDP (European Union, 2017; Kundu and Lahiri, 2015). On the other hand, international trade in services is growing more than 60% faster than trade in goods, and there is increasing awareness that current measures underestimate the value created by international service trade (European Union, 2017; McKinsey Global Institute, 2019). For all these reasons, scholars have recognised the importance of service firms (Kundu and Lahiri, 2015; Rammal and Rose, 2014) and PSFs in particular (Boussebaa and Morgan, 2015; Empson et al., 2015) in international business (IB), and have called for greater scholarly attention to be paid to the phenomenon.

Research on international PSFs has grown in the last decades but remains fragmented and many questions remain open (Boussebaa and Morgan, 2015; Brock and Alon, 2009). In particular, little is known about the international management challenges PSF face. Understanding what barriers constrain PSFs abilities to develop or sustain business abroad (Leonidou, 2004) can help to explain why these firms succeed and fail in international markets, and in doing so advance the field of IB (Peng, 2004) and provide PSFs with useful managerial advice. This study aims to address this gap and investigates what international management challenges PSFs face and why. To do this, we reviewed what challenges are predicted for PSFs by theoretical writings and then explored the extant empirical literature to identify and synthesise the international challenges that researchers found in their empirical work. We also identified potential causes for these challenges, and found evidence to suggest that the specific characteristics of PSFs lie at the root of several challenges. Specifically, we found that PSFs in highly professionalised and low-customised sectors are more likely to struggle

with global integration; and highly professionalised PSFs are likely to struggle with managing institutional complexity. This study contributes to the literature on the internationalisation of PSFs by proposing a comprehensive set of challenges these firms may face in this process and identifying potential causes for these challenges. Together, these findings provide greater understanding of what is holding international PSFs back. Furthermore, we contribute to this literature and to the IB literature more broadly by demonstrating that distinctive characteristics of PSFs may predict the challenges that PSFs will face. This finding both paves the way for further research on international management in PSFs and for development of the diagnostic tool for practitioners that could help them to identify which challenges they should prepare for most.

The remainder of this paper is organised as follows. First, we set the theoretical background for this study by discussing the concept of PSFs and reviewing IB theory to explore what predictions can be made about the international management challenges PSFs may face. Next, we present our research methods for data collection, qualitative analysis and quantitative analysis. Finally, we present and discuss our findings by linking back to the theoretical framework before providing some closing remarks on the limitations of our study, promising avenues for future research and practical implications of our study.

2. Theoretical Background

2.1. Professional service firms

Professional service firms (PSF) are often described by using a list of examples, i.e. accounting, consulting, engineering and law firms among others. However, what PSF-industries are included in this list varies greatly, and ambiguity remains around the concept and its boundaries. To address this, scholars have proposed to define PSFs though a set of characteristics (Empson et al., 2015; Von Nordenflycht, 2010), rather than through a list of industries. First, PSFs are knowledge-intensive, and services are mostly delivered by people, leading some authors to describe them as “human capital intensive” (Løwendahl, 2005; Von Nordenflycht, 2010). Second, the nature of a PSF’s workforce is often professional, i.e. employees possess a professional knowledge base, and this profession is

subject to regulation and control by certain authorities (Von Nordenflycht et al., 2015). Third, PSFs tend to be low capital-intensive, i.e. production does not generally need non-human assets (Von Nordenflycht, 2010). Fourth, professional services often require a high degree of customisation to the specific client needs, which can lead to the need for close physical proximity with the client (Abdelzaher, 2012; Løwendahl, 2005; Malhotra and Morris, 2009).

Von Nordenflycht (2010) highlights that while all PSFs share knowledge-intensity, they may differ across other characteristics. For example, the degree of professionalisation in the workforce is high for lawyers (access to the profession is regulated and jurisdictional boundaries impermeable); while for consulting it is low (no restrictions to access the profession nor jurisdictional boundaries to practicing it). Similarly, although professional services are generally considered highly customised to client needs, a degree of variation also exists as some industries do aim to achieve a greater degree of standardisation in methodologies and practices (e.g. auditing) (Løwendahl, 2005; Malhotra and Morris, 2009).

While each of these characteristics taken separately is not exclusive to PSFs, in combination they create a distinctive phenomenon (Empson et al., 2015). In particular, scholars have theorised that these characteristics are linked to distinctive organisational features and pose certain managerial challenges to PSFs (Von Nordenflycht, 2010). Similarly, Løwendahl (2005) argues that PSFs face a number of international management challenges due to their distinctive characteristics. First, to provide consistent services across borders, international PSFs will face the challenge of coordination across borders, but this need for coordination and control will likely collide with professionals' need for autonomy. Second, the knowledge-intensive and professional nature of services generate opaque quality, i.e. the difficulty of objectively assessing the quality of a service or project, and this will require PSFs to develop proxies for quality such as a strong reputation or global presence. Third, it is difficult to achieve economies of scale because each client has a different problem requiring a customised solution. Economies of scale may be found in upstream activities such as knowledge management, but managing knowledge across borders is also challenging. Finally, the customised

nature of professional services leads to a need for close interaction between professionals and clients, which in a global context entails mobility of professionals.

These propositions are based on the assumptions that general theories may not be applicable to PSFs and require adaptation or refinement to apply more aptly (Boussebaa and Morgan, 2015; Løwendahl, 2000, 2005). At the same time, IB scholars have claimed that although theories have been developed based on manufacturing firms, they apply more broadly to service firms too (Boddewyn et al., 1986; Brouthers and Brouthers, 2003; Erramilli and Rao, 1993). In the next section, we explore how general IB theories can inform us about the international challenges PSFs may face.

2.2. International business theories and the challenges of internationalisation

IB literature offers several theoretical perspectives to predict what challenges or barriers firms would face in their internationalisation. The first perspective builds on the resource-based view (RBV) of the firm, arguing that a firm, as a bundle of resources used to provide clients with products and services (Barney, 1991; Penrose, 1959), develops into a multinational enterprise (MNE) due to its superior capacity to develop, exploit and transfer firm specific resources across borders (Madhok, 1997; Peng, 2001). Cuervo-Cazurra et al. (2017) build on RBV to predict that MNEs can face three types of challenges in their internationalisation: the inability to transfer firm advantages across borders, the loss of a resource's advantage in the host market, or the inability to access complementary assets in the host market. Applied to PSFs, this suggests that PSFs will face three major challenges: their specialised resources (e.g. professional workforce) may be difficult to transfer across borders, these resources may lose their value or applicability in the host market; and local resources (professionals and/or local partners) may be difficult to find.

A second, albeit related perspective, is the knowledge-based view (KBV), which proposes that knowledge is the key resource of a firm, and that firms are social communities that specialise in the creation and transfer of knowledge (Grant, 1996; Kogut and Zander, 1992). The KBV sustains that the more tacit firm knowledge is, the stronger competitive advantage it may bring to a firm, but also the stickier it is, i.e. the more difficult it is to transfer (Kogut and Zander, 1993; Szulanski, 1996). Given

that much of the knowledge in PSFs resides in individuals and is therefore partially tacit (Von Nordenflycht, 2010), we can expect that that PSFs will have difficulties transferring their knowledge across borders when they internationalise (Fang et al., 2007; Martin and Salomon, 2003; Tallman and Chacar, 2011).

To a certain extent, the Uppsala model builds on the knowledge-based perspective (Welch, 2016), and explains the gradual expansion of the internationalising firm with an-going cycle of knowledge acquisition and resource commitment (Johanson and Vahlne, 1977, 1990). Subsequent development of the Uppsala model acknowledged that firms do not only develop knowledge internally but also through their interaction with the network of agents in the local market (Johanson and Vahlne, 2009; Vahlne and Johanson, 2013). Moreover, firms that do not succeed in penetrating these local networks will have difficulty acquiring the necessary market specific business knowledge and will face a lack of trust in the local market. Professional services are usually highly dependent on strong client relations, and therefore for PSFs it is expected that accessing local networks is particularly important in order to build client relations and establish a solid reputation in the host market.

A fourth perspective is anchored in institutional theory (North, 1990; Peng et al., 2009). Given that firms are subject to pressures from institutions in the environment in which they operate and must adapt to achieve legitimacy with these institutions, it claims that MNEs will face the challenge of institutional duality, i.e. adapting to institutions in both the home and host countries (Kostova and Roth, 2002). Moreover, this challenge becomes more complex as MNEs will need to manage both external legitimacy (of the firm within each external institutional environment) and internal legitimacy (among the MNE subunits each embedded in different environments) (Kostova and Zaheer, 1999). PSFs are deeply embedded in the institutional environment of their profession, and are impacted by regulators, professional associations and universities among other actors. Therefore, the institutional perspective would predict that PSFs are likely to face this challenge of managing the pressures of different institutional contexts, and possibly more intensely than other firms.

Finally, another theoretical framework often used to explain the strategies of international firms is the Integration-Responsiveness framework (Bartlett and Ghoshal, 1989; Doz and Prahalad, 1991), which highlights that the task of global integration conflicts with the task of responsiveness or adaptation to local markets; and predicts that any transnational firm with operations dispersed across geographical markets will face the challenge of balancing these two conflicting forces. In particular, firms will seek to achieve economies of scale, while simultaneously serving the market with the locally adapted products (Bartlett et al., 2004; Bartlett and Ghoshal, 2002). PSFs are predicted to face this challenge of balancing global integration and local responsiveness, but exacerbated by their limited ability to achieve economies of scale as each professional service aims to solve a client's specific problem, and potential limited applicability of the knowledge required to operate in other markets.

We lack evidence, however, on whether these challenges proposed for PSFs hold true, which limits our ability to inform managers of international PSFs and to suggest theoretically and managerially relevant future research. Therefore, the aim of this study is to analyse existing empirical work through the lens of challenges in order to identify the international management challenges PSFs face and why.

3. Research Method

Given our specific aim to identify the international challenges PSFs face in practice, we carried out a comprehensive search of the extant empirical literature to compile a dataset, which was then thoroughly analysed through our focussed thematic lens (Gaur and Kumar, 2018; Snyder, 2019). Data obtained from content analysis was analysed qualitatively (inspired by the meta-synthesis approach (Hoon, 2013)), and also quantitatively (using Pearson's chi-squared (χ^2) goodness of fit test), as described below.

3.1. Data collection

To build the dataset, a search was carried out in Scopus and Web of Science for empirical papers where the main research topic was the international management of PSF. These databases were chosen as two of the leading academic databases that include journals from 250 disciplines and follow

a rigorous selection of indexed sources. The search was carried out using the search string "professional service firm" AND "international*" OR "global" OR "transnational" (as these terms are often used interchangeably). The search resulted in 134 articles, after removing duplicates. Another 47 articles were identified manually through citation analysis, providing a total of 181 articles for further filtering.

To apply the inclusion and exclusion criteria, all 181 abstracts were read. For a study to be included, it needed to address an international management issue in the context of PSFs, and be published in a peer-reviewed journal included in the Chartered Association of Business Schools (ABS) ranking. Because ambiguity remains around the concept and boundaries of what constitutes a PSF (Empson et al., 2015; Von Nordenflycht, 2010), we followed the criteria of the papers' authors, and included papers where the research context was labelled by the authors as a PSF. Furthermore, given our aim to collect data about international management challenges PSFs face in practice, conceptual papers were excluded from the dataset. Finally, studies that were empirically set in international or global PSFs but did not address international or cross-border issues were excluded. This resulted in a dataset of 102 empirical articles on the international management of PSFs for analysis, which are marked with an asterisk in the bibliography (although not all articles are cited in the text).

3.2. Data analysis

Given that a large proportion of the dataset were qualitative studies, the meta-synthesis approach was considered useful. This approach aims to accumulate existing case studies to extract, analyse and synthesise findings (Hoon, 2013). Inspired by this technique and guided by our research questions, we analysed the data in the following steps

Step 1: To identify the challenges PSFs face, we first applied content analysis (Gaur and Kumar, 2018). For this, we developed a coding scheme building on the research questions. It included coding categories such as the PSF industry in which the study was carried out, methodology used, international challenges and causes put forward by authors regarding why PSFs face these challenges. Furthermore, in order to understand the heterogeneity of PSFs, we coded the descriptions of PSF

industries, in particular relating to the characteristics used to describe them. This coding scheme was then tested with a subset of 15 papers from the dataset and refined.

The 102 papers were then carefully read in full, analysed and coded (with NVivo software), following the coding scheme. Challenges were often signalled with words such as “difficulty”, “problem”, “barrier” and “challenge” and were coded when identified in the findings or discussion sections. Challenges coded included those core to the paper’s topic of study and other tangential ones mentioned in passing. However, those derived from conceptual theorising were excluded, as our aim was to find empirical challenges observed by researchers during their fieldwork. Subsequently, to aggregate the challenges identified, various cycles of coding, recoding and classification were carried out (Miles et al., 2013). Second order classifications were generated through joint discussions between the three authors between the rounds of recodification (Gioia et al., 2012).

Step 2: To explore why PSFs face these challenges, and in particular whether the challenges identified are related to PSF characteristics, we did the following. First, we analysed causes provided by the authors themselves (if any) as flagged in our content analysis. Second, we built a new dataset by indicating for each paper which challenges had been detected, and by assigning to this paper PSF characteristics based on the industry in which the study was carried out. To assign characteristics to industries (see Table 1), we used von Nordenflycht’s (2010) characteristic-based taxonomy of PSFs, but also double-checked these assignations with the industry descriptions provided by papers that we had coded. In the case of customisation, which is not considered in von Nordenflycht’s taxonomy, we built both on extant literature (Malhotra and Morris, 2009; Von Nordenflycht et al., 2015) and evidence from the papers in our dataset (Barrett et al., 2005; Dirsmith et al., 2015; Reihlen et al., 2009). All PSFs are considered knowledge-intensive so this characteristic did not provide grounds for statistical analysis. Furthermore, while according to von Nordenflycht (2010) some PSF industries are high capital-intensive, such industries were not present in our dataset, and hence we could not run the statistical analysis for this characteristic either. When a paper explored a mixed-industry sample or a multidisciplinary firm engaged in several industries with varied characteristics, we assigned “not available/missing data” code. The resulting sample size with no missing values is 86 for

professionalisation and 82 for customisation. Given the categorical nature of our data, we used Pearson's chi-squared (χ^2) goodness of fit test to explore if PSFs with a given characteristic were more likely to face a certain challenge (Navarro et al., 2019).

PLEASE INSERT TABLE 1 HERE

4. Findings

4.1. Challenges PSFs face in internationalisation

10 challenges emerged inductively from the data analysis process. They are discussed below and summarised in table 2, starting with the challenges most frequently cited.

Challenge 1: Global integration for consistent service delivery and quality across markets. There is increasing pressure on PSFs to provide their global clients with consistent service and quality around the world (Breunig et al., 2014; Breunig and Hydle, 2013; Greenwood et al., 2010; Segal-Horn and Dean, 2009). To achieve this, PSFs try to achieve global integration of their processes, resources and management structures, but continue to struggle in the implementation of global practices (Barrett et al., 2005; Boussebaa, 2009; Brock and Yaffe, 2008; Greenwood et al., 2010; Jones, 2005; Segal-Horn and Dean, 2007, 2009; Zhang et al., 2016).

Challenge 2: Institutional complexity. PSFs operating in different markets must adapt to the institutional context of the host country. This affects PSFs in two ways. On the one hand, PSFs must comply with the local rules that regulate professionals and the services they deliver (Faulconbridge, 2009; Segal-Horn and Dean, 2011; Suseno and Pinnington, 2018; Winch, 2008); and on the other, they must manage professionals originating from different institutional contexts, or what is known as national varieties of professionalism (Faulconbridge and Muzio, 2007), as conflicts may arise between professionals from different contexts that may hinder integration and performance (Faulconbridge and Muzio, 2016; Muzio and Faulconbridge, 2013; Smets and Jarzabkowski, 2013).

Challenge 3: Availability of resources with the necessary knowledge for internationalisation. Human capital is key in the internationalisation of PSFs and those that internationalise without strong human capital are likely to be at a disadvantage (Hitt et al., 2006; Radulovich et al., 2018).. However, PSFs find it difficult to find and retain sufficient professionals with the necessary skills and knowledge to operate in international markets (Boxall and Steeneveld, 1999; Lu et al., 2012; Pinnington and Sandberg, 2014; Spar, 1997; Suseno and Pinnington, 2017a) . This includes home country professionals that travel to and from the host country and expatriates (Benson et al., 2009; Benson and Pattie, 2009), local professionals (Kirsch et al., 2000; Morgan and Quack, 2005; Poulfelt et al., 2014) and managers with the necessary skills to manage offices in the host country (Bunz et al., 2017).

Challenge 4: Managing knowledge across distributed locations. The specialised knowledge of professionals is the basis of the services a PSF delivers to its customers and is therefore a core asset for PSFs. Attempts to ensure the firm's core knowledge and accumulated experience is available to professionals across geographic locations may include the transfer of best practices or processes (i.e. of explicit, managerial knowledge) (Boussebaa et al., 2014), or the creation of shared learning spaces, for professionals to identify colleagues with relevant experiences and tacit knowledge on which they can build in their future projects (Faulconbridge, 2006; Hydle and Breunig, 2013; Richardson and McKenna, 2014). However, successfully implementing such initiatives is neither void of difficulties nor a guarantee of increased performance (Levine and Prietula, 2012).

Challenge 5: Signalling quality and building a reputation abroad. The quality of professional services is difficult to assess, sometimes even after the service has concluded (Løwendahl, 2005). PSFs must therefore find ways to signal quality and build up a reputation, a feat made more difficult in the international context where informal communication with customers is difficult to achieve and cultural and institutional contexts differ (McQuillan et al., 2018; Nachum, 1996; Suseno and Pinnington, 2017a).

Challenge 6: Building and maintaining international client relations. PSFs sell a "credible promise" of resolving a client's problems (Løwendahl, 2005) and in order to achieve this they must build a trust-based relationship with said client (Dou et al., 2010; Hall et al., 2009). Face-to-face interaction and

collaboration with local partners facilitate relationship building with international clients, but are slow and costly to achieve (Beaverstock et al., 1999; Freeman and Sandwell, 2008; Skaates et al., 2003).

Challenge 7: Non-transferability of services. PSFs may find that their services are specific to a given market and do not transfer well to others (Cort et al., 2007). Indeed, the applicability of a professional's knowledge may be limited to a given context (Spar, 1997; Sparrow et al., 2013) or the results of a given creative project (e.g. advertising or architecture) inappropriate for other settings (Faulconbridge, 2006).

Challenge 8: Profitability of international activities. While internationalisation provides a means for growth, opportunities to generate economies of scale remain limited for PSFs (Jewell et al., 2014). Moreover, provision of professional services in international markets may well entail higher costs (Breunig and Hydle, 2013), while the market and competitive conditions often constrain prices (Bello et al., 2016; Segal-Horn and Dean, 2011). This makes it difficult for PSFs to achieve and maintain profitable margins (Brock et al., 2006; Faulconbridge and Muzio, 2007; Suseno and Pinnington, 2017a).

Challenge 9: Language and cultural barriers. The ability of professionals to deliver on their "credible promise" depends on their ability to communicate effectively with their clients and partners (Løwendahl, 2005). Language and cultural differences are key to this communication and are considered a barrier to PSF internationalisation (Alon and McKee, 1999; Pflanz, 2013; Winsted and Patterson, 1998). As discussed in the following section, language and cultural differences were also identified as causes for other challenges.

Challenge 10: Partner attitude towards internationalisation. PSFs often adopt a professional partnership (P^2) form, in which employees assigned to be partners simultaneously play three potentially conflicting roles – of owner, manager and service provider. As owners, partners play a key role in the internationalisation process (Smets et al., 2017), and tensions between the priorities of their different roles may have an impact on the process. For example, partners juggle between the short term perspective (e.g. billable hours) and the long term perspective (e.g. investing in pursuing

international clients) and excessive attention to the former slows international expansion (Jewell et al., 2014; Nachum, 1998). Furthermore, the partners' attitude to risk will determine whether or not they add new international equity partners to the partnership, as well as how they manage the ratio of partners to professionals and the firm's capacity to generate revenues efficiently (Brock and Yaffe, 2008).

Table 2 below provides an overview of these challenges and the frequency with which they were identified in our dataset, overall and by PSF-industry. We found that the challenge of global integration was detected most often in studies in accounting and law firms, and institutional complexity mainly in law firms, but both were also present in other industries. Other challenges (3, 5 and 6) were found fairly evenly across industries, and the low frequency with which challenges 7 to 10 were identified does not provide much insight into where they might typically be found.

PLEASE INSERT TABLE 2 HERE

4.2. Causes for the international management challenges of PSFs

Table 3 summarises the causes of the international management challenges of PSFs, as identified by authors of the papers we analysed. The three most frequently cited challenges (global integration, institutional complexity and availability of resources) were also frequently linked to PSF characteristics, though not always unanimously to the same ones.

PLEASE INSERT TABLE 3 HERE

Causes for Challenge 1: Global integration for consistent service delivery and quality across markets

The papers in our dataset mention a variety of causes for this challenge: language and cultural differences and the lack of training hinder local implementation of policies (Belal et al., 2017; Boussebaa, 2015; Ferner et al., 1995), the limited potential for profit sharing across units (Boussebaa et al., 2012; Cooper et al., 1998); and the influence of geopolitics on power relations and stereotypes between offices (Barrett et al., 2005; Boussebaa et al., 2012; Cooper et al., 1998). However, the most cited reason for tensions and resistance to the integration of global PSFs was the professional nature

of the workforce, and in particular the autonomy which is core to their identity (Faulconbridge and Muzio, 2007, 2008; Klimkeit and Reihlen, 2015, 2016).

This relationship was, however, not supported by the Pearson's chi-square test performed on the numerical dataset ($\chi^2(1) = 0.439$, p=0.507, n=86). Given the contradiction of these findings, we dug a little deeper. Instead of operationalising the degree of professionalisation as a binary variable of 1 (high) and 0 (low), we refined the operationalisation to include an intermediary value of medium, which we assigned to industries with professional closure but more permeable jurisdictional boundaries, i.e. engineering and architecture (Malhotra and Morris, 2009). In this case, a significant association was found for highly professionalised PSFs ($\chi^2(1) = 6.308$, p=0.043), namely they were more likely to face the global integration challenge than medium and low professionalised firms. Indeed, in our dataset, 42% of highly professionalised PSFs were mentioned to face this challenge, compared to 13% and 24% of medium and low professionalised PSFs, respectively.

The analysis revealed another significant association between global integration challenge and PSF characteristic, namely, customisation ($\chi^2(1) = 9.049$, p=0.003, n=82). In this case, companies from low customisation industries (e.g. auditing) appeared to be more likely to face this challenge compared to companies from industries characterised by high customisation. 58.8% of papers in our dataset studying low customised PSFs mentioned this challenge, compared to 21.5% of papers studying high customised PSFs.

Together, these findings reveal a complex picture of the challenge PSFs face with global integration. Table 2 shows how this challenge was detected mainly in studies on law and accounting firms, but it appears that the cause of the challenge is different, i.e. highly professionalised workforce and low customisation respectively. Moreover, quite a broad spectre of additional causes were identified by researchers, but insufficient data exists to test these relationships more thoroughly, highlighting that although this challenge has received the most attention in the research on the internationalisation of PSFs, much remains unknown and untested regarding its causes.

Indeed, some scholars have called into question whether global PSFs are truly implementing transnational strategies that balance global integration and local responsiveness (Boussebaa et al., 2012; Boussebaa and Morgan, 2015). A more fine grained analysis is needed, and scholar have suggested this should be done by shifting the spotlight from firm level to the level ofr organisational practices (Brock and Hydle, 2018; Klimkeit and Reihlen, 2016; Segal-Horn and Dean, 2009) or individuals (Barrett et al., 2005) to better understand the underlying dynamics in PSFs. Our findings support the need for a more nuanced understanding, and lead us to suggest that comparative research could be undertaken to determine how and why different PSFs are facing this challenge. As PSF research has traditionally adopted an industry perspective, this would typically entail a comparison of lawyers and auditors with respect to global integration initiatives. However, our findings suggest that the characteristics of PSFs play a role in the resistance to global integration, and comparative research analysing the individual and interrelated effect of characteristics on global integration could provide exciting new insights.

Causes for Challenge 2: Institutional Complexity. Researchers concur in identifying the professionalised nature of a PSF's workforce as the main cause of institutional complexity (see Table 3). Professions are regulated by a variety of institutions (state, professional associations, universities) and by internationalising, PSFs increase the complexity of the institutional pressures they face (Faulconbridge and Muzio, 2007, 2016; Muzio and Faulconbridge, 2013; Smets and Jarzabkowski, 2013). Pearson's chi-square test confirmed this relationship, revealing a significant association between professionalisation and institutional complexity ($\chi^2(1) = 6.703$, $p= 0.01$, $n=86$). Companies from high and medium professionalised industries (accounting, law, engineering or architecture) appear more likely to face this challenge than those from industries characterised by low professionalisation (consulting, advertising). This finding holds for both binary (high/low) and 3-level (high/medium/low) operationalisation of professionalisation. For example, using 3 levels, 36.8% of papers studying highly professionalised firms were found to detect the institutional complexity challenge, compared to 17.4% and 4% of medium- and low professionalised firms, respectively.

These findings support the predictions of institutional theory with respect to the challenge of adapting to internal and external complexities created by the different institutional contexts (Kostova and Zaheer, 1999). In addition, these results highlight that some PSFs are more likely to face it than others, and offers a possible reason why PSFs may face this challenge more intensely than other firms: due to the professionalised nature of their workforce. Similarly to the previous challenge, scholars have called for the adoption of a micro-foundational perspective of institutional differences (Muzio and Faulconbridge, 2013). In particular, exploring how institutions impact professionals from different countries in different ways (i.e. varieties of professionalism), and how firms manage these potentially conflicting professional traditions, could prove of theoretical and managerial relevance. Questions also remain regarding the extent to which institutional complexity caused by the professionalisation of the workforce represents a barrier to PSF internationalisation: When is it surmountable and which strategies may help overcome it? Faulconbridge and Muzio's (2016) insightful study on the strategies of law firms could be replicated in both low and highly professionalised industries.

Causes for Challenge 3: Availability of resources with the necessary knowledge for internationalisation. Many firms face a lack of skilled resources for international deployment. However, the dataset shows that this is a particularly relevant challenge for PSFs because international knowledge is required not only in downstream marketing activities but throughout the whole service value creation chain – from formulating to delivering the "credible promise" (Morgan and Quack, 2005; Spar, 1997; Suseno and Pinnington, 2017b; Winch, 2014). Knowledge in PSFs is often tacit, experiential and embedded in people, resulting in the internationalisation process for PSFs requiring high levels of human capital; and so the lack of such qualified resources (from both home and host countries) becomes a particularly acute challenge for PSFs (Alon and McKee, 1999; Suseno and Pinnington, 2017a). Table 2 shows that, in contrast to the other challenges, this challenge was found in all types of PSFs, suggesting it may be common to all PSFs. This would make sense given that all PSFs are knowledge-intensive, with a high dependency on human capital. However, many articles in the dataset refer to international knowledge in an aggregated manner, limiting our

understanding of which knowledge is needed or lacking (i.e. technical know-what, experiential know-how or social capital and know-who (Hitt et al., 2006; Suseno and Pinnington, 2017b)), and if that knowledge resides in individuals, in teams of individuals or in the organisation (Malhotra, 2003).

Theoretical predictions of RBV and KBV and causes identified by the authors of the papers we reviewed all point to the characteristic of knowledge-intensity as the cause for this challenge. However, given that the characteristic of knowledge-intensity is common to all PSFs, we could not test this association statistically. Existing theories did not point to other PSF characteristics as potential reasons for this challenge, and in line with this, we found no statistically significant association between this challenge and degree of professionalisation ($\chi^2(1) = 0.051$, $p= 0.822$, $n=86$), or degree of customisation ($\chi^2(1) = 2.210$, $p= 0.137$, $n=82$).

Causes for Challenge 4: Managing knowledge across dispersed locations. Authors in our dataset identified a number of reasons why PSFs find it difficult to share and transfer knowledge within the firm. Using the CAGE framework (Ghemawat, 2007) we classified them as *cultural* factors, e.g. language differences and the culturally-embedded nature of knowledge (Boussebaa et al., 2014; Poulfelt et al., 2014; Spence et al., 2015); *administrative* factors such as different jurisdictional norms (Suseno and Pinnington, 2017a); *geographic* factors, e.g. time and space differences (Hydle, 2015) or travel costs (Faulconbridge, 2007; Scott-Kennel and von Batenburg, 2012); and *economic* factors, e.g. fee differentials and perceived value of knowledge across subsidiaries (Belal et al., 2017; Boussebaa et al., 2014; Faulconbridge, 2007). Furthermore, managing knowledge across dispersed locations is particularly difficult for a PSF because its knowledge is largely experiential and embedded in the firm's employees (Hydle et al., 2014). Tacit knowledge is best shared within the firm through internal networks linking the expertise that exists in different locations across the firm (Beaverstock, 2004; Tallman and Chacar, 2011). Indeed, attempts to promote knowledge sharing through knowledge management systems seem to have limited success in PSFs (Boussebaa et al., 2014; Werr and Stjernberg, 2003). But even PSFs that have implemented knowledge network relations find their efforts are hindered by the factors identified above (Faulconbridge, 2006, 2007; Hydle et al., 2014). Therefore, the combined effects of the experiential, tacit nature of a PSF's knowledge and the variety

of distance factors they encounter in their internationalisation, make the management of knowledge across dispersed locations within an international PSFs a salient challenge managers must be prepared to face (Hsiao, 2008). Similarly to challenge 3 above, it was not possible to test the association with the characteristic of knowledge-intensity, as all observations in the dataset were identified as knowledge-intensive.

Given that knowledge in highly professionalised PSFs is often location-bound by jurisdictional boundaries (Malhotra and Morris, 2009), institutional theory pointed to the possibility that highly professionalised PSFs might be more prone to this challenge. However, we found no such association in our dataset. One of the explanations for this finding might be that this association depends on the type of knowledge needed for internationalisation. Indeed, perhaps professional knowledge bound by jurisdictional boundaries is not that which is needed or lacking (challenge 3) nor what causes difficulties in cross-border knowledge transfers (challenge 4), but rather internationalisation know-how (Fletcher et al., 2013) or know-who (Hitt et al., 2006; Suseno and Pinnington, 2017b) that require further exploration.

Causes for Challenge 5: Signalling quality and building a reputation abroad. Researchers attribute this challenge to the knowledge-intensive nature of professional services, and more specifically to the opaqueness of quality, i.e. the difficulty of assessing the output of a service (Nachum, 1996; Suseno and Pinnington, 2017a). Firms often build on the professional expertise of individuals and their ability to customise services to clients needs to build the reputation of the firm; but this is more challenging in international markets where neither the individuals nor the firm are known (Greenwood et al., 2010; Harvey et al., 2017). However, as in the previous cases, we cannot test the association with knowledge-intensity with our dataset. In addition, evidence from our qualitative analysis of the papers suggests that PSFs in “unbounded professions”, i.e. those without professional closure, face additional difficulties in signalling quality as clients do not have clear expectations of the service output or even of the profession (Beaverstock et al., 2010; Hall et al., 2009). These observations led us to expect to find an association between this challenge and the degree of professionalisation, such that the challenge is more likely to be faced by companies with a lower the degree of professionalisation. We

did not, however, find a significant association, which could be due to the low number of observations of this challenge in our dataset (only 11).

