



DEPARTMENT OF MARKETING

**International Strategy in Professional Business Service Industries:
The Case of the International Marketing Communications Sector in UK**

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Dev K. Boojihawon
March 2003

Abstract

There is no denying the fact that the world economy has witnessed speeding up in the process of globalisation – the broadening and deepening of international interrelationships in trade and investment – over the last decade, and so has the international expansion of service industries. This noticeable movement of service firms beyond their national boundaries has sparked significant academic interests in an attempt to understand their patterns of growth and internationalisation. Such is the direction of this study, where, however, the focus is more on the international strategy of professional business service firms.

Against this background, the study takes a specific interest in the Marketing Communications (MarComs) industry, taking UK as the context of this study. Its main objective was to research the influences on and the characteristics of international strategy of MarComs agencies. For the investigation to proceed, a multiple cross-sectional case based research was designed. Sixteen case firms were selected, six were small-to-medium sized agencies (SMAs) and ten were subsidiary agencies (SAs) established in UK. Data collection techniques were predominantly in-depth interviews and observations conducted amongst the CEOs and Managing Partners of the respective firms. The data was qualitatively analysed using an inductive analysis process.

The findings revealed that there are a number of influences emerging from the internal organisational dynamics and the external industry environment that have distinctive effects on the international strategy process of MarComs agencies. These influences are interrelated and create unique managerial challenges and/or drivers in SMAs and SAs that govern the mode and direction of their international strategy (ies). Having said so, three main types of international strategies were identified and were found to be characterised by a mix of client-driven, market driven and network-driven growth orientations.

The main contribution of this theory building research lies primarily in the development of an integrative conceptual framework of international strategy of MarComs agencies. This framework takes a holistic view of the process against the backdrop of three conventional strategic management theories, namely the resource-based view (RBV), the network-based view (NBV), and the industrial organisation view (IOV). Additionally, the research highlights individual yet complementary scenarios of the international strategy process relevant to medium-sized as well subsidiary firms in the MarComs industry.

To Ma

... for all her love that lives in me and for all she is to me.

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TABLE OF TERMS AND ABBREVIATIONS

<i>Terms</i>	<i>Explanation</i>
(s)CA	(Sustainable) Competitive Advantage
AA	Advertising Association
AT	Agency Theory
CC	Corporate Culture
CRB	Core Resource Base
CS	Corporate Structure
EF	External Factors
IB	International Business
ICTs	Information and Communication Technologies
IF	Internal Factors
IOE	Industrial Organisation Economics
IOV	Industrial Organisation View
IPA	Institute of Practitioners of Advertising
ISO	International Strategic Options
KIBS	Knowledge Intensive Business Services
MarComs	Marketing Communications
MNEs	Multinational Enterprises
MP	Management Processes
NBV	Network Based View
OE	Organisational Economics
OECD	Organisation for Economic Co-operation and Development
OLI	Ownership, Location and Internalisation Paradigm
ONS	Office of National Statistics
ONS	Office of National Statistics, UK
PBS	Professional Business Services
PBSFs	Professional Business Services Firms
RBV	Resource Based View
SA	Subsidiary Agency
SCP	Structure-Conduct-Performance Paradigm
SI	Strategic Intent
SM	Strategic Management
SMA	Small-to-Medium Size Agency
SWOT	Strengths, Weaknesses, Opportunity, Threats
UNCTAD	United Nations Conference on Trade and Development
UNCTC	United Nations Centre for Transnational Corporations
USITC	United States International Trade Commission
WTO	World Trade Organisation

Chapter 1

Introduction

1.1 BACKGROUND TO THE RESEARCH

Although investments in and expansion of service industries were considered to be a 'drain' on a country's productive capacity by Adam Smith in the early part of the nineteenth century, today, they are noted as one of the most remarkable developments to have emerged from high-income economies. To date services account for two-thirds of GDP in developed economies and are recognised as contributing significantly in terms of output, jobs and trade balances (Aharoni, 1993; Segal-Horn, 1999). Further, in the last decade, various innovating trends and developments in information and communication technologies have accelerated the economic significance and liberalisation of many service industries globally. Several authors and analysts have variously used such terms as the 'information age', the 'knowledge based economy', the 'new service economy' as rich descriptions of the 'new' service orientation and structural transformation of many modern economies worldwide. In short, this rapid growth and evolution has brought service industries to the centre of attention and questioning by practitioners, academics and policy makers worldwide, thereby opening novel avenues for extensive investigation.

But what have been the factors which prompted such a rapid transformation and the expansion of service industries globally? Dicken (1992:236) argues that the "motives are diverse and there is no all-embracing explanation so far". Indeed, the growth of FDI in services has been described as a major influence underlying this evolution (Hood and Young, 1996). Multinational service corporations are noted to have first established foreign affiliates in the 1870s, but their international development was overshadowed by the very visible and physical global impact of manufacturing multinationals. The impact of service industries was finally recognised in the 1980s and their increased economic significance was attributed to a blend of demand-side and supply-side factors (see, for example, Dunning, 1989 and Dunning and Kundu, 1995). Arguably, these factors accelerated the already growing internationalisation of service firms.

In the late 1990s, international trade and investments in services was given a further boost by major innovations in information and communication technologies, increasing specialisation and differentiation in products, and government policies of deregulation and privatisation, together with the unilateral liberalisation of investment and trade regimes. In addition, many countries adopted proactive policies and strategies to attract services FDI. Additionally, the increasing complementarity and/or interconnectedness between services and industrial activities furthered the growing demand for services as a large proportion of product offerings requiring service support (e.g. in information technology); and the need for services to handle the management and administration for the growing numbers of transnational corporations (Dunning, 1993b). Multinational service corporations expanded to meet these demands and in the process became increasingly global.

The next phase of the evolution of the service economy has been set for the further integration and deepening of cross border activities parallel to manufacturing. To illustrate, according to data compiled by World Trade Organisation (WTO, 1999:2-5) global exports of commercial services in 1998 approximated around \$1.3 trillion or 20 per cent of total trade. Similarly, according to UNCTAD (1999), the total value of service sector FDI inflows was US\$ 105, 241 million, accounting for almost 48 percent of all world FDI inflows compared to 38.9 percent in 1988. A global spotlight on country competitiveness in service industries ranks USA with the largest net services trade surplus among key industrial nations. At the European level, countries like the UK, France and Netherlands are the most active service exporters in relative terms. Hence, even though USA seems to enjoy a strategic competitive strength in terms of global service trade, it is rapidly being challenged to compete with fast growing, strong European contenders. This international competition is bound to accelerate with increasing liberal views and policies about the internationalisation of services. In fact, some researchers argue that service industries can no longer be labelled as 'fragmented industries' as characterised by low entry barriers, diseconomies of scale, close local contact, high personal service and 'image' content, where service delivery is at the point of sale to the customer (Segal-Horn and Faulkner, 1999; Segal-Horn, 1989). Instead, their views are that service industries

have achieved global industry status both in scale and scope, as it is now possible for world market leaders to emerge in different service sectors and configure their sources of competitive advantage at a global level.

Such global trends and developments have also attracted the consideration of international business academics and researchers. The pervasive economic, social, political and technological influences of globalisation are well recognised in the manufacturing literature. These and other parallel influences are observed to be constantly at work; and their impacts are believed to vary while continuously shaping the international environment of every industry. For instance, Hood and Peters (1998) observed three mutually reinforcing factors furthering the globalisation process of service industries namely: the growing scale, mobility and integration of the world's capital market; the diminishing significance of national boundaries as deregulation accelerates and as their barriers to trade are reduced; and by the ability to use technology to exploit knowledge on a world wide basis. Supporting this argument, Dunning (1989, 2001) further avers that the liberalisation of services has unlocked huge opportunities for FDI in such sectors as the utility, telecommunications and banking and finance areas, while the imperatives of the knowledge-driven economy have altogether accelerated the international expansion of numerous professional business services. Until recently, Moore and Birkinshaw (1998) commented that globalisation, global competition and technological developments have greatly altered the way in which service firms are doing business and achieving the benefits of "multinationality" has thus become a key challenge for many service firms.

Therefore, *the advent of globalisation and global competition in the service industries is urging service firms to rethink the offensiveness and management of their international expansion and strategies.* Many service industries have justified their potential and ability to tap into global markets with limited knowledge on how to evaluate and manage the configuration and co-ordination of their international activities. These trends and developments, therefore, put the focus of this research into perspective as there seems to be a general consensus on the significant influence of the 'globalisation' process on the alternative international strategies of service

firms. A process which is 'yet to complete its full course' (Daniels, 1993:67), and which has so far been relatively under studied.

1.2 RESEARCH RATIONALE, OBJECTIVES AND CONTEXT.

A review of the literature suggests that 'Globalisation' of service industries has so far been studied from various perspectives, particularly over the past three decades producing a fragmented literature base. *Firstly*, some scholars have attempted to conceptually explain the interaction between the international growth of services and service multinational enterprises (Li and Guisinger, 1992; Dunning, 1989; Boddewyn et al., 1985). *Secondly*, researchers have focused on industry-specific studies to investigate the reasons for the globalisation of service firms. A bulk of research has been carried out in the area of international banking (Jones, 1993; Sagari 1986). Other industries where academicians have undertaken some study include contracting (Enderwick, 1989), advertising (Terpstra and Yu, 1988; Weinstein 1977), and hotels (Dunning and McQueen, 1981, Dunning and Kundu, 1995). *Thirdly*, some scholarly work has been produced in the area of the impact of transnational service corporations on both developed and developing countries (Lipsey and Zimny, 1991; UNCTAD, 1989; UNCTC, 1989). These studies and others, however, seem to have been primarily about answering: *How far can research on service firms be related to that on manufacturing and vice versa? or again: Are the models of domestic services applicable in the international arena?*

Also, many researchers seem to have shared competing views on the above questions. Some authors in the international business (IB) field argue that there are differences between international trade and production in the service and the manufacturing and extractive sectors, but such differences are one of degree rather than kind. To them, international business in each sector is, therefore, amenable to treatment within the theory of multinational enterprise, and specifically within the transaction cost approach (Nachum, 1996, 1998; Buckley, Pass and Prescott, 1992; Buckley, 1992; Boddewyn et al. 1985). Nonetheless, Davis, Hanlon and Kay (1993) argue that while internationalisation is an important trend and an understandable preoccupation, the internationalisation that is occurring in services is not really of the same form as that which occurs in manufacturing, and there are dangers in using the experience of manufacturing as an analogy for services. Yet again another opinion,

which falls in between these extremes, was proposed recently by Cicic et al. (1999) arguing that some elements of the environment at firm and managerial level holds equally for both. They argue that the service sector differs in ways that need adjustments in international models of behaviour.

Writers on the strategic management of service firms agree with the latter views. They add that the differences in the inherent characteristics between 'goods' vs. 'services' suggests that there may also be critical differences in the principle which guide the strategic management of service MNCs (Segal-Horn, 1993; Sarathy, 1994; Campbell and Verbeke, 1994, Arvidsson, 1993; 1997). Economic geographers argue that international services have been studied from several perspectives but to date there is no valid theory that is concretely valid to successfully explain the strategic behaviour and competition of international service firms (Daniels, 1985, 1993; Clark et al. 1999). This justifies the need for further research in this area. Indeed, Knight (1999) surveying several published articles on international services concluded that

'... the paucity of research on international services is alarming when one considers the importance of services in the global economy ... most research in international services does not represent programmatic efforts intended to develop theory, conceptualisations and constructs that generalise across industries.... true research on international services is very much at an early stage.' (p.348).

In relation to international strategy, Segal-Horn (1989) convincingly argues that much of the discussion or literature on globalisation with respect to service industries have evolved around distinguishing the relevant issues or emerging influences fostering the globalisation of service industries rather than the strategic management of globalisation in general. Strategic management issues e.g. relations between global companies and host governments, operational economies of scale, supply chain, value creation issues have received limited attention though they seem to be at the basis of the present developments taking place in the service industries. She adds that globalisation as a concept has been developed with a focus on manufacturing and the ocean of literature on global strategies so far is biased as it is based on evidences of empirical work from the manufacturing sector (Segal-Horn 1989, 1999). To quote:

... little real analysis has yet occurred on the routes to creating global strategic capability or the common denominators in such capability, which are emerging more generally for service industries (Segal Horn, 1989, p.135).

Dunning (1993b) made the effort by introducing a strategic dimension into his Eclectic Paradigm on his analysis of the determinants of international production of services (Dunning, 1989, 1993b). He recognises the growing plurality of forms of globalisation -and especially the explosive growth of cross-border collaborative alliances; strategic-decision taking has become an increasingly important component of competitive success in service industries. He also acknowledges that this is also an area which seems to have escaped the attention of most scholars interested in the globalisation of services. *Contrasting the large volume of publications on the global strategy of goods producing companies he underlines very little research done on the strategic behaviour of service MNEs. Hence, for the most part the application of strategic management to services remains at a rudimentary or evolutionary stage* (Dunning, 1993; Lovelock and Yip, 1996; Clark et al. 1999; Knight, 1999)

Part of the reason for the slow pace of literary progress in relation to service industries have also been the *heterogeneous* nature of such industries (Arvidsson, 1997). Consequently, the task of devising a consistent framework around which to write a strategic management theory about service industries is far from straight forward. Such is the heterogeneity of the service sector that it defies the application of a principal theory, a particular analytical method, or a dominant mode of interpretation. Dunning (1993b), for instance, concurs that given the variety of OLI configurations faced by different service sectors, there is no homogeneity of competitive strategies or of modes of servicing global markets among, for example, the big accounting, advertising, money management, engineering and architectural consultancy, and hotel MNEs. He seemingly advocates the need for a different outlook or another paradigm of international production of services which must take firm-specific or sector-specific differences into account.

These gaps in the international services literatures help in justifying the context and purpose of this piece of enquiry, which intends to contribute towards the international strategic management research of service firms by *focusing on professional business service firms (PBSFs)*. Professional service industries are

chosen because they represent a fast-growing and rapidly globalising service sector both in terms of employment and value creation in western economies (e.g. Hood and Peters, 1998; Lowendhal, 1992, 1997; Aharoni, 1993;). PBSFs are also noted to exhibit strong country patterns in international competition in many of these industries, to which traditional explanations, based on the relative abundance of tangible factors of production, cannot provide a satisfying explanation (Nachum, 1996).

PBSFs must also be studied because of the relative lack of literature relating to their international operations and management. The exclusive reliance on intangible assets as sources of competitive advantage limits the ability to generalise knowledge based on manufacturing to these industries (Farrell et al. 1991). Also the findings of much of the service sector research have limited value for the study of professional business services. This is because a large number of such studies have focused on consumer oriented service firms such as fast-food chains, hotels, and airlines (Alexander and Lockwood, 1993; Edvardsson et al. 1993); and there are significant differences between these industries and professional service industries. This calls for research that will analyse the unique characteristics at industry as well as firm levels.

1.2.1 The Choice of the International MarComs Industry as a representative industry.

The choice of the International MarComs industry for this research was influenced by several conceptual considerations. These are discussed in much detail in Chapter 4, however, some of the reasons are as follows:

First, the focus of this study is on this single industry in order to control for possible inter-industry effects. Besides, as Kay (1993) argues a firm can only enjoy a competitive advantage relative to another firm in the same industry, and such advantages differ from industry to industry. This requires analysing competitive advantages and strategy on an industry by industry basis.

Second, it had to be an industry with intense international activity, since the forces affecting international strategy are meaningful only in this context. The advertising industry satisfies this requirement. Estimates are that multinational advertising agencies accounted for about 40 percent of worldwide investment in

advertising at the beginning of the 1990s. And the world advertising market is estimated by Zenith Media Worldwide (www.zenithmedia.com) to have been worth US\$ 338 billion in 2000. The same source indicates that the leading advertising agencies are concentrated in four geographic areas internationally: US, UK, Japan and France. Further, in the year 2000, all the top 20 agencies worldwide were based in these countries. Out of the top 50 largest agencies worldwide in that year, ninety nine percent were based in these four countries (Advertising Age 1997).

Third, with respect to UK, forecasters predict that the market for advertising is expected to grow by 21.3 percent to £16.5 billion by the end of 2002 (Moore and Lim, 1999; Key Note, 1998). Internationally, UK stands as the fourth largest advertising market in the world after the US, Japan and Germany in terms of advertising expenditure and fifth in terms of expenditure per capita. Total UK advertising expenditure (including direct mail) in 1999 was £15.3 billion, the highest level recorded so far. In revenue terms, the advertising sector had gross revenues of £15.988 billion exclusive of VAT in 1998 (ONS, 2000). Further, the market growth for advertising services in the UK has resulted in the growing size and strength of the local advertising industry. In the last five years, the UK advertising industry has experienced a period of consolidation, with increasing cross-ownership, internationalisation and a centralising of accounts by major clients. All features analysed with respect to the organisation and structure of the industry in UK present it to be strong and well poised to exploit global opportunities. Such indications helped justify UK as the context of this study.

Fourth, the unique firm-level characteristics and operations of the agencies make the advertising industry particularly interesting for this research as previous studies advised in examining the impact of unique industry differences on strategy. The firm characteristics of the agencies seem to be governed by their creative capabilities, which is the essence of the production and operation in advertising. Each time an output is produced, it has, by definition, to be new, and to provide a one time solution to a client's unique problem. This requires possession of unique capabilities and results in strong firm specific characteristics. At the same time, there is the strong need to respond to cultural characteristics and to reflect domestic factors, which may

lead agencies to develop different types of international strategies, as they all have to respond to varying local needs.

1.2.2 Objectives of the study

Hence, in the light of the above discussions and with specific reference to the MarComs industry, this study takes an exploratory approach towards answering this key question:

What are the influences on and characteristics of international strategy (ies) of MarComs Agencies?

While the theoretical and conceptual underpinnings of this question are explained in Chapter 5, the key research objectives accompanying this question are as follows:

- To investigate external and internal factors influencing the international strategies of MarComs Agencies;
- To investigate the characteristics of the international strategic options of MarComs Agencies;
- To examine the effects of the external and internal factors on the international strategic options of MarComs Agencies;
- To analyse the relevance of conventional theories to understanding the international growth and corporate strategic evolution of MarComs Agencies

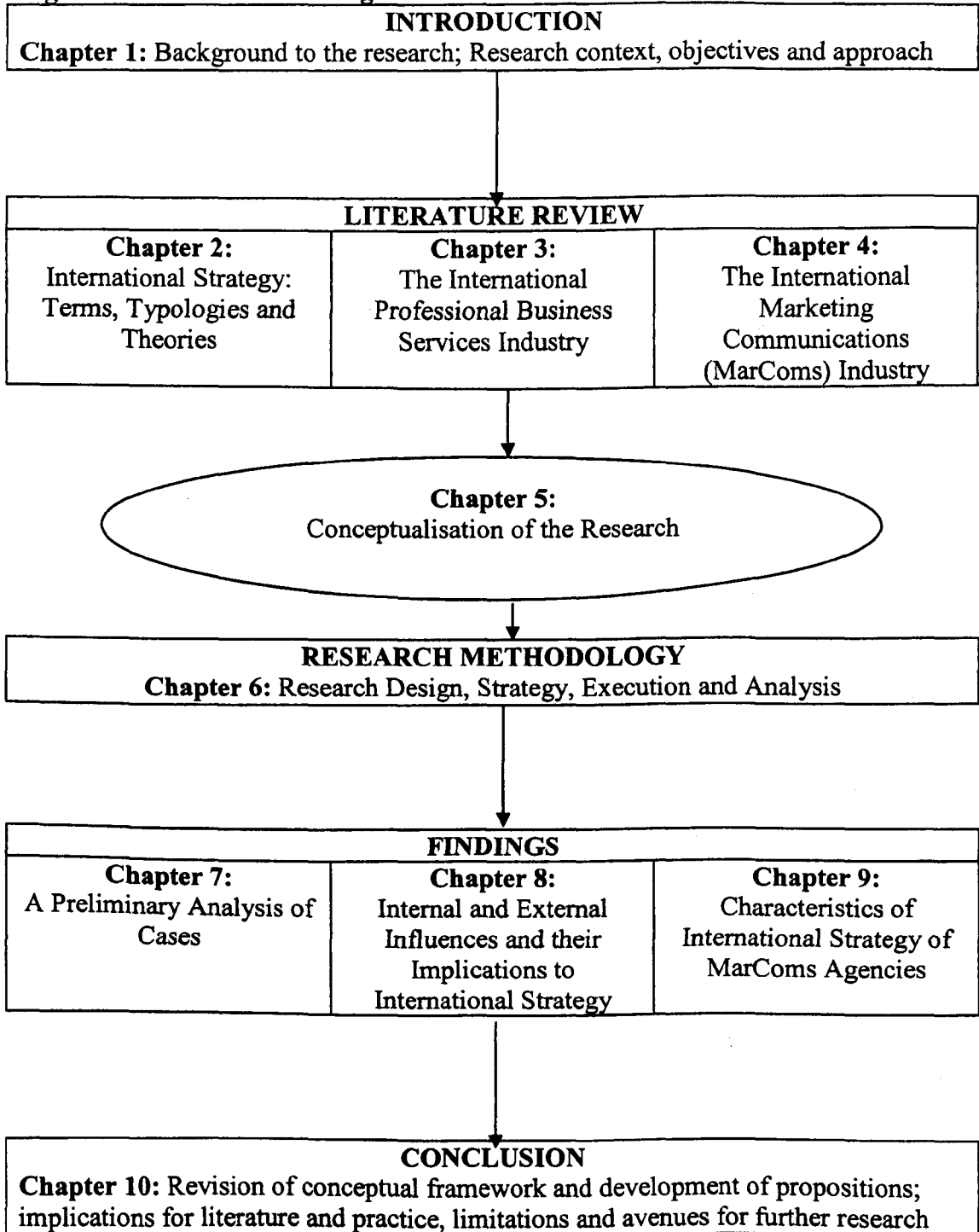
1.3 METHODOLOGY

The research approach adopted was influenced both by the nature of the topic selected and the objectives detailed above. More complete explanation of this is provided in Chapter 6. But, in short, the research paradigm chosen is that of realism, utilising the research methodology of multiple case based research, designed to facilitate an explanatory study of the international strategy process of MarComs agencies. Exploratory case based research was chosen as most applicable given the nature of the research problem, and the repeated advice of leading academics for more in-depth exploratory and theory development studies on international strategic management practice in different industries.

