Cranfield University

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Development of Capabilities in Western Professional Services Firms Internationalising in Fast-Growing Economies

School of Management

DBA Thesis

Academic Year: 2005 - 2013

Supervisor: Professor Patrick Reinmoeller

April 2013

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This thesis is submitted in partial fulfilment of the requirements for the degree of Doctor of Business Administration

Abstract

This research was inspired by both a practical and a theoretical challenge: how Western professional services firms (PSFs) internationalise into fast-growing economies. The research contributes to theory by proposing a model comprising groups of capabilities, within which different combinations of capabilities, labelled types, develop or change depending on the context and service offering. Eight capabilities and two types have been identified as important to firms internationalising into fast-growing economies. PSFs that deliver standardised offerings appear to perform well when they have Type A properties of the eight capabilities. PSFs that offer idiosyncratic and context-specific services appear to perform well when they have Type B properties of the eight capabilities. Some evidence supporting the concept of dynamic capabilities which renew, regenerate or refresh capabilities has been found. The research addresses a gap in three overlapping theoretical areas: internationalisation, capabilities and the context of professional services firms. This context continues to be important to practitioners as GDP growth in Western countries remains low, relative to the fast-growing economies, thereby presenting the need for firms to grow into these economies in order to survive. Much of the capabilities literature analyses the effects of a given capability, but has focused less on groups of capabilities. Finally the professional services industry is reported to be a leading growth industry, with an important impact on other industries; however it remains relatively under-researched. I have researched nine firms, using a case study approach to derive a theoretical model comprising groups of capabilities identified through the first two projects, which was then refined and examined over different time periods in the final project.

Acknowledgements

My research and thesis writing process spans several years, five jobs, two children, three house moves and a marriage. It has been one of the most intellectually and emotionally challenging journeys that I have ever undertaken. It would not have been possible to get this far without the support and challenge from the entire Cranfield School of Management staff. Barbara Birtles, Heather Woodfield and Alison Wilkerson have been relentlessly optimistic, organised and supportive when it was most needed. My first supervisor, Dr. Veronique Ambrosini, inspired me to look more deeply into the field of RBV and dynamic capabilities. I am particularly grateful to my second supervisor, Dr. Patrick Reinmoeller. In addition to being the voice of reason and intellectual challenge for some years now, he has been instrumental in helping me to develop my ability to think critically and I doubt that I would have achieved much without him. I would also like to express deep gratitude towards my panel – Dr. Cliff Bowman and Dr. Paul Baines - for their tireless patience, challenging feedback and many suggestions for improving my research, through various tortured drafts of my thesis and panel meetings. Their on-going counsel has been tremendously valuable.

My current and former work colleagues – particularly Tim Last, Rosemary Mathewson and Blair Sheppard - have inspired me to try to achieve my potential and I am deeply grateful for their support. My friends and family should also be acknowledged for helping me to find the space and energy to pursue my doctoral dream. My eternal thanks go to my parents for inspiring me to work hard and my daughter and sons to be the best role model that I can. I dedicate this work to my husband Ben – thank you, you're simply the best!

Disseminations

Project Two was presented as a full paper at the British Academy of Management Conference in 2011. Projects Two and Three were presented back to Informants. The results from Project Two were discussed during following management team meetings. Insights from Projects One and Two were discussed with the Management Consultancy Association in South Africa, who have invited me to present back Projects One, Two and Three in December 2013. Insights and analysis from Projects One, Two and Three have also been shared with faculty from LSE and Duke Corporate Education.

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1. Linking Document

1.1. Introduction

European and North American (Western) professional services firms (PSFs) are increasingly reliant on their ability to grow and innovate outside of their home countries for their overall growth and evolution. However at a local level, these global operations require business models and capabilities that may vary substantially between one another outside of the home country, as well as to those within the home country. At a global level it is also challenging to integrate these different capabilities into a globally co-ordinated offering. This research aims to clarify what capabilities are required by Western PSFs to successfully internationalise, how they relate to one another and how these capabilities develop. I have reviewed three areas of literature – internationalisation and market entry strategy, the professional services firm and the resource-based view (RBV) – to consider this question. When I examined these theories together, I uncovered a gap in the research; namely, that existing theories do not adequately support the understanding of PSFs when they internationalise. Specifically, the Literature Review concludes that;

- existing internationalisation theories are less well equipped to address PSFs, particularly with the current speed of change and complexity in market dynamics,
- RBV offers some important concepts with which to consider capability development that could benefit from further exploration and evidence,
- the PSF literature, while growing, is relatively new and does not fully address how and why PSFs internationalise in fast-growing economies

This research therefore builds on existing RBV theory to study an under-researched context which is important to global business and currently not addressed through existing theory. My original projects were presented as separate projects, with their own literature review and methods sections. However, each research project builds on the previous project, with the goal of contributing to the same gap in the literature, using very similar methodologies in order to extend and detail the proposed models. For ease of reading, I have therefore consolidated the literature review and methodology chapters into the linking document so that the reader can review the critical theoretical findings and methodological decisions in one chapter before reviewing the research itself. Within each project chapter, I also provide a short introduction presenting information pertinent only to that research, as well as a methods section describing detailed decisions relating to sampling, Informants and analysis for that project.

In my literature review, I provide an overview of the three research fields of internationalisation, PSFs and the resource-based view (RBV) with the aim of showing how each of these are very important, but none of these fully helps us to understand how PSFs internationalise into fast-growing economies. In the analysis of new local markets, western PSFs largely use environmental scanning tools to gather data regarding the financial opportunities and the socio-political infrastructure governing them. They may also make use of some widely applied theories, including the process theory of incremental internationalisation (Johanson and Vahlne, 1977) or structural approaches which describe the decision-making and information and flow of finances across a range of international structures (Bartlett and Ghoshal, 1985). However, recent research (Sargut and Gunter McGrath, 2011) suggests that in order to operate effectively in fast-growing economies, organisations must be adept at managing in economies with very different characteristics.

The resource-based view of the firm holds that firms with similar physical assets may have different intangible assets that contribute to competitive heterogeneity. The RBV perspective allows for a more inclusive perspective of the aspects of a firm that allow it to succeed over another. An extension of the RBV, dynamic capabilities theory, examines the interrelationships between resources, considering how a firm must configure and reconfigure resources in order to address the changing competitive environment.

The professional services literature is relatively under-researched in comparison to the other bodies of literature that I have reviewed, but establishes some important challenges to current researchers; namely questions regarding what PSFs provide and what impact they have. PSFs are shown to operate differently to other industries as the value they create is primarily knowledge-based, and heavily reliant on human, intangible and relational assets. They present a rich context for exploration in part because they show such variability of performance. While variation of performance can be seen in any industry, it seems to be particularly important to PSFs in fast-growing economies where even the global top ten firms risk failure in new market entry (Mahanta, 2009). As the literature review chapter will indicate, PSFs are also of growing importance in the global economy and have a critical part to play in internationalising businesses into fast-growing economies as they support their client businesses in expansion as well as conduct their own expansion.

The three bodies of literature have not yet been combined in a way which supports the conceptualisation of what capabilities are required by PSFs internationalising in fast-growing economies, and whether and how they develop over time. Insights from this research also contribute to a firm-level understanding of how to position and develop capabilities both at headquarters and local level to assist the internationalisation process. Please refer to the Glossary of Terms for the definitions adopted of critical terms.

1.2. **Research Structure and Overview of Research Questions**

My research has developed over three projects to inductively identify important capabilities for PSFs internationalising in fast-growing economies and then explore how they develop. As the Figure One illustrates, Project Two built on the conclusions of Project One, and Project Three built on the conclusions of both prior projects.

Each project is connected and adds to the existing conclusions, moving from the broadest investigation across multiple companies in Project One, to a detailed exploration of capabilities within one firm in Project Two, to the exploration and extension of these capabilities over three time periods in Project Three. In Project One, I drew from a broad sample of survivor consultancies (those consultancies who had survived initial expansion into India) across the Indian market to identify a preliminary list of capabilities potentially relevant to PSFs internationalizing in fast-growing economies. The outputs suggested that more than one capability was important in the context of service offerings in the Indian market, and that one firm possessed similar capabilities to the other “survivor” consultancies interviewed, but that these capabilities were generated with different intentions, comprised different activities and produced different outcomes. In Project Two, I focused more deeply on one firm, extending my list of capabilities and identifying two capability types for each capability, where again the capability was the same but the intent, activities and outcomes were different. While there may be more than these two types in existence, these two types of capabilities appeared to support performance of consultancies making different choices as to the service offering provided. In Project Three, I extended my understanding of the relevant capabilities by exploring one regional context but a range of different service offerings within the PSF domain. Evidence gathered from interviews and archival review extended the capabilities and capability types identified in Project Two and indicated how three firms had developed these capabilities over three time periods.

Figure 1: Overview of Research Projects

Project One: Which capabilities are used by survivor management consultancies in India?

- **Methodology:** analysis of seven consultancies in India. Semi-structured interviews with founders and key partners plus archival research
- **Result**: preliminary list of capabilities used
- **Result:** conclusion that more than one capability enables survival in management consultancies in India

Project Two: Which capabilities are important to PSFs as they internationalise, particularly in fast-growing economies? How do these capabilities impact performance?

- **Methodology:** analysis of four business lines of a global PSF in Western and fast-growing economies. Review of archival documents plus semi-structured interviews with key leaders at multiple levels. Post-analysis follow-up process.
- **Result:** refined and extended list of important capabilities
- **Result:** evidence base of how capabilities can change over time

Project Three: How are capabilities perceived to change within an internationalising PSF? What, if any relationships do the eight capabilities previously identified (along with any others identified) have to one another?

- **Methodology**: analysis of three business lines in South Africa and Africa. Review of archival information plus semi-structured interviews with key leaders at three leadership levels including CEO. Post-analysis follow-up process.
- **Result:** extension of proposed model from Project Two
- **Result**: identification of types and relationships between capabilities that are important to success

2. Literature Review

2.1 Introduction

Each Project originally comprised a separate literature review. Because the Projects each draw on the same core theoretical foundations and build on one another, I have consolidated the Literature Review into one chapter. This also allows for greater efficiency and ease of reading. The Literature Review established three important findings. First, the growth of PSFs into fast-growing economies continues to be an important context for businesses, and one where heterogeneous performance can be observed as they internationalise. Second, internationalisation theories are not conclusive in explaining how PSFs can succeed in fast-growing economies. Fast-growing economies present several challenges in their characteristics that would lead one to hypothesise that PSFs in these economies would need to behave differently to those in Western economies. Third, that the concepts of RBV can support theory building in the context of PSFs internationalising in fast-growing economies through considering distinctive capabilities - separately or in groups - and exploring how they have developed to be appropriate to businesses as they address changes in context, or configure their service offering to provide more or less idiosyncratic services.

My research seeks to explore and conceptualise what capabilities an organisation requires to internationalise into fast-growing markets and how these capabilities develop. Many researchers have been involved in addressing this question, indicating its on-going interest and importance. A review of the available literature reveals no conclusive answer for why the operations of some Western PSFs flourish in fast-growing economies whilst others are closed down. The Literature

Review Chapter reviews a range of factors considered relevant to the context of PSFs internationalising in fast-growing economies by other researchers, as well as highlighting how the research fields of internationalisation, PSFs and RBV may be relevant to answering the research topic.

I first review the professional services literature to show why this is an important overall context, to summarise some of the key characteristics of PSFs that explain how and why they might differ from other firms, and to highlight some of the existing theoretical research which helps us to understand how best to examine them. I present three tensions, or paradoxes (Smith and Lewis, 2011), that the PSF must address when internationalising in fast-growing economies: growth in the overall industry versus significant performance variability across PSFs, the need to localise versus the need to standardise within the context of global growth, and finally the balance between technical expertise and professional or personal experience.   In part, these tensions emanate from a fundamental ambiguity surrounding the industry and what the PSF is actually designed to do (Alvesson and Johanson, 2002).

The literature review then examines the internationalisation literature, focusing on three prevalent models for internationalisation and exploring how they do not fully address the PSF context. While each has important insights that help us to better understand how firms can pursue global growth, I argue that the characteristics of the PSF and the context of fast-growing economies when combined, leave a gap in the existing theory. A growing number of Western firms now seek new sources of revenue and customers away from the saturated markets of the West. Some researchers have discovered that the capabilities, assets and business models that

Western firms successfully used in their home markets or even other Western markets are ill adapted to help them compete in emerging economies with entirely different market conditions (Rugman, 2006; Atsmon et al, 2012; Held and McGrew, 2000). Bartlett and Ghoshal (1989; 1995; 2002) for example suggest different ways in which organisations can structure themselves in order to both explore new opportunities in new economies and integrate these opportunities into the global firm. Indeed, a review of the factors affecting competitive heterogeneity demonstrates that environment and industry context affects firm success less than firm positioning and business unit positioning (Rumelt, 1991). The globalisation debate does offer some of the common characteristics of the economic environments of newly industrialising economies, which are then integrated into the strategy literature explaining how organisational structures and decision-making processes can affect firms internationalising in fast-growing economies.

The Literature Review moves to examining resource-based perspectives of the firm. The RBV divides the firm into bundles of resources, both at asset level and at dynamic capability level as resources to configure other resources. At a resource and dynamic capability level, empirical and theoretical studies have begun to explain, although not conclusively, how each may affect overall firm success. I will argue that this level of analysis provides a theoretical basis from which to examine this context in detail.

The review of these three areas of inquiry concludes that there is a gap in the existing research, to which my research aims to contribute through the identification of eight important capabilities, each with at least two distinct types, which develop over time contingent upon the context and service offering of a PSF.

2.2 Finding One: International growth of PSFs continues to be important but not well understood

Many academics assert that prevailing theory does not fully support an understanding of how firms – especially PSFs – internationalise and what resources they require to be successful (Tallman, 2001; Hitt et al, 2005; Aharoni, 2000). Addressing the first finding, a review of the PSF literature highlights three practical and theoretical tensions that make this context appropriate for further research because of the array of firm-level choices and subjectivity inherent in the industry. The notion of tensions associated with PSFs is already part of academic literature. Swart and Kinnie (2010) highlight a tension that the PSF must manage between short-term management of organisational learning for the benefit of their clients and long-term organisational learning for their own development. Boussebaa (2009) and Ferner et al. (1995) show the tensions between local and global resource management systems in PSFs. These tensions are not strongly featured together in the existing literature, but have been integrated through my reviews of existing research. The first tension is between overall industry growth and the variability of performance at a firm level. Global revenues from PSFs continue to grow (Abdelzaher, 2012) and PSFs attract a growing proportion of interest from new entrants to the workforce (Biswas and Twitchell, 1999). The PSF industry is also argued to be central to the broader trend of internationalisation demonstrated by many Western firms who look to fast-growing economies to access new consumers, balance slowing growth in their home countries and provide a consistent service to their global customers (Abdelzaher, 2012; Doh, Bunyaratavej and Hahn, 2009). However in spite of this overall growth, performance at a firm level is variable (Brock, 2012; Contractor, Kundu and Hsu, 2003; Contractor, Kumar and Kundu, 2007). Indeed, the effects of industry internationalisation have contributed to this variability of performance over several decades.

A second relevant tension is the need to balance local, idiosyncratic service provision on one side with standardisation on the other. A review of the history of the PSF industry shows how some of the effects of internationalisation in this industry over time have led to this tension. While the industry has foundations in efficiency, productivity and financial management consultancy that required technical accreditations such as engineering, (McKenna, 2006) over time, the industry evolved from the use of standardised processes into more idiosyncratic applications (Clark and Fincham, 2002; McKenna, 2006). This broadening of services offered in the industry can be traced back to the 1950s and 1960s, when the search for new growth opportunities led to moves towards new types of work, like strategy consulting (McKenna, 2006), and an increased focus on local contexts (Lovelock and Yip, 1996). The emergence of new forms of consulting led first to some regional variance (Buzell, 1968), the rise in national approaches in some markets, where the French market has focused on HR consulting, and the German market focused on systems consulting (Henry, 2002), as well as some consulting markets where standardisation was perceived to be inevitable, such as IT consulting (Levitt, 1983). Since the 1960's, then, this balance between local and global offerings can be seen in practice. It continues to be a recognised challenge for this industry (Lovelock and Yip, 1996), not least because some researchers argue that PSF standardisation erodes firm advantages (Kipping, Furusten and

Gammelstater, 2003) but many firms originally explored new economies hoping to find new markets for their existing, standardised intellectual property (McKenna, 2006).

This tension may be more exaggerated in PSFs because, as we have seen, they must balance the need for some level of standardisation and localisation. Goerzen and Makino (2007) summarise the five key service attributes of intangibility, inseparability, heterogeneity, perishability and subject to regulation for service firms, and Aharoni (2000) and Lowendahl (2000) amongst others, show that PSFs are a subset of the services industry that inherently customise to some extent because of their need to solve problems using judgment, tools and knowledge. Indeed, Lowendahl, (1997; 2000) argues that PSFs offer less tangible and repeatable services than other services firms by creating idiosyncratic engagements (Dyer and Singh, 1998; Hanesen, Nohria and Tierney, 1999; Crucini, 2002), where the information asymmetry between client and PSF is larger than in other industries and the tendency to standardise may be inherently lower. PSFs often meet the need to be efficient and cost-efficient within the context of the provision of idiosyncratic engagements by using a pyramid staff structure (Engwall and Kipping, 2002) consisting of small numbers of partners, larger numbers of consultants reporting to them, with even larger numbers of analysts reporting to the consultants, as an example.

Linked to the above two tensions of growth and performance variability, and standardisation and localisation, a third tension exists in how PSFs actually add value. On the one hand, they could add value through providing essentially scientific and standardised processes, or on the other hand through the experience and personal capabilities of individuals within the PSF. With the departure from services that required technical accreditation to a very wide range of activities (Fincham, 2002; Whittle, 2006), many PSFs sought other ways to give their services credibility to their clients. Many take a functionalist perspective (Alvesson and Johnson, 2001), presenting themselves rooted in scientific rigour, process consultants or doctors/experts (Schein, 1969; 1997). Other researchers have found PSFs to focus more on their ability to convey credibility (Starbuck 1992) and symbolic power (Henry, 2002) through rhetoric (Alvesson, 1993). In this latter perspective, the preoccupation of PSFs is on engendering trust (Bloomfield and Danieli, 1995), generated through problem solving and information transfer (Uzzi, 1997; Yli-Rento, Autio and Sapienza, 2001), where some sell or deliver their services through management "gurus" (Clark and Greatbach, 2002). This importance of individuals and personalities over technical skills to some consultants is exemplified in the essay by McKinsey Partner Matassoni (1999) stating "*It's not what you do, it's who you are that matters*." This breadth of services offered and the range in perceptions of how PSFs add value have led some researchers to question whether the industry is even confluent enough to be considered one industry (Alvesson, 1993), and others to note its inherent ambiguity (Alvesson and Johanson, 2002). From either the position of technical expertise or personal experience (Hitt et al, 2006, Spar, 1997), or the use of both epistemological and ontological perspectives (Werr, 2002) it is clear that individuals play a critical role in this industry (Bartlett and Ghoshal, 2002; Hitt et al, 2001). The individuals allow for knowledge to be created and experiences to be codified through their absorptive capacity (Cohen and Levinthal, 1990), which is then linked to the PSFs ability to customise (Dyer and Singh, 1998; Lepak and Snell, 1999).

The importance of people and firm-level choices to address the above tensions within this industry is at the heart of what makes PSFs so interesting to researchers. The three tensions – 1) growth versus variability of performance, 2) balancing idiosyncratic versus standardised services, and 3) the need for technical expertise versus personal experience – show that a number of critical decisions must be taken for a PSF to compete in fast-growing economies, and that these decisions may have an impact across the entire firm. The research conducted across my three projects unites the above tensions together by suggesting capabilities that are most relevant to PSFs who make certain choices with respect to which market they will grow in and how standardised or idiosyncratic the services that they provide will be.

2.3 Finding Two: PSFS are not are not accounted for by traditional internationalisation theories

Turning to the second finding; traditional internationalisation theories do not fully address how PSFs can internationalise into fast-growing economies. While the concept of internationalisation has been evident for centuries (Saint-Simon, 1976; Marx and Engels, 1848) debates on how to define and describe the impact of this trend continue (Scholte, 2005; Friedman, 2005; Barnett, 2004; Chua, 2003; Dittmer, 2001). Some researchers view internationalisation as an unstoppable trend with important political implications (Barnett, 2005; Friedman, 2005) and others dismiss it as being an insufficiently specified construct (Grewel, 2010). Others still believe that there are important implications at both the national economic levels and the commercial levels (Gilpin, 2001). Larrinaga (2010) reviews the internationalisation literature and proposes an integrated theoretical framework of twelve theories frequently used to better understand internationalisation. Of these twelve theories, those addressing service firms fall within the "*business perspective theory of international strategy*" (Larrinaga, 2010, p. 20) category. Although it is written earlier, Sorensen (1997) also addresses theories that relate to this perspective. He identifies three types of internationalisation models – progressive, contingency and interactive – that can all be applied to service firms. The contingency approach was heavily researched in the 1970s and argued that changes in market dynamics force a change in strategy (Donaldson, 1999), governance (Yin and Zajac, 2004) or structure (Hall and Saias, 1980), to name three contingencies, in order to allow an organisation to continue to be competitive. The central benefit of this research is its attention to how changes in markets can and should force changes within the organisation. The interactive approach (Danciu, 2012), focuses on the networks of relationships that businesses have in new markets with their clients, competitors and suppliers, arguing that these relationships facilitate effective internationalisation.

The progressive approach focuses on organisational learning and its central benefit to the research is the emphasis on the importance of the capabilities (Goerzen and Makino, 2007) and organisational knowledge (Johanson and Vahlne, 1977). The progressive approaches have been most frequently used to explain internationalisation (Bjorkman and Eklund, 1996). I review the three most referenced approaches to services internationalisation that fall within the progressive internationalisation in the literature and highlight where the challenges lie in applying these concepts to the particular context of PSFs growing into fast-growing economies. Through this review, I suggest that alternate theories may be appropriate in helping to understand how PSFs internationalise in fast-growing economies.

The Uppsala model (Johanson and Vahlne, 1977) is perhaps the most traditional and advocates an incremental, slow approach to international growth to allow the home market to adjust to new national preferences and norms as part of a learning process. This model suggests that to advance quickly would lead to competitive disadvantage due to important differences between markets that are not reconciled (Eriksson, Johanson, Majkgard and Sharma, 1997). The Uppsala model is highly valuable in its focus on organisational learning, and conceptually there are strong links between this focus on learning and the importance of absorptive capacity in PSFs (Cohen and Levinthal, 1990). However, the Uppsala model was based on research from manufacturing firms (Edvardsson, Edvinsson and Nystrom, 1993; Lovelock and Yip, 1996). While earlier research (Roberts, 1999) may have found partial evidence of the Uppsala model in action in business service firms, other, more recent academics argue that this model may not be appropriate to PSFs (Capar and Kotabe, 2003; Marchant and Gaur, 2008; Johanson and Vahlne, 1990, Javalgi, Griffith and White, 2003). The Uppsala model has also been shown to explain the internationalisation actions of non-Western firms, such as the Japanese (Chang, 1995) where the Western firms have expanded at a faster rate and making higher initial investments (Rosenzweig and Nohria, 1994). There are two challenges in applying the Uppsala model to the context of PSFs internationalising in fast-growing economies; the speed of expansion and the rationale for expansion vary from the theory.

The speed of international expansion (Warren, 1967) is one of the main sources of debate surrounding the continued relevance of the Uppsala model for this context. The “Born Global”

(Knight and Cavusgil, 1996; Oviatt and McDougall, 1994; Schrader, Oviatt and McDougall, 2000) firm – subject of my Project Two research - has been researched for the last twenty years and is used to define a firm where international expansion is achieved within the first two to five years of the firm's existence. Sapienza, Autio, George and Zahra (2006) show that "Born Global" firms may have an advantage by expanding more quickly, in that they are less restrained by legacy mind-sets and processes (Hannan, 1998; Stinchcombe, 1965) that prevent adaptation to new contexts. Chowdury (2006) also calls into question the advantages of an incremental approach, in that it does not allow companies to respond sufficiently quickly to new competitive pressures or may prevent different entry modes (Chang, Cheng-Min and Wen-Shiung, 1998).

The rationale for expansion is also relevant because the Uppsala model largely describes companies that are heavily centrally controlled by their home countries, from which decisions will flow, and to which money and information should flow. PSFs may expand to obtain new knowledge and build new experiences, (Lowendahl, 2000; Biswas, 1999) or to follow existing clients as they expand (Edvardsson et al, 1993; Tallman and Fladmoe-Lindquist, 2002) not just to grow existing products, which was the motivation for many firms studied in the original research (Johanson and Vahlne, 1977). The above two reasons – the speed and initial investments associated with internationalisation, and the rationale for internationalisation – show that the Uppsala model may not be fully relevant to the internationalisation of PSFs.

The second approach – the Resource Transfer model – is very similar to the Uppsala model. Goerzen and Makino (2007) show how this model complements the Uppsala model, but focuses largely on transferring assets and knowledge to new countries. Like the Uppsala model, this approach is incremental and relies on knowledge transfer to local countries occurring relatively constantly. A core difference of the Resource Transfer model to the Uppsala model is that transfer of tacit knowledge may constitute a source of competitive advantage in itself, and may be achieved more quickly and effectively through a whole owned subsidiary than through the incremental process advocated by the Uppsala model (Kogut and Zander, 1992; 1993). However as with the Uppsala model, the transfer largely focuses on going from the home country to the local country to allow for replication of existing services and products, rather than the reverse. We have seen that PSFs internationalise at different speeds and at different levels of standardisation, and therefore may not follow the Goerzen and Makino (1997) framework of identifying core and non-core assets to expand with. As Lindsey et al. (2003) argue, research in services internationalisation predominantly focuses on the parent or headquarter company, rather than on the foreign subsidiaries, suggesting that more focus on the strategic activities at the foreign subsidiary level is warranted.

The third approach to internationalisation explores structure, flow of information, decision-making and finances together to identify different organisational structures adopted by multi-national firms (Yakou and Dorweiler, 2006). Bartlett and Ghoshal (1995; 1998; 2003) identified several organisational structures adopted by firms in global contexts, which are neither exclusively standardised/centralised, nor the reverse. In this approach, firms follow an integration responsiveness framework to understand where local responsiveness or global consistency is appropriate (Nadkarni, Herrmann and Perez, 2011; Birkinshaw, Morrison and Hullend, 1995; Roth and Morrison, 1992). Unlike the Uppsala and Resource Transfer models, this approach does not assume that the home country will dictate the company norms and values (Morgan and Kristensen, 2006). However the firm is still subject to its administrative heritage (Bartlett and Ghoshal, 2003), which may induce inbuilt inabilities to be flexible (Leonard-Barton, 1992). Bartlett and Ghoshal's (1995; 1998; 2003) approach also allows researchers to explore how organisational structures – particularly the transnational firm – address the complexities of maintaining operations and markets that are vastly different, while managing multiple, conflicting agents and creating change at both firm and even at the country level (Koene and Ansari, 2011). Their research (Bartlett and Ghoshal, 1995; 1998) shows that how a firm is structured and how it relates to its headquarters can have significant impact on its performance, and is extremely helpful in allowing researchers to consider a range of influences on the PSF as they internationalise.

We will see from the following review of the fast-growing economies literature that they are very dynamic and change frequently, and in that regard, an approach where decisions are made *a priori* and where little room is devoted to focusing on subsequent change to structure, capability and performance, may not be fully appropriate. Even the transnational model, which is shown to be very flexible, focuses largely on structure and information flows over other factors. The three models, when taken together however, show that a wide range of factors are important, including structure, strategy, resources, information flows, to name some prevalent features of each of the above models.

Fast-growing economies present both important opportunities for companies and for researchers, but managing operations in these environments can be very difficult to manage from a practitioner perspective (Sargut and Gunter McGrath, 2011) and remain under-researched. Below I review how they are important, and then three areas where research is particularly necessary. These economies are very important to overall economic growth – the World Bank shows GDP growth of fast-growing economies ranging between 5 and 11% relative to 2 and 4% in developed economies – and the services industry in particular is contributing to this growth (Aharoni, 2000). The fast-growing economies including the BRICs (Brazil, Russia, India and China) and the CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa) are particularly attractive to Western companies as their home markets are in decline (Jacob, 2001; Economist, 2010). To take one example from my Project One research, India has been well publicised as an important market for Western companies to enter (Corporate Strategy Board, 2006; Dittmer, 2001; Zaidman and Brock, 2009; Singh, 1992; Singh, 2009; Niak and Supekar, 2000; Rodenhauser et al, 2009).

While these economies are important, they present a range of different characteristics to those of the Western world, which are seen to be difficult to manage. First, these economies can be volatile (Dittmer, 2001) and are different to developed markets (Marketing Leadership Council, 2006). Frequent market changes mean that environmental scans such as the competitive advantage matrix (Porter, 1990) often applied in developed markets are less relevant because the market dynamics change more frequently than the scans are applied (Khanna, Palepu and Sinha, 2005; Chua, 2002). Additionally, in comparison to developed markets, fast-growing economies demonstrate instabilities in political systems and regulations (Kinnval, 2002) and present different technical adoption rates to the “S-curve” of product penetration evident in developed markets (Prahalad, 2005). The changes present in these markets can be unpredictable and so frequent that they erode any advantages that a firm may gain from a choice of position (Baaij, Reinmoeller and Niepce, 2007). Rather than complicated markets, where changes may be predictable, these markets may be complex (Mason and Mitroff, 2004), where the level of heterogeneity in changes, the multiplicity of factors important to firms and the interdependence of these factors makes forecasting extremely difficult if not impossible (Sargut and Gunter McGrath, 2011). Because they are volatile and different to developed markets, Western PSFs may need to approach these economies differently to how they approach other Western markets.

Third, managing a global firm that both accounts for the need for low cost and efficiency and competition against known competitors in the home markets, and addresses a high growth opportunity in a new market where there may be few known or traditional competitors is difficult for the managers trusted with their success (Tichy, 1992). Local variation is critical – some researchers point to the absence of any completely globally standardised products (Rugman and Collinson, 2006) and to the importance of taking local cultures into account (Hofstede, 1993). We have seen from the PSF literature however that at least some level of localisation may be particularly important in this industry, therefore the simple transfer of home country practices is unlikely to enable successful internationalisation (Kedia, Nordetredt and Perez, 2002). Making choices relative to the local or standard service offering is an important step for PSFs as they consider internationalising (Keegan, 1995).

Other researchers also show how important manager orientations are in setting decision-making and firm-level practices to allow for all of the above decisions that could be involved, particularly for a PSF internationalising in a fast-growing economy (Buckley and Lessard, 2005; Freeman and Cavusgil, 2007). Nadkarni, Herrmann and Perez (2011) and Vermeulen and Barkema (2001) conclude that sense-making processes which allow individual managers to address the above choices by spotting new stimuli, interpreting them and then determining appropriate responses (Bogner and Barr, 2000; Kaplan, 2008; Prahalad and Bettis, 1986) are relevant. As we saw from the PSF literature review, sense-making is very much informed by the personal experience and human capital identified by Hitt et al (2006) and can become path-dependent over time (Keisler and Sproull, 1982). Therefore the need to be sensitive to unpredictability at a personal as well as a company level is critical.

The three challenges described above of 1) PSFs that are widely varied in terms of their success in fast-growing economies, of 2) unpredictability or complexity in fast-growing economies and the impact of that unpredictability on the relevance and review of environmental scanning tools, and of 3) the difficulties in managing a potentially high risk of failure in a complex environment in concert with managing a firm in the home country are relevant because they are all visible in the context of PSFs internationalising into fast-growing economies. They are also not fully addressed by the theories reviewed above. My research explores how PSFs have fared as they internationalise in fast-growing economies and extends existing theory to help our understanding of this important phenomenon.

2.4 Finding Three: RBV supports theory building in the context of PSFs internationalising in fast-growing economies

The third finding from my literature review is that the Resource-Based View (RBV) can support theory-building in the above context by exploring capabilities or groups of capabilities that may be important as PSFs operate. I review the RBV literature below, showing why it is relevant to this context, by 1) showing how RBV allows the researcher to better explore performance heterogeneity in a given industry, by 2) exploring some of the core concepts indicating what capabilities can do, by 3) then examining specific components of RBV in connection with the characteristics and tensions explored earlier in this chapter that are relevant to PSFs internationalising in fast-growing economies, and finally by 4) highlighting a sub-set of the RBV literature – dynamic capabilities, as a concept that may be relevant to the findings of my research in its attempt to describe how capabilities change over time. I also show literature which takes different views to the dynamic capabilities literature in attempting to understand how capabilities develop and enable change.

The Literature Review thus far established that multiple factors are relevant to PSFs internationalising in fast-growing economies. Corporate strategies such as internationalisation must include consideration of product/market portfolio, the operations mission and the resource portfolio (Itami and Roehl, 1987). Researchers such as Keegan (1995), address how the PSF can review product/market portfolio, but in fact RBV allows researchers to review how firms can respond to the opportunities of internationalisation – both by benefiting from market entry and by integrating new learning from foreign markets into a new capabilities at the global firm level

– “*within their own set of capabilities*” (Fladmoe-Lindquist and Tallman, p. 8, 2002; 1994) RBV allows this exploration because it focuses on the resources of a firm which convey advantage, even where the firm is overtly or tangibly similar to other firms in its industry.

RBV builds on Penrose’s early description of a firm as a bundle of resources (1959). These resources are variously described as only rent-generating or know-how that can be traded (Amit and Shoemaker (1995), or all assets and capabilities (Peteraf, 1993). Because my research develops theory, I have adopted what I believe to be the clearest and most comprehensive approach to conceptualise this phenomenon, which is to use the definitions from Peteraf and Barney (1993) and Daneels (2002) which define resources and capabilities interchangeably. To convey advantage, capabilities may be valuable, rare, inimitable and non-transferable (Barney, 1986; 1991; 1996; Barney at al., 2001; Peteraf and Barney, 2003). Capabilities enable both technical fitness/ optimisation of the existing resource base and dynamic fitness/ the ability to change (Helfat and Peteraf, 2003; Helfat et al., 2007). Capabilities can be asset-specific (Peteraf, 1993; Griffith and Harvey, 2001) and may not even be wholly contained within the firm (Srivastava, Tassaduq and Fahey, 1998).

Capabilities are relevant to PSFs internationalising in fast-growing economies because they may enable them to address the difficult tasks of creating some level of idiosyncratic services in a local market that is complex, volatile and different to the home country, and because they incorporate activities that are human and intangible, which are two central facets of the PSF as we have seen. As Augier and Teece (2007; 2008; 2009) argue, regenerating assets over time is critical to retain advantage. This is particularly true in dynamic markets (D'Aveni and Gunther, 1994), where firms may be restricted by prior mind-sets or path dependency (Teece et al, 1997; Teece, 1986; Monteverde and Teece, 1982) and firm managers leading in these markets are boundedly rational in that they do not see opportunities equally (Arthur, Durlauf and Lane, 1997; Lane and Maxfield, 1997). We have seen from the first finding in the Literature Review that PSFs are reliant upon human and relational capital (Abdelzaher, 2012; Hitt et al, 2001; 2006; Spar, 1997), and that the value is particularly embedded in individuals and experience (Alvesson, 1995; Swart and Kinnie, 2003) when delivering idiosyncratic engagements (Morris, 2001; Crucini, 2002). The above importance of enabling change and incorporating a view into less tangible activities supports the relevance of the RBV as a theoretical lens with which to view this context (Boussebaa, 2009; Brock 2012).

The Literature Review suggested in Finding Two that internationalisation in fast-growing economies might require different approaches because the markets are dynamic, and so therefore could be the firm attempting to internationalise in them. RBV allows us to consider how capabilities change and develop, which is an appropriate concept, given the above. One emerging sub-set of the RBV theory can be found in the dynamic capabilities literature, which seeks to understand how and when capabilities enable change. Dynamic capabilities are a firm's capacity to *"integrate, build and reconfigure internal and external competencies to address rapidly changing environments"* (p. 516, Teece, Pisano and Shuen, 1997). This *capability to combine resources* (Kogut and Zander, 1992) or capability to build other resources (Henderson and Cockburn, 1994) allows companies to change their resources (Helfat et al, 2007) by acting on routines (Ambrosini, 2003). The routines may be tacit (Ambrosini, 2003) or more distinct

(Eisenhardt and Martin, 2000) but they can be manipulated to change product sequencing processes (Helfat and Raubitschek, 2002) create new capability combinations (Eisenhardt and Galunic, 2000), destroy old or defunct capabilities (Sull, 1999) or build new capabilities (Henderson and Cockburn, 1994; Kogut and Zander, 1992). If they exist, dynamic capabilities fundamentally enable learning (Collis, 1994) and are at a higher level in the organisation than lower order operating capabilities, which relate directly to individual tasks (Daneels, 2002). They may also allow a firm to learn more quickly (Sapienza, Autio, George and Zahra, 2006). However, dynamic capabilities are tacit and both hard to define (Eisenhardt and Martin, 2000; Teece, Pisano and Shuen, 1997) and hard to measure (Easterby-Smith, 2009). Some researchers also challenge whether they can be used to generate competitive advantage in a firm because they can be argued to operate across an industry (McEvily, 2005), and thereby potentially constitute best practices (Eisenhardt and Martin, 2000) which are substitutable and fungible (Teece et al, 1997) as well as equifinal (McEvily, 2005; Teece, 1982; Eisenhardt and Martin, 2000; Zott, 2003).

I have included this sub-set here because types of capabilities which change existing capabilities may be highly relevant to the context of fast-growing economies. Beyond the dynamic capabilities literature however, other academics use RBV to explore how and when capabilities change and develop. Sapienza et al (2006), Westhead, Wright and Webasaran (2001) and Schweizer, Vahlne and Johanson (2010) amongst others, argue that examining internationalisation processes without considering capabilities ignores the processes incumbent in sensing new environments and configuring and deploying resources in response. In dynamic markets, firms may tend towards creating new capabilities rather than exploiting existing capabilities (Madhok, 1997) and Ambrosini, Bowman and Collier (2009) argue that in dynamic markets, dynamic capabilities may serve to regenerate the resource base rather than simply refresh or incrementally improve the resource base as they do in more mature markets (Nelson and Winter, 1982; Eisenhardt and Martin, 2000). A new to world organisation would not have dynamic capabilities (Helfat and Peteraf, 2003), but firms that are internationalising must draw on existing capabilities in addition to building new ones (Adner and Helfat, 2003; Prahalad and Hamel, 1990; Hamel and Prahalad, 1994; Selznick, 1957; Bartlett and Ghoshal, 1987).

Irrespective of whether my findings constitute capabilities that are dynamic or not, the context of PSFs internationalising in fast-growing economies clearly shows how important a firm's ability to build, develop, leverage and destroy capabilities is. However there is little consensus as to how firms learn and develop capabilities (Dierickx and Cool, 1989), particularly when how they can be identified and the impact that they can have is so hard to ascertain (Gavetti and Levinthal, 2000). The founding or generative stage of capability development (Helfat and Peteraf, 2003; March, 1991; Zollo and Winter, 2002) is at the point at which capabilities are initiated. During the subsequent developmental stage, capabilities are scrutinised and developed through either a deliberate knowledge evolution cycle (Zollo and Winter, 2002), or by learning by doing (Helfat and Peteraf, 2003). If the capabilities are perceived to be successful, they are then built into the firm's tacit knowledge-base (Zollo and Winter, 2002). At the maturing stage, capabilities are tacit, habitual and have largely been embedded into routines. My research reviews firms that are internationalising into fast-growing economies and as such presents an opportunity to observe the interplay between the mature capabilities brought from the firm's home country and, perhaps, capabilities at the founding or developing stage in the new country.

The Literature Review has led to three important findings informing my research; first, that PSFs are a compelling and under-researched research subject. I presented three tensions that are typically addressed in a variable manner within the industry, in part because of the relative importance of human and relational capital which allow for personal judgment and experience as opposed to technical expertise to play a large part in decision-making. Consistent with the finding which underscores the importance of non-technical, personal experience, I argue in my second finding that PSFs are inadequately addressed by the existing internationalisation literature, where the prevalent models do not sufficiently reflect the dynamic nature of emerging markets, nor allow for intangibility of the PSF to be internationalised. I finally find that the RBV constitutes an appropriate theoretical foundation with which to explore the performance variations between firms. I offer a review of some of the important concepts currently informing RBV, particularly focusing on how capabilities are currently reported to be developed, and how they can be seen to exert change on an organisation and highlight how these might be relevant to a PSF internationalising in fast-growing economies.

3. Methodology, Key Research Findings, Areas of Contribution and Limitations Chapter

This chapter addresses my approach to methodology as well as my research findings, what they contribute to both practitioner and theory, and finally some important limitations and potential areas for future research. I begin by introducing the methodology common to all three Projects, detailing why a case study approach is appropriate to address the gap in the theory identified in the Literature Review. I then show my key research findings, and how they contribute to both theory and practice. Finally I review the limitations of my research, suggesting ways to mitigate some of these limitations in future research, as well as other ways that future research could build on these findings. I have collected these perspectives into one chapter as they present a connected narrative. My method attempts to address the gap in theory – essentially, how can we better understand which capabilities PSFs use internationalise in fast-growing economies - but this method also presents some limitations around approach, sample size and applicability of results. These limitations in turn point to areas for future research, building from where I hope this contribution may be useful, in extending what is currently explained by theory.

3.1 Methodology Section

As with the literature review, I summarise my methodological approaches and rationale for all three Projects in this chapter for ease of review. I also provide further details relevant to each Project within the Project chapters. Essentially, the Literature Review points to a gap in the theory, where not enough is currently known about the capabilities required by PSFs to internationalise in fast-growing economies. To begin to respond to this gap, I first show how other academics have approached the measurement of capabilities, suggesting that a qualitative approach would be suitable for my purposes. I review the case study approach, which I used across all three Projects, highlighting the advantages of selecting similar cases albeit across multiple geographies for my research. I share how I have included other sources of data and my general decision rules in selecting admissible evidence. Finally I provide an overview of the coding and analysis approaches that I used.

There is no consistent way of measuring capabilities (Ethiraj et al 2005; Iansiti and Khanna, 1995; Madhok, 1997), perhaps in part because there is some ambiguity about their impact as individual capabilities (Dierickx and Cool, 1989). The lack of commonly held definitions of a capability can also problematise statistical inquiry. Following the guidance of other academics on the issue of definition, the next issue to be resolved is to determine how they can be measured. Barney's definitions (1986; 1991; 1996) of capabilities state that they contribute advantage in some way (temporarily or over the long term), by being valuable, rare, inimitable and non-transferable. We might therefore seek to identify ways in which a routine or a process is performed or generates rents (Bowman and Ambrosini, 2004; Peteraf, 1993). Within the valuable, rare, inimitable and non-transferable (VRIN) characteristics identified by Barney (1986; 1991; 1996), Hoopes et al (2003) argue that we might also only look for capabilities which are valuable, as the qualities of rareness are only important if the capability is valuable, and inimitability only important as a pre-condition for rarity. Moreover, capabilities which contribute value in the long term, or which are more tacit and less directly rent generating may be more difficult to perceive and therefore measure (Bowman and Ambrosini, 2004). Zott (2003) measures capabilities by only measuring endogenous factors in the developmental stage.

Other researchers resolve the above challenge by only measuring capabilities which create a statistically observable impact on the firm, such as innovation capabilities through the number of patents (Kaasa and Vadi, 2010). As an extension to this approach, Dutta et al (2005) use stochastic frontier estimation[1] techniques to calculate maximum performance potential versus actual performance attained. The growing strategy-as-practice approach (Jarzabkowski, 2005) observes capabilities through actual activities, either observed at the micro level or captured through interview and other qualitative processes (Johnson, Melin and Whittington, 2003). While not fully following the strategy-as-practice approach, I have followed the guidance from research within this approach that the identification of capabilities is inherently subjective and that they are appropriately observed in action or as described by those undertaking them, as opposed to through quantitative research, or research that gathers evidence from overall firm and industry performance indicators. This guidance is elaborated on in the following paragraph.