Remaining challenges 6 – 10: Given the few instances of these challenges in the dataset, few causes were identified by the authors themselves, and insufficient data was available to test potential relationships. However, building on the extant theory and our qualitative analysis of the dataset, we propose potential causes that might be explored further and tested.

First, it has been theorised that a PSF's need for substantial interaction with clients is due to the degree of customisation required to fulfil the "credible promise" (Løwendahl, 2005). The studies in our dataset that identify this challenge of building international client relations suggest that customisation plays a role, in that it intensifies the need for strong relations with clients (Freeman and Sandwell, 2008; Hall et al., 2009). They also point to the linguistic and cultural differences (Freeman and Sandwell, 2008; Hall et al., 2009; Ström and Mattsson, 2006) and knowledge asymmetry (Dou et al., 2010) as causes of this challenge.

Second, the theoretical prediction that the competitive advantage of PSFs may not be transferable to international contexts (Cuervo-Cazurra et al., 2007), seems to be supported by some of the studies in our dataset. Specifically, they identify possible causes for this challenge such as the location-specific nature of knowledge on which the professional service is based (Cort et al., 2007; Faulconbridge, 2006) or the existence of regulations that limit professional practice in the host country (Spar, 1997; Sparrow et al., 2013).

Third, although the causes for the difficulties linked with achieving profitability in international activities have not received much attention, Løwendahl (2005) suggests that a PSF's low capital-intensity and the customised nature of its services limit its capacity to achieve economies of scale. When, in addition, PSFs operate in an environment which is price-sensitive (Belal et al., 2017; Bello et al., 2016) and additional costs are incurred due to geographical distance (Breunig and Hydle, 2013), it has been proposed that diseconomies of scale may occur (Jewell et al., 2014; Løwendahl, 2005).

Fourth, although language and cultural differences were mentioned by several studies as challenges for PSFs, none of these provided potential causes for this challenge or clues as to whether PSFs might face this challenge more or less frequently than other firms. Nevertheless, the knowledge-intensive nature of PSFs (in particular that PSFs' knowledge is embedded in people), and the need for services to be customised to each client are likely to make PSFs particularly susceptible to the impact of language (Welch and Welch, 2008) and cultural differences.

Finally, language and cultural differences may negatively influence the attitude of partners towards changes in the partnership structure, for example regarding the equity and non-equity partnership status of international professionals (Brock and Yaffe, 2008; Deprey et al., 2012). However, this challenge has received very little scholarly attention and other potential causes for this challenge remain to be identified and explored.

5. Discussion

5.1. Theoretical Implications

This study explored the questions of what international management challenges PSFs face and why. We began by reviewing IB theories to identify what challenges we might expect to find, and then compiled a dataset of 102 empirical articles on the internationalisation of PSFs to identify relevant empirical evidence on this issue. Our qualitative and quantitative analysis of this evidence provides some interesting answers to these questions. In answer to *what* international management challenges PSFs face, we provided a list of 10 such challenges that can inform both managers and scholars. Furthermore, we identified a number of causes *why* PSFs may face such challenges, and in particular highlighted instances when their specific nature, i.e. PSF characteristics, could be causing them.

Our study confirmed that PSFs do indeed face the challenge of global integration frequently, as the integration-responsiveness framework would predict (Bartlett and Ghoshal, 1989; Doz et al., 1981). However, our findings revealed that the degree to which PSFs face this challenge does not appear uniform. Our data suggests that two types of PSFs are more likely to face this challenge. First, PSFs with a high degree of professionalisation of their workforce are more likely to face resistance to

integration, which may be explained by the strong sense of professional autonomy that is core to these professions (Faulconbridge and Muzio, 2007, 2008; Klimkeit and Reihlen, 2015). These professionals (e.g. lawyers, auditors, architects) tend to be viewed as specialists in their field and delivery of a solution to clients is highly dependent on their personal judgement and they can even be held personally responsible in liability claims (Løwendahl, 2000). As such, attempts to implement global practices across the firm can be perceived as an attempt to limit this autonomy (Klimkeit and Reihlen, 2015, 2016). Second, PSFs with a low degree of customisation (i.e. higher degree of standardisation) are also more likely to face this challenge. Indeed, while many PSFs may focus on implementing consistent managerial practices but still leave professionals with a certain degree of professional autonomy, firms that see opportunity for greater standardisation in professional practices and service delivery (e.g. auditing firms) will face resistance to this global integration (Alon and Dwyer, 2012; Barrett et al., 2005). Overall, our results shed new light on the challenge of global integration in PSFs, by showing that when we apply the lens of PSF characteristics to the phenomenon, a sharper picture comes into focus: differentiated sources of resistance to global integration appear, providing us with a better understanding of how and why this resistance arises and how to manage it more effectively. This also has implications for research answering the call for further exploration of the *transnational* form (Boussebaa and Morgan, 2015; Brock and Hydle, 2018). Applying the lens of PSF characteristics to this topic could help researchers achieve a more fine-grained understanding of how characteristics, such as customisation for example, impact organisational features (Brock and Hydle, 2018; Greenwood et al., 2010) or the PSF's business models (Breunig et al., 2014).

Our findings also have noteworthy implications for institutional theory. First, we confirmed that PSFs do struggle with institutional complexity: it was the second most detected challenge. Indeed, institutional theory predicts that firms will be subject to pressures from institutions to conform to the environment in which they operate (Peng, 2002, 2009), and when firms are present in several countries they are faced with the challenge of managing the inconsistencies between both institutional environments (Kostova and Roth, 2002). International PSFs are likely to be subject to the pressures of informal institutions such as cultural norms and values (Scott, 2014), but given the strong influence of

formal institutions (state, professional associations, universities etc.) on professions (Faulconbridge et al., 2012; Faulconbridge and Muzio, 2007) it is likely PSFs will face institutional complexity to a greater degree than other firms. Second, we also found examples in our data to support the proposition that firms face both external institutional complexity (due to external environments) and internal complexity (among firm subunits) (Kostova and Zaheer, 1999). However, our dataset also unveiled an additional layer of internal complexity in PSFs besides that which arises between subsidiaries, namely on the level of individual professionals. In effect, professional institutions exert considerable authority on individual professionals, influencing their values, behaviours and the way they practice their profession (Spence et al., 2015, 2016). Insofar as institutions differ across markets, so can the practices of professionals within the same profession, leading *national varieties of professionalism* to arise (Faulconbridge and Muzio, 2007). Third, our study expands the literature by pointing to the fact PSFs may not all face the challenge of institutional complexity to the same extent. In effect, our evidence shows a significant association between institutional complexity and a high degree of professionalisation, suggesting that firms with a higher degree of professionalisation (e.g. law, accounting, engineering) are more likely to face institutional complexity than firms with a lower degree of professionalisation (e.g. consulting, head-hunting). Case studies in our dataset provide comprehensive analyses of how this challenge plays out for law firms (Muzio and Faulconbridge, 2013) and how certain international strategies (e.g. one-firm model) require adaptation because of conflicting institutional contexts (Faulconbridge and Muzio, 2016; Quack, 2012). This is a promising start to understanding this relationship further, although the extent to which their findings apply to other highly professionalised PSFs remains unclear.

Finally, predictions regarding the challenges PSFs are like to face made by the other theories reviewed in the theoretical background seem to hold in our data. However, based on our dataset these challenges seem to apply to all PSFs, and our ability to differentiate which PSFs are more likely to face each challenge is limited. Therefore, in the case of our particular dataset, it seems that institutional theory and the Integration-Responsiveness framework seem to provide richer explanatory power regarding why PSFs face certain challenges.

With these findings, our study makes three contributions to the field of PSFs internationalisation. First, by compiling a comprehensive set of international management challenges PSFs may face and identifying potential causes, our findings contribute to expanding existing knowledge on what hinders the process and why. Second, our findings point to relationships between PSF international management challenges and causes, that can be tested in future research. Third, our analysis of the characteristics of PSFs as potential causes of these challenges highlights how useful this lens can be.

Indeed, characteristics not only help to distinguish PSFs from other firms, but can also enable comparisons across different PSFs types and industries. Together, these findings provide greater understanding of what is holding international PSFs back and points towards a pathway for further research on the international management of PSFs, namely a focus on their distinctive characteristics.

We contribute to the IB literature more broadly, by demonstrating that distinctive characteristics of the firm may predict the international management challenges the firm will face, and in doing so contribute to expanding the knowledge on one of IB's fundamental questions, namely what are the causes the success and failures of international firms (Peng, 2004)

5.2. Limitations & future research

Like most, this study has its limitations. The use of secondary data (published academic work on international management of PSFs) carries a potential risk for subjectivity in the coding and analysis process. To counter this, codes and findings were discussed and contrasted among the three co-authors. Moreover, our data by its nature already contained a layer of researcher interpretation, and it was not possible to contrast the codes with the original researchers or firms. Nevertheless, the dataset was considered sufficiently broad to overcome individual biases. Future research may seek to contrast the findings with managers or experts, and to collect primary data to test these challenges and measure their impact.

In addition, the fact that all PSFs are knowledge-intensive and therefore all papers in our quantitative dataset were coded the same, limited our ability to explore the association of knowledge-intensity characteristic with the challenges. Future research could approach knowledge-intensity in a more

nuanced way, distinguishing between the different types of knowledge PSFs may have (e.g. Malhotra and Morris, 2009; Von Nordenflycht et al., 2015). Such an approach could allow for differentiation between PSFs according to their different types of knowledge-intensity, and for a more nuanced exploration of how these types might lead to different internationalisation challenges. Similarly, future studies might purposefully include PSFs that are capital-intensive, in order to study the effects of low capital-intensity on these challenges (Von Nordenflycht, 2010).

Furthermore, our study answers the call for more research to focus on the heterogeneity among PSFs (Boussebaa and Morgan, 2015), however our conclusions regarding which PSFs might be more likely to face particular international management challenges are based on a comparison of findings from existing studies, and such comparison may be limited by differences in these studies. Comparative studies that directly and explicitly explore the extent to which different PSFs face these challenges and the different types of solutions implemented to overcome them, appear to be a promising avenue for future research.

5.3. Managerial implications

This study offers managers several relevant insights. First, it provides managers with a comprehensive set of international challenges their firm may face, thus helping them to prepare better in advance to the internationalisation process. Second, this study provides managers with some indication of what may be causing these challenges. In particular, it highlights how the characteristics of their firm, such as the degree of professionalisation of their workforce or the degree of the required customisation of services, may make their firm particularly vulnerable to specific problems. With this, our study provides the starting point for the development of a diagnostic tool for managers to identify which challenges may be particularly relevant given the characteristics of their firm.

6. Conclusions

Building on the need to help PSFs identify the challenges they may face in their internationalisation, we reviewed the predictions of existing IB theories on the matter and explored the extant empirical literature to extract the challenges researchers had found and potential causes for these challenges.

Our findings allowed us to confirm that PSFs do face the challenges predicted by IB theory, but in order to offer managers a more fine-grained understanding of how these challenges play out in the PSF context, a more nuanced analysis is necessary. We thereby also provided support for the claim that the distinctive characteristics of PSFs can provide more subtle insights to the international management of PSF. In doing so, we contribute both to the literature on the internationalisation of PSFs, in particular by adding to our understanding of the difficulties these firms face and why, and the broader field of IB by pointing towards PSF characteristics as a lens for fine-tuning of theories in this context.

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Table 1: Assignment of characteristics to industries

Challenges	**Accounting**	**Advertising**	**Architecture**	**Consulting**	**Engineering**	**Law**
Von Nordenflycht taxonomy	Classic PSF	Neo PSF	Classic PSF	Neo PSF	Classic PSF	Classic PSF
Professionalised workforce	X		X		X	X
Low Capital-Intensity	X	X	X	X	X	X
Knowledge-intensity	X	X	X	X	X	X
Building on the dataset & extant literature.						
Customisation		X	X	X	X	X

Table 2: Challenges identified in the dataset: total frequency and frequency by PSF-industry.

Challenges	**Total**	**Accounting**	**Advertising**	**Architecture**	**Consulting**	**Engineering**	**Law**	**Rest (1)**
1. Global integration for consistency & quality	**31**	9	1		1	3	7	10
2. Institutional complexity	**20**	3		2		2	11	2
3. Availability of resources for internationalisation	**15**	1	1	2	2	2	6	4
4. Managing knowledge across distributed locations	**11**	1			3	3	3	1
5. Signalling quality & reputation abroad	**11**	1	1	1	1	1	3	3
6. Building international client relations	**8**		1	1	1	1	1	3
7. Non transferability of services	**6**		1			1	1	3
8.Profitability of international activities	**6**	1				2	2	1
9. Language & Cultural barriers	**5**	1				2	1	1
10. Partner attitude to internationalisation	**2**				1		1	
Distribution of the total dataset by PSF-industry	*102*	*15*	*5*	*5*	*10*	*18*	*23*	*26*

Note: (1): Rest includes other industries, multidisciplinary firms with more than one industry and mixed samples with more than one industry.

Table 3: Causes of challenges as identified by authors: Frequency

Challenges	Causes of the challenges						
	Characteristics of PSFs					Other causes	
	Professionalised workforce	Low Capital Intensity	Knowledge-intensity	Customi-sation	Total (N / %*)		
1. Global integration for consistency & quality	11	1		2	14 (45%)	11	Language & culture (4) Structure of the firm in profit centres (3) Dispersion of resources and cost of bringing them together (2) Geopolitics in the firm (2)
2. Institutional complexity	11				11 (55%)		
3. Availability of resources for internationalisation	3	1	6	1	11 (73%)		
4. Managing knowledge across distributed locations		1	2	1	4 (36%)	10	Dispersion of resources and cost of bringing them together (6) Language & culture (2) Geopolitics in the firm (2)
5. Signalling quality & reputation abroad	3		2	1	6 (55%)		
6. Building international client relations			1	1	2 (25%)	3	Language & culture (3)
7. Non transferability of services	1				1 (17%)	2	Language & culture (1) Location-bound knowledge (1)
8. Profitability of international activities		1			1 (17%)		
9. Language & Cultural barriers							
10. Partner attitude to internationalisation					1 (50%)	1	Language & culture (1)

* = % is the percentage of the papers who attribute a specific challenge to PSF characteristics among all papers who mentioned this challenge

7. STUDY 3

OPENING THE BLACK BOX OF WHY AND HOW PROFESSIONAL SERVICE FIRMS INTERNATIONALISE: THE ROLE OF PSF CHARACTERISTICS AND KNOWLEDGE.

An earlier version of the text presented in this chapter was submitted to the 82nd Annual Meeting of the Academy of Management, and accepted for presentation.

OPENING THE BLACK BOX OF WHY AND HOW PROFESSIONAL SERVICE FIRMS INTERNATIONALISE: THE ROLE OF PSF CHARACTERISTICS AND KNOWLEDGE.

Abstract

Although international professional service firms (PSFs) are gaining attention in international business (IB) research, key questions remain unanswered in the PSF context. Specifically, it is unclear to what extent existing theories can help answer why and how PSFs internationalise, and to what extent they explain the diversity among PSFs. Therefore, in this study, we explore why and how different PSFs internationalise. Given our aim to explore the heterogeneity of PSFs, we apply the lens of PSF characteristics and adopt a comparative case study approach. In particular, by unpacking the characteristic of knowledge-intensity, we revealed a complex array of knowledge types and knowledge processes. Our findings illustrated how configurations of knowledge types, knowledge processes and other PSF characteristics lead to different international management outcomes. This study contributes to the literature on the international management of PSFs by providing insights into the array of factors that contribute to why and how PSFs internationalise; and to the knowledge-based view of multinational enterprises by painting a more nuanced picture of the international firm as a knowledge-processing entity.

Keywords: International professional service firms; internationalisation motives; foreign operation modes; forms of PSF internationalisation; knowledge-intensity; knowledge types; knowledge processes

1. Introduction

Professional service firms (PSFs) such as the "Big 4" accounting firms have now reached such global scale and scope that they rank among the world's largest firms (Empson, Hinings, Muzio, & Broschak, 2015). As a result, PSFs are coming out of the shadows in management and international business research and we are learning more about how to manage global PSFs and the difficulties involved with providing clients with homogeneous professional services across the globe (Barrett, Cooper, & Jamal, 2005; Boussebaa, 2015; Segal-Horn & Dean, 2009; Spence et al., 2016).

Nevertheless, core questions in international business, namely what motivates a firm to internationalise (Cuervo-Cazurra & Narula, 2015; Dunning, 1988) or how the firm should operate in foreign markets (Hennart & Slangen, 2015; Shaver, 2013) do not have clear-cut answers in the PSF context. For example, there is insufficient empirical evidence to conclude if existing IB theories can help answer these questions for PSFs. For example, many studies have assumed that PSFs follow their clients and concluded that, as knowledge-intensive firms, they opt for foreign direct investment (FDI) as a way to facilitate transfer of their tacit knowledge to local subsidiaries (E. Anderson & Gatignon, 1986; Erramilli & Rao, 1993). However, in practice PSFs internationalise for a number of different reasons and choose from a wider variety of modes (Alon & McKee, 1999; Malhotra, 2003). Additionally, existing theories provide limited answers to explain why international PSFs differ. Indeed, by comparing service MNEs (including PSFs) with manufacturing MNEs, scholars have tended to treat the service sector as homogeneous and thus have overlooked the diversity within the service sector (Blagoeva, Jensen, & Merchant, 2020; Merchant & Gaur, 2008). Exploring the heterogeneity among PSFs may prove to be a more promising approach to a gain better understanding of the intricacies of international PSFs (Kundu & Lahiri, 2015; Kundu & Merchant, 2008).

In this study, we address these questions and explore why and how different PSFs internationalise. To do so, we adopt a comparative case study approach (Stake, 2000, 2006) to examine the internationalisation motives of PSFs, as well as their foreign operation modes and forms of internationalisation. To examine the heterogeneity among PSFs, we apply the lens of PSF characteristics (Løwendahl, 2005; Von Nordenflycht, 2010) – degree of professionalisation, customisation and low capital-intensity – and their role in these international management decisions. A fourth characteristic – knowledge intensity – is often considered a source of homogeneity. However, by building on the

knowledge-based view (Grant, 1996b; Kogut & Zander, 1993; Tsoukas, 1996) and specifically on Grant and Phene's (2021) proposal to focus on knowledge types and knowledge processes, we expose a more complex reality.

Our findings reveal a complex array of knowledge types (know-what, know-how and know-who) and knowledge processes through which they are managed, namely knowledge transfer, knowledge combination, knowledge accession and knowledge acquisition (Buckley & Carter, 2004; Buckley, Glaister, Klijn, & Tan, 2009; Cohen & Levinthal, 1990). Moreover, our findings suggest that different configurations of knowledge types, knowledge processes and other PSF characteristics can lead to different motives, choices of foreign operation modes and forms of internationalisation.

This study contributes to the literature on the international management of PSFs by providing answers to the questions of how and why PSFs internationalise (O'Higgins, Aramburu, & Andreeva, 2022); by shedding light on the heterogeneity of international PSFs (Malhotra & Morris, 2009; Von Nordenflycht, 2010); and by highlighting the configurational nature of these international management decisions. Furthermore, we contribute to enhancing the knowledge-based view of the multinational enterprise (Grant & Phene, 2021; Kogut & Zander, 1993), by providing a more nuanced picture of the firm as a knowledge-processing entity and how a firm's knowledge needs can influence its international management.

2. Theoretical background

2.1. International professional service firms

In the last three decades, the so-called "Big 4" PSFs have entered the rankings of the largest global firms in the world, boasting over 150,000 employees spread across 150 countries. As a result, the attention that researchers have paid to these firms and similar large Anglo-Saxon PSFs has grown (Boussebaa & Morgan, 2015; Empson et al., 2015; O'Higgins et al., 2022). However, the population of international PSFs is diverse, with firms varying in size (from small high-street practices to medium and large firms) (Empson et al., 2015); in industries (e.g. engineering, marketing, advertising), and in geographical markets (Mathew, Javalgi, Dixit, & Gross, 2020; Muzio & Faulconbridge, 2013). In sum, there is considerable diversity among PSFs (Empson et al., 2015; Von Nordenflycht, 2010), and we know little about the extent to which existing findings (mostly from large Anglo-Saxon PSFs) are generalisable to all PSFs.

First, we know little about the internationalisation motives of PSFs. Yet, the firm's motives are intimately linked with the firm's strategy, and it is difficult to understand or advise firms without understanding their motives (Cuervo-Cazurra & Narula, 2015). Service firms, and PSFs in particular, have traditionally been assumed to follow their home market clients into international markets (Dunning, 1989a; Grönroos, 1999; Terpstra & Yu, 1988). However, the tradability of services (i.e. the manner in which services are traded across borders) has changed over the years due to a number of factors, including international trade agreements and the digitalisation of business activities (Aharoni, 1993; Banalieva, Dhanaraj, & Banalieva, 2019; Findlay, Rammal, Rose, & Pereira, 2021). Additionally, the neo-classical economic assumptions underlying Dunning's (1988) almost paradigmatic classification of motives need to be re-examined both from the contemporary and the PSF contexts (Cuervo-Cazurra & Narula, 2015). For all these reasons, the internationalisation motives of firms in general need to be re-examined (Cuervo-Cazurra & Narula, 2015; Cuervo-Cazurra, Narula, & Un, 2015), and in particular those of PSFs.

Second, despite being one of the central questions in the field of IB (Brouthers & Hennart, 2007; Canabal & White, 2008; Hennart & Slangen, 2015; Shaver, 2013), we continue to know little about the foreign market operation modes of PSFs. There is limited empirical evidence to conclude if existing IB theories explain the foreign operation mode choices of PSFs (O'Higgins et al., 2022). Foreign direct investment (FDI) was found to be the preferred entry mode in early studies of service and professional service firms (Dunning, 1989a; Erramilli, 1990), but more recent evidence shows that PSFs choose from a broader range of operation modes (Malhotra, 2003), for example franchising (Alon & Bian, 2005; Alon & McKee, 1999) or through networks and alliances (Freeman, Cray, & Sandwell, 2007; Salvoldi & Brock, 2019; Winch, 2014). As such, the extant literature appears limited in its ability to explain the foreign operation mode choices of PSFs and in particular, how and why they might differ across firms.

Third, building on prior authors, Boussebaa and Morgan (2015) propose a specific PSF framework that describes four ways in which PSFs internationalise. The *network form* involves entering an existing international network of independent firms that link to each other to provide international service to their clients (Salvoldi & Brock, 2019). The *federal form* is more integrated, with central coordination through a single brand identity and an international structure responsible for providing organisational support(Cooper, Rose, Greenwood, & Hinings, 2000). The *transnational form*, refers to firms that seek to

develop an interrelated network of units learning from one another, with some degree of global integration while also maintaining the ability to respond to needs of its local clients (Bartlett & Ghoshal, 1989; Maister, 1993). Finally, the *project form* consists of temporal project offices created for the duration of a project (Hydle & Breunig, 2013; Malhotra & Hinings, 2010). However, it is unclear to what extent these forms of internationalisation overlap with foreign operation modes or with Bartlett and Ghoshal's (1989) classification of MNEs. We acknowledge this potential overlap, but given the framework is specific to PSFs and accurately describes what PSF researchers have observed, we have included it in our analysis.

In sum, the extant literature provides limited insights regarding why and how PSFs internationalise. In this study, we explore these questions, and in particular, why PSFs internationalise (what are their motives?) and how they do so (with which foreign operation modes and through which forms of internationalisation?).

2.2. Characteristics of PSFs

PSFs are often described as possessing certain characteristics, namely knowledge-intensity, professionalisation of the workforce, low capital-intensity and customisation (Aharoni, 1993; Løwendahl, 2000; Von Nordenflycht, 2010).

This conceptualisation of PSFs is helpful because it allows us to distinguish PSFs from other firms, but also to differentiate between different types of PSFs. Indeed, while all PSFs are knowledge-intensive, considerable heterogeneity exists among PSFs, as different types of PSF will possess the other characteristics to different degrees (Von Nordenflycht, 2010). As such, professionalisation of the workforce, low capital-intensity and customisation are considered sources of heterogeneity among PSFs (Malhotra & Morris, 2009; Von Nordenflycht, 2010; Von Nordenflycht, Malhotra, & Morris, 2015). For example, law or accounting firms are more highly professionalised and influenced by professional regulations than, advertising or consulting firms; and architectural services are more customised to client specifications than, auditing services that often follow a standardised methodology. Therefore, these characteristics allow us to compare firms at different points (e.g. high, medium, low) along a continuum of a given characteristic (Von Nordenflycht et al., 2015), and ultimately explore the heterogeneity among them.

Characteristics are useful to study PSFs because they are theorised to lead to managerial and organisational outcomes. Indeed, a number of authors have suggested that the distinctive characteristics of PSFs will generate both opportunities and challenges for

their management (Løwendahl, 2005; Maister, 1993; Von Nordenflycht, 2010). For example, knowledge-intensity (and more specifically the embeddedness of knowledge in people) leads PSFs to pay special attention to managing and retaining their professionals, a task often labelled "herding cats" (Empson et al., 2015; Løwendahl, 2005). Similarly, due to the professional nature of the workforce, PSFs need to find ways to manage the institutional complexity (conflicting pressures from institutions that influence and regulate the profession) that arises from operating in different markets (Faulconbridge & Muzio, 2016; Muzio & Faulconbridge, 2013).

Given how helpful characteristics appear to be to explore the heterogeneity among PSFs and to identify the causes of certain managerial outcomes (Malhotra & Morris, 2009; Von Nordenflycht, 2010), in this study, we apply the lens of PSF characteristics to analyse why and how PSFs internationalise. Hence, we first explain each characteristic.

The degree of professionalisation is defined in terms of occupational closure (entry barriers to the profession) and jurisdictional boundaries (restrictions to practice of profession in different geographic jurisdictions) (Malhotra & Morris, 2009; Von Nordenflycht, 2010). For example, law firms are highly professionalised, with high occupational closure (university degree and accreditation in the official college of lawyers) and high jurisdictional boundaries (knowledge of the national legislation and permission to practice in that jurisdiction). Architecture, engineering and engineering consulting, however, have a medium degree of professionalisation, with high occupational closure, but with moderate jurisdictional boundaries (their professional experience is valid in other countries although they will need to obtain local accreditation to practice). Finally, firms with low degree of professionalisation such as consulting firms, advertising or software developers require no accreditation and face few jurisdictional boundaries (their technology or experience is generally universally applicable). Malhotra and Morris (2009) have suggested that the higher the degree of professionalisation the more decentralised a PSF's international structure will be, which could help us understand how PSFs internationalise, but this proposition remains untested, and the role of the degree of professionalisation in the international management of PSFs has not been empirically explored.

Customisation refers to the degree with which services are constructed or adapted to meet the specific needs of a given client by way of applying professional expertise and individual judgement (Aharoni, 1993; Løwendahl, 2005). Although all PSFs provide

customised services, the degree to which firms customise their services can vary (Malhotra & Morris, 2009; Von Nordenflycht et al., 2015). For example, auditing services rely heavily on international standards and methodologies that generate some degree of standardisation of services provided by professionals (Aharoni, 1993). Moreover, in many cases, customisation requires in-person interaction with clients, and this has been predicted to influence the number and dispersion of international offices of PSFs (Malhotra & Morris, 2009). However, this proposition also remains untested, and in particular it remains unclear if it applies to all PSFs.

Low capital-intensity is the degree to which the production of the firm's output depends on physical assets such as infrastructure or machinery (Von Nordenflycht, 2010). Low capital-intensity limits a firm's ability to achieve economies of scale from a more efficient use of physical assets (Løwendahl, 2005), so PSFs may not internationalise for efficiency-seeking motives. On the other hand, low capital intensity may generate opportunities for internationalisation, as firms will not need to raise capital to finance a new production plant, allowing for easier and perhaps faster internationalisation (Contractor, Sumit, & Hsu, 2003; Erramilli & D'Souza, 1995). We still know very little, however, about the role of low capital-intensity in the international management of PSFs.

Knowledge-intensity refers to the reliance of the firm on a substantial body of complex knowledge for the production of the firm's output (Starbuck, 1992; Von Nordenflycht, 2010). Although knowledge comes in different forms and can be embedded in knowledge assets or organisational routines (Morris & Empson, 1998; Starbuck, 1992), most of the knowledge in PSFs is embedded in its professionals, leading some authors to consider them "human capital intensive" (Von Nordenflycht, 2010). Knowledge-intensity leads PSFs to face certain difficulties, such as the cat-herding described above, or "opaqueness of quality", i.e. the difficulty of assessing the quality of a professional service, often even after it has been delivered (Løwendahl, 2005; Maister, 1993; Von Nordenflycht, 2010). Knowledge intensity is often considered a source of homogeneity among PSFs (Empson et al., 2015; Von Nordenflycht, 2010; Von Nordenflycht et al., 2015), but some authors have suggested that in fact the knowledge of PSFs may differ(Malhotra & Morris, 2009). Therefore, in our analysis of why and how PSFs internationalise, we focus on unpacking the characteristic of knowledge-intensity. To do this, we build on the knowledge-based view and in particular on Grant and Phene's (2021) proposal to build a framework of knowledge types and processes.

2.3. Knowledge-based view of the MNE

The knowledge-based view suggests that knowledge is the firm's most strategic resource upon which its competitive advantage is built and sustained. From this perspective, the MNE is seen as a knowledge-processing entity (Grant, 1996b; Kogut & Zander, 1992; Nonaka, 1994), where knowledge is socially constructed by geographically dispersed social communities (Kogut & Zander, 1993; Tsoukas, 1996), and which specialises in enabling the efficient flow of knowledge between international units through a multitude of knowledge processes (e.g. creation, transfer, recombination etc…). It follows, therefore, that firms will choose an organisational design and foreign operation modes that enable knowledge flows across borders to occur most efficiently and effectively (Madhok, 1997; Martin & Salomon, 2003). Thus, understanding the MNE's knowledge needs should prove useful to explaining the foreign operation mode choices and forms of internationalisation. Grant and Phene (2021) suggest that a productive approach to address the link between the firm's knowledge processes and organisational design issues is to focus on the knowledge processes and the types of knowledge they utilise. Following this suggestion, we examine first the types of knowledge that PSFs need to deliver their services internationally, and then the processes with which this knowledge is managed.

To analyse the types of knowledge used in international PSFs, we build on the types of knowledge commonly referred to in the PSF literature, namely know-what and know-how (Empson, 2001; Faulconbridge, 2015). This categorisation is useful to understand internationalisation issues because it broadly aligns with the explicit-tacit continuum (Polanyi, 1966) most often used in the IB literature on cross-border knowledge flows (Michailova & Mustaffa, 2012), and in the body of work on knowledge in studies of the sociology of professions (Faulconbridge, 2015; Suddaby & Muzio, 2015).