1.4 STRUCTURE OF THE THESIS

The thesis is comprised of ten chapters, along with supporting reference and appendix sections. The structural organisation of the thesis is illustrated in Figure 1.1 and the paragraphs which follow briefly describe the contents of each chapter.

Figure 1.1: Structure and Organisation of the Thesis



Chapter 1: Introduction: Rationale and Overview of the Thesis

Chapter One discusses the research problem, the need for the study, the aim and the objectives of the study, the research approach and offers an overview of the thesis.

Chapter 2. International Strategy: Terms, Typologies and Theories

This chapter opens with a broad discussion on the key strategy concepts and theories underlying strategic management literature. The chapter, thereafter, proceeds to review and define 'international strategy' within the realm of the international business and strategic management literatures. In so doing, the chapter argues the justification for this study at a broader level, and at the same time reviews some of the key contributions in the fields. The last section of the chapter channels the discussion towards analysing the relevance of conventional strategic management theories in understanding 'international strategy', namely: the Resource Based View (RBV); The Industrial Organisation View (IOV) and the Network Based View (NBV).

Chapter 3: The International Professional Business Services Industry

This chapter dedicates its attention to the professional business services industry, given the focus of the study on the MarComs industry. As such, the chapter opens with a consideration to understand the characteristics of services and professional business services (PBS) in general. The chapter, thereafter, shifts its focus towards the professional business services firm (PBSF). An implicit effort in this section is made to understand the role of strategy or strategy-related variables in the organisation, structure and growth of such a firm. After a firm-level emphasis, the chapter takes the reader to look at the organisation and structure of the PBS industry. To maintain focus, the chapter also undertakes an analysis of studies relating to the internationalisation of the PBS industry. The chapter ends by evaluating the extent of application of the strategic management theories in studying the international strategy of such firms.

Chapter 4: The International Marketing Communications (MarComs) Industry

This chapter brings under focus the chosen context to investigate the research phenomena underlying this study. Subsequently, the chapter opens with a discussion on the nature and characteristics of the advertising/MarComs services and the role and make-up of an advertising agency. Moreover, since the study uses UK as the geographical location to implement this study, the industry analysis is undertaken at

two levels. The first level of analysis attempts to understand the organisation, structure and economic significance of the UK MarComs industry and the second level emphasises the international organisation and structure of the MarComs industry. The chapter concludes by speculating on strategic trends and developments likely to impact on the international strategy of firms in the MarComs industry in the next 5-10 years.

Chapter 5: Conceptualisation of the Research

This chapter draws together, in a conceptual framework, the key theories, ideas and concepts deemed to provide a comprehensive outlook on the international strategy of MarComs agencies. It also provides methodological and theoretical support and justification for the main research questions and objectives guiding the investigation.

Chapter 6: Methodology: Research Design, Strategy, Execution and Analysis

This chapter describes and justifies the qualitative approach adopted to guide this exploratory study. The chapter argues for a research approach that allows the researcher to 'get close' to participants, penetrate the realities and develop an understanding which 'fits' and 'works' with these realities. The chapter goes on to defend the flexible research design and strategy adopted. It also explains the selection of the case firms and the methods used for data collection and inductive analysis. Attention is drawn to triangulation of data before the process involved in inductive data analysis is explained with the aid of the spiral model developed by the researcher. The chapter concludes with some discussions relating to the limitations of the methodology adopted.

Chapter 7: Discussion and Analysis: A Preliminary Analysis of Cases

The intention of this chapter is to draw on preliminary observations on the sixteen cases involved in this study based partly on information provided by the respondents of the study, and partly by information gathered through other documentary sources on the respective agencies. The intention is to use this chapter as a prelude to the forthcoming analysis chapters by familiarising the reader with the basic profile of the companies studied before deepening the analysis to consider the main focus of this research in relation to the data.

Chapter 8: Discussion and Analysis: Internal and External Influences and their Implications for International Strategy

This chapter pursues the analysis of the cases further, giving more particular consideration to the main research focus of this study. This chapter focuses on analysing and discussing the internal and external influences on international strategy as suggested in the conceptual framework. With regard to the internal influences, the discussions are first organised with respect to SMAs (namely cases A, G, I, K, M, P) and then with respect to SAs (cases B, C, D, E, F, J, L, N, O) as explained in the previous chapter. And with regard to the external influences the discussion takes a more holistic perspective on the industry as a whole.

Chapter 9: Discussion and Analysis: Characteristics of International Strategy of MarComs Agencies

This chapter explores the characteristics of the international strategy (ies) of the MarComs agencies forming the sample in this study. To maintain consistency with the previous chapters, the discussions are structured first with respect to the SMAs and then the SAs. The chapter also presents case illustrations pertaining to each category of case firm to explain their international strategy process in greater detail. The chapter ends by discussing the views of client firms and industry informants on the findings of this study.

Chapter 10: Conclusion

This chapter reports on the main conclusions from this multiple case based research, in the light of the research questions and objectives. It discusses the implications of the findings for theory and practice before explicitly stating the limitations of this study. It finally recommends on avenues for further research.

2.1 INTRODUCTION

This chapter begins with a broad review of the strategic management literature, drawing on some of the key works and theories underpinning that literature. The intent, here, is to familiarise the reader with the key theoretical domains that characterise strategic management before discussing their integration and development in the field of international business. Thereafter, the chapter concentrates its attention on analysing how “strategy” is different in the international context. Drawing largely from manufacturing literature, the chapter reviews some of the landmark contributions associated with international strategy, identifying key issues of conceptual interest to the thesis. Following from these discussions, the last section of this chapter focuses on evaluating the relevance of key theories underlying international strategy and their possible contribution to the research problem underlying this thesis. Overall, the chapter’s objectives are as follows:

- To review key strategy concepts and theories underlying strategic management literature;
- To review and define international strategy within the context of the international business and strategic management literature;
- To examine and evaluate the characteristics of and influences on international strategy;
- To analyse the theoretical relevance of conventional strategic management theories to understanding international strategy

2.2 KEY THEORETICAL DEVELOPMENTS IN STRATEGIC MANAGEMENT

This section examines the key theoretical developments in the strategic management literature. It aims to understand what characterises strategic management and attempts to do so by critically reviewing fundamental strategy concepts and theories that have landmarked strategic management thinking to date.

Early strategy researchers. The 1950s and 1960s were represented as the early years

of strategic management as an academic field of study. Its development from that time period onwards has been dominated by the works of a group of researchers who were primarily concerned with identifying organisations' 'best practices' that contribute to their success. This includes the works of such authors as Chandler (1962); Ansoff (1965) and Andrews (1971) and his colleagues Learned et al. (1965/1969). These researchers commonly focused on probing into the inner growth mechanisms, or "the black box" of the firm, and postulated that a firm's continued success is mainly a function of its internal and unique competitive resources. The seminal works of these authors, particularly Chandler, Ansoff and Andrews created the foundation for this field to develop, and in so doing, were also a source of inspiration for several critical strategy concepts and propositions, some of which still command enormous relevance (Rumelt et al. 1984).

In principle, Chandler (1962) concentrated on studying the administrative mechanisms of large enterprises, and how established structures accommodated the growth mechanisms of those companies, while aiming to capture the essence of the relationship between strategy, change and structure. To him strategy is "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out the goals"; while structure is "the design of organisation through which the enterprise is administered" (1962:13-14). As such, changes in strategy were mainly characterised by opportunities afforded by changes in the external environment. Ansoff (1965), instead, focused on the strategic decision making process and defined that such decisions were "based on the kind of business the firm seeks to be in" (1965:vii). Accordingly, he identifies strategy as the "common thread" linking a firm's activities and its product-markets, and constitutes four essential components: product market scope, growth vectors (or changes that a firm makes in its product market scope), competitive advantage, and synergy. Andrews (1971) and his colleagues Learned et al. (1965,1969) tried to give further consideration to the interaction between the internal character and the success of the firm and its external environment. Andrews and others suggested the famous SWOT (Strengths, Weaknesses, Opportunities and Threats) framework, and defined strategy as "the pattern of objectives, purposes, or goals and major policies and plans for achieving

these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be" (1969:15). These authors also distinguished between two interrelated, but practically separated, aspects of strategy: formulation and implementation. To them formulation demanded the careful reconciliation of four essential components of strategy: (1) market opportunity; (2) firm competence and resources; (3) managers' personal values and aspirations; and (4) obligations to segments of society other than the stockholders, while implementation comprised a series of activities of an administrative nature concerned with how resources, control systems and leadership were mobilised to devise strategy.

Further, the efforts and contentions of the above authors were not accepted without disagreements or contradictions. The SWOT framework, for instance, has been criticised as being handicapped by requiring a rather arbitrary classification of external factors into opportunities and threats and internal factors into strengths and weaknesses (Grant, 1998). However, and more importantly, their thoughts coincided with the work of other important researchers in the same era, whose theories have succeeded in making important advancements in the field today. Among them was the work of Selznick (1957) that emphasised the importance of "distinctive competence" and leadership; Penrose (1959) who related firm growth and diversification to the "inherited" resources, especially the managerial capacities a firm possesses. Her findings tallied with Chandler's propositions on the growth of the firm. A number of behavioural theorists like Herbert Simon (1945) and Cyert and March (1963) also provided important input into thinking in strategic management in its early years. These authors elaborated their research on the firm's internal processes and characteristics such as decision-making processes, information making limitations, power coalitions and hierarchical structures. On the whole, these early classics in strategic management thinking gave primary emphasis to an organisation's internal strengths, processes and managerial capabilities as the basis for continued success and provided a strong basis for continued intellectual progress in the field.

Industrial Organisation Economics (IOE). Following the works of the above scholars, the 1970s saw the emphasis in strategic management shifting from a firm-level analysis and externally towards analysing the industry structure and competitive position of the firm in the industry. Much research in the field suddenly embraced the

significance of industry structure and its implications for strategy and structure. Developments in this period encouraged the integration of economics based arguments with management theories and concepts. The principles of the IOE (based on Bain, 1956, 1968) were “scientifically” fostered into the field, turning the thinking of the “new” researchers theoretically and methodologically away from the key contentions of the early strategy writers. Bain suggested that the approach in IOE is basically “external,” and “the primary unit of analysis was the industry or competing groups of firms, rather than either the individual firm or the economywide aggregate of enterprises” (1968:vii). This shift in research focus from the firm to market structure led to the adoption of the Structure-Conduct-Performance (SCP) paradigm, one of the most widely acclaimed industrial organisation framework in strategic management (Zou and Cavusgil, 1995).

The central belief of the SCP paradigm, according to Porter (1980), is that a firm’s performance is essentially a function of the industry’s environment in which it competes; and because structure determines conduct (which is simply a reflection of the industry environment), which in turn determines performance, conduct can be ignored and performance can, therefore, be explained by structure. Using the logic of the IOE, Porter (1980, 1985) made the most influential contribution in the field. Using structural analysis, he put forward such popular analytical tools such as the Five Forces Model, which clearly specified the various aspects of an industry and provided easier analysis of industry attractiveness and competition. Accordingly, Porter suggested that the ability for a firm to gain competitive advantage depends mainly on how well it positions and differentiates itself in an industry. The collective effects of the five forces determined the ability of firms in an industry to make profits. However, although Porter’s ideas recognised the competitive structure of an industry in a more tangible manner, he also recognised the role of firms in coming up with appropriate competitive strategies for superior performance. Hence, he also suggested the value chain as an instrument for assessing internal organisational strengths and weaknesses, and the generic strategies (low cost, differentiation, and focus) as a tool to assist in strategy evaluation. Moreover, although Porter’s ideas were the most popularised, the principles of the IOE also spawned other rich research insights into the strategic management field. Among them, for instance, are the works on “strategic

groups” (see, for example, Hunt, 1972; Caves and Porter, 1977) and “competitive dynamics” (see, for example, D’Aveni, 1994; Bettis and Hitt, 1995).

Despite the remarkable significance of Porter’s work, his views have not been untouched by disagreements. Critics have commented that his ideas over-emphasise the significance of industry structure and the wider environment while giving minimal recognition to heterogeneous individual company’s resources, capabilities and competence. Supporting this view, Rumelt (1991) argued that such business specific heterogeneity explains firm performance more than industry membership. However, Porter continues to reaffirm his authority over the crucial importance of strategic positioning in business competition (see. For example, Porter, 1999), restating the approach that the environment largely determines a firm’s freedom to manoeuvre strategically.

Organisational Economics (OE). Notwithstanding the widely popularised significance of the industry environment for strategic decision making, research in the 1970s continued to illustrate that some firms were more successful than others in the same industry and/or the same strategic group. Indeed, by the mid-1970s, the global competitive landscape of many industries began to change and firms started rapidly to internationalise their activities, equipped with innovative ideas and strategies to capture a significant share of foreign markets. Correspondingly, given the inability of IOE clearly to explain such phenomena, the primary emphasis in firm –level analysis regained attention. Some researchers ventured to apply the principles of organisational economics to unravel the inner structural logic and functioning of the organisation. Two streams of OE largely emerged in that period, which have generated most interest (and turmoil) and studies in strategic management: (1) Agency Theory (AT) (Fama, 1980; Jensen and Meckling, 1976) (Williamson, 1975, 1985); (2) Transaction Cost Economics (TCE).

Agency theory emerged from the financial economics literature drawing on the property rights literature (see, for example, Alchian and Demsetz, 1972). This theory suggests that a firm is a nexus of contracts and that due to the isolation of ownership and control in modern corporations, there often exist divergences of interests between shareholders (principals) and managers (agents). In that respect, the theory assumes that human beings are boundedly rational, self-interested, and opportunistic, and

therefore managers will seek their own interests even at the expense of shareholders. Transaction Cost Economics (TCE) is theoretically rooted and builds on the original work of Coase (1937). The Coase view was that organisations were successful because the cost of managing economic exchanges between firms (transaction costs) is greater than that of managing exchanges within firms. In essence, TCE attempts to explain why organisations exist. Its central tenet is that markets and hierarchies are alternative governance mechanisms for completing transactions. This premise is based on a set of assumptions about human behaviour and attributes that affect the dyadic relationship in a transaction: bounded rationality (developed by Simon 1945), opportunism, uncertainty, small numbers, and asset specificity (Williamson, 1975, 1985). These theories have not been without controversies, although they have been applied rigorously by some strategic management researchers to study a number of substantive phenomena. Examples include the multidivisional form (M-Form); hybrid forms of organisations, and relevant to the case of this thesis international strategy. With regard to international strategy, TCE combined with Internalisation Theory (Buckley and Casson, 1981; Rugman, 1981) was used to examine the modes of entry and development of international firms.

Resource-based View (RBV). While transaction cost theory and agency theory contributed to understanding the role of firm-level variables in firm strategy and performance, they could not provide a complete picture of the overall significance of the phenomena. As such, by the 1980s strategy research was even keener in probing into the impact of firms' internal mechanisms and attributes on strategy and performance, and this not just from the economics perspective. Subsequently, one of the most important conceptualisation in that direction in strategic management has been called the RBV of the firm (Barney, 1991; Wernerfelt, 1984). This view argues that the main differentiation between firms is in their resources, in tangible as well as intangible forms. Its central premise questions why firms are different and how firms achieve and sustain competitive advantage. This emphasis on resources, however, is not new. In fact, it builds upon the original ideas of Penrose (1959) in her theory relating to the growth of the firm. She posited that firms are collections of productive resources, and the heterogeneity of resources provides firms their unique characters. Further, traces of the ideas underlying this theory can also be found in the early works

in strategy research, namely the works of Selznick, Ansoff, Chandler and Andrews as these authors also laid emphasis on an internal appraisal of the “distinctive competence” of the firm.

Hence, since the early 1980s, the resource-performance relationship has been a salient avenue of research in strategic management. Researchers have been rigorously attempting to develop and elucidate resource-based concepts while seeking to analyse the relationship between such resources and (sustained) competitive advantage. Rumelt (1984) for instance explained that firms may start as homogeneous businesses, but “isolating mechanisms” enable them to differentiate since their resources cannot be imitated perfectly. Barney (1986) proposed that factors vary in their “tradeability,” where the tradeable factor is one that can be specifically identified and its monetary value determined via a “strategic factor market.” Dierickx and Cool (1989) suggested that resources can be differentiated either by asset flows or strategic asset substitutability by equivalent assets and time compression diseconomies or firms trying to replicate resources of another firm. Such ideas spawned several interests examining specific resources, giving rise to sustainable competitive advantage and other sub-research streams such as the knowledge-based view of the firm and strategic leadership (Hoskisson et al., 1999).

Nevertheless, even though the RBV has offered some valuable insights into strategy research it is sometimes criticised because of its assumptions and deemed incomplete in its ability to capture the firm-specific phenomena under study. It has consequently been complemented, recently, by other theoretical streams to provide a better investigation (see, for example, Montgomery (1995) for the link between RBV and Evolutionary School, RBV and Institutional Theory; RBV and Information Asymmetry theories (Brush and Artz, 1999). Grant (1998) further points out that the implications of the RBV for Strategic Management are unclear to date mainly because a limited effort has been made to develop the practical relevance and implications of this theory across different industries and sectors, hence affecting the contribution of this research per se. Moreover, Yeoh and Roth (1999) add that despite the increasing attention given to the RBV, few empirical studies based on this perspective exist. This may be attributable, in part, to difficulties in the identification and measurement of valuable resources and capabilities because of the industry specificity of these assets.

Criticisms of the RBV, however, do not discount the theoretical and practical value of the approach but instead act as a self-breeding impetus to debate, innovation, knowledge accumulation and application towards a better understanding of the inner character of the firm and its relations to strategy and performance.

Therefore, in this scenario, an overall evaluation of the above key theoretical developments characterising strategy research concurs with the combined views of Hoskisson et al. (1999), Mintzberg and Lampel (1999) and Kay (1999) who portray strategic management as an “ever-evolving, eclectic and multi paradigmatic” field of study. Strategic management has evolved as an established scholarly discipline and as a field of inquiry it is still “firmly grounded in practice” (Rumelt, 1994). Nevertheless, pressures from the environment and the quest for improved analytical tools and frameworks is encouraging researchers to innovate rapidly, both theoretically and methodologically, in order to develop novel explanations of the strategic behaviour of firms in different industry contexts in the light of changing environmental conditions.

