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INTERNATIONAL MARKET POSITION LEGITIMACY – CASE STUDY OF THE FINNISH CONSULTING GROUP IN ASIA

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Abstract

The purpose of this master’s thesis is to enter into the context of service sector internationalization in Finland by examining one Finnish multinational enterprise offering professional services for consulting and planning. The company under my examination is FCG Finnish Consulting Group Ltd. (FCG) and international operations of the company are mainly focused on international development consultancy sector. In the beginning of 2016 FCG established the new subsidiary in Singapore to offer the best Nordic and international expertise to a growing number of clients in Asian development consultancy markets.

The Singapore office has been running in full effect since summer 2016 and it’s derived by Finnish and Chinese employees and managers. The Singapore office is meant to work as an Asian hub that allows FCG to work closely with already existing and future customers in Asia. The goal of this master’s thesis is to research the market position legitimacy of FCG in Asia. The study will focus on the processes that in the early phase of internationalization affect the FCG’s position in the Asian markets and how these processes eventually legitimize FCG to be reliable operator in the market and end up overcoming the entry barriers.

The research represents the qualitative research tradition in international business studies. In this master’s thesis the empirical primary data was collected through two semi-structured interviews. The secondary data consists of written documents and reports forming the framework for FCG’s international business and international development consultancy industry. With the systematic qualitative analysis this research offer holistic picture about researched phenomenon.

The competitive bidding process and especially high requirements for previous references from previous development projects were identified to be crucial element in achieving market position legitimacy. Primary networks between consultancy firm and international development financiers and international professionals working for the development projects appear to be central networks affecting market position legitimacy formation. Also secondary networks between competitors and local governmental actors in project target countries are identified to have role in legitimacy formation. Mutual trust between consultancy actor and international development financiers creates organizational legitimacy for consultancy firms in new markets and local presence and high quality works carried out in previous projects affect the legitimacy formation.

The results of this research can be used in managing and coordinating internationalization processes in international development consultancy sector. The findings are useful for also other type businesses in which public and highly structured and regulated bidding processes determine the transactions.

Keywords
Service sector internationalization, KIBS, Networks, International development consultancy

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1 INTRODUCTION

The significant number of studies has been made over the last decades to investigate the internationalization of the firms. This is a result of the growing interest towards international operations of the firms contributed by technological development of communication and information networks, falling trade barriers and increased global perspective on business activities. The globalization has created international business environment in which multinational corporations has became important and substantial part of the global economy alongside the governmental actors.

Traditionally internationalization of operations has seen to be privilege of large industrial firms operating traditional manufacturing industries. Also the academic scholars of international business research have widely focused to theorize the internationalization processes of industrial firms. However the post-industrial development in today’s globalized world has increasingly turned the focus towards the service firms (Vandermerve & Chadwick 1989: 80) Nowadays in developed countries service sector consist more than half of the total production and employment and also in emerging economies the share of service sector has been steadily increasing. Also the international operations of Finnish service sector firms have become common but more systematic academic research is required to examine the processes of service sector internationalization. (Toivonen et al. 2009)

Service sector consists of heterogeneous group of firms that literature often divides into smaller categories and focuses on a single group of service firms, like consulting services, law firms or IT-services. (Brock & Alon 2009; Reuner 2012; Moreira et al. 2013) This means that for example consumer services are treated differently than business-to-business services and theoretical frameworks also vary according to the service firms under the study. However, among the research literature about internationalization of services there exists some exceptions that see service firms as homogenous entity. This research develops more general theories that recognize the common features of service firms without separating various service firms from each other. (Majkgård 1998)
This master’s thesis focuses on consultancy, that share many of the common characteristics of service sector as general but still has unique nature that need to be considered on its own. Consultancy services can be considered to belong to knowledge-intensive business services (KIBS) that share many fundamental differences in terms of internationalization when compared to for example consumer services or business-to-business industrial services. That’s why this master’s thesis aims to offer more precise framework for KIBS sector internationalization.

1.1 Goal of the research and research problems

This master’s thesis enters into the context of service sector internationalization in Finland by examining one Finnish multinational enterprise offering professional services for consulting and planning. The company under my examination is FCG Finnish Consulting Group Ltd. (FCG). FCG can be considered to be real multinational because the company has been operating in international markets over 40 years and nowadays over 40 percentage of the FCG’s turnover comes from international operations. FCG’s operations are focused on international development consultancy and most of the international turnover comes from these professional services. FCG can be considered to knowledge-intensive service firm (KIBS-firm) as its core business is highly dependent on highly processed and specialized knowledge, information, technology and expertise that is transferred to the clients need through services.

In the beginning of 2016 FCG established the new subsidiary in Singapore to offer the best Nordic and international expertise to a growing number of clients in Asian development consultancy markets. The Singapore office has been running in full effect since summer 2016 and it’s derived by Finnish and Chinese employees and managers. The Singapore office is meant to work as an Asian hub that allows FCG to work closely with already existing and future customers in Asia. The physical existence in the market area also allows FCG to stay ahead of new business opportunities in this rapidly developing region and thus get access to new projects.

The internationalization of operation is rather never straightforward process where the company just expand to new markets and start operating successfully. Like
Johanson and Vahlne (1977: 23) stated, the internationalization is often a process in which the company gradually increases its presence in the foreign market. That’s why companies need to go through different processes to settle its position in the new international market that often requires for example networking with local governmental, non-profit and for-profit organizations. In these processes the internationally expanding company aims to legitimize its position into the new market.

The goal of this master’s thesis is to research the market position legitimacy of FCG in Asia. The study will focus on the processes that in the early phase of internationalization affect the FCG’s position in the Asian markets and how these processes eventually legitimize FCG to be reliable operator in the market. To be trusted and legitimized company in the target market is the fundamental precondition to be successful and get desired competitive advantages in the international operations. This study will find out how this organizational legitimacy is achieved in the case of FCG in Asia and who are the dominant actors determining the legitimacy.

1.2 The research questions and research gap

This thesis contains one main research question that is separated into two sub-questions that allow me to answer the main question in a step-by-step manner:

Main RQ: How multinational consultancy firm internationalize in new markets?

SQ1. How expertise level of the company, networks and meaning of trust in business relationships allow FCG legitimize its position in the Asian development consultancy market?

SQ2. How this legitimacy of the market position has contributed to the process in which company has managed to overcome the entry barriers?

With these two research questions the study aims to offer valuable insight to the widespread processes and networks that affect market position legitimacy of FCG in
Asia. Thus the study offers novel, important and generalized information about the internationalization of Finnish knowledge-intensive service firms especially in Asian growth markets. The results can be used to develop the internationalization processes of Finnish service sector firms aiming or already operating in international markets.

The criteria for the implementation of the research have been met because of the obvious research gap existing in academic studies about internationalization and market position legitimacy of the Finnish service sector firms. Also the KIBS-firms are limitedly studied especially in Finnish context even the development and internationalization of KIBS firms have gained a significant role in all post-industrial economies. Internationalization of KIBS firms has risen alongside to industrial service exports in Finland but the systematic scientific research still lacks behind. The KIBS sector has fundamental characteristics that create the special framework for the international expansions and especially market entry processes. This study offers valuable and novel insights to KIBS sector internationalization by examining the processes that eventually affects the firm to overcome the entry barriers in new international market and establish market position legitimacy.

1.3 Research structure

This master’s thesis is divided into theoretical and empirical parts. First the previous research literature is reviewed to build the supportive theoretical framework that allows observing the research phenomenon and examining the research questions with relevant concepts and theories. The theoretical part start with explaining the characteristics of service sector internationalization. Services are such a heterogeneous group of different kinds of businesses that more precise definition and framework is needed to be able to understand the case company and its business model correctly. That’s why the concept of knowledge-intensive business services (KIBS) is introduced and defined for the purpose of this research.

KIBS firms have their own unique nature and the characteristics also affects to the processes of internationalization. Therefore the main models and paths to international markets in KIBS sector are also reviewed. This part ends to a conclusion that networks have a decisive role in internationalization of KIBS by
accumulating experiential knowledge. Thus the focus turns to positioning the KIBS firm in these crucial networks and creating and finding legitimacy in these networks.

After the theoretical section, the methodological choices and the user research methods are explained and introduced. Also the sample selection, data gathering process and reliability and validity of the research is discussed. The empirical part starts with introducing the case company. The organizational structure, company’s international operations and the main international markets are explained with the help of previously build framework of KIBS firms. After that the empirical analysis starts by finding the previous experience and references as crucial aspect to determine the market entry and market positioning process. The previous experience accumulation is highly related to networks of the company and thus the main and supportive networks are identified in the systematic analysis of the research data. The last important empirical finding is the role of mutual trust in the processes of building market position legitimacy in the new international markets.

The conclusion chapter sums up the main empirical findings and reflects those to previous theoretical discussion. In this part the research questions are also answered on the basis of the systematic empirical analysis. The main empirical findings are also discussed from the managerial point of view to take advantage of the findings in real business environment. In the end the possibilities for further research are assessed.
2 INTERNATIONALIZATION OF SERVICES

Over the last few decades industrialized economies have faced a strong structural change from labour-intensive manufacturing societies to service economies that use knowledge as a main factor of production. Service sector has developed from a local and national level to global markets and internationalization of services has become a new normal in most developed countries. To truly understand this structural change, it’s vital to first go through the special nature of services in terms of internationalization and examine the historical development of service industry.

When comparing to manufactured goods, services have many fundamental differences that have major effects to processes of internationalization. Services can be defined to be invisible, intangible and non-storable when compared to traditional manufacturing goods and this causes certain challenges and limitations in terms of internationalization (Bäumer et al. 2012: 1). Winsted and Patterson (1998) provide a good overview about the main characteristics of service sector that affects to the internationalization process of service firms. Intangible nature of services poses challenges for every company trying to market services internationally because inability to sample, see or inspect services easily raises the customer risk perceptions. Most services also require constant and direct involvement with those benefitting from the service because production and consumption takes place simultaneously.

Thus service firms need to have a strong local presence in a foreign market if service firm aims to go international with its business. Local presence is also needed because trust and relationships are crucial for success of many services. This heightens the risks and investments required for foreign market entries of service firms. Most of the times services need to be customized for every new foreign market to meet the local needs and cultural differences and thus offering standardized mass products, like traditional manufacturing sector does, isn’t easy to implement. Services can’t either be stored like manufactured goods and supply and demand need to be considered very carefully. This balancing creates challenges for service firms because demand can fluctuate and markets are often unpredictable in a long term. Business of the service firms is highly related to human talent of the personnel that provide service. This causes challenges in quality control because of the
heterogeneity of the employees. Also managerial challenges occur because hiring and training employees in different cultures and transferring the corporate values and ideas can be difficult from distance. (Winsted & Patterson 1998)

Because of the challenging nature of service business, overseas expansions and operations have seen to be privilege of large industrial firms operating traditional manufacturing industries and also the academic scholars of international business research have widely focused to theorize the internationalization processes of industrial firms. This point of view is partially justified and understandable because in the past the sales and delivery of services had a strong local and national focus (Grönroos 1999: 290). Professional services were produced to fit the local and national needs and legal requirements and thus wide range foreign expansion of professional service firms were very rare until 1970s when especially strategy and management consultancy firms started to go global because of client based pull (Brock & Alon 2009: 53; Bäumer et al. 2012: 1). This happened because major clients, more often traditional manufacturing industries, went global and chose the service provider to follow in foreign expansion. However the real breakthrough of service sector internationalization was still to become. (Bäumer et al. 2012: 1-2)

Rapid technological development in communication and information technologies and reduction of trade barriers since mid 1980s has contributed services to become crucial part of global economy. Globalization has created global markets in which especially professional service industry has managed to find value and growth through internationalization. In post-industrial economies internationalization of service sector face large expectations about how services can offset the reductions in traditional manufacturing and trade of goods. Service sector has also redeemed the expectations because in developed countries services are considered to be the largest element of production and employment and in emerging economies service sector is steadily increasing its share of the total economy. (Toivonen et al. 2009)
2.1 Introduction to KIBS

Because service industry in total include mixed bag of different activities, researchers has sought to develop systems of classification to deal with the constantly increasing new realities of services. Commonly used categorization is to divide services upon three groups in the respect of nature of the service, demand of the service or the form of supply. These groups are partly overlapping because for example demand- and supply-based categorizations include most of the times some features that also describes characteristics of the service. (Toivonen 2004: 17-19)

Greenfield (1966) focuses on the demand-based classification that describes the characteristics of the consumption and does the division between producer services and consumer services. Producer services are the services that firms, non-profit organizations and governmental actors provide to producers to fill the specific demand. Later categorizations have clarified the original division in a way that the producer services are targeted to corporate consumers while consumer services are focused to fulfil the needs of individual consumers and households. (Toivonen 2004: 19)

Other widely used categorization, originally proposed by Singelmann (1978), is to divide services into producer services, distributive services, personal services and social services. These four groups are formed to take into account is the service designed to support private consumers or corporate businesses or is the meaning of service to supply goods or information. Also social services, such as medical and health services, are separated into its own division because of their special nature. However this classification has still its problems because for example the producer service category includes many services that serve both private consumers and professional businesses. (Miles et al. 1995: 2-4) Both the Greenfield (1966) and Singelmann (1978) classifications bring useful insights into categorization of services and offer initial framework for this study in which the development consultancy services can be considered as producer services.