Know-what in the PSF refers to the technical knowledge of the profession, and is usually associated with what professionals learn through the process of training and accreditation (Faulconbridge, 2015). Know-what corresponds to the descriptions of facts, things, methods and procedures, i.e. it is declarative (J. Anderson, 2005) and explicit (Nonaka, 1994). In each profession the relevant know-what is different (e.g. laws of physics and mechanics for engineers, legislation and regulations for lawyers etc.) and is influenced by institutional actors such as universities, professional associations and the state (Faulconbridge & Muzio, 2007). In terms of its management in the international context, given that know-what is considered to be explicit, it might be expected to transfer easily

to other markets, but depending on the profession, its application may be limited by jurisdictional boundaries (Malhotra & Morris, 2009).

Know-how, on the other hand, refers to experiential knowledge or "grey hair" that professionals acquire from years of practising the profession (Faulconbridge, 2015; Løwendahl, Revang, & Fosstenløkken, 2001; Maister, 1993). Know-how is mostly procedural (J. Anderson, 2005) and tacit (Polanyi, 1966), and as such is "sticky" or difficult to transfer (Jensen & Szulanski, 2004; Szulanski, 1996). International PSFs are known to create social networks or communities to enable this knowledge to flow within the firm (Faulconbridge, 2007; Hydle, Kvålshaugen, & Breunig, 2014), although it remains unclear if these networks actually facilitate knowledge transfer or rather they allow professionals to find colleagues that help solve problems or provide ideas for a given project (Faulconbridge, 2006; Werr & Stjernberg, 2003). Therefore, it is not clear to what extent PSFs need to transfer know-how, and by examining the management of know-how in the international PSF, we aim to clarify what knowledge processes are implemented.

Additionally, a third knowledge type is relevant to international PSFs, namely *know-who*. This type of knowledge refers to relational knowledge, i.e. who knows what (Antal, 2000) or who knows how to do what (Lundvall & Johnson, 1994). Know-who has both an internal dimension, relating to knowledge of colleagues (Faulconbridge, 2006, 2007), and an external dimension relating to clients and institutions (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; McQuillan, Sharkey Scott, & Mangematin, 2018; Taminiau, Boussebaa, & Berghman, 2012). Relational capital has been shown to be key in the internationalisation of PSFs (Hitt et al., 2006), and therefore we propose this third type of knowledge also be considered in our analysis.

In sum, we proposed to focus on know-what, know-how and know-how in order to achieve a more holistic understanding of the knowledge managed by international PSFs. In particular, we expect that different types of knowledge may vary in their importance for different international PSFs; and thus lead to heterogeneity in the international management decisions they take.

Next, we turn to knowledge processes. Much of the literature has focussed on knowledge transfer and in doing so provided many useful insights into the facilitators and barriers to these transfers (Michailova & Mustaffa, 2012). However, the reality of the MNE, and indeed the PSF, is more complex and research needs to go beyond umbrella terms such as "knowledge transfer" or "knowledge sharing" (Grant & Phene, 2021). We propose to

focus on two dimensions that are particularly relevant to determine the key knowledge processes of the MNE.

First, we distinguish between knowledge flows that occur within the boundaries of the MNE (i.e. between different organisational units) (Casillas, Moreno-Menendez, Acedo, Gallego, & Ramos, 2009; Michailova & Mustaffa, 2012) and knowledge flows that occur across firm boundaries (i.e. between the MNE and external actors) (Tallman & Chacar, 2011). Second, MNEs may engage in knowledge processes for different reasons, namely with an aim to incorporate knowledge into the firm's or the unit's knowledge base or not (Grant & Baden-Fuller, 2004). By combining these two different dimensions, we constructed a matrix of four knowledge processes (see figure 1).

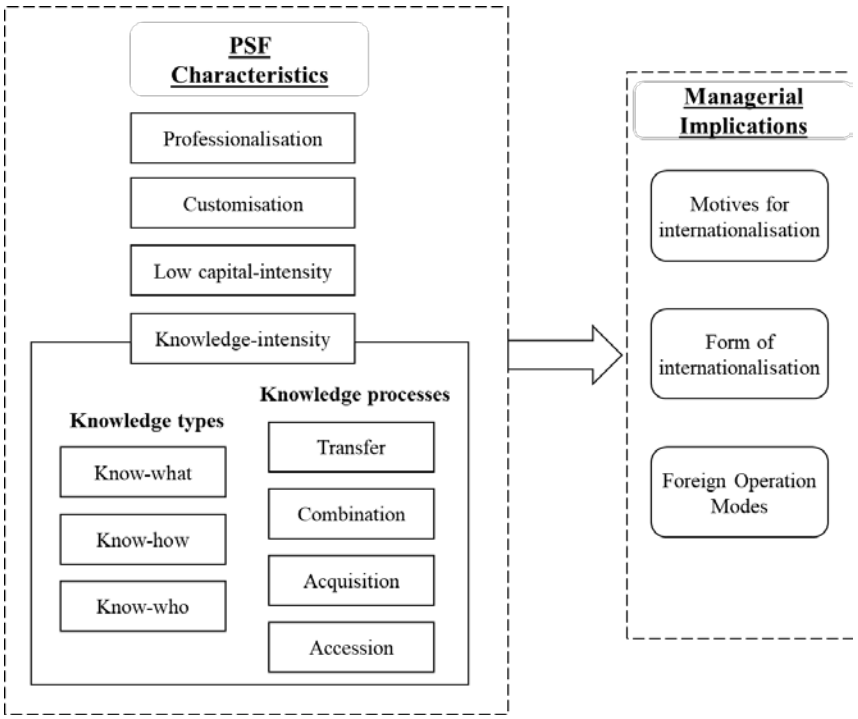
We labelled the process occurring within firm boundaries (i.e. between units) with the goal of the recipient absorbing the knowledge and integrating it into its knowledge base *knowledge transfer* (Argote & Ingram, 2000; Nahapiet & Ghoshal, 1998). We acknowledge that other authors also have used the term knowledge transfer to refer to knowledge flows across firm boundaries, however, we label those across firm boundaries *knowledge acquisition* (Andersson, Forsgren, & Holm, 2002; Cohen & Levinthal, 1990; Parra-Requena, Ruiz-Ortega, García-Villaverde, & Rodrigo-Alarcõn, 2015), i.e. the firm acquires knowledge from external actors. Similarly, we refer to *knowledge combination* (Buckley & Carter, 1999, 2004) as the process of uniting knowledge from two firm units where each retains its specialised knowledge base (i.e. does not learn from the other), and *knowledge accession* when this occurs across firm boundaries between partners (Buckley et al., 2009; Grant & Baden-Fuller, 2004).

Figure 1. Knowledge processes

		Across which boundaries does the process occur?	
		Within firm boundaries	**Across firm boundaries**
What is the purpose of the process?	**To acquire knowledge**	Knowledge transfer	Knowledge acquisition
	To access knowledge	Knowledge combination	Knowledge accession

In conclusion, to explore our research questions of why (which motives) and how (with which foreign operation modes and forms of internationalisation) PSFs internationalise, we first unpack the characteristic of knowledge-intensity. In particular, we build on Grant and Phene (2021) and focus on the types of knowledge international PSFs use and the knowledge processes necessary to manage them. We then apply the lens of PSF characteristics, with the remaining three: professionalisation of the workforce, customisation and low capital intensity. Figure 2 presents the initial conceptual model with which we approach the empirical data.

Figure 2. Conceptual model



3. Methodology

3.1. Research design

Given our objective is to explore why and how PSFs internationalise, we adopt a case study research strategy, which allows for the examination of complex phenomena in their naturalistic context with the intent of confronting theory with the empirical world (Piekkari, Welch, & Paavilainen, 2009). In particular, we adopt a systematic combining approach based on abductive reasoning. This approach consists of contrasting the literature with empirical data with the intent of identifying and focussing on puzzles, i.e. empirical observations that do not fit with the theory (Dubois & Gadde, 2002; Piekkari & Welch, 2018; Sætre & Van de Ven, 2021). As such, our goal is one of discovery and

refinement of existing concepts and theories (Dubois & Gadde, 2002).

Furthermore, given our aim to reveal differences and similarities between international PSFs, we adopt a comparative case study strategy (King, Felin, & Whetten, 2009; Stake, 2006). The comparative case study was designed to facilitate comparison along one of the various sources of heterogeneity, i.e. one of the characteristics of PSFs (Von Nordenflycht et al., 2015). Specifically, we build on Malhotra and Morris (2009), who identify the characteristic of *degree of professionalisation* a source of heterogeneity across PSFs that is useful for comparison, namely high, medium and low degree of professionalisation. We choose this characteristic because the professionalisation can be assigned based on the PSF-industry, and therefore prior knowledge of the firms is not necessary for case selection.

3.2. Research context

In line with our goal to explore international PSFs that were distinct from those usually portrayed in the literature (O'Higgins et al., 2022), we chose to study seven Spanish professional service firms that operated internationally. Given our intent to compare different types of PSF, we used theoretical sampling (Fletcher & Plakoyiannaki, 2011) to select PSFs with varying degrees of professionalisation (high, medium and low), customisation and capital intensity.

One of the case study firms (firm E) provides services with both a medium degree of professionalisation (engineering and architecture) and a low degree of professionalisation (management consulting), i.e. it includes two embedded cases. We were therefore careful to distinguish between the unit of observation (firms) and the unit of analysis (cases) (Fletcher & Plakoyiannaki, 2011). In total, our study includes eight cases: three cases with a high degree of professionalisation (legal, auditing and tax services), two cases with a medium degree of professionalisation (engineering and architecture services) and three cases with a low degree of professionalisation (consulting and digital marketing services). In turn these vary in degrees of customisation and low capital intensity.

3.3. Data collection

Case studies offer an opportunity to collect and analyse data from different sources (Piekkari et al., 2009), and our reason for using different data sources was to clarify meaning by identifying different ways the phenomenon was seen (Piekkari et al., 2009; Stake, 2000). Data was collected mainly in 2019, although interactions with firms

occurring in 2020 (e.g. contrasting transcripts, informal interactions or attending internal meetings) provided opportunities to collect further data.

3.3.1. Interviews

We conducted 35 semi-structured interviews with a total of 27 informants from the case firms, with a minimum of two informants from each firm. In order to obtain a more comprehensive understanding of the phenomenon under study, where possible, we ensured a mix of informants from the headquarters and from the international subsidiaries. Informants were all involved in their firm's international operations; and following the interview protocol, they were asked about the firm's internationalisation process and organisation of international activities, the knowledge used in these activities, how knowledge is shared and managed across borders, as well as the impact of PSF characteristics (degree of professionalisation, customisation and low capital-intensity) on international activities.

Interviews lasted between 60 and 120 minutes, and were transcribed in full in the language they were carried out in (mostly Spanish). In addition, a summary of the key points from the interview were prepared in English to share in the research team. Both transcript and summary were shared with informants for their approval and/or to invite further discussion of certain findings.

Furthermore, sector experts were interviewed in order to obtain a more comprehensive understanding of each PSF-industry. In particular, experts were asked about the profession (e.g. social closure and jurisdictional boundaries) and different types of knowledge required in the profession, as well as examples of challenges and opportunities PSFs may face in their internationalisation. These interviews were not recorded (at their request), but field notes were taken and used to identify similarities and differences across case firms and ensure coherent interpretation of data.

3.3.2. Archival data

Archival data was collected from a variety of sources including the firms' corporate website, presentations (often in video format) and annual reports where available. Moreover, data was collected from public sources such as press articles. These sources were used to confirm data (e.g. dates of events in the firm's growth and internationalisation) as well as to better understand certain aspects of the firm's international operations and the knowledge types and knowledge processes these operations entail.

3.3.3. Observation

With some firms it was also possible to observe them "in action", in particular in two ways. The first consisted of observing a representative of the firm presenting their firm and explaining how they work to students at the university. In one case, the objective of said presentation was to attract candidates to the firm, but in the remaining cases, these presentations were in-class teaching case studies where the firms explained the internationalisation process of the firm and management of international operations. The second resembled the more typical participant observation, whereby it was possible for the first author to observe the international team of one case firm interact among themselves and with their international network of partners in two (online) meetings in 2020. Field notes were taken during these meetings and also during the subsequent debrief meeting with the organiser who had extended the invitation. Both of these represent what Dubois and Gadde (2002) call "active" data, i.e. not data that the researchers set out to find, but rather data found through discovery. In this study, the active data served to contrast the accounts given by interviewees as well as provide deeper insights into the operational process and corresponding knowledge processes.

Table 1. Summary of case firms and data collected from various sources

	A	B	C	D	E	F	G
Degree of professionalisation	High	High	High	Medium	Medium & Low	Low	Low
Services	Auditing, tax & legal, consulting (a)	Law	Tax & legal, auditing consulting (a)	Architecture, engineering	Engineering, architecture, consulting	Digital marketing & consulting	Consulting (internationalisation, executive search)
Size	Large	Medium	Medium	Small	Large	Small	Small
Foreign Operation Modes (L. Welch, Benito, & Petersen, 2018)	Network (b)	Alliances (b)	Network	FDI(b): Qatar, Panama (c)	FDI: 45 countries including Mexico, Chile, Colombia, India, USA, UK	FDI: Mexico, Chile (c), Colombia (c)	FDI: Brazil, Colombia, France Alliances: Italy, Mexico
INTERVIEWS							
Informants	2	2	2	2	12	3	4
HQ	2	2	2	2	6	2	2
Abroad					6 (d)	1 (d)	2
Total Interviews	2	2	2	3	17	3	5
Industry experts	2			2		1	
ARCHIVAL DATA							
Website	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Corporate presentation	Video version	Video version	Yes		Video version	Yes	Yes
Videos	1			1	6	1	1
Annual reports	2010-2019				2007 - 2019		
Articles	2	3	2	4	52	3	2
OBSERVATION							
In-class presentations	1				3	3	2
Internal meetings							2

Notes on Table

a) Services not included in the international portfolio, i.e. only highly professionalised services are subject to cross-border activities

b) Alliance = collaboration agreement signed with specific firms chosen by PSF. Network = existing network (association) that the firm is a member of, with partners in many countries around the world. FDI = foreign direct investment

c) Offices that were closed

d) Including returned expatriate

3.4. Data analysis

Aligned with the systematic combining approach, our starting point for data analysis was the analytical framework consisting of the categories of knowledge types and knowledge processes, which served as a reference and a guide when approaching the empirical data (Dubois & Gadde, 2002). We used the NVivo software to code the data to match it to these categories identified in the literature: On the one hand, we coded types of knowledge according to the categories of know-what, know-how and know-who, and on the other we identified all instances of knowledge processes and matched them to the processes in figure 1.

However, as the data was coded, it became apparent that the three categories of knowledge types were very broad, and sub-categorisations were generated. In particular, each knowledge type required a subcategory of "local knowledge" and table 3 was generated to represent the empirical world in a more accurate way. We also coded references to foreign operation modes (mainly alliances, FDI or project offices) according to definitions in the literature (L. Welch et al., 2018) and data that allowed us to identify different forms of internationalisation (namely transnational, network, project or federal forms) as defined by Boussebaa and Morgan (2015).

Next, we began the cross-case analysis, in search of similarities across cases and across the three types of PSFs. To do this, we tabulated the data from the case firms, in particular characteristics, types of knowledge, knowledge processes, foreign operation modes and forms of internationalisation, and grouped firms by degree of professionalisation (high, medium, low). A summarised version of the resulting configurations is presented in table 4. Examination of these findings allowed us to formulate tentative conclusions or assertions (Stake, 2006), which were then contrasted with the data once more, and in some cases contrasted with industry experts. When significant differences we found among firms with the same degree of professionalisation, we returned to the data to examine them, before including additional configurations in table 4.

In sum, our data analysis was an iterative discovery-oriented research process consisting of the two core, intertwined processes that make up systematic combining – matching and direction and redirection – resulting in the identification of different patterns or configurations of characteristics and outcomes in table 4 (Dubois & Gadde, 2002; Klag & Langley, 2013).

3.5. Reflexivity & rigour in the research process

In order to ensure trustworthiness of our research process and reliability of our findings, we undertook several steps. First, we carefully noted and transparently reported the different iterations in the research process of collecting and analysing data (Rheinhardt, Kreiner, Gioia, & Corley, 2018). Second, we used triangulation to collect data from various sources to obtain a more complete understanding of the phenomenon under study, and researcher triangulation to identify potential alternative matching of data against theory and interpretations of findings (Dubois & Gadde, 2002; Nielsen et al., 2020). Finally, we engaged in on-going reflexivity exercises to reveal how the researchers influenced the research process (Corlett & Mavin, 2018).

In particular, the first author of this paper worked in one of the case firms and has continued to collaborate both formally and informally with the firm and its professionals since then. Additionally, she has collaborated with some of the other case firms before and during the research process. Therefore, careful reflection of her position on the insider-outsider continuum was both necessary and helpful to understand how this knowledge of some of the firms might influence interpretations of the findings (Aguinis & Solarino, 2019; Anteby, 2013). In particular, this prior knowledge of some firms and informants meant that interviews were conducted in a more trusting and candid manner, and many insights were gained through informal interactions (Collins, 2004; Jay, 2013). However, the research team composed of a second researcher who also knew some of the firms prior to the study and a third who did not, provided a space to discuss potentially different interpretations of findings (Corlett & Mavin, 2018).

4. Findings

4.1. Types of knowledge

In order to achieve a better understanding of international management decisions, a more fine-grained classification of the three types of knowledge (know-what, know-how, know-who) was found to be helpful; and several rounds of coding helped us to refine them by distinguishing between further sub-types of knowledge relevant to international PSFs. These findings are discussed below and summarised in table 3.

4.1.1. Know-what

First, interviewees spoke of their *technical know-what*, namely the theoretical knowledge acquired in order to be able to enter the profession. Examples included knowledge of

physics, structures and geology for civil engineers or advertising and machine learning techniques for digital marketing professionals. For some professions (e.g. engineering, architecture or law) this was acquired through a university degree and for others (e.g. accounting), through specialised training and certification. The common perspective across all professions was that "*know-what is the basis of the business; you can't internationalise if you don't have the professionals [with the know-what]. The engineering capabilities are a given, and from there you think about what you can offer international clients*" (Interviewee I8).

Second, interviewees highlighted the importance of *local know-what,* meaning know-what that is specific to a particular market, for example the local rail track gauge, local tax rates, local import tariffs, etc. The relative importance of this local knowledge varied across types of PSFs. For highly professionalised PSFs, local knowledge (e.g. of local legislation) formed a large part of the knowledge necessary to execute and deliver a service locally. Interviewees from PSFs with a medium or low degree of professionalisation, spoke of needing to know the local standards and specifications (e.g. measures or values) to implement a project locally, but otherwise talked of "universal laws" or "international standards", indicating the general applicability of their technical knowledge. Therefore, local know-what was necessary but its relative importance for service delivery appeared lower than for highly professionalised PSFs.

Finally, interviewees across all types of PSFs referenced the rapidly changing environment, in which technological developments are numerous and rapidly evolving. This evolving context means that professionals must keep their know-what (e.g. regulations, new tools and new technologies) up to date. This we labelled this sub-type *new technologies*.

To summarise, all interviewees considered technical know-what and new technologies to be necessary to deliver services but that additional knowledge was for international delivery. To be able to operate internationally, local know-what was needed, and for some firms (highly professionalised PSFs) the amount of local knowledge required was substantial.

4.1.2. Know-how

Know-how is the knowledge type that covered the broadest range of subtypes in our data. The first type of know-how all interviewees referred to was *technical know-how*, namely

the practical experience of implementing or applying technical know-what (e.g. how to navigate legal procedures and negotiations, how to design and construct a building in a given context, how to achieve advertising results for clients etc.). This was clearly equated with prior experience or "grey hair" (Maister, 1993); and the measure of a professional, team or firm is given by the number of prior project or service references: "… *the experience of knowing how is really important. Because that's what most clients here are looking for, have you been there and done that before*" (I7). Additionally, given the customised nature of professional services, interviewees highlighted that an important component of this professional know-how or experience included managing clients and their potentially changing needs and expectations throughout the process, or as one interviewee described it "*connect with their need and support them*" (I16).

Second, interviewees, in particular from PSFs with a medium or low degree of professionalisation, valued *local know-how*, namely how to navigate local procedures and adapt to local cultural norms and values to successfully implement the service and manage client relations: As interviewee I7 explained, "*[Prior experience of] a building here and a building in Spain, which is worth more? Obviously the [local] one is scored better because […] you would have had to deal with our local organisations."*

Third, some interviewees with extensive international experience also talked of *intercultural know-how*: "*the permeability to learn from others. You may not understand something but you have the empathy to inquire […], because if you move from project to project you are never with the same culture*." (I8). Here the expectation is not that professionals know the specifics of every country, but rather that they have the ability to anticipate which aspects of their work habits and professional norms they may need to adapt to work with clients in a new context. This type was particularly relevant to PSFs with a medium degree of professionalisation working on projects all around the world.

Finally, the data showed that each firm has its own *firm know-how*, i.e. its own distinctive way of working or style that aims to be recognisable both internally and externally. This particular firm style, which many interviewees called "*our way of doing things*" and we labelled *firm know-how* covers elements such as how the PSF views their relationship to clients, how to work according to the firm's corporate values and work ethic, or particular project management procedures or methodologies. PSFs with a low degree of professionalisation often cited this firm know-how as an essential element of how their firm differentiates itself from competitors.

Overall, know-how was considered the most important type of knowledge to be able to deliver services internationally, and local know-how stood out as particularly important, both to navigate local procedural aspects and adapt to local client requirements. The importance of firm know-how also stood out, in particular to build its brand.

4.1.3. Know-who

References to *know-who* were also frequent in the data and we differentiated between two types. The first type is *external know-who,* that is knowledge of potential client firms and contacts within those firms or within other institutional actors. Here interviewees talked in terms of "*relational capital*", "*it's all a question of contacts*" and "*generating long-term relations*" (I16, I19). Interviewees agreed that without these contacts and the ability to establish and maintain trusting client relationships, the case firms could not have sustained their international development. PSFs with a medium and low degree of professionalisation spoke of the importance of local know-who, although the latter in particular underlined how relevant it was to their way of working: "*[a consultant] needs to have an impartial view of the firm, like an external observer, but can understand what is that client's main need in order to propose different solutions, to empathise with the client, to understand what they do, what moves them*" (I16).

The second type of know-who is the ability to navigate internal networks. In the case of large PSFs this type of know-who meant knowing how to find professionals through informal internal networks; and in the case of highly professionalised PSFs, it related to finding the right partner firm in the international network they are members of. In both cases, this knowledge was described as "y*ou need to know who to call*" (I5). More specifically, this knowledge represents the "who is who" in the organisation or the network, or in other words who has the know-what or know-how required for the provision of the service.

In sum, interviewees coincided that know-who was important to their international service delivery, although for some the relational aspects with clients were most salient, while for others (e.g. highly professionalised PSFs), knowing how to navigate internal networks was also important.

Table 2. Knowledge types

Theory driven K types	**Data driven 2nd order constructs**	**Description**	**Who possesses the knowledge**	**Examples from the data (from high to low degree of professionalisation)**
Know what	Technical Knowledge	Technical knowledge of the profession, mostly acquired in academic training and considered a pre-requisite for professionals hired by firms	All professionals	• International/European standards or regulations (e.g. EU VAT directives, accounting standards, OECD transfer pricing guidelines) • Laws of physics, mechanics and electricity necessary for engineering • Digital marketing technologies & programming languages • Financial management, business processes, innovation management
	Local professional knowledge	Technical knowledge that is specific to the local context	Local professionals / partner firm	• Local laws & regulation • Appropriate & attractive salary when headhunting for local executives • Local preferences for architectural design of buildings
	New technologies	Relevant technological advances, with which professionals need to stay up to date	Specialised professionals	• Technological tools available to support service delivery • Artificial intelligence, big data, new programming languages
Know how	Professional know-how	Experiential knowledge of how to apply the technical knowledge required in the field to specific problems	All professionals	• Understanding of the client's problem to find and implement the best solution, manage (changing) client expectations throughout the process • Previous experience of successfully carrying out an audit according to international auditing standards and methodologies, designing a functional and attractive building, resolving an engineering challenge, designing and implementing business processes supported by digital tools, executing digital advertising campaign to hit sales targets…
	Local professional know-how	Experiential knowledge of how to apply the technical knowledge in a specific local context, including how to work with local clients	Local professionals / partner firm	• Procedures relating to the application of regulation (e.g. tax declaration procedures & formats, import-export) • Local customs and norms relating to communication style and medium, response times and frequency of interaction
	Intercultural know-how	Experience of how to work with clients from different contexts	Internationally experienced professionals	• How to listen, interact and build trust with clients from other countries. • How to adapt firm capacities to local demand specificities
	Firm know-how	Firm specific way of delivering professional services	All professionals	• Particular style of client relations that aligns with firm values (often linked to a particular claim or slogan that defines the firm's way of working) • Implicit and explicit firm processes and work style

Know who	External local actors	Knowledge of and access to local clients (public or private)	Local professionals / partner firm	• Contacts in potential client firms • Users of the solution implemented in past clients
	Internal networks	Knowledge of how to use internal networks to access other teams (within large PSFs) or firms (within PSF networks)	International coordinator Boundary spanners	• Contacts in other areas of the firm • Understanding of who knows what • Ability to identify and establish partnerships for ad-hoc services / projects

4.2. Knowledge processes & tools

4.2.1. Knowledge transfer

Our findings confirmed that knowledge transfer is a key process within international PSFs. Given that PSFs work in an apprentice-style manner, with junior professionals learning from senior professionals in an "on-the-job" or "learning-by-doing" manner (Morris & Empson, 1998), it follows that these work practices remain important in the international context. We found that the importance of the knowledge transfer process was particularly salient for *technical know-how* and *firm know-how*, and to a lesser extent to *intercultural know-how*.

We found that different tools were used to enable transfer. First, we found that it was common for junior and recent hires in international subsidiaries to be sponsored or mentored by more senior professionals, often from the headquarters, although as subsidiaries grew this responsibility shifted to local senior professionals. The goal was to ensure junior scholars gained sufficient experience (i.e. professional know-how) to work autonomously according to the firm's values and way of working (i.e. firm know-how): "*young professionals are always tutored, so juniors always have a senior to whom they can turn. And the senior professional has the responsibility to guide the junior one as far as he or she can go.*" (I4). This tool was also to transfer professional know-how related to client interaction and customisation of services. As interviewee I19 recalled, "*last year I was there for about a month, […] to train them. So I would tell them, organise a lot of appointments, because that is the best way to learn. So as [clients] accepted to receive us, we visited I don't know how many potential clients together, but many!*"

Second, we found that "*knowledge transfer occurs by working together in project teams*" (I4). Ad-hoc teams are created for each project, bringing together experienced senior professionals and junior professionals who will learn from their senior colleagues through the project tasks. Third, our case firms also used document templates and work methodologies to facilitate transfer of firm know-how to new recruits. By providing a certain degree of guidance and standardisation, firms ensured their professionals and teams worked according to the firm's values regardless of where they operated: "*[Every client] wants something different, but we have a guide, a standard way of working, with steps and a structure that we apply to each project*" (I16).

4.2.1. Knowledge acquisition

Our data also revealed that international PSFs acquired knowledge from their partners through alliances, and vice-versa. The most frequent examples of this knowledge acquisition in our data related to local knowledge (local know-what, know-how and know-who). For example, international partners acquired knowledge about the home country ("*much of what we share with them is the culture of how we work here: how companies here like to work, expectations in terms of response times, monthly reporting etc.*" (I14)), or our case firms learning from their international partners about how to work in their local markets ("*if you go [to work with the partner] with a mind-set of going to learn, to listen, if the team has this mind-set, you are in a better position*" (I8)).

However, it is important to note that the findings and illustrative quotes reported above originate from the case firms with medium and low degrees of professionalisation. Indeed, data from the case firms with a high degree of professionalisation did not reveal instances of knowledge transfer or acquisition. This is because the highly professionalised PSF's knowledge is applicable only to one market, i.e. it is jurisdictionally bound, and therefore there is no need to transfer it within or between firms.

4.2.2. Knowledge combination

Our data from the PSFs with their own international teams revealed many cases of knowledge combination, the most prevalent type being the integration of the knowledge from the headquarters with that of local professionals, in particular with local know-what, know-how and know-who. Indeed, local knowledge is necessary for service execution, yet the firm does not intend professionals from the rest of the firm to learn or acquire this knowledge. This included times when professionals worked with the same roles ("*recently we started a project here in [country] in strategic consulting and the team in Spain worked with me in the whole process*" (I16)) and instances when roles were differentiated: "*They [local team] need to know the basics, what can and can't be done with the technology, but then the technological developments are done here [headquarters]*" (I20). Mostly this combined knowledge was intended for projects in international markets, but in some instances, this combination of knowledge was projects in the home country: "*For our project here, we called on the team from [country]. They had a lot of experience in video rendering and animation, so we said you do this part because you do it really well and we'll do that other part*" (I18).

The main tool enabling combination of local knowledge with knowledge from other parts of the firm was working together in project teams. This follows, as the project creates a joint workspace where professionals come together, each with their own knowledge that they apply to resolve the client's problem. As seen above, projects also serve for the transfer of know-how to local junior professionals, but local professionals are expected to contribute their local know-what, know-how and know-who in these projects, they are not merely trainees learning from senior colleagues. This finding underlines once more the importance of local knowledge for the successful delivery of an international professional service or project. A second tool identified in the data was carrying out certain activities in what I2 labelled a "tandem": *Once we had a person there [local office], business development activities happened in a tandem. […] He had the local knowledge and experience and I had the technical knowledge and experience"*. Here each professional contributes their knowledge to the task at hand (in this case for business development) and together, in tandem, they can carry out the task successfully.

4.2.1. Knowledge accession

Similarly, our findings revealed instances of knowledge accession. In highly professionalised PSFs, in particular, technical know-what and know-how of firms was combined with the local know-how of partners, without necessarily intending to learn from each other. Both partners shared common or universal knowledge of the profession (e.g. international accounting standards) but each had their experience and accumulated know-how and specialised in the specifics of their context (e.g. national or local fiscal rules). Their knowledge was brought together in joint services provided to the client of one or the other partner: "*we prepare a joint proposal to the client, in which we do our part in Spain and they do theirs in [country]. Fees are distributed, and in service delivery each is responsible for their own work*" (I25).

We observed knowledge accession processes in the rest of the case firms too, in particular when they partook in alliances with local firms. In some cases, these alliances were sporadic, ad-hoc collaborations for a given project, in others they were alliances created with the ambition of remaining long-term partners. The more lasting the aim of the alliance, the more integrated the mechanisms of knowledge accession became, with one firm developing shared procedures for interaction with clients and project management: "*we have been working for many years, so we set the format of the projects, […] and we set the steps to be followed*" (I14).