Moreover, irrespective of the varied theoretical perspectives and methodologies, research in strategic management has been directed towards exploring two research domains central to strategy and performance: *the internal characteristics of the firm and/or the characteristics of the external environment and industry*. Both these research domains have received varying degrees of emphasis in analysis. As discussed earlier in this section, the work of Ansoff, Chandler and Andrews attempted to give equal consideration to both domains in their analysis of strategy. Later the industrial organisation theorists introduced novel theories giving primary significance to industry and the wider environment of the firm and recently, the firm-level analysis has been brought back to the forefront of strategy research with the advent of the resource based perspective.

Consequently, this research adopts the definition of strategy provided by Grant (1991) as a reliable guide to the conceptualisation of the research problem. Indeed, strategy is “the match an organisation makes between its internal resources and skills ... and the opportunities and risks created by its external environment” (Grant 1991:114). This definition is considered not only because of its explanatory value to this research, but more importantly, because it also signifies that both research

domains (internal and external) should be carefully incorporated in the conceptualisation of any strategy research, which concurs with the views of the author. Indeed, these domains should be given equal consideration where possible, and should be analysed together to examine and understand strategic management in any given context.

2.3 INTERNATIONAL BUSINESS AND STRATEGIC MANAGEMENT

Amidst the above-described evolution of strategic management as an academic field of study, 'internationalisation' is only a recent phenomenon to have captured the attention of strategy scholars. Grant (1998), however, describes internationalisation as the most "important and pervasive force" (p.424) to have significantly boosted interests, thinking and the advancement of strategic management research in the past four decades. Interestingly, this emergence of the strategic perspective to internationalisation has been a remarkable process, characterised by the ongoing efforts of strategy scholars to understand the impact of a combination of events to have shaped the international business environment over the same period. This section aims at introducing the focus of this thesis by elaborating on the international business dimension of strategic management. In doing so, it discusses and illustrates some of the key events in the international business environment that helped to shape the now recognised attention to international business in strategic management studies.

The origins of international business as a field of study can be traced back to the 1950s and 1960s, more or less during the same time period when some of the key works in strategic management were emerging. Nevertheless, the influence of multinational firms (or multinational enterprises, MNEs) involved in international transactions and businesses pervaded world trade ever since medieval times. But interests in their study and research 'took off' after the Second World War with the increase of foreign direct investments by American MNEs (Dunning, 1958; 1993). American multinationals monopolised foreign investments in Europe and trade with Japan as these economies recovered from their post- World War traumas. The dominance of America on the international trade and investments platforms was explained by a combination of a number of favourable economic circumstances and international political policies enacted by the US government thereby encouraging US

MNEs expansion. Examples of some major events include the recognition of the dollar as the world currency, the issue of trade or investment agreements supporting tax concessions, dominance over production and technologies, investment risk insurance and treaties between hosting nations and investing firms. Following these and other similar events, research in international business in the 1950s/1960s aimed at studying these firms. Consequently, early textbooks in international business (Dunning 1958, for example) provided descriptive and substantive accounts of the American multinationals, drawing primarily from such areas as economics and general business.

In principle, the mid sixties and early 1970s saw the enunciation of several paradigms and theories about foreign direct investment (FDI) and MNE activity. Most of these were based on different angles of analysis (the firm, industry or country) and adopted a variety of disciplinary approaches. Prominent among these are the works of Hymer (1960) and Vernon (1966). Hymer concentrated on a theory of foreign investment that could explain the geographical expansion of firms, arguing that such an expansion takes place in imperfect market conditions and involved transferring real, not financial assets. He extended Joe Bain's ideas of barriers to entry further arguing that firms need to create monopolistic advantage for successful FDI, and applied the industrial organisation theory to explain why such investments were featured only in certain industrial sectors. In contrast, Vernon was more keen on explaining the process rather than the 'why?' behind the deepening foreign expansion of US MNEs of that time. Taking a country-centred perspective, he tried to improve on the classical trade theory and developed the product cycle model to explain why the US had a comparative advantage in innovating particular products; and why other countries might have a comparative advantage in adding value to these innovations.

Both Hymer's and Vernon's theories were criticised as being highly "contextual" and "partial" (Dunning, 1993a; 2000) in that they addressed only some of the issues surrounding international trade and foreign production of MNEs since their analyses related to certain time, place or specific industry sectors. Nevertheless, their ideas, particular those of Vernon were extended by other researchers, including the like of Knickerbocker (1973), Graham (1975) and Flowers (1976). These authors posited that the territorial dispersal of the economic activities of MNEs was not only determined

by location-related variables but also and more particularly by the strategic response of the firms to these variables and the anticipated behaviour of their competitors. Such findings and others instigated some important debates and theoretical innovations from international business scholars on both sides of the Atlantic. Subsequently, the late 1970s and mid 1980s witnessed various attempts to test and refine the economics-based theories of international production (see, for example, Hood and Young, 1979; Caves, 1982, 1996; and Dunning, 1993a for extensive review).

This primary emphasis on economics continued in the 1970s and early 1980s, although the international business field started to dramatically change its scope and orientation. In the world environment other economies like Europe and Japan became internationally competitive in trade and investments, and the rapid growth of newly industrialised countries brought new impetus to the international business field. The scope of international business research expanded, the American literature grew in sophistication but, more importantly, the intellectual base of the field grew to include the views of scholars from Canada, Europe and Asia (Rugman and Hodgetts, 1995). As mentioned before, in that period, views from the industrial economists theorists dominated with prime emphasis given to international economics and finance, based on rigorous quantitative methodologies. In the same period, 'internationalisation' became the forefront of international business research as the phenomenon became increasingly popular with the falling of international trade barriers and capital flows.

Two important advancements emerged in the above period which further questioned the very existence of and the determinants of MNE activity. The first consisted of a group of economists labelled as the Internalisation scholars (for example, Buckley and Casson, 1976) primarily because they were interested in explaining the foreign production of firms as a 'market replacing' activity. These researchers offer an expansive explanation of why firms internalise the markets for intermediate goods and services they own or wish to acquire, rather than co-ordinate them through external markets. In that respect, the MNE has been increasingly perceived as an economic "... institution which co-ordinates the use of intermediate assets generated in one country, with value added activities arising from these assets in another country, (or countries), rather than as a firm which owns or controls

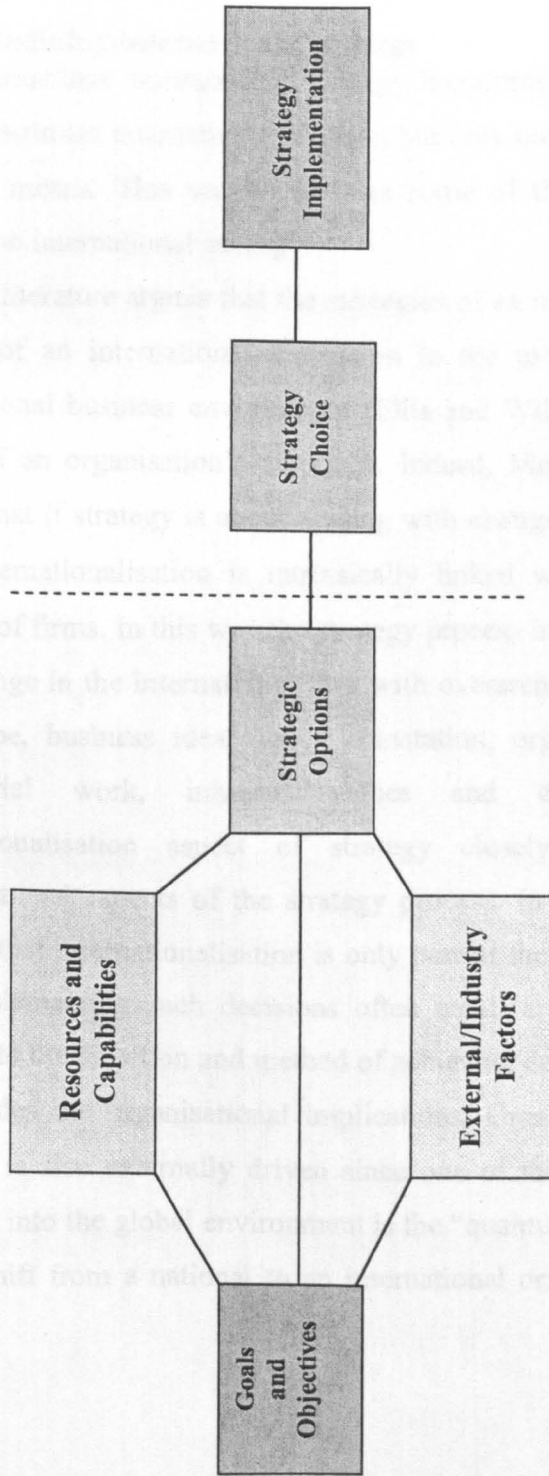
production facilities in two or more countries” (Dunning, 2001:41). The second development attempted, and still attempts, to offer a more integrated explanation to the ‘why’, ‘where’ and ‘how’ of MNE activities. This is John H. Dunning’s famous OLI paradigm (see Dunning, 1988, 1993a, 2000 and 2001 for extensive explanations). In retrospect, the OLI paradigm (also known as the Eclectic Paradigm) proposes that “... the extent, ownership and pattern of MNE activity at any given moment in time depends upon the configuration of the competitive (or ownership (O) specific) advantages of MNEs relative those of non-MNEs, the location (L) specific attractions of one country or region relative to another, and the benefits of linking these two set of advantages by internalising the market for the O specific advantages, that is the internalisation (I) advantages” (Dunning, 2000:14). Dunning has continuously revised and refined his paradigm, and recently, he positioned it as an “envelope” for economic and business theories of MNE activity (Dunning, 2001). He argues that the key assertions of this paradigm are strongly embedded in a number of different economic and business theories which if taken separately do not offer a comprehensive explanation of the existence and growth of MNE activity.

The profound economic influence of the ‘internationalisation’ phenomenon transformed the competitive structure of many industries affecting the economic performance of companies and countries alike. Grant (1998:332) summarises the driving forces behind internationalisation as two-fold: “first, to exploit market opportunities in other countries, and, second, to exploit production opportunities by establishing production activities wherever they can be conducted most efficiently”. Moreover, the phenomenon furthered its impact later in the nineties through a number of changes in the international business scene. Subsequently, it gave rise to the concept of ‘globalisation of business’. Accordingly this was perceived as the “widening and deepening” of the internationalisation process involving a widening of the extent and form of cross border transactions, and a deepening of economic interdependence of enterprises, other private and public institutions and governments located in foreign countries (Dunning, 1993a). As argued by Rugman and Hodgetts (1995), it was becoming evident with these developments that international business could not be studied in micro perspectives and the need for more macro approaches to the field clearly arose.

Hence, the late 1980s and the early 1990s saw the emergence of the strategic management perspectives in the international business field. The substantive thinking of the 1950s/1960s, the analytical methodologies of the 1970s/1980s, as well as newly emerging theories are now being combined to exhibit an integrative approach to analysing international business issues. This is an increasingly supported approach as the internationalisation process continues to be reinforced, extending to new industries (for example, service industries) with the advent of innovative forms of information and communication technologies and the liberalisation of trade and investment regimes at multi-lateral levels (Grant, 1998).

In sum, in the light of the above and other emerging international business issues, traditional strategic management approaches are being supplemented from multidisciplinary perspectives, drawing from theories from a variety of disciplines that are related to international business with a more strategic bearing on the challenges of the international business environment. In principle, as explained by Rugman and Hodgetts (1995:24) strategic management to date remains characterised by the same generic basic process of effecting a "... series of managerial actions that include strategy formulation, strategy implementation, evaluation and control, encompassing a range of activities including the environmental analysis of external and internal conditions and evaluation of organisational strengths and weaknesses". This contention is further supported by a number other authors (see, for example, Zou and Cavusgil, 1995; Segal-Horn and Faulkner, 1999; Grant, 1998; Tallman and Yip, 2001). To illustrate, Figure 2.1, portrays the generic international strategic analysis framework of Tallman and Yip, (2001:319) which closely resembles the strategic analysis of a domestic context implying increasing convergence between domestic and international dimensions of analysis.

Figure 2.1: Generic Framework of International Strategy Analysis



Source: Adapted from Tallman and Yip (2001:326)

Notwithstanding the above argument, consideration of the international dimension of strategy still begs the question about its nature and distinctiveness and the key strategic issues it incorporates. As such, bearing in mind the interests of this study, the next section seeks to define international strategy. Following which, section 2.3.1 and section 2.3.2 review and evaluate key contributions to the international strategic management literature, analysing the main issues of conceptual relevance to this study.

2.3.1 Defining International Strategy

The international business and strategy literatures present numerous perspectives on what constitutes international strategy, but only limited insight into what international strategy means. This section reviews some of the critical arguments advanced in relation to international strategy.

The literature argues that the strategies of an international organisation inevitably consist of an international dimension to the extent that pressures arising out of international business environment (Ellis and Williams, 1995) influence the overall scope of an organisation's activities. Indeed, Melin (1992) supports this view but argues that if strategy is about dealing with changes in positions and/or perspectives, then internationalisation is intrinsically linked with the internal ongoing strategy process of firms. In this way the strategy process induces the continuous development and change in the international firm with overarching organisational implications for the scope, business idea, action orientation, organising principles, the nature of managerial work, inherent values and converging norms. Thus, the internationalisation aspect of strategy closely relates to all these internal organisational aspects of the strategy process. In that respect, Young et al. (1989) suggest that internationalisation is only part of the expansion alternatives of the firm and implementing such decisions often entail a series of organisational decisions relating to the direction and method of achieving development.

Besides the organisational implications, Grant (1998) argues that international strategy is also externally driven since one of the key challenges facing managers stepping into the global environment is the "quantum leap in complexity" (p.359) due to the shift from a national to an international orientation. Other authors share this

perspective as well. Recently Tallman and Yip (2001) argue their perspectives as follows:

... International strategy has its own special issues institutional contexts that require the application of classic strategic analysis techniques ... the defining aspect of international strategy is that it involves expansion of the operating horizon of the enterprise beyond the borders of the home nation. Through a combination of trade, licensing, alliance and foreign direct investment, the MNE accesses customers and factors of production that are available to the domestic firm. ... Today, we consider internationalisation to occur with any cross-border geographic spread of activities, whether physically or electronically. Internationalisation has become a matter of perceptual horizons and the scope of strategic intent than a specific means of foreign market entry. Internationalisation is now, more than ever, a matter of degree. (p.318/321).

Segal-Horn and Faulkner (1999:9) further support this distinctiveness of international strategy by elaborating that:

... when an organisation first decides to expand outside its domestic market, it faces a step change in the complexity attached to every business decision. For all businesses, operating internationally is much more challenging than operating solely within their domestic market. In every facet of managerial decision making it creates greater risks and problems. There are wider challenges of different order linked to market attractiveness, potential competition, adaptation to local market conditions and coping with problems of managing the business when selecting markets for international expansion.

In principle, therefore, 'International' Strategy' (IS) is about how firms compete in an increasingly internationally competitive environment. The 'ultimate' international strategic choice of the firm depends on the internal organisation, resources and capabilities that underlie the firm's competitive advantage in relation to those required to exploit a particular opportunity or set of opportunities. Furthermore, it should be pointed out that there are several alternative ways for a firm to be international. The international expansion of the firm can involve various modes of market entry and development including exporting, direct investment, licensing, joint ventures, collaborative alliances or electronic mediums (via the Internet) in order to maximise advantages from international opportunities. Different approaches to international strategy suit different companies in different industries at different times and in different countries. In other words, some or all of these strategies are viable but in different contexts, for specific products, in a specific market, at a specific point in time (Faulkner and Segal-Horn, 1999). In this respect, international strategy must, above all, be understood through a careful examination of its internal as well as external influences and their managerial implications. The next section summarises and discusses some of the path-breaking contributions on 'international strategy' while drawing on conceptual issues relevant for the purpose of this thesis.

2.3.2 Landmark Contributions in International Strategic Management

The history and theoretical heritage of the strategy and organisation of the international firm is relatively young, diverse and full of rich terminologies and typologies (Zou and Cavusgil, 1995; Hussey, 1994; Segal-Horn and Faulkner, 1999). Much academic progress with regard to international strategy has occurred in the past twenty years following the longstanding interests in international economics and the management of multinational firms. This body of literature has made remarkable contributions in elucidating the key issues and challenges for firms facing global competition. However, at the same time, it has also been characterised by a great deal of “ambiguity and confusion” (Zou and Cavusgil, 1995:53) in understanding the nature and implications of international strategy. Hence, from the point of view of this research, it is difficult to comment on the full extent of the encyclopaedic work that has been and is still being carried out in this area. However, an attempt has been made to discuss a selection of the landmark contributions that are deemed useful towards the conceptualisation of this thesis.

One of the most significant contributions to international strategy can be traced back to the seminal work of Perlmutter (1969) which acknowledged the existence of attitudinal differences influencing the international corporate behaviour and strategy of multinationals. In his later work (see, for example, Perlmutter and Chakravarthy, 1985), he suggested the EPRG framework to further support his contentions where E stand for Ethnocentric (home country culture), P for Polycentric (host country culture), R for Regiocentric (regional culture) and G for Geocentric (global culture). The EPRG profile emphasises the culture of the firm and its strategic predisposition (or that of the chief executive) as factors influencing its philosophy and ability to implement global or multi-domestic strategies. In particular, it is the geocentric approach outlined by the ERPG framework which has been widely popularised by academic scholars in the field of international strategy as it explained the existence of and advantages associated with managing subsidiaries as part of an interdependent network rather than as a portfolio of independent units. This approach provided the theoretical foundation for a number of rich contributions in international strategy later described in this section (for example, Hout et al., 1982; Hamel and Prahalad, 1985; Kogut, 1985; Yip, 1989) which have either explicitly or implicitly extended Perlmutter’s geocentric predisposition.

The late 1970s identified a group of Scandinavian scholars who set out to analyse and explain the process by which firms expanded abroad (Johansson and Wiedersheim-Paul, 1975; Johansson and Vahlne, 1977). They described the process by which a firm increases its international commitment as being sequential or incremental, starting from the initial export activities to undertaking foreign direct investments. These authors also contended that firms would initially enter foreign markets about which they are most familiar and then extend activities to other markets on the basis of knowledge acquired from exporting to, or investing in, familiar markets (Johanson and Vahlne, 1990). Despite being one of the first dynamic models of mode of foreign market entry, the process perspective was criticised as being too deterministic and its significance limited only to the early stages of the internationalisation process pursued by firms. Besides, as argued by Melin (1992), a sequential approach to international strategy excludes other equally valid options of strategic choices. Several researchers have built upon the 'process-based' approach (Welch and Luostarinen, 1988, 1993; Beamish, 1990). More recent developments include the emergence of the 'network-based' approach to internationalisation (see, for example, Johansson and Mattsson, 1988; Sharma, 1992). This view focuses on non-hierarchical systems where firms invest to strengthen and monitor their position in international networks. This view also draws on the theories of social exchange and resource dependency, and focuses on firm behaviour in the context of a network of interorganisational and interpersonal relationships (Axelsson and Easton, 1992). The process model of internationalisation has also been extensively applied and has contributed to study the case of small firm internationalisation (see, for example, Bell, 1995; Coviello and McAuley, 1999 for extensive reviews). But recently, the model is again increasingly challenged in the light of emerging literature on "global start-ups" or "born globals" (Oviatt and McDougall, 1994; Madsen and Servais, 1997) as these firms aim to leapfrog to international or even global markets right from their inception.

But for the most part, as mentioned in the prior sections, the real impetus to this field occurred in the 1980s. The wealth of the emergence of the recent literature on international strategy has been associated in the light of the major contributions on 'global strategy' and 'globalisation'. In fact, interests and research took off following

the pioneering and influential article of Levitt (1983) who argued forcefully that advances in communication and transportation technologies and increased worldwide travel have homogenised world markets. According to Levitt, the optimum global strategy in this respect is to produce a single standardised product and sell it through a standardised marketing program. Levitt's globalisation thesis has stimulated a series of debates on globalisation and strategy issues. Reviewers have criticised his assumptions concerning the homogenization of national preferences and the extent of scale economies, since, national differences in customer preferences continue to exert powerful influence, particularly on the markets for a number of fast moving consumer goods and consumer durables. Notwithstanding, it is being contended that most goods and services blend global commonalties with national distinctiveness rather than opting for a homogenised strategy (Grant, 1998).