To narrow the perspective of service sector even more from the viewpoint of producer services, it’s useful to introduce the concept of professional services.
Professional services can be defined as services in which the value for the customer is based on the professional expertise of human capital. (Bäumer et al. 2012) This human expertise is delivered to customer through service activities that in most cases are technically difficult and include sophisticated and specialized information (Patterson et al. 1996). These kinds of professional services include for example accountants, wide range of different IT-services, engineering firms and also rapidly increasing consultancy sector. Professional services have been in the core of the structural change in which industrialized economies have changed from manufacturing-oriented societies to service economies. Professional services were also in frontline when service sector started to adopt globally distributed delivery models and today global operations can be seen to be the mainstream activities among the professional services.

The concept of professional services narrowed the focus for the need of this thesis but it’s still too broad category to really understand the fundamental nature of consultancy services. The concept of knowledge intensive business services (KIBS) can be seen to be sub-category to professional services and thus it give more precise framework to answer the research questions. The figure 1. show the division and differences between KIBS and other services.

Figure 1. The difference between KIBS firms and other services.
2.2 Defining KIBS

Miozzo and Miles (2003) state that the importance of KIBS has resulted from three closely intertwined factors. From the perspective of economic development, KIBS have become crucial sector of national economies because of their significance to employment and economic growth. Secondly KIBS have been the main drivers of technological change because they have adapted new technologies and been fostering innovation processes throughout their business. At last new technologies have also fostered the overall globalization and KIBS have been significantly taking advantage of this development by finding value and growth in internationalization. Over the last 30 years KIBS-sector has been one of the most rapidly growing industries in developed countries and it also belongs among the most internationalized service industries in whole service sector (Toivonen et al. 2009: 1). KIBS firms have benefited from the increased complexity of products, production processes and markets that require client companies acquire more special expertise that KIBS firms can offer. Together all this development have underlined the importance of KIBS to be an essential part of so-called “knowledge-intensive economy” (Miles et al 1995).

In the literature KIBS separates from other professional services because they offer special expertise only for the need of other businesses or public sector. Miles et al. (1995: 18) refine the definition of KIBS as they state KIBS to be services that involve economic activities that are intermed to result in the creation, accumulation or dissemination of knowledge. KIBS differ from each other by the form of information and knowledge they use. KIBS can use both tacit and codified knowledge and it can be generated within the firm or be acquired from the external sources. Most of the work in KIBS is related to intellectual work using the selected forms of knowledge and information and the main asset of the KIBS firms is well-qualified human capital that holds and controls the information (Rodriguez & Nieto 2012: 1057).

Also the other fundamental aspect that separates KIBS from other producer and professional services is the aspect of learning that is delivered in close collaboration with the customer. (Toivonen et al. 2009: 1) This highly interactive and client-related character is a common feature for KIBS because knowledge flows are rarely unilateral. KIBS firms also acquire information and knowledge from the customer
and at the same time increases its own knowledge base to provide client-specific solutions. A high level of supplier-user interaction is characterized to KIBS firms and therefore networking and especially learning through the networks is important for KIBS. This also separates KIBS from many other new kind of services, such as information and communication services, that doesn’t require so much human-to-human interaction in order to make the business successful (Miles et al. 1995: 25). The interaction also emphasizes the innovation processes of KIBS firms. KIBS are active players in innovation processes because they produce and diffuse knowledge. KIBS have affected the innovation processes within the whole service industry because most of the cases innovations are formed with active and close innovation networks in which widespread interaction feeds the knowledge base of all parties involved. (Miles et al. 1995; Muller & Zenker 2001)

KIBS in general and especially professional consultancy services have benefited the rapid development of information and communication technologies. Technological development is one of the major factors that have contributed the global perspective of KIBS firms. As information and human expertise are the major resources and assets for KIBS, the technological development enables the global expansion and delivery of the services without being bound to one place. Thus technological development has partially changed one of the previously described prevailing characteristics of services that state that production and consumption can’t be separated. (Toivonen et al. 2009: 3-4)

Despite of the many similarities in definitions of KIBS, previous research literature has taken numerous different approaches to make sub-categorizations about KIBS. According to Miles et al. (1995: 17, 28) all economic sectors are becoming more and more knowledge-intensive in their production processes and that’s why also KIBS need to be concerned and defined more precisely in terms of the application of knowledge. This means that many firms are knowledge-intensive in broad sense if they only rely on professional knowledge and employment structures are focused on scientists, engineers and other experts of all types. Miles et al. (1995) suggest more specific categorization that emphasizes the connection between KIBS and new information and communication technology.
In this sense KIBS are divided into two main groups. The first group covers traditional professional services (KIBS 1.) that are the important users of new technologies but the service supply is based on for example upon knowledge of administrative systems and social affairs or the skills that range from courtroom debating to statistical analysis. Therefore the important distinguishing feature about KIBS 1. is that their relation to new technology is more user-based, while the second group (KIBS 2.) are the producers and intermediates of new emerging technologies. KIBS 2. covers the new technology based firms in which technology-based information production is in the core of the business and therefore they contribute the knowledge formation through their service supply. KIBS 2. include wide range of computer, software, telecommunication and other engineering services.

Miles et al. (1995: 27-28) also state that the division between KIBS 1. and KIBS 2. is not unambiguous. Same service can either belong to KIBS 1. or KIBS 2. and main dividing factor is the relation to use of new technologies. The categorization of KIBS in terms of technology use and production is also found useful in later studies and for example slightly different focused division into technology-based KIBS and non-technological KIBS has become common definition in the literature (Werner 2001: 51). Some studies even exclude the routine business services, such as renting, security and different maintenance and repair services out of the concept of KIBS even those include knowledge-intensive and technology-based aspects (Toivonen 2004: 29).

The technology-based categorization also offers a good framework to describe and differentiate consultancy services as KIBS firms. The above described post-industrial development in which the rapid technological development has affected to significant industrial changes from traditional manufacturing to highly specified use of information, knowledge and technology in its all forms has also formed the need for consultancy service. Because organizations are also experiencing difficulties and challenges to meet the requirements in gaining that information, knowledge and technology, the consultancy services has offered the an effective way to get access to these vital capabilities without the need for developing or acquiring these inside the organization. Especially the large corporations or public organizations with almost limitless resources have started to look beyond their own internal resources and
acquiring the appropriate expertise to respond the competition to keep pace with the rapid rates of technological development. (Kirby & Jones-Evans 1997: 155-156)

This makes consultancy firms to fit almost perfectly to most widely used definition about KIBS firms as the core of the business relies on problem solving process in which the service provider adapts the expertise and specialized skills and knowledge to the deed of their clients. That’s why consultancy services work with extremely close interaction with their clients to adjust the offered expertise to different content of the problems (Graubner & Richter 2003). High level of customization of offered services is also characterized factor to consultancy service industry as the problems that clients face are rather never alike. Therefore there is always bilateral learning by doing-aspect included in consultancy services where the offered service also increases the knowledge base of the service provider. Human resources and expertise of the personnel includes the core competence of the consultancy firms and that’s why managing and developing the human resources are crucial elements for consultancy firms in order to operate successfully. Highly expertise human resources are used to transmit the needed information or technology to for the use of a client and that’s why also the client relationships need to be observed and managed carefully so that the service is transferred successfully and without interruptions. (Graubner & Richter 2003)

Even the previous literature includes numerous other sub-categorizations and clear consensus doesn’t exists about the definition of KIBS, the technology oriented classification offers appropriate division for the purpose of this study. Because this study focuses on the consultancy services, the technology-based classification sets the clearing framework and helps to position the consultancy sector on its own type of services inside the wide-ranging concept of KIBS. The figure 2. show the services belonging to KIBS in terms of technology-based classification and the level of interaction between service provider and customer. The figure 2. also builds framework for consultancy services as KIBS firms and shows the difference compared to other types of KIBS.
Figure 2. Services in terms of use of technology and interaction with clients. (Miles et al. 1995: 38)
3 INTERNATIONALIZATION OF KIBS

In international business literature internationalization is often defined as a firm’s expansion beyond the borders of its home country to different countries or geographical regions. Previous literature use interchangeably different terms of this development, such as internationalization, international diversification or multinationality. In this master’s thesis the term internationalization is used to describe firms operations beyond its home market. Ahokangas and Pihkala (2002: 2) definition about internationalization represents the perspective of this master’s thesis, which states that, “international business is the one that crosses borders of two or more nations and the concept of internationalization consists of the whole process of choosing the products, markets, organization structures, personnel, financing and knowledge that result in an international business”.

Nevertheless the conceptual diversity, all of these various terms have common core. When firms aim to expand in international markets, the fundamental goal of the operation is to increase performance and get growth. These relationships between international expansion and firm performance have been widely studied in the international strategy literature but most of the studies have focused on traditional manufacturing firms. However service firms are expanding to international markets for the same reasons as the manufacturing firms and the pace has been accelerating over the last 20 years. (Capar & Kotabe 2003: 345-346)

Previous research of the internationalization of service firms state that the above described unique characteristics of service firms, like intangible and heterogeneous nature of services, has major impact to the internationalization processes of services and that’s why the internationalization of services need to be concerned on its own entity and for example internationalization theories that are developed with traditional manufacturing firms can’t be directly used with service firms (Majgård 1998: 8). However also the opposite view exists in the research field that stresses the similarities between traditional produced goods and services in internationalization processes and that’s why sees no use for special theorization for internationalization of services (Buckley et al. 1992). Like already pointed, service industry isn’t single entity and service characteristics aren’t universally applicable to all services. That’s
why it’s reasonable for the purpose of this master’s thesis to investigate the characteristics of internationalization of KIBS on it’s own entity and point out the main determinants in these processes.

3.1 Main models of internationalization in KIBS

Miozzo and Miles (2003: 1-2) argue that internationalization of KIBS has been one of the most important processes that have shaped the general processes of globalization of production, distribution and innovation. Internationally expanded KIBS have also affected to international division of labour and have implications not only for the competitiveness of firms and industries but also for the nations and regions. Internationalization of KIBS firms transfers large mass of information, knowledge and expertise between the global, national and regional levels. All this international interaction accumulates know-how within the KIBS firms and fosters growth of the whole KIBS sector (Muller & Zenker 2001: 1507). That’s why international expansions play such an important role in KIBS and it’s crucial to understand the processes in which the KIBS adopt the international operations. (Toivonen et al. 2009)

The previous literature addresses that KIBS adapt international operations throughout three main sources: foreign direct investments (FDI), exports and foreign presence through third parties. All these three models of international activities are applicable in KIBS although some of the models are more commonly used than others. In addition all these three models of internationalization in KIBS can be used in many different ways and that’s why it’s important to build a framework that shows the similarities and differences between the models and also illustrate the relations between the models. (Toivonen et al. 2009; Rodriguez & Nieto 2012: 1059)

Because of the previously described unique characteristics of services, like intangibility and inseparability of production and consumption, the service provider need to be in close and active contact with the customer. Already Sondheimer and Bargas (1993) stated that foreign direct investments (FDI) are one of the main models of internationalization of the service firms. FDIs mean direct investments to foreign markets with wholly owned subsidiary or branch office that support the close
contact and interaction with the customers needed in providing high quality expertise in KIBS. FDIs can also be majority or minority shares of subsidiaries or branches and internationalizing KIBS can either establish the foreign subsidiary by itself or buy one from the target market through merger or acquisition. (Blomstermo et al. 2006) Especially in KIBS sector mergers and acquisitions have become increasingly common way to adopt international presence in foreign markets during the recent years. FDIs also vary between their independence, because in some cases international operations through FDIs are planned and controlled from the head office or the subsidiaries or branches may have considerable freedom in conducting the business in target market. (Toivonen et al. 2009: 3)

Internationalization through exports in KIBS means that the service provider delivers the service and all the related material without permanent or long-term presence in the foreign market. In service exports travelling is a most important and dominant way to serve customers in international markets but technological development has enabled new forms of service exports. (Toivonen 2009: 3) Information and communication networks are particularly well suitable for transmitting codifiable information and knowledge without need for mobilizing the employees. For example consultancy companies can nowadays deliver training and other consultancy material to international customers easily through the Internet. (Javalgi et al. 2004)

Sharma and Johanson (1987) distinguish the concept of export projects on its own sub-category. They state that export projects lies between the concept of FDI and service exports meaning that export projects include temporary physical presence in the target market that last duration of the project. In export projects the KIBS firms try to use the same expertise in many different international markets with only slight modification and thus avoid the permanent international expansions. This kind in internationalization is particularly common between engineering consultancy sector in which firms commonly opens temporary offices close to customers abroad and closes the operations since the project has been completed.

KIBS firms also adapt international operations through third parties. This means that internationalization may happen with forms of licencing, franchising or other ways of partnering and arrangements. In licencing one firm provides to another firm
the right to represent it in terms of intellectual property in the target market under the specified terms and payments (Grönroos 1999). Even licensing is typical way to aim internationalization in manufacturing sector, it’s rarely used in services and especially in KIBS. Also franchising, in which the focal company provides other companies right to use tested and effective noticed business concept for a contract period against a fixed payment isn’t widely used among the KIBS even it’s common in many manufacturing sectors and traditional consumer services, like restaurants or accommodation.