Figure 3. Knowledge processes and tools for knowledge types

	Within firm boundaries		*Across firm boundaries*	
To acquire knowledge	**Knowledge transfer**		**Knowledge acquisition**	
	Know-how • Professional • Firm • Intercultural	• Project-teams • Sponsorship • Short-term inpatriates • Tandem business development	Know-what • New technologies Know-how • Local	• Training courses • Project consortia
To access knowledge	**Knowledge combination**		**Knowledge accession**	
	Know-what • Technical • Local Know-how • Professional • Local Know-who • External • Internal network	• Project-teams • Tandem business development • CRM • Who is who intranet	Know-what • Local • New technologies Know-how • Local Know-who • Client	• Project consortia • Network database

4.3. International management outcomes: motives, foreign operation modes and forms of internationalisation

Our exploration of the case study data through the lens of PSF characteristics and in particular of the firm's knowledge needs – knowledge types and knowledge processes – revealed different outcomes in terms of the international management issues of motives, foreign operation mode and forms of internationalisation. Table 4 summarises the findings and in particular displays a number of different configurations leading to the different outcomes, which are discussed below.

Overall, the findings highlighted important differences between PSFs with different degrees of professionalisation. Therefore, the following sections present the findings for PSFs with a high, medium and low degree of professionalisation.

Table 3. Summary of findings

PSF Characteristics			Knowledge processes				International management outcomes		
Professionalisation	**Customisation**	**Capital intensity**	**K transfer**	**K Acquisition**	**K Combination**	**K Accession**	**Motives**	**FOM** (L. Welch et al., 2018)	**Forms** (Boussebaa & Morgan, 2015)
High	Low	Low				●	Serve existing clients	Alliances	Network
	High	Low				●			
Med	High	Low	●	●	●	●	Growth Knowledge seeking	FDI and Alliances	Transnational
	High	Low	○	●	●	●	Growth Knowledge seeking	Project offices and Alliances	Project
Low	High	Low	●	●	●	●	Growth Knowledge seeking	FDI and Alliances	Transnational
	High	Low	○	●	○	●	Growth Knowledge seeking	Project offices and/or Alliances	Project
	Low	High	○		●		Growth Geographical diversification	FDI	Transnational

Notes:

Project offices are limited term FDI

A black dots denotes the high relevance of process and a white some relevance

4.3.1. International PSFs with high degree of professionalisation

Our findings revealed that the jurisdictional boundaries of highly professionalised PSFs' know-what and know-how represented an important barrier for internationalisation: "*There is a still what they call a local gap, between the international accounting norms and those of each country. So there is a local knowledge that I, as a Spaniard, don't have because I would need to know the [local] accounting plan. So there is a technical barrier, which may not be there in other disciplines but in auditing you need to be very close to the local accounting norms*" (I25). The investment required to acquire local know-what and know-how was considered both costly and lengthy, and the geographic concentration of clients in each foreign market was insufficient to warrant said investment worthwhile. As a result,

interviewees from these PSFs did not express motives for internationalisation in terms of knowledge or even primarily in terms of growth, but in terms of serving existing clients. Unlike other PSFs, they considered their home markets sufficiently large for continued growth in the foreseeable future. Nevertheless, they had detected that they would lose existing clients if they could not provide them with services to support their international operations: "*We understand that we have to provide [clients] with an answer in internationalisation matters. If we carry out an audit for a company with subsidiaries abroad, these too need to be audited*" (I24).

Given the impermeable jurisdictional boundaries of know-what and know-how and the resulting lack of intent to acquire local knowledge, highly professionalised PSFs engaged mostly in knowledge accession and therefore opted for alliance modes (L. Welch et al., 2018). Indeed, given the firms did not intend to increase their own knowledge base with local knowledge, they focussed on mixing their knowledge with that of external partners in order to provide customers with clients. In particular, our case firms accessed the knowledge of their partners, by entrusting them with the local tasks of the service and then integrating both parts to provide the client with the global service.

We found two different types of alliances. Two firms were members of large global PSF networks, which allowed them to find the most appropriate members to collaborate with on a given project, i.e. what Salvoldi and Brock (2019) label a *focussed* network. The third firm, on the other hand, had built bilateral alliances with partners in the main countries where their clients operated, which Salvoldi and Brock (2019) labelled *exclusive* alliances. The reason for this choice can be found in this firm's need to customise their services. Indeed, this firm underlined the importance of trust (between client and firm and between alliance partners) to ensure the client's needs were understood and fulfilled: "*we want to guarantee that the client will feel the same degree of trust as they do with us, so we accompany them throughout the process. […] For us, being close to the client is very important, that's why we chose this model*" (I23).

In summary, the knowledge needs of highly professionalised PSFs (access to local know-what and know-how) led them to opt for a network form of internationalisation (Boussebaa & Morgan, 2015; Salvoldi & Brock, 2019), and to do so, they chose alliance modes of operation. Depending on the degree of customisation these highly professionalised PSFs were faced with, they chose between stronger or looser alliances (Salvoldi & Brock, 2019).

4.3.2. International PSFs with medium degree of professionalisation

In terms of motives for internationalisation, PSFs with a medium degree of professionalisation sought to develop the firm's knowledge base. As one interviewee explained, "*we don't want to grow in volume only; we want to continue in the market as successfully as we have done until now, by expanding our knowledge and specialisation in certain domains*" (I8). This firm goal, aligned with the professional aspirations of engineers and architects, as she explained: "*Every time we work on bigger projects, more interesting projects, with more challenges. […] This is a motivation because professionally it's a technological challenge that you want to resolve, and as you do, you grow.*" As such, these firms internationalise with the aim of expanding their know-how and updating their know-what by taking on bigger, more complex projects in new markets.

We found two patterns among our case firms with a medium degree of professionalisation. In the first, case firms operated with a local subsidiary (FDI) in a foreign market and as such had their own local professionals in those markets. In these cases, firms engaged in knowledge transfer to the local subsidiary of professional and firm know-how and in knowledge combination (by combining professional know-what and know-how of the headquarters with the local know-what, know-how and know-who of the local professionals). However, these firms also created alliances with local partners, and as such, they engaged in knowledge acquisition (learning from partners) and knowledge accession (applying the partner's knowledge in the project without acquiring it themselves). By operating this way, these firms were combining various operation modes simultaneously in the same market (Benito, Petersen, & Welch, 2009; Petersen & Welch, 2002). In terms of form of internationalisation, this first way of managing international operations represents a transnational form of internationalisation (Boussebaa & Morgan, 2015; Breunig, Kvålshaugen, & Hydle, 2014). Their aim was to leverage different types of knowledge across the firm, by engaging in various knowledge processes that allow the firm to achieve a certain degree of global coordination and integration of operations while also enabling subsidiaries to adapt to local client needs (Bartlett & Ghoshal, 1989; Breunig et al., 2014; Brock & Hydle, 2018).

In the second way of operating we found in the data, the case firms opened a local office, but only temporarily, for the duration of the project. Indeed, many engineering or architectural projects can last for several years and require a local infrastructure for the duration of the project (Faulconbridge, 2009). Interviewees referred to these as project

offices, i.e. their aim was to provide a support infrastructure for all those working on the project. Local professionals were hired for the duration of the project, and some knowledge was transferred to them but not with the same intensity or intention as in the case of the firm's other FDI. In particular, it was important for local professionals to understand how the firm worked (e.g. firm know-how), but mostly their local knowledge was combined with that of professionals from the headquarters. Additionally, alliances were created with other firms for the execution of projects. However, in this case given the limited duration of the project, the case firms did not usually intend to acquire the local knowledge from their partners, but rather increase their professional know-how by working with them on projects in a new context. To summarise, in this scenario, the knowledge processes the firm engaged in were knowledge accession (local know-what, know-how and know-who), knowledge acquisition (professional know-how), knowledge combination (professional know-what and know-how of the headquarters with the local know-what, know-how and know-who of the local professionals) and to a lesser extent some knowledge transfer (firm know-how). This form of internationalisation corresponds to the project form (Boussebaa & Morgan, 2015; Malhotra & Hinings, 2010), in that temporary project offices are created for the duration of a project drawing together the professionals necessary for the execution of the project.

As described in each scenario above, we found that the case firms chose more than one foreign operation mode in the same market, namely FDI and alliances or temporary project office and alliances respectively. Moreover, we found that firms also chose different alternatives in different countries, meaning they were combining the transnational form and the project form: In certain markets, their commitment was permanent, with an FDI mode combined with alliances; in others, their commitment was temporary, with a project office combined with alliances. Therefore, the firms were combining modes in the same country and also combining forms of internationalisation in their overall internationalisation strategy.

4.3.3. International PSFs with low degree of professionalisation

Our findings regarding international PSFs with a low degree of professionalisation initially revealed a similar situation to that of PSFs with a medium degree of professionalisation. They too sought to increase their knowledge base through internationalisation and we found instances where they also adopted both transnational (combining local subsidiaries with alliances) and project (combining temporary project offices with alliances) forms

internationalisation simultaneously. However, we also found some differences.

In particular, we found greater diversity within the project form of internationalisation. One firm operated only through long-term alliances, with partners working together on projects, with each partner bringing their specialised knowledge to the project (knowledge accession) while also transferring know-how to each other about expectations of each other's respective local clients (knowledge acquisition). Here the firm was interested to commit to the market long term, and the alliance mode was seen as a first step in the incremental commitment process (Johanson & Vahlne, 1977, 2009). Another firm hired mostly freelance consultants for projects in markets where they had no permanent presence and therefore were less concerned with the internal knowledge processes of transfer and combination. This strategy responded to the particular market of multilateral funded projects (C. Welch, 2005; C. Welch, Welch, & Tahvanainen, 2008).

The third case firm only opted for the transnational form of internationalisation, and did so only with FDI modes, i.e. it did not combine different operation modes. The firm had invested in technology and its production relied heavily on this technology, making the firm more capital intensive than the other case firms in our study. Additionally, once the client requisites were collected, construction of the client's solution entailed building on the technology, and did not require interaction with the client nor face-to-face presence. Although solutions were tailored to each client's specific marketing goals, the technology on which solutions were built was common to all projects, and economies of scale were created as professionals fine-tuned their activities to become more and more effective in achieving targets and KPIs. In terms of knowledge needs, the centralisation of the technology (know-what) and ability to create technological solutions (know-how) at the headquarters meant that this knowledge was not transferred to local offices. The role of the local offices was to sell services and interact with local clients. They possessed the local know-who to do this, but needed specific professional know-how, namely sales know-how, which was transferred to them from the headquarters: "*The technology is in Spain. Spain sends the reports to [country] and from there they report back to the client. […] You need to go back to the client every month, again and again, that's where the consulting comes in which has to be done by the [local] team. It's not viable to do that from Spain*." (I21).

In sum, the combination of knowledge needs with a lower degree of customisation and higher degree of capital intensity led it to choose a different a single operation mode in each country that provided greater control over the firm's knowledge (FDI) and a

transnational that combines centralisation of the technology and local adaptation of the sales processes.

5. Discussion

The aim of this study was to explore why (what motives) and how (with which foreign operation modes and forms of internationalisation) PSFs internationalise, and we did so by applying the lens of PSFs characteristics, and in particular by unpacking the characteristic of knowledge-intensity to explore knowledge needs (knowledge types and processes). Our findings revealed different that different configurations of characteristics and knowledge needs led to different motives, combinations of foreign operation modes and forms of internationalisation. Our findings contribute to expanding existing knowledge on the management of international PSFs and the KBV of MNEs.

5.1.1. Contribution to the literature on international management of PSFs

This study contributes to expanding knowledge on international PSFs in several ways. First, it provides insights to the motives for the internationalisation of PSFs. Indeed, we identify a number of reasons why PSFs decide to provide international services, but in particular we distinguish between highly professionalised PSFs who displayed reactive motives (retain their existing home country clients); and PSFs with a medium and low degree of professionalisation who see internationalisation as a means to grow and to increase their knowledge base through the execution of larger, more complex projects in different contexts. Insofar as knowledge is a firm resource, this could be considered to align broadly with resource-seeking motives (Dunning, 1989b). However, as other authors have suggested (Cuervo-Cazurra & Narula, 2015; Cuervo-Cazurra et al., 2015; Tulder, 2015), these classical classifications of motives for internationalisation need to be revisited in today's context, and we suggest that to do so, scholars should consider service and professional service firms also.

Second, this study contributes to answering the question of what foreign operation modes PSFs choose and why. On the one hand, highly professionalised PSFs appear to be limited in their choice of operation modes because their knowledge is jurisdictionally bound and this led our case firms to choose alliance modes (Salvoldi & Brock, 2019). These results stand in contrast with the extant literature that has mostly portrayed highly professionalised PSFs (in particular law firms) as transnational firms with international subsidiaries (Faulconbridge & Muzio, 2016; Muzio & Faulconbridge, 2013; Segal-Horn & Dean,

2009). Further research is therefore necessary to explore when (in what conditions or under what circumstances) highly professionalised PSFs decide to invest in overcoming the barrier of jurisdictional boundary of their know-what and know-how.

On the other hand, PSFs with a medium or low degree of professionalisation seem to have more options in terms of operation mode options. Our case firms chose either FDI or alliances, but then the array of alternatives when considering different sub-types of FDI (permanent or temporary) and sub-types of alliances (L. Welch et al., 2018) and their possible combinations (Benito et al., 2009; Petersen & Welch, 2002) was quite broad. Additionally, our findings on PSFs with a medium or low degree of professionalisation revealed that despite all being knowledge-intensive, firms had different knowledge needs and these led to different operation mode choices. As such, our findings provide evidence to suggest that different configurations of characteristics and knowledge needs can lead to different operation mode choices. Thus, our study contributes to highlighting the need for configurational theorising about foreign operation modes (C. Welch, Paavilainen-Mäntymäki, Piekkari, & Plakoyiannaki, 2022). Indeed, the configurations presented in table 4 provide a limited sample of illustrative examples, but highlight how future research could explore how different configurations of PSF characteristics (including the more conceptualisation of knowledge-intensity) can lead to different operation mode outcomes (Fainshmidt, Witt, Aguilera, & Verbeke, 2020; Ragin, 2014).

Additionally, our data pointed to the fact that the mode choices of PSFs change over time, with some firms choosing alliances as a stepping-stone before moving towards a higher commitment modes (Calof & Beamish, 1995; Clark, Pugh, & Mallory, 1997; Johanson & Vahlne, 2009). In sum, our findings contribute to highlighting the need to further explore operation mode changes and combinations (Benito et al., 2009; Putzhammer, Puck, & Lindner, 2019).

Finally, our findings built on Boussebaa and Morgan's (2015) classification of the forms of internationalisation of PSFs. We contribute to refining this classification by providing explanations for why different forms are chosen and by what types of PSFs. We also provide evidence that firms do not necessarily choose only one of these forms, but opt for a transnational form combined with a project form for certain markets.

Overall, our study contributed to the literature on the international management of PSFs by answering the call to explore the heterogeneity of international PSFs by exploring the role

of PSF characteristics (Boussebaa & Morgan, 2015; Malhotra & Morris, 2009; Von Nordenflycht, 2010). Additionally, we contribute initial answers to questions relating to the internationalisation motives of PSFs, their operation mode choices and forms of internationalisation (O'Higgins et al., 2022). Furthermore, by opening the black box of knowledge-intensity and showing that not all PSFs have the same knowledge needs we demonstrated that differences in knowledge needs shape international management outcomes.

5.1.2. Contribution to the knowledge-based view of MNEs

Our study also contributes to the literature on knowledge management in multinationals more broadly. In particular, we contribute to developing the KBV of MNEs by demonstrating that examining knowledge types and knowledge processes can help explain different IB decisions.

First, we answer Grant and Phene's (2021) call to explore knowledge types and knowledge processes and their organisational implications. Our findings provide a comprehensive overview of the different types of knowledge that can exist in multinational firms, and specifically we differentiate between subtypes of know-what, know-how and know-who. Moreover, our data revealed a complex array of knowledge processes, offering support to the notion that an MNE is a knowledge-processing organisation, in which knowledge transfer – while important – is but one of several knowledge processes allowing the firm to leverage knowledge across the firm. Although seminal works refer to a variety of processes – knowledge acquisition, transfer, replication and combination (Grant, 1996b, 1996a; Kogut & Zander, 1993) – subsequent empirical work has focussed mainly on knowledge transfer (Grant & Phene, 2021; Michailova & Mustaffa, 2012). Our study shows how the adoption of a broader perspective of the MNE as a knowledge-processing organisation can provide useful insights into the organisational choices these firms make.

Second, and related to these organisational choices, we provide evidence to support the knowledge-based view of entry or operation modes, which suggests that firms will choose operation modes that enable the most efficient flow of knowledge to occur (Madhok, 1997; Martin & Salomon, 2003). In particular, we opened the black box of knowledge to reveal what knowledge and processes we need to understand in order to establish which operation mode or modes are the most appropriate. Indeed, knowledge has played an important role in theory development in both of the main theoretical approaches to foreign operation

modes, namely internalisation theory (E. Anderson & Gatignon, 1986; Erramilli & Rao, 1993; Hennart, 2009) and internationalisation process theory (Johanson & Vahlne, 1977, 2009). However, these theories consider knowledge to be a black box and provided limited insights, in particular to managers of knowledge-intensive firms. Our study contributes to opening that black box, and shedding light on what knowledge-intensity entails for foreign operation modes.

Third, in demonstrating that knowledge transfer is only one of the knowledge processes that MNEs engage in, our study brings the process of knowledge combination to the forefront. We highlight the relevance of combining know-how from the headquarters with know-how from the local subsidiary, and in so doing reveal a number of tools with which a firm can enable this professionals to work together to facilitate the combination of their different knowledge types. Knowledge has been central to the KBV of MNE since its emergence (Buckley & Carter, 1999, 2004; Grant, 1996b; Kogut & Zander, 1992, 1993), but has not been explored empirically and conceptualisation remains vague and unhelpful to managers. Our study provides some initial answers to the questions of what knowledge is combined in international PSFs and how and points to the need for greater attention to the micro-processes of knowledge combination, in particular to examine the work of individuals and how they combine their knowledge to provide solutions to clients.

In sum, this study contributes to developing the KBV of MNEs by providing a more nuanced understanding of the knowledge-processing organisation, and in particular, how multinationals manage their knowledge and what implications this has for foreign operations.

6. Conclusions

6.1. Limitations & future research

Like all studies, our work also suffers from some limitations. First, our qualitative approach may be subject to criticism for lack of generalisability. However, our aim was not to generalise to all MNEs, nor indeed to all international PSFs. On the contrary, our aim was to explore ways in which international PSFs differed by comparing different types of firms and explore the ability of PSFs to inform us on the differences between international PSFs. Second, our analysis involving creation of sub-types of know-what, know-how and know-who may be criticised for its subjective nature. To reduce subjectivity we engaged in discussions among the authors to contrast interpretations and the categories created

(Grodal, Anteby, & Holm, 2020). Third, our study portrays a picture of each firm as it operates today, despite the firms being in different phases in their international development. Further research, e.g. longitudinal case studies, on how different types of knowledge, knowledge processes and operation modes evolve over time would undoubtedly provide fruitful insights. Finally, our focus on knowledge-types and processes has led us to look at knowledge on a collective level, namely at fairly bulky sub-units within the firm (headquarters and subsidiaries). Further research might focus on the individual level to understand how the micro-processes of knowledge combination occur between professionals (Michailova & Mustaffa, 2012) or on the activity level to explore knowledge combination in different value chain activities (Ball, Lindsay, & Rose, 2008) and whether or not knowledge combination requires proximity or can be achieved virtually (Guo, Jasovska, Rammal, & Rose, 2018).

6.2. Managerial implications

Our study was motivated by the need to provide PSF managers with answers regarding suitability of operation mode and forms of internationalisation. Our findings can help managers understand that there are different pathways shaped by PSF characteristics and varying knowledge needs. In particular, managers will need to adopt a holistic perspective of the firm's knowledge needs: what knowledge is needed to operate internationally and what processes are needed to manage this knowledge across the firm. Answers to these questions should help managers identify which are the most appropriate operation mode or modes for their firm.

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8. STUDY 4

THE HOWS AND WHYS OF FOREIGN OPERATION MODE COMBINATIONS: THE ROLE OF KNOWLEDGE PROCESSES

Title:

THE *HOWS* AND *WHYS* OF FOREIGN OPERATION MODE COMBINATION CHANGES: THE ROLE OF KNOWLEDGE PROCESSES

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Title:

THE *HOWS* AND *WHYS* OF FOREIGN OPERATION MODE COMBINATION CHANGES: THE ROLE OF KNOWLEDGE PROCESSES

Abstract

Despite evidence that firms often combine more than one operation mode in a foreign market and that these mode combinations change over time, this phenomenon remains understudied. Drawing on the knowledge-based view, in this process study we explore how and why foreign operation mode combinations change over time. We build on a longitudinal case study, spanning 21 years of a firm's development in three Latin American countries, to identify and analyse four different mode combinations. Our findings show how operation modes are combined to enable several knowledge processes simultaneously, and that these combinations change in response to changing knowledge needs.

Keywords

Foreign operation modes; operation mode combinations; operation mode combination changes; knowledge-based view

1. Introduction

How to operate in a foreign market is an important strategic decision for an internationalising firm, and it follows that research on entry or operation modes is central to the field of international business. A wide variety of factors have been identified to explain the choice of entry mode, and there is a growing interest in how firms operate post-entry (Brouthers & Hennart, 2007; Canabal & White, 2008). Indeed, the literature has acknowledged that firms evolve over time and may change their modes of operation (Calof & Beamish, 1995; Clark, Pugh, & Mallory, 1997), although many questions remain open regarding these operation mode changes (Putzhammer, Puck, & Lindner, 2019).

In addition, much of the extant literature continues to assume that firms choose between single, discrete operation mode alternatives, when in practice it is common for firms to combine several modes in the same country (Benito, Petersen, & Welch, 2009; Clark et al., 1997). As a result, the literature has largely ignored mode combinations and changes in those combinations (Putzhammer et al., 2019). Additionally, the main theoretical approaches used to study foreign operation modes appear of limited use to explain changes in mode combinations, either because they adopt a static approach or because they focus mainly on the primary operation mode (Benito, Petersen, & Welch, 2011; Petersen, Benito, Welch, & Asmussen, 2008).

To address these issues, in this study we build on the knowledge-based view (Grant, 1996b) to explore how and why the operation mode combinations of a firm change over time. This theoretical lens emphasises the role of the firm as a knowledge-processing institution (Grant, 1996b; Grant & Phene, 2021), and posits that internationalising firms will choose the operation mode that enables maximum efficiency of those knowledge processes (Kogut & Zander, 1993). From this viewpoint, it follows that a closer examination of the knowledge processes in an international firm should provide us with useful insights to understand operation mode decisions, such as the combining of modes and making changes to those combinations. Building on recent calls for a more fine-grained analysis of knowledge processes in multinational firms (Grant & Phene, 2021), we explore four different knowledge processes – knowledge accession, knowledge acquisition, knowledge combination and knowledge transfer – to better understand the firm's operation mode choices.

Drawing on a longitudinal case study, that spans 21 years of a firm's international development in three Latin American countries, we use temporal bracketing techniques to examine the firm's internationalisation over four distinct periods of time, each with a different mode combination. By focussing on the different activities in the firm's value chain rather than on the primary operation mode (Benito et al., 2011; Petersen et al., 2008), we were able to identify the firm's goals, operation mode combinations and prevalent knowledge processes for each of the periods. This allowed us to analyse how and why combinations change over time.

Our findings reveal that the firm combines different operation modes in order to enable several knowledge processes to occur simultaneously. Moreover, given the evolutionary nature of the firm's goals and activities, as well as the finite nature of some knowledge processes, the firm's knowledge needs and priorities change too; and this leads to changes in mode combinations. As such, our study proposes a knowledge-based explanation of mode combinations and changes in them over time.

In doing so, our study contributes to the literature on foreign operation modes in two ways. First, our findings on how mode combinations change allow us to propose a more nuanced and precise conceptualisation of mode combination changes, namely by differentiating between *within* and *between* combination changes. Second, we contribute to developing the knowledge-based perspective on operation modes by showing how operation mode combinations are created to enable a variety of knowledge processes (in particular knowledge accession, knowledge acquisition, knowledge combination and knowledge transfer), and how a firm's changing knowledge needs lead to changes in these mode combinations. Thus, we demonstrate that the knowledge-based perspective can explain the choice of more complex alternatives beyond single mode choices, i.e. mode combinations and their changes, and provide a more fine-grained picture of the role of knowledge and knowledge processes in operation mode choices.

2. Theoretical Background

2.1. Foreign operation modes and their combinations

Operation mode choice is a critical decision for the internationalising firm, and as such has occupied a central role in international business research since its beginnings (Shaver, 2013). The extensive research on operation modes (in particular at the time of market entry) has generated a number of mode classifications (Anderson & Gatignon, 1986; L. Welch, Benito, & Petersen, 2018) and provided rich insights into the reasons why firms choose certain modes (Brouthers & Hennart, 2007; Canabal & White, 2008). However, in their endeavour to explain and predict the mode choices of firms, many studies have simplified the concept of operation mode, when in practice the reality that firms face is far "messier" (Benito et al., 2009). Indeed, while theory development requires simplification in order to isolate and study variables or concepts, it would appear that the assumptions upon which these dominant theories are built have simplified the reality of foreign operation modes excessively (Benito et al., 2009).

The first assumption in the literature on operation modes, that may be limiting our understanding of this complex phenomenon, is that firms choose one operation mode from a list of discrete modes. However, if we observe firms in practice, it is in fact common for firms to combine different modes

in the same market (Benito et al., 2009; L. Welch et al., 2018). Yet, despite the evidence on the existence of operation mode combinations, the research on this phenomenon remains scarce.

Combinations of modes were observed and reported by Clark et al. (1997), but they did not delve further into these combinations. Petersen and Welch (2002) proposed a classification of combinations, which provided insights into how firms combined modes, namely based on their degree of integration. They defined four types of combinations: i) unrelated modes for diversified business across different industries; ii) segmented modes for different client, market or geographical segments; iii) complementary modes for different activities in the value chain; and iv) competing modes for the same activities.

The few empirical studies on mode combinations suggest that firms combine modes to achieve task or product differentiation, to respond to political demands and to adapt to local markets (Benito et al., 2011); that certain factors may affect a firm's propensity to use a diversity of modes, namely the firm's technological knowledge-intensity (Hashai, Asmussen, Benito, & Petersen, 2010); and the use of mode combinations may affect the speed of internationalisation (Putzhammer, Slangen, Puck, & Lindner, 2020). Yet, the empirical evidence on mode combinations remains scarce and much remains unknown about why firms combine modes, what advantages are offered by the combination of modes and what barriers may exist to creating combinations (Benito, Petersen, & Welch, 2012).

A possible explanation for the paucity of research on mode combinations is data availability: secondary data on foreign direct investments in foreign markets focusses on a single mode and gaining access to data on different modes is challenging (Benito et al., 2011; Petersen et al., 2008). Moreover, managers themselves tend to focus on the main operation mode (Benito et al., 2012). Therefore, new theoretical approaches may be required in order to bring additional operation modes to the forefront and to empirically examine mode combinations. Recent works suggest that adopting a global value chain (GVC) approach to study the firm's activities and determine how they are performed appears to be a promising avenue for the identification of mode combinations (Asmussen, Benito, & Petersen, 2009; Benito et al., 2011; Benito, Petersen, & Welch, 2019; Petersen et al., 2008).

The second prevalent assumption in operation mode literature is illustrated by the field's predominant focus on entry mode choice, namely that firms make a single mode choice on entry and continue to operate with said mode. In reality, firms evolve over time and change their foreign operation modes (Benito & Welch, 1994; Calof, 1993; Calof & Beamish, 1995). The growing body of literature on (individual) operation mode changes has identified a variety of change factors, namely external ones such as environmental or institutional uncertainty and industry or market demands (Axarloglou & Kouvelis, 2007; Calof, 1993; Puck, Holtbrügge, & Mohr, 2009; Santangelo & Meyer, 2011); or internal ones such as knowledge accumulation, social capital or

subsidiary maturity (Chetty & Agndal, 2007; Clark et al., 1997; Driffield, Mickiewicz, & Temouri, 2016; Johanson & Vahlne, 1977, 2009; Pedersen, Petersen, & Benito, 2002). A recent study reviewing this literature on operation mode changes highlighted that despite the growing interest in post-entry operations, the literature continues to focus on market entry. By disregarding mode changes, an opportunity to provide richer and more holistic explanations of the foreign operations of firms has been overlooked (Putzhammer et al., 2019).

This review pointed to different types of changes in operation modes, namely a switch from one mode to another (*between-mode change* or mode switching), changes within an existing operation mode (*within-mode change* or mode stretching) and changes in operation mode combinations (Putzhammer et al., 2019), and underlined the scarcity of research on the last of these three. The limited evidence we have on this topic suggests the following: Early empirical studies on entry modes provided some insights into how combinations change without explicitly referencing the concept of mode combinations. For example, the examination of sequential market entries showed firms adding operation modes to existing ones (Chang & Rosenzweig, 2001; Delios & Henisz, 2003; Guillén, 2003), a concept later labelled *mode additions*. Subsequent empirical work distinguished between mode *duplication* (replicating an existing mode) and mode *elevation* (adding a higher commitment mode to an existing one) (Putzhammer, Fainshmidt, Puck, & Slangen, 2018). Together, these empirical studies point to reasons for change in these combinations similar to those existing in the research on individual mode changes, namely experience in the market (Chang & Rosenzweig, 2001; Guillén, 2003; Putzhammer et al., 2018) or institutional quality or uncertainty (Delios & Henisz, 2003; Putzhammer et al., 2018).

To summarise, research on the phenomenon of mode changes (and changes in mode combinations in particular) remains very limited compared to entry mode research; and studies continue largely to adopt a static view of the decision made at a single point in time (Benito et al., 2009, 2011; Putzhammer et al., 2019). As a result, Putzhammer (2019) and his colleagues call for more research on changes in mode combinations. Indeed, the few empirical exceptions discussed above notwithstanding, research on changes in operation mode combinations has left many questions unanswered, for example how and why operation mode combinations change over time.

The first step to answer these questions is to explore whether existing theoretical perspectives could shed some light on these issues. We investigate this in the following two sections.

2.2. Key theoretical lenses to explain operation mode changes and combinations

Two main theoretical perspectives have been applied to examine operation mode changes: an economic approach and a behavioural / process approach (Putzhammer et al., 2019).

The first of these – the economic perspective (i.e. transaction cost and internalisation theory) – focuses on the most appropriate governance mechanisms for a firm's international operations, given

the transaction and coordination costs involved in those operations. This approach predicts that firms, having compared market, hierarchy and hybrid governance structures, will choose the one that maximises the gains of the firm (Buckley & Casson, 1976, 2020; Cuypers, Hennart, Silverman, & Ertug, 2021). From this perspective, changes in operation modes are explained by changing conditions for market transactions and/or internal coordination mechanisms and a more efficient governance mechanism becoming apparent (Putzhammer et al., 2019).