But issues related to the globalisation debate widened from Levitt's narrow focus on markets and global product standardization to include discussions on 'global industry', 'global strategy', 'global management' and 'global competitiveness' creating a trend of research and study of 'globalisation of businesses.' But while this trend greatly increased the knowledge of managing global competitiveness it has also spawned more over-generalisations and confusion on what exactly constitutes these concepts (Stonehouse et al. 2000). In some instances, the terms are even used interchangeably, as there is a spectrum of international business activity that can be identified depending on the nature and extent of a business's involvement in international markets and the degree of co-ordination and integration of geographically dispersed operations (Stonehouse et al. 2000). To these authors the essence of distinguishing between these terms lies in the fact that the strategic and management issues facing an international organisation will vary considerably depending on the breadth of its international presence (see for example, Roth and Morrison, 1990; Makhija et al. 1997). According to these authors, the commentators of the globalisation debate can be regrouped into two extremes. One group includes those who use the term 'global' to define those businesses adopting utterly standardized strategies across the globe where as in the other group, the term 'global' is also taken to include any firm starting to undertake cross-border activity. In such debates the former group offers a narrow focus on the concept while the latter applies

the term 'global' to the firm simply attempting to internationalise. As such, pursuit of such debates or distinctions is not deemed worthwhile from the point of view of this research; instead, the term 'international' is here used in a more holistic fashion to denote a generic term to encompass and envelope terms like 'multinational', 'multidomestic' and 'global'.

Altogether, in the 1980s and early 1990s, interests in Perlmutter's idea of geocentricism and Levitt's 'globalisation' concept accelerated the theoretical and empirical process in international strategic management, giving impetus to a number of important thinkers in the field. Subsequently, one of the important works in the early 1980s works on the 'global strategy' issue was that of Hout, Porter and Rudgen (1982). Hout et al. explain that in a world characterised by global competition, multinationals basically compete in two types of industries: multidomestic and global. To them an effective international strategy requires not only a single approach, such as product standardisation, but instead, several such approaches blending with other equally important issues. These could include exploiting economies of scale through global volume, taking a pre-emptive position through quick and large capital investments, and managing interdependencies to achieve synergy across different activities. In short, their contention was that a firm predisposed to compete globally should aim at leveraging a competitive edge across the interdependent country markets to change the scale and scope of its competition. Ghoshal (1987) later extended this idea of Hout and his colleagues by developing an organising framework of global strategy by mapping the means and ends of an international firm. He posits three key strategic tools of successful management that should be implemented by a firm facing global competition: exploiting differences in input and output markets; achieving scale economies in different activities; and exploiting synergies or economies of scope.

Following Hout et al., Hamel and Prahalad (1985) contributed to the field through a critical analysis of 'what really constitutes global strategy?'. Much of Hamel and Prahalad's analysis in that work is derived from study of the international strategies of Japanese MNEs in the 1970s and 1980s. They studied the 'aggressive' and 'defensive' moves of Japanese multinationals to explain the characteristics of their international strategies and the 'battles' accompanying their execution. Their assertion

is that a 'global strategy' requires several product varieties, so that investments in technologies, brand names and distribution channels can be shared. Accordingly, they suggest that the strategic imperative of a firm involved in global competition is to pursue "cross-subsidisation" (p. 144) across product lines and markets, world brand domination, and strong worldwide distribution systems. The main assertion of Hamel and Prahalad's prescription is that firms can 'attack' rivals and 'defend' their market shares by leveraging proprietary technology through proprietary distribution channels.

Other important works that emerged in the mid-1980s included Kogut (1985); Ohmae (1985); Leontiades (1986) and Quelch and Hoffman (1986). Kogut (1985) emphasises the strategic flexibility associated with an international strategy. He opines that such a strategy must be equipped with options to turn the uncertainties of an increasingly volatile world economy into business's advantages. The strategic imperative of an international firm should be to exploit multiple sourcing and imperfections in financial and information markets. Kogut believes that a business should surrender strategic fit for strategic flexibility in order to gain comparative advantage. Moreover, Ohmae (1985) is another famous theorist, who views the world market as being composed of three major parts: the USA, Japan and Europe (The Triad Power) and argues that to be successful in global competition firms must become a triad power, establishing strong competitive position in all three parts. Ohmae also argues that the key to global success is the deliberate "insideration" of functional strengths by maintaining a structure in which different country subsidiaries participate equally in global strategic decisions. He considers "equidistance" the critical requirement of a global strategy, that is, seeing globally, thinking globally, and acting globally. Instead, Leontiades (1986) and Quelch and Hoffman (1986) emphasise the importance for the international firm to be responsive to local market conditions. These authors argue that globalisation of industry does not necessarily imply the adoption of global strategies. Although firms might have to interpret their industries on a global basis they are sometimes better off following locally focused strategies.

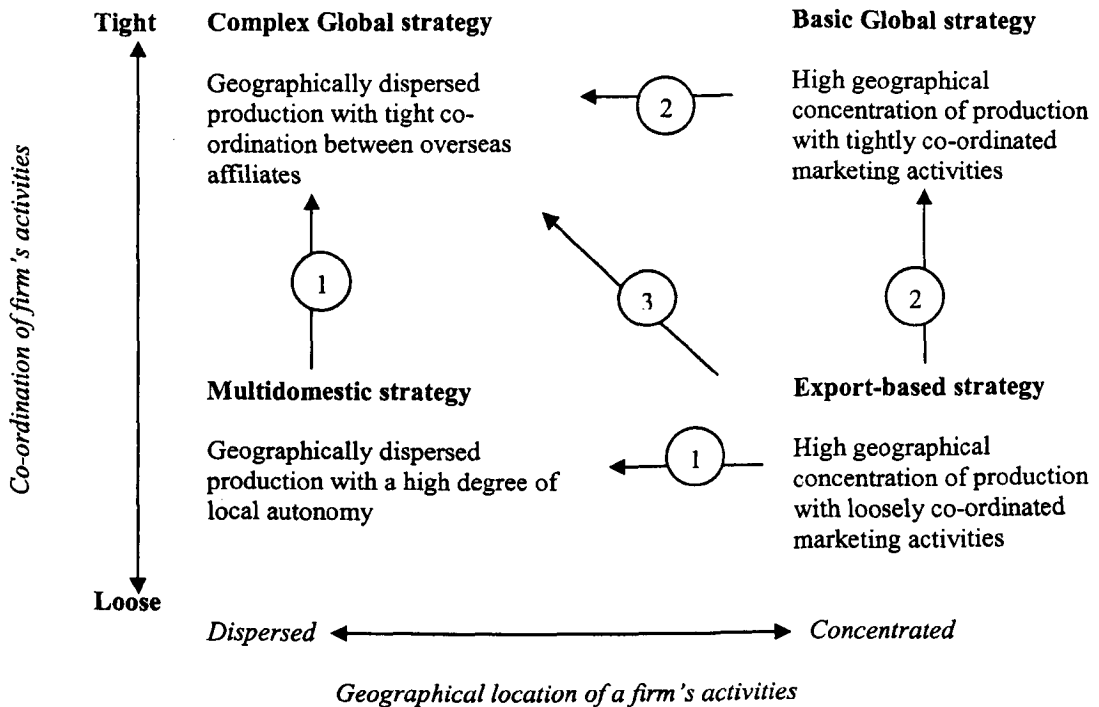
Furthermore, the post 1985 and early 1990s period is characterised by some of the most important scholarly developments with respect to international strategy and structure, following the works of such strategy researchers as Michael Porter, Yves

Doz, C.K. Prahalad, Christopher Bartlett, and Sumantra Ghoshal. These authors further explored the 'global integration' vs. 'national responsiveness' issue proposing alternative models for analysing and mapping international strategies. The works of Michael Porter, for instance, popularised in the early 1980s due to his influential contributions on *Competitive Strategy* (1980) and *Competitive Advantage* (1985), apply the principles of the industrial organisation economics to study the industry and generic strategies of firms. But more relevant for the purpose of this thesis is his work in 1986 where he extended his Generic Strategies and Five Forces frameworks to global industries. Accordingly, he argues that international markets are interdependent and international firms can have various strategies depending on their configuration of value-adding activities and co-ordination of the activities across markets. Figure 2.2 describes Porter's typology of international strategies. He explains that by implementing an international strategy, an international firm aims to concentrate its value-added activities towards exploiting factor cost differentials by considering different components of the value chain separately and in doing so attempts to extend its competitive advantages by co-ordinating interdependencies among markets. Hence, international success demands achieving integration of the firm's competitive position across foreign markets while co-ordinating various value adding activities separately.

Doz (1986) suggests an alternative perspective to Porter's on the global integration/national responsiveness issue by arguing that the successful strategy of the multinational firm demands a simultaneous consideration of the underlying economic characteristics of the industry in which it is executed, the extent and form of government influence upon that industry, and the competitive position of the firm. According to Doz, the identification of the 'right' strategy for the multinational manager depends on interplay between the economic and political imperatives. The economic imperative signifies the impact of global competition that forces the multinational firm to cross national boundaries, develop an international strategy and rationally manage global operations through central control and co-ordination. And the political imperative refers to the changes brought about by government policies and changes in the domestic market conditions of host countries demanding increased local responsiveness. He further proposes three types of international strategies to

deal with these imperatives, namely multinational integration; national responsiveness and multifocal strategies (see Figure 2.2).

Figure 2.2 : Porter's Typology of International Competitive Strategies



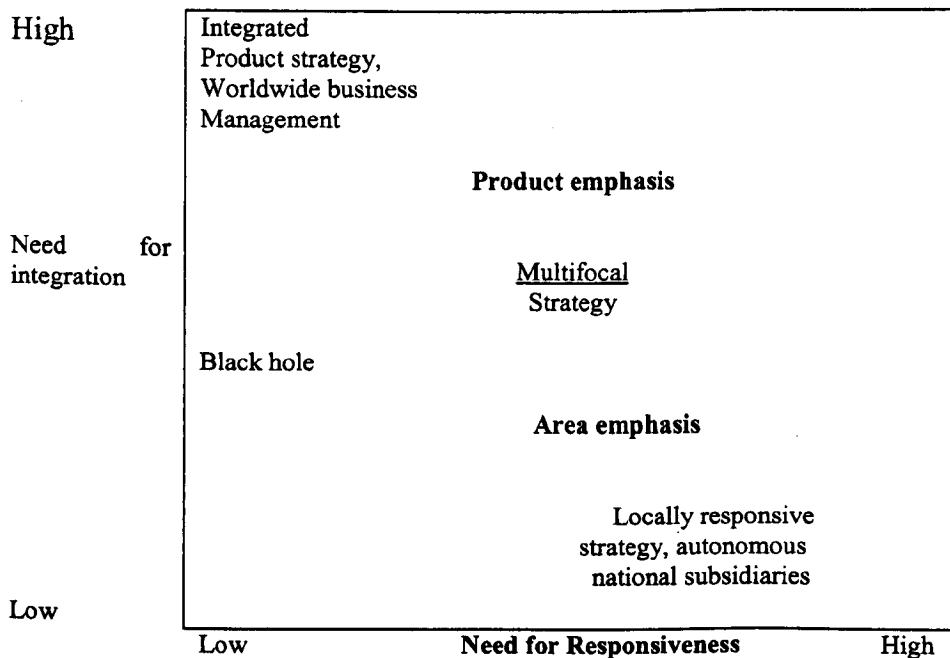
Source: Adapted from Porter (1986)

Doz extends his ideas further in Prahalad and Doz (1987) to posit the “Integration-Responsiveness (I/R) Grid” as a “way of capturing the pressures on a given business” (p.18). The I/R framework (Figure 2.3) translates the economic and political imperatives into two basic form of pressures from the environment facing international managers: the pressures for global integration and the pressures for local responsiveness respectively. Together these pressures affect the structure of different industries, the competitive positioning of the firm within the industry; its organisational structure and its competitive strategic responses. The I/R grid has been widely acclaimed and empirically evaluated (see, for example, Roth and Morrison, 1990; Taggart, 1997). These authors agree that an important strength of the framework is that it allows international strategy to be evaluated by giving due consideration to the economic and political characteristics of different contextual settings. But at the same time it is limited in that it provides limited information into

the content of the strategies that is appropriate given the different patterns of industry pressures.

Other important proponents of the global integration/national responsiveness debate have been Christopher Bartlett and Sumantra Ghoshal. Bartlett (1983) argued that the main forces driving changes and strategies of multinationals are primarily environmental and preferred to identify those forces as “forces for global integration” and “forces for national differentiation” (p.377). Therefore, an international strategic choice stems from the fact that ‘both forces are present to

Figure 2.3 : Prahalad and Doz’s Integration-Responsiveness Grid



Source: Adapted from Prahalad and Doz (1987)

some degree in all businesses’ (Bartlett 1983:140), and since each force was composed of multiple factors, managers can choose to focus on meeting certain pressures at the cost of ignoring and compensating for others. But, in their later work, Bartlett and Ghoshal (1987, 1989) were more interested in the cross-border organisation of the activities of the MNC rather than their strategies per se. These studies stressed the functioning and capabilities of the multinational, not necessarily with respect to its structural aspects, but more particularly with respect to the informal mechanisms of co-ordination, including normative values, and modes and patterns of

internal communication. Empirically speaking, Bartlett and Ghoshal used an in-depth approach to study nine companies from three countries (Japan, Europe and the U.S.) operating in three global industries. Based on their results, they identified four forms of organisations used to manage cross-border operations. They called these the multinational, global, international and transnational corporations. Altogether, the first three organisational forms are not too different from the 'old' conceptions of Perlmutter (1969) presented earlier on. Additionally, as Melin (1992) argues, the authors fail to elaborate on the 'processes' which could explain the transition from one form to another or again the characteristics underlying the strategies of the multinationals.

As such Bartlett and Ghoshal posited the transnational solution – under this framework, the international firm is expected to perform as an integrated network, where efficiency is a medium to attain global competitiveness, while local responsiveness is a way to target increased flexibility, and organisation-wide transfer of knowledge and learning breeds the innovations imperative for corporate success. However, the transnational model was deemed to be speculative Bartlett and Ghoshal (1989), by comparison, noted that none of the companies they surveyed had reached this ideal based on limited empirical evidence. Indeed, recent empirical evaluation of the framework indicated that the transnational category received the fewest proportion of mentions (18 per cent) out of 151 MNC managers interviewed (Leong and Tan, 1993). Accordingly, they reason that such a result may imply respondents wrongly labelling their organisations as being transnational. It may also suggest that simply deeming an organisation as being transnational does not necessarily imply that it satisfies the characteristics normally associated with such an entity. Arguably, it could be that the executives might not have fully absorbed the underlying managerial mentality of transnational organisations.

In the same period when the 'transnational' concept was advanced, Hedlund (1986) suggested an equally plausible conceptualisation of the MNE as a 'Heterarchy'. This view portrayed the MNE as 'actively seeking advantages originating in the global spread of the firm' (Hedlund, 1986:20). He condemned the traditional structure-follows-strategy and, instead, argued that MNEs need to adopt more flexible governance modes and structures, if they are to survive the globally

competitive environment. International strategy has to be formulated and implemented following consideration of the overall potential of the geographically dispersed MNE network. Further, Birkinshaw and Morrison (1995:737) draw a conceptual comparison of the hierarchy vs. heterarchy models and conclude on three distinguishing aspects of heterarchy:

- First, resources, managerial capabilities and decision making are spread through the organisation rather than centralised at the HQ;
- Second, lateral relationships exist between subsidiaries, in terms of product, people and knowledge flows;
- Third, activities are co-ordinated along multiple dimensions, typically geography, product and function.

Critics further comment that the works of Porter (1986), Prahalad and Doz (1987) and Bartlett and Ghoshal (1989) do not help to fully grasp the range of possible international strategies that can be implemented across the value chain of a multinational. Firstly, because global integration vs. local responsiveness are not necessarily competing imperatives underlying international strategy (Tallman and Yip, 2001). In fact, both pressures can exist simultaneously on an international scale and international firms might have to respond accordingly. Second, empirical studies analysing the globalisation of the value adding activities of international firms report that such firms are often better pursuing selective globalisation strategies by defining such strategies around a narrow segment of the value chain. Examples of such studies include that of Roth and Morrison (1990) who identified four broad strategies being pursued by US operating units in global industries. These are: domestic product specialisation strategy; exporting high quality offerings strategy; international product innovation strategy and quasi-global combination strategy. Conversely, Roth (1992), studying the basis of configuration and co-ordination patterns for medium-sized US based firms competing in global industries concluded that there were five models of international organisation, namely, concentrated hub, local innovator, transnational innovator, regional federation and primary global.

Furthermore, George Yip is another theorist who, like Bartlett and Ghoshal, Prahalad and Doz, argues that a multinational should aim for a 'total' global integration strategy to survive in an international business environment. But more

importantly he helped enormously in understanding the external influences determining international strategic decisions. He developed a standard contingency framework of global strategy, arguing that external industry forces drive globalisation (Yip, 1989; 1992), and an industry may be more or less global in several dimensions depending on the strength of each of its globalisation drivers. He suggests that an international strategy must match the globalisation potential of an industry as defined by the cost, market, government, technological and competitive environments. To the extent that a business achieves a close match, positive performance will result. To ensure competitive success in the global marketplace, an international firm must strategically handle the global industry imperatives based on five dimensions: global market participation, product standardisation, concentration of value-adding activities, uniform marketing, and integrative competitive moves. Yip's ideas have received remarkable acclaim as a teaching as well as research framework. He has continuously made an effort to innovate and improve his methods to enable him study international strategy. For instance, in one of his latest publications Tallman and Yip (2000), the authors suggest four specific issues whose "strategic resolutions" (p.319) ties with international strategy. These are: (1) increasing geographic spread; (2) achieving local responsiveness; (3) building global integration; (4) multi-business, multi-country, and often multi-firm issues such as international strategic alliances and global mergers and acquisitions.

The emphasis on global integration and/or local responsiveness in the works of the above authors has led to scarce attention being paid to what Perlmutter described as a "regiocentric" attitude to global competition. In fact, the emergence of regional trading blocs and the subsequent boost to intra-regional trade within those trading blocs have meant a lot of multinationals opting for regionally-based international strategies. Arguing on the possibilities for regional integration in a global marketplace, Segal-Horn and Faulkner (1999) comment that it is important "... to understand the relationship between global, regional and local. It is not a matter of trade offs, but of achieving the balance between interdependencies" (p.67) while implementing international strategies. Rugman (2000) supports this contention by reasoning that MNEs essentially pursue regional triad-based strategies. He explains that internationalising firms aim to capitalise on the regions of their home market

triad market and then expand into nearby markets, gaining familiarity with international markets in a risk averse manner. Such strategies are deliberate and carefully evaluated on the basis of objective criteria like market shares, growth potential, costs, revenues, political and cultural conditions and related environmental issues. Moreover, international entry mode researchers argue that models of international strategy should appropriately incorporate decisions relating to modes of market entry and development (Young et al. 1989; Hwang and Kim, 1997). Hwang and Kim (1997) argue that evaluating the global strategic position of a multinational requires an assessment of the strategic relationship it “envisages between its operations across borders, a means of reaching its entry mode decision.” (p.30). Further, Young et al. (1989) argue that examining international market servicing decisions as part of international strategy “opens various interpretations, where decision makers have different perceptions of risk, where political factors in home and host countries need to be considered and so on. Such a perspective can improve the explanatory power of the model since it incorporates other additional elements in both internal and external environments which need to be considered, with a stress on risk and perceptions of risk”(p.37).

Hence, numerous perspectives have been suggested and analysed in the study of international strategy from the perspective of the MNE, and so numerous prescriptions have been made for businesses facing global challenges. An overall assessment of these contributions helps to lead to the following conclusions in formulating and developing international strategy.

- First, there are a number of internal influences (as defined by the internal organisational factors) and external influences (as defined by the external/industry drivers) which determine international strategy.
- Second, setting international strategy calls for making choices along a number of key strategic dimensions or levers (Yip, 1989; Roth and Morrison, 1990; Zou and Cavusgil, 1995; Hood and Young, 2000; Tallman and Yip, 2001). Consideration of such dimensions is strictly linked to the analysis of internal and external determinants of international strategy. And they can encompass such issues as the strategic mind-set of corporate management of the international firm (Perlmutter, 1969); international geographical spread and

international market servicing decisions (Young et al. 1989; Hood and Young, 2000; Tallman and Yip, 2001); managing global integration vs local responsiveness issues (built within this dimension is the issue of managing or exploiting co-ordination benefits and/or interdependencies between foreign markets and multinational networks) (Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989; Tallman and Yip, 2001; Rugman, 2000); and last but not least, issues relating to managing international expansion through international strategic alliances or global mergers and acquisitions as opposed to organic growth (Young et al., 2000; Tallman and Yip, 2001).