Rather than study organisations via their external documents and performance results alone, I have followed the above guidance and chosen to seek perspectives from leaders through interview, as well as interpreting supplementary documentation made available to me. In this way, I have studied reports on activities and decisions associated with capabilities, as Johnson et al (2007) and Jarzabkowski (2005) have done, rather than only the report of the capability itself. Exploring activities undertaken and perceptions held by leaders at multiple levels of the organisation has yielded insights into multiple variables affecting performance, allowing me to

[1] Stochastic Frontier Estimation is intended to measure maximum potential performance versus actual performance to gauge the efficacy of a given capability. This method uses the formula - Firm's production of innovative technologies = *f* (R&D expenditure, environmental conditions). Please see Dutta et al (2005) for more details.

examine the resources that may offer competitive advantage but that are difficult to track through more reductionist means (Johnson, Melin and Whittington, 2003; Samra-Fredericks, 2003).

In considering how to address the gap in theory which does not fully explain how PSFs internationalise in fast-growing economies, I suggest that the identification of capabilities through the exploration of Informants' reports of activities would be appropriate. I have adopted an inductive approach because, as I indicated in the Literature Review, theory does not currently address the area of PSFs internationalising in fast-growing economies, therefore a deductive approach that would test existing theory (Polsa, 2013) is not feasible.

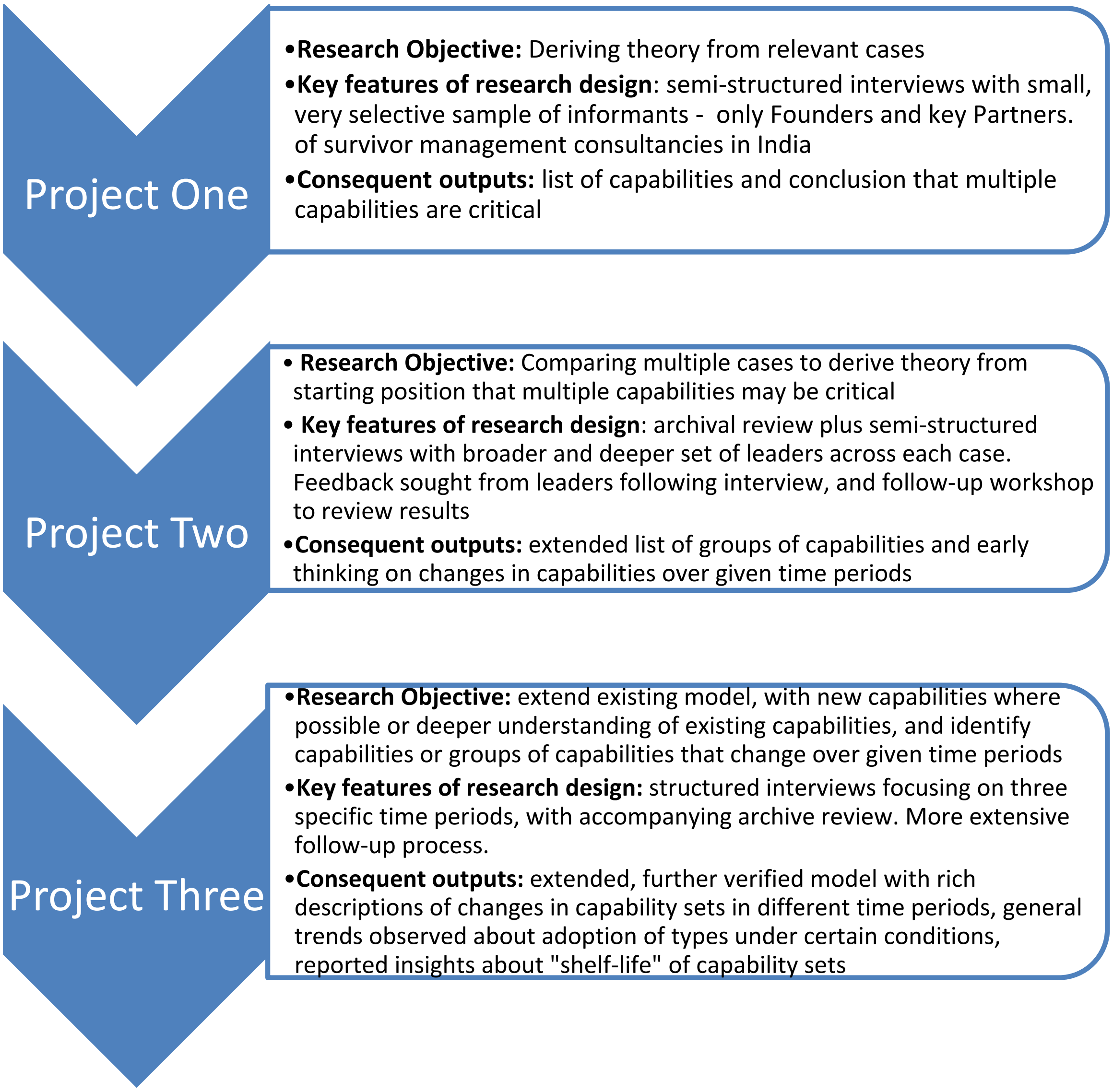
I selected a case study approach because my research questions are all concerned with the exploration of "how" and "why" (Eisenhardt and Graebner, 2007) PSFs build capabilities as they internationalise in fast-growing economies. Qualitative case studies also allow the research of current phenomena (Yin, 2009; Eisenhardt, 1989) in allowing researchers to scope and develop theory inductively where the important factors influencing this research context may not already be known and must therefore first be identified. Case studies have been shown to be effective methods for studying capabilities as illustrated by many academics, including Mort and Weerawardena (2006), who use multiple case studies to examine networking capabilities in "born global" firms, Laamanen and Wallin (2009) who use a case study approach to understand the development of operational capabilities and Garcia-Pont et al (2009) who also use a case study approach to propose an integrated model for the embeddedness of a subsidiary at operational, capability and strategic levels.

Yin (2009) suggests that multiple case studies generate richer and more robust evidence than single case studies. Accordingly, comparisons were made across multiple case studies, which allowed me to first identify a list of important capabilities, second to extend and corroborate that list, and third to explore how these capabilities develop in different time periods. Case studies are appropriate when the existing literature has not fully addressed the phenomenon to be researched (Eisenhardt and Graebner, 2007), and where the research subject is so dynamic that being grounded in a real world context helps us to better understand the subject. We have seen from the Literature Review that the three research areas do not fully address this current context, and that further research should evaluate evidence and deduce themes which are not yet confluent. Since this research question is not creating theory in the absence of any theory, but rather theory building from an established base in the capabilities literature, albeit in a highly under-researched area, a case study generates data that will allow me to extend my understanding of the existing theory under development and build some conceptualisation of how capabilities are operated in different time periods.

As my research has become more focused from general to specific, so too has my use of the case study approach. In Projects One and Two, I attempted to develop theory from a broad set of evidence. The case study approach allowed me to induce a broad list of capabilities by comparing evidence across multiple companies within the given context. A second cross-case analysis in Project Two allowed me to extend and refine these capabilities within one firm, across multiple regions. While the fact that the research spans multiple regions instead of just focusing on India is an important difference between Projects One and Two, the extension of research to multiple regions using a similar approach allowed me to extend my findings in a comparable context of other, fast-growing economies. Multiple levels in the hierarchy as outlined by Burgelman (1983) were available to be interviewed, which led to a richer data set in my interviews across four distinct business units. I also gained further detail by checking my thinking in concert with the management team, who were also reflecting on the same issue for their business. This gave the model breadth as I was able to discern important differences in the capabilities deployed by units at different times or in different ways. It also led to the suggestion that the model needed to be dynamic rather than static, giving insight into not just which capabilities are important, but also when and how.

The sense-making process for understanding when and how led to a focus on study over time periods. While this was achieved through retrospection rather than longitudinal research, the sense-making process was more extensive in Project Three to allow for this iterative review of the capabilities detected and how they were manifested at various time periods. Figure Two overleaf illustrates the progression of methods over the three projects.

Figure Two: Overview of Research Methodologies and Key Learnings



As Figure Two indicates, my research methodology has followed a consistent course; in Project One I used a case study approach on a broad sample of firms in one market. In Project Two, I used a similar approach on multiple markets, starting from the assumption (generated in Project One) that multiple capabilities are involved when PSFs internationalise in fast-growing economies. In Project Two, follow-up with Informants was pursued to support my analysis. In

Project Three, a similar method was again used, this time focusing on one market – Africa – and multiple time frames.

Moving from my rationale for the selection of the case study approach, I now outline my approach to the selection of Informants and sample firms. To date the model has been generated from insights from a total of nine companies (and seven business units within those), twenty-six diverse leaders from two fast-growing economies – India and South Africa - and two Western economies – the US and Europe - and archival documents including strategy packets, published statements, press releases, annual reports, employee reviews, culture surveys and other information both shared by the Informants and independently discovered.

To select Informants and companies to research, I followed Balogun, Huff and Johnson's (2003) advice to select organisations that would give me the greatest breadth of insight; referred to by Rowley (2012, p. 264) as "*purposive sampling*". Balogun et al (p. 200, 2003) also offer three guidelines through which we can filter whether the right research access has been obtained for my goals. They argue that "good" case studies should

- Offer data that is *"both broad and deep because it is contextual, longitudinal, facilitates comparison across sites and can be collected at multiple organisational levels,"*

- Create engagement from the Informants so that participation can be generated across the organisation and

- Allows the researcher to use their time efficiently by gathering and organising a wide range of different types of evidence.

I have included summary tables within each project chapter which describe my sample and informant selection criteria for each project. To summarise here, I identified Informants who were able to describe inception of the firm through to current state (or near to current state in Project One) retrospectively. While this necessarily reduced the number of available Informants, it also offered a more detailed set of insights into the phenomenon within each case. I had not anticipated how important the level of engagement of the company would be with the research process, but Projects Two and Three clearly show the results of a greater interest in reflection on capability and performance shown by the management, which supports Balogun et al's (2003) advice. This is particularly true as I relied most heavily on an iterative approach, spanning multiple conversations, with Projects Two and Three, following up with Informants to share both transcriptions and analyses. The companies selected are all within the top ten within their region, and all but one the top five in the world by revenue or other external rankings systems. As such, this allowed me to respond to the criterion established by Eisenhardt and Graebner (2007) that the subjects should be optimally positioned for theoretical sampling, i.e. represent the best possible company in which to research the given context, rather than a representative sample. Equally, when selecting Informants within those best-practice companies, I spoke deliberately with the highest ranking leaders within the organisation at the beginning and end of each process.

The use of semi-structured interviews allowed me to adopt two approaches to research as argued by Rowley (2012); first, the similarity of questions within each Project generated information in an objective way; second, the use of follow up, probing questions in response to each informant's particular circumstances allowed for a more constructivist consideration of the issue as one where both researcher and informant considered the research questions. Over one hundred researchers have used the approach of semi-structured interviews to research capabilities, including recently Ludwig and Pemberton (2011) to examine capabilities in another fast-growing economy, Russia, and O'Regan and Ghobadian, (2010), who conducted one major semi-structured interview with the CEO of Diageo to examine company competitiveness through a merger.

In Project One, I secured interviews with the founding partners of the highest ranking PSFs in India. However their reports about perceived capabilities were insightful because they themselves had made choices about which capabilities to build, relative to the competition and the clients' needs, and how they would distinguish themselves. In Projects Two and Three, I was able to obtain a deeper view of the capabilities themselves – how they were perceived, how they changed and why they were introduced – by interviewing leaders at multiple levels, including the top. The follow-up process through document review and feedback was also helpful in checking analysis and building on inferences made in analysing the data initially.

After establishing firm and informant selection criteria, my data collection methods were also informed by Eisenhardt (1989) and Eisenhardt and Graebner (2007), along with Jarzabkowski (2005), Balogun, Huff, and Johnson (2003). These papers inspired a clear approach, with the use of tables and repeat coding to promote clarity in reading the results and sharing evidence with others. The use of tables and NVivo also allowed me to return to coding several times during each analysis. Each coding structure was rewritten several times as the data was analysed repeatedly, and this was helpful in representing the evidence accurately.

When deciding on the details of data collection, many researchers have used interviews as a highly effective way of gathering data within the above boundaries (Jarzabkowski, 2005, Salvato, 2003). Others have focused on drawing on collective views through the use of structured workshops (Ambrosini and Bowman, 2005). Ambrosini and Bowman (2001; 2005) argue that a workshop method offers the opportunity for interpretivist research, given the attention to understanding perspectives and the sense-making process of the Informants. Ideally the workshop allows Informants to access and debate routines and unearth tacit knowledge and assumptions about the business. In Projects Two and Three, I used more collective follow-up methods to check my understanding of the analysis and ask for reflections on conclusions. In Project One, transcripts and conclusions were offered to individual Informants. I have incorporated the above advantages of sense-making with Informants over time into my research design by including a follow-up process following individual interviews, where initial analysis was offered to the Informants for review and comment. Table Two is a summary of the research methods used across all three cases. More specific rationales for each case can be found within the Project chapters.

Table One: Summary of Research Methods

	Project One	Project Two	Project Three
Type of study	Case study: broad comparison within region but across industry	Case study: deeper comparison within firm across regions	Case study: deep comparison within firm and region across time periods
Number of firms reviewed	7 different firms	1 global firm, 4 subsidiaries	1 Regional firm, 3 lines of business
Number of Informants	5	14	8
Summary Outputs	- Multiple capabilities are required. - Idiosyncratic services particularly require multiple capabilities that are different to the capabilities held at global firm level.	- Eight capabilities are identified as important. When misaligned with context and service offering, firms experience decline	- Two types emerge from evidence for each capability. Companies must reconfigure their capabilities base in accordance with context and service offering

3.2 Key Findings from my Research

The primary finding of this research is a list of capabilities, each with two types. These capabilities and their types are explained in more detail below. In summary, Type A capabilities are better suited to the sample of firms I researched that provide less idiosyncratic services, whereas Type B capabilities appear to be better suited to the firms I researched that provide more idiosyncratic services.

Table Two: Model of Capabilities in Internationalising PSFs

	Type A	Type B
Client model		
Sensing the environment	Low levels of activity to gain credibility through local understanding as opposed to reporting on global point of view	High levels of activity, evidenced by publications to establish credibility
Responding to client needs	Maintenance of pre-existing client engagement types, no/low partnership with client in shaping engagements	Creation of new client engagement types, some/high partnership with client in shaping engagements
Operating model		
Creating new pricing structures	Use of existing pricing structures, potential focus on discounting	New ways of creating value through bundling/unbundling services and varying pricing by engagement
Managing capacity flexibly	Adhering to existing or traditional resourcing and business management approaches	Unpicking processes and considering different resourcing requirements
People model		
Creating breadth and depth of capability	Creating depth of capability; building subject matter experts to serve true "niche" requests	Creating breadth of capability; building broad experts whose credibility lies in understanding industry or issue areas.
Creating positive climate	Low levels of investment in training and development, disorganised or unclear career development opportunities, leading to low employee morale as evidenced by low scores in employee engagement surveys and high levels of attrition	High levels of investment in training and development, organised, clear career development pathways, leading to high employee morale,
Strategy-setting model		
Readiness to change	Change led in response to exogenous factors	Clear sense of how or when to change, demonstrating high appetite for change,
Aligning to global strategy	Globally standardised, rigid strategic decision-making	Locally responsive, highly adaptive strategic decision-making

Table Two shows that there are two distinct manifestations of the same capability from my research. For example, a Readiness to Change capability can either be manifested as change activities led by exogenous factors (Type A) or change activities that result from a higher appetite or intent to change, motivated by both internal and external factors (Type B). Another example – the Managing Capacity Flexibly capability – shows that while multiple Informants report this capability, in some firms this is manifested as the use of traditional recruitment and resourcing approaches in a distinctive or particularly competent way (Type A), while in others this involved the unpicking of traditional resourcing processes to create entirely new ways of staffing a business (Type B). In general, Type A capabilities are consistent with a centrally controlled Western globally headquartered firm, with legacy systems and approaches to all aspects of managing the business. In contrast, Type B capabilities are generally locally flexible and local context-specific.

In this model, it is not sufficient to simply "have" the capability, because it can take on forms that are different in important ways. Moreover, these capabilities appear to operate in groups, and appear to mutate in successful organisations from their starting point to what I have called Type B capabilities. Project Three focuses on this mutation or development, which is largely from Type A to Type B. As referenced in Project Two, many of these capabilities have foundations in prior literature, but they have not been integrated into dynamic groups for this context. In Project Three, I identified the following across these different capabilities:

1. Client capabilities

Prevalent in all businesses, but more likely to change to Type B in idiosyncratic businesses more quickly.

2. Global Strategy-setting capabilities

Idiosyncratic businesses are more ready to change and less aligned with global strategy and target setting.

3. Operating capabilities

Most present in idiosyncratic businesses, but most developed in more maturing idiosyncratic businesses.

4. People capabilities

Most prevalent of all groups across all businesses. Development in these capabilities is split; idiosyncratic businesses tend to build Type B capabilities – towards breadth – whereas businesses with some or all standardised businesses focus more on depth (Type A). Idiosyncratic businesses display a greater focus on creating a positive climate.

Both Projects Two and Three Informants asserted that capabilities tended to have a “shelf-life” of approximately five to eight years before they become less valuable.

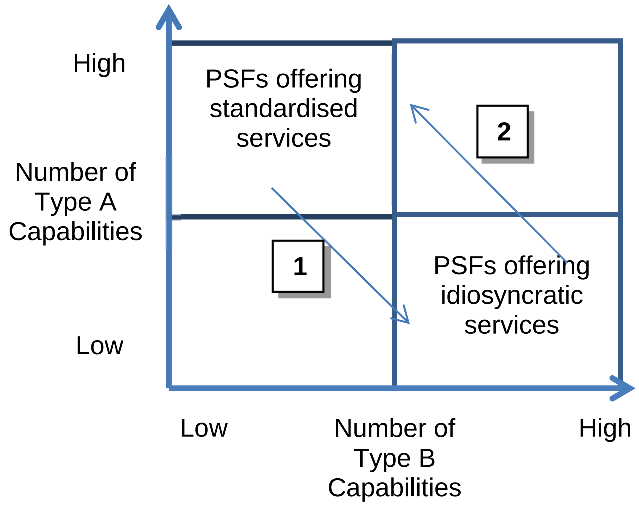
Other key findings of the three research projects are summarised below:

1. PSFs internationalising into fast-growing economies can use a common set of capabilities, grouped together, which may support superior performance

2. The capabilities tend to change over three time periods into Type B versions of the capabilities to enhance performance when in PSFs offering moderate or fully idiosyncratic services, and whose growth has slowed.
3. Where capabilities remain in Type A, they may convey temporary advantage to PSFs offering more standardised services as they internationalise in fast-growing economies.
4. Evidence for these capabilities being valuable in isolation can be found in prior research, but they have not been integrated before.
5. Capability groupings have a shelf-life of approximately five to eight years in the context of PSFs internationalising, beyond which they need to be refreshed or destroyed

As indicated above, Project Three focuses on capabilities over three time periods across three firms that offer varying levels of idiosyncratic services. The findings from Project Three show that Type A capabilities seem to be more appropriate for the researched firms that offer standardised services, whilst Type B capabilities seem to be more appropriate for the researched firms that offer more idiosyncratic services. When a firm offering idiosyncratic services internationalises, it has a range of inherited capabilities and must make decisions as to whether to create new capabilities or whether to be consistent with the global firm capabilities. This research has not focused on whether at inception PSFs have either Type A or Type B capabilities. Figure Three below and the subsequent explanation illustrate the firm-level choices that were found in my research.

Figure Three: Overview of Firm Features Linked to Capability Development



A PSF may enter a fast-growing economy with a set of Type A capabilities that were very well suited to a different market. If that PSF wishes to offer idiosyncratic services, it may need to make a range of decisions relating to the eight capabilities to develop Type B capabilities that may convey temporary competitive advantage (see the arrow labelled 1 in the above figure). If a PSF is successfully offering idiosyncratic services in a fast-growing economy, it may possess more Type B capabilities. Some of these might develop into Type A capabilities as the PSF matures and standardises (see the arrow labelled 2 in the above figure).

Over the nine businesses that I observed, the successful PSFs providing some or wholly idiosyncratic businesses demonstrated that overall they had more Type B capabilities, developed in many instances from a capability set at the global firm level that more closely represented Type A capabilities. In contrast, new businesses that were offering idiosyncratic services demonstrated a high number of Type B capabilities, but did not demonstrate much development of them over time. The standardised businesses showed both fewer Type B capabilities, and a lower propensity to change them over time.

In terms of development, capabilities develop in specific ways as PSFs mature, generally towards Type B capabilities.

As is stated above, many of the capabilities here have a basis in existing theory, by name, rather than by how they have been deployed. In Project Two I summarise how each capability can be traced back into the literature. As also referenced in the Literature Review, the concept of groups of capabilities can be found in the literature, including for example Teece's (1986) review of technical capabilities, Rindova and Kotha's (2001) study of how two organisations synchronised change in organisational form and organisational function in an attempt to gain competitive advantage or Laamanen and Wallin's (2009) study of operational capabilities. That they change or develop has also been supported by prior research, including as described above Helfat and Peteraf's (2003) work on evolution of capabilities or Teece's (2007) work on patterns of evolution of dynamic capabilities.

Given the challenges around evidencing dynamic capabilities, my research was conducted without the intention of looking *a priori* for dynamic capabilities. However, it certainly appears that the capabilities identified operate on other capabilities, rather than being directly rent-generating; they act to change the resource base of the PSF over time. As stated by Arend and Bromiley (2009) and Helfat and Peteraf (2009), there are few researchers who can identify the difference between dynamic and non-dynamic capabilities outside of the theoretical domain.

With this in mind, I suggest that the capabilities I have identified may constitute higher order capabilities, but would not be appropriately termed dynamic capabilities without further research to address this difference in particular.

3.3 Areas of Contribution

My research offers contributions to theory and practice. The Literature Review suggests that some of the prevailing internationalisation theories do not conclusively address PSFs internationalising into fast-growing economies. This research proposes to address these deficiencies by taking an RBV perspective, which allows us to build on the strengths of these prevailing internationalisation theories - namely their perspectives on either endogenous or exogenous factors – by using capabilities to understand both internal and external factors. This research extends current RBV theory by identifying capabilities that are relevant to PSFs internationalising in fast-growing economies, which I have shown is a context that requires some theoretical attention. By detailing these capabilities into types and showing how they can develop in certain instances, the research contributes a deeper understanding of both specific capabilities relevant to this context and capability development over time, both of which scholars of the RBV approach may find useful. The research also contributes to theory by building on the new research by Brock, (2012) Hitt et al, (2006) and Tallman and Fladmoe-Lindquist (2002) to name but a few, reviewed in the Literature Review, which helps to understand how and why PSFs internationalise in fast-growing economies. Additionally, while the research was not overtly designed to explore dynamic capabilities, one could also argue that the evidence presents some limited examples of potentially dynamic capabilities in action. I connect the above contributions to the existing literature below.

In the first project, I saw that within this sample, PSFs offering idiosyncratic services worked best when they were able to work outside of the traditional structures, business models and capabilities provided by the global centre, apart from some important constants including culture. This finding is relevant in supporting and extending the evidence for the ‘transnational model’ of the firm, described by Bartlett and Ghoshal (1989; 1995; 2002), and showing how some PSFs have successfully adopted alternatives to the progressive internationalisation approaches reviewed by Sorensen (1997) and Larrinaga (2010), amongst others. I also contributed to a growing body of research on the Indian market (Dittmer, 2001; Kinnval, 2002).

In the second project, I researched several firms from a “Born Global” parent firm and noted that where they attempted to follow a standardised, incremental approach to internationalisation combined with the provision of idiosyncratic services, they did not achieve their performance expectations. Where the sample firms did improve their performance, they also adapted some of their capabilities to region and service offering. Project Two contributes to the growing body of “Born Global” theory (Schrader, Oviatt, and McDougall, 2000; Knight and Cavusgil; 1996; Mort and Weerwardena, 2006) reporting some possible differences in perception about appropriate internationalisation approaches, and how they impacted performance. It also shows the importance of manager orientation (Cort et al, 2006; Nadkarni et al, 2011; Vermeulen and Barkema, 2001) in performance in the context of PSFs which internationalise, in perceiving a similar context and responding very differently to it.

In the third project, while the sample firm was not a “born global” firm, the findings were that for a PSF offering largely idiosyncratic services, this context may be best served by adopting a more radically different approach to the globally consistent approach also run counter to this traditional theory. Project Three contributes to theory by focusing on capability development of particular capabilities, thereby building on emerging research on capability development (Laamanen and Wallin, 2009; Dierickx and Cool, 1989; Helfat and Peteraf, 2003; March, 1991; Zollo and Winter, 2002). Across all three projects, the research suggests that in dynamic markets, PSFs offering idiosyncratic services that have more flexible capabilities perform better, which supports Ambrosini et al’s (2009) conceptualisation of dynamic capabilities performing more regeneration in dynamic markets. Finally, each of the nine firms reviewed demonstrate that the more traditional internationalisation model advocated by Johanson and Vahlne (1977) is not entirely appropriate for PSFs internationalising today in fast-growing economies.

My research contributes to practice by offering nine detailed examples of how firms have internationalised, to varying degrees of success. It highlights to practitioners the breadth of decisions (including creating a positive climate, thinking differently about how to organise and manage organisational capacity, being ready to change, creating new pricing structures and so forth) that are important to consider – not simply choice of market or service offering - and may also provide some examples of what not to do. For example, the concept of aligned development of all eight capabilities seems to be important in the context of PSFs internationalising in fast-growing economies. Managers might want to consider where else they have to make changes if they decide to amend one of their capabilities as they internationalise. Managing the Type B capabilities may have important implications for the skills required by leaders.

3.4 Limitations and Suggestions for Future Research

This research has some important limitations to acknowledge, many of which could be addressed through further research.

3.4.1. Limitations from understanding capabilities using qualitative methods

Theory was developed inductively through qualitative research, where the researcher actively engaged via interviews with understanding capabilities in the context of their creation and use. As described earlier, my approach to understanding capabilities has been derived from reports of capabilities by groups of Informants, with follow-up review of analysis with Informants post interview and support from additional published information. This approach was required to gather an understanding about a broad set of capabilities, particularly those which may not be directly rent-generating, or which may not be directly perceived by firm outputs. The limitations to the RBV approach, such as the observation by some Hoopes et al (2003) that some of the VRIN characteristics are more relevant than others, are somewhat mitigated here because the research does not concentrate on isolating capabilities that convey sustainable competitive advantage, but rather seeks to discern capabilities that are perceived to be relevant to temporary success and that actually require development. The approach selected here is clearly a departure from the more quantitative or objective measures, such as patent volume as a proxy for innovation capabilities (Kaasa and Vadi, 2010). A qualitative, interview-based approach suggests an inherent limitation around subjectivity, as the research may be inherently biased by both researcher and Informants (Diefenbach, 2009; Qu and Dumay, 2011, Alvesson, 2003). Taking a neo-positivist view on the applicability of data generated in this manner (Alvesson, 2003), we might be concerned that it is very difficult to fully limit biases generated by both the researcher and Informants, particularly if they describe events retrospectively (Huber and Power, 1985). While I have made significant efforts to create reliable and robust data, as detailed throughout my Methods Chapter, in each Project description and in the Limitations Section, I have gathered interviews and data to conceptualise in context, rather than with the sole purpose of eliminating the context (Alvesson, 2003; Qu and Dumay, 2011). Guidance offered by academics who take this approach to study organisations and leaders in context includes taking extensive field notes, observing for signs of activities and sense-making with the Informants (Johnson et al, 2007).

3.4.2 Limitations from sampling and data sources

As with the above, there are important limitations with the sample and data sources, because the absolute number of leaders that I spoke with and companies interviewed is small. Eisenhardt and Graebner (2007) advise researchers to find ideal examples of the context to be researched, to use "*purposive sampling*" (Rowley, 2012, p. 264) rather than random sampling, and Huber and Power (1985) also advocate the selection of the most knowledgeable Informants over a high quantity of Informants. Following this guidance, ideal examples for my research context and question could be found in the most successful companies in their respective geographies. This necessarily limited my sample size to only firms within the top ten (and in most cases the top three) by external ranking systems in each geography.

Within this small sample, I also determined that the richest information would be gained from interviewing the senior-most leaders who were responsible for decision-making for their business and who were likely to devote the greatest time to reflecting on the strengths and gaps of their organisation, as supported by the researchers who emphasise the importance of CEO orientation in company performance (Thomas, Litschert and Ramaswamy, 1991; Buckley and Lessard, 2005; Freeman and Cavusgil, 2007; Herrmann and Datta, 2006). Consequently I spoke largely with the senior-most leaders in the first instance. In Projects Two and Three I spoke with four levels of leadership, appointed by the CEO/Founding Partner to give me the richest responses to my questions. These levels of hierarchy are argued to be relevant when seeking insights into organisational decisions and performance (Burgelman, 1983). In this way the informant group was even more selectively managed by picking leaders who were best positioned within a small number of firms to have reflected on capabilities as they internationalised. This lent additional depth to the evidence, but perhaps at the expense of replicability. The replication of similar research goals across three Projects goes some way towards establishing more generalisable principles.

3.4.3 Limitations from coding and analysis

In the coding phase, NVivo was used for Projects Two and Three. This allowed me to collect and sort information by theme in Project Two, and to collate information by *a priori* constructs in

Project Three (Rowley, 2012). In both instances, coding was repeated up to three times, as evidence was re-sorted to allow themes to emerge from the data. This process can also be inherently subjective. This limitation was somewhat addressed through repeated review of the evidence against emerging themes, and again through a follow-up process with Informants. Some new capabilities were identified in Project Three, which suggests that the coding approach was sufficiently flexible to allow for new information. Equally, the model finally advanced in Project Three is a more detailed extension over time of the core concepts identified in Project Two, suggesting that a robust enough coding approach was applied. This limitation can be addressed through further research to continue to verify coding of themes. I could also have asked other researchers to review source material and subsequent coding.

3.4.4 Limitations from time of overall project

All three case studies were conducted over a relatively short period of time, and while the overall research was conducted over four years in total, I was not able to conduct longitudinal analysis. The limitations of retrospective analysis result largely in an even greater subjectivity and, in some cases, distortion of the evidence (Huber and Power, 1985), as Informants are asked to make sense of the evidence from the past. I addressed this limitation in all Projects by corroborating information with published information, and creating a decision rule that only evidence from multiple sources would be admitted. I also attempted to create conditions that would minimise the Informants' desire to distort evidence, by promising anonymity and confidentiality (Huber and Power, 1985). All Projects also feature cases of organisations which are successful in both revenue and reputational standards. This approach sets the expectations with the Informants that they can describe their activities and perceptions with more candour than if they were attempting describe their failures (Huber and Power, 1985). Regardless of these actions, a true longitudinal study would add great value in terms of objectivity to this research in the future.

3.5 Areas for Future Research

There is much still to be learnt about PSFs internationalising (Apfelthaler and Vaimer, 2012), particularly in fast-growing economies (Miles, 2005). Future research might mitigate some of the limitations outlined above and comprises opportunities to both detail this research by finding evidence from the same context, and also to clarify the uniqueness and importance of the research themes to this context by seeking out evidence from outside of this context.

Reviewing the development and performance of PSFs internationalising in fast-growing economies in a current way is important, given the relatively recent rise of the “born global” firm (Schrader, Oviatt, and McDougall, 2000; Knight and Cavusgil;1996) and the even more recent research commenting on growing complexity in the fast-growing economies (Sargut and Gunter McGrath, 2011). In part because it is so recent, there is little data about this phenomenon available (Apfelthaler and Vaimer, 2012). Within the category of extending the existing research through evidence from the same context, one priority could be a longitudinal study where Informants are regularly interviewed alongside scrutiny of performance data at both company and individual level (Abdelzaher, 2012; Brock, 2012). A longitudinal study would allow for the exploration of the development of capabilities sequentially rather than episodically, reflecting the more dynamic nature of what is being studied. In this way, we could pick up on smaller changes and developments, in the manner of Eisenhardt and Brown's (1999) research on observing small changes to business portfolios over time.

Given the importance of individual decision-making and personal experience, this research would be greatly complemented by on-going ethnographic studies to observe capabilities in action. Reviewing capabilities in PSFs at the individual partner level would extend existing work conducted by Stumpf (2009) and Maister et al (2000) amongst others to understand the capabilities embedded in successful individual partners and consultants. Another relevant approach is the comprehensive research design demonstrated by Ansari, Schouten and Verwaal (2006), which combines semi-structured interviews with researcher observations of the research subject and online questionnaires to gather data from larger populations, which would again allow for understanding to be generated at individual, firm and even industry levels. Brock (2012) invites further research in the internationalisation of PSFs context to examine multiple existing theoretical domains, including the Uppsala model. While this research in part responds to that invitation, more can be done to test the applicability of progressive internationalisation theories in fast-growing economies in the current time. Other existing theoretical domains that could usefully be explored here include contingency theories and possibly dynamic capabilities theories to seek out potential sources of evidence for this theory. This combination of multiple research approaches (Greenwood and Miller, 2010) could offer additional insight into how capability development occurs, beyond the study of episodes, in both firms and individuals.

Another priority could be to continue to refine and extend the existing capabilities, groups and development insights across more PSFs in different regions. Other fast-growing economies could provide more detailed insight into capabilities which are specific to context or service offering. Several papers detailing aspects of services firm in other fast-growing economies such as employee relations in small and medium sized companies in Ghana (Debrah and Mmieh, 2009) have already been published, but a more comprehensive view on regional differences and similarities would certainly be valuable.

Conversely, further research could also include a review of these themes more laterally across the PSF industries (Brock, 2012). In so doing, we could clarify which themes are particular to both regional context and service offering, and which are only particular to one of the above. Further research might also refine understanding of how performance impacts on the development of these capabilities (Abdelzaher, 2012). This could be achieved by selecting PSFs who are underperforming (or who have had to pull out from a fast-growing economy).

Future research might usefully extend the capabilities model proposed here to support an understanding of non-services firms internationalising in fast-growing economies. While services firms have been the exclusive focus of this study, the capabilities identified may be equally relevant in manufacturing contexts, for example.

In conclusion, in this chapter I have presented my rationale for selecting a case study approach and semi-structured interviews to respond to the gap I found in the Literature Review – namely, that theory does not fully explain the very important phenomenon of how PSFs internationalise. In the Areas of Contribution I offer a summary of the ways in which I hope others may find my contributions useful as they continue to research both the theories and their applications. I reviewed a number of limitations of my research, revolving largely around subjectivity, sample size and the use of retrospective rather than longitudinal analysis. I have also attempted an explanation of where I was able to mitigate some of these limitations, following guidance from existing research. Finally, my suggestions for future research build largely on the limitations that I proposed, with the goal of further extending our understanding of both this subject and the relevant theories.

4 Project One: A Comparative Study of the Capabilities of Survivor Management Consultancies in Entering the Indian Market

4.1 Introduction

This research explores the capabilities either created or imported by Western management consultancies which have successfully internationalised into India. I offer an overview of my findings, followed by an overview of the relevant features of the Indian management consultancy industry. In brief, the two primary features are first, that the market is a relatively new industry that is rapidly growing and has some different characteristics to Western markets and second, that several Western consultancies found internationalisation into the Indian market challenging. Together, this relatively young market but growing market that is different to Western markets, and the performance heterogeneity that can be observed in Western consultancies which internationalise in India, offer two interesting dynamics for research.

Five Informants gave interviews to share their perspectives seven consultancies. Each Informant had worked at more than one Western consultancy, and was additionally able to comment on the Western consultancy that they themselves founded in India. I used a comparative case study approach across early entrants in this market, and three key findings emerged. Firstly, market entry mode into India was described by all Informants as different to any of the traditional internationalisation processes. Rather than the staged process often favoured by manufacturing and retail firms (Johanson and Vahlne, 1977), management consultancies entering into India made a larger initial direct investment (and with it a larger risk) as noted as a potential practice by Rosenzweig and Nohria (1994), by opting to send out several highly paid Partners and Consultants to find client opportunities in India, who also gave up opportunities for paid work in other regions

Secondly, Informants reported very different characteristics to their businesses in India to those in their global headquarters. They all chose to work with different types of clients, at lower rates, on a broader and different set of engagements than they pursued in the West. This reported divergence from the core, global business model that was notable in all consultancies but extreme in one, could be of generalisable interest to management consultancies wishing to enter India, or indeed other markets with similar underlying characteristics.

Thirdly, four capabilities emerged that were strikingly different in one company than the others. Even though all seven ultimately survived, the company with the most differences – Company Three – outperformed the others by revenue. The five Informants identified a similar list of the differences between the Indian market and Western markets, and therefore the capabilities that they both imported and built. However Company Three’s capabilities were inconsistent with the rest of the sample in terms of intent and impact on the firm, suggesting a unique set of capabilities or a unique approach to deploying capabilities was built. The major difference between Company Three and the other Companies was the ability in Company Three to alter the overall business model in response to local standards. This had a number of consequences on other capabilities and ways in which the company allocated resources and time that may be significant. The research suggests that existing literature may have captured some but not all of the necessary capabilities important to PSFs as they internationalise.

This research also lays the foundations for Project Two, which explores and extends these capabilities, and for Project Three, which identifies changing capability types over three time periods. The contribution to theory of this research is twofold; first to build on existing research which suggests that professional services firms may internationalise in different ways to those described by traditional theories (Capar and Kotabe, 2003; Marchant and Gaur, 2008) and second to add to RBV theory applied to internationalisation by positing groups, rather than individual capabilities that are relevant to PSFs as they internationalise.

Many management consultancies have historically followed their major Western multinational corporations (MNCs) clients who internationalised into new markets to find new sources of consumers and manufacturing (McKenna, 2006). In the 1980's, some of the biggest management consultancies also internationalised to find new markets for their existing intellectual property, sometimes without the support of a major international client (McKenna, 2006). Informants in this research emphasise the many differences between the Western markets and India. My research shows at least one instance of a global top ten management consultancy that had to exit the market (Mahanta, 2009). However, many of the world's biggest and most highly regarded management consultancies continue to operate in India, therefore reinforcing its interest as a market in spite of the many reported difficulties.

Whilst the management consultancy industry is estimated to be approximately 150 years old (Gross and Poor, 2008), my research suggests this industry has a much younger life in India. The President of the Institute of Management Consultants (IMC) of India (Agarwal, 2009) claims that the original management consultancy engagement was conducted by the Indian Institute of Management in Ahmedabad for State Bank of India in the 1970's. This engagement legitimised the growth of consultancies one year later when they began to grow. In 2007, this report claims that the management consultancy industry in India created $850m in revenue, with a relatively small base of only 1500 consultancy firms. Of these, several are global consulting firms and some are large Indian firms. The vast majority are smaller companies, with only a small proportion of these employing more than 100 consultants. The size and status of the consultancies listed in the Appendix - all globally recognised firms with substantial revenues - suggests that India remains an interesting marketplace for some of the largest Western consultancies.

The management consultancy industry is known to be secretive, and secondary data is therefore both hard to find and difficult to corroborate (Gross and Poor, 2008). McKinsey has been in India the longest, having established offices in 1993. The majority of US and Western management consultancies have entered India since 2003, creating a good opportunity to explore how those that have survived until 2010 have organised themselves.

The Literature Review research also shows that the way in which they chose to operate in India and the capabilities required are under-researched. This study therefore aims to generate a preliminary list of capabilities noted across my interviews that can then be extended and tested empirically. Please refer to the Literature Review chapter for a more detailed description of the relevant gap in theory that this research attempts to address.

4.2 Methods

Please refer to the Methods Chapter in Section Three for a more detailed description of the overarching research approaches and philosophy adopted. This preliminary research was designed to generate a broad list of potential capabilities that could be extended and detailed with further research. To do that, I reviewed seven different Indian management consultancies (all of whom appear in the Appendix) via five interviews. Overleaf I outline the sample and informant selection criteria, the rationale for each criterion and the attributes of the selected Informants that fulfil these. I worked within the Indian market because I have some familiarity with this market through my own work, and because the language barrier was lower than in some other fast-growing economies, in that all Informants spoke fluent English. Selected management consultancies have all been operational in India for at least five years, which I used as an indicator that they were successful, in that it would be unlikely for them to continue being funded if they were not perceived to have any value after five years. Selected consultancies were amongst the earliest entrants to India, and as such, provided the basis for retrospective inquiry despite the relatively small number of companies reviewed.

There are fewer interviews than may ordinarily be expected for this type of research. This is firstly because only a small sample actually survived early entry into India, from whom I sought out the senior-most leaders and secondly because I only interviewed those who could comment on the development of a consultancy since its inception in India . Across the range of selected consultancies, I only spoke with the senior-most leaders responsible for the deliberate creation of their consultancy's capabilities. The titles for this role vary from consultancy to consultancy –

CEO, Founding Partner or Managing Partner – and have been used interchangeably to denote the senior-most leader in country. Together, this group of seven represents the earliest entrants to India who remained in business for five years or longer. Necessarily this group is smaller still than the relatively small number of entrants in India today. From this group, I spoke only with those who were employed by a consultancy during inception in India (and often before, in other countries).

Additionally, this research is intended to uncover whether there are any consistent capabilities that are especially important to consultancies operating in India, therefore rather than generating depth in one company, I sought to uncover common and distinct capabilities across several companies. In total, I spoke with five Informants who collectively have experience in seven of the ten largest consultancies currently operating in India. I secured interviews with the founder and two initial partners of Company Three, as well as a current Partner at Company Three who was an initial recruit when the Indian practice was started. I also interviewed a Founding Partner of Company Two. Table Four illustrates the five Informants, their current and previous positions and which organisations they were able to comment on as insiders.

Table Three: Overview of Sample and Informant Selection for Project One

Criteria	Rationale for Selected Criteria	Appropriate Attributes
The Indian PSF market	- The Indian consultancy market is fast-growing and English-speaking, allowing me easier research access - The market is young (30 years old), presenting a dynamic industry within a fast-growing economy – this allows for optimal observation of changing capabilities as firms are established within a growing industry - I have contributed to setting up a business in India (not researched here), so have prior experience of this marketplace from which I can draw to gather evidence and conduct research effectively	- All Informants speak English fluently, having lived and worked abroad - English is the business language of all companies researched - All researched companies are Western headquartered Indian consultancies
Early entrant in India that remains successful	- Gathering cases of successful companies allows me to find capabilities that exemplify good practice in this area - Comparison across multiple successful companies allows me to identify both common and unique capabilities to PSFs internationalising	- All seven consultancies researched are in top 10 by revenue in India - Several leading global consultancies exited Indian market. The researched companies did not, but were challenged by the same difficulties in growth and establishing their company - One company demonstrated very different capabilities to the others
Established presence for more than five years in India	- It is assumed that most consultancy subsidiaries would need to be at least partially self-sustaining after five years - To avoid studying organisations that do not necessarily demonstrate sustained performance	- The latest entrant into India from the sample list is 2006 - All companies are self-sustaining
Is focused on building idiosyncratic services as a major component of the business	- This magnifies the context to be researched, rather than balancing idiosyncratic with more standardised services	- All companies focus exclusively on the provision of idiosyncratic services
Is able to reflect on internationalisation process	- This suggests that the organisation will be interested in reflecting on the capabilities to be internationalised - This suggests that Informants can provide a retrospective view of relevant capabilities	- I only interviewed senior leaders - Informants were responsible for making capability decisions, therefore provided clear evidence across whole-business decisions - Many of my Informants had worked in several consultancies, so had greater objectivity to compare across firms

Table Four: Project One Overview of Informants

Informant	Current Position	Previous Position	Worked At	International Experience
Informant One	Partner at Company One	Partner at Company Three	Company One, Company Three, Company Six	Worked in three countries before Indian start-up
Informant Two	Partner Company Two	Partner at Company Three	Company Two, Company Three, Company Seven	Worked in two countries before Indian start-up
Informant Three	Managing Director of Private Equity Fund	Chairman and Founder of Indian practice at Company Three	Company Three	Worked in multiple countries before Indian start-up
Informant Four	Advisor to US consultancy	Partner at Company Three	Company Three	Worked in two countries before Indian start-up
Informant Five	Partner at Company Three	Junior Recruit at Company Three	Company Three	Started in Indian start-up, worked in multiple countries subsequently

Table Five: Project One Summary of Research Processes and Rationale

Research Step	Selected Method for Project One	Rationale
Research design type	Case Study – comparison of seven companies to Company Three	Similarity of context of consultancies "surviving" early entry into the Indian market provides opportunities to both compare and contrast capabilities identified.
Organisation Selection	(As per Table Three) Top firms in marketplace	Top firms offer optimal insights into how successful PSFs perform in India.
Informants Selection	Five CEOs, Founding Partners and Partners involved in inception of seven consultancies	I sought out the top leaders of each business as well as those reported to reflect the most on the businesses capabilities since inception.
Interviews	Five face to face and telephone interviews of between 45 and 90 minutes long, recorded and transcribed verbatim	I conducted all interviews personally, with three face to face and two by telephone. For the face to face interviews, I was invited to the offices and was offered an office tour. For the telephone interviews, I interviewed leaders at their work, to gain as much consistency as possible, given the different interview media. All interviews were recorded and transcribed.
Question design	Semi-structured interview protocol	Please see appendix for protocol example. Semi-structured protocol allowed me to ensure that generated some consistent narratives across companies and Informants whilst allowing for new capabilities and differences to emerge.
Coding approach	Manual coding, using printed transcripts of the interviews and separate documents to store emergent themes	I printed out and separated each transcript into themes, which I then compared across companies. Where two Informants identified the same theme, I categorised it separately and then searched other narratives for the same theme. This process was repeated several times. I also reviewed the themes in reverse order, allowing me to see themes outside of a chronological narrative.
Additional data	Archival references	As evident from the Findings and Introduction, I also conducted both academic and trade-related searches to unearth documents including academic articles, annual reports, strategy documents and press releases. Some were provided by review of the strategies of reported clients of the Informants. All were sourced independently.