Despite its success in generating a plethora of factors explaining mode choice, to help predict which operation modes are more appropriate in which conditions, the economic approach appears limited in its ability to inform us about changes in operation mode combinations (Benito et al., 2011, 2012). First, this approach adopts a static view, by focussing on the mode choice decision point (whether entry or later). Therefore, while it may provide insights into an individual mode changes at a specific point in time, this analysis provides limited understanding of the on-going internationalisation process. Second, this theoretical lens assumes that a choice is made between mutually exclusive options, essentially disregarding the possibility of multiple modes co-existing (Petersen & Welch, 2002). Third, if it did acknowledge the possibility of multiple modes, its focus on the additional costs of negotiating, enforcing and coordinating multiple operation modes could potentially lead towards the conclusion that mode combinations represent an undesirable strategy for firms (Benito et al., 2012). As such, the ability of internalisation theory to address the complexities firms face in practice or to predict mode combinations and changes they may undergo over time is limited (Benito et al., 2019).

The second theoretical lens is internationalisation process theory – and the Uppsala model in particular – which has been very useful to study the evolution of operation modes over time (Calof & Beamish, 1995; Putzhammer et al., 2019). It proposes that firms reduce uncertainty by accumulating experiential knowledge (about a given market and internationalisation more generally), resulting in greater commitment to that market (Johanson & Vahlne, 1977, 2009). Effectively, the Uppsala model provides answers to both *how* a firm's primary operation mode changes over time (successive and interlinked commitment decisions about activities and resource allocation in the market) and *why* they change (because of the knowledge-commitment cycle) (C. Welch, Nummela, & Liesch, 2016).

However, internationalisation process theory also ignores the possibility of mode combinations. Indeed, the Uppsala model was built from empirical data of firms that moved from one operation mode to another (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975), and consequently assumes that firms operate with a single mode that changes over time. The authors later referred more broadly to the firm's commitment to the market, and this could be interpreted as compatible with the idea of multiple modes. In fact, in recent writings, they present the model as a tool to analyse and explain the evolution of the multinational business enterprise (Vahlne &

Johanson, 2013). Nevertheless, the model itself does little to expose operation mode combinations or explain the changes they might experience. In other words, in the Uppsala model the concept of market commitment is a black box in terms of operation modes. It proves useful to explore single operation mode changes, by providing partial answers to why the firm's overall commitment to the market changes; but remains limited in its ability to expose and explain operation mode combinations and changes in them (Benito et al., 2012).

2.3. Knowledge-based view as an alternative theoretical lens

A third theoretical perspective – the knowledge-based view (KBV) of operation modes – has received far less attention so far, but in our view can be useful. Building on the resource-based view (Barney, 1991; Penrose, 1959), KBV posits that knowledge is the most strategically significant resource of the firm, on which its competitive advantage is built (Grant, 1996b). This competitive advantage arises from the transformation of the firm's knowledge into economically useful products and services through the application of a set of higher-order organising principles (Grant & Phene, 2021; Kogut & Zander, 1992). This transformation of knowledge may involve a range of knowledge processes, such as knowledge acquisition, transfer, replication and combination (Grant, 1996a, 1996b). As such, the firm is viewed as a knowledge-processing institution, whose main aim is to efficiently enable knowledge flows to occur (Grant, 1996a).

Applied to the study of international business, KBV suggests that multinational firms exist as a mechanism to efficiently enable knowledge to flow across borders (Kogut & Zander, 1993). From this perspective, firms will consider operation mode choices through the prism of their knowledge management needs. Indeed, KBV suggests that mode choices are motivated by the firm's need to manage its knowledge as a means of building its competitive advantage. KBV and the economic approach concur in predicting that the more tacit the knowledge on which competitive advantage is built, the greater the need for knowledge transfer to occur internally, namely to a subsidiary rather than to an external partner (Hennart, 1991; Kogut & Zander, 1993; Meyer, Wright, & Pruthi, 2009). However, KBV does not consider the primary driver in such decisions to be the need to protect said knowledge from the threat of opportunism (Kogut & Zander, 1993; Malhotra, 2003), but rather the firm's goal to maximise efficiency and effectiveness of its knowledge processes. Indeed, the knowledge-based perspective of foreign operation modes has revealed factors affecting mode choices, such as the firm's knowledge transfer capacity (Martin & Salomon, 2003), the firm's knowledge objective (i.e. to exploit existing knowledge or to develop new knowledge) (Madhok, 1997) and the firm's ability to decompose their activities into modules and protect proprietary knowledge in key activities (Elia, Massini, & Narula, 2019).

We propose to build on the knowledge-based view to explore why firms combine operation modes and change these combinations. If firms choose the operation modes they believe will result in the most efficient knowledge flows, then operation mode combinations may arise not only in response

to external factors and the need to differentiate products and services (Benito et al., 2011), but also from the need to manage multiple knowledge flows. Indeed, although studies often isolate a single knowledge process in order to examine it in more depth, there is evidence to suggest that firms actually manage multiple intertwined knowledge processes simultaneously (Foss, Husted, & Michailova, 2010; Tallman & Chacar, 2011b). For example, a firm may decide to create a subsidiary to enable internal knowledge transfer between individuals from the headquarters and local staff, but also may need to accelerate acquisition of local knowledge from outside the firm through an alliance. The need to support both of these knowledge processes could explain why the firm chooses to combine operation modes. Moreover, the strategic need to prioritise certain types of knowledge flows may also affect mode choices, because different operation modes and their combinations will facilitate these processes to different degrees.

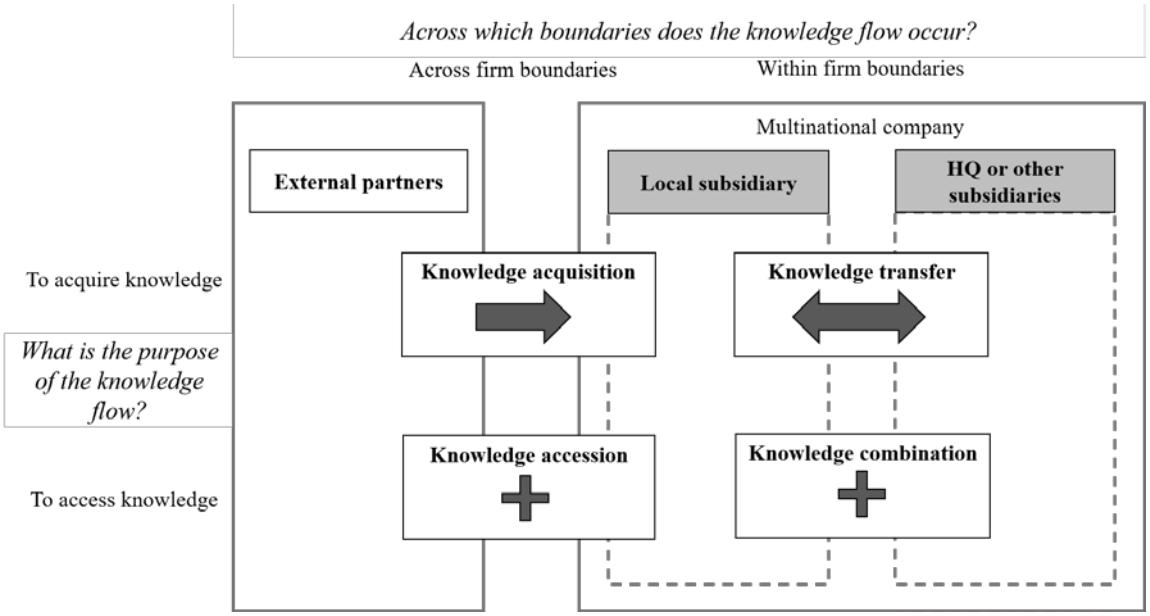
The knowledge-based view also recognises the evolutionary nature of the firm and highlights that knowledge is constantly being socially constructed, e.g. developed, applied and reconstituted or recombined, as activities are undertaken by individuals in the firm (Kogut & Zander, 1993; Tsoukas, 1996). In other words, it suggests that organisational knowledge stocks, knowledge flows and ultimately knowledge needs will naturally evolve over time. Therefore, if the firm has constructed an operation mode combination to enable specific knowledge processes to occur in the most efficient way, it follows that as these processes change, the operation mode combination too would need to change.

Therefore, exploring foreign operation modes through the lens of various knowledge processes a firm manages can generate useful insights. Existing literature has explored how MNEs access, transfer, and create knowledge (Grant & Phene, 2021), both within the firm among organisational units (Casillas, Moreno-Menendez, Acedo, Gallego, & Ramos, 2009; Michailova & Mustaffa, 2012) and with external partners, networks and communities (Tallman & Chacar, 2011a). It has become clear from this research that the complexity of the multinational's knowledge processes needs to be addressed, in particular by differentiating between knowledge processes (Grant & Phene, 2021; Michailova & Mustaffa, 2012); and that a more fine-grained analysis is required of both the processes and units involved (Grant & Baden-Fuller, 2004; Grant & Phene, 2021; Tallman & Chacar, 2011b). Building on this literature on various types of knowledge processes, in this study we focus on four processes, summarised in Figure 1.

We differentiate these four processes along two dimensions that, in our view, are most relevant to the choice of the operation mode. First, we distinguish between the knowledge flows that happen *within* the boundaries of the multinational firm (e.g. bi-directionally between headquarters and subsidiaries and/or between subsidiaries), and the knowledge flows that occur *across* the firm boundaries, i.e. with external agents. Second, we distinguish between the knowledge flows that aim to enable integration of knowledge to the firm's or a unit's knowledge base and those that do not.

We labelled the resulting four processes as follows: *knowledge acquisition* refers to the process aiming to ultimately absorb the knowledge from external partners and integrate it into the firm's knowledge base (Cohen & Levinthal, 1990; Parra-Requena, Ruiz-Ortega, García-Villaverde, & Rodrigo-Alarcõn, 2015); while *knowledge accession* aims to combine complementary knowledge without the intent of integrating what the external partner knows (Buckley, Glaister, Klijn, & Tan, 2009; Grant & Baden-Fuller, 2004). Similar processes but happening *within* organisational boundaries are labelled *knowledge transfer* and *knowledge combination* respectively (Buckley & Carter, 2004). The way we use the two latter labels varies slightly from the existing literature, in that both knowledge transfer and knowledge combination have been used in the past to refer to knowledge flows both within and across firm boundaries (Argote & Ingram, 2000; Nahapiet & Ghoshal, 1998). In this study, we use these terms to denote only the flows within the firm boundaries. For example, knowledge transfer occurs when experts from the headquarters teach local professionals how to execute certain tasks on their own. Similarly, knowledge combination occurs when experts from different units of the MNE work together to solve client's problem, but the firm's primary aim is neither to transfer global knowledge locally, nor local knowledge globally. In sum, the local subsidiary will integrate new knowledge into its knowledge base as a result of knowledge transfer, but not of knowledge combination.

Figure 1. Types of knowledge processes in a multinational firm



In conclusion, this study builds on the knowledge-based view of the firm, in particular the firm's role as a knowledge processing entity in which a range of knowledge processes occur, in an attempt to examine the question of *how and why do foreign operation mode combinations change over*

time? In doing so, our study aims to address the shortcomings in the literature regarding operation mode combinations and the managerial need for greater clarity on the matter.

3. Methods

3.1. Research design

To address our research question, we chose a retrospective, longitudinal case study approach (Piekkari, Welch, & Paavilainen, 2009). Our choice was guided by several considerations. First, case studies are particularly appropriate for how and why questions such as the ones we pose (Ghauri, 2004; Yin, 2018), and have been identified as relevant particularly for the in-depth analysis of foreign operation mode combinations (Benito et al., 2011). Second, our aim to analyse the temporal progression of mode combinations naturally called for a longitudinal process study (Langley, 2009; Langley, Smallman, Tsoukas, & Van de Ven, 2013; Pettigrew, 1990; Siggelkow, 2007). We adopted a retrospective perspective, i.e. we trace back the evolution of foreign operation mode combinations from the past to today, as opposed to following the phenomenon in real-time over a long period of time (Blazejewski, 2011; Langley, 2009).

We adopted an abductive approach, combining inductive and deductive steps in an iterative manner (Klag & Langley, 2013; Sætre & Van de Ven, 2021). We constructed our research question from the extant literature, and contrasted our data with concepts and definitions in the literature (Dubois & Gadde, 2002; Rheinhardt, Kreiner, Gioia, & Corley, 2018). Observed mismatches between empirical observations and the existing conceptualisation of mode combinations in the literature led to further exploration. Our approach to explaining how and why operation mode combinations change is aligned with the contextualised explanation proposed by Welch and her colleagues (2011).

3.2. Research Setting

Given our aims, we needed a research setting that would allow us sufficient depth to examine manifestations of the concept (operation mode combinations) and temporal span to trace causal processes over time (Benito et al., 2009, 2011; Benito & Welch, 1994; Pauwels & Matthyssens, 1999). Moreover, we needed an empirical setting, which would allow us to expose the potential role of knowledge in foreign operation modes and their combinations. Professional service firms (PSFs) are exemplars of this, as the primary asset for service delivery is knowledge (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Løwendahl, 2005; Maister, 1993). PSFs have often remained in the shadows in management research, despite their theoretical and empirical relevance (Empson, Hinings, Muzio, & Broschak, 2015), and can provide an opportunity for novel insights into the

internationalisation process. Following these requirements, we selected a Spanish professional service firm operating worldwide.

This firm provides engineering, architecture and consulting services to clients around the world. In 2019, the firm counted 3.800 professionals in 45 offices around the world, and a total income of €300 million, 80% of which came from international markets. As any professional service firm, the case firm provides customised solutions to its clients, based on the careful assessment and judgement of its professional workforce; and its delivery of services typically involves a high degree of interaction with clients and is constrained by professional norms of conduct (Løwendahl, 2005; Von Nordenflycht, 2010). As a result, two elements determine the firm's core activities. First, the firm operates with clear corporate values, especially relating to clients. Strong client relationships are key to understanding and resolving the clients' challenges with technically excellent solutions and are built through business development activities. Second, the central unit of work is the project, where professionals from diverse disciplines come together to work towards resolving the client's needs. Therefore, as is the case in many PSFs, project management, project execution and business development are core activities of the firm (Fosstenløkken, Løwendahl, & Revang, 2003).

Within the research setting of the firm (or empirical unit of observation), the unit of analysis of this study is the (changing) operation mode combination in a given country (Fletcher & Plakoyiannaki, 2011). We followed a theoretical sampling approach and selected three embedded cases (Fletcher & Plakoyiannaki, 2011; Ghauri, 2004): Mexico, Colombia and Chile. In addition to providing the opportunity to observe mode combinations, these cases were chosen because they provided the longest period to observe iterations of change and an opportunity to compare multiple cases within a common external context, i.e. Latin America (although we recognise that considering Latin America a homogeneous context is a simplification of a more complex reality).

We did not initially restrict the timeframe of the study. However, as we analysed the data collected, we concluded that very little data was available prior to 1999, and that the firm's activities during those earlier years did not differ substantially from those between 1999 and 2004. Therefore, our study focuses on a 21-year timeframe, from 1999 to 2019, covering the major events of the firm's international development, and its development in Mexico, Colombia and Chile.

3.3. Data collection

We collected data from different sources: interviews, online recordings and archival data (Langley, 2009; Piekkari et al., 2009). First, to obtain a more comprehensive understanding of the internationalisation of the firm over the 21-year time period (C. Welch & Piekkari, 2017); second, as a means of triangulation to verify validity of data collected (Nielsen et al., 2020); and third to compensate for the different perspectives and limitations of each data source (Langley, 2009).

Although the study adopts an overall retrospective perspective, some data sources provide real-time data (e.g., archival data prepared at a given point in time reflecting that moment), while others adopt a retrospective perspective (e.g., interviews and teaching case studies). This combination of time perspectives provided an additional means to identify and manage potential retrospective bias. Table 1 summarises the data collected, sources, as well as the time-period and time perspective (real time or retrospective) of each data source.

3.3.1. Semi-structured interviews

A total of 15 semi-structured interviews were carried out with 10 key professionals involved in the firm's internationalisation. Informants were middle or senior managers, actively involved in decision-making related to internationalisation. The diversity of their roles ensured that our data included different perspectives: that of the headquarters, of expatriates with managerial responsibilities in one or more of the Latin American subsidiaries and of local country directors. Informants were asked to describe the internationalisation process and their role in it; and then guided, with open questions, to comment on particular aspects of the process (e.g. what international strategy the firm follows, which operation modes were chosen and what drivers and barriers the firm faced in the development of the Latin American subsidiaries). Additionally, interviewees were asked about how the firm manages its knowledge; in particular, how different types of knowledge are shared and transferred across borders.

Interviews, carried out either in person or via video calls, were recorded and transcribed in Spanish. A summary of each interview was then prepared in English for discussion within the research team. Transcripts and summaries were shared with interviewees, inviting them to follow-up interviews should they wish to clarify or expand on any particular issue. The interviews provided deep and unique insights into events, decisions and links in the phenomenon; but also suffered from limitations (Langley, 2009). We accounted for these (e.g. potential retrospective bias of interviewees) by contrasting the narrative in our interviews with the other data sources.

3.3.2. Online video recordings

Given the involvement of the firm in a variety of internationalisation events, six interviews and presentations, recorded between 2011 and 2019, were publicly available online. These were transcribed and coded. In these recordings, informants discussed the firm's international strategy, including in Latin America, and the firm's particular approach to project management and client relations, and therefore provided insights into firm goals, activities and knowledge processes. Several recordings were of professionals we had interviewed, which allowed us to contrast both sets of data to avoid retrospective bias.

3.3.3. Archival data

Archival data was gathered mainly from three sources: (i) the firm's annual reports available online since 2008 and hard copies prior to that date; (ii) teaching case studies about the firm's internationalisation process; and (iii) news available online regarding the firm's international activities. The annual reports from the sectoral association and a doctoral thesis published in 2006 provided valuable information about the firm's international activities and income, substituting to some extent the missing annual reports.

The archival data sources provided a reliable source of events and dates generated in real-time, which allowed us to confirm or correct the data from the interviews and construct reliable timelines. Data from the archival sources (case studies, annual reports and press articles) were also used in the second and third analysis phases, to identify firm goals, activities, knowledge processes as well as causes for change in mode combination changes. In particular, the teaching case studies offered insights into the internationalisation and decision-making processes, while annual reports proved useful to identify changes in the overall international strategy of the firm and the development of the Latin American offices.

Table 1. Summary of data sources constructing the longitudinal case study

DATA SOURCE	**TIME PERS-PECTIVE**	**99**	**00**	**01**	**02**	**03**	**04**	**05**	**06**	**07**	**08**	**09**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**TOTALS**
Interviews, interviewees numbered I1 to 110 and online videos numbered OV1 to OV6																							
Semi-structure interviews	RFT	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	15	15 interviews 15h05 – 159pp I1-I10
Online Videos (interviews & presentations)	RT													1			1	1			1	2	6 videos 2h53 – 41pp AV1-AV6
Archival Data, documents numbered AD1 to AD54																							
Annual Reports	RT					1	1			1	1	1	1	1	1	1	1	1	1	1	1	1	15 reports 2474 pages AD1-AD15
Teaching case studies	RFP	1	x	x	x	x	x	x	x	1										x	x	1	3 cases 85 pages AD16-AD18
Press articles	RT							1				2	2			1	3	1	4	5	6	6	31 articles 82 pages AD19-AD49
Annual Reports Sector association	RT					1	1	1		1													4 reports – 12 firm references AD50-AD53
Thesis	RFP	x	x	x	x	x	x	x	1														47 pages in reference to firm AD54

Notes:

- Time perspective of the data: RT = real time / RFT = retrospective from today / RFP = retrospective from past time-point
- "x" denotes a specific time period covered by a retrospective data source

3.4. Data Analysis

We coded the data in several iterations, each time focusing on different questions. During the first iteration, we aimed to identify the main periods in the firm's internationalisation in each country, so that we could compare the mode combinations in those different periods. First, as this is a process study we focused on events and compiled a timeline for each country, from the interviewee narratives and archival data. Then, we used a temporal bracketing strategy, identifying continuities in the activities in each period and marking the discontinuities in the temporal flow of activities to identify the frontiers between them (Langley, 1999; Langley et al., 2013). We compared the three embedded country cases and concluded that (except for minor differences discussed in the findings) a similar pattern, including four successive periods, existed across the three countries. This pattern was contrasted and confirmed with interviewees.

In the next iteration of data analysis, we used this four-period pattern and coded the data (i.e. interviews, teaching case studies, annual reports and press articles) for the following categories: What was the firm's goal in this period? What activities were carried out and by whom (Benito et al., 2011; Petersen et al., 2008)? What knowledge processes were key? What operation modes were used in each period? What was the role of each mode and what interrelation existed between modes (Petersen & Welch, 2002)? This round of coding enabled us to identify various operation modes and knowledge processes (and correctly label them according to the theoretical constructs summarised in Table A in Appendix 1) and unveil the instances of mode combinations. Cross-case comparison in this phase revealed no major differences across countries (Stake, 2006).

Having a clear idea of what mode combination existed during each period, we moved to the third round of data coding, which was driven by our core questions of how and why mode combinations change. At this stage, we particularly focussed on events (Langley, 2009) to identify changes, and then more particularly on puzzles (Grodal, Anteby, & Holm, 2020), i.e. changes that did not correspond to the types of changes described in the literature (Putzhammer et al., 2019). By iteratively contrasting our emerging findings with the relevant literatures, we were able to refine our theoretical categories (Grodal et al., 2020), in particular by splitting mode combination changes into two types and identifying reasons for change that have not previously been discussed in the literature. Cross-case comparison revealed minor differences in the reasons for change across countries, which are discussed in the findings. Finally, we shared findings with several key interviewees, which provided contrast for certain findings or interpretations.

3.5. Reflexivity and researcher positionality

As is common in process studies (Langley et al., 2013), one of the authors has had a prolonged involvement with the firm (i.e. employee for 2 years and continued collaboration thereafter). Therefore, we reflected on the way her experience contributed to shaping the research process

(Corlett & Mavin, 2018), and in particular her position along the insider-outsider continuum (Aguinis & Solarino, 2019; Anteby, 2013).

On the one hand, her interactional expertise – or ability to engage with the professionals and the specific context (Collins, 2004) – led to data access and a candid, trusting attitude of interviewees during interviews and other informal interactions (Jay, 2013). To avoid interviewing only professionals she knew, we asked interviewees to suggest additional interviewees. Moreover, her first-hand knowledge of firm's internationalisation to Latina America in periods 1 and 2 enabled inconsistencies or retrospective bias to be identified and clarified. On the other hand, her experience also shaped data analysis (Langley et al., 2013), namely by enabling implicit links made by interviewees to be identified and made explicit; and by facilitating detection of links between theory and data for subsequent exploration and analysis by the research team.

To monitor the researcher's positionality as she engaged with the research and leverage the complementary of the research team, we implemented a series of individual and group reflexivity practices. First, in 2019 recollections from time spent at the firm were recorded in written form, then contrasted with the recollections of another ex-employee who left the firm at the same time and confirmed to be very similar. Second, thoughts and reflections stimulated by listening to the interviewees were also recorded to contrast later with interviewee transcripts. Third, building on the different theoretical and methodological backgrounds of the researchers as well as their different perspectives (both insider and outsider ones), the research team engaged in regular reflexivity exercises to discuss different potential interpretations of the findings and uncover new insights (Corlett & Mavin, 2018).

3.6. Triangulation

The sections described above include a number of different methodological alternatives or types of triangulation (Nielsen et al., 2020), which were implemented in order to enhance the trustworthiness and validity of our conclusions (Bansal & Corley, 2012; Rheinhardt et al., 2018), and can be summarised as follows. First, we used multiple techniques and sources to collect our data as a means of *data triangulation*, to avoid errors, omissions or retrospective bias in the data and increase discovery potential. We also used different analytical techniques (temporal bracketing, categorisation and cross-case comparison) for *analytical triangulation*, to explore both how and why operation mode combinations change. Furthermore, these analytical techniques also allowed for *contextual triangulation*, in particular by comparing different temporal contexts and country contexts. The research team reflexivity exercises described above, as well as the contrasting of findings with interviewees allowed for *researcher triangulation*. Finally, although we did not examine our findings through multiple theoretical lenses and therefore cannot claim *theoretical*

triangulation, our findings do point to non-knowledge-related reasons for mode combinations change and lead us to acknowledge the complementarity of other theoretical lenses.

4. Findings

4.1. Characterisation of the internationalisation process

Steps 1 and 2 of our analysis allowed us to identify a pattern of four distinct time periods, which (after cross-case comparison) we determined was common to the three countries. In the following section, we characterise each period, by discussing the firm's goal, activities, operation modes, operation mode combinations and key knowledge processes.

To correctly label the operation modes and knowledge processes we consulted the relevant literature for core definitions that are summarised in table A (Appendix 1); and to identify the different mode combinations, we built on Petersen et al.'s (2008) framework and mapped how the firm's core activities were carried out in each time period. The findings are summarised in table 2, and represent the building blocks for the answers to our research questions.

Period 1: Market Discovery

The firm's goal in the first period was to explore the market to evaluate the firm's potential there, or as described by an interviewee: "*Our focus back then was 'where are there opportunities'?" (I1).* These new business opportunities were identified by professionals travelling to and from the headquarters; and project management and execution were also carried out in export mode: "*We won a project in [country], […] and so they asked me why don't you manage this project? […] For close to two years, although I worked in [Spain], I travelled to Latin America often*" (I10).

As is often the case for PSFs, demand came in the form of project tenders, and it was common for the firm to form alliances with local firms to tender for projects together. Local allies, working side by side with the firm's professionals, carried out activities requiring an on-going local presence or expertise. This collaboration allowed the firm to learn about the different local market dynamics, that is acquire knowledge from external partners.

Period 2: Establishment of a permanent presence

With one or more projects in hand, a permanent presence was established, with a small initial investment and a focus on sales (L. Welch et al., 2018). The firm's goal with this "*commercial office was to detect and develop opportunities for the exports of professional services from Spain" (AD20).*

In addition to the *between* mode change of the primary operation mode from export mode to a foreign direct investment, a country director was appointed. The country director took on responsibility for business development, namely managing clients and searching for new ones.

However, the director's local relational knowledge was not enough to close sales; the technical knowledge of the specialist professionals was also needed. One interviewee (I2) referred to this combination of their technical expertise with the country director's local know-how as "*working a tandem"* – that is, knowledge combination was the core process during this period. Once contracts were awarded, project management and execution were carried out by professionals travelling from the headquarters (like in the previous phase), i.e. in export mode, and often together with local allies.

Period 3: Growth into a production office

As project volume grew, the office began hiring local professionals to increase both production capacity and efficiency in projects. This effectively changed the purpose of the primary operation mode from sales to production, leading to a *within* mode change of the primary mode occurred (Putzhammer et al., 2019; L. Welch et al., 2018). This gradual growth in production capacity, driven by demand for services, is typical of the PSF context (Boxall & Steeneveld, 1999).

However, for the local office to "*start producing locally bit by bit*" (I3), local professionals needed to gain experience in the firm's work methodologies and in particular in their approach to the core activities of managing ad-hoc projects and interaction with clients. Hence, project teams were created, bringing together professionals from the subsidiary and headquarters and enabling the necessary knowledge transfer: "*There is a risk to having someone produce deliverables without knowing our philosophy, our methodology. That's why our teams are always sponsored by someone with experience in the firm*". (I7).

For certain projects or activities, local alliances allowed additional resources to be accessed, "*because with our small teams we did not have local production capacity"* (I6). Business development activities continued to be carried out in tandem, and local professionals took advantage of this interaction to build their business development capacities, with an aim to start taking on these tasks locally, that is, with the aim to transfer this knowledge to local subsidiary.

Period 4: Consolidation

Although the boundary between the third and fourth periods is difficult to pinpoint, in each country it came a point where the focus shifted from growth to consolidation. The offices continued to grow, but the firm's goal in the country became to "*to consolidate our local teams and support our own people responsible for managing multidisciplinary projects"* (I7). This shift in role of the FDI represents a *within* mode change for the primary operation mode.

Local middle managers took on business development and client management responsibilities, as well as supervision of their local team, although in many instances professionals from the headquarters continued to engage in transferring their managerial expertise when necessary. The firm's intent was not to eliminate international participation entirely, but rather offer clients a

combination of local and international expertise in mixed, multidisciplinary teams: "*we always aim to have an international expert in the project, to oversee quality but also to offer the client their international experience*" (I7). Therefore, in this period the intensity of knowledge transfer decreased, while knowledge combination through the creation of ad-hoc project teams combining professionals across business and geographical areas became more important.

With the consolidation of local teams, alliances were now mainly used as a means of accessing knowledge that the firm does not have nor intends to develop.

Table 2. Summary of goals, operation mode combinations and knowledge processes

CHARACTERISTICS OF OPERATIONS	**PERIOD 1**	**PERIOD 2**	**PERIOD 3**	**PERIOD 4**
STRATEGIC GOALS	Explore the market to evaluate the firm's potential	Establish a permanent presence to access clients and increase sales.	Grow in the market and increase production efficiency by hiring locally	Consolidate the firm's presence in the market and ensure integration of teams into global organisation
VALUE CHAIN ACTIVITY	**Operation modes used to carry out the activity**			
Business development	1. Export	1. FDI (Sales) 2. Export	1. FDI (Production) 2. Export	1. FDI (Production) 2. Export
Project Management	1. Export	1. Export	1. Export 2. FDI (Production)	1. FDI (Production) 2. Export
Project execution	1. Export 2. Alliance	1. Export 2. Alliance	1. Export 2. FDI (Production) 3. Alliance	1. FDI (Production) 2. Export 3. Alliance
KNOWLEDGE PROCESSES	1. Knowledge acquisition 2. Knowledge accession	1. Knowledge combination 2. Knowledge accession	1. Knowledge transfer 2. Knowledge combination 3. Knowledge accession	1. Knowledge combination 2. Knowledge transfer 3. Knowledge accession

Notes:

- *Operation modes underlined denote the primary operation mode in the corresponding period.*
- *Operation modes and knowledge processes appear in order of importance in the performance of this activity.*

Table 2 provides a summary of findings, but also highlights important elements: First, it reveals a pattern resembling the classical staged representation of firm internationalisation. However, we were cautious to assimilate our case firm's pattern to these stages, because the data did not reflect a prescribed or pre-defined sequential development strategy. When we contrasted the pattern with

interviewees, they confirmed that no pre-planned sequence of steps had been followed; but rather a recurrent sequence of goal setting and implementation had occurred, in which different organisational teams had contributed to making the offices what they were in this period (Van de Ven & Poole, 1995).

Second, table 2 reveals how modes are combined, by illustrating the modes that were used for each activity over time. These activities are interrelated value chain activities (a business development activity leads to the award of a project, which is then managed and executed), and as such the combinations constructed by our case firm are *complementary* mode combinations, i.e. where modes are combined in a mutually supporting way to achieve the firm's goal (Petersen & Welch, 2002).