The reason for this is that tightly centralized control from the focal companies isn’t suitable for high expertise professional services, such as KIBS (Toivonen et al. 2009: 4). Control is one of the most important determining factors in choosing the internationalization entry model and role of control is stressing particularly in KIBS firms. In KIBS, the need for high levels of seller-buyer interaction requires total independent control over the international operations to make flexible decisions and variations to adapt services to meet the requirements of the foreign customers. Thus elsewhere-specified formal and rigid arrangements aren’t suitable for models for business. (Blomstermo et al. 2006: 222) However other partner arrangements that include even the small ownership and control are used between KIBS. These arrangements include for example the use of common brand and also the common acquisition of clients and contacts or subcontracting and R&D may include. Also strategic alliances and other wider forms of co-operation between KIBS firms are possible in international expansions. (Toivonen et al. 2009: 4)

3.2 Indirect models of internationalization in KIBS

Besides of these three actual models of international activities, the previous literature recognize four indirect forms of internationalization in KIBS that are commonly the first preparatory forms of offering high expertise services to foreign markets. Many KIBS start their internationalization process by serving foreign customers in the firm’s home country. This is a good starting point for the international expansion because it gains the information and knowledge about the regulations, business culture and practices in foreign markets. KIBS can also acquire international experience in their home market by serving the subsidiaries of the international
corporations or help domestic customers in their international operations. (Toivonen 2004; Toivonen et al. 2009: 4)

KIBS can also be active members in international networks and chains and thereby increase the presence in international markets. This form of internationalization in KIBS differs from internationalization through third parties because the focal company doesn’t control membership in the networks and chains. The international communities can be formed by other firms or by the professional non-profit organizations. With the active involvement and membership in these community networks KIBS firms may foster the processes internationalization by contact formation and knowledge accumulation. (Toivonen et al. 2009: 4)

KIBS firms can improve the preparedness for international expansions by international recruitment of experts. By hiring international experts firm can acquire valuable information about the target markets and adjust the internationalization functions to meet these needs. Recruited international experts can also provide important contact network in the target countries and foster the innovative atmosphere inside the company to support the internationalization activities. (Toivonen 2002, Saxenian 2000)

The last indirect model of internationalization in KIBS relates to acquiring supportive service functions from foreign-based company while the firms itself still operates in domestic markets. With offshoring KIBS firms are seeking for cost reduction by transferring supportive functions, like call centres and book-keeping to outside the home country. Offshoring may also be useful from the viewpoint of international contact formation and thus foster the primary models internationalization (Massini & Miozzo 2012: 1222, 1237)

Figure 3. shows above described all three main models and four supportive indirect models of internationalization in KIBS to clarify the framework and division between direct and indirect models of international activities. However it’s important to bear in mind that that selection of one particular model for the internationalization in KIBS still depends entirely nature of the service and on the other hand skills and resources of the internationalizing firm. In terms of nature of the service the
distinction between “soft” and “hard” services largely defines the selected model of internationalization (Majkgård & Sharma 1998: 14-16). Soft services, that are based on high expertise and in which the production and consumption happen simultaneously require physical presence in the target market and thus FDI and export projects are the most suitable models for delivering services to customers outside home market. In hard services physical presence isn’t always needed because the delivered service can be transferred for example in codifiable form. That’s why in these services more options are available and services can be delivered to international markets with exports or operations through third parties. Firms have different resources for the international expansions and for example FDIs require large material resources and investments in the target market while the know-how about project management is emphasized in successful export projects. (Toivonen et al. 2009: 5)

Figure 3. The basic models of international activities in KIBS. (Toivonen et al. 2009)
4 PATHS TO INTERNATIONAL MARKETS IN KIBS

As mentioned above, the selection of foreign market entry mode of service sector and especially in KIBS firms is a process in which the prevailing factors of each firm determine the final form of internationalization. However the previous research generally identifies two main arguments that service companies follow when heading to international markets. The traditional view has been that services expand to foreign markets because their customers already operate abroad or are entering to international markets. Following the existing customers to new foreign markets reduces the risks in the internationalization process but at the same time target countries and the forms of international operations are largely dictated by the customer leaving only limited decisions to service provider. The client-following internationalization strategy has been complemented by the new research that has shown that it’s not the only way that service sector adapts international operations. (Toivonen et al. 2009: 5-6)

An independent and market-seeking internationalization of service firms means the process in which the firm independently and gradually makes the shift from local and national markets towards the foreign operations (Majkgård & Sharma 1998, Toivonen et al. 2009: 6). In this gradual internationalization path the service firms advances from less risky decisions to more advance and demanding ones (Johansson & Widersheim-Paul 1975: 306-308).

Since the late 1980s the research literature has still challenged the gradual, cautious and relatively slow way to internationalize and started to pay attention to companies that expand to international markets rapidly and by not following the patterns of traditional gradual models of internationalization. These so called “international new ventures” or “born globals” first started emerging in the sector of IT-services but has later spread to other service sectors including the KIBS. (Oviatt & McDougall 1994, Toivonen et al. 2009: 6-7)

However it’s important to keep in mind that all these above described different paths to foreign markets in KIBS may occur mixed and this kind of clear division is a rare occasion in real business life. For example KIBS firm that operate like “born global”
can still first expand to markets near home country and only after that head rapidly to far distant international markets (Chetty & Campbell-Hutt 2004). Also some gradually and cautiously expanding firms may accelerate the speed of internationalization after getting experience and favourable results from the international markets (O’Farrel et al. 1998). The path the KIBS choose to follow to reach foreign markets is largely dependent on international experience and therefore it’s necessary for the purpose of this master’s thesis to look at its role as an enabler for the internationalization in KIBS.

4.1 Experiential knowledge as enabler for internationalization

Even all above described paths to internationalization differ from each other, the common denominator that determines the processes is experience and knowledge about international markets and foreign operations. That’s why the Uppsala-model (U-model) from Johanson and Vahlne (1977) is important to consider when clarifying the meaning of experience and knowledge accumulation in internationalization. The U-model is originally developed to describe patterns of traditional manufacturing industries and that’s why its need to be interpret and apply carefully when considering service sector (Buckley et al. 1992: 53, Majkgård & Sharma 1998: 5, Roberts 1999: 72).

The U-model is based on behavioural theory of the firm and the main idea about the model is that it focuses on the fact that how individual firm gradually acquire, increase and use the experience about the foreign markets and operations they are willing to enter. The model highlights the importance of market knowledge as it forms another half of two State aspects in the model. Market knowledge is divided into objective knowledge and experiential knowledge but in terms of international operations and success in foreign markets the importance of experiential knowledge is stressed. This knowledge accumulates when internationalizing firms faces opportunities and problems in internationalization process and adjust and fit the decisions on those. The longer the company has been operating in the international market, the more experience-based information has accumulated and thus the risk of internationalization decreases. Objective knowledge means more easily acquired information about foreign markets, such as market research. However both types of
knowledge is needed for successful internationalization and when the amount of market knowledge rises, the more committed the firm will be in the foreign market. (Johanson & Vahlne 1977)

Because experiential knowledge is hard to accumulate and it involves great amount of uncertainty, the U-model also states that firms seek to reduce risks by starting internationalization processes in the markets that are close to home market. Firms with only limited experiential knowledge that is mainly gained from the operations in the home market seek to start short distance international operations because the similar cultural context helps the firm gain important experience in the market. Physic distance to the target market affects the differences for example in language, education, business practices and industrial environment and development which all are important determining factors in accumulation of experiential information in internationalization process. Previous literature has proven this connection between market country selection and foreign experience accumulation especially in traditional manufacturing industries (Johanson and Widersheim-Paul 1975: 320). However previous studies from service firms are more limited and no common perception about the correlation between physic distance and early foreign market operations exists (Majkgård & Sharma 1998: 7).

The U-model assumes that gradual incrementation of experiential knowledge affects the selection of entry mode for international operations. Because firms seek to reduce risks and uncertainties in the process of internationalization they try to deepen their investments and presence in chosen foreign market gradually. Previous research has shown this kind of development in traditional manufacturing industry. This means that first international expansions are done with exporting from the home market and if the results are successful the next step might be the establishment of marketing subsidiary and later on the foreign production. (Johanson & Widersheim-Paul 1975)

In service sector this kind of results aren’t uncontested and many different frameworks are introduced to describe the correlation of foreign experience and entry mode selection. For example Blomstermo et al. (2006: 222-223) state that greater previous foreign experience doesn’t always mean that the internationalizing firm is more likely to choose the entry mode with high level of control, like FDIs. The
reason for this is that increasing experiential knowledge about international activities creates firms abilities to monitor, identify and choose right business partners without need to choose high control level entry modes. In KIBS firms the growing critique towards the gradual and often slow internationalization has fostered because of the previously described “born globals” that have become common form of internationalization. Internationalizing KIBS firms may skip some of the stages that traditional manufacturing firms take in their internationalization processes and for example heading right from the beginning to distant markets with wholly owned subsidiaries are no longer an exception in KIBS. (O’Farrel et al. 1998, Roberts 1998)

Eriksson et al. (1997) stress the effect of experiential knowledge on the cost of the internationalization process in service sector. Experiential knowledge is accumulated with the presence and activities in foreign markets and the perceived costs are related to collecting, transferring and coding this information and changing the structures, processes and routines of the organization to benefit from this experiential knowledge and information. Even the experiential knowledge is accumulated from the business environment including for example individual clients and institutional actors in the market, some of the experiential knowledge is also located within the firm itself. Experiential knowledge seeking in the market affects on firms routines and decision-making processes in which the firm can observe and accumulate it’s own institutional knowledge about favourable actions in internationalization processes.

4.2 Networks as sources for experiential knowledge

Because the experience-based information and knowledge is now stated to be crucial element for the whole process of internationalization, it’s important to monitor how and where internationalizing KIBS accumulate this information. When firm aims to expand into international markets it’s impossible to operate in isolation. Besides the foreign customers, internationalizing firm is in constant interaction with other foreign and local firms in the same markets as well as local governmental, non-governmental and civil society actors. Previous research has argued that interaction with all these different operators forms networks of relationships and resource exchange that has

The network approach from Johanson and Mattson (1988) offers a good starting point to monitor the meaning and the role of networks in internationalization of KIBS. Their main point in the paper is that different firms and industries are largely interdependence between each other and these relationships play crucial role in internationalization processes of the firms. Johanson and Mattson state that networks help firms to expand international markets by supplying information about overseas markets and by helping to identify and find partners and clients. They find that broad international network makes the overall process of internationalization easier and more effective when compared to firms whose exchange partners are purely domestic firms. Even the network approach base its empirical data to number of studies in industrial marketing and purchasing, the idea about importance of networks in internationalization has been largely studied in service sector and especially in KIBS (Majkgård & Sharma 1998: 9).

When considering the role of networks for the internationalization, the significant determining factor is whether the contacts and interactions already exist at least some level or do the internationalizing firm have to build the networks during the internationalization process. With the client-following strategy for internationalization firms obviously have already interactions with international networks through their existing customers that push and help in internationalization process. (Majkgård & Sharma 1998: 9) Erramilli and Rao (1990) have studied the role of market knowledge in foreign market entry modes in professional service firms and they introduce the main differences between client-followers and market-seekers. Erramilli and Rao state that in the early stages of internationalization client-following service firms commit greater resources abroad than market seekers and in many cases these resources are positioned in countries at great physic distance for the home market. Market-seeking firms, that don’t have the existing international network and experience, are highly dependent about finding the right partners cooperate. Profitability of the business requires that the firms establish the credibility with the customers. Often this means time- and resource-consuming process in which the offered service, distribution systems and supply channels and other routines are
transferred to meet the needs of the foreign customers. Client-following service firms thus have many advantages in network and experiential knowledge formation in internationalization process especially for customer relation.

In addition to customer relationship formation, internationalizing KIBS firms use networks for the accumulation of information, knowledge and expertise. Muller and Zenker (2001) have studied the innovation processes in KIBS and they underline the meaning of networks for creating innovations. KIBS-firms create both tacit and codified knowledge and information and this diffuses and transfers between the different operators in the networks. Thus new innovations are more likely to appear which will support growth of the business and also economic development at the regional and national levels. Muller and Zenker especially emphasize the interaction and networks between KIBS firms and their clients as these connections are particularly useful for developing the knowledge base and innovation capability. For example interaction with clients may pose new technical problems that need solutions and may involve sharing knowledge about these problems. Thus KIBS may have links to important sectorial innovation systems and got to connect with other firms.

Based on the previous literature, it can be concluded that networks have a decisive role in internationalization of KIBS by accumulating experiential knowledge. This has major effects on finding market opportunities by interacting with clients, competitors, suppliers and other stakeholders involved in international expansions of the KIBS firms. Knowledge and information in different forms are in the core of the business of KIBS and that’s why KIBS firms have crucial role in global knowledge flows. Networks also have important role in knowledge and expertise accumulation in KIBS. Thus the conclusion that networks are one of the most important issues that determine the internationalization of KIBS is justified and closer reviewing the network literature and especially positioning and legitimacy in the network is needed to offer appropriate conceptual framework for this master’s thesis. (Blomstermo et al. 2004)
5 POSITIONING IN THE NETWORKS

Like above mentioned, experiential knowledge reflects a firm’s ability to tap into its knowhow with respect to making smart choices in the process of internationalization. This experiential knowledge is gained through the business networks and relationships that several studies have used to understand and explain the internationalization processes of the firms. The basic idea in most of the studies is that experiential knowledge is available throughout the different relationships and connections that form networks. In their study Hohenthal et al. (2014: 5-10) offer a clarifying view to meaning of networks in the context of internationalization of firms. The study have surveyed previous literature that focus on the network perspective and find out the research gap in the fundamental definitions about business networks and relationships. Most of the studies link network approach straight to more traditional internationalization theories leaving the definitions of business networks unclear.