Three interviews were conducted in person, and two were conducted via telephone. Interviews lasted between 45 and 90 minutes and were transcribed verbatim. Because of the extreme secrecy of the management consultancy industry in general (Canback, 1998), and these firms in particular, I have disguised the names of Informants and the companies in which they have worked to gain access and generate fuller responses.

Interviews were conducted by one researcher, asking questions in three main areas; describe how your organisation entered India, what was required in the initial phase, and what is currently required to compete. My review of documents related to the marketplace and each company allowed me to ask informed questions and follow up questions, checking suggestions surfaced in press releases for example. For each area, Informants were asked what was different about these activities or requirements by global company, by Indian subsidiary and in the Indian market in general. Particular attention was paid to identifying what each organisation had done that the informant had only encountered when starting up a practice in India. I asked Informants about activities and more broadly what was "required" to be successful instead of only asking about capabilities in order to get a broad sense of activities, that when they are described across multiple Informants, may bring to light capabilities. I also did not want to limit responses to only those capabilities that Informants could readily identify as capabilities. A list of specific questions can be found in the appendix.

Interviews were transcribed verbatim into five separate documents, and then separated into documents covering only one company per document through coding into company care. Following this, I used key word coding over multiple reviews of the company documents to identify eight themes or constructs comparable across the companies. I then reordered the evidence into one narrative where evidence pertaining to each construct or theme was collected in one area. As advised by Eisenhardt and Graebner (2007), multi-case research requires the coding of multiple cases into one narrative, ideally separated out by constructs. These constructs should be separately addressed, including evidence and a summary table to aid clarity. I have followed this guidance in the analysis and presentation of my results.

Eight themes emerged from the interviews and document review through multiple coding efforts. A search of Procite for relevant scholarly journals specifically about the Indian context – in addition to the research reviewed in the main Literature Review section - yielded fewer than 100 scholarly articles, reinforcing my Informants' advice that there is an important lack of scholarly data about this market context (Singh, 1988). However, some trade publications and books supported my understanding of the Indian context, including Dittmer (2001), Agarwal (2009), Jacob (2010) , Prahalad (2005) and Singh, (1992), to name a few. These were coded into context nodes to support the creation of the interview protocols, as opposed to specific capability nodes. A review of these documents is reflected in the initial paragraphs of the Findings section. This review also suggested some *a priori* concepts that were built into the semi-structured interview protocol, shared in the Appendix. For example, my literature review for this project found that many of the books and articles referenced above detail the differences between the Indian and Western markets. This led me to build in questions regarding the differences between India and the West into the interviews.

I personally transcribed each interview to support deep familiarity with the evidence. Within each interview, I first separated each sentence and considered whether it provided evidence of a potential capability. For example, sentences such as "*The quality of relationships with senior clients is much stronger here than in the UK* " [Informant Two] was separated into a category with key words of "quality of client relationships", "senior client relationships" and "stronger client relationships than in the UK". Sentences that did not refer to the context or demonstrate any capability (for example, some Informants enquired about the researcher's trip to India) were discarded. This process was repeated for each interview, generating a list of key words with sentences associated with each one. Once I completed this keyword process for each interview, I read through the key words without the sentences to review the broad themes emerging from the first coding process. I then conducted the same key word coding process again, with the interviews in a different order. This resulted in some differences in some of the key words, which led me to repeat the coding process again until I had achieved consistency.

After the key word coding process yielded consistent results across multiple efforts, I employed two decision rules to filter the evidence into broad themes. I first discarded key words that were only reported by one informant, which generated a short list of key words and associated evidence. I put these key words and their evidence into a table, with the key words and evidence in rows and the companies as columns. This allowed me to compare evidence easily across companies. From this comparison, I noted that some key words contained common characteristics. For example, key words "seniority of client relationships", "quality of client relationships", "willingness to offer free advice" and "work with governments and public sector" were all associated with the nature of client engagements. I therefore grouped key words into broader themes:

1. Entry mode
2. Engagements with clients
3. Partner role
4. Pricing
5. Recruitment and developing people
6. Working with other offices
7. Global systems and information
8. Culture

These themes were common to all interviews. I then included the themes in the tables and examined evidence within theme and by key word across companies.

At this stage, the comparative tables showed that evidence at the key word level was consistently different for Company Three than for the other Companies. Within each theme, I identified similarities and differences between Company Three and other Companies and created a set of tables that compared Company Three to the other Companies - in columns - by theme and sub-theme – in rows. In the Comparative Analysis section, I integrate the distinctive features from each theme into one table, where I analyse the list of similarities and differences, and produce a potential list of capabilities.

I have chosen to clarify the transcribed quotes where necessary, to make the transcription of conversational speech more comprehensible and to remove grammatical errors. All alterations of the original text are clearly indicated using brackets so that other reviewers can see potential divergence from the exact words used by the informant.

This method is intended to generate a list of capabilities, identified across multiple companies and activities, which are important to the sample of management consultancies in the Indian market.

4.3 Limitations

This piece of research is most limited by sample and time. The sample size is small, and while this is in part a consequence of a narrow focus on early and survivor entrants only into a new market, the evidence gathered was limited to a relatively small number of Informants. By design, the research attempts to understand capabilities through perceptions of activities and reported decisions, which makes the evidence heavily reliant upon evidence generated by Informants. This limitation is addressed by the degree of consistency achieved overall in the analysis, but a larger sample size could have generated greater consistency and therefore greater generalisability.

Time was also a limiting factor in terms of how long I was allocated for each interview, and the fact that I took a static picture of perceived capabilities as opposed to a longitudinal picture. My research could have benefited from more and longer interviews, and perhaps multiple interviews of one informant between various strategic episodes that allowed them to reflect formally on the progression of their company (Hendry and Seidl, 2003). The challenge of retrospection is recorded by Huber and Power (1985). I attempted to address these limitations following their advice by interviewing confidentially to remove reasons for the Informants to knowingly give inaccurate information, by interviewing senior leaders who had worked in leading positions with several companies, thereby attempting to limit their *“perceptual or cognitive limitations”* (Huber and Power, 1985, p.172,) and choosing people who were likely to have the greatest access to important information, and finally by using semi-structured interviews to create a consistent data gathering process that still allowed some flexibility.

4.4 Results

4.4.1 Background of Informants

Informant One, currently partner at Company One, has had experience with five consultancies over their career. Starting with eight years at Company Three, they then went to Company Six, helping them to set up their Indian branch, then with a boutique advisory firm, then with another start up that has subsequently become a $100m global business and then finally with Company One.

Informant Two worked at Company Three for one year in South Africa. He then moved to London to join a small consulting firm. Following a merger, he became a consultant with Company Two, where he worked for 10 years. In 2003 Informant Two joined Company Seven consulting in London. In 2004 he was asked by both Company Seven and Company Two to set up an office in India and chose to become a partner at Company Two for 1.5 years, and then to move to India in 2006 to set up the firm.

Informant Three is a highly respected Indian business man and entrepreneur. He was responsible for leading the Company Three expansion into India in the 1980's. He is currently chairman of an investment bank in India.

Informant Four began his career as an academic in engineering before transferring to Company Three in North America. Shortly after Company Three's entry into India, he began a series of one off projects in India before moving permanently to India in 1997. After a year, Informant Four set up a successful business school in India and then moved back to Company Three. In 2007, Informant Four established his own media business. He currently also advises a consulting firm wishing to internationalise into India.

Informant Five has been with Company Three for fifteen years, having joined the practice in India as one of the first employees. After some years in India, Informant Five went to South East Asia and then to North America, before finally leaving for London. In 2000, Informant Five returned to India to found and head a practice in outsourcing and off shoring.

4.4.2 Findings by Theme

Referencing the list of key themes listed above, I have separated responses into eight themes, beginning with entry mode then choice of engagements and the types of partners who were able to make their respective consultancies work, through to how the consultancies then recruited, developed people, and worked with other offices. Finally the Informants describe activities around culture and managing global systems and information. The findings below examine each theme in turn, providing evidence for its relevance and exploring differences between Company Three and the other Companies. I summarise the evidence and differences in the below table.

The Culture Theme emerges as a critical theme to all Informants, but there is no difference between Company Three and the other Companies. I have included it in the summary table below because it is conceptually linked to the concept of positive working climate that I identify in Projects Two and Three. Here I provide only a minimal review of this theme in the details to follow.

I enclose below a summary of all of my findings across all themes, with Company Three compared to the other companies in my sample. Following this table, I review each theme in turn, providing illustrative quotes to support the findings.

Table Six: Project One Summary of Findings

Themes and Sub-themes	Company Three	Other Companies
Entry Mode		
Entry Mode	People-centric model	People-Centric, Process Centric, License
Initial people investment	Very high	Lower
Time to breakeven	Very long (five years)	Shorter (two years)
Level of Standardisation	Very low	Medium to very high
Choice of clients for initial engagements	Deliberate choice of small number of deep relationships	No statement of deliberate choice
Type of clients for initial engagements	"reference" local clients	Western clients
Recruitment activities	Early local recruitment approach	Later local recruitment approach
Engagements with Clients		
Nature of Projects	"varied services"	Range from "varied services" to "big corporate work with standard tools"
Breadth versus depth of expertise	Very broad, very deep	Moderately broad, moderately deep
Seniority of client relationships	Very senior (CEO)	Senior (sponsoring business line)
Quality of relationships	Trusted advisor Higher than in the West	Trusted advisor Similar to the West
Availability of primary data	Unavailable or inconsistent	Unavailable or inconsistent
Openness to very small or different types of engagements	High at first, then moderate	Not high
Willingness to offer free advice	Moderately high	Not high
Work with governments and public sector	New and substantial (including pro bono)	No
Quality of work	Higher than in West	Higher than in West
Impact of work	Higher than in West	Higher than in West

Partner Role		
Early Partner Role	Entrepreneurial, innovate new business models, takes part in all aspects of setting up an office, autonomous	Entrepreneurial within global processes, leading existing processes/setting up new processes, autonomous/independent, managing consensus
Subsequent Partner Role	Managing standardisation of processes and consensus across offices, high levels of attrition	Lower levels of attrition
Pricing		
Spread between India and the Western offices	• 70%, then 50% of Western costs • Highest price point in Western markets	• 75% of Western costs • 1/5 – 1/6 of highest price in Western markets
Price point	Highest price point in market	1/3 – ½ of Company Three prices
Recruiting Salaries	Highest in market	Moderate
Recruitment & Developing People		
Early local recruitment	Yes	Yes
Recruiting salaries	Highest in market	Moderate
Need to develop	Highest in market	Moderate
Local versus global training	Local for longer then global	Global first, expect to localise later
Formal versus informal training	Informal first + apprentice model	Formal first + apprentice model
International mobility	Critical	Non-critical
Working with Other Offices		
Time horizon	Longer term view	Shorter term view
Experimentation with new business models	Place to try new business models for other offices	Extension of global business models
International mobility	Highest in market	Moderate
Global Information and Management Systems		
Globally standard processes	Most perceive them to be internally but not globally standard	Absolute consistency
Culture		
Strength of culture	Very high	Very high
Consistency of culture	Very high	Very high

4.4.3 Choice of Market Entry Mode

Informant One describes the business model selected by each consultancy as an important differentiator in surviving entry into India. Informant Two confirms the importance of the choice of market entry mode on eventual success. He recounts the experiences of the first four consultancies entering India, highlighting that Company Three deployed an initially high investment of 3-4 partners simultaneously entering the market intending to offer customised services. Another top five consultancy in contrast started with a more junior contributor – a Principal – intending to offer customised services and took longer as a result.

"It took time to get traction. Now they're doing well." Informant Two

The other two top five consultancies also experienced difficulties; one investigating the market in the 1990's and then deciding not to enter until 2007, and another joining in the 1990's but pulling out of the market shortly afterwards.

Informant Two advocates an initially high investment in sending partners to do business locally. This, he believes, offers the chance for partners to build a book of business and support one another

"If I had to do it again, I would send two to three partners as a team. You need a combination of skill and bandwidth." Informant Two

This initial investment requires a long term perspective. Indeed, Informant Two reports that the surviving management consultancies made losses for a long time.

"So you have to take a long term view and really be convinced of the long term potential. Company Three probably took eight to ten years to make a profit. In 1996 they had been [in India] five years and they were losing lots of money. For us, we're in our fifth year and we're breaking even. But Company Two is a publically listed company so you have less license [to make sustained losses] than if you're running a private partnership." Informant Two

Informant One describes three entry modes. The first approach, the license model, is reported to have been adopted by many accounting firms (and Company Six), whereby the global company acquires a local firm to buy brand and access to knowledge and data. The license model has advantages in allowing local business management and the flexibility to make create value autonomously.

The scope for local innovation to generate different products or services to the global organisation is also reported to be higher. However, Informant One recognised the lack of cross fertilisation of ideas and the access to knowledge and people globally to be disadvantages.

The second entry mode, the people-centric model, is reported to be most widely used by consultancies. Here a core team including a small number (2-4) of partners and several managers

(4-7) is deployed to set up *"almost like an alumnus"* in new markets. This is the direct entry mode.

"The model leverages global experiences across the world and helps you to tap into the expert networks you already have…it's driven by a one firm concept." Informant One

The people-centric model is fuelled by a consistent culture across global offices. Informant One believes that both Company Three and Company One use the people-centric model, with variations.

Informant Three selected a people-centric model for the Company Three India operation, relying on global partners to enter initially and serve local customers.

"Clients expect an international level of service – they don't want a franchise or a local partner. So for the level of service, what they want [are] people from other, international offices…Clients wanted to see a local face with international experience." Informant Three

In populating the people-centric model, Informant Three chose only Indians from other offices – two partners and three associates. These employees represented an understanding of the local market and had to have *"inside connections to open the market."*

In evaluating the above choice of entry mode, one could argue that this version of the people-centric model is attractive because it offers a blend of local and global insights. In choosing

Indians from global offices, Informant Three was able to offer the sense that his partners understood the local context and were able to develop a blend between the global knowledge and experiences and the local insights and expertise required.

Consistent with the other analyses of Company Three, Informant Five reports a people-centric model, starting with importing native talent currently working in other geographies within Company Three and then locally recruiting soon after.

In contrast, Company One deploys a more globally consistent service in that industry and domain markets are run as independent profit and loss accounts, incentivising cross border sharing via the prospect of a share in another partner's P&L.

"This is really the dominant model for traditional pure strategy consultancies." Informant One

Informant Two identified the people-centric model as his preferred market entry mode, requiring knowledge sharing and peer sharing at the partner level.

"In fact both Company Seven and Company Two asked me to set up an office in India but I didn't really believe in the model that Company Seven was using. They use a [license] model, where you run as a local company, you have your own [profit and loss responsibilities], your own partners with a very thin layer of ownership and brand, but absolutely no knowledge management structure cutting across countries and no partner sharing at all. So I preferred

Company Two's model. I came as a partner for about one and a half years and moved here [to India] in 2006 to set up the firm." Informant Two

Informant One describes a third entry mode - the process-centric model. This model is selected by consultancies that have a globally consistent product value proposition or process to sell.

"Whereas Company Three expands through knowledge, Company Six expands through process...We pay consistently…everything has to be standardised like the customer management system, the IP system, the invoicing system." Informant One

For Company Six, this entry mode has been very successful, where the company now has offices in Boston, San Francisco, Hong Kong, Singapore, Zurich and Dusseldorf and a $80-100m turnover.

"Company Six works where you're not people dependent, wherever it comes in it lands on soft consulting. Pure strategy consulting is a relationship based sell." Informant One

Informant One describes the exporting of standardised processes (the third entry mode) as infrequently used by management consultancies because of the nature of the services offered.

"In a nutshell [management consultancy is] a people- centric business. Most don't like the [people-centric model] because there needs to be a common thread running across the company

and it's difficult to have the people-centric model without having something running across." Informant One

Informant One focuses largely on the difference between people-centric and process-centric consultancies, and the impact that this market entry mode has on the way in which business is done in India. Contrasting these two entry modes, Informant One notes that from the beginning, the performance expectations of each entry mode are different. With Company One and other process-centric models, the consultancy has a maximum of two years in which to generate a satisfactory return. With Company Three and other people-centric models, the time given to experiment and succeed is reported to be longer; up to five years.

"With Company Three...partners are incentivised to move to new models. You probably get five years of patience. With Company One, the corporate model is much more quantitative and driven by profit and loss. They will support you a little, but you're expected to have an impact much earlier." Informant One

Currently Company Three is the most successful in terms of revenue in India, earning approximately 3 times the average revenue per consultant to its peers and making a relatively substantial profit.

"The halo we created was completely different to what anyone else was doing…We were completely different to the other top tier consultancies. We realised we needed to be a Class A insider." Informant Four

Informant One reports that consultancies vary in their drive towards standardisation. Company Three, a people-driven company, has little need for standardised processes across offices. However Company One, a process-driven company, views standardisation as a priority.

"With Company Three it's very local, as you've grown so locally. With Company One, they have grown 35% year on year. They might evolve towards the local level but you need processes and systems or your partners will keep moving between geographies and when they do, the branch loses focus and speed. With firms that are more cookie cutter like quasi law firms that do legal services for IPOs or something, or like Company Six it's easier. You have the processes and the tools that everyone knows. With these types of firms you have to be low cost." Informant One

Consultancies also vary in terms of which clients they chose as they were entering. Company Three claimed to be able to choose its own clients, whereas the other consultancies did not assert that they had this choice.

Informant Five describes how Company Three selects appropriate clients. Selection is made by individual partners, with junior partners receiving some guidance from their senior partner colleagues. However consistent attributes of success in this capability include a small number of highly personal, deep relationships with selected clients, where the relationship moves from company to company when they change employment.

"If you look at the most successful Company Three partners globally they tend to pick very, very deep relationships with only a handful of people over the years which have been really outstanding individuals and we work with those clients wherever they may go." Informant Five

Informant Three selected *"reference clients"* for the initial engagements, deciding to do only engagements that would be considered highly exciting and powerful.

"We were very careful to pick the first few to be calling cards for the rest, to say that we can do big, exciting work and to create a cache around the brand." Informant Three

Informant Four has worked with the people-centric entry mode. Having observed first-hand what he considers to be the advantages of a highly person-based business model, he currently advises another Western consulting firm who is also opening an office in India. In this second firm, they are not adopting local presence in the early stages, and Informant Four believes that the need for local presence can vary depending on the desired client base.

"It's hard to do this without having a presence here…however in their model they are doing what a lot of people do in firms like them do to enter, which is to actually exaggerate existing American relationships and serve them first and so I think their aspiration right now is not to serve Indian clients but to really serve North American clients who want to come into India." Informant Four

Unlike the other Informants who described using the people-centric model, in this current example, we could suggest that the ambition to serve American and international clients in India is different to the stated ambition of the other Companies, who wanted to focus on the domestic market and become *"class A insiders"*.

The research suggests that market entry mode depends not just on the business model, but also on the type of clients selected and on the local or global recruitment decisions taken.

"You had two benefits - one was that you had a very large talent pool that was available locally. The second benefit is the firm has many Indians in senior positions around the world [who] had essentially graduated from India about fifteen years ago... [and] ... gone to work for Company Three in other places. And so they were the perfect people to come back and start the Indian office. They knew India, they knew the culture and they had the value systems and the knowledge of network within Company Three and India to be able to do that effectively and that's really…the only way....we or any professional services firm could actually geographically expand." Informant Five

Taking into account the above data, it is clear that the choice of entry mode is critical to a broader host of decisions and expectations, ranging from how long it takes to break even, to which clients one could select, to the responsibilities of a partner in managing their internal and external global relationships. This theme also has implications, as we will see, for how the business must be resourced, priced and the broader role of the partner. This first theme appears critical for the remaining themes in determining the consequent capabilities required.

Table Seven: Project One Comparison across Entry Mode Theme

Entry Mode		
Theme and Sub-themes	**Company Three**	**Other Companies**
Theme: Entry Mode	People-Centric Model	- People-Centric - Process Centric - License
Initial people investment	Very high	Lower
Time to breakeven	Very long (five years)	Shorter (two years)
Level of Standardisation	Very low	Medium to very high
Choice of clients for initial engagements	Deliberate choice of small number of deep relationships	No statement of deliberate choice
Type of clients for initial engagements	"reference" local clients	Western clients
Recruitment activities	Early local recruitment approach	Later local recruitment approach

4.4.4 Engagements with Clients

Informant One identifies two broad types of projects undertaken by consultancies in India; the first is *"big corporate work with standard tools"* and the second is *"varied services"*, which are more customised. The balance of work conducted in each market by each type of consultancy changes. Informant One notes that process-centric consultancies tend to favour the more standardised work, whereas people-centric consultancies tend to favour less standardised work, using fewer standard tools and addressing different business needs.

Both types of consultancies have survived by identifying and working on projects that best suit their overall global business model. From the above evidence, one could infer that the capabilities required by people-centric consultancies would include greater experimentation and innovation in order to respond in variable ways to business problems presented by their clients.

With the process-centric consultancies, perhaps the capabilities could revolve around identifying and selling projects with the potential to align to pre-existing, globally standard methods and tools.

"[The Process-centric model is] like McDonalds in many ways; the way you manufacture is specific and consistent. These are consultancy machines for people. Within 2 years every consultant has to align with one of the seven industry domains and then you're more aligned to being a global consultant not a local consultant." Informant One

Because Company Three was starting up an office in India, they were more open to smaller engagement values, which lead to a wider selection of clients. There were also a greater number of Indian organisations who were in early stages of start-up and therefore it was more difficult for consultancies to predict who the major players in any given industry in India might be.

"In India it was quite different....everyone was doing this for the first time and there were companies of all sizes even some of the very small companies were willing to take on and we were willing to serve them ..... You were engaging with anybody ... who seemed exciting because you didn't know how big they would become tomorrow and it was exciting to work with people who had huge ambitions and who were very entrepreneurial." Informant Five

According to Informant Two, rather than engagements that are domain-specific, which respond to the challenges of more developed countries such as cost management, lean process remodelling or productivity and competitive studies, Informant Two asserts that most work in India is *"growth –oriented*."

"I would say around 90% of the work is growth oriented – how do you get into new markets, new businesses, new products. It's all top line growth. Both domestic and international, but mainly domestic. ... Mainly it's tapping into the domestic market – building new partnerships, entering new geographies, new regions, should we get access to new scarce resources, and in some cases should we take our model to the BRIC countries. India's domestic market is still the primary focus. We're really not export focused like China, in fact it's a big difference. Because it's all growth oriented it's much more exciting." Informant Two

Informant Two attributes some of this difference to the nature of the market itself, as a growing economy. He also suggests that engagements span multiple disciplines to a much higher degree than engagements in his experience elsewhere.

"..[My work] cuts across much more and goes outside of the scope of the project. I find myself helping with succession, recruiting, HR." Informant Two

"A developing market mind much more tends to actually look to us for help on a very, very broad outlet - you are almost like part of the management team and as a result you may be having a conversation on strategy one day, talent the next, operations the third, acquisitions the fourth…literally every day is a new journey. I think developed market clients by their scale, nature and sophistication as a result tend to be much more focused in terms of what they ask you

to do and as a result you often can be effective in those environments in the area that you are working at." Informant Five

Indeed, several Informants assert that the difference between the breadth and quality required in India to those required in the Western markets is so great that returning to a Western Office would mark a significant departure from the breadth and skills required in India.

".. If I were to transfer back into London I would very much focus on my area of expertise which is outsourcing and off shoring and therefore it would be a much more focused portfolio. Not better, not worse but just more focussed and that naturally goes with the territory. And that's where in India…you cannot possibly aim to serve some of the largest family-owned companies or business groups or whatever it is you are serving. They are actually being proficient across a range of possible areas so in other words you have to stretch your intellectual muscles if you like much broader in India. And you would have to stretch them much deeper if you were in London." Informant Five

Informant Three describes how he decided to ensure that about 25% of Company Three's Indian work was national, policy making engagements, and 25% of work was dedicated free of charge to a range of charitable and local community causes.

"We helped with the entry of the Gates Foundation, microfinance, women's rights and education. It was important to do this because it helped shape what nobody paid attention to but everyone had an interest in seeing changed." Informant Three

Keeping the balance between these different elements: 50% *“journeyman consulting”*, 25% public policy and 25% *“giving back”* was difficult for Company Three and for Informant Three.

“It’s difficult to avoid getting greedy and looking to maximise revenues, but it’s important to keep that balance.” Informant Three

Informant Four confirms that Company Three did substantial amounts of work for the government and other public bodies, including the railways. He believes that this set Company Three apart, both from other Company Three offices and from other consultancies that entered India. Government and other public policy work was encouraged by the Indian Company Three partners as a way to build personal reputation and to demonstrate the entrepreneurialism that Informant Four believes was a distinctive attribute of the Company Three Indian office.

“The amount of work that we did for the government… these were landmark pieces of work that changed the future of the country in some ways and we worked with the railways and I just found that a lot of this was not happening for example when I was in North America. People didn’t feel the need to do this kind of work …whereas here it was …encouraged that you went out and did things for the country that would help build your profile. Again it goes back to the entrepreneurship point and the hunger point.” Informant Four

In the early stages of market entry, the senior partners and consultants were not practiced in working with such clients, and Informant Four reports that these clients were in some instances very challenging, in terms of how they consumed consultancy.

"..Such people [are] often therefore challenging, they want the help but at the same time they want [it done in a] very specific [way] and they want it done a certain style and they are very entrepreneurial and therefore seat of the pants in many ways." Informant Four

Related to the additional challenges in producing the services in India, Informant Two reports that the projects are perceived to be sponsored and reviewed by a more senior audience than in other markets, often the CEO. Selling these engagements is reported to take longer and to be more difficult, but the rewards for engaging in these types of projects are perceived to be much higher than in other markets; the impact is reported to be greater and the recognition of the consultant and consultancy is greater.

"When you buy the Top Tier consultancies [like us], they are perceived as a top level decision making process and in India this relationship always goes right to the top to the CEO. The downside of this is that selling is slower and the expectations are much higher. But the upside is that when you do sell, you get lots of attention and the impact is much higher." Informant Two

Because the nature of projects is different, we can also expect the way in which they are managed to be very different. Informant Two believes that client relationship management is simply more difficult in India than in the West. This is linked to the perceived greater expense of consultancies in India relative to other countries.

"The clients are much more demanding...if consultants are more expensive than full time employee, then that puts a lot of pressure on consultants to perform and on clients to make the right choice." Informant Two

In the North American practice, clients are described as more transactional than in India, with less scope for innovation outside of the known models and insights.

"It was fairly transactional in North America – fees were not as big an issue as they were here so while it was not that you needed assignments that were led by the client asking you to do them, you also suggested things and so on." Informant Four

Informant Four notes that the impact of work in the North American offices was smaller, *" a little more boring and run of the mill."*

"There was stuff that you were doing that you had the opportunity to do here in India that was truly ground-breaking that you would not get [in North America]." Informant Four

Informant Four links the ability to make a greater impact in India with the relative immaturity of the market. In North America, a more mature consultancy industry has led to more clearly and narrowly defined projects, as well as a relatively lower level of appetite for risk and entrepreneurialism in consultants. Therefore, one could infer that the Indian consultancies had to evolve a capability to identify a broader range of projects and potential clients and negotiate non-traditional scoping of those projects.

“..There was a certain maturity in the [North American] market which only allowed you to do certain things and there was a level of comfort and personal lack of entrepreneurship in trying out new things because a certain model worked. That hunger was not there to try out new things….” Informant Four

This is also linked to the higher level of seniority of clients perceived by Informant Two in India, in contrast to other geographies.

“The quality of relationships with senior clients is much stronger here than in the UK. They are tougher clients but… you develop a genuine trusted advisor relationship…it’s a very personal relationship and the nature of the discussion is higher. They go beyond the mandate of the project and you are given a lot more respect once they see that you have their best interests at heart and you can become a sounding board for their ideas.” Informant Two

Like other Informants, Informant Four reports that the relationships with clients in India are generally at a much more senior level, lending greater impact to the engagements.

“..When I came to Delhi I was an Associate at that time and ... six months into the firm, I could walk into any office, any CEO’s office, any senior bureaucrat’s office with a Company Three card. That was the dream recognition and it was actually quite amazing that they had a high degree of respect and regard and it was that much easier to get access. And so at a fairly junior

level you would talk to extremely senior people and to be honest that was quite heady - it was a great learning experience.” Informant Four

As the above suggests, a partner may have to demonstrate expertise and experience in a range of functional topics as well as the integration of these topics into an interpersonal relationship that demonstrates their understanding of a CEO’s challenges and forms responses in a trusted manner.

“The quality of the work is much higher. People often confuse a level of detail with the level of quality, and in the US and the UK projects have more detail but here projects are more challenging in terms of scope, in terms of uncertainty and in terms of the difficulty of working. Consulting in India is much tougher and we always get feedback when we go to other offices that we outperform them.” Informant Two

Based on the above statements, there is clearly a potential capability requirement in innovating new project types and identifying client work across multiple client sizes that would have been unique to India.

Clearly in line with the previous Informants, Informant Four notes the need for the ability to adhere to new ways of developing analyses and client-led ways of developing and presenting recommendations. According to Informant Four, the advice given still required the same levels of data and rigour, but is required in a faster time frame.

"I think they were still looking for high quality…. advice but they wanted it much quicker and faster and that's because the environment was different and they were all entrepreneurs and operators who didn't spend a lot of time talking … Here if you are the owner/manager, your basic [approach is] I want to get into Russia, tell me how to do it, and their expectation was that you will give them the right answer but you will give it to them quickly." Informant Four

Informant Four also describes a distinctly different experience with Indian clients than with North American clients in terms of the level of transparency and access to Company Three insight provided, and the outcomes.

"..A lot of times we found that we would give away so much, because that's how things worked in North America, where you were very transparent about learning and sharing. Even where you were engaged on a project you would tell the client so much that in India they will say 'oh thank you very much this is great we don't need you anymore.' They will pick your brains and let you go and we would often come back and be very disappointed and then we would have great debates about [whether we should] be slightly less open in our approach, that this is not North America but…..People would be on different sides of the debate but frankly… I…felt…that our challenge was for us to show the value of what we bring beyond what we were … sharing in the first instance." Informant Four

The debate Informant Four describes suggests that a different set of internal rules about transparency and offers of advice were discussed in India. Eventually it was decided that the transparency would remain the same, regardless of the situations when it may have caused clients to take free advice and not engage in a project immediately. This agreement to focus on charging for value-added services only, in spite of initially reducing his ability to engage in for-pay projects suggests an ability to look at clients in a long term perspective and focus on the distinctive positions that the company can adopt in the marketplace.

Informant Four describes a great deal of innovation regarding new ways to work with clients, and an affiliated ability to work with the global offices to get support to experiment.

"In fact we were coming up with lots of innovative ideas and in an emerging markets scenario I think people were much more supportive of allowing us to do those things." Informant Four

This degree of support for new ways of working may have diminished over time, according to Informant Four.

"I'm not sure how much of this happens today because it's a larger office, there are issues of economics, ... how much money are we making and so on, and I'm sure it's become a little bit more constrained because of that. But I think given the small size and fact that we were just starting out gave us a lot of leeway and rope." Informant Four

Now, client relationships have changed somewhat for Company Three, according to Informant Four. In one respect this is because work is done for larger companies, requiring larger consultancy teams for each project.

"..You have multiple teams working on one client; that would almost never happen when I was there." Informant Four

This greater number of teams per client has impacted the overall client relationship management approach in that greater internal bureaucracy and communication is now required.

"That means that ... the same kind of bureaucracy that I was talking about gets set up because you are now working for different business units for different teams within the organisation, rather than one team focusing on the top most important issues on the CEO's mind, which then gives them great access." Informant Four

This suggests a drive towards standardisation in order to address client projects in a consistent manner, at least within the Indian office.

The quality of data available to Informant Two is in stark contrast to that available in other geographies. Described as *"abysmal"*, the data is often unsubstantiated by secondary sources unlike in the US and the UK.

"An easy example is a simple one – the Indian population. There is a huge swing of numbers and numbers are spread by millions. Even then the last census was done ten years ago. So for example if you want retail data or to know how many distribution units a client has, you have no secondary data sources. In the UK, you have media and you can get exact data, but here even the data you can find is ten years out of date. That forces you to work differently. You can't rely

on the internet or secondary data so you do a lot more primary data gathering, you have to develop a network of sources early on, and you have to develop the habit of using the phone as your first source of information. Even now as a partner I am going a lot more to the point of data when I research clients, so I go to the stores and try to get their perspective on a product."
Informant Two

One could infer from the above that not only are the types of projects that a consultant would undertake different, but the ways in which they conduct analyses and come to their own recommendations are different. This capability to create new research methods and processes to generate recommendations would be affiliated with the level of quality and the desired impact of the projects.

As Informant Two states above, the process of analysis and recommendations that comprises service delivery is perceived to be different in India than to other markets. Consultants rely on less secondary data but are expected to generate very high quality recommendations on a broader set of topics.

When Informant Two was with Company Three, he was quickly promoted above his peers who had not been exposed to the Indian office within three months, because his experience had been greatly enhanced from *".. the sheer pressure of working in India."* Informant Two notes a difference in the proportion of recommendations implemented relative to other geographies.

"They will implement in nearly all cases what you have worked on. In Europe this is not so much the case as you can work on many projects that don't get implemented for one reason or another. In India no work that I have done has gone unimplemented." Informant Two

The pressures and expectations of a start-up environment are closely linked to the need for quality and impact to be comparatively higher.

"You basically cannot build a business without every single client saying at the end how much they have loved working with you and wanting to work with you again. You really have to over-deliver on the first projects. .. The team has worked much, much harder. But here word of mouth spreads quickly and we do a bit of white paper publishing and not much advertising and we now have new clients calling us to talk to us." Informant Two

From the above, we could infer capabilities including the ability to sell to CEOs, the ability to alter the service delivery process in reaction to the available data in India, the ability to work at a consistently high level of quality, the ability to generate recommendations that are likely to be implemented more than in other markets and the ability to deal with greater levels of pressure than in other markets.

By virtue of Company Three's involvement in public policy work, Informant Three describes the impact of Company Three's work to be much higher than in other geographies.

"So for example we shaped the software industry policy to move towards outsourcing. We looked at the cost of connectivity. For example in 1997 there were 6 million telephone lines in India and today there are 11 million phone connections issued per month. We helped reshape the telecommunications industry… We also worked on pharmaceutical policy and in auto and in the healthcare and in education policy." Informant Three

One could argue from the above statements that Informant Three and Company Three would have needed to develop capabilities to create and deliver new types of work methods and recommendations to have an impact on industry and societal projects in addition to the traditional journeyman consulting projects. Informant Three's comments are also reminiscent of Informant Two's assertion regarding the consistently higher levels of quality required in India. This suggests a capability in maintaining consistently high quality projects may be important.

The above data suggests that successful Partners, particularly those in Company Three, had to develop the capability to interact with very senior prospective clients and be able to innovate new projects and ways of working that these very senior clients would buy. Again, there are clear connections between the type of entry mode selected and the nature of engagements most appropriate, the way in which those engagements are sold and the consequent requirements of the partners' expertise. It seems evident from all of the data that there are strong links in Company Three between a People-Centric model choice, and the requisite levels of innovation away from Western norms of business, and that these levels of innovation require different professional expertise, relational expertise and entrepreneurial expertise to identify new ways of making business, including pro bono work.

Table Eight: Project One Comparison across Client Engagements Theme

Engagements with Clients		
Sub-themes	**Company Three**	**Other Companies**
Nature of Projects	"varied services"	Range from "varied services" to "big corporate work with standard tools"
Breadth versus depth of expertise	Very broad, very deep	Moderately broad, moderately deep
Seniority of client relationships	Very senior (CEO)	Senior (sponsoring business line)
Quality of relationships	Trusted advisor Higher than in the West	Trusted advisor Similar to the West
Availability of primary data	Unavailable or inconsistent	Unavailable or inconsistent
Openness to very small or different types of engagements	High at first, then moderate	Not high
Willingness to offer free advice	Moderately high	Not high
Work with governments and public sector	New and substantial (including pro bono)	No
Quality of work	Higher than in West	Higher than in West
Impact of work	Higher than in West	Higher than in West

4.4.5 Partner Role

Informant One identifies the partner role as critical in helping consultancies to survive in India. This role changes over time. At first, a partner is needed to balance multiple, different tasks at once. These range from market penetration and creation, to creating projects, to recruiting and developing a team in the typical pyramid structure.

"In the beginning you have to be good at doing something on your own. You have space, you need to be an entrepreneur but you also need to lay the foundation." Informant One

These elements of the partner role are different to those in a mature market, where client penetration becomes the primary activity, and developing others and managing an office become lower priority.

"In a mature market, you are really a harvester. Your role is to penetrate the customer."
Informant One

This change in partner role is consistent, according to Informant One, across both process-centric and people-centric models. However, in a locally adapted model like Company Three, the partner is more responsible for performance than in more globally consistent models. Lower level associates and consultants are not measured on performance targets.

"At Company Three at the partnership level, all partners' success is 70% the partner and not aligned with to local success. This has an impact on how the business grows. Junior consultants aren't measured at all on targets, it's only at the director level that you start to do that."
Informant One

One could infer from the above that, as the research suggests, the partner role is critical to survivor management consultancies in this field. The partner's role changes over time, requiring initial capabilities in a range of different areas as well as the capability to manage multiple tasks simultaneously, then requiring depth and focus in client penetration. One could also infer from the above and the literature that the partner is a critical organisational capability.

From the above assertion, we can consider that the partner role in Company Three is not only one requiring the individual creation of all of the above activities, but also one where the partner is responsible for ensuring that the office and work is run in a high quality manner. Without consistent processes across offices to do this, the partner is responsible for staying in role until these locally adapted processes are in place. In contrast, where standardisation is expected, the partner can leave at an earlier stage as they are required for initial entry rather than office cohesion, quality management and process creation.

Like Informant One, Informant Two comments extensively on the changed and changing nature of the partner role in India, both in terms of early requirements and in terms of requirements once the office reaches some stability. In the early stages, Informant Two reports being involved in all aspects of business building and business management, from office design to recruitment and management of talent as well as business development. He describes the initial phases as *"50 % harder for no more money."*

"In the beginning we just did everything, I worked personally with the designers and the architects to build this office …Before I did everything, but now I focus on the business and business development. Lots of the admin has already been done or is being done by others now."
Informant Two

Over time, Informant Two reports that he can be more selective in the tasks that he undertakes and relies more on the support of ancillary personnel. His role is commensurately more focused on the areas in which he believes he can add more value.

"Now we require a different set of skills. At first you needed a lot of straight entrepreneurial skills – you need to figure out who the right people are to call, the quickest way to establish yourself on campus…. Now we need a safe pair of hands that can focus on the basics of consulting. They don't have to be very entrepreneurial. It's more about standardising things, bringing process and mainly de-risking, spreading the business across sectors and clients so that we are more prepared if some of them don't repeat with us." Informant Two

Like Informant One, Informant Two asserts that partners in the early stages of entry into India had to be able to manage multiple priorities. All Company Three Informants note attrition at the partner level.

Part of the reason for attrition at the partner and senior consultant levels at Company Three after a given amount of time is attributed to the need to adhere more closely to standardised processes and systems, as well as a generally lower focus on entrepreneurial growth and innovation. However Informant Four describes other ways in which the partner role specifically changed over time and the impact that it had on partners over the course of years. The first feature was the pressure of generating more and more business over time.

"Entrepreneurial energy is also very sapping - constantly having to generate new work and going after new clients and so on, you know after a while it just got to me because I had become the hunter rather than the farmer...everybody expects you to keep doing more and more and

more of that because you are so good at it. And as the practice grows, the pressure to generate rain goes right up... so you become a victim of your own success in some ways." Informant Four

Another feature of the partner role that changed over time was the greater amount of consensus-seeking and collective decision-making that was required as the office grew.

"..At the end of the day, people are operating an enterprise and you are responsible to your other partners as well as the partners around the world in running the operations as well as on focusing on the economic performance on the operations to some extent, and the quality of the operations. [Given] the fact that we were a partnership based firm, you had that many more people to...consult and take into account that used to be factored in as you grew larger and larger. It was different when you have eight or ten people sitting around a table who are very familiar with each other...…to having 30 people around the table, some of whom you didn't know at all, you didn't understand where they were coming from, they had strong views. Suddenly the overhead of managing the relationships and keeping everybody together started to get to me because I just wasn't used to that and I was used to a much smaller, more nimble, agile environment." Informant Four

Many of the Informants who had joined Company Three were no longer there. This is also the case for Informant Four, and he believes that this trend may be influenced by the growing need to adopt standardised systems and processes instead of emphasising entrepreneurial, innovative behaviours.

"… I think that's why some of the older ones of us are not there anymore because to be honest we've seen that side in North America, we left that behind us in coming here and I really saw it coming more of that kind of environment and perhaps lowering some of the entrepreneurial touch. I think that's why perhaps you see us all having moved on. So to think about it it's actually quite interesting, that there are really there are no senior people from the early days in the firm in India. The only people who are left are the people who were recruited in those early days and are now partners or senior partners. And so some of them are still around to give that sense of continuity but if you look at .. the people who were here in the first ten years as partners none of them are around." Informant Four

A final feature that changed significantly for Informant Four in the partner role was a growing sense that the office was impersonal.

"And then the third thing is it just starts to feel very a bit impersonal…in Company Three I grew up in an environment where everybody knew everybody, it was relatively small and manageable and so the loss of that smallness was almost a disappointment for me personally again."
Informant Four

We can infer from the activities referred to above that capabilities required from a partner once standardisation can begin are very different and focus largely on managing internal relationships, and growing a medium-sized office, rather than growing and establishing a smaller, less standardised office.

Table Nine: Project One Comparison across Partner Role Theme

Partner Role		
Sub-themes	**Company Three**	**Other Companies**
Early Partner Role	• Highly entrepreneurial, innovate new business models • Required to take part in all aspects of setting up an office • Independent decisions	• Range from highly entrepreneurial to identifying projects to fit with global processes • Range from required to take part in all aspects of setting up an office to leading existing processes for office management • Range from less independent decisions to implementing pre-existing, global standards • Managing consensus
Subsequent Partner Role	• Managing standardisation of processes • Managing consensus across offices • High levels of attrition	• Lower levels of attrition

4.4.6 Pricing

The cost of service and perceived high costs of consultancy in India are reported to be unusually important factors. Two capabilities that could relate to the above factors are managing the cost of service, and creating new rates and an aligned business model for the Indian market. According to Informant One, where processes and the outputs are globally consistent (i.e. in a process-centric model), the cost of service is relatively low. Where new processes are developed and outputs are always highly customised to the local market and the customer need, the cost of service is much higher.