Third, table 2 shows that different knowledge processes were key during the different periods. Knowledge accession and knowledge combination were on-going processes, though their relative important changed between the periods. Knowledge acquisition and knowledge transfer, on the contrary, appear finite, ending after periods 1 and 4 respectively.

4.2. How combinations change

Having identified the mode combination in each period, we examined how they changed. The change between combinations 1 and 2 is the most apparent. An additional mode (FDI) is added to the two existing ones, becomes the primary mode and relegates the export mode to a supporting role. This change represents a change in mode combination as defined by Putzhammer et al. (2019), namely adding (or eliminating) a new foreign operation mode to existing operations in a given host country.

However, our analysis revealed other instances of changes in mode combinations that did not align with this definition, namely when individual modes underwent change. The first of these is when within-mode changes occurred in the primary operation mode, which as Welch and his colleagues explain, can occur when the mode suffers change in activities, resources and/or organisational changes (Welch et al., 2018, p411). For example, when new activities were added to the FDI, its purpose changed from sales to production. Welch and his colleagues describe this as "the incremental process in which one operation mode virtually "grows" into another" (Welch et al., 2018, p409). In this case, no formal change of ownership or governance method occurred, but there was a shift in activities, organisational structure and resources in the local office, as evidenced by the following interviewee: *"We needed a team here, and we started building it. […] The client needed experts with experience, but they had to count on a team, which was the one we began building here in [country]."* (I10).

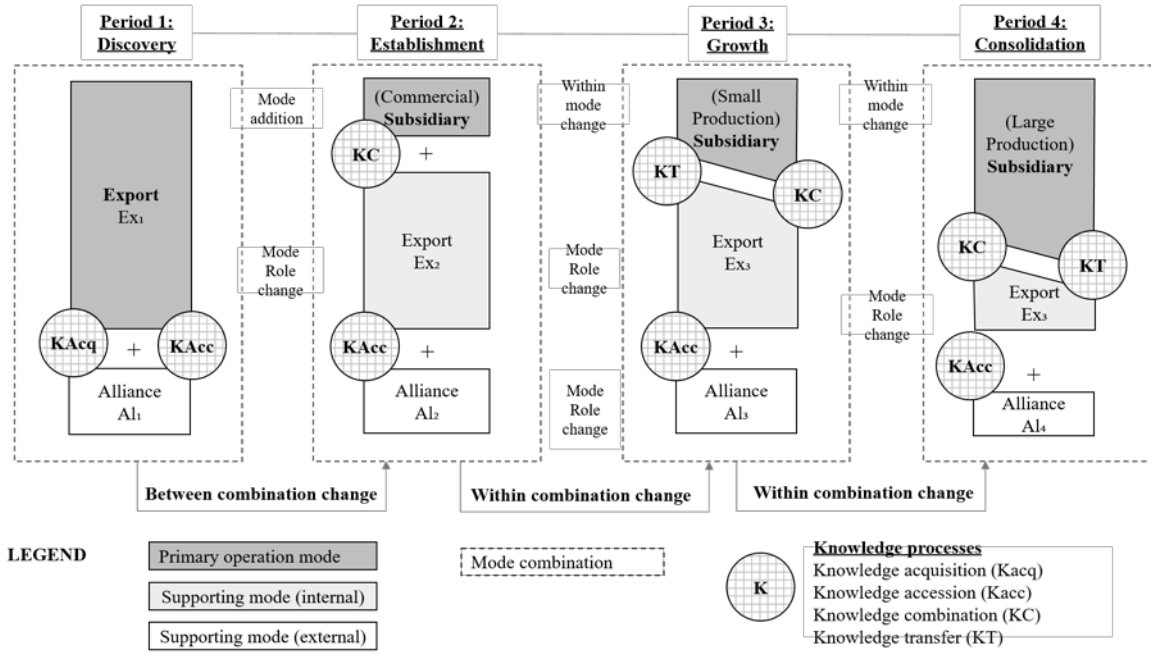
The second instance was linked to the identification of changes in the supporting modes, in particular, changes in the role played by these supporting modes, i.e. the way in which that mode

is being used to achieve the firm's objective (Benito et al., 2009; Petersen & Welch, 2002). For example, the role of the export mode changed from full responsibility for all activities in period 1 to a supporting role in period 4, as this interviewee describes: "*Initially we had a very strong component of international participation in projects, maybe 85%-90%. But that flipped […] and now in projects we have, although not in all projects, 15%-20% of international participation*" (I7). Similarly, the role of alliances changed over time. Initially, alliance partners were brought into carry out local project tasks, then to cover the peaks in project volume, and then partners were chosen because of their complementarity with the firm. "*We continue to subcontract. Sometimes because we are at full capacity and we cannot do it ourselves, but our tendency is more and more to complement our team with knowledge that is not critical to our business, that is outside the firm and should remain outside the firm" (I2).*

In conclusion, in addition to the combination changes the literature discusses, we found another type of change. Indeed, the existing conceptualisation of combination changes focuses on changes to the structure of a combination, i.e. changes due to the addition (or deletion) of an operation mode (Benito et al., 2012; Putzhammer et al., 2019). In this case, one combination substitutes another, which – if we use similar vocabulary to that of single modes – can be labelled *between-combination changes*. However, we identified another type of change in mode combination, which occurred when individual modes suffered within mode changes or role mode changes. In this case, the overall structure of the combination does not change, making this type of change analogous to the adjustments made within the boundaries of an individual mode, i.e. to within mode changes (Benito et al., 2012; Clark et al., 1997; Putzhammer et al., 2019). We have labelled these *within-combination changes*.

Building on all of these findings, Figure 1 shows how mode combinations change. In particular, it highlights the two types of change we identified: between-combination change and within-combination change. Furthermore, it provides an overview of all the changes identified that led to these combination changes: between and within changes to the primary operation mode and role mode changes to the supporting modes.

Figure 2. Mode combinations changes



4.3. Why mode combinations change

Our study also aimed to explain why mode combinations changed over time.

Analysis of our data revealed a variety of causes, many of which aligned with existing research on operation mode change. Table 3 provides an overview of all the causes identified, that we aligned with existing classifications of changes in operation modes (Calof & Beamish, 1995; Putzhammer et al., 2019; Swoboda, Olejnik, & Morschett, 2011).

First, we found a number of changes similar to those already discussed in the extant literature. On the one hand, external causes for change, namely the increase in demand (Calof & Beamish, 1995), the institutional requirements for operating in the country (Axarloglou & Kouvelis, 2007; Benito, Pedersen, & Petersen, 2005; Puck et al., 2009), home market uncertainty and the expectations of clients regarding a local presence. On the other, we found also internal or firm causes for change, namely a change in strategy (growth or efficiency), resource needs (Calof & Beamish, 1995; Swoboda et al., 2011) and performance (Hennart, Roehl, & Zietlow, 1999; Pedersen et al., 2002). We found that insofar as these causes affect single modes (often the primary operation mode) they also caused changes in the operation mode combination.

Second, the knowledge-based perspective allowed us to identify another cause for change in the mode combinations that we did not find in the extant literature: changing knowledge needs. In analysing how mode combinations changed, we identified that knowledge processes changed also.

Indeed our analysis shows that changing knowledge needs meant different knowledge processes were most important for the firm in different periods.

In period 1, the firm aimed to acquire knowledge about how the market operated, where there were opportunities for the firm, and whether these opportunities were sufficient to justify a permanent presence in the country. When sufficient knowledge was gained in order to take a decision (i.e. to change the primary operation mode and an adjustment to the role of the export mode), this goal essentially became obsolete. Of course, the firm continued to learn about the market, but its main goal shifted to generating business opportunities by combining the country director's local knowledge and the Spanish professionals' technical expertise. Subsequently, the need to build local productive capacity led to the transformation of the primary operation mode from a commercial to production office (through hiring of local professionals); and the role of the export mode to change once again, this time towards transferring firm knowledge to locally hired professionals. Finally, once consolidation of the local team was achieved, the need for knowledge transfer diminished and focus shifted to reinforcing the managerial capabilities of local middle managers – a knowledge transfer process which will eventually also largely become obsolete as local managerial teams become more established. This shift gradually reduced the involvement of professionals from the headquarters and changed the export mode role to a supporting role. In period 4, the firm seeks to consolidate its competitive advantage by combining local and international expertise. Table 3 shows these three changes in knowledge needs identified as causes for the changes in the mode combination, and the supporting illustrative quotes.

Given that knowledge is continuously being created, refined, discarded, and recombined in the firm (Grant & Baden-Fuller, 2004; Kogut & Zander, 1993), it follows that the firm's knowledge needs are continually changing. Some of the firm's knowledge goals (in this case, to acquire sufficient market knowledge to decide on the attractiveness of the market, or to transfer firm know-how to local professionals) are finite in that once they are achieved they no longer remain a priority for the firm. Therefore, the operation mode that enabled these knowledge processes changed its role and scope in the mode combination.

Finally, not only do our results yield numerous different causes for change, but we also found that mode combination changes were caused by a combination of different factors. Furthermore, cross-case comparison showed that the causes leading to the combination change for a given period differed across countries, creating different configurations of causes. For example, the decision to open the commercial office in one of the countries was due to the poor performance of the joint venture with a local partner and a critical mass of activities to justify a local commercial presence. In the second country, this same decision was due to the availability of a country director and the conclusion from the first period of market exploration that sufficient business potential existed in the country. And in the third country, the expectations of clients that the firm would have a local

presence, together with the availability of a country director were important factors in the decision. Therefore, foreign operation mode and combination choices appear to involve a larger number of factors than research currently recognises, and the adoption of a configuration approach examining the different outcomes of different configurations of causes seems timely.

Table 3. Reasons why foreign operation mode combinations change

Illustrative Quotes (data source)	**1st order classification** (data-driven)	**2nd order classification** (theory-based*)	**3rd order classification** (theory-based**)
• *An important milestone in [country] was a large project that we won […] That project meant deploying many engineers from headquarters, so […] the decision was made to […] operate in [country] with our own structure. That large project gave enough stability to simultaneously develop an ambitious commercial process.* (I5) • *The need to follow-up with clients can be the origin of the creation of a permanent office because it contributes to finding the critical mass to justify it. This has been the case of many of our current offices. (AD17)*	Critical mass of activities justifying stable local sales presence P1->P2 (***)	Market demand/ Awarding of contracts by clients	Environmental factors
• *This [project award] marked a turning point, because previous projects were smaller, they worked well with exports. So, in addition to the people we had planned to bring [from the HQ] we needed much more local support here.* (I10) • *Looking back, the [name] project represented an important leap. And growth. That's how, with one step, the office became a local production office. (AD46)*	Volume of projects require local production capacity P2->P3		
• *We understood that the Latin American client, especially in [country] is demanding […] in the sense that they require a physical presence and accompaniment in the decisions they must take in relation to the project. […]. There's a meeting for everything, and they want to see someone for everything".* (I7) • *Proximity to the client is essential to deliver the quality service expected of us. Therefore, our teams are established wherever we have projects. […] We are certain that being close to the client is the correct way to understand their requirements and offer the best possible solution for their needs. (AD10)*	Proximity to the client Client demands P1->P2 P2->P3	External (local) context	
• *[Public] Clients that had been previously more lax regarding local validation of professional authorisations began requesting local accreditation once more.* (I10)	Institutional regulations P2->P3		
• *There was an increase in new project contracting during the year, especially internationally; our presence outside Spain continues to rise as more and more significant and notable projects are obtained in all areas. […] Thanks to these projects and several new contracts in Spain, we have*	Home market uncertainty	External (home) context	

maintained our range of professional services with minimal effects from the economic slowdown. (AD06) • *With this base, […] we should consolidate our international expansion, strengthening our business outside Spain, in all areas. This growth should not be based on domestic demand, as was the case until recently, but on external demand. We have enormous possibilities that we should consolidate in the coming years.(AD08)*	P1->P2 P2->P3		
• *We were lucky that we had a person that wanted to go back to the country and that was the seed of the opportunity [to open the office]. (I6)* • *If I had to highlight the key issues, the first would clearly be about the person: Do we have someone with a solid profile in IDOM around which we can pivot market entry? Does this person have the motivation to lead the project? If the answer is unclear, we think twice before acting. (AD17)*	Availability of candidate for country director P1->P2	Resources	Firm
• *The second reason [to open the office] was to coordinate our alliances with other firms and professionals and ensure quality control.* (I7)	Coordinate local allies P1->P2		
• *To be more economically competitive, we definitely had to increase the local team and start to produce here*." (I7)	Increase efficiency of local operations P2->P3	Strategy	
• *All of our technical areas have a significant projection abroad (AD07)* • *From the perspective of team development, we are on a growth path in practically every place we operate (AD13)* • *The next leap is to become a multinational. Our headquarters is in [Spain] and we should not lose our essence, and an important presence in Spain, but our presence is other countries is relatively small. We work a lot abroad, but with little presence in the sense of being present in those societies with more stable and potent. And that's where we need to advance. (AD21)*	Growth From P2-P3 From P3-P4		
• *The alternative of a [joint venture] with local partners was discarded after the experience of the firm in Mexico. […] It didn't work. The cause is attributed to the lack of interest of both partners. The collaboration model did not generate enthusiasm of either party. (AD16)* • *The results achieved allow the firm to consider new ideas in the industrial, energy and mining sectors, thus supporting the corporate strategy of consolidating [firm] as a large multinational (AD46)*	Performance From P1-P2 From P3-P4	Performance	

• *"In the beginning we didn't know much about the markets, about how things worked there; so we worked with different partners, to see how they worked, and what types of projects were possible. Then, once we had a better understanding of how things worked in the country and sufficient clues to conclude there was business for us there, we thought about having someone there. From then on, that person guided us on local relations"(I2)*	Completion of knowledge acquisition goal P1->P2	Change in knowledge needs****	
• *There is always a sponsorship by the responsible of the business line from the headquarters. […]Mainly due to their need to understand how we work and the risk it would entail to let someone produce deliverables without knowing our philosophy, our way of working. So the technical areas have always sponsored someone they believe to have a future in [firm].* (I7). • *When you go to another country, there is a period when you need to provide more international support […]. They need mixed support, for [sales] offers or for on-going projects, and at the beginning there are more people who travel there* (I3)	Need for knowledge transfer process P2->P3		
• *[Business lines] have professionals here and after a medium term they let them operate autonomously. (I7)* • *Before, we would create ad-hoc teams for projects and [headquarter] professionals came here to manage the project. But now we have consolidated our local teams; and this is very relevant because it means that each technical area here can manage their own projects* (I10) • *When your business area has a team locally, you transfer responsibility to someone. You teach [them], you transfer your knowledge to [them] and then you say [name], now this business area is yours, your responsibility.* (I2) • *You need good profiles, and as the office becomes more mature, there is less and less need for people to go there because you have local people, your people, [firm] people.* (I3)	Terminal nature of knowledge transfer process P3->P4		

Notes:

* Theory-driven (Calof & Beamish, 1995; Swoboda et al., 2011)

** Theory-driven (Putzhammer et al., 2019)

*** Indicates from which period (P) to which period (P+1) these reasons were found.

**** Category created by the authors.

In sum, in answer to our research question of why mode combinations change, we found i) a novel cause for changes in operation mode combinations, namely changing knowledge needs, and ii) causes of primary mode changes in the extant literature prove useful to explain certain mode combinations change. Therefore, our findings suggest that to fully understand the complexity of mode combinations, the combination of theoretical perspectives is likely to be more informative and that research needs to start examining the combination of decision factors and their interplay.

5. Discussion

This longitudinal case study was motivated by the need to better understand operation mode combinations and explain why they change over time. First, we identified a pattern of four periods and characterised the operations in each period, namely strategic goals, operation mode combinations and key knowledge processes. By analysing how the mode combinations changed over time, in particular by identifying changes in both primary and supporting modes and changes in the knowledge processes, we found that changes in combinations can entail *between*-combination changes or *within*-combination changes. Finally, by analysing all the causes for change identified from the data, we identified a variety of reasons for change, many of which aligned with previous literature. However, we also found that combinations changed due to the firm's changing knowledge needs over time. In the following section, we discuss the theoretical implications for our findings and how they contribute to developing the knowledge-based perspective on operation modes.

5.1. Theoretical Implications

5.1.1. Refining the concept of changes in operation mode combinations

The analysis of how mode combinations change has led us to conclude that a more nuanced and precise conceptualisation of the concept of *changes in operation mode combinations* is required. Prior research defined such changes as "*adding a new foreign operation mode of higher or lower mode to (an) existing operation/s or eliminating (an) existing operation/s in a given host country*" (Putzhammer et al., 2019, p.10619). This definition only considers changes that result in a structural change in the combination. However, our findings show that changes may not involve mode addition or elimination, or in fact, any structural changes to the combination. As a result, we propose that definitions of changes in operation mode combinations should distinguish between changes occurring *between* or *within* combinations. Table 3 includes definitions that we propose for these two different types of mode combination changes, compares them by contrasting their internal change mechanisms and their theoretical relevance, and illustrates them with an example from our case study.

Table 4. Comparison of* between *and* within *combination changes

	Between combination changes	**Within combination changes**
Definition	Replacing one mode combination with another of higher (or lower) commitment	Maintaining the overall mode combination structure, but adjusting individual modes or their role within the combination
Structural change	Change to structure due to changes in the composition of the combination	No change in combination structure
Change mechanisms	• Between mode changes, i.e. replacing a mode with a new mode • Mode addition (duplication or elevation) • Mode elimination	• Within-mode change, i.e. change in activities within the boundaries of the existing mode or ownership adjustments to existing mode • Mode role change, i.e. change in the mode's contribution to the firm's objectives in the market
Theoretical relevance	• When contemplating changes in foreign operations, firms are not limited to changes in the primary operation mode • Incremental resource commitment does not necessarily entail implementation of a higher commitment mode	• The (changing) role of supporting operation modes provides a deeper, more nuanced understanding of the internationalisation process and reveals more gradual changes in activities and resources.
Illustration from case study	• Firm changes primary mode from export to FDI but maintains the export mode as a supporting mode	• Firm expands primary operation mode from sales FDI to a production FDI and the role of supporting modes shifts to support changes in the primary mode.

The need for conceptual development on operation modes has been recognised (Putzhammer et al., 2019), and in particular the refined conceptualisations we propose are important for two reasons. First, because concepts and constructs are the foundational building blocks for all types of theorising (Cornelissen, Höllerer, & Seidl, 2021; Suddaby, 2010). This is especially pertinent in the case of operation modes, as the focus of research has been on independent variables (choice explanations) while the dependent variable (modes themselves) have been overlooked and oversimplified (Benito et al., 2009; Petersen et al., 2008). Our more nuanced conceptualisation provides an opportunity for greater conceptual precision and operationalisation of constructs, necessary in future variance and configurational theorising on the global operations of multinational firms.

Second, our conceptual suggestions bring researchers closer to the practical reality firms face, by providing more realistic answers to the question of how firms manage their foreign operations. Specifically, this conceptualisation highlights the large variety of major and minor adaptations

firms can make thus shedding light on both the complexity and the flexibility of such choices. (Benito et al., 2012).

5.1.2. Exposing the role of knowledge in mode combination changes

The key challenge of international business theories attempting to explain foreign operation mode choices is to specify the circumstances or conditions in which hierarchical governance methods are superior to market governance methods and vice-versa. By shifting focus from the primary operation mode to the value chain activities in each country, our study allowed us to identify that rather than choosing between distinct operation modes, the firm is combining modes. In other words, it appears that the firm is constructing operation mode combinations as a hybrid governance form that allows different hierarchical and market mechanisms to be used simultaneously (Hennart, 2010). Our study also brought to light that the reason why the firm created combinations was to enable knowledge flows within and across its boundaries. This finding is in line with the knowledge-based view, suggesting that firms seek to maximise the efficiency of their knowledge processes and will choose the most appropriate governance mechanisms to do so (Grant, 1996b, 1996a; Kogut & Zander, 1992, 1993). In sum, our study revealed that the firm chose operation mode combinations as a hybrid governance mechanism to enable and manage multiple knowledge flows within and across its boundaries.

Furthermore, we found that changes in knowledge needs – in particular the relevance of different knowledge processes at different times in the firm's internationalisation process – led to changes in the foreign operation mode combination. These changes in knowledge needs occur not only as a result of changing strategic goals in each period, but also because of the intrinsically finite nature of certain processes. For example, knowledge acquisition, which occurs through the interaction of the firm with external agents (in particular with their alliance partners), is a finite process. Indeed, once the firm has acquired the given knowledge (in this case in relation to market dynamics and business potential), interaction with the alliance partners shifts towards knowledge accession, where partner knowledge is seen as complementary and each partner focusses on their own specialisation (Grant & Baden-Fuller, 2004). Similarly, insofar as knowledge transfer seeks to not only share knowledge with the recipient but ensure this recipient absorbs it and can apply it (Gupta & Govindarajan, 2000), it is also often a finite process. Once the recipients are knowledgeable enough to apply the knowledge themselves, there is no longer a need for the knowledge transfer process to continue. Our case firm illustrates this, as an important strategic goal of period 3 was to transfer firm know-how to the locally hired professionals, and once a sufficient critical mass of local professionals has accumulated this knowledge, the knowledge transfer from headquarters to subsidiary became less important. The local subsidiary received sufficient firm know-how to be able to train new hires on its own. Therefore, although the knowledge transfer process continues in period 4 (with a narrower focus on managerial capabilities), it is no longer the main focus of the

interaction between the subsidiary and export modes. In other words, changes in knowledge needs can be a distinct driver of changes in mode combinations in of themselves, irrespective of other change drivers.

Finally, our study sheds light on knowledge process that have received less attention in the international business literature, namely knowledge combination and knowledge accession. Indeed, the KBV of MNEs literature predominantly focusses on knowledge acquisition and transfer, i.e. processes that imply that the ultimate aim of knowledge flows in MNEs is to alter the firm's or the unit's knowledge base (e.g., Buckley and Carter, 2004; Martin and Salomon, 2003; Minbaeva, 2007). Yet, our findings highlight that this is not always the case, as at some point in the firm's internationalisation the firm may wish to access and integrate knowledge into its offering to clients with no ambition to learn it (Buckley et al., 2009; Grant & Baden-Fuller, 2004). In the case of knowledge combination, professionals work together and share complementary knowledge. Similarly to knowledge accession, the aim is not that local professionals acquire this knowledge, but rather for actors to collaborate with their specialised knowledge in the hope that the combination and integration of the complementary knowledge will be even more valuable for the execution of the relevant activities. The distinction between knowledge flows with and without ambition to acquire knowledge, and acknowledgement that the need for the latter can exist throughout the internationalisation process, is critically important to understand foreign operation mode combinations and their evolution. Indeed, knowledge acquisition and transfer come with costs, potential knowledge losses (Buckley & Carter, 2004), and risks to dilute the firm's (or unit's) specialisation and lose its core competence (Buckley et al., 2009). Therefore, to be efficient in knowledge integration and in using its knowledge resources, a firm needs to choose modes of coordination that can avoid the high costs of extensive mutual learning (Grant & Baden-Fuller, 2004). Thus, depending on the specific knowledge needs and associated costs and risks, a firm may choose a portfolio (that is, a combination) of foreign operation modes that best suits its need to access different types of knowledge in the most efficient manner.

Overall, our study revealed that operation mode combinations are created to enable a variety of knowledge processes to occur, some of which may be finite and/or may entail a change to the firm's knowledge base. Throughout the firm's internationalisation process, its knowledge needs will evolve, and as these needs evolve, so will the operation mode combinations. Remaining faithful to the complete set of findings, we acknowledge that other reasons exist why mode combinations will change, namely due to internal strategic and resource factors and/or adaptation to external contextual factor. However, our contention is that in the case of complementary mode combinations (where modes contribute in a mutually supporting way to a common goal (Petersen & Welch, 2002)), the need to manage changing knowledge needs is the predominant motive for the combination of foreign operation modes. In sum, our study provides a knowledge-based

explanation for the combination of operation modes and for changes in these operation mode combinations.

5.2. Boundary Conditions

Given our process case study approach, our findings and conclusions are contingent to the specific empirical context in which it was realised and raise the question of generalisability (Gehman, Treviño, & Garud, 2013; C. Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). Our aim was to explore how changes in operation mode combinations occur and provide explanations of why. Our insights and conceptualisation will be applicable to cases similar to our case firm, so it appropriate to specify what our study is a case of (Langley, 2009; Tsoukas, 2009).

Our case study is set in a service context. The debate remains open regarding whether service firms behave differently in their internationalisation and to what extent (Blagoeva, Jensen, & Merchant, 2020). Some scholars question whether existing theories – developed in the context of manufacturing firms – apply to service firms, due to their distinctive nature (Kundu & Lahiri, 2015; Malhotra & Hinings, 2010; Merchant & Gaur, 2008). However, others have concluded that these theories are indeed applicable, in particular to operation mode choices, albeit with some adaptations (Boddewyn, Halbrich, & Perry, 1986; Brouthers & Brouthers, 2003; Erramilli & Rao, 1993). The main distinction relevant to this study is the service firm's ability to disaggregate its value chain. It has been argued that inseparability of production and consumption of services hinders the decoupling of value chain activities (Rugman & Verbeke, 2008). However, closer examination of knowledge-intensive services has in fact shown that value chain activities can be disaggregated, albeit in a different manner (Ball, Lindsay, & Rose, 2008; Løwendahl, Revang, & Fosstenløkken, 2001). Building on these works, we believe that the combination of modes in manufacturing firms will also enable knowledge flows (e.g. knowledge acquisition from working with local distributors, knowledge accession from collaborating with licensees or knowledge transfer between organisational units). Therefore, although further exploration is required in other types of firms, these interest of these findings are a priori not limited to the service context.

Another feature of our case study firm to consider is its knowledge-intensive nature. Given the high reliance of such firms on their human capital and the combination of individual, team and organisational knowledge (Hitt et al., 2006; Løwendahl, 2000; Malhotra, 2003), the knowledge processes and their intensity in these firms may differ from others. Knowledge-intensive firms will likely have a higher proportion of tacit knowledge and require greater social interaction for knowledge sharing and integration to occur (Faulconbridge, 2006; Noorderhaven & Harzing, 2009). In comparison, less knowledge-intensive firms may be able to achieve higher levels of codification of knowledge making it easier to transfer (Teece, 1977, 1981; Zander & Kogut, 1995). This may lead firms to choose different specific operation modes or their combinations, depending

on their level of knowledge-intensity, or change them at the different pace, depending on how quickly the finite knowledge processes (such as knowledge acquisition or transfer) are completed. However, taking into account that any firm can be seen as a mechanism to enable knowledge processes (Grant, 1996a), we suggest that the underlying idea that firms use foreign operation mode combinations to enable the knowledge processes that are key for them at the specific period of time will apply to different firms irrespectively of their level of knowledge intensity.

Finally, the firm we studied is a case of incremental internationalisation implementing mode combinations using complementary modes (Petersen & Welch, 2002). Questions remains open, therefore, regarding how and why changes will occur in competing, segmented or unrelated mode combinations.

5.3. Limitations and future research directions

Our study, like all empirical studies, is subject to certain limitations. The choice of empirical context proved useful for the aims of this study, but some caveats should be kept in mind. In light of the potential risks of single case studies, namely researcher subjectivity or lack of generalisability (Eisenhardt, 1991; Flyvbjerg, 2006), we have carefully reported data collection and analysis and discussed of the boundaries of applicability of our findings.

Additionally, we focussed on three Latin American countries, where the firm grew and continues to grow. Our study therefore only provides evidence of incremental commitment, and further research on mode combinations involving decreased commitment or other types of increased commitment, such as acquisitions, may provide further insights.

Our case study revealed a complex picture of mode changes and reasons for those changes, but our analysis does not provide answers regarding the relative importance of these causes or which of these causes are necessary for the changes to occur. Applying a configurational approach to this conundrum might provide some answers to which factors lead to which mode combinations, and which combination of factors lead to changes in those combinations. Future research using qualitative comparative analysis (QCA) techniques may prove useful in this endeavour (Fainshmidt, Witt, Aguilera, & Verbeke, 2020).

Benito et al. (2009; 2012) pose the question of whether firms proactively manage their combinations or combinations develop reactively in answer to other management practices. In a similar vein, research on subsidiary knowledge flows suggests that the role of managers is key in determining whether those flows are deliberate or emergent (Tippmann, Sharkey Scott, & Mangematin, 2014). Our data provides some clues on the proactive or deliberate nature of mode combination and knowledge management, although these remain inconclusive and require further exploration: It is our understanding that the firm proactively planned and managed the activities needed to achieve the firm's goal at each stage of international development, and subsequently

planed the necessary knowledge resources to do so. In doing so, the firm is effecting change on the operation mode combinations and enabling knowledge sharing to occur, although their attention may not be focussed on managing the combinations as such. Further research into the perspective adopted by the firm's management to proactively manage their international operations could provide more comprehensive answers to this question (Younis & Elbanna, 2021).

Finally, signs could be found in our data to indicate that in the next period of the firm's internationalisation focus would shift from developing individual countries towards regional integration in Latin America (Verbeke & Asmussen, 2016). In this regional expansion strategy, Mexico, Chile and Colombia play a central role as major hubs, as smaller offices are opened and grow with their support. Future research on operation mode combinations in such a scenario could explore knowledge processes in concentrated regional value chains to examine cross-border dependencies, in comparison to the dispersed value chains the firm currently has.

5.4. Managerial relevance

The traditional view of operation modes as single, discrete alternatives present in the extant literature has, to some extent, been transferred to managers: when asked about their operation modes, managers often reverted to discussing the primary operation mode. The conclusions from this study can contribute to shifting the perspective of operation modes by shedding light on the wider choice of options to operate in any given market. Managers may be better served by considering the management of international operations like a portfolio of operation modes. This is managerially more challenging, but an opportunity arises for creativity and innovation that may enhance the firm's competitive advantage, in a way that both researchers and managers have overlooked until now.

Moreover, our study invites managers to think beyond specific modes and individual value chain activities to consider what the firm's knowledge needs are at each stage of the firm's development. Mode combinations are a way for managers to encourage key knowledge processes within and across firm boundaries, and our study shows how these combinations can be adjusted to adapt to the firm's changing knowledge needs.

Finally, our process perspective, showing mode combinations changes over time, illustrates how the management of international operations is an on-going process that lasts far beyond the moment of market entry. This has important managerial implications, as the firm may need to put continuous operation mode management processes in place, that consider coordination needs both across activities worldwide and within host countries. Moreover, managers may consider defining strategic indicators or milestones that allow changes to be monitored within individual modes and in mode combinations, to facilitate decision-making during the internationalisation process.

5.5. Conclusions

This study, based on a longitudinal case study of the development of a professional service firm in three Latin American countries over 21 years, was motivated by a need to better understand the phenomenon of changes in operation mode combinations. After characterising the firm's internationalisation process in four distinct periods and identifying the mode combinations in each period, we revealed how and why changes occurred in the case firm's mode combinations over time. We identified a number of causes for these changes and concluded that operation mode combinations are created in order to enable a range of knowledge flows within and across firm boundaries and that these combinations change as the firm's knowledge needs evolve over time.