Despite the conceptual ambiguity Hohenthal et al (2014: 10-11) found out three types of definitions that recur in the studies. First category is the most general and broad including definitions that argue networks as systems of interrelated actors, such as customers, suppliers, competitors and public and private support agencies. The second category and framework in previous studies concentrate to quality and nature of networks and relationships. In this research view the focus is on classifying the relationships to formal business relationships or informal social relationships. The third category of definitions focus on the network structure and the main forces that keep the network together.

For the purpose of this master’s thesis it’s crucial to focus on the third definition. Networks are connections of two or more connected relationships in which business relationships are carried out by social exchanges between individuals in the firms. The basic premise is that business is always carried out in networks where different actors are linked to formal and informal connections. (Chetty & Holm 2000) Services networks include set of relationships that are connected to each other directly or indirectly in terms of activities, actors and resources. This view to business network relationships points out that some of the relationships are more crucial than others.
and the distinction between primary and secondary functions can be done. Primary functions of the business network relationships are the core interaction of actors, activities and resources that have direct effect on each others efficiency and in which the interaction straight raise benefits that each receives. The secondary functions in the network relationships can be seen as supportive and indirect exchange of activities, actors and resources that are caused by the existence of connections between relationships. However these secondary functions can’t be stated to be less valuable than the primary ones and importance of the relationships is always linked to context and nature of the business network. (Anderson et al. 1994)

Hohenthal et al. (2014: 11) found out that the common denominator for most of the studies about business networks is that those connections and interactions are seen important sources for learning and gaining experience. This supports the above-described idea of networks as sources of experiential knowledge in which the knowledge is created in formal business relationships and on the other hand informal social relationships between individuals. These relationships form the wider system of business networks that individual firm have to position itself to get access to crucial knowledge. Thus it’s important review how firms achieve the certain positions in the business networks and how different positions in the networks affect to processes of internationalization.

5.1 Position in market network in KIBS

When accumulation of experiential knowledge and information through networks is crucial for the internationalization, it’s important to focus on how the firm get access to these networks. Johanson and Vahlne (2009: 1411) consider that “markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns”. This idea fits the idea that networks are highly dynamic and constantly changing. Firms have different positions in the networks that have major impact on internationalization decisions and international growth. Thus internationalization is never stable process and connections between the firms in a network are constantly developing. (Flecher 2008)
In order to be successful in international operations firm need to establish its position in one or more networks. Coviello (2006) has developed a model in her study how international new ventures evolve networks in a early phase of internationalization and results of the article shows that good positioning and “insidership” in the networks is a crucial element for successful new market entry. In Coviello’s study these networks are formed even before the establishment of the firm or before entry into new market. Johanson and Vahle (2009) have developed the ideas from Coviello’s study to build more general model that conceptualizes positioning in the networks and its meaning for internationalization as a multilateral network development process. They introduce the concept of liability of outsidership to explain meaning of belonging into networks in the process of internationalization. They state that networks are crucial for accumulation of experiential knowledge in foreign market expansions and if the firm doesn’t have the position in a relevant networks it remain as “outsider”. As an outsider firm face challenges to accumulate experience-based market knowledge that mostly develop in social exchange processes.

The business network model of internationalization developed by Johanson and Vahlne (2009) highlight that successful internationalization and insidership establishment requires reciprocal commitment between the firm and its counterparts. This process is highly socially constructed and it takes time to develop these relationships in the networks to consolidate the position and avoid the liability of outsidership. Johanson and Vahlne stress that the essential elements of the internationalization processes are the learning and building trust and commitment in the relationships and trough these crucial elements the insidership is eventually achieved. When the firm impediments the barrier of liability of outsidership it becomes possible to exploit and identify opportunities in the networks that may result development and internationalization of the business.

The learning aspect of the Johanson’s and Vahlne’s (2009) model relates to experiential learning that is already discussed above. Johanson and Vahlne (2009: 1416) add the concept of relationship-specific knowledge in their model to describe and highlight the knowledge created in interaction between two partners, which includes knowledge about each other’s heterogeneous resources, and capabilities.
The second type of knowledge they add in their model is called *general relationship knowledge* that is associated with the more general knowledge about international relationship development. This knowledge also help partners to find and identify ways in which they can develop different and transferable relationships in alternative situations. With these functions Johanson and Vahlne (2009) retain the experiential learning and knowledge accumulation as a basic mechanism in the business network view of the internationalization process.

Johanson and Vahlne (2009: 1417-1418) define *trust* as ability to predict another’s behaviour and that human behaviour is characterized by high ethical standards. In relationship development trust works as social capital and thus trust is important component of successful learning and new knowledge accumulation in the relationship interaction. Being a trusted actor in a relationship may result *commitment* in the relationship that includes willingness to continue the relationship with a long-term interests and positive intentions. Commitment to relationship is crucial to overcome the barriers of liability of outsidership and trust is seen a precondition of building commitment. Commitment in the relationships gives firm an opportunity to position itself in a network because it implies that there is willingness for continue, invest in it or even make short-term sacrifices that benefit another for reasons of long-term interest to maintain the relationship.

Learning, trust and commitment building in relationships offer a firm possibility to position itself in a network. Being insider in the networks then creates access to privileged information about relationship partners and their business network that may outcome as *opportunity development*. Johanson and Vahlne (2009: 1419) stress the meaning of on-going business activities in a networks that add knowledge to already existing stock of knowledge. Opportunity development process can be unilateral when one firm is utilizing another firm’s needs, capabilities or networks and therefore finds a new opportunity. Also bilateral and multilateral opportunity development processes are defined in the article that means that two or several firms are interacting together to increase their commitment to opportunity. The revisited business network model from Johanson and Vahlne (2009: 1419-1420) also combine the opportunity exploration and exploitation processes to happen overlapping. Opportunities are find in on-going business activities in business networks which
means that pure market research to discover opportunities isn’t possible without commitment to network relationship. Because the exploitation is risky, progressing slowly and building successive commitments are typical ways to reduce the risks.

5.2 Legitimacy in business networks

As Johanson’s and Vahlne’s (2009) revised business network view states, firms operate in networks of connected business relationships that involve a wide set of different relationships between firms, suppliers, competitors and other actors. These relationships are labelled as business networks in which the firm needs to position itself with above described manners in terms of successful internationalization. The business network view relates to idea that organizations aren’t tightly bounded entities but rather open systems where the organizational boundaries and environment stem from cultural norms, symbols, beliefs and rituals. Interaction and interdependence in networks highlight the cultural constructiveness of the networks and especially network positions. When examining the concept of liability of outsidership described above by Johanson and Vahlne (2009), it’s crucial to understand that constructing insidership in the networks depends decisively on the attitude of other actors in the network. This approach can be examined with the concept of organizational legitimacy.

The concept of organizational legitimacy refers to idea of congruence between evaluated entity and its reference values and norms that determine the social evaluation criteria. Suchman (1995) states that organizational legitimacy is widely described in the previous organizational literature but exact definitions aren’t commonly presented. Thus Suchman (1995) offers an inclusive and broad-based definition about organizational legitimacy to be used as a starting point for legitimacy discussion. Suchman (1995: 574) states that “legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.”

The notable aspect in Suchman’s (1995) definition is that legitimacy always represents a reaction of observers to the organization as they see it. Thus
organizational legitimacy is formed subjectively by others perceptions and assumptions. This refers to socially constructed nature of the organizational legitimacy as it reflects the behaviour and actions of legitimated or legitimacy searching entity and on the other hand the shared beliefs and observations of some social group. Thus organizational legitimacy is highly dependent on a collective audience and its reactions and independent observers inside the audience. (Suchman 1995: 574)

Why the organizations seek legitimacy is often asked question inside organizational legitimacy discourse. Suchman differentiates two particularly important dimensions about the reason to find and seek organizational legitimacy. The first dimension is related to distinction between pursuing continuity and pursuing credibility. Legitimacy often supports continuity of the organizational activities because audiences are more likely to supply resources for organizations whose behaviour seem to be desirable. However this persistence also affects the audience’s perceptions about the organization that comes out as credibility. Actions that enhance continuous aren’t however always identical to those that supports the “meaningfulness” of the organization and that’s why Suchman underlines the distinction between them. The other conceptual dimension that defines the reasons for legitimacy in organizations is the distinction between active support seeking and passive acquiescence. If the organization, for example firm, will benefit from that particular audience leaves it alone, the legitimacy seeking may be quite inactive. When organization aims making long lasting interventions, such as respond to competition, the legitimacy is actively applied and formed. (Suchman 1995: 574-575)

Kostova and Zaheer (1999) examine the concept of organizational legitimacy in the context of multinational enterprises (MNE). Their ideas support the Suchman’s (1995) definition about socially constructed nature of organizational legitimacy that comes visible in MNE context when the firm is trying to overcome the entry barriers in expanding to foreign markets. Internationalizing firms also face culturally constructed dimensions of legitimacy building when cultural adaptation in new market area begins. Firms are highly dependent on other actors in the market that observe and give perceptions about the company and thus legitimate it’s operations
in the market. Firm can either passively or actively review its behaviours and try to influence the given perceptions. Institutional environment in which the firm expands and operates highly affects the process of organizational legitimacy. The greater the institutional distance, the more difficult it’s for internationally expanding firm to adopt the new market environment and its legitimacy requirements. Also the more different countries the firm is expanding, the more variations of legitimacy requirements the firm is facing than can be challenging to firm to deal with. (Kostova & Zaaher 1999: 67-70) Organizational legitimacy in the context of international operations is also continuously tested and the legitimacy situation can change rapidly. Once established organizational legitimacy in foreign market can be lost also if the internationalizing firm and legitimating audience in the host market lack the information necessary to correctly understand, interpret and evaluate each other. This may result the state of liability of foreignness that may cause problems and costs to internationally expanding firm that the purely domestic firms don’t face. (Kostova & Zaaher 1999: 73).

For the purpose of this master’s thesis the organizational legitimacy offers applicable framework that fits also to the other previously described theoretical context about internationalization of the KIBS firms, the meaning of networks in internationalization processes and forming position in these networks. Table 2. Show the summary of the above discussed theoretical framework. With systematic use of research data and analysis in next chapters this study will present propositions to answer the research questions and conclude the empirical findings with discussion that combine implications from theory and practice.
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<td>Information and human expertise major resources and assets for KIBS</td>
<td>Enabler for internationalization</td>
<td>Accumulation of information, knowledge and expertise</td>
<td>Networks highly dynamic and changing</td>
<td>Achieving insidership depends decisively on the attitude</td>
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<td>Role mainly in transferring knowledge and technology</td>
<td>Traditionally gradual but also “born globals”</td>
<td>Connections with clients, competitors, suppliers and other stakeholders</td>
<td>Firms have different positions in the networks</td>
<td>and perceptions of others in the network</td>
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<td>High level of control in internationalization models</td>
<td>especially in KIBS</td>
<td>Networks as sets of relationships where different actors are linked</td>
<td>Firm have to establish a position in a network to achieve “insidership”</td>
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Table 2. Summary of the theoretical framework.
6 METHODOLOGY

This chapter introduces the methodology that was applied in this master’s thesis. The purpose of this study is to increase scientific knowledge and information about internationalization processes of the knowledge-intensive service sector firms underlining especially the importance of market position legitimacy of the firm in new international market. Kothari (2004: 1-2) describes scientific research as a process in which the main aim is to search knowledge in order to gain deep and holistic understanding about certain phenomenon by answering the question that are based on research problem. Well-grounded and justified results from the research require systematic use of data and research methods. Also critical questioning and interpretation of the empirical findings and results are needed to full fill the main purpose of scientific research. These ideas and focuses have led the entire research process of this study.

In this chapter the selected research method is introduced and justified for the purpose of this master’s thesis. After that the data collection process is presented and the reason for selected data gathering method is given. Next the detailed description of the collection of the data is given and also the selected analysis method is described.

6.1 Qualitative research and selected research method

This research is carried out with the qualitative research approach to get holistic and deep insights about the processes that affect market position legitimacy of the FCG in Asian markets. Using qualitative research approach gives an opportunity to focus on the complexity of the research problem. Qualitative research always strives to explain the fundamental reasons and meanings about the researched phenomenon by studying it in its social context (Marschan-Piekkari & Welch 2004: 6). Qualitative research starts from the idea that reality is socially constructed and thus highly dependent on individual interpretations. With the close and systematic interaction between the researcher and research subject socially constructed interpretations and meanings about the reality and researched phenomenon can be contextualize. (Eriksson & Kovalainen 2008: 4-5) Even qualitative research has always had a place
in international business research, it has traditionally been less used methodological approach if compared to quantitative research. However the use of qualitative research has become more popular in international business studies because the rapid development of the business environment requires often more exploratory and theory-generating research rather than pure empirical testing (Marschan-Piekkari & Welch 2004: 7-8)

In this master’s thesis forming and establishing market position legitimacy in the new international market is highly socially constructed process that is only produced and interpreted with cultural and social meanings. These meanings are in this study given by the internationally expanding company, which in this case is FCG. Because the already existing business environment in the Asian markets highly affects the market position legitimacy of the researched company the close interaction with the case company is the only way to find out the socially constructed interpretations related to researched phenomenon. The main research question and both supportive sub-questions include social and culture factors that aren’t easily measurable with quantitative research. This justifies the use of qualitative research in this research and thus allows the study to find out the main processes that are included in the construction of market position legitimacy.