Informant Two reports that clients are unused to paying top tier consultancy prices in India, and that Company Two, amongst the other top tier consultants, were required to adjust their pricing model to the market. This is largely attributed to two factors; the generally lower employee salaries and the relative youth of the consultancy industry in India.

"The Indian labour market and employee rates mean that they are very uncomfortable paying high rates for consultants. It really hits you when you look at the spread between Top Tier and Middle Tier consultants, where at the lower end, firms would work for one fifth or one sixth of the Company Three rate here, but in out of India, say in London or the US, the smaller firms would expect around one half to one third of the rates, so the spread is much smaller…consulting is a relatively young industry, maybe it's been here 20 years at most." Informant Two

This factor, also noted by Informant One, has implications for how the projects are staffed, expected margins and cost of service, all of which are capabilities that would have to be different to those required in other offices.

Even in the earliest stages of the start-up, Informant Three asserts that clients would not pay international prices for consultancy.

"..They want a domestic price point." Informant Three

However Company Three made a deliberate choice to charge higher than market rates, which influenced its reputation in the market.

"The fact that we were charging very high fees became a very big thing in India; the fact that we had been agreed at those high fees by some companies was a big deal" Informant Four

Informant Three describes how Company Three scaled the business quickly to access a relatively higher proportion of graduates which helped to reduce cost of service significantly.

"A lot of what they [graduates] were doing was creating the primary information so this gave more leverage at the bottom of the pyramid to get the primary data gathering and analysis done and reduce the price point another 20% so we were then 50% of the price of the operations in New York. This opened up a whole new sphere of clients for us." Informant Three

Informant Three describes an important differentiator between Company Three and other consultancies in that they paid higher than market expectations for each level. At the Bachelor and Masters levels, Company Three was offering 30% higher, scaling upwards until at senior partner levels salaries were at par with international.

While Informant Two describes lower differentiation in salaries for local employees than in other markets, Informant Three reports that there was some differentiation, particularly for Company Three. This could be argued to make it easier for Company Three to recruit the top graduates at each level. However Informant Three does describe having to create projects that he could run at a cost of service that was 70% and then 50% of international standards. Relevant capabilities here would include the ability to create new service delivery models for Indian projects that enabled lower prices for clients.

Like other Informants, Informant Four indicated that Company Three had donated a substantial amount of its client portfolio to pro-bono causes, which was critical to their success in creating a new way of doing business for their company and giving them access to a different reputation and client base.

"And then... we did some very smart things in India…it was really a pro bono effort...Company Three has never done this anywhere in the world." Informant Four

The above data suggests that pricing has been of significance for all companies in that a less mature market welcomed a lower overall rate than in other, Western markets. The flexibility that each company approach this context differs, as we have seen. Company Three used the highest salaries and price points as a differentiator in the marketplace, and one which we can assume allowed them to fund their pro-bono efforts.

Table Ten: Project One Comparison across Pricing Theme

Pricing		
Sub-themes	**Company Three**	**Other Companies**
Spread between India and the Western offices within each company	• 70%, then 50% of Western costs • Highest price point in Western markets	• 75% of Western costs • 1/5 – 1/6 of highest price point in Western markets
Price point	• Highest price point in market	• 1/3 – ½ of Company Three prices
Recruiting Salaries	• Highest in market	• Moderate

4.4.7 Recruiting and Developing People

Unlike other geographies, recruiting at the survivor Top Tier, Western consultancies in India is done at the local level. There is a perceived value to organic growth in each of the consultancies described by Informant Two, in spite of the additional costs, time and efforts required. Nearly 70% of talent at Company Two has been locally recruited. Informant Two estimates the same proportion is true at Company Three.

"We can't hire partners laterally; it really hasn't worked for us in the past so we have to grow a set of managers instead. The bulk of our talent is from India. We've had 3 years of recruitment from Indian business schools and we have 22 consultants who were recruits from India. ... So it's harder but we really stick by organic growth. [It] helps you with the culture, gives you the best culture. It slows down the process but the quality of the work is better and the office is more sustainable." Informant Two

The proportion of local talent to expat talent is also reversed from the norm at partner level.

"For example 50% of the Company Three partner group used to be expats but now that's gone down to 5% and they're desperate to work in India." Informant Two

As we have seen, the nature of the work, the way in which projects are sold and delivered are different in India and the partners' ability to address these differences are mirrored by important internal differences in recruiting local talent with which to address these client challenges. Capabilities that one could infer from this challenge is the ability to identify and develop talent that could aid the consultancy in addressing a new way of working, in new client engagement types.

Following the initial team entry into India, Informant Three elected to recruit locally. In India, graduates expect to move between organisations frequently, presenting a risk to many relationship-driven consultancies that prefer to reduce employee churn as they invest in development of their graduates.

"[Graduate recruits] were carefully selected in the manner that we didn't have large numbers leaving us to go to the marketplace. We literally only selected those with the potential to be partners. Every year we picked around five people and they tend to stay with us, so there is no marketplace debris, no bad word of mouth, almost all of them are still here. One or two have left to do something else, investment banking and so forth but they all went on to be partners." Informant Three

When Informant Three scaled the office further, graduates were simply picked from what are considered to be the top universities and business schools in India – the Indian Institutes of Management and the Indian School of Business. They were hired at half the starting salary of the Masters graduates on two year contracts.

Informant Three links local recruitment practices directly to Company Three's pricing capabilities.

"[Following initial entry] we brought the price point down 20% because by then we had an office of around 30-40 people…by better leverage. We then were almost at a 1.5 Bachelor: 1 Master recruit ratio. This allowed us to put the price point down further by getting better leverage." Informant Three

In addition to new capabilities required to recruit local talent and train them quickly to do very different types of consulting to the global norm, Informant Three would have had to develop his own capabilities in reducing cost of service and getting different leverage out of his staff than was expected in other offices.

According to Informant Four, Company Three's attitude to recruitment was shaped by their belief that they could not scale the business effectively through importing partners alone.

"The desire was always very clear and we were always very aligned in that we wanted to build a pre-eminent and a great reputation in India that was way ahead of other consulting firms

because very quickly we realised that we had something in terms of having partners on the ground that you were not able to quickly replicate as well as being able to hire on the ground." Informant Four

Company Three's approach across global offices is to recruit at the junior-most level, so local recruitment largely meant hiring graduates and business graduates from business schools and universities. Company Three went to the top educational institutions in India and hired the top percentage of talent.

"In India there's a lot of filtering of talent that happens in the way people are selected into the business schools. And so going to the IIMs and ISB, that's all that Company Three does and frankly you pick up the best. Because your brand perception and your salary levels are truly way ahead of everybody else and so people are dying to come work for you. There is blatant competition from other consulting firms but other than that it's been fairly easy to identify [talent] and you use the same criteria that you use across the world - test people on problem solving, communication problems, and aspirations and then hire them." Informant Four

Interestingly, while Informant Four aligns with the other Informants in highlighting a local recruitment strategy, he believes that the process for recruitment was consistent, given the variance in talent maturity and experience, as well as the different types of work that was required, both reported by other Informants.

Company Three's approach to recruitment generated publicity for them as they were paying higher than market levels for junior graduates.

"The fact that we were hiring from the [Indian Institutes of Management], making very bold offers in terms of salaries was a big thing, so all of those things had created quite a splash in India." Informant Four

Company Three's approach to local recruitment was perceived to be so successful that they now replicate this approach in other offices in emerging markets.

"I think that was a big lesson for the firm and so every time they try to do as quickly as possible to hire more Chinese or hire more South Americans in order to staff the offices in those countries and also find people within the system who would be willing to move there." Informant Four

Informant Four's comments suggest that the capability to report and publicise successes in other global offices is important.

Informant Five believes that India has been a unique market for Company Three and for the other Western consultancies in that the talent pool of business students and graduates is unusually large and of a high standard. This factor has served Company Three well in their local recruitment efforts.

"We literally started creating a lot of our talent pool almost immediately from most of the leading business schools in India. I think in India has in that way a unique circumstance both within Company Three as well as within the country. Within the country because naturally it has been an enormous talent repository, both for technology talent, more for business services talent but also I would say global managerial talent. If you look at the Indian institutes of management, the IIMs the IITs ... they certainly would rank amongst the best educational institutions in the world. And therefore.... it gave us a wonderful recruiting ground where I think many of the other countries that are more emerging in the more recent past that I am familiar with still.... would go and recruit most of their associates as natives but people who would have a British or an American education at least as far as higher sort of mastery or MBAs. I think we definitely went from day one to recruit from local campuses." Informant Five

Informant Five notes some differences in the recruited graduates in India, compared to other geographies. In line with Informants Two and Three, he believes that Indian business graduates have less professional maturity, relative to other geographies. This is mainly due to the fact that Indian graduates do not typically work before going to business school.

"…You did have to change your recruiting style…The Indian MBA …. in those days [about sixteen years ago] was slightly different profile from a typical sort of Harvard/Wharton graduate in the sense that most of the Indian MBA's graduated at that time with no business experience. And as a result the business experience of folks was much lower than what you would typically see in other campuses. Company Three compensated for this by actually …allowing people slightly more time to graduate to the next level in Company Three … we simply gave them that

business experience provided them some time for that business experience to mature." Informant Five

Informant Five reinforces the notion that there may be an important capability to identifying and working with local talent and developing a system that would allow them to develop to international standards.

Once recruited, Informant Four confirms that the main route to developing people in Company Three is through experience. Consulting projects occur in teams, therefore the primary method of development is through observation and apprentice-like models with various partners.

"..All the work is done in teams and in a way it's an apprentice model, in fact it's called the apprentice model, so it's a little bit like an apprentice working a shop or a manufacturing environment where you work under five or six other people and you're constantly working under different people because you are going from project to project and so you learn from others and you learn from observing and you learn from experience - it's a very experiential environment." Informant Four

One could suggest that capabilities in developing people in this apprentice system are consistent across the global organisation in some senses, as partners would have already been exposed to this method in other offices. Informant Four does not refer to a more systematic development approach.

Informant Two confirms our research so far that the people-centric model adapted by Company Two makes sharing across the firm hard, both in terms of infrastructure and in terms of experience building. With training, the office took a gradual approach to building formal training opportunities, teaching initial recruits largely through the engagements on which they service.

"They take a lot of your time and people really learn because of working on assignments."
Informant Two

Much of the training at Company Two remains at a global level, where new employees go to Chicago to join an on-boarding programme, and international training is the main way in which formal learning takes place. This is in contrast to Company Three's training scheme, which includes both international opportunities as well as more local opportunities.

Eventually Informant Two believes that the Indian offices will have to invest in their own, local education and development support in addition to the higher proportion of on the job learning. From the above, we could suggest that additional new capabilities include both devising appropriate development strategies for new recruits that balance exposure to global culture and tools and then also providing appropriate on the job development to ensure that local project training is conducted.

Equally when it comes to knowledge and sharing management processes, Informant Two believes consultancies in India have a long way to go. Investment is required, and there is value perceived in the global systems and tools, even though they are not typically replicated without change in India.

"With India you need to invest to put in place the infrastructure eventually… We need to introduce the right processes and rigour here though." Informant Two

Capabilities involved in the use of knowledge and sharing management processes could include the ability to blend global and local inputs and the ability to structure these differing inputs accordingly. A partner may even have to structure a different developmental plan for the Indian offices than they may be used to, given the different nature of work required in India.

Informant Three describes how Company Three recruited at a typically lower, less experienced level than they would ordinarily. They offered graduates lower salaries and in return they gave initial business experience in generating primary information and data. At the lowest levels, graduates were expected to move on after two years.

Company Three created a development system for Indian graduates that included a two year *"honeymoon"* period before they joined the international career development track towards promotion because they recognised that graduates did not have the necessary professional maturity and business background for either of the partner development programmes.
As with Informant Two, Informant Three's activities suggest the need for capabilities in creating a development opportunity for the graduates. This is especially the case where the Indian graduates are perceived to have less business experience and maturity than international

graduates, affecting the way in which they could work in the organisation and how Informant Three could position them in the global organisation. For Informant Five, Company Three developed its Indian graduates by providing further business maturity and judgment.

"I think what we gave folks is slightly more time, is frankly maturity and judgment. I was hired off campus for example in Company Three when I was twenty-three years old and that typically would be five years before we would hire most people anywhere else in the world. We literally gave people a little more time to essentially mature…Obviously it helped in the relationship aspect, it helped in personal judgment and in maturity in leading teams and all of that."
Informant Five

Like Informant Four, Informant Five believes that one of the most effective developmental tools is the strong culture and the apprentice model; in learning through observation.

"The simplest and most effective means of developing those is absolutely the values but more importantly how the people around you live the values ... I would say the greatest learning in Company Three is not necessarily only the courses and the training materials and the wonderful tools and techniques that we have, but it's actually mostly by effectively learning by being an apprentice to somebody who has just developed an amazing repertoire of skills around you."
Informant Five

Linked closely with working with other offices, Informant Five also confirms the overseas mobility that is encouraged for every consultant who has been with Company Three for more than two years.

"..It does two or three things. One is..... it gives you a wonderful sense of how the firm is... one firm but it also gives you the appreciation of the exposure to a different culture, a different set of clients, a different set of needs. The second thing is getting an international network for you. It's almost been 10 years since I returned but I would say that virtually everyone I met in the London office I still keep in touch with and in fact the circle has somewhat turned, in that I am now one of our evaluators for the London office." Informant Five

All the data above suggests that recruitment and development are critical components of the partner role, and important to the overall success of each company. Where the company uses the People-centric model, their human capital is (as expected) particularly critical because of their requirement to use it to provide new and different services. In this regard, we could infer that Company Three's formula of early international experience and experiential learning over formal training is a significant investment in human capital beyond that of the other companies, where global development saves time and cost whilst standardising quickly.

Table Eleven: Project One Comparison across Recruiting and Developing People Theme

Recruitment & Developing People		
Sub-themes	**Company Three**	**Other Companies**
Early local recruitment	• Yes	• Yes
Recruiting salaries	• Highest in market	• Moderate
Need to develop	• Highest in market	• Moderate
Local versus global training	• Local for longer than global	• Global first, expect to localise later
Formal versus informal training	• Informal first + apprentice model	• Formal first + apprentice model
International mobility	• Critical	• Non-critical

4.4.8 Working with Other Offices

Informant Three reports that the Indian office start-up has become influential across Company Three in lending insight into how Company Three could establish offices in other fast growing economies.

"We had developed a country model where Company Three had no model to deal with the emerging markets before. So today as we look at Brazil and China, partners look to do something similar to what we've developed in India." Informant Three

Informant Three also notes that while every effort was made towards local recruitment, Company Three has sent all recruits from India on two year rotations to international offices.

"This way you get more supporters and you get more sector and function exposure." Informant Three

Experience gained from this exposure does not directly build skills to be deployed back in India, as Informant Three considers the markets to be different and operate largely autonomously.

"Because then you get aligned with a sector, then it makes you a bit more global, but the market sectors are so different and they operate largely autonomously that it's not an extension in India of what happens elsewhere." Informant Three

Like Informant Two, Informant Three highlights the importance of relationships with global offices beyond the partner reporting relationships. Here, not only has Informant Three demonstrated his ability to develop an emerging markets model with generalisable applicability in other emerging markets, but he has also been able to send his graduates to other offices to develop them.

Informant Two describes a cross company shift in attitudes towards sharing employees across geographies. He notes that earlier in his career, it was easier to find Indian recruits who wanted to work in Western markets, whereas the situation has now reversed. Informant Two receives many offers from other geographies within Company Two to send Western employees to India to learn about new markets or to be exposed to interesting industry phenomena locally. However he also notes a marked decrease in the number of Indian employees wanting to work abroad.

"There is a material shift in terms of mobility. People in India would rather end up working in India. When it comes to a longer term career plan, most of our recruits want to work in India and the attraction of working in the US has really gone down. Now we have lots of folks in the

US and the UK wanting to come to India, getting more interested in getting developing markets experience." Informant Two

Informant Two asserts that this shift has occurred across many companies that he has observed. In terms of capabilities associated with these activities, they may be associated with the ability to exchange people across offices and to publicise the attractiveness of an office in order to attract talent globally.

Informant Five discusses at length the levels of support required by other geographies in order to sustain a practice in India. He believes that the partnership structure has allowed the Indian office to take a longer term perspective, less driven by profitability than by overall growth.

"We are a private firm and that's why it allows us to take a much more long term perspective of this. And make appropriate investments that are not quarter driven... and as a result yes we can take those choices ... we are not driven as a business by our profitability every month, quarter or even frankly every year." Informant Five

Informant Five credits this system with allowing Company Three to innovate around the business model and to be able to give business away when needed.

"It is exactly that. It would be remarkably easy for us to frankly turn it into a profitability measuring accounting machine and it would be completely disastrous from a professional services standpoint to be able do that." Informant Five

It is clear from the above data that working with other offices is a critical component of the partner role. The partner's ability to manage expectations of profitability as well as encouraging or resisting exchanges of human capital across offices is clearly important. As with the previous theme, the level of investment and importance placed on a place for experimentation is different within Company Three. Here, the need to co-ordinate but to maintain differences that are more costly to the overall organisation is greater than with the other companies.

Table Twelve: Project One Comparison across Working with other Offices Theme

Working with Other Offices		
Sub-themes	**Company Three**	**Other Companies**
Time horizon	• Longer term view	• Shorter term view
Experimentation with new business models	• Place to try new business models for other global offices	• Extension of global business models
International mobility	• Highest in market	• Moderate

4.4.9 Using Global Systems and Management Tools

Informant Three indicates that local adaptation of knowledge management tools and processes is essential. He reinforces the description by Informant One about the process versus people-centric model, in that that processes will in many instances not be globally standard.

"But you have to adapt them at all points. Learning how to do this is the most important factor to be relevant and recognised so you need constant adaptation, it's never a plug and play approach." Informant Three

Also like the other Informants, Informant Three describes a gradual shift towards standardisation to drive internal productivity. However this standardisation is described to be more standardisation within the Indian office, rather than across global offices. So the capability to create efficiencies by establishing processes is perceived to be a necessary one, but one in which the processes must be established, rather than adopted from global norms.

Linked with the support from other offices, Informant Four also suggests that use of global management systems and knowledge management systems changed over time. In the beginning, the Indian office innovated systems and processes to adapt to the local market and environment. However once the office had grown in size and revenue, it began to reinforce more strongly some consistent management systems, as well as changing its focus from net new business generation and product generation to penetration of existing business and clients.

"After a certain point, you start to stabilise, focus on penetration of existing services…About sixteen years later yes I suppose that has started to happen. It has to happen because of the way the firm is organised in the partnership group. They have some thirty partners now and these partners are all obviously doing their own thing and to keep them together you need the processes and you need the rules and you need them to be more laid out more clearly."
Informant Four

Informant Four's comments align to the assertions made by Informant One regarding length of tenure of partners in this model, who are expected to stay for at least five years. The data suggests that the drive towards standardisation within the Indian office is a capability that interests the original and early partners of these firms less than the capabilities affiliated with creating and developing new business models and markets.

Unlike the other Informants, Informant Five is particularly struck by the similarities between the systems and processes on a global scale. In his experience, the extent to which these processes are similar, actually enables cross-geography working and sharing, with the main variable being the client requirements.

"We tend to keep our internal processes systems, value systems, certainly everything else very, very similar, so the way we write our chart is seamless across the way we write our documents is seamless across our offices. It's literally the same format....And as a result our ability to work across offices within the firm is actually incredibly high so I didn't really notice a lot of differences within Company Three. Our languages are the same, our systems are the same, what we look for to make people successful tends to be the same. The predominant difference is actually what the client needs." Informant Five

The data suggests here that global information systems over time must become standard in all companies. The speed and degree varies by company. Company Three demonstrates the longest time and lowest importance of standardisation, finally being required by virtue of a large enough partner base to necessitate effective co-ordination. Even here, only one Informant reports that Company Three's systems are globally standard. In his interview he notably omits standardisation of training, business model and remuneration. The drive towards absolute consistency is much greater in the other companies. As the data indicates, this drive may be linked to the higher attrition rate of start-up partners in Company Three.

Table Thirteen: Project One Comparison across Global Information and Management Systems

Global Information and Management Systems		
Sub-theme	**Company Three**	**Other Companies**
Globally standard processes	• Most perceive them to be internally standard but not globally standard	• Absolute consistency

4.4.10 Culture

In Informant Two's experience, people-centric consultancies require high degrees of cultural consistency in order to establish and maintain appropriate global norms. This is perceived to be a significant challenge in this model, but critical to retention of talent.

"With the culture, it's difficult to retain the same feel across offices. In ours, we have [retained the same feel] and it's a good reason why people stick around. They stick around probably because of the sectors we work in and because of the culture – it's more relaxed, non-hierarchical. In other places, associates would think three times before speaking with a senior partner. But we have a strong culture across the firm." Informant Two

Culture is imported through adopting a model different to the traditional expat model, where a small group of expat partners spend two to three years setting up an office and then conduct the same task in another non-native environment.

“People have transferred to India permanently. Firms insist on this to bring the culture across. It’s really difficult to expect a local team that you hire locally to do that. The ideal solution is to find someone of Indian origin and try to get the best of both worlds with them bringing the culture and being able to adapt to the Indian market.” Informant Two

Informant Two also considers a sense of ownership of the business at all levels to be important. When designing the office for example, he consulted extensively with the junior members of the team to select furniture, and he reports a very low attrition rate relative to global consultancy norms.

“In three years we have only lost 3 out of 45 consultants.” Informant Two

Informant Four describes the culture at Company Three as strongly defined and globally consistent.

“..They compare it to the Jesuits….It’s tough to describe how it gets shaped but you sort of get brainwashed into behaving and acting and doing things in a certain way, which are all good.” Informant Four

In an established market such as North America, Informant Four believes that the strength of the culture helped new employees to quickly assimilate how to work and what was expected of them.

“..It was all there and you just kind of very quickly got up to speed in terms of the firm and what it was all about and what it expected of you.” Informant Four

In contrast, Informant Four notes that while it is as important if not more important, consistent global culture has been harder to establish in fast growing markets, even where these offices have many employees.

“I think in some of the emerging markets it’s that much more difficult to establish that [global culture], and I would argue that that has still not been established in a place like India where we now have 350 people and it’s a much larger practice than the Canadian practice ever was.” Informant Four

If it is to be established, Informant Four believes that culture can best be built through lived values. These values must be emulated by the senior employees in the firm and must inform decision-making.

“There is a lot of reinforcement of the values constantly and so and the values at Company Three are such that they are really used…in the sense that people take decisions based off [of] the values, so that whenever there is a critical conversation of something ... you always say ..’What does this mean for my clients….because we say we have client first and then let’s decide whether we do this or not. So a lot of that reinforcement just happens in the day to day work, in the way [that] people are.” Informant Four

The strength of the culture at Company Three is believed by Informant Four to be a unique differentiator, possessed by few other organisations.

"It's actually quite unique...I don't think I've ever seen an environment quite like that. GE comes pretty close but you know GE and Company Three are close to 100 years old and they've been building this for all this time quite religiously. So this is not easy to do and you can't do it overnight but…there's almost a kind of discipline about the values that helps create that. But it's just the way you work all the time." Informant Four

This ability to build a consistent culture is perceived by all Informants to be highly important but not unique to India. Indeed, all Informants thus far believe that it is important that the culture and values remain consistent to guide how people will do business in all offices, regardless of the business model, client or employee type.

Informant Five believes that retaining the strong values-lead culture of Company Three on a global basis will always be a critical capability for Company Three.

"Well there are some things that have not changed at all and will not change and those are actually our values. I sound like a stuck record when I say the values section for most of my classes coming in and it's incredible …because the value as you describe it is the reason for us being successful in the long term and so those will never change." Informant Five

From the above, we could suggest that the ability to perpetrate a consistent, global culture in which employees believe that they are included is perceived to be critical to survival. This ability is reported to lead to a longer tenure in partners in survivor consultancies, as well as lower attrition than global consultancy norms.

As stated in the introduction to my findings, the data here are consistent across all companies; culture is critical to survival. I have therefore explored this theme in shorter detail than the other themes.

Table Fourteen: Project One Comparison across Culture Theme

Working across Culture		
Sub-themes	**Company Three**	**Other Companies**
Strength of culture	Very high	Very high
Consistency of culture	Very high	Very high

4.5 Comparative Analysis

In order to view the comparison between firms more easily, I have summarised the distinctive features from each theme in Table Fifteen. I have coded the distinctive features comparatively into "high", "medium" and "low" and allocated a rating to each, to both Company Three and Other Companies. Where there is a range in the Other Companies section, I have included that in the appropriate column. I have interpreted the data categories into "high", "medium" and "low" based on the summary data tables in the Findings section. For example, for the initial investment of people, Company Three reports a very high investment of several partners. I therefore allocated them with a “high” rating. In contrast, other companies report either a low or a moderate investment. In that case, I show a range between “medium” and “low”.

Company Three obtains a consistently “high” rating on the overleaf table, in comparison to the Other Companies. This consistent difference suggests that multiple variables might be involved in internationalising in India, because decisions taken at business model and entry mode stage appear to have implications across the rest of the themes and distinctive features.

For example, Company Three’s decisions around business models, approach to entry, choice of clients and idiosyncratic projects seem to be consistent with a similarly “high” rating for early local recruitment, the need for business model experimentation, high attrition in the partner role over time and so forth that is different to the Other Companies. Conversely, the other companies seem to be consistent with one another in their choices of business model and performance-related decisions that they have taken and the implications for the rest of the themes and features.

Table Fifteen: Aggregated Distinctive Features

Distinctive Features	Company Three	Other Companies
People-dependent entry mode	High	Low/Medium
Initial people investment	High	Low/Medium
Time to breakeven	High	Low/Medium
Level of idiosyncrasy	High	Low/Medium
Importance of initial local clients	High	Low/Medium
Early local recruitment	High	Low/Medium
Breadth of required capabilities	High	Low/Medium
Seniority of client relationships	High	Low/Medium
Quality of relationships	High	Low/Medium
Openness to very small/different engagements	High	Low
Pro bono work	High	Low
Quality of work	High	Medium
Impact of work	High	Medium
Early partner role in managing breadth	High	Low/Medium
Later partner role in managing internal consistency	High	High
Later levels of attrition at partner level	High	Low/Medium
Indian market rates	High	Low
Recruiting salaries	High	Medium
Need for development	High	Medium
Need for local apprenticeship training	High	Medium
International mobility	High	Low
Presence of long term view	High	Low
Experimentation with new business models	High	Low
Strong cultural norms	High	High

I identify potential capabilities from the distinctive features by combining them into groups. Because my goal has been to identify a potential list of capabilities that can be extended and detailed in future research, the list represents an initial grouping of features for consideration. I reviewed existing literature to look for potential connections to these features. I found that existing research as described below established a previous basis for connecting the below features specifically:

- People-dependent entry mode
- Initial people investment
- Level of idiosyncrasy
- Openness to very small/different engagements
- Pro bono work
- Indian market rates
- Presence of long term view
- Experimentation with new business models

In Holloway and Sebastio's (2010) review of the business model literature, they indicate that entrepreneurial business model decisions comprise decisions on "venture strategy, architecture, and economics" (Morris et al, p. 727). Holloway and Sebastio (2010) connect the ability to alter the organisational business model several times in emerging markets to an entrepreneurial capability. The above features found in my research also appear to be all related to the capability to be entrepreneurial – to create and cope with the demands of a very innovative, new set of business goals and new performance metrics under the significant pressure of a high investment start up in a partner model.

If we connect the findings from this research to the existing literature on business model innovation as referenced above, there is some evidence for an entrepreneurial capability, as summarised below:

1. Entrepreneurial
    a. Ability to invent and monetise new business models
    b. Tenacity
    c. Ability to identify new and unusual client types
    d. Ability to balance revenues with the long term desired profile of the organisation

In referencing the PSF literature reviewed, some of the features appearing both above and within the total group of features identified in this research, there is some evidence here of another potential capability relating to the relational capability identified by Hitt et al (2006) and referenced in my Literature Review. For the companies researched to be able to create new and different engagements, experiment with different business models and not generate revenues in the new market for a longer time, the organisation had to be able to obtain and sustain support from global partners and stakeholders. When coupled with the need to sell to very senior clients at high quality, consistently, this potential capability seems to tie with the earlier capability identified by Hitt et al (2006) as relational. Specific features include:

- Time to breakeven
- Importance of initial local clients
- Strong cultural norms

- Initial people investment
- Level of idiosyncrasy
- Openness to very small/different engagements
- Pro bono work
- Presence of long term view
- Experimentation with new business models

It is the organisation's ability to manage the above features as entrepreneurial capability that requires an ancillary relational capability which supports the organisation as it experiments. Indeed, Hormiga, Balista-Canino and Sanchez-Medina (2011) argue that strong relational capital, the intangible assets found in the network of relationships that a firm has with its suppliers, customers, parents and broader market, will predict a more successful start-up. Using this basis in the literature and the findings from my research, I summarise the potential relational capability identified from the data as;

2. Relational
    a. Ability to obtain and sustain global support from partners when breakeven time is long
    b. Ability to sell to extremely senior clients
    c. Ability to be a trusted advisor

Following the indications from the Literature Review that value in the PSF can be created from both organisational assets and individual experience (Alvesson, 1995; Swart and Kinnie, 2003), I noted the data from Informants detailing their requirements at an individual level relating to their ability to perform client engagements effectively. Here, Informants responding on behalf of Company Three noted consistently different responses to the responses gathered from work with other researched companies. The relevant features include:

- Breadth of required capabilities
- Seniority of client relationships
- Quality of relationships
- Quality of work
- Impact of work

I have categorised these into a third capability: extended professional expertise. This is an extension of the Hitt et al (2006) and Spar (1997) definition of human capital as comprising expertise and experience. The expertise described in earlier studies relates to a pre-ordained set of professional guidelines (such as in the legal profession) that must be mastered in order to customise to each client effectively. In this research, it is clear that partners in Company Three who adopted the people-centric business model diverged heavily from pre-determined expertise in order to cater to new levels of impact, quality and breadth in their client engagements. Because these conditions were also reported as new to the partners, it seems difficult to associate the above with the previous definition including experience. They are demonstrating professional expertise that allows them to deliver high quality, high impact work. However they have created the foundations for that work - including new tools, models and benchmarks – as an extension from existing PSF expertise. I propose the following definition:

3. Extended Professional Expertise
    a. Ability to be expert across a range of subjects
    b. Ability to draw in expertise from global sources
    c. Ability to create advice from environments with little or no reliable data
    d. Ability to generate high quality, high impact services

Finally Informants emphasised the challenges inherent in building and growing an office in India, beyond building client successes. Again, Company Three has taken a consistently "high" route in these features, which all relate to the internal workings of the company. Features here appear to relate directly to the managerial capabilities of the partner. Example features include

- Early partner role in managing breadth
- Later partner role in managing internal consistency
- Later levels of attrition at partner level
- Recruiting salaries
- Need for development
- Need for local apprenticeship training
- International mobility

Based on the evidence, I propose a definition of this capability below.

4. Managerial
    a. Ability to be involved in all elements of start up
    b. Ability to monitor quality and impact without global standardisation
    c. Ability to identify, recruit and develop local talent using new, apprenticeship approaches
    d. Ability to manage resources to reduce costs and develop people whilst maintaining quality

From the analysis, it appears that the above four categories of capabilities are distinctive to Company Three. Out of the four categories, two are reported to change after immediate entry. In the entrepreneurial category, partners report a diminishing need for these skills and connect this with the attrition in Company Three. In the managerial category, partners in Company Three report a move towards greater standardisation and less involvement in all elements of start up over time, and again connect this to attrition in Company Three after initial entry. However, the other categories remain constant over the time period reported by Informants and unique to Company Three. This list perhaps develops further the descriptions reviewed in the literature research above, extending the potential definition of “relational and human capability” described by Hitt et al, (2006) and Lepak and Snell (1999). It also identifies the managerial and entrepreneurial capabilities that are not explicitly identified in the literature review.

4.5.1. Application of Capabilities

Informants' responses did not only indicate capabilities in the sense of how effective a person is at a given routine or ability - but also a set of decisions that are interdependent with the capabilities. These decisions and capabilities are linked; once a partner makes a decision about their business model, in this research, they are committing to building a series of capabilities around professional expertise, management, entrepreneurialism and relationships. These capabilities are not limited to how effective a partner is in them, but also how they deploy them as individuals.

In order to explore this further, I have attempted to draw out potential relationships suggested by the data. One decision point suggested by the research is in the area of the intent of the business itself. The partner needs to know what type of consultancy they wish to offer (idiosyncratic versus standardised), what types of performance they are looking for (high profit versus moderate profit or fast/moderate initial growth), what type of entry model they have (people, process, licence) and therefore how they should resource the entry. This set of decisions has been labelled ***Capabilities related to business model selection***, to summarise the set of performance-related decisions that an organisation must take. The implications for these decisions are to build a set of performance metrics that can then be reported to others, and against which the partner will measure themselves.

Once taken, it appears that the partner takes a series of further resource allocation and client-related decisions that have structural and time allocation implications for how they grow. They decide what type of clients they will choose, how they will serve them, managing quality and impact, and how to build the most effective, learning organisation to support them. These decisions comprise managerial capabilities – how I will spend my time as a partner, how I will both build business and recruit and develop effectively, as well as entrepreneurial capabilities – how I will allocate my time to managing new types of clients using new types of tools. This category is important not simply in terms of how effective the partner is, but in how they are allocating their time at a personal level to these simultaneous demands. In some senses this time allocation is an inherent tension between the need to be entrepreneurial and the need to manage that entrepreneurialism alongside managerial and relational capabilities. This set of decisions is labelled ***Capabilities related to selection of capacity and resourcing approaches,*** to reflect the individual capacity allocation processes that are relevant to partners as they deploy capabilities.

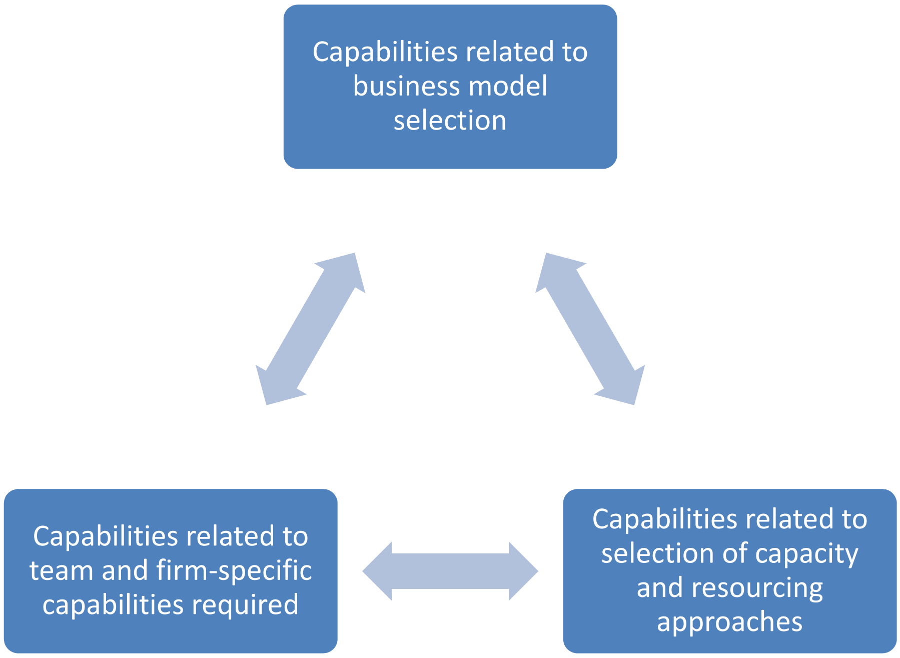
Finally there are series of attendant capabilities that are required to support the implementation of these decisions. This set of decisions is labelled ***Capabilities selected at partner, team and firm level.*** In this category one can expect to consider how effective the partner is at the appropriate capabilities. For example, professional expertise might belong in this category for consideration; is the partner individually able to address the nature of work and relationships required? Are they overtly building their effectiveness at the right capabilities?

The model below is triangular because this research indicates that each of the three categories is interdependent, therefore reinforcing and being informed by the other two.

Figure Five: Project One Capability Categories Involved in Survival in India

Questions involved:

- What kind of margins do we want?
- What kind of business do we want to do?
- What entry mode is appropriate?



Questions involved:

- How entrepreneurial must we be?
- What kind of relational capabilities do we need?
- What kind of expertise do we need?
- What kind of managerial capabilities do my partners need?

Questions involved:

- How should we recruit and develop?
- What type of clients should we choose?
- How should we service clients?
- What kind of quality and impact are we looking

If this were subjected to further investigation, this model could prove useful in indicating the sets of distinctive and successful decisions taken by one partner when entering into India. Further exploration of the survivor consultancy group in India could also extend the model by indicating a list of decisions and questions that partners should seek not only to answer, but also to be consistent across in if they are to succeed.

4.6 Conclusion

This research was intended to provide a first and high level review of potential capabilities deployed by this sample of survivor Western management consultancies in India. We have seen from a small but highly relevant sample that much of the research substantiates and perhaps extends existing thinking about consultancies. The Resource Transfer theory (Madhok, 1997; Kogut and Zander 1992) is largely supported by the expansion of the people-centric consultancies. The research suggests some important implications of the use of this entry mode in terms of how consultancies should identify and develop its staff, which would merit further research.

From this evidence also emerge some capabilities which are not currently described in existing consultancy research. It would be of great interest to explore whether these could represent an additional category, critical to management consultancies when expanding into new markets, or whether they are “higher order” capabilities, or groups of capabilities relevant in certain contexts. It would also be of interest to investigate whether the relationships between capabilities identified from this sample could be more broadly applicable in terms of its suggestion that a series of aligned decisions must be taken across multiple capabilities in order to be successful. Returning to the common features or potential conclusions from the literature review, it is clear that different companies see these questions differently.

I had surmised from my literature review that the levels of absorptive capacity would be greater in fast-growing economies than in more mature economies. Project One evidence suggests that the people-centric models need to innovate much more around new insights and information, whereas those companies interested in exporting globally consistent products and services do so less. The research therefore partially supports this expectation, depending on the selection of internationalisation approach.

My literature review had also suggested that survivor management consultancies in India may not automatically offer outputs that were standardised to achieve consistency across each firm, whereas the information provided by the other companies suggests that many consultancies do in fact provide global standardisation.

Finally the literature review had suggested that we could expect the consultancies to require different capabilities to those required in other global markets, and that they would be largely consistent across survivor firms. This expectation is also not absolutely supported; indeed we see that there are some consistencies across global capabilities, but in some cases, entirely new capabilities are required.

The limitations of my initial research centre around the amount of data gathered. They also include my focus on qualitative methods only. Further research could take the form of larger scale investigation in the same regional context or persistent investigation of the same context across multiple regions. This initial piece of research enables broader investigation through its generation of a potential list of capabilities to investigate, both in isolation, and in relation to one another. In my next project, I would like to address some of these limitations and strengthen the evidence for these capabilities by reviewing the capabilities with a larger population to extend the model and the capabilities generated for their presence, importance and any relationships between them.

5 Project Two: Four Cases of Internationalisation of a Born Global Professional Services Company: A Model for Interrelated Capabilities

5.1 Abstract

This paper builds on existing research in the areas of internationalisation of services and capability approaches to study four subsidiaries of an internationalising professional services firm operating in both Western markets – the United States and Europe – and fast-growing economies – India and South Africa. Using a multiple-case study approach, the research identifies eight capabilities – aligning perceptions of global strategy, sensing the environment, responding to diverse client needs, creating diverse pricing for engagements, managing capacity, building breadth and depth of capability, creating positive climate and readiness to change - perceived to be important to internationalisation. The research indicates that when a subsidiary makes changes that are internally consistent with one another in intention and outcomes across these capabilities, the firm achieves success on its targeted metrics of revenue, margin and client satisfaction for a limited time period. The value of consistency across all capabilities appears to subsequently erode over time, leading to a decline in performance, or a risk of decline in performance. A model is proposed to illustrate potential relationships between capabilities across each of the four subsidiaries. This research attempts to contribute to theory by identifying a group of seemingly interdependent capabilities which together appear to contribute to short term competitive advantage in the researched subsidiaries.

5.2 Introduction

This research aims to contribute to existing theory by exploring the under-researched phenomenon of how Western professional services firms internationalise. By building on and combining relevant existing theory with evidence provided by four internationalising offices of a professional services firm, the research identifies eight capabilities, which, when built or deployed with internal consistency, are shown to contribute to performance. Over time, the value of this consistency erodes and performance declines unless the firm is able to change across multiple capabilities. These capabilities are grouped together but not necessarily sequential. However in combination, the capabilities appear to be critical to overall success according to the firms' targets. Analysis of the data has led to the creation of a model, which with further refinement, is intended to provide an initial understanding of relationships between capabilities in internationalising professional services firms across multiple economies growing at different rates.

As the Literature Review chapter reveals, research in internationalisation is substantive and on-going, reinforcing this as an area of continued interest to theorists seeking to fully explain this concepts and its application. From the existing research, I conclude that there are unanswered questions as to which capabilities are required for PSFs internationalising in fast-growing economies and how they can or should be changed as market dynamics change. These conclusions are supported by my Project One research, which identified a preliminary list of capabilities which appeared to be interrelated for further investigation. My review of existing research also yields some fundamental concepts across some important bodies of work, which have then been considered in my primary research. I have identified a sample firm that is different to the originally researched sample in Project One to gain greater breadth of evidence across multiple cases.

The earlier, general Methodology chapter outlines the rationale for using a comparative case analysis method and the methodology section in this paper describes in detail the research undertaken. The results section to follow provides a comparative analysis of four internationalising geographies of a Western professional services firm, where I identify and substantiate several capabilities. In the discussion, I review each capability and how it is connected to the others, before proposing a model which seeks to explain the capabilities involved in internationalisation of professional services firms identified from this sample. In the conclusion, I explore opportunities for further refinement of the model, as well as comparing how it builds upon and varies from existing research.

Specifically, my review of the theory suggests a number of questions that I propose to begin to address using primary research:

1. Which capabilities are important to the four subsidiaries studied as they internationalise, particularly into fast-growing economies?
2. How do organisations change these capabilities and how is that perceived by offices to have an impact on performance?

5.3 Method

This research seeks to identify important capabilities in the internationalisation approach of PSFs and better understand the relationship(s) between them. As also indicated above, the research would best be achieved through an understanding of one or several cases over time with the kind of rich, in-depth, perceptual data likely to emerge from qualitative rather than quantitative evidence. Below I detail my research methodology for this paper, using tables to describe how I selected the research subject and Informants, and how I structured data collection and analysis.

Table Fifteen: Overview of Sample and Informant Selection Criteria for Project Two

Criteria	Rationale for Selected Criteria	Appropriate Attributes
Western firm, internationalised into more than one fast-growing economy plus other Western economies	- Western PSFs internationalising into fast-growing economies are my research context - Comparison across more than one fast-growing economy allows for comparison of common and distinct capabilities by market context and firm subsidiary - Comparison to Western economies allows for consideration of capabilities that are distinct to the fast-growing economies context	- Alpha is a US headquartered PSF which has internationalised into the UK, India and South Africa.
Leading PSF in its market	- Gathering cases of companies that are exemplary in terms of revenues and client satisfaction (audited by external ranking systems) allows me to find capabilities that could denote good practice in this area	- Alpha is rated by several external rating authorities as market leader in its specific PSF area - Alpha has been consistently successful in retaining existing customers, supporting its success - Alpha's varied performance by subsidiary also allows some comparison between effective and ineffective capabilities in certain markets, even where the overall company has good performance
Established presence for more than three years with variation of performance across firms	- It is assumed that most PSF subsidiaries would need to be at least partially self-sustaining after five years - To avoid studying organisations that do not necessarily demonstrate sustained performance - Variation of performance allows me to compare capabilities within the same firm across multiple regional and performance contexts	- All subsidiaries have been in existence for more than 3 years. - Subsidiaries show uneven performance, and one firm was closed down shortly after inception
Is focused on building idiosyncratic services as a major component of its service offering	- This magnifies the context to be researched, rather than balancing idiosyncratic with more standardised services	- Alpha focuses exclusively on the provision of idiosyncratic services
Is able to reflect on capabilities in the internationalisation process	- This suggests that the organisation will be interested in reflecting on the capabilities to be internationalised - This suggests that Informants can provide a retrospective view of relevant capabilities	- Alpha has adopted a "global growth" agenda. This research complemented a strategic review from the management team into Alpha's ability to internationalise - Managers and the CEO were actively involved in considering Alpha's internationalisation strengths and challenges - Alpha is "born global". Born Global firms offer a predisposition towards internationalisation that may be interesting to consider here in clarifying required. They can subsequently be contrasted with other appropriate firms that are not Born Global to find commonalities and differences. (N.B. please refer to Literature Review or Glossary for definition of Born Global concept)
Is able to show capabilities at multiple hierarchical levels	- This allows for greater understanding of relevant capabilities, both in how they manifest themselves as activities, and also in how they are perceived by those who enact them, consciously or unconsciously	- I was given research access to the top three levels in the organisation, plus strategy documents, confidential client feedback and financial information for global and local regions

The researched firm, Alpha, has adopted an internationalisation strategy within two years of inception, which has led to the development of five international offices, one of which has subsequently closed. The four remaining offices are performing unevenly, with performance (revenue and margin) slowly deteriorating in one office, but growing at different rates in three offices. This variance in performance offers some polarising insights, in that contrasting data and patterns can be observed in the evidence.