Our findings contribute to developing the knowledge-based view of foreign operation modes, by providing a more nuanced conceptualisation of mode combinations that differentiates between *within* and *between* combination changes, and a knowledge-based explanation for why mode combinations exist and change, namely to adapt to the changing knowledge needs of the internationalisation process. Moreover, we answer the call to explore the complex nature of knowledge flows in MNEs beyond the umbrella terms of knowledge transfer or sharing, by revealing and discussing four different knowledge processes that, among which two – knowledge combination and knowledge accession – have received much attention to date.

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Appendix 1

Table A: Labelling of firm's foreign operation modes and knowledge processes

Concept	Definitions	Illustrative quotes extracted from data
Foreign Operation Modes (L. Welch et al., 2018)		
Export	… the exporter does not operate through independent intermediaries, in home or foreign markets, but undertakes the activity itself, dealing directly with foreign customers.	• "*Exports, understood to mean the sale from the market of origin. It is an alternative often used in the service sector where resources, i.e. people, are easy to move. In [firm] exports have been used since the initial stages of international activity*." (AD17).
FDI (sales office)	… for the purpose of assisting export sales by the investing firm to the country in question, and may involve a very limited package initially, tied to the export support role.	• "*The idea was to open a commercial office to detect interesting projects where the engineering could be developed from Europe, so essentially exporting engineering services to be developed here [local office], with the support given from here: find the projects, find the partners necessary for the local tasks and take care of the basic client management tasks*." (I10) • "*From that moment on, [firm] operated in the country with its own structure, and put a young director at its head, […] who was charged with developing business there*. […] *He had a super commercial profile, and basically his only role was to sell, and decisions on how to do the work would be taken later*" (I5)
FDI (production office)	… the most powerful and substantial way in which a company can become involved in a foreign market, normally requiring a heavy on-the-ground commitment of various types of resources – for example finance, technology and people.	• *We needed a team here and we started building it.* (I10) • *"That's when the [business division in country] took off and went from three people to 50 people"* (I5) • *"Looking back, the [name] project represented an important leap. And growth. That's how, with one step, the office became a local production office." (AD46)*
Alliance	… may vary from informal, agreed cooperation in a given activity in one or more foreign markets, for example in	• "*Depending on the project we will look for a partner or not, to complement us and to strengthen us, or to create economies of scale in a situation where a partner knows how to do something very local that we are not the best at doing*" (I7)

	joint promotion of two companies' products and information sharing, to formal, legally structure agreements perhaps including shared equity in a foreign enterprise, in the form of a joint venture, thereby generating a flow of foreign direct investment.	• "*… in other smaller projects, we also subcontract. Either because we are at full capacity and we cannot do it ourselves, but our tendency is more and more to complement our team with knowledge that is not critical to our business, that is outside the firm and should remain outside the firm. That is, for very specialised knowledge that I am not interested in having in my cost structure if I am only going to partially take advantage of it every now and then.*" (I2)
Knowledge processes		
Knowledge acquisition	the transfer of knowledge resources between firms with the aim of acquiring knowledge in order to learn (Buckley et al., 2009, p. 601).	• *Our internationalisation must drive the sustainable growth of [firm]'s activities, by developing our competitiveness through the professional development of our professionals and the accumulation of experience and learning in the organisation. (AD18).* • "*International markets have been the motor of our growth and motivation to search for projects that will allow us to grow both personally and professionally (OV5)* • *"Our focus back then was "where are there opportunities"? (I1)* • *"Business intelligence missions were organised to visit the country" (I7)*
Knowledge accession	the combination of knowledge resources of different firms in the partnership (Buckley et al., 2009). Each member firm accesses its partner's stock of knowledge in order to exploit complementarities, but with the intention of maintaining its distinctive base of specialised knowledge and without the intention to learn (Grant & Baden-Fuller, 2004).	• *"Now we collaborate with partners if they are complementary. In my case, we collaborate with firms that are specialised in knowledge areas where we are not." (I3)* • *"It will depend on the project whether we collaborate with a partner or not, to complement us. They share their experience, we share ours." (I7)*
Knowledge combination	The combination of knowledge resources of the local subsidiary and headquarters (or other subsidiaries), with the intention of maintaining each unit's distinctive	• *"Once we had a person there [local office], business development activities happened in a tandem. […] He had the local knowledge and experience and I had the technical knowledge and experience." (I2)*

	base of specialised knowledge and without the intention to learn (inspired by Buckley *et al.*, 2009; Buckley and Carter, 2004; Grant and Baden-Fuller, 2004)	• *"Local capacities and international experience: Our office in Colombia counts on the collaboration of all the experts of [firm], located in all the offices of the Group. This means that we can assemble multidisciplinary teams to respond to the specific needs of our clients, providing integral solutions that are workable. (AD10)*
Knowledge transfer	the process through which knowledge is moved between the local subsidiary and headquarters (or other subsidiaries) with the aim of acquiring knowledge in order to learn by at least one of the units involved (inspired by Argote and Ingram, 2000; Buckley et al., 2009).	• *"There is always a sponsorship by the responsible of the business line from the headquarters. So [business lines] have professionals here and after a medium term they let them operate autonomously." (I7).* • *"When your business area has a team locally, you transfer responsibility to someone. You teach [them], you transfer your knowledge to [them] and then you say [name], now this business area is yours, your responsibility. (I2)*

Table B: Summary of data analysis

Analytical step	**Step 1**	**Step 2**	**Step 3**
Analytical strategy	Temporal bracketing: Decomposition of the temporal process without presuming progressive developmental logic (Langley, 1999)	Categorisation: generating and refining initial categories to enable analysis step 3 (Grodal et al., 2020)	Categorisation: generating initial categories, refining and stabilising categories (Grodal et al., 2020)
Techniques (moves)	1. Coding of dates & event to build chronology of events 2. Emergence of common pattern 3. Identify continuities and discontinuities in chronologies	1. Coding of data driven by questions: - *What was the firm's goal in this period?* - *What activities were carried out and by whom* (Benito et al., 2011)*?* - *What knowledge processes were key?*	1. Coding of data driven by questions: - *How do modes and mode combinations change?* - *Why do modes and mode combinations change?* 2. Refining categories by contrasting with the literature (e.g. Putzhammer et al., 2019) - *Between & within mode changes* 3. Focus on puzzle

	4. Cross-case comparison (Stake, 2006) 5. Contrast & confirm in subsequent interviews	- *What operation modes were used in each period?* - *What was the role of each mode and what interrelation existed between modes?*(Petersen & Welch, 2002) 2. Creating & refining tentative categories with iterative data analysis and coding 3. Refining categories by consulting with the literature (L. Welch et al., 2018) 4. Cross-case comparison (Stake, 2006)	- *Different types of combination changes* 4. Creating & refining tentative categories, with iterative data analysis and coding - *Causes for mode combination changes* 5. Stabilising categories, contrasted with literature - *Types of combinations changes (between-combination change & within combination change)* - *Reasons for change (reasons existing or not mentioned in the literature)* 6. Cross-case comparison (Stake, 2006)
Main source of data for analysis	• In-person interviews • Online video recordings • Archival data (Annual reports, teaching case studies, press articles)	• In-person interviews • Archival data (Annual reports, teaching case studies, press articles)	• In-person interviews • Archival data (teaching case studies, annual reports)
Supporting data sources	• Archival data (thesis and sector annual reports)	• Online video recordings	• Online video recordings
Outputs	• Pattern of 4 successive periods, including primary operation mode	• Comprehensive overview of goals, activities, operation modes and combinations and knowledge processes in each of the 4 periods	• Categorisation of mode combination changes • Causes for mode combination changes • Process overview in figure 2
Triangulation	• Data triangulation & contrast of timelines with interviewees • Contextual triangulation: temporal & country contexts	• Data triangulation & contrast of findings with interviewees • Analytical triangulation • Contextual triangulation • Researcher triangulation	• Data triangulation & contrast of findings with interviewees • Analytical triangulation • Contextual triangulation • Researcher triangulation

9. DISCUSSION AND CONTRIBUTIONS

In this chapter, the main findings of the dissertation are summarised in the form of answers to the research questions posed (and summarised in figure 1). Additionally, the main contributions of the studies are integrated and discussed in the following sections.

9.1. Answering the research questions

Building on a number of research problems identified in the literature from the fields of international business and professional service firms – e.g. the need for contextualised research in IB and for research exploring the heterogeneity among international PSFs – this doctoral dissertation set out to examine what role PSF characteristics (knowledge intensity, professionalisation of the workforce, customisation and low capital intensity) play in the international management of PSFs.

First, a systematic review of the literature on the international management of PSFs provided a number of answers to the question of what do we know about this phenomenon. In particular, a comprehensive map was painted of where (settings), how (methodological and theoretical approaches) and what (research themes) research has been done, and by applying the lens of PSF characteristics, the most promising avenues for future research were highlighted.

Second, the question of what challenges international PSFs may face and why was posed and partially answered. Study 2 provided an answer to this in the form of a list of 10 challenges identified through a synthesis of the literature. Potential reasons why PSFs might face these challenges were also identified. In particular, PSF characteristics appeared to be linked to several of these challenges, for example the professional nature of workforce appears to make international PSFs more susceptible to conflicting institutional pressures.

Third, in response to the question of why and how PSFs internationalise, study 3 revealed that different PSFs have different motives and as a result, choose different foreign operation modes and forms of internationalisation. In particular, by unpacking the characteristic of knowledge intensity (usually considered a source of homogeneity among PSFs), study 3 provided insights into the different knowledge types and knowledge processes that PSFs employ, and showed how, together with other PSF characteristics, these generate configurations that lead to different international management outcomes.

Finally, study 4 answered the question of how and why foreign operation mode combinations change over time, by revealing that changes occur within and between mode combinations. Additionally, by examining the evolving goals, activities, knowledge processes of the case firm, study 4 revealed that changing knowledge needs cause changes in mode combinations.

Overall, this doctoral research project demonstrated that PSF characteristics do indeed play an important role in the international management of PSFs. They can condition what challenges a firm may face, the firm's motives for internationalisation, the choice of foreign operation mode and form of internationalisation. Moreover, this research has highlighted the key role of knowledge in the international management of PSFs. In-depth analysis of the role of knowledge – in particular by examining knowledge processes – has helped shine a light on the intricacies of managing an international PSF. Finally, this research has provided a number of examples of how PSF characteristics can help explore and explain the differences between international PSFs, and these should prove useful to both researchers and managers of international PSFs.

9.2. Contributions to literature on international management of PSFs

9.2.1. A blueprint for the field of international management of PSFs

Literature reviews contribute to advancing a particular field by synthesising and analysing the extant body of literature in order to advance theory in the field (Post et al., 2020; Snyder, 2019). This can involve the collective evidence in a field of research or a narrow analysis of a specific variable or topic (Snyder, 2019). Study 1 is an example of the former, and study 2 of the latter. Together, these studies contribute to advancing the field of international management of PSFs in several ways (see also 9.1.2).

First, study 1 – a systematic review of the literature on the international management of PSFs – provides a comprehensive overview of the field. It collects, presents and analyses where, how and what has been studied, and in doing so systematically maps the field and identifies emerging perspectives. These are important contributions, especially when the field is emerging and/or fragmented (Hoon & Baluch, 2020; Post et al., 2020), as it is in this case. Moreover, in seeking to identify commonalities and consensus in the diverse topics of the field (Hoon & Baluch, 2020), study 1 highlighted factors contributing to the fragmentation of the field, namely single PSF-industry studies with unclear boundary

considerations, exploratory research that remains untested and a bias of research towards large, Anglo-Saxon PSF, in particular the Big 4.

Second, in addition to providing a comprehensive overview of the field of international management of PSFs, study 1 offers a research agenda that paves the way for future research in the most promising avenues by proposing where (in what settings), how (with which theoretical and methodological considerations) and what (research themes) should be studied in the future. Furthermore, study 1 argues for the adoption of PSF characteristics as a lens to study international PSFs in the future. Building on prior work (Malhotra & Morris, 2009; Von Nordenflycht, 2010) from the field of PSFs, it is argued that PSF characteristics provide a means to clarify the boundary conditions of future studies as well as enable much needed comparative studies (Boussebaa & Morgan, 2015; Empson et al., 2015; Greenwood, Hinings, & Whetten, 2014). Overall, study 1's research agenda contributes to advancing theory by providing suggestions to clarify the concept of PSFs and boundary conditions of future research (Post et al., 2020).

9.2.2. Challenges in the international management of PSFs

Study 2 – a thematic review of the literature following a qualitative meta-synthesis approach – generated a list of ten international management challenges that PSFs are likely to face. In particular, qualitative data reported by researchers in their studies on international PSFs was extracted, aggregated and classified to propose this list of challenges, and identify potential causes for these challenges. Together, the list of challenges and the potential causes for such challenges to occur contribute to expanding our knowledge of the factors that hold international PSFs back, i.e. to the central international business question of what determines the success and failure of firms in international markets (Peng, 2004).

In particular, the link between certain challenges and PSF characteristics was highlighted. For example, the data from study 2 suggested that highly professionalised PSFs would be more likely to face difficulties resulting from balancing global integration and local responsiveness and the challenge of institutional complexity. This second link found further support in the findings from study 3, which revealed that the highly professionalised case study firms considered institutional complexity such a significant challenge and that they shied away from operating in different institutional contexts simultaneously.

Study 2 also contributed to confirming the ability of international business theories to predict some challenges PSFs may face. However, these theories need to be refined for the PSF context, if they are to help explain why PSFs may face them to a greater extent than other firms or why certain PSFs are more likely than others to face them. For example, PSFs were indeed found to suffer from the tensions between global integration and local responsiveness as predicted by the Responsiveness-Integration Framework (Bartlett & Ghoshal, 1989; Doz et al., 1981; Ghemawat, 2008). However, different PSFs appear to suffer from these tensions to varying extents, underlying the need to explore further how the characteristics of PSFs affect their ability to manage these tensions, i.e. to implement a transnational strategy. Similarly, institutional theory was confirmed to be a particularly useful lens to predict and explain several challenges PSFs face, such as institutional complexity, i.e. the ability to navigate different (sometimes conflicting) institutional contexts (Kostova & Roth, 2002; Peng, 2002). Nevertheless, refinement remains necessary to adequately explain how different PSFs (i.e. with varying degrees of professionalisation of the workforce) are affected by institutional factors, or to what extent institutional complexity affects professionals across the firm (i.e. how and to what extent the national varieties of professionalism affects the firm).

9.2.3. The role of characteristics in the international management of PSFs

Together, the four studies of this dissertation provide some answers to the overarching question of the role of characteristics in the international management of PSFs, and these are summarised in table 3.

First, greater clarity has been provided on the role of the knowledge intensity in the international management of PSFs. The knowledge-intensive nature of PSFs makes them vulnerable to specific challenges such as attracting and retaining professionals with the knowledge and skills necessary for the delivery of services in international markets or the management of knowledge across borders. Similarly, international PSFs struggle with building a reputation abroad and signalling quality to international clients as well as with the possibility of non-transferability of their services to different contexts. Indeed, PSFs have been conceptualised as competing on two markets simultaneously, the input market for professionals (productive resources) and the output market for its services (Løwendahl, 2005; Maister, 1993). This dissertation confirms that these challenges exist for PSFs in the international arena too.

Furthermore, knowledge intensity has generally been considered a source of homogeneity among PSFs (Løwendahl, 2005; Von Nordenflycht, 2010). However, together, the findings of this dissertation provide evidence to suggest that researchers should consider knowledge intensity a source of heterogeneity rather than homogeneity (Von Nordenflycht, 2010; Von Nordenflycht et al., 2015): studies 3 and 4 found that PSFs vary considerably in the types of knowledge (know-what, know-how and know-who) they use and processes and tools required to manage them. This diversity can influence a PSF's motives, choices of foreign operation modes (including whether they select one or more) and the form of internationalisation they adopt. In sum, understanding the knowledge-intensive nature of the firm and the specific knowledge needs of each firm are crucial to planning the management of the international PSF. Indeed, the literature provided clues to suggest that different types of knowledge would need different tools (Malhotra, 2003; Werr & Stjernberg, 2003) and the findings of this dissertation provide greater clarity on what processes need to be managed, for what types of knowledge and that these needs will need to be monitored over time.

Second, this research has contributed to highlighting the important role of the professionalisation of the workforce of international PSFs. In particular, the professional nature of the workforce appears to be the source of a number of challenges in the internationalisation of PSFs. In particular, study 2 revealed that highly professionalised PSFs are likely to face greater institutional complexity (i.e. conflicting pressure from the institutions that affect the profession) and greater resistance to global integration. Therefore, the extant literature exploring the difficulties that global law firms face (e.g. Morgan & Quack, 2006; Muzio & Faulconbridge, 2013; Segal-Horn & Dean, 2009) may prove useful to other highly professionalised firms, but these challenges are likely to be less intense for firms with a medium or low degree of professionalisation. Similarly, the findings of studies 1 and 2 suggest that highly professionalised PSFs may need to explore the effects of national varieties of professionalism (Faulconbridge & Muzio, 2007; Spence et al., 2016), i.e. that the values of a profession may be understood differently in different countries. In particular, it remains unclear if these varieties of professionalism constitute a challenge to PSFs, if they may intensify or alleviate geopolitical dynamics that exist in such firms (Faulconbridge, 2007) and what solutions may be implemented to manage these differences.

Third, the importance of customisation was highlighted on a number of occasions throughout the dissertation. Study 2 revealed that customisation generates challenges related to building relationships with international clients and signalling quality to them. Additionally, the need for customisation raises the stakes on the knowledge and human capital required to deliver international services because professionals need not only their professional expertise but also the ability to adapt to the international context and client needs. Indeed, study 3 and 4 identified that the need for face-to-face interaction with international clients led PSFs to operate with local subsidiaries. However, study 1 also revealed that very little attention has been paid to how PSFs customise their services and what implications this has for the international management of the firm.

Finally, the dissertation revealed some insights regarding the role of low capital intensity in PSF internationalisation. Although the dataset did not allow for confirmation of this characteristic with any particular challenge, study 2 did suggest that this characteristic could cause difficulties for PSFs. In particular, von Nordenflycht (2010) suggested that by intensifying the PSF's dependency on human capital, low capital intensity deepens the effects of certain challenges, and study 2 provides some (non-conclusive) evidence this may be the case for international challenges also. Moreover, study 3 points to the effect high capital intensity may have on a firm's operation mode choices, specifically the high investment in technology and technological infrastructure of one case firm led it to focus their FDI only on sales activities. As such, these findings suggest that capital-intensive PSFs should not automatically be assumed to behave like manufacturing firms (Contractor, Sumit, & Hsu, 2003), but that this characteristic needs to be examined together with the other PSF characteristics.

Table 3. Role of PSF characteristics in the international management of PSFs.

Characteristic	Study 1	Study 2	Study 3	Study 4
Knowledge intensity	• Knowledge management is relevant, in particular tacit knowledge sharing • Little known about knowledge content	Potential cause of challenges: 3. Availability of resources 4. Managing knowledge 5. Signalling quality 6. Building client relations	• Knowledge intensity can be disaggregated into configurations of knowledge types and knowledge processes • Different configurations of knowledge needs lead to different IM outcomes	• The firm's strategy and activities generate (changing) knowledge needs • FOM combinations are created to enable knowledge flows • Knowledge needs as a cause of change in FOM combinations
Professional-isation of the workforce	• Most attention to classical PSFs (72%) • Useful variable to explore heterogeneity of PSFs	Potential cause of challenges: 1. Global integration 2. Institutional complexity 3. Availability of resources 5. Signalling quality 7. Non-transferability of services	• Influences motives, FOM and forms - High: non-knowledge seeking motives, alliance mode and network form - Medium/low: knowledge-seeking motives; FDI or alliance modes; transnational and/or project forms	• Influences the need for local professionals with knowledge of local regulations
Customisation	• Very little attention to PSFs with lower customisation (i.e. with potential for some standardisation)	Potential cause of challenges: 1. Global integration 3. Availability of resources 4. Managing knowledge 5. Signalling quality 6. Building client relations	• Influences FOM choice because lower customisation requires less face-to-face interaction with international clients.	(Acknowledged in boundary conditions of research context)
Low capital intensity	• Very little attention to high capital-intensive PSFs	Potential cause of challenges 1. Global integration 2. Institutional complexity 3. Availability of resources 5. Signalling quality 8. Profitability	• Influences FOM choice as capital intensity leads to centralisation of technology at headquarters, and offices focussed only on sales activities	(Acknowledged in boundary conditions of research context)

9.3. Contributions to the KBV of MNEs

Studies 3 and 4 adopted KBV as the main theoretical lens to analyse the empirical data in search of answers to the research questions. In doing so, these studies made contributions to expanding the knowledge based view of multinational firms.

9.3.1. The MNE as a knowledge-processing organisation

Both studies build on the conceptualisation of the MNE as a knowledge-processing organisation (Grant, 1996; Kogut & Zander, 1993; Tsoukas, 1996). From this perspective, the MNE specialises in processing knowledge in an efficient manner, and take decisions that will enable this the most efficient management of these processes. However, despite the attention paid by IB scholars to knowledge in the MNE, insights into knowledge processes beyond the umbrella terms of "knowledge transfer" or "knowledge sharing" remained limited (Grant & Phene, 2021; Michailova & Mustaffa, 2012). As such, the concept of "knowledge processing organisation" remained abstract (Grant & Phene, 2021). Therefore, for studies 3 and 4 specific processes were selected in order to conceptualise the knowledge-processing organisation with greater specificity. In particular, a framework was constructed to reflect four of the relevant processes for MNEs. The framework was built by combining two relevant criteria for the MNE: whether the flows occurred within or across the boundaries of the firm and whether or not the firm's objective included incorporating knowledge into its knowledge base. This resulted in a two-by-two matrix distinguishing between the four processes defined below and represented in figure 3:

- *Knowledge transfer:* process through which organisational actors exchange and receive knowledge and are influenced by the knowledge of others (Argote & Ingram, 2000).
- *Knowledge accession:* process by which a firm accesses its external partner's stock of knowledge in order to exploit complementarities, but with the intention of maintaining its distinctive base of specialised knowledge (Buckley, Glaister, Klijn, & Tan, 2009; Grant & Baden-Fuller, 2004).
- *Knowledge acquisition:* process by which critical knowledge from external sources is integrated and absorbed by the firm (Buckley et al., 2009; Parra-Requena, Ruiz-Ortega, García-Villaverde, & Rodrigo-Alarcõn, 2015; Zhou & Li, 2012).

- *Knowledge combination:* process of connecting or bringing together complementary knowledge, i.e. dispersed or previously unconnected knowledge whose value is enhanced by combination (Buckley & Carter, 1999, 2004; Kogut & Zander, 1992, 1993; Nahapiet & Ghoshal, 1998).

Figure 2. Framework of 4 processes

		Across which boundaries does the process occur?	
		Within firm boundaries	**Across firm boundaries**
What is the purpose of the process?	**To acquire knowledge**	Knowledge transfer	Knowledge acquisition
	To access knowledge	Knowledge combination	Knowledge accession

A second contribution to the KBV of the MNE can be found in the findings of studies 3 and 4, namely that firms engage in the construction of configurations of knowledge processes. In study 3, configurations of knowledge types and knowledge processes lead to different outcomes for international management, specifically different motives, different foreign operation modes and forms of internationalisation. In study 4, different configurations or combinations of foreign operation modes are constructed based on the knowledge processes that need to occur (and these change over time). Therefore, the MNE is not only a knowledge-processing organisation composed of social communities specialising in the efficient management of knowledge (Kogut & Zander, 1993; Tsoukas, 1996), but this organisation engages in creating different configurations of knowledge processes in response to the type of knowledge to be managed, the (internal and external) actors involved in the key activities and the temporal moment at which the firm finds itself in its international development. This both confirms the complexity of the MNE as a knowledge-processing organisation and refines our understanding of it. Furthermore, this perspective points to the potential of configurational theorising (Cornelissen et al., 2021; Fainshmidt, Witt, Aguilera, & Verbeke, 2020) in the KBV of the MNE. Finally, the relevance of contextual elements in unveiling these findings (e.g. types of firms, moments in time) further supports the need for greater contextualisation in the study of knowledge in the MNE.

Overall, this dissertation contributes to the KBV of MNEs by refining the concept of the knowledge-processing organisation by specifying what knowledge processes can be

helpful to examine, and by showing that different configurations of knowledge needs may have different managerial implications.

9.3.2. KBV of foreign operation modes

This dissertation also contributes to expanding the knowledge-based view of foreign entry or operation modes. Compared to other theoretical approaches, namely the economic and internationalisation perspectives, there are very few studies that have adopted a knowledge perspective to analyse the choice of operation mode (Brouthers & Hennart, 2007; Canabal & White, 2008). Applied to the choice of foreign operation mode, KBV predicts that firms will choose the modes that will maximise the firm's ability to efficiently manage its knowledge processes (Chang & Rosenzweig, 2001; Kogut & Zander, 1993; Madhok, 1997). In this vein, studies have highlighted several knowledge-related factors involved in the mode choice, for example, the firm's knowledge transfer capacity (Martin & Salomon, 2003), the firm's knowledge exploration or exploitation objectives (Madhok, 1997) or the firm's ability to decouple activities into modules in order to protect proprietary knowledge (Elia, Massini, & Narula, 2019). However, it remains unclear how firms maximise the efficiency of knowledge processes through their mode choices.

This dissertation, in particular through studies 3 and 4, contributes to expanding our understanding of the link between knowledge processes and foreign operation mode choices. Indeed, they portray a more complex reality than finding the most efficient mode to ensure transfer of valuable tacit knowledge from the headquarters to the subsidiary. Studies 3 and 4 show that operation modes are chosen as a result of the firm's knowledge needs at a certain point in time. Those knowledge needs are multi-faceted in that they involved different types of knowledge (not only tacit) and an array of different processes (not only transfer).

In particular, study 3 showed that some knowledge-intensive firms internationalise to increase their knowledge base, while others do not. Similarly, firms require different types of knowledge (know-what, know-how, know-who) in their internationalisation, and therefore the knowledge processes and tools they will need to implement will differ. Therefore, these knowledge needs of a firm – understood in terms of the types of knowledge and knowledge processes – will determine its operation mode choices.

Study 4 highlighted how these complex knowledge needs could lead a firm to choose not one but several operation modes, and in doing so chose to use market and hierarchical mechanisms simultaneously (Hennart, 2010). Moreover, it demonstrated how the firm constructed mode combinations in order to enable knowledge flows and how these flows changed over time. In particular, the firm's intent to acquire or access knowledge may change (Buckley et al., 2009; Grant & Baden-Fuller, 2004), and some knowledge processes are finite, e.g. when a local team has absorbed the necessary knowledge, the need for knowledge transfer diminishes. As such, study 4 demonstrated how changing knowledge needs can led to changes in mode combination. As such, it contributed to extending theory on changes in foreign operation modes (Putzhammer et al., 2019), and highlighted the importance of (evolving) knowledge needs in operation mode choices.

In conclusion, together studies 3 and 4 provide a more granular understanding of how the knowledge processing organisation influences foreign operation mode decisions (Chang & Rosenzweig, 2001; Kogut & Zander, 1993), and a more structured knowledge-based approach to operation modes for future research (namely the framework in 9.3.1). In particular, this dissertation shows how the knowledge needs that stem from a firm's strategy need to be considered – i.e. types of knowledge to be managed and the processes required to manage them – in order to assess which operation mode or combination of modes facilitates those knowledge needs. By providing these more nuanced insights, this dissertation showed how the KBV lens was useful where other approaches have failed, namely to explain the messier reality of operation modes in which firms are not limited to a choice of a single, discrete mode that will remain unchanged over time (Benito, Petersen, & Welch, 2009).

9.4. Contributions to the international management literature

9.4.1. Foreign operation modes: mode changes and mode combinations

This dissertation also contributed to expanding the understanding of foreign operation modes more broadly. First, it demonstrated the need for a process perspective of operation modes to ensure a holistic understanding of the phenomenon. Study 4 constituted a welcome addition to the literature, because prior literature has largely assumed operation mode choices are decisions at a single point in time (i.e. entry), adopted a static view to analyse the variables that come into play in that decision and then largely ignored what happens thereafter (Benito et al., 2009; Petersen, Benito, Welch, & Asmussen, 2008). In

particular, the longitudinal perspective proved extremely useful to demonstrate that the firm's goals, activities and knowledge needs change over time, and these affect operation modes. In sum, de-contextualising foreign operation mode choices from their temporal context, in particular the specific period of internationalisation the firm is in at any given, point has led to oversimplify the choices that managers are faced with.

Second, the dissertation has contributed to extending theory on *combinations* of foreign operation mode. The extant literature, regardless of the theoretical perspectives adopted, has largely assumed that firms choose between single, discrete mode choices, despite evidence from practice that firms in fact combine modes in the same country (Benito et al., 2009; Clark, Pugh, & Mallory, 1997; Petersen et al., 2008; Petersen & Welch, 2002). Study 4 contributed to increasing the scant empirical evidence of foreign operation mode combinations, in particular by showcasing how a firm combines modes in a complementary manner (Petersen & Welch, 2002) and contributed to developing theory on how and why these combinations change over time. Moreover, this study contributed to theory development by refining prior conceptualisations of *changes in mode combinations* (Cornelissen et al., 2021; Putzhammer et al., 2019) to consider changes both within and between combinations.

Third, in developing this dissertation, the ability of different theoretical perspectives in IB to explain or predict foreign operation mode changes and combinations was analysed. This analysis showed that each perspective proved both useful and limited. Table 4 summarises the comparison of four theoretical perspectives, namely transaction cost or internalisation theory, internationalisation process theory (in particular the Uppsala model), institutional theory and the knowledge-based view. Although the theoretical lens applied was the knowledge-based view, the data revealed a number of other causes for mode changes that could be explained by other theoretical perspectives. Therefore, while study 4 advocated for a knowledge-based view of foreign operation modes, it also recognised that a combination of theoretical perspectives is helpful to understand phenomenon of foreign operation mode choices holistically. This is relevant as most operation mode research (and indeed IB research more generally) tends to adopt a single theoretical perspective, which may be limiting a more holistic understanding of the complex interactions that occur simultaneously (Brouthers & Hennart, 2007; Canabal & White, 2008).

Overall, the findings of this dissertation, in particular Study 4 add to the voices of those urging scholars to move away from the assumptions that have become quasi-paradigmatic in this mature field (Benito, Petersen, & Welch, 2012). In the debate on whether more research on foreign operation modes is necessary or not (Hennart & Slangen, 2015; Shaver, 2013), I undoubtedly position myself in the affirmative, with the caveats that i) several theoretical perspectives should be combined; and ii) existing assumptions (in particular those of a static view of mode choices between discrete alternatives) must be re-examined. Although all research entails a degree of simplification, these assumptions have limited the development of theory on operation modes, and our ability to provide managers with help regarding the alternatives that are available to them. By questioning these assumptions, study 4 enhanced theory and offered managers more realistic explanations and expectations of the foreign operation modes choices they face. Indeed, foreign operation modes require constant management, and should be thought of more as management of the portfolio of operation modes, rather than a choice of single mode on market entry (Benito et al., 2009, 2012).