This master’s thesis is primary trying to answer the questions about “how” and “why” the market position legitimacy is achieved for FCG in Asian markets. The FCG is used as a single case to understand what the researched phenomenon is truly about and what can be learned by studying it. Therefore this master’s thesis is part of the research tradition of an academic case study. By a definition case study is academic research based on some current phenomenon that is researched within its historical, economic, technological, cultural and social context. The case studies have a long and convincing history in academic disciplines, such as sociology, psychology and political sciences. In international business research case study tradition has been popular to investigate and understand complex and hard-to-grasp business issues in an accessible, vivid, personal and understandable format and that’s why many classical organizational and management business researches can be classified as case studies. (Eriksson & Kovalainen 2008: 115-118)
Methodologically in international business research case studies should understand more like a research approach or research strategy rather than pure and straightforward method. Case studies are connected to the interpretative, ethnographic and field-search traditions and they differ fundamentally from quantitative, experimental and deductive business research in which the main aim is to offer statistical generalizations about the researched phenomenon (Ghauri & Gronhaug 2005: 171) Typically case studies are divided into intensive and extensive case studies (Stoecker 1991). Intensive case study means the research approach in which the main aim is to understand and explore the investigated case from the “inside” and develop and increase the understanding from the perspectives of the people involved in the researched case. Intensive case studies underline the meaning of interpretations and deep understanding about the case as well as elaboration of the cultural meanings and sense-making process in specific contexts. The extensive case studies aims to elaborate, generate and test of theories by mapping common patterns and mechanisms in number of cases. Thus extensive case studies refer to quantitative and positivist research in which the development of generalized theoretical proportions is the leading purpose of the study. (Eriksson & Kovalainen 2008: 118-120)

This master’s thesis represents the tradition of the intensive case study that can involve data collection through multiple sources such as verbal reports, different kinds of interviews, observation and written reports (Ghauri 2004: 109). In this research the deep and holistic understanding is achieved by investigating FCG’s market position legitimacy development and patterns by collecting primary data with qualitative interviews. The decision to collect primary data instead of using already existing secondary data is justified because there is no existing research data available about the investigated phenomenon in the context of case company. The primary data was decided to collect with qualitative interviews because interview-based studies are particularly well suited for exploratory studies with little or no pre-existing theoretical bias (Daniels & Cannice 2004: 186). In this master’s thesis the previous theoretical base existed about the internationalization of KIBS and on the other hand about market positioning and market legitimacy. However the literature that would combine these issues doesn’t exist in large scale and especially not in the context of Finnish KIBS firms. Thus the obvious research gap was the main reason to
end up generating primary data with qualitative interviews. The selected interview method and data collection process is explained in more detail in next chapter.

Even the majority of the data in this study that is used to answer the research questions is interview-based primary data, the definitions about case studies also involve data collection through multiple sources. This is needed to have the required depth and focus on the researched phenomenon. Multiple sources of data offer possibility to have sufficient information to characterize and explain the unique features of the researched case. In this study this requirement is achieved by using various written reports as a data to describe the case company. (Yin 2003, Ghauri 2004: 109-110)

To meet the requirements of scientific knowledge in qualitative research, the theory-data relationship have to be clear and defined to be able to examine collected data systematically and interpreting the empirical findings to correctly answer the research questions. This means that the research have to form logic for the use of previous theoretical knowledge for the purpose of the research. The two basic models of social science are called induction and deduction. The inductive research approach and reasoning logic starts with an idea that the observed cases and collected data are used to draw general statements and claims about the researched phenomenon and thus theories are the outcomes of empirical research. In deductive reasoning the existing theoretical base are used to test the hypothesis related to observed case and the theories are seen to be the primary sources of knowledge. (Eriksson & Kovalainen 2008: 21-22)

In this study the interviews are structured with the help of previous research literature and theoretical frameworks but the lack of exact the same kind of previous research set limitations for purely deductive research approach. On the other hand inductive research approach in which data is used to construct new theoretical information isn’t relevant in my research because the aim of the study is to provide more deep and interpretative insights about the researched phenomenon rather than focusing generalizations by using large amount of different cases for empirical testing. Therefore this study will be implemented with a rather abductive logic in which the previous theoretical research will offer the loose frames for gathering the empirical
data. In this study the abductive logic is achieved and implemented by using the previous research about internationalization in KIBS and theoretical discussion about network positioning and legitimacy in the networks offer the loose frame for collecting the empirical data. The generated data is analysed with the guidance of previous literature to form categories to organize, describe and summarize the researched phenomenon. The empirical findings are then interpreted to form a summary of the data that brings different categorisation together to show the relations between the findings by reflecting previous research and bringing new perspectives to theoretical discussion through answering my research questions. (Eriksson & Kovalainen 2008: 23)

6.2 Data

In this master’s thesis the empirical primary data was collected through semi-structured interviews. The semi-structured interviews offer efficient access to information about the research topic that couldn’t find in other sources. Semi-structured interviews can be defined as interviews in which the theme and frameworks for the interview has been decided but the interview itself progress freely to give interviewee opportunities to express their own interpretations and meanings about the researched phenomenon. In semi-structured interviews the social interaction between interviewer and interviewee can produce deep understanding about the examined phenomenon and thus it becomes possible to generate rich and insightful data. (Hirsjärvi & Hurme 2006: 44-48) This view is especially characterized for constructionist interview research approach in which the interaction is in a focus to get the most relevant issues out of the interview. That’s why constructionist’s interviews often resemble everyday conversations in which the interviewer usually just guides the interview situation with few pre-planned questions and the conversation can flow to various directions to bring out interesting and unpredictable perspectives related to research problem. (Eriksson & Kovalainen 2008: 19-20, 80)

The goal of semi-structured interviews is to produce relevant information regarding to research problem and research questions. That’s why the selection of research population in the crucial element of the semi-structured interviews to be able to find
rich and holistic comprehension about the researched phenomenon. The fundamentals of the semi-structured interviews are possible to achieve especially if the population of possible respondents is small (Daniels & Cannice 2004: 186). In this study the international subsidiary of the case company offered very limited population of the research. When designing the interviews and considering who should be interviewed, this study started to determine the company and its operations in terms of the research questions (Daniels & Cannice 2004: 193). Besides the research questions, the previous literature guided to select interviewees who are responsible for the internationalization decision-making in FCG and thus may have the best possible knowledge, meanings and interpretations about the processes related to positioning the company in the new market and achieving legitimacy in the markets.

In these terms two semi-structured interviews were conducted to form the primary data of this study. The first interview was conducted with the Ari Kolehmainen who is the CEO of the FCG Group Ltd. In the role of the CEO, Ari Kolehmainen is responsible for the company’s internationalization strategy. A long history as a member of FCG’s executive team makes Ari Kolehmainen to be experienced in designing and deciding the forms of international operations. Especially the long experience and history of the international expansions and operations led the decision to choose him to be the first informant for interview.

The second interview was conducted with the Anette Vaini-Antila who is the CEO of the international business operations in FCG Group Ltd. and also member of the executive team. Anette Vaini-Antila is responsible about the whole international branch of the FCG Group Ltd. and her tasks and responsibilities include both the strategic planning of the international operations and operational level implemented tasks, such as project coordination and customer relationship management. Anette Vaini-Antila has strong experience in leading internationalization processes and she has been responsible also for the expansion of the FCG in Asian markets. These considerations gave reason to assume that she had right knowledge and experience about FCG’s positioning in the Asian markets.
The interviews took place in the end of April and beginning of May in 2017. Before the actual interviews both interviewees were contacted two months in advanced to book the time for interview. In this first contact both interviewees were also informed about the purpose of the study. A week before the interviewees received a brief description about the themes and subjects that will be carried out in interviews to make sure respondents would feel familiar about the topic in actual interview situation. Both respondents were also informed that they don’t have to prepare themselves anyhow special for the interviews and it’s fruitful for the study to hear their own experiences about the research topic and themes.

Ari Kolehmainen was interviewed at the FCG’s headquarters in Helsinki. The interview was conducted by face-to-face meeting that took approximately one hour. This study considers face-to-face communication in interviews ideal to gain deep and insightful responses and that’s why it was the prior form to conduct the interviews (Daniels & Cannice 2004: 197). The interview situation was both tape and video recorded with the permission of the interviewee to help the analysis process after the interview. The interview structure and guiding questions with Ari Kolehmainen were designed to find out the overall patterns of the internationalization of FCG. The history of international operations and the selected entry modes, paths and motivations for international expansions were for example considered. The positioning in the market and forming legitimacy also brought to conversation from the perspective of international strategy. The research questions were considered through the previous theoretical discussion and interview questions and themes were constructed on this basis. The goal of the interview with Ari Kolehmainen was to get holistic view about FCG as internationally expanding KIBS to be able to understand the research questions about market position legitimacy. The interview structure and guiding questions are shown in Appendix 1.

The interview with Anette Vaini-Antila was conducted via Skype because of the difficulties in finding suitable time for face-to-face arrangement. However in this case Skype gave opportunity to simulate the real face-to-face interaction and for the researcher this interview situation gave an opportunity to keep and take notes during the conversation without appearing distracting or impolite to interviewee. Interview was also recorded for the use of further analysis. The interview with Anette Vaini-
Antila focused on the FCG’s expansion to Asia via newly opened office in Singapore. The selected themes and questions presented in the interview considered the FCG’s former international operations, the characteristics of the international development consulting industry and expansion to Singapore. Special attention was given for the role of networks in international business in FCG and position and legitimacy building in these networks. The full interview structure and questions are shown in Appendix 2.

The secondary data used in this study consists of written documents gathered mainly from company’s public website. One document was gathered from the internal database of the company in which the researcher had access as being employee of the researched company. However this document didn’t include any confidential information but mainly the same descriptions that was included in the public documents also. These documents include the overall description of the company, it’s history and background and organizational structure. Special interest was on the documents that describe the international operations and development consultancy as industry. This data was used to build the framework to understand the company, it’s core business and especially the characteristics of the international business environment in which it’s operating. This data wasn’t suppose to give straight answers for the research questions but offer the crucial understanding for the research questions in context of case company.

After the interviews were conducted the initial analysis started to break the gathered data to conceptual parts. The recorded interview material helped the process in which the data was reviewed through the theoretical lens to organize, describe and summarize the meanings that interviewees gave for the FCG’s market positioning through the networks in Asia and legitimizing the position in the networks. The initial codes were formed on the basis, which themes and meanings repeatedly came up from the data. The figure 4. describes the coding formed by observing and analysing the data. The coding shows the meanings given in the data for the main theoretical framework discussed in this master’s thesis. Figure also shows the interrelated connections between the code categories derived from the interview data.
6.3 Reliability and validity

Koskinen et al. (2005: 254-255) states that to keep the quality of the case study research, it’s important to consider the reliability and validity of the study. The fundamental idea about reliability and validity in research is that the results of the research can be believed. Validity should be understood as to the extent to which particular claim, interpretation or result implicates and indicates the research object to which it’s intended to refer. In practice this means that researcher prove in the study that his or her findings doesn’t base for example on wrong selection of interviewees or wrongly formulated questions in interviews. Reliability refers to level of consistency regarding how certain research instances are placed in the same class by different researchers at different times. Thus reliability relies on incompatibility and in practice this means that the same finding is checked with different instruments or in the interview the same question is asked several times in
different ways. In addition it’s important to remember that reliability can be achieved without validity but validity can’t be reliable without reliability.

Ghauri (2004: 115) states that *triangulation* is one of the most important issues to define the reliability. In triangulation the data is collected through different methods or the research collects different kind of data on the same phenomenon. Triangulation ensures that research checks and validates the same information from the various sources and examines it from the different angles and viewpoints to produce more complete, holistic and contextual portrait of the examined phenomenon.

In this study the fundamentals of triangulation was achieved by using the primary data collected with the semi-structured interviews and also exploiting secondary data from the written documents about the case company and its international operations. The pure triangulation in which the researcher would have generated data through different methods in addition to interviews wasn’t possible because of the limited resources. One interesting way to develop triangulation standards in this master’s thesis would have been to observe the everyday business operations in Singapore office and examine how the networks and FCG’s aspirations to position themselves in these networks becomes visible in business activities. However this would have required much more time and research budget to achieve comprehensive understanding about FCG’s business in Asia.

The other aspect that refers the quality and validity of this study is the selection of the informants for the interviews. Both interviewed executives had a long history of working in a case company and their roles and tasks in the company related highly into current international operations and future internationalization activities. As a CEO of the FCG Group Ltd. Ari Kolehmainen has the accurate overall comprehension about the international operations of the case company. His role and position in a company strengthens the ability to perceive FCG as KIBS firm and thus position the case company in the theoretical framework of KIBS firms and especially internationalization of KIBS. Anette Vaini-Antila has both the operative and strategic knowledge and experience about international expansion of the FCG and especially
the experience about new Singapore office and operations in the Asian markets highlight her validity in terms of the research questions.