Table Sixteen: Project Two Summary of Research Processes and Rationale

Research Step	Selected Method for Project Two	Rationale
Research design type	Case Study – comparison of four subsidiaries within Alpha	Similarity of subsidiaries within one firm as opposed to different firms should allow for clearer visibility into differences by regional or performance context.
Organisation Selection	Top firm in marketplace, but with variable performance at subsidiary level	Top firm offers optimal insights into how successful PSFs perform as they internationalise. Variable performance at subsidiary level allows for comparison of differences by regional or performance context. See Results section for a review of Alpha's history
Informants Selection	Three positional levels in the hierarchy	I interviewed the Heads of each Region, plus a relevant sample of two reporting levels below each Head of Region
Interviews	Face to face and telephone, recorded and transcribed	I conducted all interviews personally, either face to face or by telephone. For the face to face interviews, I conducted them in the offices. For the telephone interviews, I interviewed leaders at their home or on their cell phones outside of the work context, which allowed them to describe difficult situations more easily and candidly than if they were in work. All interviews were recorded and transcribed verbatim personally. Interviews were approximately two hours each, with some lasting for seventy-five minutes and others over two hours. In total I collected approximately twenty-six hours of transcribed interviews.
Question design	Semi-structured interview protocol	Please see appendix for protocol example. Semi-structured protocol allowed me to ensure that generated some consistent narratives across companies and Informants whilst allowing for new capabilities and differences to emerge.
Coding approach	NVivo	This allowed me to improve reliability by clearly categorising evidence and revisiting multiple times in and out of order to reduce subjectivity. Also allowed use of tools such as Tree Maps to visualise prevalence of capabilities. Also allowed for incorporation of supporting documents within one coding structure
Additional data	Archival references	As evident from the Findings and Introduction, I also conducted both academic and trade-related searches to unearth documents including academic articles, annual reports, strategy documents, culture scans and press releases. All were sourced independently.

Informants were selected through a combination of hierarchical authority – I wanted to speak to at least one of the senior leaders in each office – as well as leaders who my initial Informants decided would have insight into the performance and internationalisation of their office by virtue of their time with Alpha, and their oversight of important projects within each office. I also collected additional data - a culture scan using the Denison Culture Scan instrument (Denison and Mishra,1995) that was independently commissioned by the management team for the European, South African and US offices, a census of client projects (client name and industry, total and annual value, objectives, length of engagement, point of contact) undertaken by each Informant at the time of interview, and when that Informant started employment at Alpha, revenues for each office since inception, headcount numbers for each office since inception, current fiscal year strategy summaries for each office, and a number of articles from public sources including newspapers and industry press.

Semi-structured interviews were conducted with each Informant, lasting between one hour and 15 minutes and over two hours each, for a total of approximately 26 hours of recorded interviews. Interviews combined the gathering of “courtroom” data (Graebner, 2004) such as facts and dates regarding internationalisation, along with data relating to Informants’ perceptions of factors important to internationalisation, perceived capabilities, perceived and reported culture and perceptions of global strategy. Informants were promised anonymity of organisation and name, allowing some to report their willingness to share more information. Each Informant was offered a transcript of the interview and an opportunity to change or add to the interview afterwards via email or telephone. One Informant requested the interview transcript and used it for their notes. Several Informants wrote following the interview to thank me for the interesting conversation, and Alpha has subsequently requested a summary of the analysis for their learning.

Each interview was recorded and transcribed and then coded in NVivo using the analysis process described below. Codes were initially created as a combination between the presenting ideas in the literature and from my previous research. The first interview was completed and coded before subsequent interviews took place. This allowed the researcher to take feedback from the first Informant as to style and questions as well as to alter the anticipated coding structure before further interviews.

As Yin (2009) and Corbin and Strauss (2008) recommend, I firstly surfaced some key assumptions when considering prior theory, so that evidence was considered in the light of existing theory and constructs, rather than purely inductively. In the results section, the evidence is summarised for each case and presented. While the interviews were all conducted using the same semi-structured interview protocol (in the Appendix), I noted some significant differences in responses and descriptions between geographies. These differences have been presented in the Results section and are discussed in the Analysis section, so that analysis can be made, not just of the responses themselves, but also of what we can learn from what was not mentioned, or not focused on overly.

When structuring and presenting the analysis, I followed the Graebner (2004) and Eisenhardt and Graebner (2008) approach. The literature review and my earlier research yielded *a priori* concepts to be explored – market conditions, structure, strategy, senior leaders’ backgrounds and experiences and leaders’ breadth and depth of capabilities. As both the interviews and the coding progressed, eight capabilities emerged from the evidence in two ways – 1) through direct provision from the Informants or 2) through analysis of consistencies and differences across offices. In the first instance, each Informant was asked to provide factors that they believed influenced Alpha's internationalisation in any way at the end of each interview. They had the opportunity to revisit or prioritise previously mentioned factors as well as introducing new factors. I explain next to each capability whether it emerged through direct interview or through my clustering of analogous features into broader categories.

Analysis was conducted through a series of comparisons in tables from the initial NVivo coding process as described below. I first coded each interview independently into potential capabilities, using the four geographies as parent nodes and extrapolating potential capabilities for the initial coding process from the activities described by each Informant. For example, two pieces of evidence included *"I don't see an articulated strategy around growth and global footprint, I think we've basically been opportunistic"* [European RMD], and *"[the US office is] somewhat insistent about the fact that we have a strategy, even though there isn't one there"* [European Partner 1]. I coded both of the above into *perceptions of global strategy* as a capability, to allow for the divergence of opinion as to whether Alpha has a strategy, whether it is global and whether it is clear.

There was substantial consistency from the use of this approach of activities description across geographies – no geography described a capability that was unique to that geography but that was described by two or more Informants. I discarded potential capabilities that were only identified by one Informant in the three geographies where more than two Informants were interviewed (US, Europe, South Africa). With India, I checked the capabilities identified by the initial coding process from one Informant with the other Informant to mitigate the potential weakness of having only two Informants from that region.

I also coded both the documents provided to me by Alpha and those that I identified independently into the same categories. Unlike Project One, I received more confidential documentation (strategy reviews, client feedback, culture scans) for Alpha. I coded this information into the original coding process described above. Where I did not find corroboration for capabilities identified by documented evidence from at least one other Informant, I discarded the codes from documents. External documents informed my questions and the follow up questions that I was able to ask Informants during interviews.

This first coding process then yielded a large table with capabilities as rows, and the regions as columns. This allowed me to compare across geographies. The consistency of capability descriptions across geographies was striking; Alpha Informants did not describe different capabilities, but rather different ways to manifest a given capability. I therefore used tables as a way to compare capabilities across this research to highlight commonalities and differences in how capabilities were described and manifested.

My analysis incorporated a feedback process, where I presented my preliminary conclusions to the management team. This allowed me to improve the accuracy of my conclusions. Feedback from this process was positive, with the management team asking for data by region and evaluating each region independently. No major corrections to my preliminary conclusions were made. The repeated coding process demonstrated the utility of reading and assimilating all data before final coding takes place, as recommended by Corbin and Strauss (2008).

I enclose below a summary of the Informants and evidence gathered.

Table Seventeen: Project Two Summary of Informants and Evidence Gathered

Region	Regional Managing Director / Executive Director	Partner	Consultant	Strategy Document and Client Feedback	Total
North America	3	1	0	Yes	4
Europe	3	1	1	Yes	5
South Africa	1	1	1	Yes	3
India	1	1	0	Yes	2
Total	8	4	2		14

5.4 Limitations of Method

The major limitation of this research is that the unit of analysis is one firm (albeit multiple offices) over time, rather than multiple firms. What I was able to achieve in terms of substance through in-depth interviews and evidence review may counteract this limitation somewhat, but it is expected that the conclusions and propositions from this research should be explored across further, similar contexts in order to create a more robust model. Additional limitations can be argued, in that the research was conducted by one researcher, using semi-structured interviews. Whilst careful personal reflections were taken after each interview, questions and timings were naturally altered with each Informant dependent on the researcher's assumptions about relevant information to be exchanged and new insights to emerge. The interviews were conducted at one point in time, asking Informants to consider their entire period of employment at Alpha, but the offices are still operational, therefore research only permits review of what has occurred, rather than the complete picture presented by, say, a firm that has either declined completely or succeeded over a long period of time. Given that the firm has only been in existence for 12 years, it may also be important to find analytical generalisation across firms within different contexts to explore whether overall age is significant.

Another limitation is the relatively small number of Informants available to be interviewed. Research was conducted on all of the senior leaders in the two smaller subsidiaries (India and South Africa), but only on a relevant sample in Europe and US. Using this approach, the research covers the total relevant population in two cases and a relevant sample in the two others. However this population (and the firm) is relatively small. A longitudinal study may be a suitable next step, which would offer more clarity into the perceptions of Informants over time, rather than asking them about their office when they joined and at the time of interview in one interview. Finally, this research does not use a grounded theory approach, using several case studies and drawing heavily on advice from Glaser and Strauss but not finding saturation (given the relatively limited sample size) and adjusting interviews as they progressed. This limitation suggests that subsequent research would be helpful in testing the model more rigorously.

5.5 Results

I use this section to first present a general introduction to Alpha's history, founding and positioning. Following this, I present narratives for each researched office. I have divided each narrative into sections, for ease of review. In the Discussion Section, I take each capability identified by the research, provide further evidence to explore each capability in more detail and analyse the sequencing and potential generalisable insights from each.

Table Eighteen: Overview of Alpha's History

Date	Event
July 2000	- Alpha founded in US, with global revenues of $8m - Alpha simultaneously founded in the Europe
2001	- Alpha's European office closed and relocated to Europe
2007	- Alpha opened Indian office
2008	- Alpha opened South African office - Alpha achieves record revenues of $80m
2010	- Alpha's global revenues recovered from drop in 2008 - Alpha revenues in India have remained static over 3 years - Alpha's HQ revenues have declined sharply - Alpha's UK revenues have slowed but not declined - Alpha's South African revenues have grown significantly

Alpha is a professional services firm founded in July 2000 in the USA. Annual revenues began at $8m within year one from business transferred from the sister company, reached $80m in 2008 and currently hold global revenues of $65m. Alpha had expanded internationally within one year of inception and currently has four international offices, in the US, Europe, South Africa and India. A further office in South-East Asia is currently being considered and additional regions served from these offices include the Middle East, China and South America. The firm has retained the same structure since two years after inception. This firm regularly receives public acclaim and awards for the innovation and impact of its work and is considered by several clients and public bodies as having invented a particularly innovative and appropriate business model. Alpha's approach is centred on providing customised services to clients, as opposed to broad-scale provision of benchmarking or pre-set, process-driven tools. Alpha is regularly cited in the international press (including the Financial Times, BusinessWeek and the Economist).

Alpha's founder is a highly respected businessman and professor, who has since taken a leading role at another leading professional services firm offering a balance between customised and non-customised services to clients. The founder was responsible for not only creating the unique business model and value proposition, but also for assembling an unusually diverse set of employees in balance to manage clients and grow business. The founder had a strong vision for Alpha's culture as an informal, highly networked organisation where "shoulder tapping" (an informal approach, led by unscheduled discussions and high degrees of collaboration) was the norm and delivery of services remains a team-based approach. The founder instituted various values, including a lack of hierarchy, frequent communication across offices, and a prioritisation of skills related to inquiry, as opposed to advocacy across all levels.

Alpha is a good example of a Born Global firm, having opened its second office within one year of inception and opened several in succession following that. The founder is reported to have had ambitions to continue to grow the firm more quickly than its current expansion. These plans were halted mid-way during the recession. The current Executive Committee plans to open a further office in South-East Asia, but reports concern over the need to manage the perceived underperformance of some existing offices, whilst investing scarce resources in other offices.

Since the founder's departure, Alpha has been led by two other CEOs. The second CEO was in role for three years, presiding over Alpha during the recession and a sharp decline in revenues in the United States. The current CEO has been in role since 2010. Neither the second nor the third CEO has made deliberate changes to the strategy or culture of Alpha, appearing to concentrate on improving performance in declining parts of the business. The founder and original founding members still retain a visible presence across Alpha, consulting to Alpha and selected clients as well as participating at executive level in some instances.

I review each subsidiary below, first to describe their history and second as I consider each capability. I have ordered descriptions of each subsidiary by descending revenue size.

5.5.1 Case One: Headquarters

Alpha Inc. Headquarters was founded in 2000 in North America to deliver a new business model for consulting that relied more heavily than the competition on the provision of highly context-specific services to its clients. Founded by a range of professionals from diverse backgrounds, the headquarters now accounts for approximately 33% of overall revenue and houses approximately 37% of global client-facing staff and the majority of non-client facing staff. The client base is diverse, including work in the engineering, defence, manufacturing, technology and media industries. Due to overcapacity, the office also manages a number of international clients in Scandinavia, Middle East and Kazakhstan in addition to providing individual support to European and South African projects.

In summary, the case for the HQ paints a picture of a rapidly growing company in stasis or decline after 12 years of business. While the start-up phase was extremely successful, the environment has reportedly changed significantly. Structurally, many changes have occurred to help the company adapt to these challenges, but the underlying solutions, resourcing and pricing approaches have not changed significantly. Moreover, the capabilities are reported to have eroded over time, along with an overall culture shift, from a positive to a somewhat negative culture.

5.5.2 Case Two: European Offices

The European office was initially founded in Brussels in 2000. By 2001, the Brussels office was closed and relocated to London, where it has remained open since. Founded by a former businessman and a former academic, the European office now accounts for approximately 40% of overall revenue and houses approximately 32% of global client-facing staff and a small number of non-client facing staff. The client base is diverse, including work in the financial services, engineering, energy, manufacturing, technology and media industries. The office also manages a number of international clients in the Middle East and South-East Asia in addition to providing individual support to South African projects.

In summary, the European offices are currently in growth, with an extremely strong and positive culture and some marked differences to the US headquarters, namely the diverse capability building and successful innovation. Senior leaders pay great attention to changes in the environment and are able to translate those into new client engagement types, with the requisite pricing and resourcing models. The European offices maintain very strong links to the other international offices and have demonstrated successful efforts to experiment with new business models and client engagements. The European offices believe that they will need more experimentation in the future, and are concerned that growth may become sluggish.

5.5.3 Case Three: South Africa

The South African office was initially founded in Johannesburg in 2008, via a (now) former client request for local presence to support the creation of a new department. Initially staffed by one US Partner, in 2009, the current RMD joined from a former leadership position in a financial services firm in South Africa. The South African office now accounts for approximately 18% of overall revenue and houses approximately 13% of global client-facing staff and no non-client facing staff. The client base is diverse, including work in the financial services, energy, agriculture, NGOs and extractive industries.

In summary, the South African office is a very young company, currently in a growth phase. Much attention is paid to the South African and African environment. This is then translated into a relatively unique set of client engagements, with locally adapted pricing and resourcing models to serve them. Culture is internally very positive, with a positive view of the senior leaders within the European and South African offices. Concerns exist about the level of connection to Alpha globally, but the South African office overall is perceived to be one of the stronger cash generator for the company over the next few years.

5.5.4 Case Four: India

The Indian office was initially founded in 2007, via a partnership with a very well-known local provider, and was initially staffed by a former US Executive Director and two Indian Partners. In 2009, both Partners left following a dispute and were replaced by a remaining Indian Consultant who was promoted to Partner, along with a former Executive Director from the UK as the current RMD. The Indian office now accounts for less than 10% of overall revenue and houses less than 10% of global client-facing staff and no non-client facing staff. The client base is relatively narrow but consistent and loyal, comprising activities in the business process and technology management industry, conglomerates and financial services industry.

In summary, the Indian office is a good example of a firm that has not yet achieved the desired levels of growth. A combination of factors including the recession, the deployment of the exporting model and some resourcing issues has delayed initial growth substantially. The office is now made up of a small number of partners who are focused on building new client engagements. The market is demonstrably fairly well understood, but this understanding has not yet fully been translated into locally specific client engagements. Some adaptation of pricing has been made, but resourcing remains largely global rather than local. The office is too small to report a coherent culture and relies heavily on connections with the US office.

To follow, I have gathered insights and evidence on each capability across offices.

5.5.5 Selecting Strategy for Start-up

Start-up, while not considered a capability in itself in this research, is the first relevant construct. I have not considered start-up a capability because it seems to incorporate several capabilities, which have not been fully specified by this research. Moreover, given that the research did not focus exclusively on the start-up phase, but rather on a firm over three time periods, a comprehensive review of start-up capabilities, although interesting, was not in scope. The literature review shows that decisions relating to how a firm starts up – which resources are sent, which growth expectations are communicated - in a new location may be important in determining the overall success of the firm (Johanson and Vahlne, 1977; Bartlett and Ghoshal, 1998; Buckley and Lessard, 2005; Freeman and Cavusgil, 2007). Offices selected different strategies for start-up, and Informants report that these choices influenced their office’s ability to grow over time. Three elements seem to be important and related in start-up across all offices – the speed of growth and how well the brand is known, the perceived strategy and associated performance metrics for the office, and whether an export or local model was initially selected.

Two geographies – US and Europe - were founded almost simultaneously. In the US office, growth was relatively instantaneous, and ascribed in part to the novelty of the business model and approach. The US office reflected on which types of clients they wanted, but eventually took any revenue available.

The European office had a clearer mandate to service local clients, build new clients and grow brand awareness. Targets were frequently overambitious and therefore not met. This led to initial concerns between US and European offices as resourcing planning was made according to targeting as opposed to booked revenue. While the European office closed their Brussels office quickly, the European office took approximately five years to become a substantial business. As with the South African and Indian offices, in Europe, the Alpha brand was unknown and there were early struggles with building confidence and awareness in the marketplace. The export model has clearly not been a successful approach for Alpha, with reports of it delaying performance and success substantially. By frequency of mention and specificity from Informants, European, South African and Indian offices have also paid close attention to understanding local market conditions. These especially include local regulation and variance from Western economies in both the Indian and the South African case.

The Indian office was intended to allow access to new global growth, and the South African office was originally requested by an Alpha client. For both offices, clear metrics were equally absent.

Positioning the brand locally is also an important factor; where Alpha did not either demonstrate an understanding of local regulations or suggested an American brand, the office struggled to convey a global or locally relevant brand. The RMDs of each region describe this global/local adaptation as a significant challenge of their role in starting.

Related to the perception of brand, whether the model is locally derived or adapted or exported directly seems to be important. All offices where an export model was initially attempted report delays of several years.

As an input metric, then, the start-up phase seems to comprise some important considerations; what is the rationale for being in country – serving existing clients, building a global brand, how will we position the brand and resource market entry, which clients will we pursue. These choices have significance as to how quickly the office may grow, as well as the perceived morale during start-up. However, this is a one-off construct, which sets in motion eight further capabilities on a repeated basis.

Table Eighteen: Project Two Summary of Start-up Evidence

Office	Initial Growth and Morale	Perceived rationale for office	Export or localised model	Summary of Themes
US	- Fast initial growth - Reported growth due to novelty of business model - Lower perceived risk of failure within one year	- Vision and planning were undertaken but overlooked in favour of revenue	- Model was built in US - Local	- Novel, exciting - Fast success (12-18 months) - Positive morale - Lack of measurement - Revenue wins over explicit choice of client
Europe	- Slower start – up to 5 years to get sustained growth - Unknown brand in Europe initially led to smaller client engagement sizes	- Serve existing clients, grow new clients and build brand awareness - Overambitious target setting	- Local model	- Quick open/close of underperforming office - Good growth (above 30% per annum), although modest compared to US initial growth - Overambitious targets - Challenges with building brand in new market
South Africa	- Slow start - Perceived American brand	- Client requested South African presence	- Initial export model	- Reported slow start - Initial export model - Initial lack of awareness of local regulations - Initial challenges in building local confidence in brand
India	- Slow start, compounded by recession, internal discord and expert model	- Perceived access to new global growth market	- Initial export model	- Initially exporting US model and initial disputes leading to instability - Overall lack of expected growth - New structures put in place, looking to growth in 2012 and onwards

5.5.6 Aligning Perceptions of Global Strategy

This capability emerged as Alpha heavily positioned itself as a global company, whereas a significant difference can be observed across Informant interviews between the different offices as to how they perceived (and therefore acted on) Alpha's strategy to be global. Each office reports its own interpretation of how global Alpha is and would like to be, and what being global actually means. This perception of global strategy by Alpha employees has influenced the way in which international offices are staffed, which client projects are undertaken and the expected revenue from each office.

This is a relevant capability to each office; in that it seems to have influenced the way in which Informants consider their office's role in relation to the global whole, the need to be connected, to adapt or to export. The two main themes within this capability contemplated by each office are whether the strategy exists and is global, and what being global means to each office.

Only the US office is reported to perceive the strategy to be particularly strongly communicated or global in nature. Informants from other offices express surprise at the US office's belief that a strategy exists at all. For the other offices, the strategy has been largely opportunistic, and existing more as a vision than a clear plan. For the South African and Indian offices, the strategy was largely to follow clients and new sources of global growth.

In terms of what being global means to each office, this varies widely. For the US, being global is reported to be a source of global competitive advantage. Being global, for them, involves two main concerns; how global is delivery capacity, and how connected are the offices. In the main, the US believes that they are primarily successful in achieving delivery capacity. However the US reports some perceived improvements in connections across offices. The European office believes that delivery capacity is the only way in which Alpha currently operates in a global fashion.

Rather than attempting to decipher or execute the US's strategy for global delivery capacity, other offices are preoccupied with the translation into local context and the translation back between local and global contexts. Perceived direction of information and standards seems to vary between offices. In India and the US offices, the direction seems to be from global (or US) to local. However, the Indian office has made several attempts to inform global colleagues of local conditions. In South Africa and Europe, the direction is at a minimum in both directions, if not largely intended to be from local to global.

The implication from the evidence is that this capability is an important filter as to which business is sought, how the office interacts with other offices, what success looks like and the level of resource-sharing across offices.

Table Nineteen: Project Two Summary of Responses for Capability - Aligning Perceptions of Global Strategy

Office	Is there a global strategy?	What does being global mean?	Summary
US	- US Informants believe strongly that global strategy is present and is distinctive feature of Alpha	- Predominant evidence for being global provided is delivery capacity - Some perceived improvement in connections across offices	- Perceived to be strong, prevalent and central to value proposition - Greater caution in considering overall economic viability - Grow roots, don't build delivery capacity
Europe	- No perceived articulated strategy, but many strategic conversations - Global footprint is opportunistic rather than planned	- Delivery capacity is only evidence of global - Intended global strategy is mainly spreading information and decisions from headquarters outwards	- Insufficiently clear and insufficiently communicated - Need for greater integration of local perspectives into global ways of doing business.
South Africa	- Strategy for being global is not clear, beyond building delivery capacity.	- Informants desire more input into global knowledge, practices and leadership.	- Strategy is not very clear, other than the mandate to follow clients - Connected with other offices to support delivery but not in terms of fuelling global perspectives
India	- Strategy is about local adaptation.	- Various attempts to share understanding of local market.	- Predominant reflections are on need for local adaptation - Local adaptation typically involves price and understanding local market

5.5.7 Sensing the Environment

This capability is universally regarded by Informants as well as by contingency theories (Donaldson, 1999; Thompson, 1967; Zajac, Krantz and Bresser, 2000; Roth and Morrisson, 1992) as important for the offices and comprises the review of four themes; economic conditions, competition, attitudes of clients and prospects and attendant structuring of business model. The ability to understand the external environment is reported by one Informant to be paramount in understanding the changes required to Alpha's business model.

"The external environment is changing. It's putting in a completely different light the business model that we created for Alpha." US Executive Director 1

For the US, the environment has seen a rapid decline in growth and has radically shifted towards more global sources of growth in the context of a saturated competitive landscape, from a relatively clear competitive landscape at inception. Growth has slowed substantially. Clients are cautious about investing at all. Competition has moved from external competitors to an equally important set of capable internal competitors. Clients and prospects have changed significantly from the earlier portfolio; Alpha has experienced a growth in extractives, manufacturing and defence, and a large decline in clients in technology and financial services. US clients are largely expecting growth from outside of the US, especially China and India. In summary, the US office believes that the external environment requires a new business model as the original business model is not well suited.

In Europe, there remains some optimism around sources of both European and global growth, and while the environment has recognisably changed, more attempts are being made to adjust business models, engagements types and capabilities to adjust to new environment are more frequently mentioned and in higher volume than in the US. Economic conditions in 2000 were positive. In contrast, economic conditions currently are reported to be more mixed, with a pre-occupation with managing debt appropriately. Competition has also grown since European inception, from a relatively open competitive space to other competitors who are skilled at offering similar value propositions. Growth remains a pursuit for European clients, both into new markets and into fast growing economies.

The South African and Indian offices are relatively newer, so shifts in time since inception are difficult to perceive. However the environments are at least very different to Western environments at the time of inception. Levels of confidence and growth are markedly higher than in the West, with some commonalities including speed of growth, complexity of marketplace(s), high contact, and relationship-driven cultures. While the recession was felt in both South Africa and India, it was not perceived to be as bad for both countries. For South Africa, there is a much higher degree of activity with the public sector as prospects. Investments are steadily flowing in from China and India, but notably, the growth agenda for South Africa includes growth into the African continent. Indian economic conditions are reported to be sufficiently positive, that concerns now exist about Indian business's ability to manage those levels of growth. Competition in both South Africa and India is reported to be significant, with the need to match or better pricing in both markets.

There are also unique dimensions to each marketplace, for example the focus on African continental growth in South Africa relative to the focus on existing, internationalised economies and talent in India, or the focus on CEO and hierarchical management in India relative to the focus on broader relationship management between communities, governments and businesses in South Africa. In contrast to the other offices, the South African office reports particularly stringent regulatory requirements. The Indian environment is reported to be unique in the complexities of its demographics.

The Indian and the South African offices both report the importance of relationships. While in South Africa, clients are reported to be direct, in India, increased circumspection leads to additional challenges in forecasting and managing prospects. Both the South African and European offices report the successful emergence of new business models. The Indian office has been experimenting with new business models but the traditional model is still prevalent, and the US office reports the need for new business models, but no significant activity in developing or experimenting with them.

The act of sensing the environment appears to be critical to all offices in that it should enable them to create idiosyncratic services for their clients, rooted in various economies at a local level. While the growth agendas and overall confidence in each market range so widely, it would be difficult to create idiosyncratic services at a global scale without local adaptation. This understanding is largely demonstrated to be at a personal and a local level, rather than an institutional level – hence the variance across firms. For Alpha, there seems to be little importing of the capabilities built in sensing the environment in the emerging markets, into the corporate centre. This calls into question the value added from the corporate centre to this capability.

Table Twenty: Project Two Sensing the Environment

Office	Economic conditions over time	Competition	Attitudes of clients and prospects	Business Model	Summary
US	- Outlook was brighter initially - Current outlook is cautious and much work is on hold	- Competition from internal sources has evolved as important, in addition to other competitors	- Growth will come from non-US sources, especially China and India - Growth extractives, manufacturing and defence and decline in technology and financial services	- No longer appropriate for the environment	- From growth and optimism to caution and new sources of growth - New competitors - From technology and financial services to manufacturing, defence and extractives - Potential erosion of fit with Alpha value proposition
Europe	- Conditions in 2000 were positive - Current preoccupation is with managing debt	- New and skilled competitors	- Growth is still pursued, both inside and outside of Europe	- Reported need to change business model to adapt to new client and competitive pressures.	- From a positive economy to a two speed economy - Growth remains a major pursuit, both inside Europe and to fast-growing economies - Competition has grown - Business model does not fit an economy lacking confidence and looking to reduce investments
South Africa	- The recession was not as severe in South Africa - The Credit Act offered some protection	- Strong pre-existing competitors - Competitive pricing must be matched	- New prevalence of the public sector in South Africa - Chinese and Indian investments are strong - Growth is into African continent - Regulatory requirements are unusually stringent	- Rise in new business models	- Optimism, growing confidence and change - Influx of investment from China and India - Focus on exporting and growth within African continent - Advent of new, non-Western business models and new technologies - Some protection from global recession - Rising importance of public sector - Adherence to unique regulations is critical
India	- High growth levels - Concerns about managing growth	- Existing competition is highly respected. - Alpha is perceived to provide access to global insights over local insights from local competition.	- Demographic complexity - Purchasing power remains interesting to multinationals - Rise of the middle class - Relationship-based culture	- Traditional model is still very prevalent - Perhaps a lower appetite for change than is reported in the South African and European contexts.	- High growth levels, with questions about whether the market can deal with growth - Traditional model is very prevalent - Potentially less appetite for change - Hierarchical society - High contact, indirect, relationship culture

5.5.8 Responding to Diverse Client Needs

The ability to translate the sensing of the environment into diverse client needs and consequently diverse engagement types is clearly important, and not uniformly evident across the cases. I review here which client engagement types are delivered, and to what extent they have changed over time. This capability was derived from analysis of evidence following the interviews. Where firms are able to act on their understanding of the environment by creating new and diverse types of client engagements which are designed to respond to changed conditions, performance appears to be superior. Where firms in contrast show little or no change in client engagement types over time – even though the environment is reported by all firms to have changed over time – then performance appears to be weaker.

In the United States, the major new engagement types appear to be change, culture and execution related. There are still “traditional” engagement types - as reported by Informants - prevalent within the geography which may not be fully aligned with the described changes in the environment. Size and length of engagement appears to have declined over time, and populations addressed have narrowed.

In Europe, the balance appears to be more towards engagements designed to meet changes in environmental shifts, although this is not universally perceived to be true by US Informants. Size and length range, and populations remain wider than in the US.

Engagements in South Africa incorporate several newer types of client needs, including diversification and pro bono work, as well as reintroducing engagement types such as succession planning and next generation work which the US offices had focused on previously and are currently sensing in the environment as needs. Engagement sizes are very small (excluding the pro bono work) but growing. Engagement length has increased to up to three years.

Engagements in India are largely “traditional”, with a focus on importing offerings and Consultants from the US. Engagement size, length and populations addressed resemble the US, but on a smaller scale.

The connections between Sensing the Environment, Responding to Diverse Client Needs and offering new engagement types to suit these, appear to be closest in Europe and South Africa. This capability appears to be relevant because it represents one point at which some offices (US and India) are arguably misaligned. Where Informants are able to identify new needs in the environment, these two offices do not translate these new needs into appropriate client engagements.

Table Twenty-One: Project Two Responding to Diverse Client Needs

Office	Engagement Types	Engagement Size, Value and Length	Change of engagement types over time	Summary
US	- Five different types of engagements; strategy execution and change for senior leaders, change and culture across a broader population, planning for global growth, supporting divisional excellence, and those more traditional engagements - Global growth engagements are a relatively small portion of overall revenues but more frequently references by Informants	- Rolling one year contracts - Average value has declined over time - Cater to senior populations above others	- Little change over time	- Change and strategy execution - Change and culture - Going global - Traditional performance - Divisional performance - Little change over time
Europe	- Six major types of engagements; organisational redesign towards new growth limitations, sales and marketing redesign, culture change and performance in line with new economic realities, total outsourcing of human capital development, divisional performance and more traditional engagements. - Traditional engagements are not prevalent	- Mix between one and three year contracts - Average value has grown slightly over time - Cater to broader populations	- Engagement types reflect new environmental needs relatively strongly. - Traditional engagements are present but not prevalent. - New types of client engagements are reported on a regular basis.	- Change and culture in line with new performance expectations - Organisational redesign towards new growth limitations - Total outsourcing of human capital development - Divisional performance - Traditional engagements - Shorter engagement length, but higher overall value - Greater exposure to more of the client population
South Africa	- Five different types; supporting the growth agendas of companies expanding into Africa, succession management, supporting clients to diversify their activities, pro bono engagements for associations supporting the development of	- Engagement types are very different in South Africa to other markets. - Variation may be tolerated because of revenue generated by the office - Concerns remain regarding the connection between work in	- Informants are specific in descriptions about client needs - Move away from traditional exporting of Western models towards a need for the ability to deal with the complexity and ambiguity brought by so many new, dynamic relationships between businesses,	- Drive for building new skills and instinct management - Need to connect engagements and client relationships to broader value chain - Need for Alpha to offer free connections and ideas to build business - Stakeholder management is key, particularly as CEO is not key decision-

	specific communities within South Africa, and engagements designed to impact new generations of employees entering business.	South Africa and global norms - Engagements in South Africa appear to impact more levels of client populations - Lengths are typically contracted at 2-3 years. - Sizes have been substantially smaller, but have grown since 2010.	governments and communities.	maker - Relationships between community, government and business are critical to manage - Engagements include supporting growth, diversification, succession planning, pro bono work, and new generation work - Significant difference between engagements conducted in South Africa to other Alpha offices
India	- Generally, clients in India require help to deal with growth and talent management.	- Engagements are smaller in size - Annual contracts - Aimed at senior populations only	- Clients purchase what they perceive to be a global offering with the goal of doing something new and innovative, and then ask Alpha to help them adapt these offerings by discussing how to make sense of them during the process.	- Clients are preoccupied with growth and talent management - Clients have an international talent base and existing international requirements - Local adaptation is relatively minor and use of international consultants and offerings is predominant - Engagements support talent retention, collaboration and traditional offerings

5.5.9 Creating New Pricing Structures for Engagements

This capability also emerged from analysis of interviews, where the firms able to experiment with diverse pricing for engagements in response to changed environmental conditions appear to have superior performance than firms who neither respond to diverse client needs, nor create diverse pricing for engagements. Sensitivity to pricing is high in all markets, but appears to be addressed differently across different geographies. Where the engagements have stayed largely the same and the market is more mature, for example in the US, pricing appears to be largely a discussion of debating what can be transferred to internally competent clients, and pricing models seem to be relatively traditional and static.
In the US, rates have not increased since inception, but clients place significant pressure to reduce prices.

"I see an enormous pressure to change pricing somehow." US Executive Director 1

In Europe, there is some experimentation noted, but both Western markets are concerned about relatively high back office costs and poor resource and capacity management, which lead to lower flexibility in pricing than is desired.

"We're really in between a rock and a hard place in that we have created all of this overhead which isn't going to go away...But the only way for us to recapture the overhead cost is to price the way we do." US Executive Director 1

In South Africa, pricing is an actively managed component of client and prospect management, with transparency in how competitive each offering is, and a two tier pricing approach which allows for local business models. Pricing does not typically accommodate the expected process steps consistent with global Alpha delivery.

"..If we don't...have competitive pricing we're going to be out of the ball game totally. If you're going to price in dollars you're going to have a problem, you have to do comparison around what have those companies used in the past." South African Consultant

The South African office has invested heavily in creating local resources to accommodate lower prices, and has also absorbed margin to accommodate appropriate quality for clients. In India, pricing is also a relatively important discussion with clients and prospects, but may largely revolve around discounting on international resources and offerings.

"My impression of India and a market I don't know a lot about necessarily is that in spite of trying to build longer term relationships and demonstrate value there is still a part of the culture that is very much about price..." US Executive Director 1

As with Responding to Diverse Client Needs and Sensing the Environment, this capability appears to be important to an aligned proposition. Where offices have capitalised on their understanding of the environment and an ability to change to new client engagements, experimentation with new pricing models appears to occur. Where new pricing models are not generated, offices report a discounting conversation that is pressured by the perceived high cost structure and difficult to move rates from US or international resources.

Table Twenty-Two: Project Two Creating New Pricing Structures for Engagements

Office	Pressure on Pricing from Clients	Level of experimentation with new pricing models	Summary
US	- Conversations about price premium relative to competition - Clients report shrinking budgets	- Rates have not increased since 9/11. - The pricing model – labour plus margin - has not changed since inception and is based on a traditional business model.	- Static pricing model - Perceived internal lack of flexibility - Perceived high internal costs of back office capacity - Clients perceive high costs and report shrinking budgets
Europe	- No reports of increase in pricing sensitivity	- Little change since inception - Rates have not increased - Predominant approach to pricing remains the same - Some reports of experimentation	- Relatively static pricing model, with some experimentation - Perceived high connection between poor resource and capacity management and pricing - Perceived lack of understanding of how money is made at Alpha
South Africa	- Pricing is a major concern for South African Informants. - Many South African companies are unwilling to pay for the typical process steps required by Alpha.	- Margin is absorbed in some cases to accommodate quality and pricing needs - Heavy investments in local resources to reduce rates - Two pricing tiers for internal and local consultants.	- Active conversation with clients and prospects - Client perception of higher price points - Two tier pricing model - Greater awareness of competitive pricing
India	- Price is major part of discussions. Sales conversations in India still include a major emphasis on price.	- Pricing model has not changed – focused on discounting from global rates.	- Important factor in discussions - Price sensitive - Frequent comparisons to international standards

5.5.10 Managing Capacity Flexibly

Responding to diverse client needs, creating new pricing structures and Managing Capacity Flexibly appear to be connected, in that experimentation with new business models and engagement types could be linked to different prioritisation in capacity management. In the US and India for example, static pricing models and a balance of traditional delivery models both link with the prioritisation of delivery capability.

In the US, all senior Informants (Partner and upwards) in the US office spend a significant amount of time on engagement delivery. For the Partner and Regional Managing Director, this is a minimum of 60% of time. For the Global VP, the time investment is less, at around one third of overall time. The CEO also has direct delivery responsibility for one of Alpha's largest clients. Internal staff development is least prioritised in terms of capacity spend. The US carries the majority of back office staff and global solutions. They report these to be less valued by other offices.

In Europe and South Africa, running the business, developing people and creating connections between clients and prospects appear to be greater components of the overall capacity of the senior-most leaders. US and European Informants report some differences in terms of prioritisation of capacity. At senior levels, there is substantially less time spent on delivery and substantially more time spent on people management, business development and running the business.

Senior Informants are also mindful of the benefits of a leveraged model, whereby they should aim for less and less delivery capacity in favour of business development and people management. Both in South Africa and in Europe, this delivery capability is still a priority, but it is devolved down to lower levels of leadership and also uses a locally sourced and developed leverage model to a greater extent.

The South African office also heavily prioritises stakeholder management, more than other offices. They also actively manage relationships that are typically held by non-client-facing divisions in other offices. This has proven challenging for the RMD, as she decides how to manage these responsibilities. Focus in capacity allocation is on understanding the local environment and managing broad relationships. The Partner also reports CRM (not delivery) as a significant focus of capacity. The South African Consultant also reports very clear, measurable KPIs. They are predominantly focused on delivery and management of the international back office systems.

Both European and South African offices report lowest value added time is in managing administrative global processes. In contrast, the Indian office, albeit small, prioritises delivery and business development over all other activities. Running the business is the smallest amount of capacity allocated. Leverage is obtained from international offices.

Table Twenty-Three: Project Two Managing Capacity Flexibly

Office	Prioritised activities	Least prioritised activities	Summary
US	- All senior Informants (Partner and upwards) in the US office spend a significant amount of time on engagement delivery. - For the Partner and Regional Managing Director, this is a minimum of 60% of time. - For the Global VP, the time investment is less, at around one third of overall time. - The CEO also has direct delivery responsibility for one of Alpha's largest clients.	- Capacity allocated to internal staff development is generally less valued and, perhaps consequently, less of a priority as reported by Informants.	- Prioritisation of delivery capability in client-facing staff - Valued and high cost back office capacity
Europe	- Some differences to US - At the senior-most levels, there is substantially less time spent on delivery and substantially more time spent on people management, business development and running the business. - Senior Informants are also mindful of the benefits of a leveraged model, whereby they should aim for less and less delivery capacity in favour of business development and people management.	- Many European Informants find the least valuable time is spent attempting to find information and circumvent sub-optimal processes and systems.	- People management and running the business more prioritised at senior levels than in US - Balance important
South Africa	- Disproportionate amount of time in CRM and stakeholder management - Management of non-client facing relationships in other regions - Focus on understanding local environment	- Lowest value added time is in navigating complex global processes	- CRM, running the business and stakeholder management are priorities - Clearer metrics reported than in other offices - Delivery is achieved via higher leverage model - Flexibility required
India	- Business development and delivery comprise the two primary focal points of the senior audiences in the Indian office. - Leaders still blend roles to a certain extent. - Leverage is found through international staffing, and leaders contribute in a delivery capacity to each engagement.	- The operational running of the business is estimated to take about 20% of time, and is perceived to be the least critical component.	- Business development and delivery are primary focal points - Running the business is the least valuable time

5.5.11 Developing Breadth and Depth of Capabilities

As one would imagine, the breadth and depth of deployed capabilities also vary widely, depending on the stated priorities, activities and existing resource base of each office. In the US, there are many reports about capabilities being housed within a smaller number of individuals as opposed to being widely spread. Strengths are largely in delivery and business development skills, and needs are most frequently described in ability to be mobile and deal with ambiguity and complexity. Appetite for risk and ability to learn are reported to have declined over time. This capability can also arguably be identified from the balance between breadth and depth of capability and experience highlighted by several researchers (Keisler and Sproull, 1982; Nadkani et al, 2011; Hitt et al, 2006).

Globally, all Informants are quick to articulate capabilities required over existing strengths, but this trend was slightly less pronounced in the US, where Informants are able to find a higher volume of capabilities perceived to be both strengths and weaknesses. The US office is very concerned with the overall evolution of the global business. Informants perceive many of the challenges to be related to a maturing process.

In terms of the competition, the US Informants believe that they are still "*..way ahead of others in terms of our innovativeness.*" (US Executive Director 2). The US office also believes that their treatment of clients is a competitive advantage. Diagnostics are also perceived to be a significant advantage for Alpha in the US. However, the US office believes that this resides in very few resources. The US office also reports that the ability to manage relationships to avoid extended procurement processes has also declined over time. The US office shows the least appetite for experimentation – simultaneously requiring innovation and also suggesting that it be limited at best.

Both European and US Informants report a major lack of capability in strategy communication, which the US Informants also attribute to a general lack of inspirational and leadership capabilities in their office. In Europe, there are a range of capabilities specified under delivery skills that are also being put towards innovating new capabilities, such as flexibility, agility, curiosity, humility and credibility. This is balanced against a weakness in strategic agility. International execution skills are reported to be strong, and there is a focus on extending business opportunity identification and management skills further. There is some mention of risk aversion but also an existing higher level of experimentation with business models and engagement types than in the US. The European office has worked hard to escape the perception of being a US brand.

For the European office, weaknesses are mainly manifest in the decline of some CRM skills. Many relationships are being defined at a contractual or micro level, but some renegotiation gives opportunities to elevate the engagement relationships going forward. In the future, Alpha's European office is also prioritising innovation funded through client projects. These include a "brand new innovation" as well as opportunities to monetise the relationship beyond the deliverable, which is the traditional source of revenue for Alpha.

In South Africa, capabilities include project execution, but there is a bias towards the stakeholder management and relationship creation and management that is perceived to be unique to this market. The major capabilities mentioned consistently are the ability to manage change and ambiguity, both in terms of managing local relationships as well as in terms of managing the tensions between global and local credibility. This ability to diverge

from the US perspective and take on very different work is related by Informants to the ability to have an open mind set with respect to a wide range of business opportunities.
In terms of leadership skills, the RMD believes that Alpha must develop more consistent, global skills, particularly referencing the stakeholder management, business opportunity management and cultural awareness skills that they have prioritised in South Africa. As with Europe, there is a perceived need for more attention to developing business opportunity management, and a continued appetite for risk. South Africa also calls for a greater development of globally consistent leadership skills (as opposed to importing existing skills without further development).