- Third, consideration of the issues described above portrays international strategy as a “multidimensional” construct (Zou and Cavusgil, 1995:62), where the ‘right’ international strategy or the ‘right set of international strategies’ is a function of the analysis undertaken along those dimensions. Evaluation of the appropriate strategic dimensions can dictate international strategy to be restricted to only a certain part of the value chain activities of the international firm (Morrison and Roth, 1992; Roth, 1992) and/or aim at regional integration in terms of its scope (Rugman, 2000).

Table 2.1 summarises the key emphasis of these studies in terms of four key conceptual domains characterising international strategy analysis that should be simultaneously considered or integrated when formulating or developing international strategies and the next section takes a specific look at international strategy from the subsidiary perspective.

On a critical note, the assessment of these works also point to the few efforts made by international strategy researchers to integrate the diverse perspectives and knowledge prevalent in the field. This need for synthesis concurs with the assertion of other prominent scholars (Birkinshaw et al. 1995; Zou and Cavusgil, 1995; Young et al. 2000 and Tallman and Yip, 2001) who have continuously emphasised the need for integration to reduce the need for the existing controversy in the field to persist. Along the same line, the analysis of the literature also notes the limited attempt made to extend existing knowledge of international strategic management to service or knowledge-intensive industries. Although some studies did demonstrate the limited emphasis placed on services firms in their sample (see, for example, Segal-Horn,

1999), the review did not unravel any comprehensive studies analysing or testing the applicability of international strategic management theories to non-manufacturing industries. This study attempts to explore these limitations and partially contribute towards bridging the first gap by undertaking an integrative perspective towards analysing international strategy. And as a response to the second limitation, it chooses to investigate the linked research questions in the context of the professional service industries. These arguments are further elaborated in Chapter 5

Table 2.1: Key Influences, Issues and Characteristics of International Strategy and Supporting Studies

Internal Influences	External Influences	Key International Strategic Issues	International Strategy Typologies
<p>Culture of the firm; The Strategic predisposition of Corporate management (Perlmutter, 1969, 1985);</p> <p>Resource endowment of firm; Investment timing; Levels of acceptable risk;</p> <p>Technology/differentiation advantage (Hamel and Prahalad, 1985);</p> <p>Organisational structure emphasising on "insideration" of functional strengths and maintaining "equidistance" across subsidiaries the Triad (Ohmae, 1985);</p> <p>Corporate management seeing strategy in global terms and acting accordingly; A global product; International knowledge and skills transfer; International corporate image; Global resource focus (Leontiades, 1986);</p> <p>Administrative heritage (Bartlett and Ghoshal, 1989);</p> <p>Resources, organisation structure, management structure, people and culture (Yip, 1989; 1997)</p> <p>Organisational structure and capacity; administrative-coordination inside the firm; management culture and attitudes; management and personnel resources (Young et al., 1989);</p>	<p>Defensibility of home market; Degree of competitive rivalry (Hamel and Prahalad, 1985);</p> <p>Five Forces Model of industry analysis (Porter, 1985; Grant, 1998);</p> <p>Signals of industry globalisation: Competition and customer opportunities becoming global in scope; international supply sourcing; increased use of global performance measures and such others. (Leontiades, 1986);</p> <p>Integration vs. Local responsiveness: Economic vs. Political imperatives (Prahalad and Doz, 1987);</p> <p>Forces for global integration vs. Forces for national responsiveness (Bartlett, 1983);</p> <p>Framework for analysis industry globalisation drivers Yip (1989);</p> <p>External environmental factors: Country risk (political and economic fluctuations; currency changes); Strategies of competitors (including market servicing strategies);</p> <p>Economic benefits of integration vs. benefits of national responsiveness (Rugman, 2000)</p>	<p>Ethnocentric predisposition – assume a firm will operate on the basis of home country values and standards, implying centralised control and very limited attention given to the views of managers familiar with local conditions in host countries;</p> <p>Polycentric predisposition - assume a firm will give due attention to views on the local conditions of host markets, implying the subsidiary unit located in the host country should be nationally oriented in its attitude and behaviour;</p> <p>Regio-centric and Geocentric predispositions – assume regional and global attitudes and behaviour respectively. (Perlmutter, 1969, 1985);</p> <p>Homogenisation of world markets; Scale economies (Levit, 1983)</p> <p>Economies of scale through global volume; Global positioning; Managing and exploiting interdependencies between international markets (Hout et al., 1982)</p> <p>Competitive arena; Competitive posture of firm (Hamel and Prahalad, 1985);</p> <p>Strategic flexibility (Kogut, 1985);</p> <p>Competitive Positioning in the 'Triad' regions of the globe (Ohmae, 1985)</p> <p>Global vs. national responsiveness (Leontiades, 1986; Quelch and Hoffman, 1986);</p> <p>Configuration of value-adding activities – where and in how many countries each activity on the value chain is performed;</p> <p>Co-ordination of activities across borders – how dispersed international activities are co-ordinated (Porter, 1986).</p> <p>Economic characteristics of industry; Extent and form of government intervention in the industry; competitive position of firm in the industry (Prahalad and Doz, 1987);</p> <p>Dimensions of global strategy: market participation; product offering; location of value-added activities; marketing</p>	<p>Ethnocentrism implies a strategy of global integration;</p> <p>Polycentricism implies a strategy of national responsiveness;</p> <p>Regio-centricism implies a strategy of regional integration and national responsiveness;</p> <p>Geocentricism implies a strategy of global integration and national responsiveness (Perlmutter, 1969);</p> <p>Global Product Standardisation Strategy (Levit, 1983);</p> <p>Types of strategies for global competition: multidomestic and global (Hout et al., 1982);</p> <p>Types of strategies for global competition: Guerrilla warfare; Perimeter defence; Pincer movement; Munitions factory; Walled city, Frontal assault (Hamel and Prahalad, 1985);</p> <p>Types of international strategies: Global High Share Strategy; National High Share Strategy; National Niche Strategy; Global Niche Strategy (Leontiades, 1986)</p> <p>Types of international strategy: multidomestic (country centred) strategy; Export based strategy; Basic global strategy; Complex global strategy (Porter, 1986)</p> <p>'Heterarchy' (Hedlund, 1986);</p> <p>Types of international strategy: Multinational integration; national responsiveness, multifocal strategies (Prahalad and Doz, 1987);</p> <p>Total global strategy: global integration vs. multidomestic strategy (Yip, 1989);</p> <p>Forms of MNE organisation and strategy (Bartlett and Ghoshal, 1989):</p> <ul style="list-style-type: none"> ▪ Multinational – strategy based on responsiveness to local market; structure: portfolio relatively independent national companies containing entire value chain; control through personal

approach; competitive moves (Yip, 1989);

Structural dimensions of global industries include: intense level of international competition; competitors marketing a standardised product; industry competitors have presence in all key international markets; and high levels of international trade (Roth and Morrison, 1990);

Strategic dimensions of international strategy: increasing geographic spread; achieving local responsiveness; building global integration; multi-business, multi-country or multi-firm issues such as international strategic alliances, global mergers and acquisitions (Tallman and Yip, 2001).

network of expat managers; knowledge developed stays at subsidiaries;

- International – strategy based on home country leadership; structure: national companies with most of value chain; central control of technology and management systems; knowledge flows from centre;
- Global – strategy based on scale economies; structure: weak subsidiaries tightly coupled to home country organisation; full value chain only at home, subsidiaries dependent on centre; Innovation pattern: central for global markets;
- Transnational – strategy based on balancing responsiveness, scale and learning; Structure: interdependent subsidiaries differentiated by role and capabilities; outcome controls, and complex flows of people, products and information; distributed innovation.

Types of international strategies: domestic product specialisation strategy; exporting high quality offering strategy; international product innovation strategy; and quasi-global combination strategy (Roth and Morrison, 1990);

Five models of international organisations: concentrated hub; local innovator; transnational innovator; regional federation; and primary global (Roth 1992);

Types of international strategies: Pure integration strategy, pure national responsiveness strategy; the transnational solution of balance of integration and national responsiveness strategies; an unsatisfactory set of strategies with few or no benefit of either integration or national responsiveness (Rugman, 2000).

Source: The Author

2.3.3 International Subsidiary Strategy

The last section reviewed key contributions on 'International Strategy' from the perspective of the multinational parent organisation but it is equally argued that, in large part, such strategies are also determined by the role of their foreign subsidiaries within a global network (Birkinshaw and Hood, 1998). A global network of foreign subsidiaries is indeed one of the most distinctive features of most modern day multinationals and until recently, subsidiaries have been known to play an important part in fostering the global competitiveness of multinationals. In fact, it is being increasingly argued that no useful progress can be made in the understanding of the strategy and organisation of the multinational if it is continuously looked upon as a "monolithic entity" (Birkinshaw, 2000:61). Instead, the MNE should be viewed as a 'differentiated network' (Bartlett and Ghoshal, 1986) co-ordinating a set of interrelated and interdependent entities. Therefore, the review of the appropriate literature relating to the management and strategy of international subsidiaries is appropriate for this thesis in order to obtain relevant insights to complement the theoretical understanding of the influences on and characteristics of international strategy from the subsidiary's perspective.

Management research focusing on multinational subsidiaries has captured the attention of the business academic community during the last fifteen years (Birkinshaw and Hood, 1998). It was popularised quickly because of the failure of the leading edge international strategic management theories of 1980s, as discussed in the earlier section, to provide substantive explanations relating to unique subsidiary-level issues that are specific to multinational enterprises. In that respect, the international strategic management literature saw some qualitative spin-offs in international strategy research, moving away from the question of multinationality per se to giving more emphasis to issues relating to subsidiary management and strategy. Such interests led to a dramatic increase in research on multinational subsidiaries concerned, amongst others, with such issues as parent-subsidiary relationships, subsidiary roles and strategies, subsidiary network relationships, subsidiary impact on host country economy, and subsidiary resources and capabilities. Nevertheless, studies in relation to management of subsidiaries were not only driven by literary searches, but primarily by a number of internal and external subsidiary level changes and challenges underpinning the broader globalisation process of the multinationals

which further challenged the explanatory power of traditional international strategic management concepts. Table 2.2 summarises some of these internal and external environmental changes which made subsidiary level analysis imperative in order to permit a more comprehensive view of the strategy and organisation of the multinational enterprise.

Table 2.2: Environmental Changes Necessitating the Development of Subsidiary Management Research

Examples of Internal Factors	Examples of External Factors
<ul style="list-style-type: none"> ▪ The ability of subsidiary units to develop unique identity and/or sets of network relationships in different countries; ▪ The existence and development of unique competitive capabilities at the subsidiary unit level; ▪ Creation of focused factories, consolidating or assigning global responsibility for single product line or family of products; 	<ul style="list-style-type: none"> ▪ De facto increase in the geographical dispersal of value adding activities of most large MNEs; ▪ Competitive pressures demanding MNEs to make better use of their geographically dispersed activities – to make them more efficient and to co-ordinate them more effectively; ▪ MNEs recognising the need to develop more flexible configurations to make them more responsive to changing market demands.

Source: The Author, compiled from Birkinshaw (2000)

Hence, the focus of this particular strand of research is on the “wholly-owned subsidiary company as the primary unit of analysis (where the subsidiary is defined as a value-adding activity outside the MNE’s home country” (Birkinshaw, 2001:380). This approach offers a “bottom-up” perspective to the strategy and organisation of the multinational arguing that the evaluation of the competitiveness of the multinational is best captured at the level of value adding activities or process. It is typically concerned with the organisation and management of the subsidiaries, how the subsidiary company relates to other entities inside and outside the boundaries of the MNE’s global network. In that respect, the attitudes, opinions and activities of the subsidiary’s corporate staffs become critical to the analysis of its strategy (Birkinshaw and Hood, 1998).

Moreover, Birkinshaw and Hood (1998) and Paterson and Brock (2002) identify three broad streams of thought which characterise the field based on extensive reviews of the state of knowledge and research in relation to strategy and management in MNE subsidiaries. The first stream focuses on *Headquarters (HQ) - Subsidiary relationships*, which includes the early works giving explicit attention to the control

of subsidiaries by their headquarters. As such this stream encompasses several aspects of interaction between the headquarters and its subsidiaries including, centralisation, formalisation, control and co-ordination (examples include the works of Hedlund, 1981; Gates and Egelhoff, 1986). The second stream is described as *Subsidiary Roles* and focuses on the various roles and strategies assumed by subsidiary companies. The key contention of this school is that the subsidiary is not always governed by its parent's agenda but can exercise certain degrees of autonomy in deciding and directing its own fate (examples of contributors include, White and Poynter, 1984; Bartlett and Ghoshal, 1986; Jarillo and Martinez, 1990; Birkinshaw, 1995). The third stream relates to *Subsidiary Development* and looks into the factors affecting the process of strategic change and development of subsidiaries overtime (examples of contributors include Birkinshaw and Hood, 1997; Birkinshaw and Hood, 1998). Overall, these three schools complement each other and the works of the above mentioned authors overlap considerably across all three strands underlying the understanding of multinational subsidiary and management. Therefore, given the exploratory nature of this study, it makes sense to take a complementary view towards all three streams in order to capture a more holistic understanding of international strategy by taking a bottom –up perspective. The paragraphs below discuss some of the key empirical and theoretical contributions to the field and assess their relevance for this study.

One of the initial path-breaking contributions with regard to international strategy in the subsidiaries context was the work of White and Poynter (1984), although there already were traces of some occasional work carried out on headquarter-subsidiary relations in the late 1970s and early 1980s (see, for example, Birkinshaw and Hood, 1998). These authors used the experience of some Canadian subsidiaries to distinguish between five types of subsidiaries, namely (1) subsidiaries that are miniature replicas of their parent companies, (2) subsidiaries that operate as Marketing satellites of their parents, (3) subsidiaries that produce component parts, also known as rationalised manufacturers, (4) subsidiaries that operate as product specialists, and (5) strategically independent subsidiaries. A similar approach was

undertaken by Bartlett and Ghoshal (1986) who proposed a set of four broad roles¹ for subsidiaries by analysing their contribution to the MNEs as a whole, according to their existing capabilities and the strategic importance of their local market, namely the strategic leader; the contributor; the implementer and the black hole. Both these works shared a number of similarities in the categories of roles they identified. For instance, Birkinshaw and Morrison (1995) argue that the Strategic Leader tallies with the features of the Product Specialist type of subsidiary, even if they use different terminologies. Implementer subsidiaries have similarities to the Miniature Replica type, while Contributors might have evolved from Miniature Replicas. Both these also reinforced the need to consider different elements of the value adding activities of the MNEs in order to evaluate its international competitiveness.

The recognition that subsidiaries have strategic roles and were more an autonomous entity spawned a number of studies in the 1990s which took a detailed look at the various roles of subsidiaries in defining their own strategies. One important contribution in that respect is that of Jarillo and Martinez (1990). These authors empirically evaluate the IR framework with respect to 50 Spanish manufacturing MNE subsidiaries and posit three strategies of the subsidiaries that are consistent with the framework: the active subsidiaries, which are highly integrated and highly responsive, the autonomous subsidiaries which are highly responsive but have low integration, and the receptive subsidiaries which have low responsiveness but are highly integrated. Taggart (1997) later evaluated this model of Jarillo and Martinez and the IR framework in the case of 171 MNC affiliates in UK. His findings suggested the addition of a fourth type of subsidiary to Jarillo and Martinez's taxonomy and he describes it as the "quiescent" subsidiary. Later, Taggart (1998) extended his analysis to suggest four strategy types which characterise subsidiaries overtime: detached subsidiaries, autarchic subsidiary, confederate strategy, and strategic auxiliaries. Another important attempt which sought to integrate much of the previous work with respect to subsidiary strategies was that of Birkinshaw and

¹ Birkinshaw and Morrison (1995:733) explain that this literature uses the terms subsidiary 'strategy' and subsidiary 'roles' interchangeably but the distinction is more than semantic. Role suggests a deterministic process whereby the subsidiary fulfils its 'imposed' function; strategy suggests a higher degree of freedom on the part of the subsidiary management to define its own destiny. On this basis the majority of the key empirical works in this literature focus on subsidiary roles, though some of them explicitly considered the ability of the subsidiary to take autonomous action. This thesis will adopt this perspective in using the term 'strategy'.

Morrison (1995). These authors suggest a three-fold typology of subsidiary roles based on the two structural (the 'hierarchy' and the 'heterarchy') models of multinational organisation, namely, the local implementer, the specialised contributor and the world mandate subsidiary.

These studies inspired other subsidiary management researchers to analyse subsidiaries' roles and strategies along more specific strategic dimensions. Gupta and Govindarajan (1991), for instance, extended Bartlett and Ghoshal's notion of the multinational as a differentiated network to distinguish between subsidiary roles based on knowledge flow patterns among focal and peer subsidiaries and the rest of the organisation. Until recently, similar efforts were undertaken by Surlemont (1998) who studied the scope and domain of multinational networks and the role of subsidiaries as 'centres of excellence'. Beechler et al. (1998) looked at the dominant role of culture and organisational learning among Japanese multinationals to suggest four affiliate archetypes: the exportive model; the closed hybrid model; the adaptive model; and the open hybrid model. Conversely, Randoy and Li (1998) analysed the patterns of resource flows and integration in multinationals to suggest a similar typology. Table 2.3 summarises the key typologies from the works discussed in the above paragraphs and also highlight the key international strategic issues that formed the basis of these studies.

From the point of view of this thesis, all of the above studies seem to further support the contention of international strategy as a 'multidimensional' construct, discussed earlier on; while at the same time, they also highlight the significance of the bottom-up perspective to international strategy. Also all of the above works, explicitly or implicitly, emphasise 'degree of autonomy' vs. 'degree of integration' (coordination) as the two central strategic domains underlying subsidiary strategy. These are then analysed in conjunction with such other specific but equally significant dimensions like, knowledge flows, resource flows, culture and organisational learning and so on. Further, and more particularly on a critical note, none of the works have explicitly incorporated service industries as distinct context in their sample of firms and industries studied although the argument is that subsidiary strategy types can vary from one industry context to another (Randoy and Li, 1998). In sum, international strategy viewed from the value-adding activities level is a determining and useful

perspective to incorporate in the conceptualisation of this thesis, and its particular focus on professional service industries might in all probability reveal some novel and significant insights.