The selection of the sample for the research refers to questions about generalization of the results. First of all it’s important to keep in mind the fundamental nature of the qualitative study and the differences about generalization compared to quantitative research. In qualitative study the first generalization happens when researcher chooses the research object and concentrates to examine this certain set of cases. Thus the role for sampling the research objectives is emphasized in terms of getting generalized information out of the research. In qualitative research sampling is always based on appropriately selected samples and the basic idea is that the sample should be as informative as possible in terms of the research problem. (Koskinen et al. 2005: 267, 272-273)

To choose the most representative and informative sample for the research also includes the idea about saturation principle. This means that when selecting informants for the qualitative interviews, the selection and actual interviews continue as long as the new interviews don’t reveal any new information. In this master’s thesis the saturation principle was achieved in terms of the FCG’s international organization. In FCG’s international operations the organizational structure is very limited and there are only few people in the deciding and dominant positions. That’s why the small sample, including the CEO of the FCG Group Ltd and CEO of the international business operations is justified because all the necessary information was therefore covered. In the research design phase the idea was also interview some operational level employees that work in the Singapore office. However, the interview with Anette Vaini-Antila clarified that she is actively involved in everyday operational tasks in Singapore office and these issues got covered without the need for new interviews.
7 ANALYSIS

This chapter describes the empirical findings of this master’s thesis. The empirical data is analysed systematically and conceptualized to answer the research questions about how the Finnish multinational consultancy firm internationalize to new market in terms of positioning and legitimizing in the networks. In systematic analysis of the data three main processes were found to describe the examined phenomenon. Because of the international development consultancy industry is based on competitive bidding processes the previous references of the consultancy actor large determine the success in markets. Thus network relationships with international development financiers are the most important networks in which the consultancy actors should position itself being able to win biddings. The comprehension about mutual trust is also important aspect in network positioning. To be able to understand these findings in the context of case company, the short description about FCG Group Ltd. and its international operations is first provided.

7.1 FCG Group Ltd. as international and internationalizing KIBS

FCG Finnish Consulting Group Ltd. is a multi-expertise company that provides professional services in infrastructure, environmental and urban design, in multidisciplinary training and in developing public services. The FCG’s client base consists a broad range of private and public sector organizations in Finland and in international markets. FCG is fully owned by Kuntaliitto Holding Ltd. that is part of the Association of Finnish Local and Regional Authorities. The company employs totally approximately 670 professionals in Finland and abroad. In 2016 the annual turnover of the company was 79 million euros. (FCG 2017a)

FCG Finnish Consulting Group Ltd. acts as a parent company that includes four independent business units. FCG Consulting Ltd. includes the consultancy services aiming to support customer’s management. These services include management consulting, well-being and IT-services and business development and research services. FCG Training Ltd. includes the training and coaching services to support clients when they develop their professional competence, management and working communities. FCG’s training services are especially targeted to Finnish municipality
sector. *FCG Design and Engineering Ltd.* is one of the leading Finnish community planning and design consultancy offices. Services are related to planning and engineering that covers community planning, housing construction and renovation, water supply engineering and environmental consultancy. FCG Design and Engineering Ltd. also provide industrial property development and maintenance services. (FCG 2017a)

FCG’s international operations cover the last business unit of the FCG Group. *FCG International Ltd.* is globally operating project consulting service company that offers wide range of international development services that focus on urban and rural infrastructure, public sector reform, natural resource management, civil society strengthening and market development and evaluation. Industry in which the FCG International Ltd. operates is called international development consulting industry and more detailed description about the industry is provided in the next chapter. Majority of the international operations of FCG are related to public sector development projects in developing countries. Thus the clients are often recipient governments and multilateral and bilateral international financiers, such as the European Comission, the World Bank, the Asian Development Bank and Ministry for Foreign Affairs in Finland. In 2016 the international operations covered the 40% of the total annual turnover of the FCG Group Ltd. (FCG 2017b)

FCG is established operator in the international development consulting markets as it’s started the first foreign projects already in the 1960s. The first international project related to northern Africa and forestry commenced in 1967 and since then the FCG have been conducting over 5 000 international development projects in more than 150 countries worldwide. Nowadays FCG International Ltd. relies strongly to local presence in the foreign markets and the company has established subsidiaries in nine countries abroad. International subsidiaries are located in Sweden, Norway, Estonia, Bulgaria, Greece, Kenya, Ecuador, New Zealand and the newest in Singapore that is also the research object of this master’s thesis. (FCG 2017b)

The Nordic business and subsidiaries are mostly part of FCG Consulting Ltd. business area and the focus in these markets is on social and healthcare services. The other European subsidiaries in Eastern Europe are mainly focusing on development
projects funded by the EU integration funds. The New Zealand subsidiary is concentrating to increase FCG’s share in South Pacific region development projects mainly funded by Asian Development Bank. In Africa the education sector projects are the core business of the subsidiary in Kenya that wholly driven by local forces. The development projects are mainly carried in the Sub-Saharan Africa where also water supply development projects are important area of business. (FCG 2017a)

The subsidiaries are wholly owned by the parent company and most of the foreign subsidiaries are established with acquisitions. The competition in the development consultancy business is intensified during the recent years as the global consultancy giants, such as KPMG and Pricewaterhouse Coopers (PwC) has entered to market and also the minor national operators has developed their operations around the world. The annual value of the world market in development consulting sector is approximately 100 billion US dollars when calculated on the basis of 30 major global development financiers. FCG International Ltd.’s future strategy is to respond the competition by entering new markets and increasing the share of global operations. (FCG 2017a, Vaini-Antila 2017)

The establishment of FCG Asia in Singapore in 2016 was part of this strategy to increase local presence in new foreign markets. The main reason for setting up a new office in Singapore was to enter the emerging markets of Southeast Asian for international development consultancy. International funders, such as World Bank and Asian Development Bank, have been activated in this market area in recent years and for example countries like Vietnam and Myanmar have attracted a lot of capital from international development aid funders to run development projects in these countries. The local presence in the market area links the FCG International Ltd. to these development authorities and gives opportunity to compete against local Asian development consulting firms that have traditionally been strong in this market area. The establishment of the FCG Asia in Singapore was completely executed with Finnish employees and the investment was carried out as FDI instead of mergers or acquisitions that have been the dominant models of internationalization in the history of FCG’s international operations. Singapore was selected to be the location for Asian office after the careful analysis between Asian major business hubs, such as Hong Kong or Kuala Lumpur. The determining factor in selection of Singapore to be
the location for new office was corporate friendly legislation written and processed in English. (FCG 2017c, Vaini-Antila 2017)

7.2 International development consultancy as an industry

The core of the international development consultancy business is based on high quality expertise that is delivered for the need of the projects through the international experts. FCG International Ltd. has its own register of consultants that currently consists more than 21,000 individual experts around the world. These experts work as subcontractors and freelancers for FCG and in every project this register is used to find the most talented and suitable employees to match the needs for each development project. This group of experts is actively managed and one FCG’s employee works full time to find the most suitable occupation for each project.

The business model in development consultancy sector is totally related to development projects of international funders and donors. These operators have their own development programs that include for example specific development operations in certain developing country. FCG inquire and research these programs systematically in the long term and tries to find entities or sub-division that could fit FCG’s expertise in some sector. When these funder or donor programs turn to competitive bidding phase where the most suitable implementer for the project is searched, the FCG is ready to make an offer and present a plan for the implementation of the project.

The competitive bidding process is crucial to understand the fundamental nature of the international development consultancy business. The competitive bidding process distinguishes development consultancy sector from the traditional trade between the companies and non-governmental organizations because bidding competitions are highly structured and regulated. These structures and regulations determine the boundaries for the trade and turn the focus to winning the bidding process to be able to engage profitable business. To even get involve to bidding processes in development consultancy sector, the company must first meet the eligibility criteria
of the development financier that is the first phase of actual bidding competition process.

Eligibility criteria is examined by the development funder in *expression of interest* requests (EOI) to inform as many eligible consultants as possible about a consulting opportunity under a development actor-financed project. Information carried and contained in the EOI’s will be used to prepare a short list of the most qualified consultancy companies that will subsequently be invited to submit a proposal or offer for the actual assignment. EOI process is the key opportunity for consultants to differentiate themselves from their competitors, during the crucial early selection phase of an assignment. This means some certain standards and requirements for a company wishing to participate in a bidding and consultancies should sell and show their capabilities and expertise to fulfil the requirements from the developing institution. These requirements can relate for example previous experience or expertise of the project employees. In case of FCG these requirements are often met with long international experience and large own register of professionals in different sectors but getting to the shortlist after the EOI process can’t never be taken for granted.

The second phase of the bidding competition starts after the EOI process when the short-listed consultants are called to submit their offers. The actual offering requires close and systematic research about the desired working methods and results that the development funder requires for the project. This information is gathered from the development program documents but also the formal and informal appointments with the development funders are important sources for information. With the guidance of this knowledge and information the offering is formed and submitted to participate the bidding competition.

The international financier examines the biddings and select suppliers to deliver the projects based on the strength of both the technical and commercial proposals. The winning consultancy operator is informed about the win and the contractual negotiations start to determine the details of the implementation and the value of the contract. In international development projects the time span varies a lot as the short projects can last only for half a year while long projects may last more than five
years. Competitive biddings from international aid donors and funders, such as World Bank or EU, are highly structured and regulated with competitive legislation and policies. The purpose of these legislations and public procurements is to enhance the use of funds, promote high-quality procurement and to ensure fair and open access for businesses and other entities to the provision of services in development consultancy biddings.

7.3 The previous references determining the bidding process

As described above, the highly structured bidding competitions determine the formulation about development consultancy industry because it’s the main and only way to get access to international development projects. In the bidding processes meeting the eligibility criteria set by international development funder or donor is the first step to involve the consultancy firm into the competition. Previous references of the consultancy firms that are aiming to take part in the bidding process are in the major role in meeting the eligibility criteria. This means that international development funders require that consultancy firms are experienced of the tasks related the current project that have been set under competition. These previous experiences have to be shown to project financier in the EOI procedure that takes place before the actual bidding.

The importance of the references especially emphasizes in the project entities that last long time and include several periodic development projects that relates to same subject. FCG as a case company aims to get access to this kind of project entities and references from the projects that are already won and carried out under the evaluation and guidance of same international development financier have seen fruitful for the following bidding processes. Both respondents pointed out the importance of project references in the interviews.

“But it’s of course difficult and complex to achieve the eligibility criteria in this business. If you don’t have references, you can’t get even to bidding phase and you can’t get references without the biddings.” (Anette Vaini-Antila)
"If you are doing the projects well, as we of course are, it's enormous knowledge and reference advantage compared to others when we compete." (Ari Kolehmainen)

In the analysis previous project references were combined to ideas about general expertise of the company. In development consultancy sector the expertise is in the core of the business and the whole existence of the company relies to highly specified knowledge, information and competence that is delivered through the services for development projects. The expertise is tied to high professional employees that are selected to meet the requirements of each project. This professional expertise is present in references that are matched to each bidding competition to present the firm’s suitability for the future project. Big project entities by large development funders, such as World Bank, always evaluate each bidding they allow enter into a bidding process after the EOI procedure. Even the certain consultancy firm doesn’t win the project in these biddings, the good evaluations from the development funder also works as reference for future projects.

In the interviews project management and quality was also connected to reference thinking. Because references and previously gained experiential knowledge of the firm in projects is crucial for continuing success of the FCG in international markets of development consultancy, each project are thought as reference already before the work is even started. This means that special effort is needed in coordinating and managing the winning projects in order to meet the financier’s objectives and achieve the desired outcomes from the project. Poorly managed projects affect the company’s reputation and ability to participate or win biddings in the future and thus quality and expertise is constantly self-monitored and developed.

“It’s just as essential and decisive as it could be, to first win and after that handle the job with care and high expertise... and it (expertise and ability to win biddings) goes just hand in hand, and if we lack in something there is lots of global actors in the market and another firm will replace you.” (Ari Kolehmainen)
7.4 Main networks that define the internationalization in development consultancy sector

Because the bidding processes coordinated by international development funders determines the markets of development consultancy sector, the main primary relationships and business networks take place between consultancy actors and international development financiers and donors. The structured and regulated nature of the biddings and the principles of independence and fairness of the bidding processes highly determine the relationship formation and the characters of the relationships in the networks between consultancy firms and international development financiers. Like above described, the relationships and networks are mostly formed through the bidding processes in which the former experience, expertise and reputation delivered by references.

These networks and relationships between the actors are defined with high levels of formality. The only way consultancy firm can enter and benefit these networks, is the meeting the eligibility criteria of international development funders and get access to bidding processes. These networks can be seen as primary networks for internationalizing development consultancy firms because operating in the market always require overcoming and winning the bidding processes. Of course the building and shaping these primary networks start already in the home market when the development consultancy actor research the international opportunities from the agendas and long range programs of international development financiers and try to find suitable projects that fit actor’s own expertise and former experiential knowledge. The relationships between international development financiers are also characterized by long-range stability. FCG has been operating with the same international funders and donors since 1960s and the relationships have been established gradually and systematically. Interviewees stated that FCG’s international operations are dependent on well-functioning and long-lasting relationships between the major financiers and these relationships are maintained mostly by good references and high level of expertise that cumulate to the desired results from the winning projects.
“Financiers are the most important! It’s because of this competitive trading and bidding regulations, and in no other way you can influence it than being good enough. And that’s how it should be.” (Ari Kolehmainen)

The second important network structure that was pointed out from the interviews are the relationships between consultancy actor and the international professionals that belong to FCG’s own register of experts. These professional works as subcontractors or freelancers for FCG and delivered expertise and knowledge is totally related to this labour. That’s why FCG have to put major efforts in managing and developing this entity of professionals which means for example active recruiting of new employees for future development projects. FCG also face challenges in finding and mobilizing suitable professional for each project to be able to link their expertise and experience into a bidding and thus be able to win the project for the company. Relationships forming the professional network for FCG can also be stated as primary networks for FCG because these relationships include the core competencies of the company and thus have direct connection to value creation of the firm.