Table 4. Overview of theoretical perspectives and their limitations to explain FOM changes and combinations

Theoretical perspective	FOM explanation	Useful considerations	Limitations
Transaction cost economics (TCE) / Internalisation (Anderson & Gatignon, 1986; Brouthers & Brouthers, 2003; Erramilli & Rao, 1993)	• Firms will choose the FOM that maximises value, given existing transaction costs. • Knowledge-intensive firms are more likely to choose internalisation (FDI) due to threat of opportunism.	• Considers the costs (information, bargaining and enforcement) of decisions • Provides a means of comparing different FOM alternatives	• Considers decisions at single point in time; only considers change if cost considerations change • Does not contemplate possibility of more than one mode (i.e. combinations) • Considers (internal) knowledge transfer to be relatively easy
Internationalisation process theory (including Uppsala) (Johanson & Vahlne, 1977, 1990, 2009)	• As firms accumulate knowledge about a given market, uncertainty is reduced and their commitment to that market increases.	• Considers changes over time • Proposes mechanism to explain changes in FOM (i.e. knowledge accumulation)	• Considers overall market commitment, i.e. black box in terms of FOM • Considers a single change mechanism, namely knowledge accumulation
Institutional theory (Davis, Desai, & Francis, 2000; Kostova & Zaheer, 1999; Scott, 2014)	• Firms will choose FOM in response to internal and external institutional pressures.	• Considers external / environmental factors and internal institutional factors (among units) • Considers change insofar as institutions change and firms respond to those changes	• Contemplates institutional pressures only, does not take into consideration resources or decision factors (costs, strategy, knowledge…) • Only considers change if institutional context changes
Knowledge-based view (Kogut & Zander, 1993; Madhok, 1997; Malhotra, 2003; Martin & Salomon, 2003)	• Firms will choose the FOM that maximises efficiency of knowledge flows.	• Considers changes over time • Can help explain certain types of FOM combinations (i.e. complementary)	• Does not take into consideration other resources or decision factors (costs, strategy, external / environmental factors)

9.4.2. Contextualising international management research

This dissertation began by explaining the need for contextualised research in the field of IB. In particular, the need for context to be addressed was underlined, in order to avoid oversimplification of complex IB phenomena and falling into the trap of overgeneralising the applicability of theories. Therefore, closing reflections on the process and results of contextualised research are warranted.

First, it is worth underlining that the discussions and reflections around the PSF context were among the most challenging of this dissertation research and these struggles serve to highlight the existing gap in the IB literature in this respect. Early on, the question arose of why study service firms or PSFs, with the underlying implication that PSFs should be compared with other firms. The literature on contextualisation proved helpful to understand and resolve this conundrum, as there has been a recent revival of the topic – due to the 2021 JIBS Decade Award for Welch et al.'s (2011) paper on promoting plurality in case studies, in particular through contextualised explanation (Brannen, 2021; Knight, Chidlow, & Minbaeva, 2021; Reuber & Fischer, 2021; C. Welch et al., 2022) – but support for scholars remains scant in this respect. In particular, further guidance is necessary on what is context in IB (and what features are most relevant) and how can or should context be considered in defining research problems and impactful contributions. Similarly, given how frequently doctoral students are told that studying a phenomenon in a new context does not represent a theoretical contribution, the role of context in replication studies also needs to be explicated (Dau, Santangelo, & van Witteloostuijn, 2021).

Second, as a case of contextualised research in IB, this dissertation provides several examples to showcase the value of this approach. On such example is how a better understanding of the relevant features of the PSF context (i.e. PSF characteristics) helped clarify what firms should fall outside the boundaries of the context as well as how to organise the subtypes of PSFs within those boundaries. Indeed, PSF characteristics had been theorised as a useful conceptualisation of PSFs (Von Nordenflycht, 2010), and this research project has contributed to confirming this. Studies 1 and 2 propose the lens of PSF characteristics as means to achieve a higher level of abstraction (than the single industry context), which allowed different types of PSFs to be compared. Defining the context in this way, as a collection of theoretical features, provided a common analytical framework that should contribute to a more cohesive development of the field.

This case of contextualised research also demonstrated how a research project can include both context-specific and context-embedded studies. Studies 1, 2 and 3 provided context-specific knowledge on the international management of PSFs, while study 4 generate context-bounded theory on the role of knowledge in international firms that can be tested in other contexts.

Finally, this dissertation provides an example of the importance of temporal context. Indeed, study 4 used built a sequence of events in order to theorise on the underlying processes and mechanisms of change in foreign operation mode combinations (Cornelissen et al., 2021; Langley et al., 2013; Pettigrew, 1990). This additional contextual perspective generated highly relevant contributions for the field of IB.

In sum, this dissertation has demonstrated in several ways the potential for discovery that contextualised research provide, in particular, for greater understanding of the specific phenomenon of international management of PSFs and for the development of new theory on knowledge management in multinationals (Michailova, 2011; Roth & Kostova, 2003; Tsui, 2004; C. Welch et al., 2022).

9.5. Managerial Contributions

To a large extent, the personal motivation for this dissertation stemmed from the desire to provide managers of international PSFs with better answers to those proposed in traditional IB textbooks. Moreover, due to my prior experience, an on-going concern in reading the literature and later (when collecting and analysing data) was the relevance of research to the daily managerial struggles of international PSFs. Although the findings and conclusions of this research will be further developed for the purposes of teaching and collaboration with firms, the current managerial contributions of this dissertation are presented below.

9.5.1. The role of characteristics in the international management of PSFs

Service firm and in particular professional service firm managers often complain that mainstream academic writings are not relevant to them, or don't answer their questions as well as they would like (Løwendahl, 2005). One reason for this is that de-contextualised research is unhelpful to managers and they find it difficult to relate to the issues discussed in universal terms (Johns, 2006; Michailova, 2011). Another reason is that research on international PSFs is still quite limited and often focusses on a single

PSF-industry without providing clues regarding applicability to other types of firms. The central claim of this dissertation, which is the application of the lens of PSF characteristics to explain and explore the international management of PSFs, should prove useful to managers too.

Managers need to think of their firms in terms of a number of characteristics. In particular, they should consider the following:

- The firm is **knowledge-intensive**: what type of knowledge does the firm require to provide international services and what processes are required to manage them?
- The firm's professionals belong to one or more professions. Is the **degree of professionalisation** of the workforce high (i.e. their professional closure and the profession subject to jurisdictional boundaries), medium (i.e. some professional closure and some degree of permeability of jurisdictional boundaries)?
- Professional services require **customisation** to client needs. Are the firm's services highly customised (requiring high level of interaction and proximity to the client), or is it possible to reach a certain degree of standardisation of services?
- Is the firm **low capital-intensive** (mostly dependent on human capital) or high capital-intensive (mostly dependent on physical assets)?

Depending on the answers to these questions, managers need to understand the implications of these characteristics. For example, firms providing services with a high degree of professionalisation can seek guidance in research on other highly professionalised firms, e.g. law or accounting. These firms are likely to internationalise in order to serve their existing home-country clients (study 3), to face challenges linked to the conflicting pressures of the institutional actors involved in regulating and influence the profession (study 2, Faulconbridge & Muzio, 2007; Muzio & Faulconbridge, 2013), and therefore to internationalise through network and federal forms (study 3, Boussebaa & Morgan, 2015; Salvoldi & Brock, 2019).

Similarly, firms providing services with a low degree of professionalisation who provide highly customised services may seek answers in studies on management consulting, advertising, marketing, executive search firms. In particular, they are likely to internationalise in order to increase their knowledge base (study 3), to face challenges linked to building sufficient trust with clients and reputation in international markets (study 2, Hall, Beaverstock, Faulconbridge, & Hewitson, 2009; McQuillan, Sharkey

Scott, & Mangematin, 2018) and may find that combining project and transnational internationalisation forms (study 3) and different operation modes (study 4) will allow them to manage their knowledge needs (especially local knowledge) in the most appropriate manner.

In conclusion, this dissertation shows how useful it is for managers to understand the characteristics of their firm and the implications of these characteristics in relation to their internationalisation motives, the challenges they may face, the choice of internationalisation form and operation mode among other international management implications.

9.5.2. International management challenges of PSFs

It comes as a surprise to no manager that internationalisation is a path paved with difficulties. Yet, despite the managerial relevance of the issue, academic research on the challenges firms face in their internationalisation remains scant (Cuervo-Cazurra, Maloney, & Manrakhan, 2007), with most clues found in the marketing literature on export barriers (Kahiya, 2018; Leonidou, 1995, 2004). In addition, managers need more than a generic (and overwhelming!) list of challenges. They want to know what is coming, i.e. what will put a strain on their time and resources, so they can plan and invest accordingly. In short, managers want to know what they – specifically – should expect.

This dissertation provides PSF managers with initial clues to help them identify what challenges they may expect to face in their internationalisation. Specifically, a list of ten international management challenges were extracted from the extant literature on international PSFs and numbered from most to least frequently discussed in the literature. Additionally, potential causes for these challenges were identified and the groundwork laid for these to be tested in further studies. The draft information sheet below provides managers with a helpful (albeit still untested) tool to help them predict what challenges they may face. Reading horizontally, managers gain an overview of potential challenges and the reasons why a PSF might face them. By reading the table vertically, managers can identify the challenges they are more likely to face if their firm possesses a given characteristic.

Figure 3. Information sheet for PSF managers

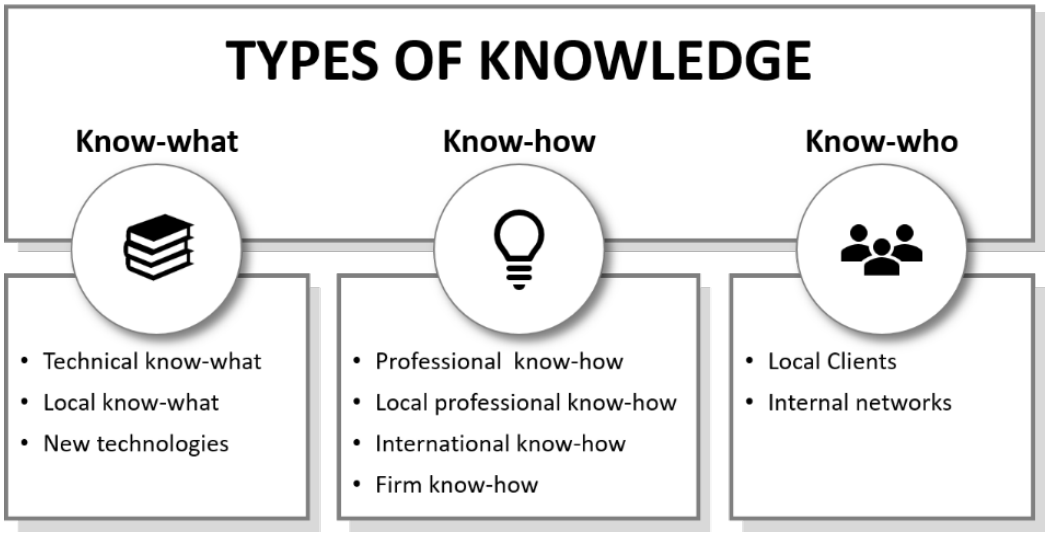
PREDICTIVE TOOL: WHICH INTERNATIONAL MANAGEMENT CHALLENGES WILL YOUR FIRM FACE?						
	INTERNATIONAL MANAGEMENT CHALLENGES	PSF CHARACTERISTICS				Other Potential Causes
		Professionalised workforce	Low Capital Intensity	Knowledge-intensity	Customisation	
1	**Global integration for consistency & quality:** Ensuring the quality of services is consistent regardless of where the client requests it, while also retaining ability to adapt to local market needs.	X	x		X*	Language &, culture; Geopolitics; Profit centre structure; Cost of bringing dispersed resources together
2	**Institutional complexity:** Abiding by institutional regulations in more than one country, including managing national varieties of professionalism (different national habits & norms within the same profession)	X				
3	**Availability of resources for internationalisation:** Attracting and retaining professionals with the right skills and knowledge for international service delivery	x	x	x	x	
4	**Managing knowledge across distributed locations:** Making knowledge available across the firm by implementing tools and creating spaces to facilitate knowledge sharing and transfer		x	x	x	Cost of bringing dispersed resources together; Language & culture; Geopolitics in the firm
5	**Signalling quality & reputation abroad:** Convincing clients of the firm's ability to provide quality services when quality is difficult to assess and the firm is foreign and unknown	x		x	x	
6	**Building international client relations:** Need for proximity to generate sufficient trust with clients to learn about their needs, problems and expectations			x	x	Language & culture
7	**Non-transferability of services:** Services (or parts thereof) are inappropriate or difficult to provide in other markets	x				Language & culture; Location-bound knowledge
8	**Profitability of international activities:** Ensuring profitability of international services despite higher costs (e.g. travel), constrained prices and limited economies of scale	x				
9	**Language & Cultural barriers:** Providing services – and gaining the client's trust – in another language and / or cultural context		x			
10	**Partner attitude to internationalisation:** Ensuring sufficient commitment of firm partners to support internationalisation and choose appropriate method of extending governance partnership					Language & culture

9.5.3. Managing knowledge in the international PSF

For PSF managers, the knowledge-intensive nature of their firm is a key consideration. To begin with, it will cause certain challenges. In particular, firms will find it a challenge to find and retain professionals with the necessary skills and expertise to deliver international services successfully; they will face difficulties ensuring knowledge flows across the organisation; they will struggle to build strong client relations and a reputation for quality in new markets.

In order to overcome these challenges, managers will need to adopt a holistic view of the firm's knowledge needs. To do this, managers should think about their current and future knowledge needs, i.e. what knowledge the firm currently has to deliver services internationally and what knowledge it needs to operate internationally? To facilitate this, study 3 generated a more comprehensive overview of the types of knowledge managers need to consider.

Figure 4. Types of knowledge to consider for internationalisation



Next, managers need to think about what knowledge processes are necessary in order to achieve future knowledge needs, i.e. does knowledge need to be transferred between headquarters and local operations? What knowledge does the firm not currently have that they wish to incorporate into their knowledge base? What knowledge might be accessed from external sources without need to learn it? In particular, they need to consider four processes: knowledge accession, knowledge acquisition, knowledge combination and knowledge transfer (figure 2).

Answers to these questions will allow managers to better assess which form of internationalisation is more appropriate for their strategy and knowledge needs, namely network form, federal form, project form, or the transnational form.

9.5.4. Foreign operation modes as portfolio management

In addition to the considerations above regarding the choice of internationalisation form, PSF managers must assess what are the most appropriate foreign operation modes for their knowledge needs. Indeed, this dissertation showed that in addition to the factors that already existed in the literature (internal factors such as strategy, availability of resources, search for efficiency and cost reduction and external factors such as environmental uncertainty or institutional context) the firm's knowledge needs are an important factor to be considered in the choice of foreign operation mode.

Moreover, the conclusions of this dissertation may help managers avoid the pitfalls of assuming a firm must choose one foreign market entry mode from a list of alternatives and that this is a key decision as it will determine how the firm will work in that market in the future (Benito et al., 2012). Indeed, when case study interviewees were asked about their operation modes, the response was to talk about the primary operation mode at any given time. Therefore, managers should remember that they can choose more than one operation mode and that changes can be made, either because of gradual implementation of the strategy or to adjust combinations of modes that are not performing as expected (L. Welch, Benito, & Petersen, 2018). In other words, managers should think of the foreign operation modes as the management of a portfolio of operation modes: different modes are combined to implement the strategy and fulfil the knowledge needs at any given time and should be re-evaluated periodically for adjustments to be made(Benito et al., 2012).

10. LIMITATIONS, FUTURE RESEARCH AND CONCLUSIONS

Like all research projects, this doctoral research also has its limitations. In the following sections, these limitations are discussed and ensuing opportunities for future research are identified.

10.1. International management challenges of PSFs

Study 2 provided a list of ten international management challenges and identified number of potential causes for these challenges. First, the findings suggest that PSF characteristics may be linked to these challenges, and in particular, that they could explain why PSFs may face these challenges more intensely than other firms, and why different PSFs may face them to different degrees. However, the empirical dataset of 102 articles on the international management of PSFs proved limited in providing support for these links. Second, other causes unrelated to PSF characteristics were also identified but not explored further. Therefore, future research should continue to explore the challenges that international PSFs face and why. In particular, the list of ten challenges identified from the existing literature needs to be contrasted with experts and/or international PSFs themselves to confirm if these are indeed the challenges PSFs face most often, as well as how they are affected by them and how difficult they are to overcome.

Furthermore, the causes identified in Study 2 require testing with primary data collected from international PSFs. In particular, the links between PSF characteristics and challenges need to be confirmed, as understanding these links will help understand and predict which challenges PSFs will face. Finally, as suggested in Study 2 confirmation of these results would allow for the development of a predictive managerial tool that would enable managers to identify which challenges they might face depending on the characteristics of their firm (see section 9.5.2 for a draft of said tool) and ultimately plan their internationalisation better.

Finally, although language and intercultural skills were not discussed or analysed in depth in any of the papers included of the dataset, linguistic and cultural differences did appear as a challenge in themselves and also as a potential cause for many of the other challenges. As such, researchers would do well to add explore how and why language and culture affect international PSFs.

10.2. The role of customisation in international PSFs

Despite collecting data on the four main characteristics identified in the literature (i.e. knowledge intensity, degree of professionalisation, customisation and low capital intensity) less data was collected about the last two because of the restricted time available for interviews. From the data, some relevant findings were nevertheless identified relating to customisation, which highlighted the need to continue researching the role of this characteristic.

For example, study 2 identified five challenges to which customisation is potentially linked, but the dataset only provided support for one of these. Therefore, future research should explore these links further, in conjunction with language and cultural differences as this cause was also identified in three of those five challenges.

Similarly, study 3 identified the need to examine the role of customisation in operation mode choices, in particular why and how frequently PSFs need to interact with clients and how this is done. Ball et al.'s (2008) framework may prove helpful for this endeavour, as it proposing a way for knowledge-intensive service firms to analyse the disaggregation of their activities into local and remote activities.

Finally, study 1 proposed additional research questions related to the characteristic of customisation which are highly relevant to managers, in particular how PSFs manage the value creation process with clients and what is the role of customisation in this process. Testing and expanding Fosstenløkken et al.'s (2003) framework of knowledge development through client interaction in the international context may prove fruitful. Similarly, an opportunity exists for multidisciplinary collaboration with researchers exploring value co-creation with clients in the field of service research (Grönroos & Gummerus, 2014; Grönroos & Voima, 2013).

10.3. The role of PSF characteristics in managing international PSFs

The findings from this dissertation provide clues to suggest that PSF characteristics are likely interrelated and together influence international management phenomena. In doing so, it points to opportunities to adopt a configurational approach in future research. Indeed, the IB literature has focussed on building explanations in terms of relationships between dependent and independent variables, i.e. on variance analysis (C. Welch & Paavilainen-Mäntymäki, 2014). However, international business phenomena are

inherently configurational, as they are complex and involve a number of multifaceted and interdependent concepts or constructs (Cornelissen et al., 2021; Fainshmidt et al., 2020). As a result, configurational approaches such as Qualitative Comparative Analysis (QCA) are increasingly gaining attention in IB (Fainshmidt et al., 2020; Misangyi et al., 2016; Verbeke, Ciravegna, Lopez, & Kundu, 2019). Indeed, QCA contemplates causal complexity (combinations of causes), equifinality (different combinations may lead to the same outcome) and asymmetry (absence of the outcome is not necessarily caused by the inverse of the causes leading to the outcome) (Byrne, Ragin, Rihoux, & Lobe, 2012; Ragin, 2009). This dissertation points to a number of research questions based on configurational logic.

First, study 2 opens the door for future research on challenges determined by the presence of various characteristics simultaneously. For example, according to the causes identified in the data set, the transferability of services to international markets could be determined by the degree of professionalisation (and corresponding jurisdictional boundaries) the degree of customisation (and ability to interact with and gain trust of local clients) and perhaps other causes such as language and cultural differences. Therefore, a configurational approach to the international management challenges identified in study 2 would be appropriate and contribute to improving the resulting managerial tool.

Additionally, study 3 reveals different configurations of characteristics leading to different outcomes (operation modes and internationalisation form). Further research might explore these and other configurations of PSF characteristics and their outcomes with a larger dataset of cases. Similarly, the research agenda in study 1 points to additional topics that would benefit from such a configuration approach. For example, to what extent the characteristics of PSFs (or indeed general characteristics of services) might determine their ability to implement a transnational strategy.

10.4. Towards knowledge-based view of internationalisation

Internationalisation process theory and the Uppsala model in particular were considered for analysis on various occasions throughout this dissertation. For example, the pattern of internationalisation that emerged from the data in study 4 resembled the empirical pattern upon which the Uppsala model was based, thereby essentially providing evidence that it can predict PSF internationalisation in general terms. However, beyond explaining the overall incremental commitment of the firm in each market (Vahlne & Johanson, 2017),

the knowledge component of the model proved of limited help to answer the research questions or explain the data. Conversely, however, the Uppsala model could benefit from the more fine-grained picture this dissertation offers in relation to the types of knowledge and knowledge processes an international PSF manages throughout its development. More broadly, the Uppsala model and KBV appear highly complementary and future research should explore in which way they could contribute to one another or even become integrated.

At its core, the Uppsala model is a knowledge-based theory of internationalisation (L. Welch, 2016). The model stemmed from the recognition that managers and firms possess imperfect information and in the face of the uncertainty in foreign markets they need to acquire knowledge in order to take decisions about committing to that market (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975; L. Welch, 2016). However, despite being central to the firm's internationalisation process, the knowledge related elements remain unclear in the Uppsala model. First, the model remains vague about what knowledge firms need. Internationalisation knowledge and relationship knowledge were added to the market knowledge of the initial version of the model (Vahlne & Johanson, 2020), but little detail is given about what these consist of. Second, the "knowledge development process", as it is labelled in the latest version of the model remains, ill-defined. It is referred to as the "*knowledge development process of learning, creating and trust-building*" (Vahlne & Johanson, 2017, p1093), although later a number of different sub-processes are also briefly discussed, namely the technological innovation process, the entrepreneurial knowledge development process and the adaptation to the organization's task environment (Vahlne & Johanson, 2017). Overall, although some reference is made to seminal authors on knowledge (e.g. Cohen & Levinthal, 1990; Kogut & Zander, 1993), insights from the KBV are largely absent from the model.

Similarly, a summary of the development of the KBV of the MNE proposed by Grant and Phene (2021) omits even to mention the Uppsala model in their review and discussion of the field. Kogut and Zander's (1993) approach shares with internationalisation process theory its evolutionary perspective of the firm and the evolving nature of knowledge in the firm. They even refer to the sequential expansion of a firm's international activities as a cycle of recombination and accumulation of knowledge in the MNE, but offer little clarity on how this occurs. Subsequent work on knowledge flows in MNEs has tended to adopt a static perspective, analysing the antecedents and outcomes of flows at a particular

point in time, and as a result the field has been criticised for lacking process-oriented perspectives (Michailova & Mustaffa, 2012; Nielsen & Michailova, 2007).

In conclusion, albeit indirectly, this dissertation has highlighted the limitations of the Uppsala model to provide helpful insights regarding the knowledge processes that unfold in international firms and during the internationalisation process. Moreover, its contributions could serve to expand the model, for example by providing greater transparency on *what* knowledge firms need to accumulate in their international operations and what specific sub-processes will need to occur under the umbrella of "knowledge development process" in order for the firm's commitment to evolve. Moreover, the insights and conceptualisation of operation mode combinations could contribute to resolving certain limitations of the model regarding the use of operation mode as a measure of commitment (Vahlne & Johanson, 2017). In short, this dissertation points to opportunities for further research exploring how the internationalisation process theory and the KBV can potentially strengthen one another.

10.5. Concluding remarks

This dissertation, which was originally driven by the motivation to provide PSF managers with guidance in their internationalisation, has explored the international management of PSFs and the role of PSF characteristics. By bridging the literatures from the fields of IB and PSFs, insights were drawn from existing studies to paint a comprehensive picture of what is known about the international management of PSFs and what challenges they may face, as well as to construct theoretically and managerially relevant research questions to explore empirically. Two further empirical studies were carried out – a comparative case study and a single longitudinal case study – and together they contributed to expanding our understanding of the specific phenomenon of the international management of PSFs as well as developing new theory.

In particular, by exploring the role of knowledge in international PSFs a more nuanced understanding of the MNE as a knowledge-processing organisation has been proposed, which contributes to enhancing the knowledge-based view of the multinational enterprise (Grant & Phene, 2021; Kogut & Zander, 1993). Additionally, the dissertation yielded relevant, new insights on operation mode combinations that contributed to extending theory on foreign operation modes. Overall, this research on international management in the context of PSFs has generated relevant theoretical and managerial contributions.

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APPENDIX 1 – INTERVIEW PROTOCOL

1. INFORMANT INFORMATION

Name:
Title:
Hierarchical level in organisation: Senior management (MD, Dpt head) / intermediary manager / service delivery
Partner of firm: *yes / no*
Department:
Type of Department: Management & (corporate) support / Technical/business/functional division or department
Role (involvement) of informant in the internationalisation process: Strategy definition / Business development / International service delivery
(Most common) Location of informant: *HQ / abroad*
Nº years in the firm:
International experience: *since when? Where?*

2. INTERNATIONAL STRATEGY

- How would you describe the firm's international strategy?
  - Scope: countries / services
  - Operation mode(s)
  - Type of strategy: export, multi-domestic, global, transnational
  - Alliances: how relevant, for what?

3. DEGREE OF PROFESSIONALISATION

- Social closure & permeability of jurisdictional boundaries
  - Who regulates the profession? How?
  - How easy is it to practice in other countries? Why?
  - Do these issues of regulation and authorisation for practice affect internationalisation? How?
  - How important are institutions of the local markets in which you operate? What role do they play?
- Professional identify and varieties of professionalism
  - What are the core identity components / professional values of the professionals in this field?
  - Do these vary from country to country? How?

  - Does internationalisation lead to greater need for managerial control? (examples, need to manage professional values (autonomy) & national varieties of professionalism
  - Does this greater management control clash with professional values of ___ (repeat values mentioned)?
  - How does international experience & mobility fit into professional values?
- Ownership structure
  - Who owns the company? How is the ownership structure regulated?
  - How does the ownership structure affect the internationalisation process (i.e. decision to internationalise, commitment to internationalisation, what type of decisions?)
  - Has the ownership structure changed/evolved with internationalisation
- Summary & reconfirmation of main ideas/conclusions
  - Would you consider this profession to have a high degree of professionalisation? (compared to which others?)
  - Has this affected internationalisation? How?

4. KNOWLEDGE

- Black box of knowledge
  - What does knowledge represent for [company]?
  - What knowledge is key for internationalisation (know-what / know-how / know-who / know-where or when / know-why)? (examples, if needed: technical knowledge embedded in service, experiential knowledge to deliver the service, international(isation) knowledge to adapt & deliver internationally).
  - Does everyone have the same knowledge?
  - Is there a particular [FIRM] way of doing things?
- Knowledge Management
  - Are professionals expected to share their knowledge? How?
  - Does the firm have a repository of projects?
  - Does the firm have a repository of methods/tools/manuals that can be (re-) used in various projects?
  - Does the firm organise / encourage socialisation among professionals in order to promote the development of tacit knowledge through experience sharing?

  - How does the firm ensure new / junior professionals learn/gain experience?
  - How is the [FIRM] way of doing things transmitted to foreign offices?
  - How do international professionals fit into the different knowledge management mechanisms discussed before
- Cat-herding
  - Is there much rotation in your department? Why?
  - Does your department have a fixed team in international offices?
  - Is there much rotation in foreign offices? Why?
  - How do you retain professionals?
  - What HR challenges do you face?
  - Do you have subcontracted free-lance professionals? For what?
- Opaqueness of quality and reputation
  - How does the firm define and measure quality of the service?
  - How does the firm build and maintain its reputation abroad?

5. CAPITAL INTENSITY

- What performance indicators do you use as a firm?
- Which performance indicators do you think are the most important?
- How would you describe the P/L of your firm? What are the main items in P/L?
- How would you describe the cost structure of your department? Of the firm? How dependent are you on people?
- Which parts of the cost structure can you act on? How?
- Do you have any/many fixed assets? Which ones? (Technology? Equipment?)
- How does this affect internationalisation?
- Does your activity have high financial requirements? How does this affect internationalisation?

6. CUSTOMISATION

- How much of services/projects is customised to international client needs?
- What aspects are key to customisation to international clients? (e.g. language, cultural awareness, local market knowledge, knowledge of the client?
- Does the international client participate in the delivery of the service / construction of the solution?

- When is there face-to-face interaction with the international client? (e.g. phase, data collection, construction of the solution, service delivery, service closure?
- Who has face-to-face interaction with the international client?
- How do you build up the client's trust in you (professional) and the firm?
- What abilities do you need to build trust?
- Does / can a local partner have face-to-face interaction with the client?
- Do / can ICT tools (videoconferencing, skype, phone, etc.) substitute parts of face-to-face interaction with international clients?

APPENDIX 2 – REFLEXIVITY

The importance of reflexivity in such a research project is linked to the need to identify and explicate the conditions and influences under which the research is carried out (Sayer, 1992). In other words, it is important to understand ourselves as management researchers, "think about our thinking" (Johnson & Duberley, 2003) and examine our assumptions(Corlett & Mavin, 2018). The research diary kept during the doctoral training process and the regular reflexivity exercises carried out throughout the research process have allowed me to become aware of and better understand my assumptions as a researcher. At the conclusion of this dissertation, my assumptions can be summarised as follows:

- The organisation (MNE) is a socially constructed world, where its members create and understand their experience and are knowledgeable in terms of what they are doing and why they are doing it. Our role as researchers it to seek plausible, defensible explanations of how and/or why a phenomenon occurs (Gioia, 2021).
- Internationalisation is a socially constructed process, where the organisation purposefully adapts and proceeds towards a goal involving and dependent on different individuals and teams who are sufficiently like-minded to operate as a single entity (Van de Ven & Poole, 1995).
- There can be several equally effective paths to achieve the goal or outcome of international management phenomena (Ragin, 2014; Van de Ven & Poole, 1995).
- International management phenomena do not occur in isolation but within a complex, multi-faceted context (e.g. time, space, industry, firm, unit…) and as such research must consider contextual factors (Michailova, 2011; C. Welch et al., 2011).
- Among other contextual factors, firms (PSFs) are subject to geopolitical forces that influence the value given to professionals (and their knowledge) from peripheral offices and/or offices in emerging economies (Boussebaa, 2009; Boussebaa & Faulconbridge, 2019; Boussebaa, Morgan, & Sturdy, 2012), and these actors need to be heeded.