Table 2.3: Key Typologies of International Subsidiary Strategy

Authors	Key Strategic Issues	Typologies of International Subsidiary Roles and Strategies
White and Poynter (1984)	Product Scope vs. Market Scope	<ul style="list-style-type: none"> ▪ Marketing Satellite – sells products which are manufactured centrally into the local trading area; ▪ Miniature Replica – produces and markets some of the parent’s product lines or related product lines in the local country; ▪ Rationalised manufacturer – produces a particular set of component parts or products for a multicountry or global market; ▪ Product specialist – the subsidiary develops, produces and markets a limited product line for global markets; ▪ Strategic independent – subsidiaries are permitted independence to develop lines of business for either local, multi-country or global market.
Bartlett and Ghoshal (1986)	Strategic importance of local environment vs. Competence of local organisation	<ul style="list-style-type: none"> ▪ Strategic leader – with a highly competent local subsidiary located in a strategically important market, the subsidiary serves as a partner of headquarters in developing and implementing strategy; ▪ Contributor – this represents a subsidiary operating in a small or strategically unimportant market but having a distinctive capability; ▪ Implementer – this is a subsidiary located in a smaller or less strategically important local market; ▪ Black hole – represents subsidiaries perceived as essential for maintaining a company’s global position are unable to make significant impact in markets which are large, sophisticated and competitive.
Jarillo and Martinez (1990); Taggart (1997)	Pressures for integration vs. Pressures for localisation	<ul style="list-style-type: none"> ▪ Quiescent subsidiaries – linkages with the parent or other parts of its network is very low in this group. Manufacturing, product and quality decisions are all linked to local market; this type of subsidiary has to produce itself any required technology, and there is little knowledge sharing with sister-subsidiaries. Parent companies apply virtually no central control of over quality, production or stocks. Customers and their requirements are easily identified, as are the strategies of competitors. Technology is stable, products are relatively mature, and the manufacturing process is well advanced along the learning curve. The executive group have a great deal in common; ▪ Autonomous subsidiaries – subsidiaries characterised by low network linkages and local decision making. There may be some sharing of technology with sister subsidiaries, at a fairly low level, and central control is much reduced. Customers and competitors needs and strategies are difficult to identify. Technology is still evolving and product line is fairly new. The executive group have different backgrounds and do not identify closely with the organisation and its corporate culture; ▪ Active subsidiaries – this group is the mirror image of the quiescent subsidiary. Firms here show a high level of integration on all six variables, and especially in the fact they are called on to service the MNC parent’s customers world-wide. Local responsiveness is also high, driven especially by substantial difficulty in identifying competitors and their strategies, and by the variety of unknowns in product and process specifications; ▪ Receptive subsidiaries – these firms represent the converse of the autonomous subsidiaries. Integration factors are al high, especially in relation to the centralisation of technology. Local responsiveness variables are fairly low, though perhaps the level of manufacturing specification is somewhat higher than the quiescent subsidiaries.
Birkinshaw and Morrison (1995)	Autonomy vs. integration of value added activities	<ul style="list-style-type: none"> ▪ The local implementer – This subsidiary has limited geographical scope, typically a single country, and a highly constrained product or value-added scope. It may have a role in adapting global products to the needs of the local market. It is typically (though not exclusively) found in a multi-domestic strategy; ▪ The specialised contributor – this subsidiary has considerable expertise in certain functions or activities, but its activities are tightly co-ordinated with the activities of other subsidiaries. Thus it is characterised by a narrow set of value activities and high levels of interdependence with affiliated subsidiaries. It may occur when the environmental pressures are high for integration and low local responsiveness; ▪ The world mandate subsidiary – this subsidiary has worldwide or regional responsibility for a product line or entire business, and typically has unconstrained product scope and broad value added scope. In this way it achieves “decentralised standardisation”: activities managed worldwide but managed from the subsidiary not head office”
Taggart (1998)	Configuration vs. co-ordination of activities	<ul style="list-style-type: none"> ▪ Detached subsidiary – subsidiary highly focused on some value adding activities with fairly limited autonomy; ▪ Confederate subsidiary – makes few decisions on its own. Its behaviour is participative and responsive. It is well suited to working with the extensive and integrated network

		<p>characteristic of 'high foreign investment' corporate strategy;</p> <ul style="list-style-type: none"> Autarchic subsidiary – subsidiary with more autonomy (due to lower level of co-ordination) and a significant number of value chain activities performed locally. This subsidiary corresponds to Porter's (1986) country-centred strategy; Detached subsidiary – subsidiary is fairly young, or in a transition phase, or it is part of a highly diversified parent which exercises little day to day control over the non-core parts of its international network.
Beechler et al. (1998)	Dominant management and organisational learning	<ul style="list-style-type: none"> Exportive model – where Japanese MNEs seek a wholesale transplant of the management template from the parent company in Japan; Closed hybrid model – here the initial lack of success in adapting and functioning effectively in the local environment leads to the creation of a hybrid management system; but learning is closed off from the larger organisation; Adaptive model – the overseas subsidiary applies a template, customised to fit with the demands of the local environment. While this template is successful, there is little sharing or diffusion of learning experience; Open hybrid model – this encompasses firms which approach the development of a management system for their overseas subsidiaries from a variety of starting points. <p>Flexibility, a proactive approach and a willingness to learn from internal and external sources characterise Japanese companies in this group.</p>
Randoy and Li (1998)	Resource inflows and Outflows	<ul style="list-style-type: none"> Resource provider (high outflow, low inflow) – subsidiary role represents upstream FDI in raw materials or intermediate products. For the foreign-owned subsidiary, the MNE possesses unique complementary assets and competencies that enhance the productivity of its activities, in effect an ownership advantage controlled the MNE. The economic rationale for the role of the resource provider is also to give the MNE access to lower paid unskilled and semi-skilled labour as well as secure access to vital raw materials. Ownership control (that is, FDI) is attractive when the motives of cost minimisation and supply security cannot be delivered in an open market of subcontracting; Independent subsidiary – (low outflow, low inflow) operates rather autonomously from the MNE centre with limited economic gains from integration. The main economic rationale for such independent subsidiary is to exploit certain firm specific technologies, brand names, or designs that the MNE possesses. These advantages are commonly based on exploitation of economies of scale, scope and cross-country learning related to technology, brand names, or designs. The cost of transferring these resources or market positions to domestic firms prohibit such market exchanges. The ownership control (that is internalisation) of key resources also provide the MNE with a potential to exercise some kind of cross-country market power; Resource networker – (high outflow and high inflow) fits in overall subsidiary strategy that Bartlett and Ghoshal described as transnational. A resource networker need to be the MNE headquarters, indeed in a typical MNE it is divisional centre within a complex MNE structure. The resource networker provides the MNE with the benefits of global economies of scale and scope; The product user – (low outflow, high inflow) is the 'old style' FDI that focuses on market access. This subsidiary role relates to the Receptive subsidiary type of Jarillo and Martinez. It is reasonable to assume that economies of scale in manufacturing are an important determinant if global integration of product flow within the MNE.
Surlemont (1998)	Scope (namely how broad a set of activities the MNE is involved with) vs. domain (how many units around the MNE controls)	<ul style="list-style-type: none"> Strategic centres of excellence (SCEs) – They are subsidiaries that, first, cultivate critical resources that are 'first-class' according to their MNC standards and, second, leverage these resources within their MNC for the benefit of other subsidiaries. Such an SCE allows the global leveraging of locally nurtured resources; Administrative centres (ACs) – such centres emerge or are established in MNCs for operational purposes. They often result from the structuring of the MNC into units, divisions or geographical areas. The purpose of such a centre is to respond to the organisational needs of decentralisation, integration and differentiation. In that respect it influences management of broad range activities through co-ordination and control, but their influence is confined to a limited, and often fixed, number of subsidiaries. As a consequence their domain of such a centre tends to remain low and constrained by structuring considerations within the MNC. Dormant centres (DCs) – these centres exert no influence within their MNCs. These are characterised by a low scope and a low domain. The first type of dormant centre is a subsidiary that neither masters any expertise useful for other affiliates nor plays any administrative role for other subsidiaries. Such subsidiaries are implementers to exploit local markets and opportunities. The second type of dormant centre masters an expertise in specific areas, but for some reason does not exert any influence within its group. It is a 'centre of lost opportunity' because its competencies are not globally leveraged and its potential rents are not properly appropriated; Global Headquarters (GHs) – these centres concentrate in their hand most decisions, for most activities for most subsidiaries. They correspond to the 'ethnocentric' MNC described by Perlmutter. They are mainly present in the newly internationalised and highly centralised companies that keep most decisions in headquarters' hands. This suggests that the global headquarters is characterised by high domain and high scope.

Source: Author (adapted from above studies)

2.4 CURRENT THEORETICAL APPROACHES UNDERLYING INTERNATIONAL STRATEGY

Part of the objective of this chapter, and indeed this thesis, is to examine the relevance of conventional strategic management theories in explaining the international strategy of firms, more specifically in this case the professional service firms. The above review of the strategic management literatures in Section 2.2 highlight two main theoretical strands that have formed the basis of external and internal analysis of the majority of works on strategy research, notably the Industrial Organisation View (IOV) and, recently, the Resource Based View (RBV). Moreover, a review of the works relating specifically to international strategy explicitly or implicitly support the significance of these theories in analysing international strategy issues (see, for example, Bartlett and Ghoshal, 1991; Birkinshaw and Hood, 1998). But the international strategic management literature further depicts the MNE as an “orchestrator” of network activities. Consideration of the contentions of the subsequent subsidiary management literatures in Section 2.3.3. seems to suggest the incorporation of the Network Based View (NBV), that is network theories, into the study of international strategy for a complete understanding of the process through which it was formulated. This section, therefore, aims briefly to discuss these three theories while highlighting their potential contributions in terms of the thesis.

2.4.1 The Industrial Organisation View (IOV)

Referring to Section 2.2, particularly to the works of Bain (1956, 1968) and later the works of Porter (1985, 1986), the IOV primarily assumes that the environment largely dictates the freedom of the firm’s strategic manoeuvre whether domestically or internationally. Barney (1991) summarises two key assumptions underlying this viewpoint. First, firms within a given industry or strategy group are homogenous in terms of their strategies and the resources they manage. Second, because of the high mobility of resources in implementing strategies, the emergence of any resource heterogeneity in a given industry or strategic group will be short lasting. Essentially, these assumptions characterise the firm as an “abstract economic entity”, not as a “social institution with an economic purpose” (Bartlett and Ghoshal, 1991). In that respect, the external environment imposes strategic requirements to which the firm must conform, thereby minimising the overall significance of the firm’s resources and

capabilities in strategic decision-making.

The industrial organisation perspective (Bartlett and Ghoshal, 1991; Collis 1991) has also dominated the literature on international strategy. Following the principles of industrial organisational economics, this viewpoint places prime emphasis on the external analysis of global competition. In other words, as Collis (1991) avers, because external global market forces impose selective pressures on a firm, international strategy is determined by such market imperatives, and competitive advantage is gained by carefully implementing strategies which seek to exploit those market imperatives. Various tools have been proposed or extended from the principles of the IOV to analyse the effect of global competition on a firm's strategy. Most popular among them has been Porter's Five Forces Framework (see, for example, Grant 1991) and the normative contingency framework of analysing globalisation drivers developed by Yip (1989). Yip's framework has been argued by Zou and Cavusgil (1995) to be directly derived from the "principle of coalignment" which postulates that the strategic "fit" between a business's strategy and its environment has significant implications for performance (Venkatraman and Prescott, 1990). Indeed, Yip defines an industry globalisation potential as determined by market, cost, government, technological and competitive drivers. He further asserts that the degree to which a firm's international strategy fits its industry globalisation potential will affect its performance.

From the point of view of this thesis, the industrial organisation perspective can therefore help to analyse the external imperatives characterising the international environment of professional services industries and potentially reveal their implications in respect of the international strategy of professional service firms. Such an analysis will also help inherently to evaluate the potential of a given industry analysis framework (such as that of Porter or Yip) in analysing this service industry context, and perhaps, suggest some useful theoretical adjustments towards further refinement when applying such frameworks in a different industry context. While so doing, it is also important to note that the IOV has been criticised for over-emphasising the significance of industry structure and the wider environment, yet giving minimal recognition to heterogeneous individual company's resources, capabilities and competence. This thesis attempts to alter this over-emphasis by

appropriately integrating the views of the resource-based theorists into the analysis of international strategy in the case of professional service industries.

2.4.2 The Resource Based View (RBV)

Again as mentioned in Section 2.2, the prime emphasis of this perspective is on the exploitation of the internal resources and capabilities of the organisation to implement strategies and achieve above average performance rather than adapting to the external environmental imperatives. As such this perspective postulates two assumptions which are central to analysing competitive advantage. First, firms within an industry or strategic group may be heterogeneous with respect to the strategic resources they control. Second, these resources may not be perfectly mobile across firms and thus heterogeneity can be long lasting (Barney, 1991:101). Following the logic of these assumptions, the main drivers of competitive strategy and performance are therefore inherently based in the idiosyncratic internal organisational dynamics of the business.

Resource-based theorists have, however, applied the term 'resource' in a very generic sense in analysing its significance as the main driver to (sustainable) competitive advantage. Wernerfelt (1984), for instance, stated that resource can include "anything which could be thought of as a strength or weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi permanently to the firm. Examples of resources are: brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, capital etc." (p.172). Barney (1991) instead illustrated a more comprehensive framework in order to identify firm resources. He proposed four characteristics to evaluate the economic implications of the resources: value (that which contributes to firm efficiency or effectiveness), rareness (that which is not widely held), inimitability (that which cannot be easily replicated by competitors), and substitutability (that is other resources which cannot fulfill the same function), and non transferability (that they cannot be purchased in resource markets; Dierickx & Cool, 1989). Only resources complying with these features can produce competitive advantage that are sustainable and enable the implementation of strategies that are both effective and efficient.

Other resource based researchers have focused on analysing specific resources

which give rise to sustainable competitive advantages. Among others, some of those examined include: routines (Nelson and Winter, 1982); functionally-based distinctive competencies (Hitt and Ireland, 1985, 1986); organisational culture (Barney, 1986); invisible assets which are by nature difficult to duplicate (Itami, 1987); human resources (Amit and Schoemaker, 1993); entrepreneurship (Nelson, 1991), and organisational learning and dynamic capabilities (Teece et al. 1997).

In the context of international strategy, the RBV is a relatively new theory to have joined the field of international business although resources have been acknowledged to be at the crux of the international competitiveness of firms. However, the field is gaining increasing popularity as a potent theory since it is argued that it adopts a methodical approach in evaluating the “relative importance of the broad pool of resources of firms competing in the global environment” (Fahy, 2001:58). One of the most popular works with regard to the application of the RBV in analysing global competition is that of Collis (1991) who studied a sample of firms in the bearings industry. He concluded the following: (1) a firm’s historical evolution restricts its global strategic choices and in effect influences global market outcomes; (2) “complex social phenomena, or ‘invisible’ assets can be a source of sustained competitive advantage, and will influence organisation structure independently of global strategic choice” (Zou and Cavusgil, 1996:60). Other researchers have also adopted the RBV in their studies. Bartlett and Ghoshal (1991) point to the importance of understanding how managers acquire unique capabilities and organise a portfolio of resources which could be a source of sustainable competitive advantage in global markets. Prahalad and Hamel (1990) postulate how the strategic intent of the business and its core competences help to determine how to compete globally. Tallman (1991) combines the RBV with the IOV and the transaction cost perspective to explore the relationship between strategy, structure and performance in multinational settings. Similarly, Kay (1997) applies the RBV to study the alternative patterns and directions of growth in the multinational enterprise. He also complements the RBV with the transaction cost school to suggest that all the strategic moves of such firms consist of a direction and mode and while the RBV can help analyse the direction of expansion, the transaction cost perspective can throw light on the modes of expansion. Yet, others like Young, Bell and Crick (1998) have applied the theory to study the

internationalisation process of small high-tech firms. These authors contend that initial country market and entry mode decisions are determined by the intended exploitation of firm competences. These can include proprietary technology, niche products and customer access, within resource constraints. Further, because of resource deficiencies, small firms are willing to enter into profitable or promising alliances or partnerships to ease the international growth, while leveraging adequate competences in the process.

The above arguments further support the relevance of using the RBV to analyse the international strategy of professional service firms. Its 'systematic' focus on the internal organisational resources and capabilities will analyse the internal environmental imperatives influencing the international strategy of such expertise-oriented firms. Arguably, it will help assess the accompanying implications for effective and efficient management of such internal organisational influences in developing successful international strategies. It is expected that incorporating this view will also help to examine the internal organisational dynamics of these firms and its role and/or relationship in creating a unique set of resources and capabilities that will eventually help towards providing sustained competitive advantage. However, referring to the above reviewed literatures on subsidiary management, the RBV and IOV are deemed to provide necessary but not sufficient theoretical support for analysing international strategy, accordingly, the case for a third theoretical strand is argued below, that of the Network Based View (NBV).

2.4.3 The Network Based View (NBV).

Early ideas of the NBV, at least in its most embryonic form, can be traced to the works of social exchange theorists, notably such as Thompson (1967). Thompson, for instance, conceptualised the notions of co-operative and competitive strategies and coalition formation which later developed as network and strategic alliance strategies. His work also helped in explaining the execution of corporate strategy by exploiting interdependencies between business units. Such notions and others have been extended and applied in various business disciplines, including that of international business.

In that respect the NBV is a relatively young paradigm although network approaches have been rigorously applied to examine the internationalisation process

of firms involved in international business. A case in point is the industrial network approach which emanated from a number of Swedish studies. One important study among these includes the “internationalisation process model” of Johanson and Vahlne (1977). This model avows that internationalisation is an ongoing evolution whereby the firm increases its international involvement as a function of increased knowledge and market commitment. A second prominent work is that of Johanson and Matsson (1988) who presented a network model depicting industrial markets as inter-firm relationships with the aim of providing a behavioural explanation to firms’ internationalisation. These authors highlight the significance of interdependencies and developmental processes in international markets. To them industrial systems consist of firms involved in the production, distribution and consumption of goods and services. Under their model, a firm is assumed to rely on resources (in tangible and intangible forms) controlled by other firms. Firms, therefore, engage in interpersonal and interorganisational relationships (Axelsson and Easton, 1992) to access critical resources for their survival and expansion. Such relationships can involve customers, suppliers, competitors, private and public support agencies, family, friends and so on. Organisational boundaries therefore incorporate both business (formal) and social (informal) relationships. Such relationships can also trigger both “outward” and “inward” patterns of international growth (Welch and Luostarinen, 1988). These authors argue that international involvement of firms is not depicted only by looking at the markets entered and mechanisms used for entry but it is also reflected in more firm-specific constructs like market offering, organisational capacity, personnel and structure. Such arguments bear strong resemblance to the key assertions of the resource-based view.

More specific to the context of international strategy, the network approach has been associated with the geocentric approach of Perlmutter (1969) who illustrated the existence of benefits associated to managing subsidiary units not as a portfolio of independent units but as an interdependent network. As discussed in Section 2.3.2 this approach has been implicitly or explicitly at the heart of some of the major works in international strategic management that developed in the 1980s and 1990s. Moreover, the globalisation process led to the emergence of new and complex forms of governance at the enterprise level (Young, 1998) which resulted in increasingly

integrated global companies, described by Malnight (1996:2) as the “Network-based MNC models”. Such models viewed the multinational firm at its best as a controller of a network of interrelated activities (Bartlett and Ghoshal, 1990) using formal and informal organisation and co-ordination mechanisms to align its international strategy. Indeed, most subsidiary level researches have extended on this network conceptualisation of the multinational (Birkinshaw and Hood, 1998; Birkinshaw, 2001) and this is increasingly accepted as a preferred approach to analysing international strategies of subsidiaries, given the complex web of relationships their managers are constantly entangled in. Such relationships highlight vertical and horizontal interactions between the network nodes that are both internal (that is, within the MNE’s network) and external (that is, the MNE’s network and other organisations (Rugman and D’Cruz, 1997). Bartlett and Ghoshal (1990) state that the extent and form of these link-ups depends upon the resources and capabilities configurations of the MNE, which in turn rest on the related position of headquarters and subsidiaries in the total network of activity (Birkinshaw, 2001).

The NBV has received varied degrees of attention empirically. For instance, the process based internationalisation school has received widespread application as an explanatory model for firm internationalisation in such works as Johansson and Sharma (1987); Johansson and Vahlne 1992); Coviello and Munro (1995). In the MNE and subsidiary management literature the NBV has received limited empirical support although it now seems to be gathering momentum (for a review see Birkinshaw, 2001). In terms of its weaknesses, Birkinshaw (2001) criticises the frequent descriptive application of theory which in turn makes it “unfalsifiable” and limited in its explanatory power. Further, based on the analysis of small firm internationalisation, Young et al. (1998) point to the ambiguity present in distinguishing between cause and effect relationships in networks. They argue that interaction between network nodes could often be an alternative way to compensate for resource deficiencies rather than a determinant of international strategy.

In the light of the above discussion, it is expected that the NBV, complemented with the RBV and the IOV will reveal novel perspectives into the analysis of international strategy, although here it is specifically applied in the context of professional service industries. In essence the NBV will help analyse the network

dynamics embedded in the external and internal environments of the professional service firms (as argued by the IOV and the RBV respectively) and elucidate their influences or implications on the international strategy of the professional service firms.

2.5 CHAPTER SUMMARY

The main motive of this chapter has been driven by the need to understand the key theoretical domains underlying (international) strategic management and to define and understand ‘international strategy’ as a theoretical concept. This chapter, therefore, sets the theoretical underpinning of this thesis, highlighting and evaluating the key strands of strategy-related theories and knowledge useful in examining the research question governing this study. Subsequently, a review of the evolution of knowledge and research in Strategic Management concludes on the nature of the field as being an “ever-evolving, eclectic and multi paradigmatic” field of study “firmly grounded in practice”. Moreover, irrespective of the varied theoretical perspectives and methodologies, research in strategic management has been primarily focused in exploring two key research domains: the internal characteristics of the firm and/or the characteristics of the external environment and industry. Both these research domains have received varying degrees of emphasis in analysis throughout the development of the field.