India seems to emphasise global standard of CRM, business development and delivery over local innovation. India holds a similar view to the US office in terms of how best to demonstrate expertise. Client feedback is strong, and Informants prioritise CRM, business development and delivery skills. The Indian office is also unusually skilled at creating and using international leverage models, and how to then guide sense-making of international models and approaches in the Indian context. Capabilities are largely focused on execution to global standards rather than development of new capabilities specific to the Indian office. The Indian office is a small office and is looking to build capabilities in most areas.

Table Twenty-Four: Project Two Developing Breadth and Depth of Capability

Office	Perceived Strengths	Perceived Weaknesses	Summary
US	- Higher volume of reported strengths and weaknesses - Report challenges with maturing business - Perceived advantage over competition - Client-centric approach is competitive advantage	- Sophistication in diagnostics is held by narrow band of people. - Decline in ability to avoid extended procurement processes potentially linked to decline in client management skills - More risk averse	- Still evolving - Requires more processes and connections - Very strong diagnostic capabilities residing in small number of resources - High ability to manage idiosyncratic clients within local region - Competitive CRM skills - Business development replaces client churn - Lack of leadership and inspirational skills - Need for skills to deal with ambiguity and complexity - Need for improved strategy communication skills - Learning capabilities diminish in mature regions - Depth over breadth
Europe	- Informal culture - Flexibility - Honesty, inquiry and validation enable better insights and increased revenues - Business opportunity management and true understanding of client business are strengths that will increase over time	- Some decline in CRM skills to transactional levels - Slow to respond strategically - Prioritising innovation - Challenged by perceived US brand - More investment into innovation funded through new client projects, including new innovation and opportunities to monetise the relationship beyond the deliverable, which is the traditional source of revenue for Alpha.	- Informal networks (perceived positively) - Flexibility, agility - Curiosity, humility and credibility - International project execution - Evolution of idiosyncratic responses to client issues, leading to risk aversion - Strong connection to client businesses - Lack of global consistency - Need to develop business opportunity management and new innovation capabilities - Depth and some breadth
South Africa	- High degree of connectivity with stakeholders - Ability to manage change and ambiguity, both in terms of managing local relationships as well as in terms of managing the tensions between global and local credibility. - Unified approach as perceived by local clients. - Ability to diverge significantly from US perspective in terms of work accepted	- Need to develop more consistent global skills, particularly referencing the stakeholder management, business opportunity management and cultural awareness skills that they have prioritised in South Africa.	- CRM, business opportunity management, stakeholder management and cultural awareness - Need for better shared view of global leadership skills (and better balance of above skills) - Appetite for risk - Flexibility and agility - Breadth and some depth

India	- Like the US, the leadership in India is thoughtful about building capability in demonstrating expertise. - Feedback is strong - Informants prioritise CRM, business development and delivery skills - Creation and use of international leverage models and consideration of how to support sense-making in the local Indian context. - Capabilities are largely focused on execution to global standards rather than development of new capabilities specific to the Indian office.	- Small office, looking to build skills in all areas	- CRM, BD and delivery to global standards - Less emphasis on local innovation - Emphasis on depth

5.5.12 Creating a Positive Climate

Positive climate (high employee morale and investment into training and development) and the previous capabilities also seem strongly connected, in that those offices which report lower numbers of capabilities or narrower capability sets also appear to have less positive, less learning-oriented work climates, whereas those offices with an appetite for risk, experimentation and flexibility appear to have a more positive work climate and stronger connections both within teams and with the Regional Managing Directors. This capability emerged from analysis of differences between offices, as well as direct suggestion from both US and European Informants about the importance of culture on performance.

In the US, the work climate was initially very cohesive and positive, with an informal feel and friendly connections between employees. However, the US culture scan shared as evidence demonstrates that the culture is universally weaker and more negative than in the European and South African offices. Response rates to engagement surveys were very low, and the results illustrated a lack of confidence in leadership, strategy and connectedness across the office. Non-US Informants perceive a lack of urgency in the US culture, as well as a lack of a commercial mind set.

The European office culture survey indicates a much more cohesive, optimistic culture than the US culture. This is attributed in no small part to the European RMD. Culture has remained positive over time, with a dip in morale as the recession led to some redundancies. Most employees made redundant were offered employment approximately one year later, and left their current jobs to return to Alpha. Culture of “busyness” has increased and is perceived as a risk.

The culture survey for South Africa was as positive as the one for Europe, in terms of overall morale, connection to a shared vision and perceived leadership skills. Many European Informants report a closer connection to the South African office than to the US office. As a younger company, the South African office is perceived to be growing quickly, but still organisationally struggling to manage an influx of new business and resources. As with the European office, the South African Informants report a strong level of team support. The culture was non-existent and was challenged in the beginning by its importing of a high number of US consultants.

Given the size of the Indian office, evidence on work climate is hard to gather. The Indian office was deemed too small to take the culture surveys taken by the other offices. At present, it is arguably a very small collection of independent leaders. The initial office work climate did not attempt to take local Indian culture into account; senior colleagues did not provide anticipated delivery capacity, focusing instead on managerial responsibilities and making connections. This caused a rift whereby two of the three original founding members left.

Table Twenty-Five: Project Two Creating a Positive Climate

Office	Perceived Initial Strength	Change Over Time	Summary
US	- Initial culture was strong, positive, informal	- Culture scans indicate culture is weaker and more negative than European and South African offices. - Non-US Informants perceive a lack of urgency in the US culture, as well as a lack of a commercial mind set.	- Not strong - Fear culture - Perceived decline in people with critical skills
Europe	- Culture scan indicates more cohesive, optimistic culture - RMD perceived to be major source of strong culture	- Culture has remained strong over time - Redundancies during recession have since returned to office - Culture of “busyness” has increased and is perceived as risk	- Very strong, very positive - Very busy and therefore at risk in long term - Largely dependent on current leader
South Africa	- Culture was non-existent and challenged in beginning by importing of high numbers of US consultants. business, resources. -	- Current culture survey for South Africa was as strong as the one for Europe, in terms of overall morale, connection to a shared vision and perceived leadership skills. - Many European Informants report closer connection to the South African office than to the US office. - As a younger company, the office is perceived to be growing quickly, but still organisationally struggling to manage an influx of new resources.	- Young company, flexible and putting in structures to manage new resources and business - Positive culture - Strong connection within team
India	- Evidence on culture is hard to gather. - At present, it is arguably a very small collection of independent leaders.	- Initial culture did not take Indian culture into account; senior colleagues did not provide anticipated delivery capacity, focusing instead on managerial responsibilities and making connections. This caused a rift whereby two of the three original founding members left.	- Office is too small for robust evidence - Strong independent actors

5.5.13 Performance over Time

Performance over Time appears to be in part a consequence of the other capabilities when one examines the evidence. The Informants clearly attribute reasons to their relative performance, which I have summarised in the above into eight capabilities. In analysing the language used by Informants, where performance has been sluggish or in decline, there is a marked increase in Informants' desire to be able to change, or learn how to change. This is related to an appetite for risk and overall flexibility. Both the ability to change and be flexible are perceived to be present in South Africa and Europe (to a lesser extent), and less present in the US.

In the US, performance after start-up was very strong, until 2007. However, the US office has shown the largest decline in revenue, number of clients and client profitability since 2007. During the interviews, all US Informants reported concern over the US performance.

"My feeling is that we haven't quite landed on what the most effective way to communicate our value proposition is, and I even think our value proposition is changing." US Executive Director 1

In the European office, initial growth was slower than expected, but has been strong since 2004. Over time, the European office has continued to grow, although growth is currently predicted to be low. Most expansion has occurred from London into the rest of Europe, as opposed to UK firms.

"As we know what's actually happened is that the expansion in Europe has happened much more in Europe itself than within mainland UK." European Consultant

Non-European Informants report concerns that Europe will decline as much as North America has in due course. Client churn is also reported to be of concern to non-European Informants.

For the South African office, initial growth was slower than expected, but has been strong since 2010. The current performance however is excellent. As it is more recently opened, the South African office has less data on performance over time. Indeed, it is arguably just out of start-up phase given its revenue and age (4 years). However, it is clear that there has been strong growth in the last year in number of clients won and overall revenue posted.
In the Indian office, performance declined since start-up. Current performance is moderate but Indian Informants are confident of future growth. However this confidence is not shared by other offices.

"I don't seriously think that we'll ever make India successful....I don't think it's possible to. I don't know any organisations of our type that have really made a success story in India." European Executive Director 1

Table Twenty-Six: Project Two Performance over Time

Office	Performance after Start-up	Current Performance	Perceptions of Performance	Summary
US	- Performance after start-up was very strong, until 2007.	- Largest decline in revenue, number of clients and client profitability since 2007.	- All US Informants reported concern over the US performance.	- Initial growth followed by stasis and decline - Difficulties communicating value proposition to clients - Range of initiatives designed to stimulate growth and retain clients
Europe	- Initial growth was slower than expected, but has been strong since 2004.	- The office has continued to grow, although growth is currently predicted to be low. - Most expansion has occurred from London into the rest of Europe, as opposed to with UK firms.	- Non-European Informants report concerns that Europe will decline as much as North America has in due course. - Client churn is also reported to be of concern to non-European Informants.	- Steady growth followed by some sluggish growth - Growth into European, not UK market
South Africa	- Initial growth was slower than expected, but has been strong since 2010.	- Current performance is excellent. - Less data on performance available - Last year was strong in terms of number of clients won and overall revenue posted	- Non-South African Informants report concern over lack of connections between South African work and global work, however revenue takes precedence	- Sudden, strong growth following 3 years of vulnerability - Expansion into African continent supports attempt to extend local credibility
India	- Performance declined since start-up	- Current performance is moderate but Indian Informants are confident of future growth.	- Non-Indian Informants express doubts that Indian office will perform over time	- Scepticism from European and US offices that growth will be achieved - Multiple views about location, partnership and suitability of offering for market

5.6 Analysis

I analyse the above narratives in three ways; first, to look at each potential capability in turn and review evidence in the light of the theory reviewed initially, second, to begin to interpret whether and how each category is connected, and third to suggest a model.

1. Aligning perceptions of global strategy: researchers as early as Mintzberg (1985) have demonstrated that perceptions and activities can have implications for the effectiveness of strategies. Mintzberg shows clearly some differences between intended and emergent strategy (1985) and Buckley and Lessard (2005) and Burgelman (1983) amongst others indicate that the individual manager is an important level of analysis in business studies, reinforcing the notion that multiple lenses, or even disciplines are important in understanding international business phenomena. Sapienza et al (2006) show that managerial experience also has an impact on an organisation's ability to internationalise. Freeman and Cavusgil (2007) call for further research into the "attitudinal dimension" of internationalisation, focusing on the attitudes of managers in small firms who have demonstrated accelerated internationalisation as a key factor impacting their drive to internationalise. Adding to this body of research, Bartlett and Ghoshal (1998) and Brock (2012) have also shown the wide range of structures and approaches to being global that can occur with seemingly similar strategies.

This case study suggests that a lack of alignment across the senior management as to what the strategy actually means, how it will be measured and what the core created value to be globalised is, may be important in promoting or destroying the efficient building of global offices. There are implications to this capability such as the need for appropriate communication, reporting and trust in senior management across multiple sites.

We saw in the literature review several types of internationalisation processes available to firms. By internationalising within one year of inception, Alpha has clearly adopted the born global approach as described by Schrader, Oviatt, and McDougall (2000) and Knight and Cavusgil (1996) amongst others. Interestingly however, when we review the Integration Responsiveness framework (Nadkarni, Herrmann and Perez 2011; Birkinshaw, Morrison and Hullend, 1995; Roth and Morrison, 1992), Alpha may not have internationalised in accordance with expectations. Whilst using the terms “global”, “transnational” and “multi-domestic” interchangeably in the interviews, Alpha clearly allows local autonomy in selecting client needs, engagements, pricing and capability building. Indeed, the only centrally regulated capability is resource allocation across offices. Alpha was also created on the premise of providing idiosyncratic services to clients, suggesting an orientation towards either a transnational or a multi-domestic business. Given the observed behaviours of both striving for local relevance and global sharing of resources and back office capability, we can infer from the theory that Alpha is by design a “born global”, transnational business. It is surprising, then, that so much of Alpha’s internationalisation approach begins by an exporting of US models to other locations, which demonstrates relatively little of the balance between global and local described by the integration responsiveness framework amongst others. This is perhaps evidence of a realised strategy that is different to the intended strategy (Mintzberg and Waters, 1985). Indeed, in examining the possible strategies described by Mintzberg and Waters (1985), Alpha could plausibly have espoused a process strategy, by controlling the process of strategy creation over the actual content. The intention is clearly for a connected strategy, but the exact vision is neither shared nor monitored across firms.

The case evidence demonstrates that selecting an initial export model did not lead to success – indeed delayed performance for several years – and was quickly abandoned in the successful offices for a more local offering. Perhaps also notable is the fact that the offices universally did not set clear metrics or a clear mandate for each new office. The offices able to succeed were those that set their own metrics or mandate. We can infer from the evidence that clarity around at least a mandate for an office, and the ability to deploy a local model at the outset may be conditions for successful performance in a shorter time frame than achieved by Alpha. We may also question how Alpha will extract value from its offices globally when so much of the value is (or is not) created at a local level and then not shared or perhaps even communicated at a global level.

As with the start-up phase, the perceptions of global strategy seems to be an important factor in influencing which clients are selected and how each new office is resourced. Where the US office believes that the global strategy exists and is clear, they have also mandated a level of global resource sharing and an export-led model which was proven to be largely unsuccessful. Where the other offices do not perceive a clear strategy, nor metrics associated with a global presence beyond delivery capability, they have acted to develop a local and largely autonomous presence, and use little of the global resources available.

2. Sensing the environment: early research on internationalisation and “fit” between environment and strategy supports the logic that a firm which relies on its ability to create value at a local level for local clients must understand the environment in which it operates. Augier and Teece (2007) address the notion that markets may be both created by and create firms that are able to see and seize opportunities appropriately, referring to this ability as a potential dynamic capability that enables enduring competitive advantage. The importance of the environment has been linked in prior research to how organisations should create appropriate governance (Brock, 2012), strategy (Donaldson, 1999) and other capabilities

(Thompson, 1967; Zajac, Krantz and Bresser, 2000; Roth and Morrisson, 1992). Several researchers including Awuah (2007) and Von Nordenflycht (2010) have gone so far as to enumerate which specific elements of the external environment may be important.
This case study shows that there is a varying amount of data collected by leaders in different business units about the environment. Both the sources and the level at the organisation at which the information is collected vary. I suggest that an absence of the capability to collect information about the environment at multiple levels in the organisation would lead to a deficiency in the capability to create new and diverse responses to new client needs and therefore realign when necessary.

The US and Indian offices offered the fewest details about the environment, relative to the European and South African offices. However each office demonstrates a unique economic and competitive context, with important commonalities and differences. These differences were not drawn out in my literature review and perhaps constitute a useful contribution to existing theory in terms of adding to a set of contemporary perceptions of unique environmental contexts into which firms may internationalise.

3. Responding to diverse client needs: professional services firms solve client problems and by design, have an impact on their clients' businesses (He & Wong, 2009; Suddaby & Greenwood, 2001). The growing importance of the relational, idiosyncratic value added to clients is noted by Hitt et al (2006) amongst others. These responses are necessarily diverse, given that they are made by (subjective) people (Thomas, 1978), on the basis of judgment and personal discretion (Rhian, Fitzgerald, Johnston, and Voss, 1992; Løwendahl, 2000) and are creative, or even artistic (Fincham, 2002).

This case study suggests that even where organisations assert that sensing the environment may be important to discern new client needs, many have not translated that capability into a range of new client engagements. Some business units have retained the same types of client engagements over time, and resist changing them in spite of their admission that the environment has changed (and therefore so should they). Others have benefited from the creation of new engagement types to suit changed conditions or client types.

Where change in client engagement type does not occur, we can observe that the size, value and scope of engagements have narrowed. In reviewing the literature in light of this capability, we can refer to the sense-making processes of spotting new stimuli, interpreting them, determining appropriate responses (Bogner and Barr, 2000; Kaplan, 2008; Prahalad and Bettis, 1986). New stimuli could be from the environment (although not exclusively). We may therefore observe in my case a misalignment between the office's ability to spot and interpret new stimuli, and then determine appropriate responses. As we know, this sense-making can become path dependent over time (Keisler and Sproull, 1982, Nadkani et al, 2011), suggesting that it is all the more likely that the US office, in existence the longest, would be the most path dependent.

The sense-making literature also indicates a requirement to balance both breadth and depth of expertise, again reinforcing the need to experiment, and seek new experiences, rather than emphasising reinforcing existing expertise. The evidence from my research supports the notion of sense-making as an important internationalising capability, but also suggests that alignment between the different component stages of sense-making may be critical to sustained performance.

4. Creating diverse pricing in response to diverse client needs: pricing has been identified as a strategic capability (Dutta, Bergen, Levy, Ritson and Zbaracki, 2002; Dutta, Zbaracki and Bergen, 2003), enabling a differentiated response to new clients, the launch of new services or the launch. Moreover, pricing of services may often be conducted at lower levels of the organisation than may be appropriate, given the value of the capability (Richards, Reynolds and Hammerstein, 2005) leading to a disaggregation between pricing and strategy that ultimately creates negative performance.

This research shows that units which continue to perform well may be better able to adjust pricing in response to new client needs. In contrast, those units with diverse client needs who have not been able to change pricing accordingly, may struggle with performance.
The pricing capability again indicates how experimentation in response to changed conditions can produce superior performance. Conversely, little or no adaptation to new conditions seems to lead into discounting discussions. This needed alignment with other capabilities seems to reinforce the precepts of the contingency theories. Additionally, the bias towards change and reconfiguration seems to reinforce the dynamic capability theory that sustained performance may be achievable only if an organisation continues to adapt, create, destroy and reconfigure its resources (Helfat and Peteraf, 2003; Teece, Pisano and Shuen, 1997), rather than “simply” building resources to serve existing goals (Nelson and Winter, 1982).

5. Managing capacity flexibly: managing capacity has been studied as a productivity tool since the consultant tools of the 1920s led by Bedaux (McKenna, 2006). Since then, the study of routines and capabilities in this field by the strategy as practice research group implies that what people do, matters (Jarzabkowski, 2005). This has been particularly true in the sales environment, where consultants have studied the capacity management of sales

professionals to deduce “high performing” routines for replication across the organisation (Dixon and Adamson, 2012). Within the professional services context, Brock (2012) amongst others, indicate that the active management of capacity away from the historic focus on advice-giving, towards running a business may be an important trend.

This research indicates that units and leaders may manage their capacity differently to one another, and that this factor may be important in distinguishing those units able to realign with a new set of competitive requirements.

I suggest that the Managing Capacity Flexibly capability is related to both client needs and pricing capabilities, in that where client needs and pricing models change, capacity is also managed differently – in terms of running the business, managing stakeholders etc. Where client needs and pricing models do not change, the capacity focus is largely on delivery and execution. Following capacity priorities, the capabilities built seem to follow in turn; a focus on delivery capacity can be seen to be developed into a focus on the capabilities required to execute, and so forth.

6. Building breadth and depth of capability: professional services firms rely heavily on their people assets, and particularly the ability to add value through experience and expertise. As the role of the consultant has changed over time, from a strongly technical advisor or scientist to one dealing in discourse, management fashions and relationships (Fincham 2002; McKenna, 2006), I argue that the importance of a breadth of experience may have increased relative to the importance of depth of expertise. The role of absorptive capacity (Cohen and Levinthal, 1995) or organisational learning (Scott-Kennel and Von Betenberg 2012) reinforce the need to create new responses in changing environments, as opposed to purely extending technical capability.

This research suggests that some units have prioritised experience and breadth over depth, and that this may have supported enhanced performance through the ability to note and react to new opportunities and to change. The capability to build breadth and depth of capability proves diverse across offices. We can see a bias towards business opportunity management, flexibility, innovation and general managerial skills in those offices which appear to be performing well currently. Where the offices are not currently performing well, they focus on building delivery-based skills. Arguably, these delivery-based skills could be categorised under the general frame of "depth" skills (Keisler and Sproull, 1982, Nadkani et al, 2011) or what Hitt et al (2006) term technical "expertise". This evidence could therefore suggest that breadth and experience are equally if not more important in the context of PSFs internationalising in enabling change and a focus on the broader responsibilities of running and growing a business.

7. Creating a positive climate: research corroborating the links between a firm's work climate or, more broadly, its culture and its performance is substantial (Denison and Mishra, 1995). Some research suggests that culture may be changed, either by becoming less collegial (Brock and Yaffe, 2008), more formalised (Fenton and Pettigrew, 2000) and more reliant on individual performance metrics (Teece, 2003). But in the context of internationalisation in fast-growing economies, where we also know that PSFs rely heavily on people and their ability as individuals and teams to learn and transfer knowledge through consulting with one another and communicating effectively, a positive culture which enables these routines is clearly important (Segal-Horn and Dean, 2007, 2009; Tursi, 2005; Brock et al, 2006). Lowendahl et al (2001) suggest that "the collective knowledge of a firm rests heavily on the organising principles by which relationships among individuals, within and between groups and among organisations are structured."

This case study identified a potential link between performance and a positive work climate across several business units that bears further exploration.

Diversity of Capability and a focus on managing the business and internal and external stakeholder relationships over managing technical expertise seems to be connected to an ability to change over time, and, ultimately to performance. The link between capability, sensing the environment, client needs and managing pricing can be inferred, in that some capabilities (flexibility, business opportunity management) are required to actually perform the earlier activities, like reacting to new client needs and creating new pricing models.

8. Readiness for change: this capability has been researched under a range of guises. Accompanying the identification of core competences (Prahalad and Bettis, 1996) was the notion of core rigidities (Leonard-Barton 1992), which restrict an organisation's ability to implement strategies and continue to be competitive. More recently, Szulansksi's (2003) concept of "sticky knowledge" indicates the degree to which knowledge can actually impede an organisation's ability to change strategies or routines, and Fenton and Pettigrew (2000) and Jones, Jimmieson and Griffiths (2005) indicate that some legacy routines or relationships may be incompatible with current initiatives and should therefore be modified or destroyed altogether.

As this research indicates, some firms are more ready to change than others, and that this may be another distinguishing capability with respect to their on-going performance.

5.7 We also see a prioritisation of flexibility and agility that arguably matches many economies in a global context (Sargut and Gunter McGrath, 2011).That agility may be activated by a network of relationships providing impetus or information to change, hence the importance of social capital (Rodrigues and Child, 2012; Nahapiet and Ghoshal, 1998; Coleman, 1998), which tends to reinforce the Coleman (1998) preferred view of an actively managed membership of a network which requires trust and reciprocity, as seen by the pro bono work for example done in South Africa.

Climate is clearly linked to capabilities however, as those offices which have prioritised diversity and breadth seem to have happier employees with greater confidence in the strength of their region and of their senior leadership, as rated by their culture survey, whereas offices which have focused on expertise and delivery seem to have a weaker culture. The less positive work climates seem to have fewer leaders who take the time to inspire and run the business, as opposed to the personal and informal relationships with staff members suggested by South African and European Informants.

5.1.1 How are the capabilities grouped?

We have seen that Sensing the Environment is an important capability in identifying some new stimuli to which the office may react. We have also seen in connection with the sense-making literature that the capability may be connected to the ability to create appropriate responses, both in terms of identifying and serving new Client Needs and in terms of creating new Pricing models to suit them. We can argue that the evidence supports the suggestion that these three capabilities are connected in that the US office (and the Indian office to a lesser extent) manages to sense the environment, but does not react, whereas the European and South African offices present a stronger aligned change across all three capabilities and enhances performance. The importance of interpretation of the environment, and the connection between this interpretation and the subsequent responses suggests that the perceptions of leaders in Alpha as they consider the environment are important in making sense of *"a field of experience"* as opposed to simply intellectually discerning data from an otherwise disconnected environment (Smircich and Stubbart, 1985). Indeed, Smircich and Stubbart's description of the enacted environment appears to be reinforced by this research, which demonstrates that organisations can create their environment, either positively or negatively, rather than simply be informed by it.

In general, the capabilities are grouped. Geographies that possess strengths in some, but not all of these factors, have done less well than geographies who have adopted a position within each factor that is consistent with their position in other factors. Misalignment or inconsistencies can for example be observed between sensing the environment, (where changes are perceived) client needs, (where engagements remain the same) pricing (where pricing remains the same) and creating breadth and depth of capabilities (where capabilities appear to narrow and remain the same) in the US, and here also performance appears to decline.

This analysis leads to the suggestion that the eight capabilities are potentially connected in groups, where changes to one could lead to changes in the others, and where changes must necessarily occur in all factors, or performance may decline over time. The US office was well aligned across all of the eight capabilities for a period of time, but was unable to change and reconfigure, and this has ultimately led to a decline in its performance.

Changes from inception to current day in each capability and geography are captured in the tables overleaf. Where Informants indicated high levels of change in that capability, I have marked the capability "high", where the Informants and evidence show moderate or lower levels of change, I have marked the capability accordingly. This allows the reader to observe where capabilities have changed, and whether they have changed in connection with other capabilities or in isolation.

In the US, the capabilities are consistently “high” in the first time period. In the second time period, there is little change reported across most of the capabilities. The European offices in contrast show consistent changes across most capabilities in both time periods. In the South African offices, Informants report low performance in the first time period and consistently low levels of change across the capabilities. In the second time period however, they report higher levels of change across multiple capabilities, and a rise in performance. Finally in India Informants report both consistently low levels of capability change in both time periods, and consistently low performance is recorded. The following tables provide a summary of capability change across two time periods and are designed to focus on comparing the levels of change of each capability over time.

Table Twenty-Seven: Project Two Capability Changes for US office from 2002-2007, then 2008 – present

Capability	Circa 2000 – 2007	Circa 2008-present
Sensing the Environment	High – the environment offers new opportunities	High but localised – national market is shrinking, value proposition must change
Responding to Diverse Client Needs	High – new types of client projects created	Low – little/no change to client projects over time
Creating New Pricing Structures	High – new pricing models created	Low – pricing remains same, with more overheads
Managing Capacity Flexibly	High – new ways to manage capacity created	Low – priority is to serve existing capacity
Creating Breadth and Depth in Capability	High – breadth of resources recruited, building depth in new concepts	Low – capabilities are shrinking, depth favoured over breadth
Creating Positive Climate	High – positive, informal climate promoting innovation:	Low – negative, fear expressed, lack of communication
Aligning global perceptions of strategy	High – all believe Alpha will be global	Mixed – Alpha “has” a global delivery strategy, but growth is critical anywhere
Readiness to change	Moderate – proof of concept is priority over further change	Moderate – desire to change is high but with limited plans to do so

Table Twenty-Eight: Project Two Capability Changes for European office, from 2000 – 2005, then 2006 – present

Capability	Circa 2000 – 2005	Circa 2006 - present
Sensing the Environment	High – the environment offers new opportunities	High but localised – new opportunities with changes in environment
Responding to Diverse Client Needs	High – new types of client projects created and imported from US	Moderate – some change in client projects over time
Creating New Pricing Structures	High – new pricing models created and imported from US	Moderate – some change in pricing over time
Managing Capacity Flexibly	High – new ways to manage capacity created	High – priorities are running business, sales, client-funded innovation
Creating Breadth and Depth in Capability	High – breadth of resources recruited, leverage US depth in new concepts	Moderate – capabilities are growing, breadth favoured over depth
Creating Positive Climate	High – positive, informal climate promoting innovation	High – positive, informal and supportive climate
Aligning global perceptions of strategy	Moderate – challenge between export and local strategy and credibility	Low – clear at local level but not at global level
Readiness to change:	High – need for growth at local level	High - continue to emphasise new ways of working

Table Twenty-Nine: Project Two Capability Changes for South African office, from 2008-2010, then 2010 – 2012

Capability	Circa 2008 – 2010	Circa 2010 - present
Sensing the Environment	Low – client request for location and low importance of initial sensing	High – growth within market and continent presents new opportunities
Responding to Diverse Client Needs	Low – existing client project types exported with minimal changes	High – new client project types developed/developing
Creating New Pricing Structures	Low – existing pricing with discounting	High - new pricing models developed
Managing Capacity Flexibly	Low – exporting capacity model from US with focus on delivery	High - priorities are running business, sales and building local capability
Creating Breadth and Depth in Capability	Moderate – exported global capabilities, with focus on delivery	Moderate – local capabilities are growing, breadth over depth
Creating Positive Climate	Low – little attention to building climate	High – positive within office, lack of connection with some other offices
Aligning global perceptions of strategy	Moderate – enforced export strategy	Mixed – Local strategy prevails, with desire to build global strategy
Readiness to change:	Moderate – existing client mandate is sufficient initially	Moderate – desire to change at global level is high, with some level of clarity as to how.

Table Thirty: Project Two Capability Changes for Indian office, from 2007 to present

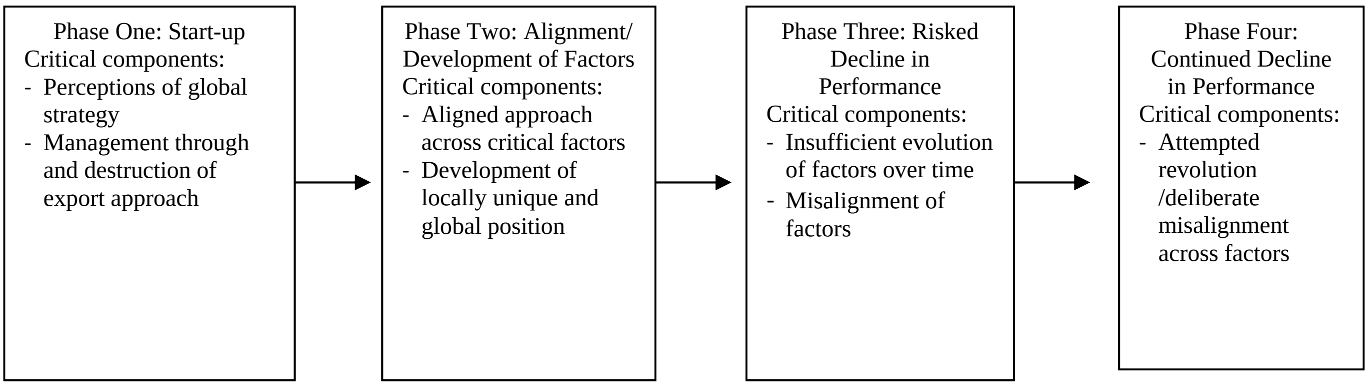
Capability	Circa 2007 – 2010	Circa 2010-present
Sensing the Environment	High – the environment offers new opportunities	Moderate – environment is complex but offers some opportunities
Responding to Diverse Client Needs	Low – export of US client project types	Low – export of US/traditional project types
Creating New Pricing Structures	Low – exported pricing model, with discounting	Low – pricing models are same with discounting
Managing Capacity Flexibly	Low – exported traditional capacity models from US	Low – delivery is priority
Creating Breadth and Depth in Capability	Moderate – recruited depth of capability over breadth	Low – small office, with depth prioritised over breadth
Creating Positive Climate	Low – two major departures	Low – small office, with little evidence of climate
Aligning global perceptions of strategy	High – global growth is important and achievable	Moderate – some departure from export strategy
Readiness to change:	Moderate – proof of concept is priority over further change	High – change is a priority for survival

The analysis now turns to whether each office can be described as separate types within an overall typology, or whether the distinctions and therefore the types are rather on a spectrum and should be expected to evolve over time through various stages. The US and European start-up phases were relatively similar in offering, climate and capabilities; however they evolved differently over time. The Indian and South African offices were relatively similar in start-up phase and also evolved differently over time. This suggests that there is no archetypal internationalisation approach relating specifically to a geographical context, but rather that each office has followed the same model, with varying responses to each capability over time.

By further scrutinising the data, the US office clearly had a well aligned and designed organisation at one point and is now struggling to change across a range of the different factors, as its performance declines over time. Having experienced capability alignment and good performance, the European office is attempting to regenerate its position across multiple factors as performance remains steady but is predicted to stall or slow somewhat. The South African office is developing its positioning across multiple factors as its performance grows, and the Indian office appears to be also developing its positioning across multiple factors, although with less progress and with a greater focus on exporting Western models and offerings than the South African office. If these activities are indeed along a spectrum instead of distinct, progression of capability alignment could be described as overleaf.

In the first phase, the start-ups in this sample demonstrating good performance have managed out of an export strategy into a more local delivery strategy, and have focused on creating more autonomy from the parent company. The US and Europe completed this stage relatively quickly, South Africa completed this stage after four years, and India has yet to complete this stage. In the second stage, the organisation shows high levels of revenue growth and has at the same time capabilities in the eight categories identified here. The US and Europe reached this stage after the first 2-3 years, and South Africa has currently reached this stage. However both the US and European demonstrate a decline in performance after approximately five to eight years following inception of the aligned capabilities. In the third stage, the company states its willingness to change but has yet to establish clear plans to do so. While new or refreshed capabilities are desired, they are not built. South Africa and India have not yet reached this stage. Europe and the US Informants both noted the desire to change. The US Informants expressed frustration with a narrowing of capability and with a decline in work climate which suggests that they have passed into the final stage, where more deliberate change in multiple capabilities is planned. European Informants have conducted some moderate changes in their capabilities in contrast and note stalled but not declined performance. The model is intended to be dynamic, in that even where alignment is achieved and the organisation is perfectly designed for current circumstances, if it is unable to change over time, decline in performance may also occur, as has happened with the US and as is mentioned as a risk in Europe.

<u>Figure Six: Project Two Progression of Capabilities in Alpha offices over time</u>



5.7. Conclusion

In this section, we will review the analysis, and relate it back to the original questions asked of the research. The two questions posed were:

1. Which capabilities and processes are important to professional services firms as they internationalise?
2. How do these capabilities and processes change and does that have an impact on performance?

The case studies demonstrated eight capabilities that were identified by Informants as important to professional services firms as they internationalise – aligning perceptions of global strategy, sensing the environment, responding to diverse client needs, creating new pricing structures, managing capacity flexibly, developing breadth and depth of capability, creating a positive climate and readiness to change. These capabilities when in alignment can positively impact performance in the short term. These certainly support the current capability-oriented researchers into internationalisation.

However, in response to the second question, the capabilities and processes also follow the pattern of contingency research in that evidence of one or more specific capabilities is not sufficient for positive performance. Rather, they should be aligned in order to yield performance, and the appropriateness of that alignment will change over time, leading to decreased performance.

The earlier Literature Review chapter also raised some early conclusions, which I address in turn. One assumption emanated from a review of Chua (2003) and Sargut and Gunter

McGrath (2011) amongst others, as well as the continued research into internationalisation suggested that that complexity and volatility in markets and companies will require a dynamic approach to internationalisation which changes and may be different to older models. The current research supports this assumption to some extent, in its assertion that multiple factors interact over different time periods as companies internationalise, and that alignment between these factors can only support performance for a short amount of time before factors should revolutionise once more. However, the assumption that internationalisation into fast growing economies requires a fundamentally different process may not be supported by this research; we have observed that the European, South African and Indian offices may have followed similar processes, albeit within different contexts and potentially at different speeds. This model suggests a way of addressing internationalisation across multiple markets and contexts, which will need to take those contexts into account, but may be more consistent than Johanson and Vahlne (1977) and others imagined when emphasising the importance of "psychic distance" from other markets. In this way, I attempt to address a contextual gap between increasing amounts of research suggesting markets are becoming very similar or very dissimilar and the need for companies to continue to internationalise in spite of these concerns about differences with home market being critical and potentially difficult to discern.

The second assumption, that how companies structure themselves in response to the desire to be international may vary in terms of decision-making style, expectations about connectedness across regions and flows of information, informed by Bartlett and Ghoshal (1998) amongst others, is supported by the research. Indeed, the finding that perceptions of global strategy may act as a filter for further responses directly supports Bartlett and Ghoshal's findings. The identification of multiple, contingent factors also underpins the idea that alignment between factors as opposed to absolute types may be more important to overall performance. The research is substantial in this area, but the gap I hope to address is specificity in developing a list of certain capabilities that may be critical to PSFs as they internationalise in fast-growing economies, rather than one or two in isolation.

The third assumption, that individual capabilities and orientations of leaders are important variables to consider in the internationalisation approaches of firms, particularly those which may internationalise more quickly (and more recently) is supported by the research. The findings suggest that perceptions of global strategy are an important filter in determining overall approaches to internationalisation and ultimately performance. The research also suggests that leaders play an important part in informing culture and capabilities once the company reaches critical mass. Here, the gap I hope to address is showing just how significant the role of the leader is in impacting each capability within the model. The importance of all eight capabilities and the management of these capabilities over time seems to reinforce the notion that breadth of capability and not just depth may be critical to PSFs as they internationalise in fast-growing economies.

The fourth assumption, that professional services firms specialising in idiosyncratic offerings may not be catered to by existing models for internationalisation is supported by this research. Firstly because there is some heterogeneity in performance across the cases, which we would not expect if there were a pre-existing approach to use, and secondly because the contingent factors suggested by this research seem to build in existing internationalisation research, rather than simply replicate it. Of note is that Alpha is not just a professional services firm, but can also be termed a “Born Global” firm, in light of the definitions provided in the theoretical background section. This is a relatively new concept, and adds weight to the notion that perhaps new international models are required to support these new phenomena.

The fifth assumption, that performance is positively impacted by structure and strategy being in alignment with environmental variables is partially borne out by the research. What is perhaps an interesting contribution of this research is that it posits further factors beyond strategy and structure, which may be important in determining overall performance. This research attempts to address this potential gap in existing research by enumerating several capabilities which may all critical in contributing to performance.

The sixth assumption, that professional services firms possess capabilities which are heavily reliant on intangible, people-centric capabilities over more tangible capabilities and assets, therefore offering a context ripe for research into changing approaches to internationalisation over time, is supported by the findings of this research. The findings suggest that a dynamic approach to internationalisation for PSFs targeting fast-growing economies may be most appropriate, where companies should expect change over time to occur regularly in order to sustain performance.

The limitations of this research, as stated in the methodology section are clear; this is a study that benefits from the more detailed study of other companies, ideally able to share insights into two or three time periods. While this research highlights that capabilities can change over time periods, further research could usefully focus on differing time periods – ideally more than two - to enhance the understanding of capability change or development over time and observe patterns of development in connection with patterns of performance.

Because the research has relied so heavily on subjective interpretations (both from the researcher and from the Informants) of the factors, further research would also be beneficial to verify the model, both across multiple companies and perhaps relating specifically to the model, to detail early conclusions reached here. This research also supports the findings of my previous research, that there is no one consistent capability required for successful internationalisation, but rather a set of interdependent factors that must align, then change over time.

6. Project Three: Development of Capability Groups in Three African Business Lines Over Three Time Periods

6.1 Introduction

This paper describes the third of three research projects designed to identify capabilities important to professional services firms (PSFs) internationalising into fast-growing economies and integrate them into existing theory addressing this context. The first project established that multiple capabilities – relating to how leaders manage their people and work climate, how leaders change their responses to the external environment and how leaders manage their own time flexibly - were important to PSFs internationalising in India. The second project built on this thinking by inductively identifying a model of capabilities (see Figure One) comprising eight capabilities – aligning perceptions of global strategy, sensing the environment, responding to diverse client needs, creating new pricing structures, managing capacity flexibly, building breadth and depth of capability, creating a positive climate and readiness for change. The second project concluded that these capabilities are not static, in that their presence at one time alone does not deliver temporary advantage. Rather, temporary advantage was shown to be delivered when the capabilities were refreshed in specific ways. The final project seeks to understand whether and how groups of these capabilities are built, and whether the need for those capabilities changes during different time periods. The final project extends the model offered in Project Two by corroborating the required capabilities, further exploring the links between capabilities in each group and identifying two distinct types – Type A and Type B - of each capability that conceptualise how capability development occurs in the context of internationalisation of PSFs in fast-growing economies.

The key findings show that change across the eight capabilities identified in Project Two and detailed here occurs most extensively in a business that has already been established but which continues to provide idiosyncratic services. Where the business is high growth but very young, I found fewer overall capabilities and less development of those capabilities, perhaps in part because of the youth of the business. However that business is more focused on the provision of idiosyncratic services and demonstrated a greater trend towards Type B capabilities. In contrast, the oldest, lowest growth business providing the least customised services showed the fewest overall capabilities and the least development of those capabilities, with the highest prevalence for Type A capabilities.

PSFs internationalising into fast-growing economies continue to be researched by academics, and for this group, the research is intended to support the conceptualisation of capability groups and capability development in this context. This research builds on the approaches of other academics that have also referenced RBV as they study capabilities and internationalisation, extending theory into the field of PSFs and attempting to develop a more specific sense of capability development and deployment. I offer a model that suggests the grouping and development of capabilities in certain contexts, which helps academics to better understand capability development of similar PSFs in similar regions. The data shows that groups of capabilities change over different time periods and as such contribution to theory is in understanding how these capabilities can be deployed and then retired or altered. This research uses a qualitative approach, focusing on perceived capabilities as reported by leaders and supporting documentation to gather specific and rich data to further understand the capabilities identified as important. From a practitioner's point of view, this research aims to offer experiences from both successful and challenged businesses internationalising into fast-growing economies.

Turning to the formulation of the research questions, the Literature Review Chapter argues that RBV is an appropriate lens through which to study capability development. However Project Three also advances the work begun in Projects One and Two. In particular, Project Two concluded that the eight capabilities identified merited further exploration, both to detail each capability and to explore their development over different time periods. Project Three builds on this foundation by gathering more data in relation to how capabilities can change, and whether these changes occur in groups. I chose to collect data from a combination of retrospective, current and future episodes, (Hendry and Seidl, 2003) generating documents and reports from Informants as a way to better understand how capability development occurs over time.

The overarching research questions therefore applied here are

1. How are capabilities perceived to change across three time periods within a PSF internationalising into fast-growing economies?
2. What, if any, relationships do the eight capabilities previously identified (along with any others identified by current Informants) have to one another?

This paper attempts to contribute to RBV, internationalisation and PSF research through a detailed exploration of three businesses and whether and how they demonstrate eight capabilities, identified through prior research as potentially influential. My prior research suggests that a successful professional services firm will build specific routines around eight capabilities, and change these capabilities consistently rather than independently. Over three time periods, the value of these capabilities may erode as the environment changes, and change may be required. As referenced above, this research will build on the model – presented initially in Project Two - by exploring whether and how these capabilities move individually and in groups over the three time periods.

To prepare for this research, it was necessary to identify potential groups of capabilities so that consideration of their development could be made. The four groups below were generated by analysing the activities of the Informants reported in each capability. For example, activities comprising sensing the environment and responding to diverse client needs relate most closely to the client, and therefore have been grouped into client capabilities. Informants in Project Two reported creating new pricing structures and ways to run their business differently in response to changes in the environment and in client needs. These activities have therefore been grouped into operating capabilities. Informants in Project Two reported activities related to developing their staff and to recruiting either specialists or generalists as an important part of their business. Together, these two capabilities relate most closely to one another and act most directly to impact the people of the organisation. Finally the capabilities of perceiving and responding to the global strategy and being consequently ready to change at a local level or remain true to the global strategy requirements are most connected with one another and with how closely or loosely a subsidiary follows the strategy setting at a global level.

Table Thirty-One: Grouping of Capabilities from Project Two

Global strategy setting capabilities Aligning global perceptions of strategy Readiness to change	**Client capabilities** Sensing the Environment Responding to Diverse Client Needs
People capabilities Creating Positive Climate Creating Breadth and Depth in Capability	**Operating capabilities** Creating New Pricing Structures Managing Capacity Flexibly

6.2 Methodology

I followed Eisenhardt and Graebner's (2007) guidance that a case should be deliberately selected to offer insights into the phenomenon to be researched, as opposed to random sampling although in the latter case this would not be appropriate anyway since there is a relatively limited universe of firms. I therefore looked for organisations that fulfilled certain search criteria – see below. I outline each criterion, the attendant rationale and then how Gamma, the selected research subject, fulfils each criterion.