“The active interaction with our roster (freelancers and subcontractors) is crucial. They need to be mobilized for the biddings to be able to offer right kinds of expertise for each project.” (Anette Vaini-Antila)

The analysis of the interviews showed that market research and future development project scouting in the relationships between international development financiers can also be informal. Appointments with the project financiers are actively arranged and FCG also attends to international development consultancy events and conferences to meet and create networks with the financiers. These relationships are formed by personal basis and after that those relationships are systematically turned to serve the needs of the company. This means that with the personal contacts to financiers consultancy experts can get access to valuable information for example about future projects, their content and requirements for the winning bidding. In FCG internationally operating professionals are searching this information by the guidance of management of the international operations. Gathered data is thus analysed and the information is transferred to internationalization strategies. In the interviews these networks through informal processes with the development financiers were also stated as “pre-sales process” which are targeted to raise financier’s awareness.
about the FCG’s service portfolio and expertise. However these actions don’t suppose to impact the actual bidding processes but the awareness raising is still seen important.

“Of course we aim to meet these donors and funders and in particularly sectoral managers and procurement officers. Just these actors and persons who in practice have an influence on these selection decisions. But any transactions can’t be carried out with these and it’s more just raising awareness and getting mutual information in all forms.” (Anette Vaini-Antila)

The purely supportive and secondary networks that were highlighted in the interviews covers the competitors in the development consultancy market and governmental actors in in the countries where development projects are carried. Competitors are monitored carefully and also active interaction between the firms in the development consultancy markets occur because different consultancy firms can work for the same development project and close collaboration is needed. Firms also know each other well because same companies participate in same bidding processes. Biddings are also open which means that companies get access to others offerings after the financier have done the selection. Thus consultancy actors are conscious on each other core competencies and expertise and this information is used in bidding formulation when trying to add value that competitors don’t have. FCG also does active and structured “fact finding” in the future project host countries. This means that company’s representatives meet the local beneficiaries, such as local governments and other community representatives. The information gathered from the local level is important when formulating the offer to match the requirements and desires of the financier. In bidding processes these local aspects also has their own share in the evaluation of the biddings and interviewees mentioned this to be in important role when aiming to win the competitive biddings.

“We stay close to our competitors and try to understand where they are heading and with what expertise. This information needs to be processed carefully and constitute counterpart with our own offering.” (Ari Kolehmainen)

”Locality and local fact finding is very crucial and if you know what the local beneficiaries really need and how to fulfil this need in the project plan, you had strong advantages in the biddings.” (Anette Vaini-Antila)
Both the primary networks with international development financiers and the secondary networks with other firms in the market and the local representatives need close local interaction to be able to establish. Both interviewees pointed out the importance of local presence in order to gain and maintain crucial relationships and networks with the above described actors. The need for local presence has led the internationalization processes of the FCG since the 1960s in which the core of the strategy has been increasing the local presence by acquisitions. Locality is needed to stay close to financiers and get information about their long-range plans for the development projects and fitting the offerings to real local needs that can only be observed with long-term local presence. The locations for international subsidiaries are chosen in terms of financier’s priorities. For example Singapore subsidiary was established because of the accelerating development funding in Eastern-Asian countries like Myanmar.

The requirements of the development consultancy markets also drive consultancy firms entering and positioning themselves locally in the new market areas. Both interviewees stated that in development consultancy sector requirements for local presence and global nature of the activities mix and create special “glocal” markets. This means that development consultancy actors must locate close to important development financiers and the areas where development projects are carried but the on the other hand company must have status of the global operator. In the case of Singapore office this requirement came to visible because FCG was before the establishment of the Asian subsidiary tried to attend into bidding processes in Eastern Asia mainly financed by Asian Development Bank. However without the local presence the EOI procedures managed from the home market didn’t lead FCG to get access to Asian biddings as desired. Both interviewees stressed that decision to establish own subsidiary in Singapore was the most crucial aspect that finally opened the Asian development consultancy markets to FCG. Even the expertise was transferred to Singapore straight from the home market and the content and management of the EOI process stayed the same, the local presence in the market area was the decisive factor in which FCG was able to significantly increase its share in Eastern Asian development consultancy biddings.
“As naive as it sounds, important thing for us has been that we have mailing address in Singapore and after that we have raised to another level.” (Anette Vaini-Antila)

The local presence thus affects FCG’s reputation and image as local and committed actor especially from the viewpoint of the development financiers. This primary relationship determines the position of the FCG in the network and success in the market and local presence can be see to be the main process in which FCG has been able to reduce the liability of outsidership in the network. The interviewees emphasized that local presence is in practice enhanced the creation of insidership by being able to react quickly to changing situations in the networks. When the FCG has permanent presence in Singapore the experts can for example arrange appointments easily and quickly with the financiers as the travel costs and times are lower that when operating from the home market. This has increased the development financier’s awareness of the FCG as high expertise development consultancy firm and results can be seen in winning bidding processes.

7.5 Mutual trust in achieving organizational legitimacy

The third significant finding from the analysis was the meaning of trust in relationships that determine the FCG’s positioning in the new market. Being trusted actor and building trust is linked to the experiential experience accumulation through the references and also network and relationship building with the development financiers, international experts and local actors in project destinations. Like already stated references and previous experiential experience from the former development projects is the most important aspect in bidding processes. These references also shape and establish the notions about the consultancy firm as a trusted actor. Well handled and managed previous projects, in which the desired results set by the development financier have been achieved within the given time, affect the reputation and image of the company in a positive way. Therefore company can establish a position of being trusted and well-functioning actor in the financier’s viewpoint when the company is more likely to get access in to the bidding competitions that eventually cumulate to profits.
The interviews pointed out that aiming for trust in network relationships is systematic and it’s meaning for profitable international business is conscious. The informal relationships between development financiers that are mostly build by appointments and participations in different events are well managed and goal-oriented to increase the awareness and building trust with the financiers. These relationships are built in personal basis and this was stressed in the both interviews to be important aspect in trust building. This means that informal trust out of the context of reference is more effective to build via personal relationships than from the company level. However the personally achieved trust is then transferred for the institutional level to enhance the trustworthiness of the company.

“It’s really necessary! Trust is in the centre when these projects are shared and it’s based on references, past experiences, quality and especially our expertise.” (Ari Kolehmainen)

Also the local presence in the market area is linked to trust in the business network relationships. In case of Singapore subsidiary, it’s obvious that the decision to locally enter to the market and establish the office in Singapore was the crucial element in building trusted relationship with the major Asian development financiers and achieve desired results from the Asian operations. Presence in the market highlights the commitment into relationship and this commitment then affects to experience of trust from the perspective of international development financiers. Analysing the case of Singapore subsidiary reveals that development financiers demand and appreciates local presence and experiences it as a boundary condition of trust.

“It seems to be crucial to be physically there (Singapore) close to most important financiers. They want locality and even our expertise comes from Finland and our international roster of experts, the office makes us a local actor.” (Anette Vaini-Antila)

The findings about the importance of trust in positioning the FCG in business networks support the previous theoretical background about organizational legitimacy. The development financiers socially evaluate the FCG as a consultancy actor as those are in dominant position to decide suitable actors to involve bidding processes. The socially constructed legitimacy is formed through the biddings in which previous experience determining the access into the bidding by informing the
financier about references. The evaluation of references is connected to quality and expertise of the consultancy actor but also in this sense the financier is the dominant party to give evaluations about consultant. The consultancy firm can affect the perceptions of the financiers by monitoring it’s own behaviour that highly relates the level of expertise of the project employees, general quality of work in winning projects. Also the local presence in the market area can be seen to be one important function to impact the perceptions of the financiers. The empirical data showed that local presence has positive affects in forming organizational legitimacy in development consultancy sector in which the mutual trust is in important role.

Table 2. Summary of the main empirical findings.

<table>
<thead>
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<th>1. THE ROLE OF PREVIOUS REFERENCES IN BIDDING PROCESS</th>
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<td>Crucial role in meeting the eligibility criteria and be able to win biddings</td>
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<td>Matching and coordination references to each bidding</td>
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<td>2. PRIMARY AND SUPPORTIVE NETWORKS</td>
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<td>International project professionals as second primary network - Company’s competence and expertise relies on these networks</td>
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8 CONCLUSION

The share of KIBS firms in the entire heterogeneous service sector is growing significantly especially in developed post-industrial economies. Also emerging economies are steadily shifting towards on-going rise of the knowledge-intensity in service sector. This development sets requirements for the research to develop deep understanding of the KIBS firms. These special kind of companies need to be given due weight in various aspects of policy-making that affect the function of the economy. KIBS firms are the most rapidly internationalizing companies inside the whole service sector and thus understanding the processes that affect the new market entries of the KIBS firms are crucial for understanding the overall meaning and nature of the KIBS firms. This master’s thesis aimed to provide holistic description about the main processes that affect the internationalization and market entry processes in the context of Finnish multi-expertise consultancy company. This final chapter summarizes the research by presenting the main findings and answers to the research questions with reflection to previous research literature and theoretical framework. Also managerial implications of the findings are presented to connect the results to real life business environment. Last but not least the viability of the research is considered and suggestions for future research is described.

8.1 The main findings of the study

As a case study this master’s thesis fulfils its goal to offer valuable insight to the widespread processes and networks that affect market position legitimacy of FCG in Asian development consultancy markets. The main research question was as following:

How multinational consultancy firm internationalize in new markets?

This main research question led the research to create theoretical framework for first consultancy firms as KIBS firms and after that the main models and paths that KIBS firms follow in their internationalization processes. The concluding factor from the previous research is that experience-based knowledge about new international markets and foreign operations is the most crucial element determining the whole
internationalization process. This information and knowledge is mostly available through the business networks and thus the conclusion that networks are the most important factors determining the internationalization of KIBS firms was made. This conclusion allowed the research to focus on achieving favourable position and organizational legitimacy in these crucial networks and answer the main research question more precise and holistic manner with two sub-questions.

The first sub-question stated: “how expertise level of the company, networks and meaning of trust in business relationships allow FCG legitimize its position in the Asian development consultancy market?” The second sub-question asked: “how this legitimacy of the market position has contributed to the process in which company has managed to overcome the entry barriers?”

The first important empirical finding of the research is the meaning of overall expertise of the consultancy firm in order to enter successfully in new markets in development consultancy sector and overcome the entry barriers. In development consultancy sector the expertise is in the core of the business and the whole existence of the company relies to highly specified knowledge, information and competence that is delivered through the services in international development projects. This experience accumulates gradually when company works in development projects. This turns the focus on highly regulated and structured competitive bidding processes in which the general expertise of the company is transferred to the customer with references from the previous projects. High quality references are the crucial boundary conditions to get involved into actual bidding process and therefore being able to win development projects and actually enter the market.

The second important result of this master’s thesis is the conceptualization of the crucial networks needed in international development consultancy sector in order to enter the new market areas. In development consultancy sector the offered development projects are managed and coordinated by international bi- and multilateral development institutions, funders and donors that selects the most suitable consultancy firm to run the projects by open competitive biddings. Therefore the main primary relationships and business networks take place between consultancy actors and international development financiers and donors. However
high levels of formality and regulation characterize these networks because bidding processes need to be interdependent and fair for all participating consultancy companies. The second important primary network consists of international high professionals that work for FCG in development projects mostly as subcontractors and freelancers. These professionals form the core competences of the entire development consultancy firm as the crucial expertise and experience lies on these professionals who transfer the desired information, knowledge and expertise to the needs of current development projects. Findings also showed purely supportive and secondary networks that still determine the market entry process in international development consultancy sector. Networks between local governmental actors in project target countries and contacts with competitors foster the successful internationalization to new market areas.

The third crucial empirical finding of this research shows that market position legitimacy of the international development consultancy markets is defined and given from the perceptions of the international development financiers and donors. The market position legitimacy is dependent on the mutual trust between consultancy actor and international development institution and this trust is build and achieved trough the competitive bidding processes in which the high quality and expertise from the previous references are the main trust forming instruments. International development financiers and donors evaluate this information and therefore form their own socially constructed perceptions about consultancy companies as trusted actors. Findings also showed that the physical local presence of the consultancy firms in international target markets affect the perceptions of organizational legitimacy of consultancy actor. Local presence close to international development financiers shows commitment to business relationship and therefore increases trust and legitimacy formation.