Further, a review of the literatures integrating international business and strategic management issues in the chapter illustrated the ongoing efforts of strategy scholars to understand the impact of a combination of events on shaping the international business environment and their influences on firms’ strategy and performance (domestic and international). Initial examples of such analysis were put forward by studies and research that ‘took off’ after the Second World War with the increase of foreign direct investments by American MNEs (Dunning, 1958; 1993). In principle, the mid sixties and early 1970s saw the enunciation of several paradigms and theories about foreign direct investment (FDI) and MNE activity. Most of these were based on different angles of analysis (the firm, industry or country) and adopted a variety of disciplinary approaches. Prominent among these were the works of Hymer (1976) and Vernon (1966). Following these works, the scope of international business strategy research expanded when Europe and Japan became internationally

competitive in trade and investments. The late 1980s and the 1990s saw the emergence of the strategic management perspective to the international business field. The substantive thinking of the 1950s/1960s, the analytical methodologies of the 1970s/1980s, as well as newly emerging theories are now being combined to exhibit an integrative approach to analyse international business issues. In fact, traditional strategic management approaches are being supplemented from multidisciplinary perspectives, drawing from theories from a variety of disciplines that are related to international business with a more strategic bearing on the challenges of the international business environment.

Considering such analyses the chapter argues that international strategy is closely related to the internal organisational aspects of the firm while being also externally driven by challenges presented by the global environment. In essence, 'International Strategy' (IS), is about how firms compete in an increasingly internationally competitive environment. The 'ultimate' international strategic choice of the firm depends on the internal organisation, resources and capabilities that underlie the firm's competitive advantage in relation to those required to exploit a particular opportunity or set of opportunities. Moreover, while there are several alternative ways for a firm to be international, different approaches to international strategy suit different companies in different industries at different times and in different countries. In other words, some or all of these strategies are viable but in different contexts, for specific products, in a specific market, at a specific point in time (Faulkner and Segal-Horn, 1999). In this respect, international strategy must, above all, be understood through a careful examination of its internal as well as external influences and their managerial implications.

Next the chapter summarises and discusses some of the path-breaking contributions on 'international' strategy' while drawing conceptual issues relevant for the purpose of this thesis. The extensive review undertaken suggest the following key issues about international strategy: *first*, there are a number of internal influences (defined as the internal organisational factors) and external influences (as defined by the external/industry drivers) which determine international strategy; *second*, setting international strategy calls for making choices along a number of key strategic dimensions or levers (Yip, 1989; Roth and Morrison, 1992; Zou and Cavusgil, 1995;

Hood and Young, 2000; Tallman and Yip, 2001). Consideration of such dimensions is strictly linked to the analysis of internal and external determinants of international strategy. And they can encompass such issues as the strategic mind-set of corporate management of the international firm (Perlmutter, 1969); international geographical spread and international market servicing decisions (Young et al. 1989; Hood and Young, 2000; Tallman and Yip, 2001); Managing global integration vs local responsiveness issues (built within this dimension is the issue of managing or exploiting co-ordination benefits and/or interdependencies between foreign markets and multinational networks) (Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989; Tallman and Yip, 2001; Rugman, 2000); and last but not least issues relating to managing international expansion through international strategic alliances or global mergers and acquisitions as opposed to organic growth (Young et al., 2000; Tallman and Yip, 2001); *third*, consideration of the issues described above portrays international strategy as a “multidimensional” construct (Zou and Cavusgil, 1995:62), where the ‘right’ international strategy or the ‘right set of international strategies’ is a function of the analysis undertaken along those dimensions. Evaluation of the appropriate strategic dimensions can result in international strategy being restricted to only a certain part of the value chain activities of the international firm (Morrison and Roth, 1992; Roth, 1992) and/ or aim at regional integration in terms of its scope (Rugman, 2000). On the whole these studies have paid very scant attention to the application of these notions in relation to service industries.

The chapter also evaluates international strategy viewed from the perspective of the ‘subsidiary’. This is argued to be an important perspective since the success of the multinational strategy is significantly determined by the role of their foreign subsidiaries within a global network (Birkinshaw and Hood, 1998; Patterson and Brock, 2002). This perspective further supports the analysis of international strategy as a ‘multidimensional’ construct and also highlights the significance of the bottom-up perspective to international strategy. Also all of the above works, explicitly or implicitly, emphasise ‘degree of autonomy’ vs. ‘degree of integration’ (co-ordination) as the two central strategic domains underlying subsidiary strategy. These are then analysed in conjunction with other specific but equally significant dimensions such as, knowledge flows, resource flows, culture and organisational learning and so on.

Further, and more particularly on a critical note, none of the works have explicitly incorporated service industries as a distinct context in their sample of firms and industries studied although the literature argues that subsidiary strategy types can vary between one industry context and another (Randoy and Li, 1998).

Following the objective of the thesis the chapter also draws on the key theories that have formed the basis for external and internal analysis in most of the works on strategy research, notably the Industrial Organisation View (IOV) and, recently the Resource Based View (RBV). Moreover, a review of the works relating specifically to international strategy reveals that they explicitly or implicitly support the significance of these theories in analysing international strategy issues (see, for example, Bartlett and Ghoshal, 1991; Birkinshaw and Hood, 1998). But the international strategic management literature further depicts the MNE as an “orchestrator” of network activities. Consideration of the contentions of the subsequent subsidiary management literatures suggest the incorporation of the Network Based View (NBV), that is network theories, into the analysis of international strategy for a complete understanding of the phenomena in different industry contexts. The next chapter analyses the literature with specific reference to professional service industries; it relates the key conclusions drawn in this chapter to issues relevant to understanding the international strategy of professional business service firms.

Chapter 3

The International Professional Business Services Industry

3.1 INTRODUCTION

This chapter reviews the 'services' and 'professional services' management literature highlighting the characteristics of international strategy in these industries. The intent is to understand the nature and relationship between both categories of services while drawing on some key theoretical and empirical works that have been undertaken in relation to their international expansion. As such, the first part of the chapter analyses the 'services' literature in general discussing the focus and key findings of studies relating to international business and/or internationalisation of services. Thereafter, the remainder of the chapter pursues specific interests and examines similar aspects with respect to professional business services. The chapter's objectives are as follows:

- To review the key characteristics of internationalisation of 'services' and 'professional business services' drawn from the services and professional services management literatures;
- To review and examine the characteristics of and influences on international business and the strategy of professional business services;
- To examine and evaluate the relevance and extent of application of conventional strategic management theories in understanding the international strategy of professional business services.

3.2 INTERNATIONAL BUSINESS IN SERVICE INDUSTRIES

The study of services in the international context has generally received limited attention. Traditional assumptions about the specific characteristics of services, such as intangibility, perishability, simultaneity of production and consumption, and buyer/supplier interaction in the service delivery process have primarily implied that service firms are necessarily 'local' in terms of their structure and organisation (Segal-Horn, 1999). In fact, services have a long history of internationalisation and it would be utterly misleading to think of this process as a new feature of the modern service economy.

In fact, multinational service corporations were among the first firms to internationalise in the 1870s, but for the most part of the last century, their foreign

expansion has been overshadowed by that of their manufacturing counterparts. Altogether, the internationalisation and growth of services was originally triggered by the global expansion of manufacturing multinationals, and during the 1970s the trend changed with the increasing demand by local customers in foreign markets which became an independent motive for foreign investments by service firms. Overtime the relationship between the foreign expansion of manufacturing and service MNEs has been mutually reinforcing and has had a significant impact on the development of cities, regions and countries. But studies examining the internationalisation of services have been generally few and this is reflected in the range and quality of empirical and theoretical work that is available. Bearing this in mind, this section starts by providing analytical discussions relating to the key features of services in general. It then draws on the key conceptual and empirical works that have attempted to understand international business in services industries primarily from marketing and strategic management perspectives.

3.2.1 Defining 'Services'

The debates over the nature and distinctiveness of 'services' is longstanding in the services marketing and management literature and very often the key feature of such debates has been a question of answering how different is a 'service' to a 'good' (Shostack, 1977; Sasser et al.1978; Norman, 1984; Daniels, 1985; Heskett, 1986; Lovelock, 1988; O'Farrell and Hitchens, 1990; Dotchin and Oakland, 1994). Also, accompanying such debates has been the linked issue of examining the relevance and extent of the applicability of knowledge acquired from studying manufacturing firms to managing their service counterparts.

For instance, one of the most prominent definitions of services has been derived from the 'unique characteristics' posited by Ziethalm and her colleagues (1985). Ziethalm et al. (1985) provides a thorough analysis of the rationale of some common features and their relevance to services marketing. These are intangibility, inseparability of production and consumption, heterogeneity and perishability. Moreover, Ziethalm and her co-authors argue that each unique characteristic of services leads to specific problems for service marketers and necessitates the provision of special strategies for dealing with them. They also summarise the problems frequently encountered from each of the characteristics and list the marketing strategies proposed in the literature to overcome them. This functional

definition of 'services' has offered several strategic insights to both researchers and practitioners alike because these authors strongly assume that services marketing problems require services marketing solutions and that strategies developed from experience in goods marketing are often insufficient or simply not applicable. Along the same line, Lovelock (1991) adds that not only are services different but the context within which services marketing tasks are planned and executed also differs.

But when applied in the international context such characteristics pose vexing problems to academics and practitioners alike. This is because while international services do share some commonalities with international goods, the implications of the aforementioned unique features may be more complex in an international context than domestically. For instance, Cicic et al. (1999) argues that internationalisation places the service firms in a remarkably different context which may demand a greater degree of adaptation. Conversely, from a marketing perspective, Winsted and Patterson (1999) posit that "together these unique characteristics make international marketing of services an especially demanding challenge" (p.295). Subsequently, some researchers suggest adopting a broader perspective when studying 'services'. For example, Ziethalm and Bitner (1996) prefer to define services as 'deeds, processes and performances' and international services as 'deeds, performances, efforts, conducted across national boundaries in critical contact with foreign cultures' (Clark et al. 1996:15). These authors claim that such broad definitions are useful because they encompass both the service-related activities of many traditional goods manufacturers (examples include delivery, inventory management, management contracts, training) and the various service sectors such as retailing and financial services at a domestic as well as an international level.

Alternatively, other authors argue that the unique attributes of services can be eroding and prefer to propose more 'flexible' classification schemes with the intention of capturing the heterogeneity present in studying (international) services. O'Farrell and Hitchens (1990), for instance, proposed a 'continuum of tangibility' as a more accurate framework to include the various service sectors. Boddewyn and Halbrich (1986), and Dunning (1989) distinguished pure consumer services from producer and intermediate services in describing different levels of tangibility involved in different types of services. Erramilli (1990) makes a similar distinction but restricts his classification to 'hard' and 'soft' services. With regard to international services, Lovelock and Yip (1996) and Lovelock (1999) propose the classification of services

into three groups: people processing services; possession processing services; and information based services. Similarly, Clark et al. (1996) and Clark and Rajaratnam (1999) offer a classification of international services based on four categories: contact based services; vehicle-based services; asset-based services and object based services. Other alternative attempts to classify international service transactions include *inter alia* those propose by Sampson and Snape (1985); Vandermerve and Chadwick (1989) and Edvardson et al. (1993). All these classification schemes and others are descriptive and have provided an important basis for research reserved exclusively for services, but as Samiee (1999) asserts none of these categories are mutually exclusive and exhaustive for all services. This is indeed true, for instance, when two independent groups of researchers using the 'hard' and 'soft' services classification scheme in their studies categorised the advertising services both as a hard service (Erramilli, 1989) as well as a soft service (Ekelado and Sivakumar, 1998).

In sum, this thesis does not intend to explore debates relating to the definition or classification of services. Instead, it supports the view that such discussions do not help towards useful empirical and conceptual analyses and/or theoretical contributions in the 'services' strategic management literature. Internationally, the range of services offered is broad and many overlap into diverse industries. Consequently, the distinction between goods and services or between the unique features of services are 'diluting' (Segal-Horn, 1998:401) or 'blurring' (Grönroos, 1999:293) in significance, subsequently creating room for potentially applying knowledge acquired from studying the international strategic management of manufacturing firms to 'services' or 'professional services' firms. Such a statement is further substantiated when studies relating to internationalisation in service industries are considered.

3.2.2 The Internationalisation of Service Industries

As discussed in Chapter 1, an important illustration of the rapidly growing international involvement of service firms are the studies undertaken by such institutions as the WTO, World Bank, OECD, EUROSTAT and UNCTAD. The data and evidence compiled by these sources are all indicative of an upsurge in the overall value of service trade and investment globally. For example, data gathered by the WTO between 1994-1999 shows that the value of world exports of commercial services has increased by 27 per cent during that period (WTO, 1999). And data compiled by UNCTAD confirms that the total value of the service sector FDI inflows

increased 8.8 per cent between 1988-1997 (UNCTAD, 1999). Moreover, combined influences of both demand-led and supply-driven forces are observed to underlie this relative increase in the internationalisation of service activities. Amongst others these include: the globalisation of economic activities, changes in the regulatory environment, rising incomes, increased integration of information and communication technologies in the production and delivery of services and increased competition and uncertainty in the international business environment. However, even though these trends point to the growing global economic and strategic significance of service firms as a whole, they have not, so far, inspired adequate literary progress and empirical contributions which attempt to understand the strategic behaviour of international service firms (Daniels 1985, 1993b).

Nevertheless, international services have been studied from several perspectives. Looking at the service-oriented studies, it is noted that the first group of scholars who attempted to develop a conceptual framework to explain the interaction between international growth of services and service MNEs were economists like Boddewyn and Halbrich (1986); Dunning (1989); Buckley et al. (1992) and Li and Guisinger (1992). These authors applied the economics principles and methods to test the application of the international business theory and explain FDI and growth in service industries. They conclude that existing international business theories can accommodate explanations for international expansion for service firms because the fundamental process of internationalisation is the same for these firms as for those of their manufacturing counterparts, although the manifestation of the process in the two sectors may differ. Linked to this group, a number of authors have attempted to provide process-based explanations for the internationalisation of service firms following the Uppsala internationalisation process model (Sharma and Johanson, 1987; Edvardsson et al. 1993; Cicic et al. 1999).

A second group of researchers have focused on industry-specific studies to investigate the reasons for the internationalisation of service firms, often treating them as a heterogeneous group. These include those in the international construction and design engineering industry (Enderwick, 1989); the hotel industry (Dunning and McQueen, 1981); multinational news agencies (Boyd-Barrett, 1989); the advertising industry (Terpstra and Yu, 1988, Nachum, 1997); the accounting industry (Daniels, Thrift and Leyshon, 1989) and hotels (Dunning and McQueen, 1981; Dunning and Kundu, 1995). Again, some of these have been directed towards theorising on the

determinants of foreign production. They indicate that the export of managerial skills, information and organisational techniques is one of the main forms of intrafirm cross-border trade. Some scholarly works have also been undertaken to assess the impact of transnational service corporations on both developed and developing countries (Blomstrom and Lipsey, 1989; Lipsey and Zimny, 1991; UNCTC, 1990).

A third group of authors have also taken a marketing and/or strategic management perspective(s) to study the entry mode choices of service firms (Erramilli, 1990; Ekeledo and Sivakumar, 1998; Majkgård and Sharma, 1998) and global marketing strategy or transnational strategy in service businesses (Lovelock and Yip, 1996; McLaughlin and Fitzsimmons, 1996; Lovelock, 1999). And last but not least, some of the work also pertains specifically to small service firm internationalisation. Out of sixteen articles reviewed by Coviello and McAuley (1999), two focused solely on service organisations (Bjorkman and Kock 1997, O'Farrell et al. 1998). Some studies in their sample also examine software/information technology firms. While it may be argued that software firms are in the service industry (Bell 1995, Coviello and Munro 1995, 1997), the authors observe the relative lack of empirical evidence on service SMEs entrepreneurship and the role played by small service firms in international trade. The same group of authors also highlights the potential impact of network relationships on small firm internationalisation, and particularly the conduct of international marketing activities. The conclusions of both these studies call for further research to examine the role of networks in small service firms' ability to strategically manage their international development.

For this thesis, reviewing all these works discovers very few contributions that deal strictly with the international strategy of service firms, although some works do suggest the pressing need to analyse and understand the competitive and strategic behaviour of international service firms (Knight, 1999). Very similar to the scenario presented in the previous section, contributions pertaining to services internationalisation are found to discuss the extent to which theories and empirical results compiled from studying manufacturing firms can be applied to services. This study concurs with Cicic et al (1999:81) and Grönroos (1999) who combined to assert that the international strategic behaviour of service firms 'driven by a similar set of variables used by manufacturing firms, but the intensity and direction of some key relationships require modification and adaptation' leaving plenty of potential for useful cross-fertilisation of concepts and strategies. Further, the review does not

identify any studies that have comprehensively applied and tested the conventional strategic management theories discussed in Chapter 2 in the case of service industries. Several of the works (for example, Sharma and Johanson, 1987; Samiee, 1999), however, do emphasise the need and potential validity of these theories to explain the competitive and strategic behaviour of international service firms. Such considerations illustrate the potential value and possible contribution of this study given the orientation of this research while retaining its focus strictly on professional business services.

3.3 THE INTERNATIONALISATION OF PROFESSIONAL BUSINESS SERVICES

The 'professional services' industry is recognised to be the fastest growing economic segment of most high-income economies like the US, UK, Canada or Switzerland (OECD, 1996). For the past two decades, 'professional services' firms have been growing at an annual rate of 20 per cent. They now account for 18 per cent of jobs in the West and revenues are estimated as a £600 bn a year. International business among PBSFs is less than a century old, or rather a relatively recent phenomenon compared to their manufacturing counterparts. Moreover, similar to the case of other international services discussed earlier 'theory lags practice by a considerable degree' (Porter, 1990; Clark and Rajaratnam, 1999), although the 'globalisation' of professional business services has attracted some academic interests in recent years (notable examples include, Johanson & Sharma, 1987; Aharoni, 1993, 1996; Aharoni and Nachum, 2000; O'Farrell and Wood, 1998; Bagchi-Sen and Sen, 1997; Nachum, 1998; Roberts, 1998). From this point onwards, the chapter discusses the extent, degree and forms of 'internationalisation' in the 'professional business services' (PBS) industry. In so doing, the chapter takes a strategic management viewpoint to analyse the key organisational and industry influences characterising 'internationalisation' of firms in this industry. It finally makes a case for incorporating the conventional strategic management theories discussed in Chapter 2 into the analysis of international strategies of the professional business services firms (PBSFs).

3.3.1 Professional Business Services (PBS)

Traditional definitions of 'professionalism' or 'professional services' *per se* have focused on references to status, educational attainments, 'noble' callings, and things like the right of practitioners to autonomy – the privilege of practising free of direction (Maister, 1993). This view emerges from sociologists' understanding and concern with the distinctions between occupations, and with attempting to elucidate the nature and privileges of 'professions' relative to other occupations. However, similar to the case of 'services,' there is no clear definitional stance on the term 'profession' either (Aharoni, 1993). As such, there are many debates in the literature on what is considered to be 'professional' or indeed what underlies 'professionalism'. This is largely due to the nature of the services themselves and the way in which they are delivered.

Until recently, the marketing and management literature on 'professional services' has emphasised the creation as well as the application of knowledge related to any particular profession. Bringing the 'people' aspect to the forefront, Maister (1985) categorises a professional services firm into 'brains', 'grey-hair' and 'routine' depending on what kind of knowledge the firm is supplying: expertise, experience or execution ability. Similarly, Löwendhal (1992) identifies knowledge as the core strategic resource of professional services firms and describes them as 'knowledge-based or 'brain-driven' organisations. Along the same line, Nachum (1998) provides a more succinct distinction that absorbs the crucial points highlighted by Maister and Löwendhal. She defines professional business services as consisting of two features. *First*, knowledge is their core resource, and it is both the input and output in their production processes. *Second*, their clients are other firms and institutions and their output is used as input into the production processes of other businesses. A number of professional business service industries can fall within these characteristics: accounting and bookkeeping services; data processing and computer programming; advertising and marketing research; business and management consultancy; engineering and architectural services; and legal services.

Further, emphasis on knowledge as the core resource and the gradual integration of information and communication technology in the delivery of professional business services have also labelled such services as knowledge intensive business services (KIBS) (Roberts and Howells, 2001). These authors argue that professional business services can be identified in that respect because they are based upon specialised

knowledge of administrative systems and social affairs complemented by the ability to deliver customised solutions to each individual customer's requirement. That is, such services typically enable users to negotiate complex social, physical, psychological, biological and technological systems given their centrality to knowledge and innovation. But other authors like Lowendhal (2001) still disagree with such views arguing that there are major differences between professional business firms and KIBS, such as banks. Primarily, she explains that PBSFs are 'committed' and careful to deliver customised services based on ethically sound professional judgement to their clients.