Table Thirty-Two: Project Three Rationale for Selecting Gamma

Criteria	Rationale for Selected Criteria	Appropriate Attributes
Established presence for more than five years in a fast-growing economy	- It is assumed that most PSF subsidiaries would need to be at least partially self-sustaining after five years - To avoid studying organisations that do not necessarily demonstrate sustained performance	- Gamma has been in South Africa since 1997 - Gamma has global revenues of $31.5bn and 180,000 employees. - Gamma reported sales growth of 8% in 2012.
Operates in a fast-growing economy that I have previously researched (either South Africa or India)	- This allows me to build on existing experience and evidence in this market	- See above
Is interested in further internationalisation	- This suggests that the organisation will be interested in reflecting on the capabilities to be internationalised	- In 2011, Gamma committed $100m to develop its presence across Africa, particularly to build a Pan-African Advisory business
Is focused on building idiosyncratic services as a major component of the business	- This magnifies the context to be researched, rather than balancing idiosyncratic with more standardised services	- See above
Offers a blend of idiosyncratic and non-idiosyncratic (or standardised) services	- This allows me to report differences between businesses that may have some common and some different resources - PSF literature referenced in Literature Review highlights tension between idiosyncratic and standardised services Emerging model from Projects One and Two suggests that levels of idiosyncrasy and standardisation may require different capabilities	- Gamma has three businesses – Advisory, Tax and Assurance. Advisory and Tax offer predominantly idiosyncratic services. Assurance is a commodity business offering only standardised services.
Is a leading business in its area, ideally top five by revenue	- In response to Eisenhardt and Graebner (2007) guidance about selecting best practice examples, I would like to find the best examples of success to research which generates a higher likelihood of finding informative data.	- Gamma is the leading provider in South Africa - Gamma also has the highest employee satisfaction scores in its industry, according to two independent rankings

Table Thirty-Three: Project Three Overview of Gamma's businesses

Date	Event
1840 - 1900	- Founders of four PSFs eventually merged into Gamma began trading in the UK, Canada and the USA
1997	- Gamma establishes businesses in South Africa, leading with Tax and Assurance businesses
1998	- Gamma merged again with another PSF, making one of the Big Four firms globally, headquartered in the UK - The Global Advisory business is largest part of the global business by revenue and margin
2000	- Gamma acquires large advisory business in Canada
2002	- Gamma sold the then Global Advisory business to a competitor - Gamma established businesses in Hong Kong and China
2008	- Total African revenues are approximately $362m
2011	- Gamma decided to rebuild the Advisory business, announcing a 3 year $100m investment into all African businesses, concentrating on Advisory - African business grows by 7% to approximately $726m - Gamma's African businesses employed 8,000 employees, with employee headcount growth of 4% since 2010 - Gamma's global business employed approximately 180,000 employees
2012	- Gamma restructures from several regional offices, led by South African offices to Three Regional Hubs, with a Pan-Africa Advisory business linking other businesses and regions - Sales and margins in Tax and Assurance are relatively flat (approximately 9% and 6% growth in revenues, respectively) - Advisory grows margins and sales (approximately 17% growth in revenues)

Having selected South Africa as a potential fast-growing economy, I cross referenced information from Top Consultant, Big4.com, Forrester Research and the Association of Management Consulting Firms along with market information about the South African management consultancy market from academic to create a shortlist of potential targets. I then approached the CEO of Gamma through a contact established in Project Two. This CEO was the most enthusiastic to participate in the research, offered the broadest access and has himself a doctorate, stating that he was aware of the research requirements for this type of study.

Gamma comprises three businesses – Advisory, Assurance and Tax. Globally the firm reported revenues of $31.5bn from approximately 180,000 employees and grew by 8% in 2012. Gamma's global reputation and leading position in several league tables for employee satisfaction and largest revenues meet the selection criteria of a successful, large business. Gamma is in part an interesting research subject because it has a long history, offering therefore the opportunity to observe an organisation with a high degree of institutional norms and depth of existing experience and expertise upon which the African business should draw. Rather than being a start-up, we can observe an organisation that is likely to bring administrative heritage and views about how the business could be run into this market. Gamma is also heavily pursuing growth of its specialist advisory business – currently growing by 17% from 2011 - which provides particularly interesting research material as this is the most idiosyncratic out of the three businesses. As referenced above idiosyncratic services within a business present a particularly interesting context for research since the leaders running them must address the tension between the global leaders' previously established views on how the business could be run and the types of engagements that should be effective and the need to make the services idiosyncratic by localising them. The tax business has grown by 3% in 2012 and provides a combination of idiosyncratic and standardised services. The assurance business provides only standardised services and reported growth of 8% in 2012. Together, the tax and assurance businesses make up the majority of the revenues at $23.6bn. Currently employing 8,000 employees in Africa with revenues of ZAR 3bn in South Africa and 70 offices in 27 countries in Africa, Gamma Africa can reasonably be described as a successful business. Their internationalisation strategy – to grow into Africa and to grow their advisory business so that they have doubled their total sales in Africa by 2016 - fulfils the second research criterion from Balogun et al (2003) in that leaders are able to comment on specific activities and capabilities as they occur. Gamma presents a promising research subject because they are engaged in the research process, and the African Senior Territory Leader and the leaders of the three businesses perceive it to be supportive of their reflections as they continue to grow.

Based on the above guidance and desired outputs, a three stage approach to data collection was used. During the first two stages I reviewed external documentation and interviewed key leaders at Gamma. The external documentation was secured from a combination of both academic and trade sources. Please see below for decision rules employed with respect to website review. Trade documents were recommended by Informants and were also found through the Associations for Management Consultants, Tax and Auditing associations in Africa. Trade documents were also provided directly by Gamma through their African publishing arm.

Simultaneously; I interviewed a range of leaders at Gamma, starting with the CEO for Africa, then the Managing Partners of the three businesses reporting to him. Each of these Managing

Partners identified further Partners within their businesses for me to interview, as well as recommending data for me to review. In total the documentation reviewed included annual reports, press releases, employee opinion sites, conference speeches, symposia reviews, industry reports and Financial Times articles. I spoke with a total of eight leaders across the three businesses.

Interviews were of approximately 45 minutes in duration. Each one was recorded and transcribed so that it could be coded along with the external documentation into NVivo I describe the coding approach below. As the consultancy industry is very secretive (Gross and Poor, 2008), I promised confidentiality to each Informant and to the company overall, which allowed me access to a higher number of Informants and a higher reported level of sharing of information from Informants. This may have also increased their willingness to disclose perceptions candidly (Graebner and Eisenhardt, 2004). I personally transcribed each interview verbatim, which allowed greater familiarisation with the data and the opportunity to reflect and adjust questions in between interviews.

Interviews followed a semi-structured protocol, shared in the Appendix, where I asked for reports of activities across three time periods. The semi-structured approach was selected because it allowed me to verify and extend my extant understanding of capabilities and capability development paths, but also surface new ideas, themes and capabilities as they emerged. I first asked open-ended questions relevant to the theme of each capability (for example, I asked what the strategy was for internationalisation, who set it, how it was followed, how much time was invested in meeting and negotiating the strategy and how local or global the strategy was) before then naming the specific capability that I was seeking to verify from my previous research. I then asked each Informant whether they could name further activities that they perceived to be important in guiding Gamma's growth or that they were investing in at that time. Each Informant was offered a transcript of the interview and an opportunity for further comment. Four Informants offered follow-up conversations to review the data.

Time periods were established with Informants. Rather than a continuum, I was looking for three distinct time periods. T1 should be in the past. Informants in Tax and Assurance described "the past" as 2009. Informants in Advisory described "the past" as 2011, when Gamma made a substantial investment into Africa, particularly into the Advisory business. All Informants described "today" as 2012, and "the future" as 2016, when Gamma's strategy is to double in size from 2012 in Africa.

Coding was conducted in NVivo. I started with a priori codes by time period, business line and capability. Coding was revised once all interviews and documentation were coded, and then revised once more once the data had been analysed, each time enabling me to get closer to a reflection of the themes emerging from the data.

I employed several decision rules to promote quality and consistency. With respect to the document review, I reviewed only websites that were either officially published by Gamma, or that were registered by a recognised professional body. Additionally, when considering employee review sites, I chose sites that offered both positive and negative reviews from at least 10 current employees, to minimise the risk of highly subjective and one-off perspectives. When reviewing speeches given at conferences and symposia, I accepted only those from registered public bodies and given by either Gamma or its direct “Big Four” competitors. During coding, I provided all coding for capabilities in overview, but only considered capabilities in detail where they were reported by two or more different sources. Two, rather than three sources were selected as the cut-off point for inclusion given the secrecy of the industry and the relative lack of availability of primary data available within these fast growing economies. Both documents and interview transcriptions were included in the coding process above.

Once coded and summarised, the data tables were sent back to the top four leaders – the CEO and three Managing Partners - for review and refinement. Results of these conversations were incorporated into final data analysis.

Table Thirty-Four: Project Three Summary of Research Processes and Rationale

Research Step	Selected Method for Project Three	Rationale
Research design type	Case Study – comparison of three units of one firm	Similarity of context of three businesses operating as one firm suggests that important capabilities will be repeated across all businesses, and critical differences will also be clearer across business types. Selection of a business offering varying degrees of idiosyncratic services also provides clear frame for investigating this context with minimal interference by inter-company differences.
Organisation Selection	Top firm in marketplace	Top firm offers optimal insights into how successful PSFs perform in Africa. See below table for extended rationale for Gamma
Informants Selection	Initially scoped with CEO, then Managing Partners for each Business Line, then each Managing Partner selected further Partners within their business	I sought out the top leaders of each business as well as those reported to reflect the most on the businesses capabilities.
Interviews	Telephone, recorded and transcribed	All interviews were conducted by same method as recommended by Gamma CEO. This allowed me to interview Informants at home and out of office, to promote more candid discussions. Consistency of interview format also allows for important discrepancies of content to emerge as other inconsistencies are minimised.
Question design	Semi-structured interview protocol	Please see appendix for protocol example. Semi-structured protocol allowed me to ensure that I explored the a priori constructs whilst allowing for new constructs, capabilities and themes to emerge.
Coding approach	NVivo, with a priori constructs	This allowed me to improve reliability by clearly categorising evidence and revisiting multiple times in and out of order to reduce subjectivity. Also allowed use of tools such as Tree Maps to visualise prevalence of capabilities. Also allowed for incorporation of supporting documents within one coding structure
Additional data	Archival references	As indicated above, I also conducted both academic and trade-related searches to unearth documents including academic articles, annual reports, strategy documents and press releases. Some were provided by Gamma Informants and others were sourced independently. I applied above decision guidelines to gain only admissible evidence.

6.3 Limitations

There are some important limitations to acknowledge across research design and how generalisable the analysis can be. First, while the case study approach offers rich data that can be insightful, especially in the context of perceived capabilities, it does not offer the testing possible from a large scale, quantitative analysis. Moreover, perceptions are always subject to bias and interpretation, which was only partially mitigated by the combination of cross-referencing of interviews with published information and the use of decision rules to promote a threshold above which capabilities would be reported.

The second set of limitations concerns the research subject and the retrospective, rather than longitudinal approach to the research. Gamma presents a good opportunity to study an organization in the middle of addressing the phenomena to be researched. However it is one of the "Big Four", with one time period for interviews, as opposed to a true longitudinal study over several organisations. Some mitigation of the challenge of timing can be found where archive documentation published at the time referred to is used to support the retrospective recollections of Informants. The time periods are additionally relatively close together (a maximum of three years), which may allow Informants better recollection of past capabilities than longer time periods.

The third set of limitations concerns the inherent subjectivity of analysing capabilities with a potential capability set in mind. Given that over the total DBA process I have studied a total of nine organisations addressing this phenomenon over five years and three research projects, I may have achieved some mitigation of subjectivity by having broader lessons to draw upon than this research project alone. Emergent trends and new capabilities may be more evident to me, given my exposure to other organisations that have broadly followed similar patterns and exhibited similar capabilities. Further mitigation of the bias of subjectivity can be found in the analysis period. By coding and re-coding three times in this project and several times in other projects, I have been able to get continually closer to themes emerging from new data and question the existing themes that I have drawn out. The follow-up process (here of sense-making by sharing and discussing analysis post interviews and coding with Gamma, and in the previous research project of a post-research workshop with the management team to reflect on data) has also helped to gain objectivity.

6.4 Results

I have followed the method of results presentation used by Stensaker and Langley (2010) by presenting the results into three tables, one for each business line. The tables reveal the data in two ways; first when reading down each column, data are presented to indicate where a business line shows evidence of each capability within a given time period, and a description of how that capability is manifested. Second, the table can be read horizontally across each row to consider how the capabilities evidenced in each time period change in the different time periods. Where a concise quotation was available to illustrate the findings, I have included it. In some instances, evidence was instead found through documented sources and analysis of different project types for example. Where a capability box is left blank, it can be understood that there was insufficient evidence to indicate that this business line or time period included that capability. In this way, we can quickly review time periods to see patterns between times, business lines and capabilities brought to bear.

In reviewing the tables of evidence, a surprising result emerged; lines of business reported similar capabilities – for example both Tax and Advisory reported a focus on Aligning Perceptions of Global Strategy – but the activities and intent denoted by that capability differed – for Advisory, this capability meant that they were largely autonomous, whereas for Tax this capability meant that they grew in T2 to be more controlled by the Headquarters. I have added a right-hand column to the table which summarises key conclusions that I drew from each capability and business line.

The first table illustrates the Tax business over three time periods. The Tax business now offers a blend of both idiosyncratic and standardised services.

Table Thirty-Five: Project Three Client Capabilities developed by Tax in Three Time Periods

Time Period 1: 2009	Time Period 2: 2012	Time Period 3: 2016	Key Conclusions
Sensing the Environment Important capability, evidenced globally *Speeches given at range of African Tax Symposia and Conferences on development of African industries*	Sensing the Environment Capability is routinely practiced at multiple levels and is reported to be critical in allowing Gamma to respond to client needs. *Increased number of industry reviews, participation in trade and industry seminars and on-going sponsorship of surveys, panel discussions and interviews with CEOs across Africa.*	Sensing the Environment Gamma Informants continue to believe their sensing the environment capability will allow them to grow. They continue to invest in this capability. *"Gamma will be hosting its 15th African Tax and Business Symposium….highlighting Africa as a key investment destination worldwide"* African Business Agenda 2012	- Important capability to gain local credibility - Both focus on and deployment of capability remained constant over time
Responding to Diverse Client Needs Primary evidence is in efforts to provide local capacity to address local client needs. Needs have changed over time. *"There has been significant change over the last few years… [In 2009] people were very much more in a tax reduction, planning mode."* Partner, Tax	Responding to Diverse Client Needs Needs have continued to change over time, and Gamma is able to service different engagement contexts, while core tax skill remains the same *"Because as there are changing regimes in Africa it's becoming increasingly important that firms don't throw money away in tax penalties and interest so….I've seen quite a change there."* Managing Partner, Tax	Responding to Diverse Client Needs Markets and clients are predicted to change as growth continues unevenly in various markets. Evolution of governments also is reported to be significant in suggesting new client needs for Gamma to provide	- Evidence of capability that responded to changes in environment to create new client engagement types over three time periods

Table Thirty-Six: Project Three Operating Capabilities Developed by Tax in Three Time Periods

Time Period 1: 2009	Time Period 2: 2012	Time Period 3: 2016	Key Conclusions
Creating New Pricing Structures No reported pressures on pricing. Capability largely deployed to reduce cost of local delivery, which was high due to lack of local skilled employees. *“Now if I go back 4 years or beyond that you were very seldomly asked to discount your rates, your professional rates, you would quote your fees and that would be it”*. Managing Partner, Tax	Creating New Pricing Structures Capability is required as client engagements are mainly one-off projects. Gamma is working on extending this capability so that a broader range of pricing is available, rather than the assumption of full-service pricing for each assignment. *“We get on-going fees and clients because of the relationships we build, but it is specific one-off projects, it’s not for example the same as an audit that will happen every year.” Managing Partner, Tax*	Creating New Pricing Structures	- Capability exists in T1 and T2. - In T1, it is largely focused on cost reduction to increase margin - In T2, it has shifted to focus more on creating entirely new pricing structures
Managing Capacity Flexibly Perceived change in client needs and potential growth in market led to investment in headcount in 2011 Data from Annual Review 2011	Managing Capacity Flexibly Perceived increase in need to manage the business. Changed the resourcing for some parts of process to allow more administrative staff to complete non-technical elements of service. More time currently perceived to be spent on managing internal issues. *“Even at the client relationship partner level where their role is 100% looking after the client … the idea is that a minimum of 50% of their time should be spent on that and…from looking I would expect that it’s close to 20% or less is the reality.”* Partner, Tax	Managing Capacity Flexibly	- Capability exists in T1 and T2 - In T1, it is deployed to recruit talent to deliver locally, but with global control - In T2, it changes as approaches to resourcing change more fundamentally from local recruitment to change in priorities of partners and leaders at multiple levels

<u>Table Thirty-Seven: Project Three People Capabilities Developed by Tax in Three Time Periods</u>

Time Period 1: 2009	**Time Period 2: 2012**	**Time Period 3: 2016**	**Key Conclusions**
<u>Creating Breadth and Depth of Capability</u>	<u>Creating Breadth and Depth of Capability</u>	<u>Creating Breadth and Depth of Capability</u> This capability will be deployed as headcount increases are planned, particularly to invest in specialist tax staff. As clients insource talent, Informants report the need to increase levels of specialism to be able to add value. *"[At] the moment we don't have real specialists in our particular markets… and that's what we need to change so that we can get into the growth phase"* Partner, Tax	- There is insufficient evidence for this capability in T1 and T2 - In T3, this capability s planned
<u>Creating positive climate</u>	<u>Creating positive climate</u> Following an employee survey to reduce attrition and improve management capabilities in managers, invested in training and development for all staff *"Gamma Experience"*, created a business school and range of benefits including flexi-time. Positive ratings in employee review website include *"incredible learning opportunities for trainees to develop their knowledge*", *"positive work environment," "invests in people," "great company culture," "managers are committed to developing their staff*" Glassdoor Review Gamma Africa	Creating positive climate	- Evidence in T2 only for this capability - The focus in T2 is strong, with the business investing heavily in training and development

Table Thirty-Eight: Project Three Global Strategy-Setting Capabilities Developed by Tax in Three Time Periods

Time Period 1: 2009	**Time Period 2: 2012**	**Time Period 3: 2016**	**Key Conclusions**
Readiness to change Recognition that readiness to change was important to localise business and retain staff. *"….the last thing we want to do is impose a South African … methodology….on the rest of Africa ….So we've gone in with a slightly different approach."* Partner, Tax	Readiness to change Capability is perceived to be present, important and superior to clients *"when we do change…it's a bit pre-emptive so we're normally ahead of the game"* Partner, Tax	Readiness to change Informants report an expectation that client needs will change, perhaps dramatically, and that Gamma will be required to change in accordance with them. *"I understand it there's quite a lot of pressure through the world bank and the IMF to convert to a standard VAT system"* Partner, Tax	- Capability is reported consistently throughout all time periods, with a plan and metrics associated with change at the business line level
Aligning to global strategy UK business model exported to South Africa, but with greater degree of autonomy to create new processes at local level. Recognition that local approaches are appropriate for African expansion from South Africa. *"[In the past] you had a lot more autonomy [from global centres]."* Managing Partner, Tax	Aligning to global strategy More control from global centres with respect to both target setting and global standards. However greater perceived need to create processes and delivery standards at local level to satisfy different requirements for client delivery. *"..There's a lot more central control and pressure coming from the global leadership to set the targets for growth and that those targets are challenged if they're not set with enough stretch in them."* Partner, Tax Business	Aligning to global strategy	- Capability is present and consistent in T1 and T2, - Some smaller degree of autonomy in T1 than in T2, but broadly Informants report a close control from HQ

Table Thirty-Nine: Project Three Client Capabilities Developed by Advisory in Three Time Periods

Time Period 1: 2009	Time Period 2: 2012	Time Period 3: 2016	Key Conclusions
Sensing the Environment This capability resulted from existing capacity in audit and assurance businesses, which provided a brand and set client expectations that advisory services would be available globally. Annual surveys, panel discussions and client reports were started upon entry into market. *"Most of those offices have come through the assurance, audit, tax sort of base our branding those areas and I think that to use that as an entry point for broadening out consulting and advisory services is a heck of a lot easier than if you're flying into a territory cold and trying to start out building your brand building your network building your capability. That's got to be a very significant advantage."* Partner, Advisory	Sensing the Environment Capability already exists and has grown in importance due to growth plans in Africa. *"..We try to take a view of the industries that are key players in that country and we try and understand where are the key clients …. and then become more intimate with the trends and challenges within each of those industries and then with the particular client's agenda and strategy for the next 2 -3 years …."* Partner, Advisory	Sensing the Environment Capability already exists and will continue to grow in importance as contexts across Africa change.	- Capability is present and consistent across all three time periods - Sensing the environment is a critical focus for this business line to build local credibility, find local clients and shape new types of work undertaken
Responding to Diverse Client Needs The approach to client engagements was largely analytical and problem-solving (as opposed to relational or with a bias towards joint problem-solving with clients). Clients mainly asked for projects supporting growth in South Africa. *"…in the past you could be very analytical and problem solving in [client engagements]."*Partner, Advisory	Responding to Diverse Client Needs Growth into African continent accompanied by need to manage different client contexts, from growth to risk management. Gamma has invested in five new client engagement areas, requiring substantial investment and recruitment of specialist staff.	Responding to New Client Needs Continued expected change from clients indicates that capability to respond to range of client needs will be required, perhaps more than in T1. Client surveys indicate CEOs expect change across a number of their capabilities, leading to changes in how Gamma will need to support them.	- Capability is present in all three time periods - However in T1, capability is consistent with the traditional approach to client engagements - In T2 and T3, the approach has changed to develop new client engagement types

Table Forty: Project Three Operating Capabilities Developed by Advisory in Three Time Periods

Time Period 1: 2009	**Time Period 2: 2012**	**Time Period 3: 2016**	**Key Conclusions**
Creating New Pricing Structures	Creating New Pricing Structures	Creating New Pricing Structures	- There is insufficient evidence for this capability
Managing Capacity Flexibly Advisory begun with a traditional resourcing model, where clients paid for specialist knowledge and a very senior partner to deliver application of project. *"[We used to] rely on the rock stars who've been there 20 years to pull projects through in the final throes of the project lifecycle."* Partner, Advisory	Managing Capacity Flexibly Capability is evolving towards more flexible, non-traditional resourcing model. Capability expected to change again. *"I think [current capability in managing capacity requires] resource management and carving value out of the teams that you do have… I think more flexible arrangements with [a] contracted resource base…I think working with a bigger ecosystem keeps and alliances that we integrate and take margin on. The idea that we own every resource that we deploy in a project is I think a bit past its sell-by-date."* Partner, Advisory	Managing Capacity Flexibly Capability is evolving towards more flexible, non-traditional resourcing model. Capability expected to change again. *"..The average practice partner is being forced to be far more strategic [in how they run the business and manage their personal capacity]."* Partner, Advisory	- This capability is present in all three time periods - However it has changed. In T1, the capability is focused on efficiency in deploying existing star resources in new markets - In T2 and T3, the capability is focus instead on developing new, flexible and non-traditional resourcing models

Table Forty-One: Project Three People Capabilities Developed by Advisory in Three Time Periods

Time Period 1: 2009	Time Period 2: 2012	Time Period 3: 2016	Key Conclusions
Creating Breadth and Depth of Capability Original capability was largely oriented towards specialism, as clients have insourced and developed own staff, leaving little value for generalists at Gamma to add. Originally Gamma partners in advisory worked well with other traditional resources. Greater breadth required to keep up with changes in client needs. Good at working with people who are *"traditional Gamma born and bred."* Managing Partner, Advisory	Creating Breadth and Depth of Capability Capability has evolved to encourage more industry breadth so that partners can bring teams of specialists rather than stay specialists themselves. Capability expected to change again. *"… [Partners] all have significant fee targets but it's outside of their traditional competencies. So they drive all of their targets…They've built networks in their clients, but when they start to build technical delivery of anything they actually take a team of people with them."* Managing Partner, Advisory	Creating Breadth and Depth of Capability Capability expected to change again, moving towards a consistent Gamma way of working that can be repurposed across industries and clients. *"..in the current model I think that's the anticipation….to be able to replicate from an industry and proposition the things we do so well across those markets because … in those markets the extent to which you can reuse IP and repackage or industrialise offerings so that you get more repeatability and quicker time to value is really where the market is going."* Partner, Advisory	- Capability is in evidence in all three time periods - In T1 it is deployed to create specialism - In T2 and T3, it is deployed to create generalists
Creating positive climate Published desire to be employer of choice in industry, and began surveying employees to build consistent, local skills and promote employee engagement. *"In 2011, more than 1,590 people in Africa Central took part in our global people survey. The majority told us they would recommend Gamma as a great place to work, expect still to be with Gamma in 12 months' time and continue to be challenged and developed."* Central Africa Business Review 2011	Creating positive climate Significant investment into training and monitoring of partner behaviour to create positive climate with a high employee morale and sense of connection across African offices. *"… all our interactions and many of our training programs are around how do you become the preferred employer or how do you add value to your people…how will we continue to be the number one PSF to our clients and how do we add value and how do we put ourselves in their shoes all the time. And I'm always proud to say that I think that has become a culture in our firm."* Managing Partner, Advisory	Creating positive climate Continues to be important capability, but one that may be influenced by future focus on high performance. *"…We're probably not as ruthless at driving a high performance culture as you'll find in [our competitors] and if I could change something it would be a more driven high performance culture. I think sometimes we're too accommodating of average performers and I think over time I do want to change that in advisory specifically."* Managing Partner, Advisory	- Capability is present and consistent across all three time periods - Moderate change expected in future to direct climate to include a focus on high performance

Table Forty-Two: Project Three Global Strategy-Setting Capabilities Developed by Advisory in Three Time Periods

Time Period 1: 2009	Time Period 2: 2012	Time Period 3: 2016	Key Conclusions
Readiness to change Insufficient evidence.	Readiness to change Persistent readiness to change is noted by many Informants as an important capability that Gamma has been focusing on. *"There are a lot of areas where it's taken a while to influence change. That's the nature of our people, that's where we've come from. But it's changing."* Country Senior Partner, Africa	Readiness to change Advisory will invest in this capability by investing in more diverse teams, that will enable different thinking and a willingness to challenge Gamma's traditional approach *"[to avoid "South African myopia and be able to change as needed, Advisory will be] putting some of that into our own internal processes - whether it be recruitment or on boarding or performance evaluations or the way we put teams together on projects or the way we engage - ..the more diversified our teams become the more it will catch on. When we have practices that are Ghanaians and Nigerians and South Africans and Mozambiquans working on projects together that's when the magic will happen."* Managing Partner, Advisory	- Capability is only present in T2 and T3 - In T2 and T3, it is consistent. Change is expected and planned for
Aligning to global strategy Initial efforts spent trying to manage consequences of highly localised operating, client service and people models. *"I've got autonomy in Africa. It's still a partnership so we do this as a team but I've got autonomy in Africa. I decided where we will invest."* Managing Partner, Advisory Business	Aligning to global strategy	Aligning to global strategy	- In T1 this capability is present, but this business line is autonomous from HQ

Table Forty-Three: Project Three Client Capabilities Developed by Assurance in Three Time Periods

Time Period 1: 2009	Time Period 2: 2012	Time Period 3: 2016	Key Conclusions
Sensing the Environment - Insufficient evidence - Capability reported by one Informant but not prioritised Publications from press archive are specialist reports with global releases	Sensing the Environment - Insufficient evidence - Capability reported by one Informant but not prioritised Publications from press archive are specialist reports with global releases	Sensing the Environment Capability is to track multinational clients as they expand into territories where Gamma is not yet present and build capacity there.	- Capability is present in T3, where it is reported to be critical in supporting Gamma's expansion into new markets by creating familiarity with local conditions
Responding to New Diverse Needs Low levels of diversity in client expectations. In T1, technical accounting was expecting as part of audit services *"Five years ago a lot of businesses looked at accounting technical as something that was part of the audit, it was expected now I think with the growing complexities of business and accounting for transactions in business, I think clients are becoming more I won't say relaxed but it's becoming more commonplace that clients would pay us specifically for assisting with in their financial reporting and technical."* Managing Partner, Assurance	Responding to New Diverse Needs Levels of diversity in client needs have changed moderately in assurance *"…it's things like internal audit it's like IT audit, it's like data analytics, a lot of treasury work, a lot of IT governance a lot of work around sustainability solutions and a lot of those services are growth areas, more so than the pure audit itself."* Managing Partner, Assurance	Responding to Diverse Client Needs Levels of diversity of client need are expected to change, but more over the long term. *"..there are opportunities for the assurance business…I think if the accounting or auditing or assurance profession gears itself up to be able to provide assurance over a wider reporting framework then obviously that will assist with growth opportunities."* Managing Partner, Assurance	- Capability is present in all three time periods - However in T1, this capability created low levels of diversity in client expectations
Creating New Pricing Structures	Creating New Pricing Structures	Creating New Pricing Structures	- Insufficient evidence
Managing Capacity Flexibly	Managing Capacity Flexibly	Managing Capacity Flexibly	- Insufficient evidence

Table Forty-Four: Project Three People Capabilities Developed by Assurance in Three Time Periods

Time Period 1: 2009	Time Period 2: 2012	Time Period 3: 2016	Key Conclusions
Creating Breadth and Depth of Capability Capability existed to grow the assurance business through offering advice that is increasingly specialist, along with advice that is increasingly applied to specific industries. *"Fee income is remaining relatively flat….where there is a deep level of specialism required like insurance companies, banks, mining businesses we do have that level of expertise where we can grow revenues in those clients through having that capability on site. And clients are willing to buy that capability."* Managing Partner, Assurance	Creating Breadth and Depth of Capability Capability extended to build breadth across industry *"we have to have that [industry] expertise otherwise in our existing clients we would do a bare bones audit, add very little value in terms of industry knowledge and over time I think a client will say well maybe I should be looking at getting some other financial advisors."* Managing Partner, Assurance	Creating Breadth and Depth of Capability Capability is to replicate talent through mobility across markets. Assurance is part of overall drive for recruitment *"The [Gamma] network will be building world-class skills in Africa through recruitment, developing home grown talent and facilitating international mobility – across all the service lines. This will see Gamma recruiting 8,000 additional staff and partners in Africa over the next five years."* Gamma Global Press Room	- Capability is present across all three time periods - However in T1 and T3, capability is focused on identifying staff that are specialists and adding them in new markets - In T2, this capability is focused instead on building breadth of industry experience rather than specialist staff
Creating positive climate In connection with other business lines, Assurance focused heavily on creating positive climate since 2011 *"It is vital that we understand what our people think about Gamma, listen to how they feel about working here and take the appropriate action… in 2011 we took action to improve the way we assess and develop talent. Talent leaders in our markets are continuously collaborating and sharing best practices in the way we develop future leaders."* Central African Business Review 2011	Creating positive climate As with T1, focus has continued on building an inclusive climate, where consultation across multiple levels of leaders occurs. *"…we don't just make decisions and implement them. …we do consult a lot. ….When tough decisions have to be taken, sometimes the consultation becomes less but it is very consultative I think across the practice."* Managing Partner, Assurance	Creating positive climate No change to this capability expected	- The capability is reported across all three time periods, with insufficient evidence in T1 and T3 - Notably in T1 it was built to try to stop high levels of attrition from specialist staff and a low employee morale - However in T2, this capability was reported by more than one Informant as a priority in connection with the development and discussion processes across the business.

Table Forty-Five: Project Three Global Strategy-Setting Capabilities Developed by Assurance in Three Time Periods

Time Period 1: 2009	Time Period 2: 2012	Time Period 3: 2016	Key Conclusions
Readiness to change	Readiness to change	Readiness to change	- Insufficient evidence for this capability
Aligning to global strategy Capability is to reproduce services according to strict standards globally. Gamma internationalised on the basis of this capability for this function. This capability enables the network capability referenced in the analysis section. *"..The key factors that differentiate Gamma among the world's leading professional services organisations are the breadth of the Gamma network and the standards with which Gamma firms agree to comply."* Central African Business Review 2011	Aligning to global strategy Capability is to reproduce services according to strict standards globally. Gamma internationalised on the basis of this capability for this function. This capability enables the network capability. *"We are very much aligned [across global assurance practices] and we speak continually. I have monthly calls with the top 20 assurance practices around the network so yes I think the answer … is very aligned and monitored. And I think the global firm looks they try to come up with what they believe are the big opportunities but they allow territories to develop their own ideas in terms of strategy and I think they monitor what you do but they are also quite willing to support as well."* Managing Partner, Assurance	Aligning to global strategy No change to this capability expected	- This capability is reported in T1 and T2 by one Informant (and therefore has not been included in the discussion graphs. - Note that the capability here relates to adhering to globally standardised targets and strategies as opposed to managing autonomously.

The data tables indicate a different pattern for each business unit, at each stage of inquiry. Beyond finding evidence for a given capability, the data shows that there are at least two potential decisions that a given business line can take for how they choose to deploy (or not deploy) a given capability. This is observed where business lines show evidence for a capability, but that capability is manifested – i.e. how it actually can be observed - differently across different time periods or business lines. When analysing the two ways in which each capability has been manifested, two themes, or types emerge. One Type represents capabilities most associated with existing, standardised ways of working across all groups. When companies show a prevalence of this type of capabilities (Type A), they export existing models, replicate existing client engagements locally and concentrate on discounting to meet local rate expectations. Conversely when companies show a prevalence of Type B capabilities, they tend to focus on creating a highly local, flexible business that may be quite different to the company's global norms.

Overleaf I link the evidence from the tables above with the capability types. For Sensing the Environment, I found evidence from all three businesses for Type B of this capability – where the business invests heavily in building local credibility through local publications and a focus on partnering with local clients and prospective clients to attend symposia and give speeches at conferences. There was insufficient evidence for a Type A of this capability in any one business line, but one Informant did report that Assurance had this capability. Following this report, I reviewed the press releases for the Assurance business and noted that the Assurance business in both T1 and T2 has published a range of publications, but those are published from the global centre and relate to Gamma's global Assurance point of view. For that reason, I have suggested that Type A for this capability could consist of a capability where globally standardised documents reporting on specialist expertise are more prevalent than efforts to report on local markets and clients.

For Responding to Client Needs, I found evidence for both Type A and Type B of this capability. All three businesses report the capability to respond to diverse client needs during at least one time period. However in Advisory T1 and Assurance T1, while the businesses reported this capability, Informants were responsive within the bounds of existing client project type, whereas in the other time periods, all three businesses report the creation of new types of client engagements, generated in response to changes in the environment.

Tax reports a capability of creating new pricing structures across two time periods. However in T1, activities comprising this capability largely comprised discounting of existing pricing models, whereas in T2, the business is focused on creating fundamentally new pricing models by bundling and unbundling services rather than discounting. In T1, both Tax and Advisory report the capability to manage capacity flexibly. However in this time period, both businesses largely focused on replicating existing staffing models in new markets. In contrast, by T2, both businesses also reported this capability but were focused more on unpicking existing work processes to find new ways to resource projects with different types of staff.

Creating breadth and depth of capability is reported by all business lines in nearly all time periods. However we can observe some important differences. For example, in T1 for both Advisory and Assurance, Informants reported a focus on creating depth – or specialist focus – over breadth or industry focus. In contrast, in T2, both organisations moved from a focus on recruiting and prioritising specialists to recruiting and prioritising industry breadth and market-driven rather than profession-driven expertise.

All three businesses report an investment in the capability to create a positive climate during at least one time period. Again, we can observe some important differences within this capability. In Tax and Assurance in T1, while there is insufficient evidence to report fully on this capability, Informants who did report this capability noted that greater dialogue between partners and staff was instigated, with more training and development and more consistently followed up feedback from employee surveys. This is explained by Informants as a response to staff attrition, due in part to low staff mobility and low levels of promotion between leadership levels. While the businesses had invested in this capability, the impact therefore was different than in T2 for Tax, or for Advisory across all three time periods, where this capability focused on creating a positive climate that would enable Gamma to grow and succeed in new markets.

Only Tax (T1-T3) and Advisory (T2-T3) report a readiness to change capability. Where this capability is reported fully, Informants report clear plans for change, along with an expectation that change will occur in the short term. There was insufficient evidence to report on the Type A version of this capability fully, however my interviews with Assurance noted that change was not regarded as unnecessary, but rather that change is planned at a global, rather than a local level and from external rather than internal influences. For example, the Managing Partner of the Assurance business noted that *"you've got these clouds on the horizon in terms of regulatory changes…like EU changes*" or a globally integrated reporting framework as the major changes that he anticipates. When these changes occur, Assurance will be in a position to respond to them, but this somewhat reactive position is contrasted with the changes prompted by both endogenous and exogenous factors for both Tax and Advisory.

Finally there is a clear distinction between the capability of aligning with global strategy that is reported by Tax, where the business is effectively run from a global HQ, with debated targets and little autonomy, and the same capability reported by Advisory, where a high degree of autonomy is expected in both reporting and target setting, amongst other factors.

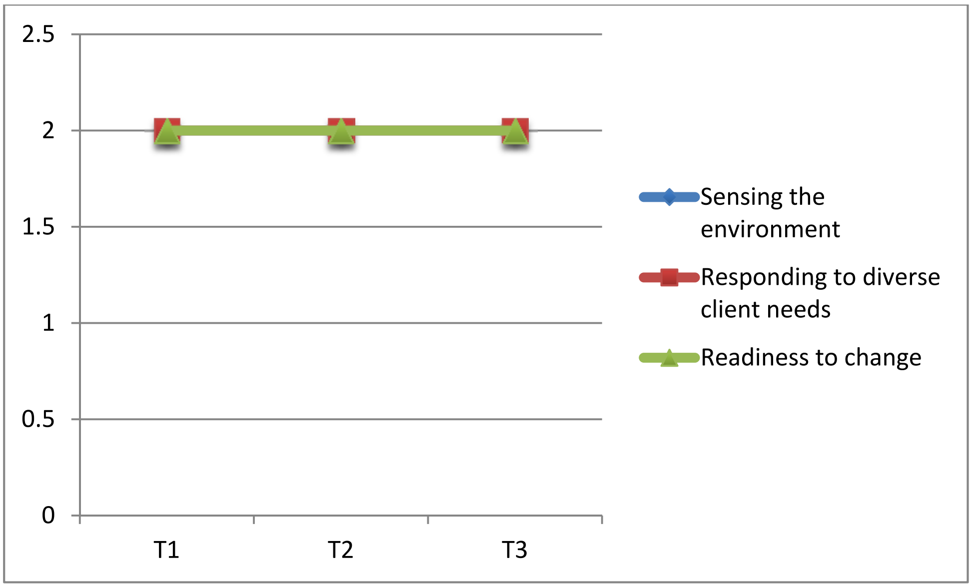
I summarise the evidence linked with each capability type overleaf.

Table Forty-Six: Project Three Overview of Capability Types

	Type A	Type B
Client model		
Sensing the environment	Low levels of activity to gain credibility through local understanding as opposed to reporting on global point of view Evidence: insufficient evidence but some reports from Assurance T1-T2	High levels of activity, evidenced by publications to establish credibility Evidence: Advisory T1-T3, Tax, T1-T3, Assurance, T3
Responding to client needs	Maintenance of pre-existing client engagement types, no/low partnership with client in shaping engagements Evidence: Advisory, T1 and Assurance T1	Creation of new client engagement types, some/high partnership with client in shaping engagements Evidence: Tax, T1-T3, Advisory, T2-T3, Assurance, T2-T3
Operating model		
Creating new pricing structures	Use of existing pricing structures, potential focus on discounting Evidence: Tax T1	New ways of creating value through bundling/unbundling services and varying pricing by engagement Evidence: see Tax T2
Managing capacity flexibly	Adhering to existing or traditional resourcing and business management approaches Evidence: Tax T1, Advisory T1	Unpicking processes and considering different resourcing requirements Evidence: Tax T2, Advisory T2
People model		
Creating breadth and depth of capability	Creating depth of capability; building subject matter experts to serve true "niche" requests Evidence: Tax T2-T3, Advisory T1, Assurance T1 and T3	Creating breadth of capability; building broad experts whose credibility lies in understanding industry or issue areas. Evidence: Advisory T2 and Assurance T2
Creating positive climate	Low levels of investment in training and development, disorganised or unclear career development opportunities, leading to low employee morale as evidenced by low scores in employee engagement surveys and high levels of attrition Evidence: insufficient evidence but some reports from Assurance T1 and Tax T1	High levels of investment in training and development, organised, clear career development pathways, leading to high employee morale, Evidence: Tax, T2, Advisory T1-T3, Assurance T2
Strategy-setting model		
Readiness to change	Change led in response to exogenous factors Evidence: insufficient evidence	Clear sense of how or when to change, demonstrating high appetite for change, Evidence: Tax, T1-T3, Advisory, T2-T3
Aligning to global strategy	Globally standardised, rigid strategic decision-making Evidence: Tax, T1-T2	Locally responsive, highly adaptive strategic decision-making Evidence: Advisory, T1

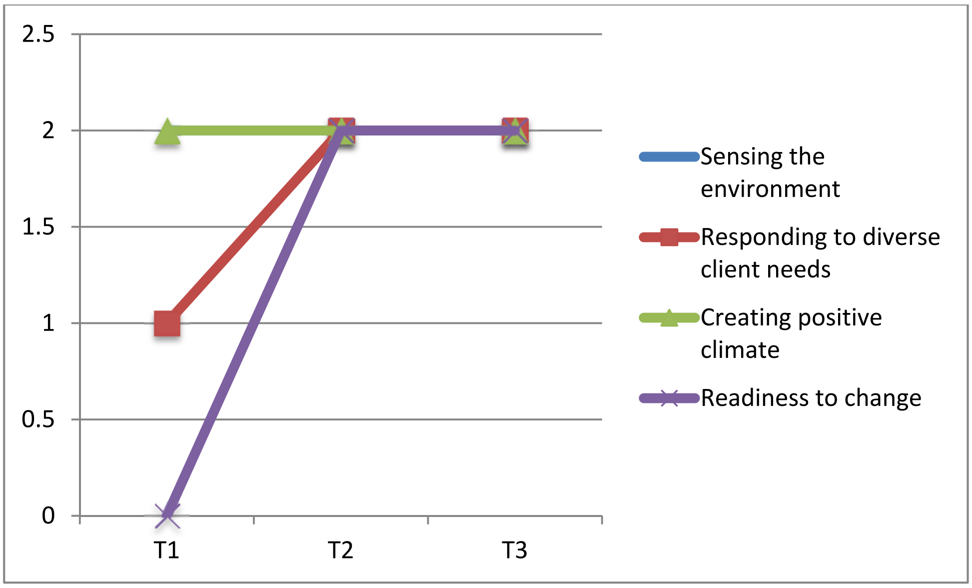
Each business line shows its own pattern of capability development. The data also shows how the capability groups change over different time periods to different types. To present these results visually, I coded each capability for each business line, awarding a 0 if the capability was either not reported or had insufficient evidence, 1 if the capability was represented as Type A and 2 if the capability was represented as Type B. In order to understand overall development patterns, I created three charts for each business line: one chart illustrating only capabilities that ended in T3 in Type B, one chart illustrating only capabilities that ended in T3 in Type A, and one chart illustrating only capabilities that ended in insufficient evidence in T3. In this manner, we can observe more clearly where capabilities have stayed the same over time, or where they have changed over the three time periods.

Chart One: Project Three Overview of Tax Capabilities in Type B in T3



In the tax business, sensing the environment, responding to diverse client needs and readiness to change were initially created as Type B capabilities, and have remained as such over all three time periods. This business reported high levels of activity related to understanding the environment, including the release of local publications and active participation in a range of local tax-specific symposia and conferences. Informants in the tax business also noted across all three time periods that they were able to translate what they perceived to be changes in the environment into client engagement types that were moderately diverse over time. Finally, the tax business is reported to be persistently ready to change from its initial conditions. Plans to change were clear, including plans to change in service model, business model and people model, as described by Informants. Informants also noted a recognition that it was important to be willing to change in order to maintain or increase growth rates.