Overall this master’s thesis shows international development consultancy as a huge international market in which international operations and foreign local presence is the only way to maintain successful and profitable business. In this study the systematic use of previous research literature, qualitative research methods and empirical analysis of the research data offered the desired holistic picture about market entry process international development consultancy sector. Main findings of
the research state that the barriers for new market entries are high in this field of business and unique nature and requirements of the competitive bidding processes divide international development consultancy from traditional international trade between independent private companies. However this master’s thesis offers valuable new insights to these processes that can be overcome with effective managerial implications.

The study fulfils the obvious research gap in internationalization of Finnish KIBS sector and especially international development consultancy firms. The research links international development consultancy firms to the widespread research tradition of the KIBS firms. The empirical findings fit to previous theoretical discussion about the main characteristics of KIBS firms and the internationalization processes in these unique types of businesses. The next chapter reflects and connects the findings of this master’s thesis to previous research literature.

8.2 Theoretical contributions

The empirical findings prove that international development consultancy firms share the common characteristics about the conceptual definitions of KIBS. The results of the research show that FCG’s most important assets and competencies rely on well-qualified human capital that holds, controls and transfers information and knowledge for the purposes of each winning development projects (Miles et al. 1995: 18, Rodriguez & Nieto 2012: 1057). Thus this research links development consultancy firms under the conceptual entity of KIBS firms for the future studies.

The theoretical frameworks of this study classified KIBS firms under the subcategorizations with the technology-oriented classification. In this classification consultancy services in general are divided to form its own category in terms of technology use and interaction with the clients. The assumption states that consultancy services are mainly transferees of technology and information rather than purely users or producers of new technology. Consultancy services are also characterized with high levels of interaction with the clients. (Miles et al. 1995) The previous literature states that high levels of interaction with the clients in consultancy services sector are explained with the fact that most of the work is related to bilateral
problem solving with the clients that require close contacts and interaction. In consultancy sector same services rather never fulfils the needs of more than one customer at the same time and that’s why high levels of customization of offered services exists. (Graubner & Richter 2003)

These same patterns were also seen from the results of this research. The high need for physical presence in the target market reflect the previously proven theorization about high levels of interaction in consultancy KIBS firms. The sector of development consultancy appears in the light of the results to fit the Miles et al. (1995: 38) categorization in which the consultancy firms are seen as the intermediates of technology and information. In development consultancy sector consultancy firms transfer their own expertise to the needs of development projects managed and coordinated by the international development institutions. The expertise is highly tied to experts working for the projects and the needed technology and information is located in the company’s roster of high quality experts.

The high need for control emphasizes the internationalization processes and strategy of the FCG. FCG has expanded to international development consultancy markets with wholly owned subsidiaries. The establishment of new subsidiary in Singapore in 2016 continued this development in which the total ownership of the foreign operations gives FCG ability to react changing situations in the market and make flexible decisions independently. Therefore the findings of this research about development consultancy firms follow the previous theoretical discussion that consider tightly centralized controls from the focal companies unsuitable for internationalization for KIBS firms (Blomstermo et al. 2006: 222, Toivonen et al. 2009).

The theoretical framework of this study stated experiential knowledge and information to be crucial elements for internationalization between KIBS sector. This knowledge and information accumulates gradually when internationalizing firm faces opportunities and problems in international operations and adjust its actions on those (Johanson & Widersheim-Paul 1975, Johanson & Vahlne 1977). Based on the previous literature this experiential knowledge is mainly available through the business networks especially in KIBS sector where the high level of interaction with
the clients and bilateral learning is in central role of the business. (Blomstermo et al. 2004)

This kind of gradual experiential knowledge accumulation can be seen to be the driving force behind FCG’s internationalization processes. Because of the previously stated high entry barriers in international development consultancy market the gradual experience based market knowledge accumulation can be considered to be the only possible way to expand to new international markets and pure “born globals” are thus rare in this field of business. Accumulating references from the projects and compilation of well-qualified human expertise to handle the projects takes time and that’s why FCG has gradually increased its presence in new international markets.

The results of this study also reflect the Johanson’s and Vahlne’s (2009) ideas about relationship-specific knowledge, general relationship knowledge and trust. The contacts and network relationships between the international development institutions, local governmental actors in the project target countries and competitors increase FCG’s knowledge base that the company can exploit in future bidding processes. With these networks FCG also accumulates trust and increases its commitment in new market that allow the FCG position itself as an insider in these networks. The results of this study show insiderness as an opportunity to get access in the bidding processes and allow consultancy firm to have possibilities to win international development projects.

The previous theoretical framework made a distinction between active and passive legitimacy building by the legitimated actor (Kostova & Zaaher 1999). The findings show that the establishment of wholly owned subsidiary in Singapore was an active strategic choice to contribute the legitimacy perceptions by crucial development financiers in Asian markets. Organizational legitimacy also appeared to be unstable and FCG continuously have to maintain the legitimacy with well-managed winning development projects where the quality of work and high level of expertise are the most important factors to maintain FCG’s reputation in the market and secure good references for the future biddings. The theoretical discussion about the organizational legitimacy in the context of MNEs stated that legitimacy standards and norms are
highly culturally linked and that’s why variations happen between different market areas (Suchman 1995). Firms typically face challenges to handle the wide variation of legitimacy requirements if they are operating in many different foreign markets. However in the case of FCG the long history in operating in international development consultancy markets is experienced the company about different organizational legitimacy demands and establishment of the subsidiary in Singapore didn’t bring any new forms of legitimacy requirements to handle with. Of course the FCG has been operating with the same development financiers before the establishment of the subsidiary so the financier’s perceptions about organizational legitimacy and legitimacy building were already familiar for the company.

8.3 Managerial implications

All together this master’s thesis propose the importance of market positioning and organizational legitimacy in internationalization processes of development consultancy sector. The case study was conducted by researching Finnish international development consultancy firm expanding in Asian development consulting markets. The empirical findings stresses the importance of international development consultancy financiers as main business network relationships in which the consultancy actors have to position itself in order to maintain profitable business in the market area. International development consultancy market is determined by the public and open bidding competitions that set limitations for entering the markets. This makes international development consulting unique type of industry and differentiates it from the traditional B2B-service industries in which the transactions take place between two independent actors.

High requirements for expertise and previous experience in development consultancy projects set the barriers for entering the market quite high. Capital requirements are high because the consultancy actor must have access to wide range of international professional to be presented in the biddings and mobilized to run the projects. That’s why the competition in the development consultancy markets has become more intense as the international consultancy-giants has entered the marked with enormous capital.
In managerial perspective, the results showed the importance of references in order to get involved into bidding processes. This turns the focus on project management and quality of the projects to get well-evaluated references to future biddings. Therefore the gathering and developing the entity of international experts and professional working for the company in development consultancy projects is crucial. However the important role of references also involves paradox. If the company doesn’t have references the company can’t get into a bidding process, but if the company can’t get into a bidding processes the company can’t acquire references. This is the big managerial challenge to overcome in development consultancy sector that makes it hard industry for new entrants to be successful.

Empirical analysis also showed the importance of trust and trust building in the business network relationships. Internationalizing development consultancy firm should therefore be aware of the importance of trust building and increase the managerial input in trust building actions. Results showed that the trust is mainly build by personal relationships but managerial structures and processes are needed to transfer the created trust for the use of a company. It’s important to be aware also the organizational legitimacy requirements by international financiers that often highlight local presence to show commitment for relationship. In internationalization processes FDIs are thus the main modes of market entry to be considered in terms of organizational legitimacy in international development consultancy sector.

Besides the international development consultancy sector the findings of this research can also be utilized also in other fields of international KIBS in which the public and highly structured and regulated competitive biddings determine the transactions. For example being aware of the requirements for local presence and previous references can lower the costs and save time in market entry processes because the internationally expanding firm can immediately do the right strategic choices in internationalization process.

8.4 Research limitations and suggestions for future research

This master’s thesis enters into the research theme only from the perspective of the international development consultancy firm. This should keep in mind when for
example taking the findings of the study to real life managerial work and internationalization strategies. This fact also offers possibilities for future research that could also focus on international development financiers and donors as counterparts forming the international market position legitimacy of the consultancy actors. Qualitative interviews with the international development financiers would give valuable new insights to this research theme and complete the empirical findings of this master’s thesis.

The primary interview data of this master’s thesis focused only to managerial level considerations about FCG’s market position legitimacy in Asian development consultancy markets. For the further research it would be interesting to extent research to operational level of international development consultancy firms. For example observation of how market position and legitimacy building can be seen in everyday actions of employees working in field of international development consultancy would be interesting further research topic.

As a single case study this research also gives only one company’s perspective to forming market position and legitimacy in international development consultancy sector. Even the validity and reliability criteria of the research are met, the empirical findings cannot be generalized to all of the internationalizing development consultancy companies. That’s why further research is needed to form more holistic theories about market position and legitimacy building together with main entry barriers in international development consultancy sector. Practical suggestion for future research would be conducting multiple case studies between several European development consultancy firms entering into same new foreign market area and compare the findings. Even the research phenomenon is more naturally researched with qualitative research methods and data, the quantitative research would add contributions to measure for example the costs of market position and legitimacy building.
REFERENCES


Appendix 1.

OUTLINE OF THE SEMI STRUCTURED INTERVIEW WITH ARI KOLEHMAINEN ON 28.4.2017

FCG's business description, the international business environment and the internationalization strategy

1. Background information
   – Interviewee's name and title / job description at FCG?
   – Job history in FCG and especially in international activities?
   – Interviewee’s role in FCG's operational international activities?
   – Interviewee’s role in planning and deciding FCG’s international strategy/guidelines?

2. Overview to the internationalization of FCG
   – Please describe the development and history of the internationalization of FCG?
   – Please describe the phases and paths that FCG has followed to international markets?
   – Can you describe the reasons why FCG has adopted the current model/structure in its international operations?

3. FCG’s service portfolio and operational activities in international markets
   – What kind of services FCG offer in international markets?
   – What kinds of challenges are related to offering these services in international markets?
   – What kinds of emphasis exist between offered services at the moment?

4. FCG’s model of internationalization
   – Please describe the reasons why FCG has followed the chosen paths to current international markets?
   – Why FCG has established international subsidiaries instead of for example service exports?
   – Why FCG has selected these certain target markets for subsidiaries?
   – Please describe the competition in international markets?
   – How competition has influenced to new international market entries?

5. Networks
   – Please describe the meaning of networks in internationalization processes?
   – Please describe the meaning of networks in operational level in international actions?
   – What kind of different networks exists in FCG’s international operations?
- How these networks influence the FCG’s market entry processes?
- How these networks influence FCG’s operations in international markets?
- Whether the networks are hierarchical and are some of the networks more important than others?
- How these networks are formed?
- How information from the networks is transferred from the networks to serve the entire international operations of the FCG?

6. **Positioning in the networks**
   - What are the most important aspects that have influenced the fact that FCG has become involved to these networks?
   - How has this been reflected in international operational activities?
   - How stable and long-term the achieved positions in the networks are?
   - How to maintain the achieved positions in the networks and how this becomes visible in the operational level actions?

7. **Trust**
   - Please describe the meaning of trust in FCG’s international operations in general?
   - How trust is achieved?
   - Whose trust FCG has to achieve in order to operate in international markets in general?
   - How trust is linked to achieved positions in the networks?
Appendix 2.  

OUTLINE OF THE SEMI STRUCTURED INTERVIEW WITH ANETTE VAINI-ANTILA ON 2.5.2017

International development consultancy as business and FCG’s market entry to Asia.

1. Background information
   - Interviewee's name and title / job description at FCG?
   - Job history in FCG and especially in international activities?
   - Interviewee’s role in FCG's operational international activities?
   - Interviewee’s role in planning and deciding FCG’s international strategy/guidelines?

2. International development consultancy
   - Please give overall description of the international development consultancy as business?
   - Describe FCG’S history in international development consultancy sector?
   - What are the main assets of the FCG in the field of international development consultancy?
   - Why FCG has chosen the current paths and models of internationalization to international development consultancy markets?
   - How does the process progress on average in international development consultancy markets from the first contact with the client until project completion?

3. FCG Asia
   - Please give overall description about the FCG Asia in Singapore?
   - Why FCG decided to establish new subsidiary to Singapore?
   - Please describe the processes that lead the decision to open the new office in Singapore?
   - What kinds of projects FCG is trying to achieve in Asia?
   - Please give overall description about the on-going projects that are managed in FCG Asia?
   - Please give overall description about how customer acquisition proceeds in FCG Asia?

4. Networks
   - Please describe the meaning of networks in internationalization processes in international development consultancy sector?
– Please describe the meaning of networks in operational level in international actions?
– What kind of different networks exists in FCG’s international operations and especially in FCG Asia’s business environment?
– How these networks have influenced the FCG’s market entry processes in Asia?
– How these networks influence FCG’s operations in international development consultancy markets in Asia?

5. **Positioning in the networks in Asian development consultancy markets**

– What are the most important processes that have influenced the fact that FCG has become involved to these networks in Asian development consultancy markets?
– How has this been reflected in international operational activities in Asian markets?
– How stable and long-term the achieved positions in the networks are?
– Are some of the achieved positions more important than others and why?
– How achieved positions are maintained and how this is reflected in operational level actions in Asian development consultancy markets?

6. **Trust**

– Please describe the meaning of trust in FCG’s international development consultancy operations in Asia?
– How trust is achieved in Asian markets?
– Whose trust FCG has to achieve in order to operate in international development consultancy markets in Asia?
– How trust is linked to positioning in the crucial networks in Asian development consultancy markets?