Chart Two: Project Three Advisory capabilities ending in T3 in Type B

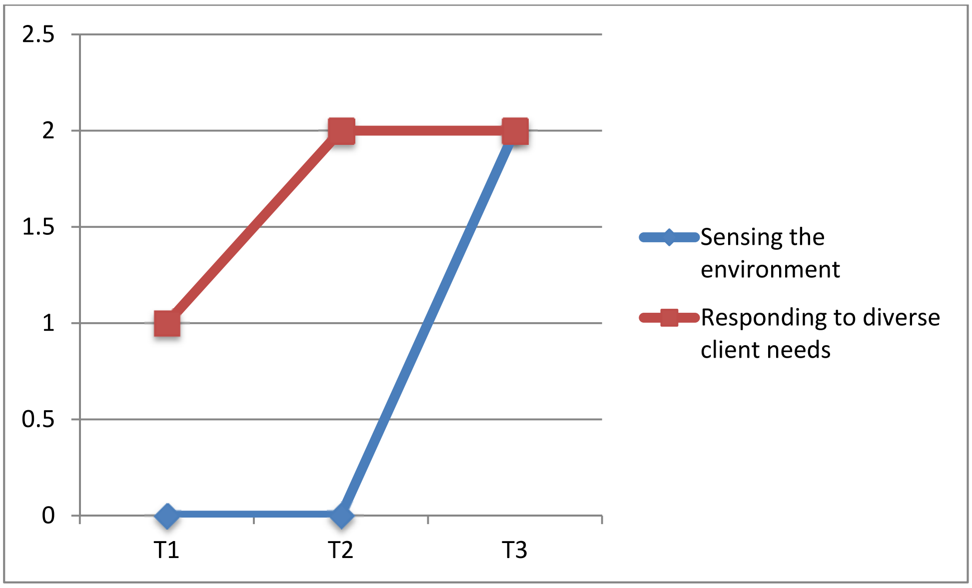


In contrast to the Tax business, in Advisory, four, not three, capabilities develop into Type B capabilities by T3. Also in contrast to the Tax business, those capabilities begin either as Type A capabilities, or are not found in sufficient evidence in T1. This contrast suggests that in Advisory, the development of capabilities was more prevalent than in the Tax business, in that they both changed more across three time periods. This also suggests a preference in the Advisory business towards Type B capabilities, in that there are more in this category in T3 than Tax.

In T2 and T3, Advisory Informants reported significant investment in the capability to understand and engage with the local landscape. As with the Tax business, Informants regularly attend advisory-specific symposia and conferences, and regularly release locally relevant publications on local industries. Over the three time periods, the Advisory business moved from designing and delivering client engagement types that are consistent with global, standardised project types to the creation of new engagement types which responded to changes in the local environment. From initiation onwards, the Advisory business also focused on creating a positive work climate, through on-going employee surveys and adjustments to employee conditions in response to the surveys, through investment in training and development and through regular discussions between management layers which did not directly address on-going work.

At inception, the Advisory business did not anticipate change beyond the changes already required by the formation of a new business. However over T2 and T3, Informants noted a need to continue to change in order to be responsive to local needs and to make on-going modifications to the service delivery, business and people models. This perception that change would be a constant, rather than episodic feature of the Advisory business was pervasive across all Advisory Informants, and was particularly important according to their reports as they were looking at new markets within Africa.

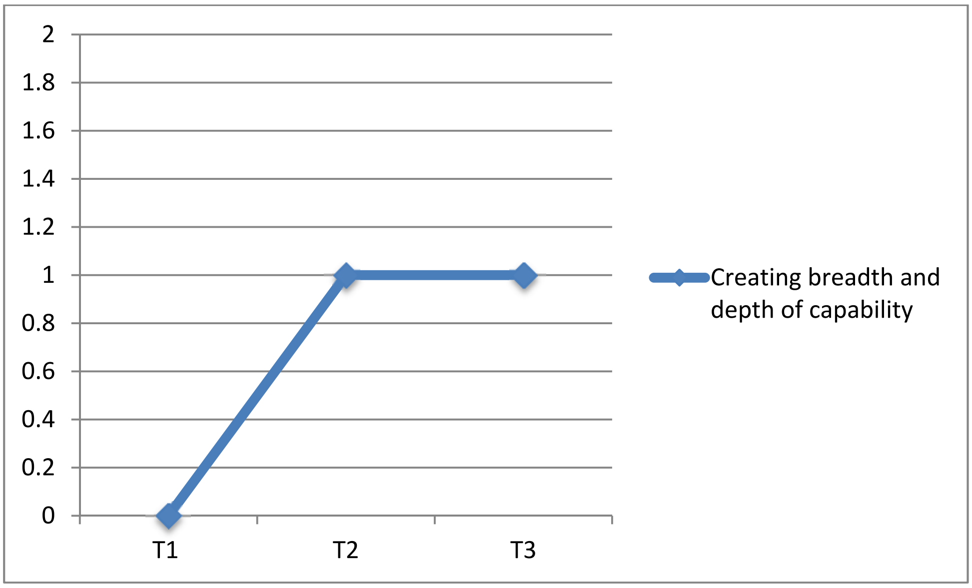
Chart Three: Project Three Overview of Assurance capabilities ending in T3 in Type B



In contrast to both the Tax and Advisory businesses, in Assurance there are fewer capabilities which develop to Type B in T3 overall, and those which do, do not stay in Type B across all time periods. Informants reported a much smaller focus on sensing the environment than the other business lines; their focus was instead on growing their client base through active sales of the audit services. Informants also noted a much lower ability to modify audit services. With the exception of some unbundling of the services which typically used to comprise the full audit, and the expectation that new regulations would bring about the creation of a somewhat different audit requirement, Informants did not report competing on differentiated services or attending to changing the nature of what they delivered.

Reviewing all three businesses, the data suggests that Advisory built the most Type B capabilities, and shows the most development of capabilities across three time periods into Type B. Sensing the environment and responding to diverse client needs appear to trend towards Type B in all businesses, with readiness to change also appearing in two businesses as trending towards Type B.

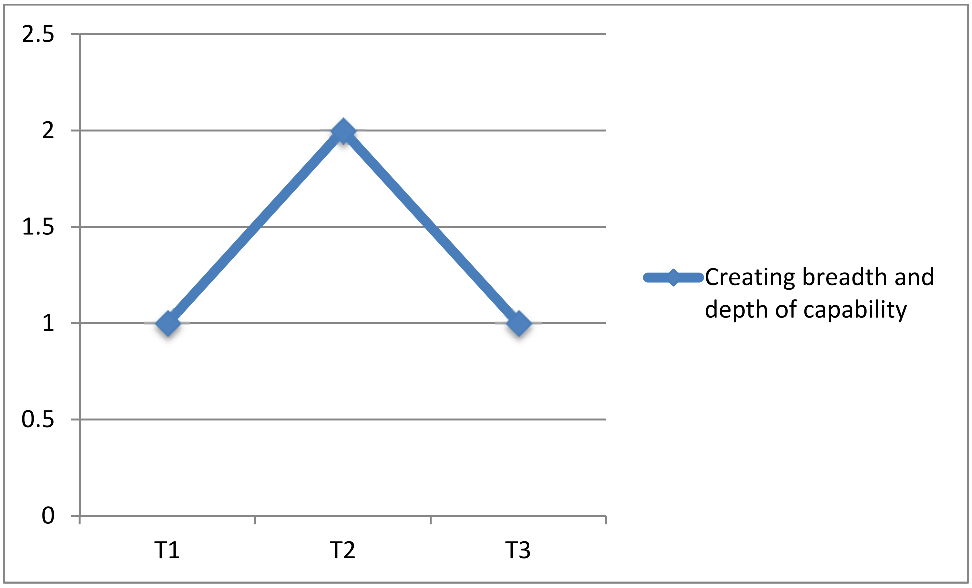
Chart Four: Overview of Tax ending T3 in Type A



The data above show that only one capability appears in T3 as Type A. Creating depth and breadth of capability develops from insufficient evidence to Type A in both T2 and T3. Informants reported a focus on building depth of expertise, i.e. of building locally skilled technical experts. At present, they report that one of the major inhibitors of their ability to be competitive is the lack of sufficiently skilled tax consultants in local African markets. Finding or developing this local, technically skilled talent would enable them to bring the cost of local employees down to align more closely with the global expectations.

There are no capabilities in the Advisory business which end in Type A.

<u>Chart Five: Project Three Overview of Capabilities Ending in Type A in T3</u>

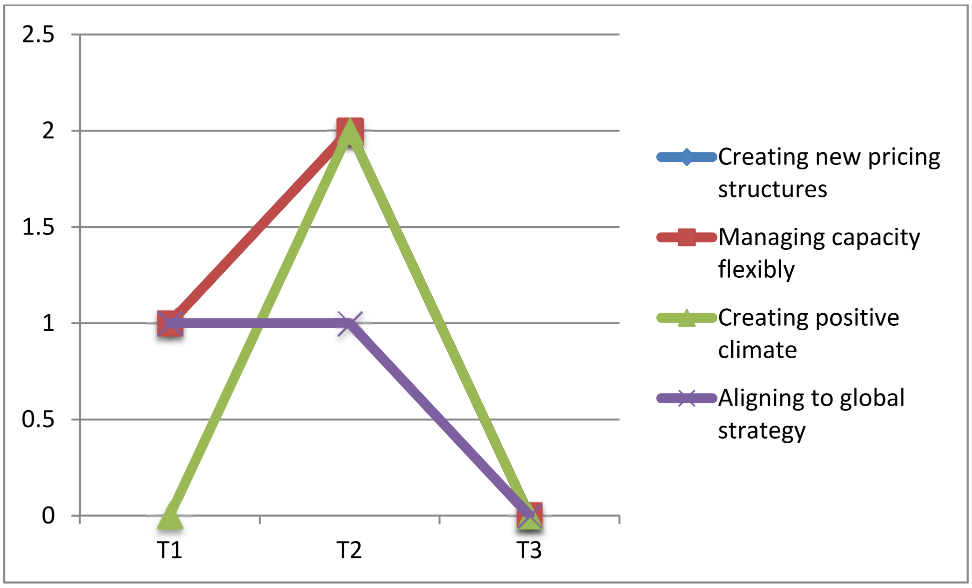


Only one capability is in Type A in T3 – creating breadth and depth of capability. This capability has developed over the three time periods, where Informants report a focus initially on building technically skilled staff, which changed temporarily in T2 to a focus more aligned with breadth across industries. In T3, Informants anticipate that changes to the regulatory framework will require new types of audit services, and consequently a focus on building new technical auditing professionals.

Across the three businesses, it is clear that only one capability develops into Type A capabilities over the three time periods. Where Creating depth and breadth of capability does end in Type A, it can be seen to develop over time, either from no evidence of the capability or via Type B capabilities. This suggests that this capability can be used actively by the business in various contexts to address changes to product and cost parameters.

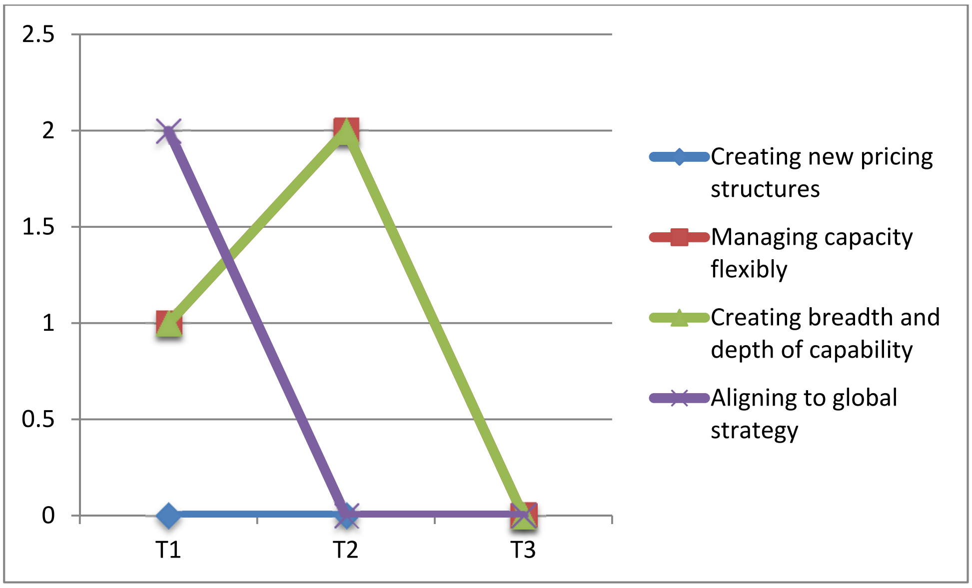
I also analysed capabilities which concluded in insufficient evidence in T3.

Chart Six: Project Three Overview of Tax capabilities concluding in T3 in insufficient evidence



This chart indicates several capabilities where development has occurred across three time periods. In T1, the tax business focused largely on discounting to meet clients' expectations of globally standardised pricing. In T2, the tax business focused instead on unbundling elements of the tax service to provide new engagement prices, instead of a focus on discounting. In T3, there was insufficient evidence of this capability, replaced by a focus on other ways to compete. Managing capacity flexibly has developed in the same direction as creating new pricing structures; in T1, the tax business focused largely on resourcing engagements using global, standardised staffing models, whilst attempting to discount. In T2, they fully reviewed the service delivery processes and adopted a resourcing model which allowed them to allocate a combination of technical and non-technical staff onto processes previously owned by the technical team. This required the ability to manage these new resourcing models in the senior partners and business leaders. Creating a positive climate was an important capability to the tax business in T2. The tax business reported an attrition of skilled staff across the business in T1, which they attempted to redress by incorporating the efforts led across the businesses to create a positive climate into the tax business. The lack of evidence for this capability in either T1 or T3 suggests that the capability is only temporary in this business. Informants in the tax business reported a relatively strong attention to adhering to global strategy and target setting processes. While in T1, the tax business followed an exported business model set by the global offices, there was a degree of autonomy awarded to the business in Africa. In T2, the degree of autonomy taken by the African tax business was lower; targets were more strictly set and challenged by the global offices, and Informants reported a lower capability to create their own, localised strategy. This capability was not in evidence in T3 however.

Chart Seven: Project Three Overview of Advisory business capabilities ending in insufficient evidence in T3

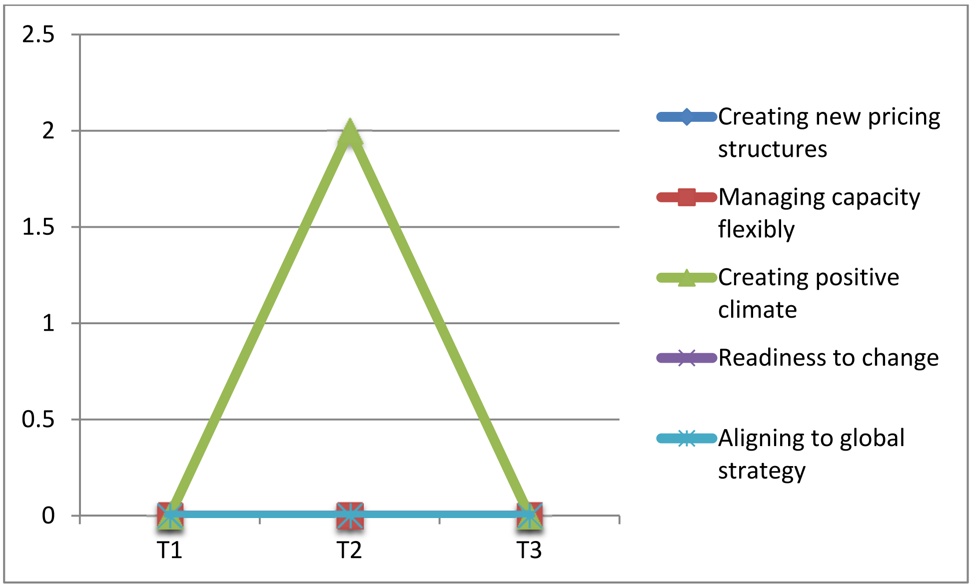


As with the Tax business, in Advisory we can observe four capabilities which develop towards insufficient evidence in T3. The Advisory business reports no evidence of creating new pricing structures across the three time periods. This can be explained by virtue of the fact that the Advisory business is the newest of the businesses overall, so is still focused on creating new prices and new services rather than changing the existing pricing approaches.

The Managing capacity flexibly capability has also developed across the three time periods. In T1, Informants reported a significant focus on managing the business, albeit a business which adhered to traditional staffing approaches. In T2, partners focus on creating non-traditional ways to manage the business, including establishing a network of contracted resources. In T3, while there was insufficient evidence to report the capability, Informants who did report this capability anticipated the need for an even greater capability in this area, that partners specifically would have to be far more “strategic” about how they manage capacity across their business.

Creating depth and breadth of capability in the business has also developed across the three time periods. While in T1, the Advisory business had focused on building specialists, in T2, Informants reported more activity to build “broad generalists”, who focused on industries and client needs, as opposed to a greater focus on professional, technical expertise. While this capability was not sufficiently in evidence in T3, those Informants who reported on it, suggested that this focus on breadth would change again to specialism to allow Gamma Advisory to compete on specialist expertise in response to clients insourcing their own specialist expertise. The Advisory business adopted a localised, flexible approach to aligning to global strategy. In T1, this was a capability that they reported, but even in T2 and T3, where the capability was not found to be in sufficient evidence, Informants did not report a change in approach.

Chart Eight: Project Three Overview of Assurance Business Ending T3 in Insufficient Evidence



Relative to Advisory and Tax, the Assurance business has a large number of capabilities ending in insufficient evidence in T3. Moreover, these capabilities tend to remain unreported over all three time periods. The Assurance business found no need to create new pricing structures – "*we're essentially a commodity product*" [Managing Partner, Assurance], develop different ways to manage their business or build a capability for change. This business is a relatively low growth business, with the longest history in Africa and is reported to have reached maturity, where growth comes from finding new clients to whom they can deliver the same service. In T2 the Assurance business joined in Gamma Africa's overall attempts to create a positive climate in the wake of some attrition and lower employee morale, but overall Assurance is being managed as a steadily growing, mature business.

Three further issues emerged from the analysis not currently captured in this model. First, Gamma’s capability to build and maintain a network was considered to convey a substantial competitive advantage to all businesses over time. There were no changes noted to this capability, and it was evidenced across all business lines equally. It has therefore not been incorporated into this model as it has been considered a common variable across all businesses. The second capability emerging from this analysis is the capability to deliver localised customer service. This was noted across all business lines and is reported to be a design feature of the organisation; to offer localised, context-specific advice. As such, it has also not been included in the model as it appears to be common to all business lines and time periods. Finally the Informants all noted a shelf-life of approximately five to eight years where capabilities could remain of value before having to be refreshed, rebuilt or destroyed. This finding of the perceived need for constant change may be reflective of fast-growing economies, of an organisation as it matures or simply of the industry in current times and seems to present an interesting research question for further exploration.

6.5 Discussion

Reviewing results across all three businesses in the above charts, some important themes emerge. First, sensing the environment and responding to diverse client needs – the client capabilities – trend in all three businesses towards Type B over time. Relative to the other two businesses, Assurance takes the longest to develop these capabilities, whereas Tax reports them in Type B across the three time periods and Advisory developed them in T2. This suggests that the two businesses offering more customised, idiosyncratic services develop client capabilities into Type B capabilities more quickly than those offering less customised, less idiosyncratic services. Linking back to the literature, we can see support for this finding in the contingency literature, where environmental changes are argued to require endogenous changes. In the literature, endogenous changes in response to environmental changes are strategic (Donaldson, 1999) or structural (Hall and Saias, 1980), amongst others. There is also a substantial body of work on customisation of services to fit with diverse client needs. Pine (1993) for example describes how perceived customisation increases customer satisfaction and loyalty. However my search through Procite has not found existing research which links these two capabilities together in a services firm that is internationalising.

The second capability group – operating capabilities – shows some development across the businesses and across the three time periods. The Tax business develops these capabilities the most over time; trending towards Type B in T2 but then not in sufficient evidence in T3. The Advisory business develops the capability to manage capacity flexibly over T1 and T2, ending in a Type B version of this capability. However I found insufficient evidence of creating new pricing structures. I have suggested that this may be explained by virtue of the youth of the business – it is creating new capabilities in all areas, and therefore creating a new pricing structure may simply be part of doing business, rather than needing an expressly developed capability for it. In contrast, the Assurance business shows insufficient evidence for either of these capabilities over time. Creating different pricing structures to cater to differently customised services is already well researched: Mitra and Capella (1997) map six variables against one another to consider how price can be altered by both internal and external factors, including how important the services are, the degree of customisation expected, the service characteristics and the demand fluctuations, as well as the nature of the market served and the degree of competition. They offer a range of strategies for services depending on how customised or standardised their offerings are. Wardell, Wynter and

Helander (2008) also connect pricing and resourcing to suggest new pricing models for the professional services firm based on value received by the customer. A review of Procite yields fourteen articles connecting pricing, capacity and professional services firms. One in particular (Dhavale, 2005) advances an option pricing model that allows PSFs to manage capacity more flexibly in connection with pricing, however none use a capabilities lens to connect pricing and capability together.

The third capability group – people capabilities- shows the most development across time and businesses. Approaches to building either breadth or depth of capability vary across businesses, with the Advisory business trending towards Type B and both the Tax and Assurance businesses preferring to build Type A – depth – in most instances. This preference for specialism over industry and client focus seems linked to the technical nature of the services offered – in the Assurance and Tax businesses, Gamma professionals offer specialist opinions on managing risk and compliance. In the Advisory businesses, Gamma professionals are managing business issues which may involve more connected business decisions than those directly impacted by risk and compliance. We can therefore understand their need to develop broad capabilities over time. Nonetheless, it is also noteworthy that Advisory begins T1 focusing on depth, suggesting that clients value some technical expertise as a minimum criterion. While all three businesses demonstrate only Type B capabilities in creating a positive climate, Tax and Assurance report only a focus on this in T2, as opposed to Advisory, which reports a consistent focus across all three time periods. We can understand these trends by considering the relative growth and maturity of the businesses, as well as the nature of the services they offer. With the larger, more mature businesses – Tax and Assurance – their people capabilities appear to be more focused on developing specialist expertise than attending to the work climate. With the developing business – Advisory – there appears to be a greater overall presence of capabilities in this area, trending towards Type B. Project Two showed the substantial body of research available on culture and its impact on performance (Denison and Mishra, 1995). The Literature Review chapter also shows in some detail the research findings of both expertise – depth – and experience – breadth - in professional services firms (Hitt et al, 2006, Spar, 1997). However in comparing the results from this project to the literature, I found very little evidence that the two capabilities of work climate and building breadth and depth of capability had been considered in connection with one another before. An anonymous review of Pitney Bowes (Anonymous, 2007) argued that a range of specialisms across the firm with little cultural integration did not enhance performance, and was the rationale behind the creation of a “one company” approach to unify specialists across multiple acquired companies. Again, it appears that these two capabilities have not yet been fully considered in connection with one another, while my research suggests that they may be relevant to PSFs in the internationalisation process.

With the global strategy-setting capability group – readiness to change and aligning to global strategy – there are also some important differences across the three businesses. The two businesses providing more idiosyncratic services are clearly more ready to change than Assurance, both with a clear plan and intent to change. In contrast, Tax demonstrates Type A capability in aligning to global strategy – affiliating itself more closely with global target setting, whereas Advisory has created a more localised business. Project Two shows that the existing research demonstrates the importance of readiness to change, and the Literature Review provides an overview of the Bartlett and Ghoshal (1985; 1989; 2003) works describing levels of autonomy and adherence to global strategy. Again, however, a literature review in Procite did not yield a substantial volume of research which examines these two capabilities together.

6.6 Conclusion

My research questions asked:

1. How are capabilities perceived to change across three time periods within an internationalising professional services firm?
2. What, if any, relationships do the eight capabilities previously identified (along with any others identified by current Informants) have to one another?

Through the analysis of three business lines internationalising into Africa, my research uncovers eight capabilities that are important to PSFs in different ways. The analysis shows that the development of capabilities is impacted by the growth, maturity of the business, as well as how idiosyncratic the services that it provides are. The most mature business providing the least idiosyncratic services shows the lowest absolute presence of the eight capabilities, as well as the lowest propensity to develop capabilities over time. If we refer back to the Literature Review, we could draw a link between this lower propensity for capability development and perhaps a lower frequency of developing capabilities that themselves develop over time. Interestingly, the highest growth, newest business providing the most idiosyncratic services showed the middle amount of capability development. We can posit that this is because of its high growth; that it is establishing capabilities in many areas simultaneously and is therefore only able to modify certain capabilities in one time. The Tax business by contrast shows the most capability development over time. Slowing growth rates and a commitment to continue providing idiosyncratic services may explain why the Tax business has been the most deliberate in building and developing capabilities over time.

The research has also supported my original findings for eight important capabilities, showing how the context of idiosyncratic, growth businesses can lead to development of these capabilities over time, trending towards Type B in relation to how idiosyncratic the services offered are.

While the context of PSFs internationalising into fast-growing economies certainly merits further research, this research represents a first step at setting a broad view of multiple capabilities and how they interact in this process. Evidence gathered over three different research projects coalesces around some central themes – also addressed in the Areas of Contribution section – that there are at least eight important capabilities which should be considered in combination with one another, that these capabilities can be deployed in at least two different ways to enhance performance of PSFs offering standardised, semi-standardised or customised services, and that these capabilities develop over time. Areas for future research have been suggested in an earlier chapter. However three specific opportunities for further research stemming from this project include 1) applying the concept of the eight capabilities and their types to other PSFs internationalising into the same economies, 2) seeking out new regions in which to apply and extent the concept of capability types, and 3) conducting a longitudinal study to map capability development in sequence as opposed to across episodes. This research has certainly achieved my initial goals of creating a foundation from which to explore the possibility of other types of capabilities which are relevant to PSFs offering a range of standardised to customised services in different markets.

7. References

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8. Appendix

8.1. Glossary of Terms

Born Global firm: a "born global" firm is a firm which collects a substantial proportion of its global revenues from overseas operations within a short time frame, of between two and five years since inception (Schrader, Oviatt, and McDougall, 2000; Knight and Cavusgil, 1996)

Capability: interchangeable with assets and resources, from RBV literature. Describes know-how or ability, which may be rent generating (Peteraf and Barney, 2003; Daneels, 2002).

Capability type: my research suggests that capabilities are not binary – present or absent – but rather develop (Helfat and Peteraf, 2003; March, 1991; Zollo and Winter, 2002) and thus may be different in terms of intent, included activities and outcomes.

Dynamic capability: capability that enables a firm to build, destroy or leverage other capabilities. They are a firm's ability to *"integrate, build and reconfigure internal and external competencies to address rapidly changing environments"* (Teece, Pisano and Shuen, 1997).

8.2. Project One: Interview Protocol

Below is the list of specific questions asked to each Informant.

1. Please tell me a bit about your professional background

2. When did you move to India and why?

3. What did you find different in consulting when you moved?

4. What qualities did you and your company require when you started?

5. Which of these were different to what you had expected, and how? Which of these were unique to your organisation?

6. What changes have you noticed over time, and what caused them?

7. Which capabilities or qualities does your company require now to be successful, and which are instrumental to your success?

8.3 Project One: Sample Table of Western Management Consultancies in India

Company Name	Revenue/Profit and No of Employees	Activities in India
Accenture **Founded in 1999 as independent company**	Revenue (Est. 2009) $23.17bn Approximately 177,000 employees	• Predominantly technology-based consultancy • Reported to be the largest consultancy in the world • Began as consulting division of Arthur Anderson, accounting firm • Split from Anderson in 1999, and rebranded and IPO'd in 2001
Bain & Company **Founded 1973**	Revenue (Est. 2008) $1.9bn Approximately 4,800 employees	• Set up office in July 2006 • Before 2006, India served by Singapore office • Predominantly strategy and operations consultancy
Booz & Co	Revenues 2011 (Estimated $1.3bn) Approximately 3,000 employees	• Focused on technology consulting and strategy consulting for "CEO level problems" • Set up in 1914 • Exited India for first time in 2000 • Split into Booz & Co and Booz Allen (government consulting) in 2008 • Entered India for second time in 2009
Boston Consulting Group	Revenue 2012 (Estimated $3.7bn) Approximately 6,200 employees	• Set up in 1963 • Focuses on entirely customised engagements • Established Indian office in 1995
Diamond Management and Technology	Revenue (Reported 2008) $174.98m Approximately 600 employees	• Set up office in 2006 • Has practice areas and regional areas
McKinsey & Co **Founded 1926**	Revenue (Est. 2008) $6bn Approximately 16,500 employees	• Set up in 1993 • Includes McKinsey Knowledge Management Center in Gurgaon which provides knowledge management for local and international offices • Has practice areas but also strongly decentralised local offices
Mercer Management Consulting	Revenue 2011 (Estimated $1bn) Approximately 3,300 employees	• Focused on strategic and operations consultancy • Set up in 1926 • Acquired by EDS in 1995 • Established Indian office in 1997

Monitor Group	Acquired for approximately \$120m in 2013 Approximately 1500 employees in 2007	• Consulting group founded and staffed by prominent academics and management gurus, including Michael Porter • Founded in 1983 • Established in India in 1991 • Acquired by Deloitte in 2012 following bankruptcy filing
OC&C **Founded 1987**	Revenue (Est. 2009) GBP 100m Approximately 500 employees	• Offer global products and services to multinationals across multiple continents • Established office in India since 2008
Oliver Wyman **Founded 1984,**	Revenue (Est. 2007) \$1.9bn Reported 2,900 employees	• Owned by Marsh & McLennan, who have other group offices in India • Highly focussed into separate, global practice areas • Acquired by Marsh& McLennan

8.4 Project Two: Semi-Structured Interview Protocol

Specific Questions

1. Please tell me a bit about your career so far – where have you worked, in what roles?

   a. Why did you decide to join this company?

   b. What was your mandate when you started at the subsidiary, what specific goals did you set yourself?

   c. What metrics are you currently measured against?

   d. How global or local is the strategy that you pursue as a company?

2. What was the market context like when you started?

   e. How would you describe the economic conditions in your geography now?

   f. What are the critical features of this local context that impact the way in which you are structured and do business?

   g. Which differences, if any, do you perceive with other regions?

   h. How have these features changed over time, if at all?

3. What kind of engagements do you take on?

   i. Probe for client type, duration of project, target audience, value, breadth of specialism required, business problems solved.

   j. Which similarities and differences do you perceive to the other offices?

   k. How would you describe your client relationships (back then and now)?

   l. How did you resource your engagements now and back then? Any changes from the global standard?

4. How do you find yourself spending most of your time?

   m. What do you perceive to be the activities adding the most value to you and your company?

   n. And the least value-adding time?

5. What capabilities or skills have been most valuable to you in building the office?

   o. In your ability to innovate new engagements or business models

   p. In your ability to meet new client demands

   q. In your ability to manage others

   r. In your ability to create effective resourcing practices

s. Which were important initially and then are less important now?

t. Which are completely different to the ones that you see in your colleagues across multiple geographies?

6. Are there any other factors that you believe to be important in successfully internationalising at this company

8.5 Project Two: Data Tables for Alpha

Table One: Quotations to Illustrate Start-Up Construct

Office	Initial Growth and Morale	Perceived Entry and Early Growth Strategy
US	*"We were very new and therefore felt very novel and we just picked up business because there was nobody else who could do it."* US Executive Director 1 *"I think after about a year we had removed concern that we would not be able to remain in business relatively quickly."* US Executive Director 1 *"And then relatively quickly we started to get clients and we just sort of took off after that."* US Executive Director 2	*"I think we had a fairly decent vision of where we'd like to go and initially at least in the first year we would take anything that walked in the door basically."* US Executive Director 1
Europe	*"Most [clients] were trying us out as this new kid on the block...."* European RMD *"..The UK office was extremely shaky for probably about the first 4 or 5 years, and it took a while for it to build momentum and to build enough of a book of business for it to be sustainable and ...a good operation. It didn't happen overnight, it took an awfully long time."* US Executive Director 2	*"We always wound up setting overambitious goals....I understand that there are discouraging aspects of aiming high but in general, aiming high at the time we perceived produced a higher effort and better performance rather than aiming for the middle."* European RMD
South Africa	*"We were an American brand, so Americans, what do they know. It was a push in the sense that they come here and they tell us all this stuff they can't implement then they go away. We don't trust them...we don't want to work with an American brand – remember there is this thing that's called proudly South African. So use your local providers. Build your own skills and capabilities instead of going outside."* South African RMD	*"..even if [the first client] said they wanted us to be in the market we should have known that we are not going to only work for [them] if we wanted to build a brand. And we actually lagged two and a half to three years because of that."* South African RMD
India	*"In 2008, 2009 the whole tragedy of things falling down...we just took a hit, and it was compounded when we were a small office."* Indian MD	*"..It's fair to say we pretty much transported the American model and we tried to fit it in, in India, and we had limited success. And we're trying to adapt as we go along."* Indian MD

Table Two: Quotations to Illustrate Perceptions of Global Strategy Capability

Office	Is there a global strategy?	What does being global mean?
US	*"I think Alpha has done a pretty good job of thinking and behaving globally. It's not perfect, but I believe that we are certainly way ahead of our competitors, or most of them."* US Executive Director 1	*"We're doing a good job at connectedness...it seems like we're sharing resources, we are talking more, we are having global meetings, we're being more cognisant of time zones..."* US Partner 1 *"We always had a global perspective. And global was always part of our value proposition. Every time we would do research amongst clients as to why they wanted to work with us they would always say it's because you can deliver globally."* US Executive Director 2
Europe	*"They're [the US office] somewhat insistent about the fact that we have a strategy even though there isn't one there."* European Partner 1 *"I don't see an articulated strategy around growth and global footprint. I think we've basically been opportunistic."* European RMD *"To the best of my recollection we've had many strategic conversations but I seldom recall them manifesting themselves as a strategy document."* European RMD	*"I think we're only global in the sense that we deliver in a number of countries. But that doesn't say to me that we're global."* European Partner 1 *"It's a US, UK, spread the wisdom strategy rather than a local let's find what's going on in different markets and utilise the talent there. We still fly too many people too far around the world to do things we do everywhere else."* European Partner 1
South Africa	*"Aspirations are very global, we've delivered in 65 countries world-wide so do I think that we have a global mind set. Do we understand different cultures and whatnot...? No I think we're quite bad at that"* South African Partner	*"[The strategy] was actually follow your clients. The clients' mandate was if we want to work with you, you're going to need to have an office here. We cannot phone the US. We need you to have local representation. We need to make sure that you build the skills and capabilities here and we want to cultivate an on-going relationship with you here, versus actually importing all the time."* South African RMD
India	*"It's really the little things not the big things that show that we don't have a global mind set. Are we open to new ideas, yes, are we willing to embrace different cultures yes but then we are just not very thoughtful about the way we do it."* Indian RMD	*"Internally I have tried to create forums or on available forums try to educate colleagues on 'here is what we find different' or 'here is what is different and this is the size of the universe that we are going after and these are the hurdles and these are the opportunities', and so it's slow coming but it's happening."* Indian office

Table Three: Quotations to Illustrate Sensing the Environment Capability

Office	Conditions at Inception or Informant Start	Current Conditions
US	*"When I joined the North American outlook was much brighter than now...we had more work...just a lot of momentum in those days."* US Partner 1	*"I think now the North American outlook is on hold. I think everyone is waiting and not spending money."* US Partner 1 *"..What I do see out there in the market right now is extraordinary and very impressive internal capability to do what we do with a much smaller group of people ...I think this is a huge cause of why we're not getting business like we used to get business. Companies are doing it internally and they're doing it internally very well."* US Executive Director 1 *"..Most of the fortune 500 are predicating their growth strategies on China and India, and 40% is from China so the economies of China and India are more important to North American growth than any other factor I believe."* US Executive Director 2
Europe	*"Europe circa 2000 was an incredibly good place to be. It was on something of a high...and people were willing to spend."* European RMD	*"..If I contrast that with Europe 2012...we have a very distinct two-speed Europe. One set of Europe is in debt repayment mode and the other set of Europe is in debt renegotiation mode. And they're quite different ways of running their worlds."* European RMD *"Almost all of Europe, whichever category it falls into, is desperate to export. And there remains good business for us, because as long as they wish to do that, we can help them grow their abilities to sell into new markets."* European RMD *"We have much closer rivals...other organisations have spotted the opportunity and are capitalising on it very well."* European RMD
South Africa	*"I don't think* [the recession] *was as tough here as it was in the UK and in America."* South African Consultant	*"..A lot of things [are] happening with public sector activity in terms of ...relationships with public-private partnerships."* South African RMD *"..So what [the public sector] have done is realise that if we want to get our revenue, we want to invest in the [African] continent versus going to Asia"* South African RMD *"..Because of our history here there's quite key requirements in terms of the procurement process around 'are you registered in South Africa'....that's one of the things they look at. So we've quite a lot of BBEE ratings... They through you out of the process before you've even given the proposal through for that."* South African Consultant *"Whereas previously you found very much we had been westernised with certain business models...what you will see here is the boundaries are becoming more blurred in terms of the ecosystems of the suppliers, customers, emerging producers, and you are getting more and more complex companies demanding new tools to run and manage them differently."* South African RMD
India	*"The general observation with India you will*	*"..You just can't tell when you won the deal or when you've not won the deal because people are*

	see even with all the buoyancy and with all the growth...what you see now in the newspapers is will it be 7.5% or will it be 8% and then...there's a lot of debate about downgrading India because it cannot keep up with 8.5%." Indian Partner	*always very polite to you. They can't tell you [to] your face that sorry you can't do this."* Indian Partner

Table Four: Quotations to Illustrate Managing Capacity Capability

Office	Prioritised activities
US	*"I come from a place where I believe that doing really good work with existing clients is some of the highest value work that we do."* US Executive Director 3
Europe	*"The single biggest piece is running the business. Making sure that we've got good people doing good work."* European RMD *"If you're in this business you'd think there are other people that could be doing [delivery of engagements]."* European Partner
South Africa	*"..The first opportunity here is to run the business. In the sense that's around thought leadership and that sort of thing and also managing the teams here and also...understanding the customs, practices that need to happen here versus the stakeholder engagement stuff that happens on the side.*" South African RMD *"I would say about 25% [of my time] is spent on the administrative stuff and I think that it should be 10% if I have to give it a comparison."* South African Consultant *"..The most important thing is the CRM piece and being credible with a client. South Africans can be very direct. Or they can move you out of the system without you knowing it, so I think they're very organisationally and politically shrewd, they'll tell you if they want you fired off or if you've offended them."* South African Partner
India	*"25-30% doing some form of BD... and then 55% will be actually just doing client...work...and then another 20% on just general admin."* Indian Partner

Table Five: Quotations to Illustrate Managing Breadth and Depth of Capabilities Capability

Office	Perceived Strengths	Perceived Weaknesses
US	*"One of the things I consistently get feedback from clients about that's important as a capability set is that we do have a real orientation towards treating them as clients."* US Executive Director 3 *"..so the businessperson in me says that the experimentation has to happen but can only happen if there's a bedrock base to enable it...you can only have an innovative bleeding edge if you've got some stable business to fund it if you see what I mean. It's kind of like the portfolio analysis. You need your cash cows to fund your stars. So the majority of the business is always going to be business as we have known it."* US Executive Director 2	*"We need to get better at processes and procedures...The stuff that big companies are better at."* US Executive Director 2 *"..As you look around the organisation you actually realise that we have precious few people who can actually do* [diagnostics]*."* US Executive Director 1 *"..What is it that our teams could do differently so that our relationships could be deeper and we wouldn't always have to go through the procurement process every time something comes out?"* US Executive Director 1 *"[We need] people who have a very high tolerance for ambiguity. People who have a very high tolerance for extreme hard work...and people who are fabulously outgoing networkers....What we have discovered is that those people are not thick on the ground."* US Executive Director 2 *"The problem is that we start with certain skills that we were built out for initially. The world has changed, we haven't deployed new skills."* South African RMD
Europe	*"I believe it demands a greater degree of honesty. At the outset it demands a greater degree of inquiry. And again this is very specific to Europe. Where people have become quite nervous of commitment...I think it requires greater efforts of verification and validation that what we are doing....to validate and verify that what we are doing is actually fixing the problem."* European RMD *"...the [US] flag may be a hindrance. The ways we behave help them [to] decide which is the bigger issue in their mind. ...There is a level of humility necessary to ensure engagements manifest by curiosity, manifest by credibility, i.e. demonstrating that one has fitted in effectively before and can bring examples from a wide variety of places other than the nation from which you departed."* European RMD	*"I think we are very flexible. I think we bring capabilities together to make things happen [but] we're slow as a strategic organisation to respond or anticipate."* European Partner
South Africa	*"..With [South African RMD] there is an extraordinary level of connectivity in that space, which she exploits very effectively.... [She] is a force of nature."* European Executive Director 1 *"We have an approach that unifies us as an organisation in the customer's*	- Need to develop more consistent global skills, particularly referencing the stakeholder management, business opportunity management and cultural awareness skills that they have prioritised in South Africa.

	eyes, we talk about global, what to expect from a global brand but the manifestation of that brand locally is different.” South African RMD *“Let’s change the challenge into an opportunity and we’re going to learn with our client. The openness to actually take on..and do this. I think that for me it’s critical in having an open mind set, saying we can do this, we’ll be far more open versus how we’re thinking about things.”* South African RMD	
India	*“Because it’s a hierarchical society...how do you elevate yourself and become more of a domain expert, so one of the ways you can impress a senior guy is to say tell him about new research, tell him about things that he’s not aware of, tell him about things where he thinks you are an expert.”* Indian Partner	“So the Indian story is one where we really did not understand the Indian culture.” Indian RMD *“So the people we hired were just not the right people. They weren’t the people who were going to roll up their sleeves and get on with it because that’s just not what you do if you are senior. So we kind of had a gap between the senior people who were not doing what we’d expected. I don’t think we were charging them hard enough to do what was useful.*” Indian RMD

Table Six: Quotations to Illustrate Creating a Positive Culture Capability

Office	Supporting Evidence
US	*"We're fragmented, we're grumpy, the culture isn't solid...I think a lot of what has happened is that people have hunkered down here in North America, they have taken the work for which they are responsible, which is delivering business or managing a particular client and they've done it pretty well but they haven't been inclusive. They haven't thought about the big picture."* US Executive Director 1
Europe	*"One of London's challenges frankly is that they are so busy. And being busy in a professional services firm can make you very blind."* US Executive Director 3 *"I noticed in the UK has a much more attractive and positive culture than the HQ has. Frankly I attribute that a lot to [the European RMD]. [He] actually spends time with people, it looks like to me he has an actual relationship....with almost everybody in the office, and everybody actually enjoys spending time with him and to me that's leadership. I think he's done a fantastic job and he's sustained it over time."* US Executive Director 1
South Africa	*"I think being a small organisation such as South Africa you're having to respond much quicker, you're having to do much more on less knowledge and you've just got to be more adaptable so that means again a much different culture than the HQ. "* South African Partner
India	- Evidence on culture is hard to gather. - At present, it is arguably a very small collection of independent leaders.

8.6 Project Three: Sample Interview Protocol

1. Reflect and verify business metrics and pressures already gleaned. Are these themes correct? Have I missed any?
2. In T1, what were the top capabilities that enabled you to compete then? Were they differentiated?

   What were your main activities? Did you

   - Undertake activities to stay close to the environment?
   - How much did you change the nature of the engagements that you conducted with your clients?
   - Did you need to make any adjustment to the pricing structures with your clients? If so, how radical was the change?
   - Did you need to change the way in which you worked at all?
   - What was the climate like where you worked?
   - How prepared were you for change? Were there plans? What was the attitude to change?
   - Who set the targets, how closely were you following the global mandates? How much of your time did you spend managing global strategy or setting strategy and targets locally?

3. In T2 (today), what are your priorities? What capabilities do you currently have? Have any changed from the above? How do you allocate your personal capacity now, as opposed to before? What are the changes in response to?
4. Looking forward, what are your plans for the capabilities you need to build in the

future? If we revisit the explored lists and capabilities from before, were there any changes? Can you explain why?