Furthermore, while, it is highly debatable whether or not PBS share some 'unique' strategic characteristics, the empirical results from a recent study by Dotchin and Oakland (1994) illustrate that they do. These authors developed a service classification scheme based on the operational features of services with particular emphasis on quality management and control of service delivery or performance. Dotchin and Oakland, (1994:10-12) synthesises the work of Chase (1978), Schmenner (1986); Lovelock (1983); Maister (1985) and Haywood-Farmer (1988) to generate several service attributes which have particular significance for management and control of service operations. These are quoted below by elaborating on the concepts described by the originators:

1. *People intensity* is defined as the ratio of labour costs incurred, to the value of plant and equipment which is used.
2. *Contact* is defined as the proportion of the total time required to provide the service for which the consumer is present in the stem. *Interaction* is defined as the extent to which the consumer actively intervenes in the service process to change the content of the service. Here, intervention is interpreted as also including customer participation to provide information, from which needs can be assessed, and also customer feedback, from which satisfaction can be inferred.
3. *Customisation* is defined here in two main parts:
 - Choice*, which is defined as meeting customers' needs by supplying one or more selections from a fixed range of options.
 - Adaptation* is defined as the interaction process in which the customer's requirement is decided upon, designed, and delivered to match the individual's needs.
4. The *nature of the service* can be either tangible, meaning perceptible to touch and capable of being possessed, or intangible, in being insubstantial and eluding the grasp of the mind.

The above definitions were further empirically tested by Dotchin and Oakland, (1994) on a comprehensive subset of services which are directed to the consumer and are provided for a profit. They eventually generated five distinct groupings of service

types namely: 'service shop'; 'professional service'; 'mass service', 'service factory' and 'personal services'. Interestingly it was possible to note the remarkable similarities among the service attributes of 'professional services' from their results. These attributes include: intangibility, people intensity, interactive nature of service process and customisation. (see Table 3.1 below). Given the similarity in the characteristics of the different professional services, this helps to reiterate Lovelock's (1988) argument that if some of the 'services' do share some common strategic characteristics, then this sets the stage for useful cross-fertilisation of concepts and strategies.

Table 3.1: Characteristics of Professional Services

Professional Services	People Intensity	Contact/ Interaction		Customisation	Nature of Act
Accountant	High	Low	High	Adapt	Intangible
Finance Consultancy	High	Low	High	Adapt	Intangible
Veterinary	High	Low	High	Adapt	Tangible
Architect	High	Low	High	Adapt	Intangible
Solicitors	High	Low	High	Adapt	Intangible

Source: Author: adapted from Dotchin and Oakland, (1994:23)

In sum, the difficulties attached to the study of PBS emerge primarily from a definitional standpoint. As Thakor and Kumar (2000) argue such definition-based inconsistencies have provided a number of problems in studying, conducting researching or even formulating any valid or applicable theories on professional services management or marketing. Roberts (1998) explains that such difficulties are exacerbated as many professional business services are highly innovative and rapidly evolving from other sectors of business activities, and difficulties arise in attempting to accurately define any particular sector in that respect. She also notes the problem of 'overlap' between different professional services by listing a series of industries considered to be professional business services under the Uruguay Round, GATT trade negotiations. Nevertheless, this incongruity in defining PBS does not in any way reduce the need to study such services, as for example in this thesis. In fact, the distinctive nature and characteristics of PBS makes studying such services more interesting as they are here considered to be integral to the organisational and managerial dynamics of the PBSFs.

3.3.2 The Professional Business Service Firm (PBSF)

Quite similar to the case of a manufacturing firm, the life cycle of a PBSF is characterised by different levels of maturity, growth and expansion. The literature review helped to identify two key theoretical models explaining this process. The first model is that of Lowendahl (1997) who observes a sequence of three stages through which PBSFs evolve as they grow, provided they survive each stage. She points out that the maturity and size of the professional organisation at each level has a substantial impact on the degree of complexity in managerial and organisational challenges. The fundamental phases of evolution are as follows. First, the firm starts as a collection of individuals who make decisions independently, possibly after unplanned, informal discussions. Second, the firm grows to a small informally co-ordinated organisation with part time managers, making decisions after consulting all key professionals. Organisational goals are developed, but need not be explicitly stated. Third, setting up the multi-office firm. Formal structures and full time management becomes fundamental to performance in this scenario. Particularly at this stage, each partner develops and maintains his/her own group of professionals and established client relations.

The second model is that of Scott (1998) who describes the life stages of the PBSF (see Figure 3.1) on the basis of such criteria as its fee income, number of people employed, office locations, and client base. He argues that within any given segment of professional services, the PBSFs tend to follow the same life stages. In his words, these are:

- Stage 1: This is the start-up phase and early growth up to about \$3 million in fee income.¹ The firm will have to consist of thirty people in a single office serving a local client base. It will probably be quite dependent on a couple of key clients and one or two business winners.
- Stage 2: This stage spans fee income from \$3million up to around \$10 million. The firm may have expanded out of a single office. It will certainly have clients

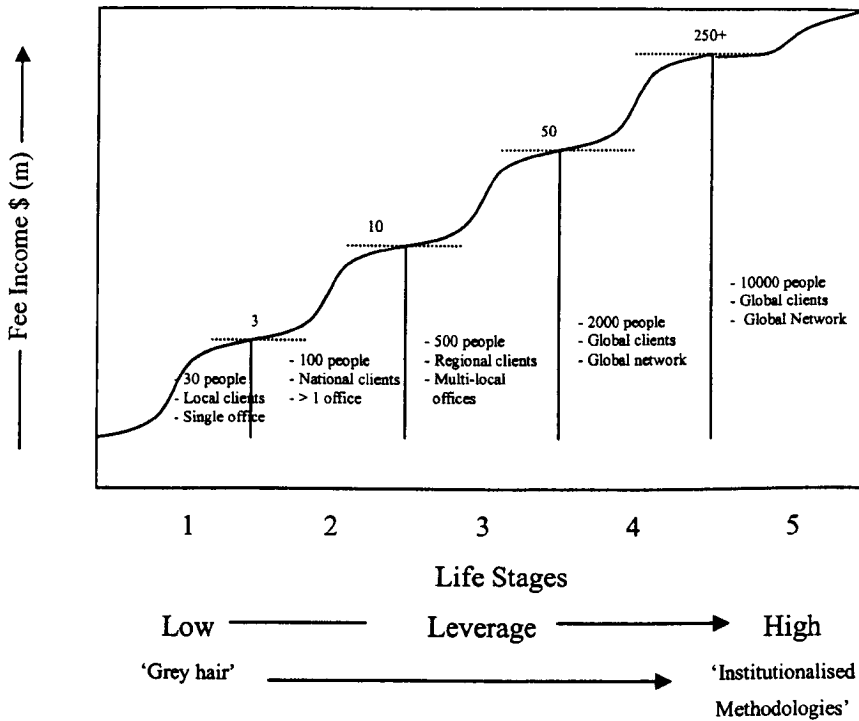
¹ Fee income is real revenue. This differs from billings which includes the value of bought-in services. The total potential income of a professional services firm is a simple function of the fee-earning staff in the firm, multiplied by the number of working hours. Total billable hours will be less than total potential output because professionals must also devote time to non-billable activities such as - sales, administration, and training. Actual hours billed depends upon the firm's ability to win sufficient client work at appropriately attractive fee rates (Empson, 1999). Hence, profitability of a professional services firm is a function of the relationship between hourly fee rates charged and hourly salary rates paid.

on a national or regional basis. It will have a strong local specialist reputation and two or three significant accounts which will tend to be 'secure'.

- Stage 3: This stage runs up to about \$50 million in fee income. The firm will have a small network of offices based around core regional and international cities. Its reputation will be strong and it will be widely regarded as a mature business, with upwards of 300 employees.
- Stage 4: Here firms will have grown as far as \$250 million in fee income. They will typically still be specialised but have a significant network of global offices and be recognised as an international brand in their segment. They will tend to have gurus and well-known industry figureheads on the board. They may have started to become quite acquisitive and their business will be founded on a number of key global client relationships. They will widely be regarded as being an institutionalised brand, no longer vulnerable to the whims of a small number of managers.
- Stage 5: At this stage the firm will have income that may stretch into the billions. They will typically be acquisitive and have a long holding of PSFs from a potentially wide spectrum of sectors. In any PSF segment there will typically be no more than a handful of such firms. Depending on the level of consolidation in the sector, they are more likely than not to be quoted. Figure 3.1 illustrates the life stages segmentation of PBSFs

Further, both models agree that firms at each stage are expected to face quite distinct sets of problems, opportunities and challenges to remain competitive. They will also have to evolve in fundamentally different ways of operating. For instance in Scott's model, at the early end of the life cycle (say, stages 1, 2 and 3), the firm will typically rely on a handful of senior professionals and its close personal client relationships. Scott (1998) explains that the product of the firm at that stage will exhibit heavy 'grey hair' (Maister, 1993) and advisory content where each partner will not be highly leveraged². The fee income of the firm will depend on their personal rate of utilisation. The balance sheet will be very thin.

Figure 3.1: Life Stages Framework of PBSFs



Source: Adapted from Scott (1998:18).

At a later stage (say, stages 4 and 5) in the cycle the scenario changes. As the firm matures and internationalises, its product becomes more routinised and enshrined in established methodologies. That is, the firm relies on more institutionalised relationships with key clients. It is not dependent on key individuals alone but more on its corporate brand identity as a PBS provider. The driver of the economics of the firm is the level of leverage of a comparatively small group of partners or equity-holders managers, where co-ordination of activities and consensus on key issues concerning firm's growth become strategic priorities. The firm becomes an active and sophisticated recruiter. It also tends to have a more orthodox balance sheet, with a certain amount of debt and external equity.

Of more interest to this thesis, another interesting deduction from both these theoretical models is the way in which they portray the typical PBSF as evolving and growing as a network organisation. This deduction is further acknowledged by Maister (1993) who explains that the majority of modern PBSFs are 'multilocation' and 'multidisciplinary' operations signifying the geographical scale and scope of their spread, and their (un)related diversification strategies. Indeed, many PBSFs have

² Leverage is the ratio of partners to employees or business winners to business doers. Leverage can

grown internationally as 'non-hierarchical' and 'loose federations of local organisations' trading under the same brand identity and providing 'one-stop' service to their clients. Maister (1993) highlights two observations to justify the network evolution of PBSFs as they grow international. First, because of 'local value' where the network can act as a valuable source of resources and add-on capabilities to local practices empowering them as local providers of relevant professional services. Second, because of the 'multilocation client' issue that relates to the pursuit and servicing of multinational clients. However, irrespective of the growth stages there are some key organisational features, which are imperative to the successful (international) management and competitiveness of these firms.

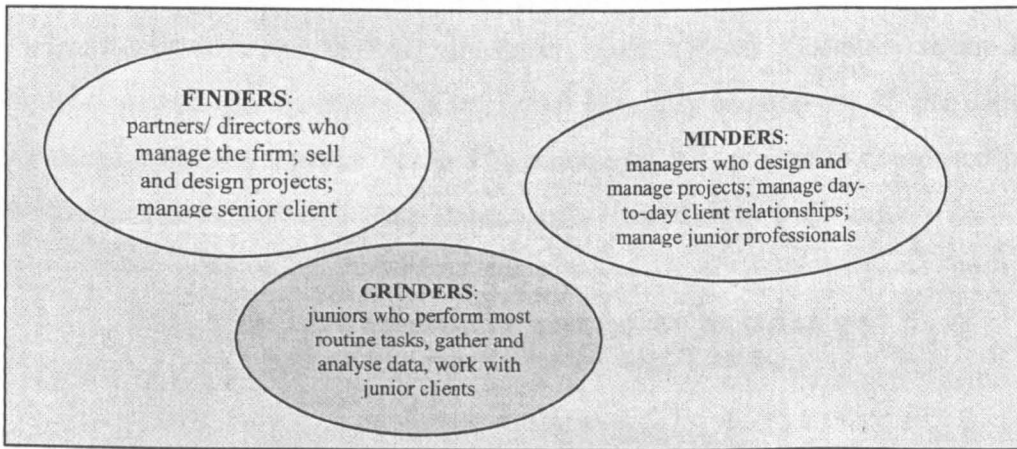
First, the PBSF is people intensive and demands minimal capital investment compared to manufacturing firms. The firm essentially relies on the specialist technical knowledge and/or the skill base of its professional staff to create customised tailor-made solutions for its clients' complex problems (Empson, 1999). Both these characteristics render the firm heavily dependent on its professional staffs as its key resource in the service delivery process. As a result the firm competes simultaneously in two markets to ensure its competitiveness and success: the 'output' market for its services and the 'input' market for its productive resources, the professional workforce (Maister, 1993). A consequence of the above is that the PBSF is most vulnerable in its critical resources as they are highly mobile. In that respect, the recruitment, retention and motivation of appropriate talents and skills, the creation and dissemination of knowledge within the firm, and the development of collaborative and value generating relationships among professionals and with clients are amongst the most critical functions the PBSF's management.

Second, irrespective of the stages of growth when it comes to organisational structure, the PBSF describes itself as a 'flat' and non-hierarchical organisation. Aharoni (1993, 1996) suggests that PBSFs prefer to use 'governance structures' based on ad-hoc committees and structures in managing their firms internationally. In contrast, Maister (1993) and Empson (1999) argue that a minimal hierarchy exists in these firms as described in Figure 3.2 below. But this is again different to the conventional bureaucracy of the manufacturing firms and in no way hampers a flexible service delivery and career development and progress of junior professional

be a major driver of the ability of the PSF to generate fee income (Scott 1998:20).

staff in the firm. The latter is able to move through the hierarchy relatively rapidly, compared to their counterparts in say, manufacturing settings. A related determinant to structure is the degree of customisation required in the service delivery process. Aharoni (1996:10) explains that “the more standardised the solution, the greater the importance of centralisation and of integration, and the smaller the need for differentiation, the easier it is to offer global professional business services and to enhance the ability of each location to serve clients by drawing on firm’s systems, its accumulated knowledge in databases, and the experience of the whole network”.

Figure 3.2: Levels of professional staff in a typical professional services firm



Source: adapted from Empson (1999:3)

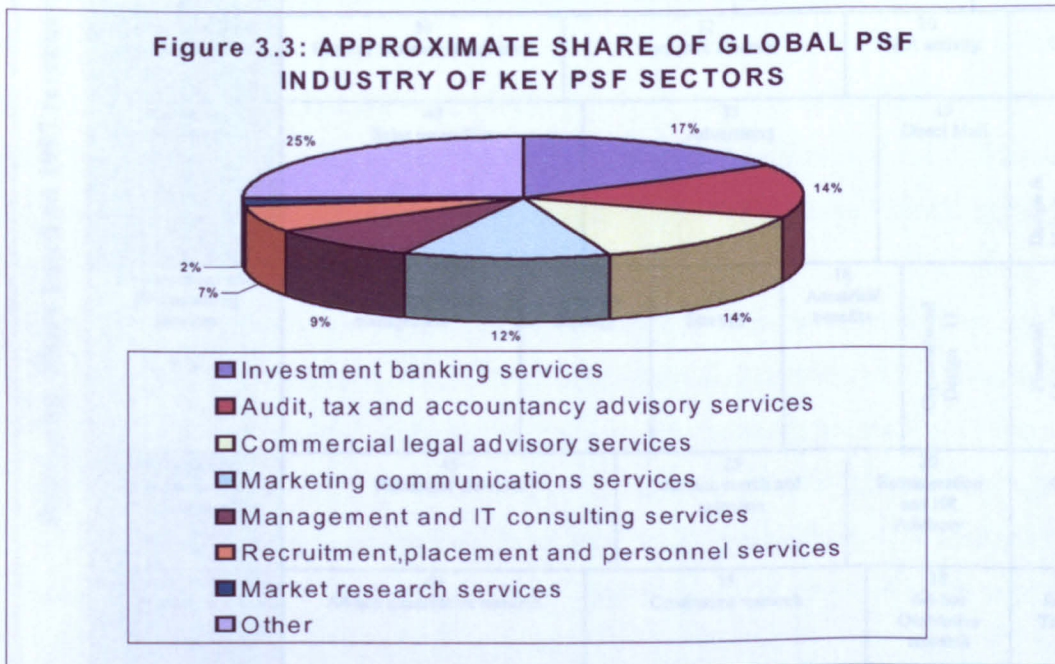
Third, the service delivery process of the PBSF can be highly interactive, client centred and regulated. PBSF are heavily reliant on their clients who very often fail to appreciate the intellectual, regulatory³ and/or technical challenge underlying a customised solution. Their perception of quality of the service delivery is shaped by the quality of the solution itself. Aharoni and Nachum (2000) explains that clients of such firms are very often expecting ‘peace of mind, reassurance, trust, or confidence’ in the interaction and delivery process and in that respect, Lowendhal (1997) adds that success for such firms rests in selling a ‘credible promise’ to domestic as well as international clients; delivering what was promised while at the same time learning from the process to improve both efficiency and effectiveness in forthcoming projects.

Such organisational features while ‘unique’ to the PBSFs are responsible for a great deal of ambiguity and complexity in understanding the organisation and structure of the professional business services industry.

³ PBS are subject to regulation required for the protection of public and/or client interests to ensure adequate standards of competence and integrity (Aharoni and Nachum, 2000:4)

3.3.3 Organisation and Structure of the Professional Business Services Industry

The 'professional business services' industry features a varied or generic group of sub-industries that includes areas such as accounting and related services; advertising services; architectural, engineering, and construction services; computer systems design and related services; health services; scientific research and development services; specialised design services; management, scientific, and technical consultancy services; and legal services (Scott, 1998). Admittedly, firms in these industries provide professional and technical expertise, information, and counsel to individuals, private-sector businesses, and government institutions. In an attempt to bring clarity and structure in this 'diversity', Scott (1998) illustrates seven key professional service sectors (Figure 3.3), which arguably account for 75 per cent of the entire industry on a revenue basis. The remaining 25 per cent is composed of a disparate collection of activities from talent agents to architects' practices.



Total Value of PSF market in 1997 = \$700 bn. (revenues)

Source: Author, derived from Scott (1998:11)

Other – e.g.s – Talent agents; Architects practices; Property advisory; Insurance advisory; Risk Management services, etc.

Each key sector can in turn be split into a varied number of key segments, which can be further split into speciality niches (Figure 3.4 – below – illustrates their

approximate size in terms of Sector Share and that of their key constituent parts)⁴. Scott explains that, in aggregate, all the key sectors identified in his framework are experiencing fair rates of growth, and each area of the professional services industry divides into mature segments and high-growth segments with different characteristics. Audit, for example, can be viewed as a mature sector where competition is of a more oligopolistic nature. As a result the Big Six accountancy firms (now Big Three after the recent mergers of PriceWaterhouse Coopers, KPMG and Ernst and Young) have all aggressively diversified into high growth segments of due diligence and corporate finance advisory services.

Figure 3.4: Approximate Size and Key Constituents Professional Service Sectors

PSF Sector Share based on 1997 revenues (100%)	Investment banking services (1) 17%	40 Sales, trading, broking services and fund management.	30 Corporate Finance	20 M&A advisory	10 Other (venture capital/private equity)	
	Audit, tax and accountancy services 14%	60 Auditing	25 Tax	15 Corporate Finance related		
	Commercial legal advisory services 14%	38 General commercial advisory	32 Corporate Finance	20 M&A activity	10 Other	
	Marketing communications services (2) 12%	40 Sales promotion	35 Advertising	15 Direct Mail	5 Design & Identity	5 Other (Internet Mktg. Services)
	Management and IT consulting services 9%	31 Process/IT/operations management	17 Corporate Strategy	17 IT Strategy	16 Actuarial/benefits	11 Organisational Design
	Recruitment, placement and personnel services 7%	45 Placement Services	25 Ad-hoc search and selection	20 Remuneration and HR Advisory	10 Other	6 Financial Advisory
	Market research services 2%	40 Ad-hoc quantitative research	35 Continuous research	18 Ad-hoc Qualitative research	7 Regular Tracking	2 Marketing & sales
	Segment share of Sector Revenues (100%)					

Source: Adapted from Scott (1998), p.13

- (1) Excludes principal trading and investing
(2) Based on 1994 billings

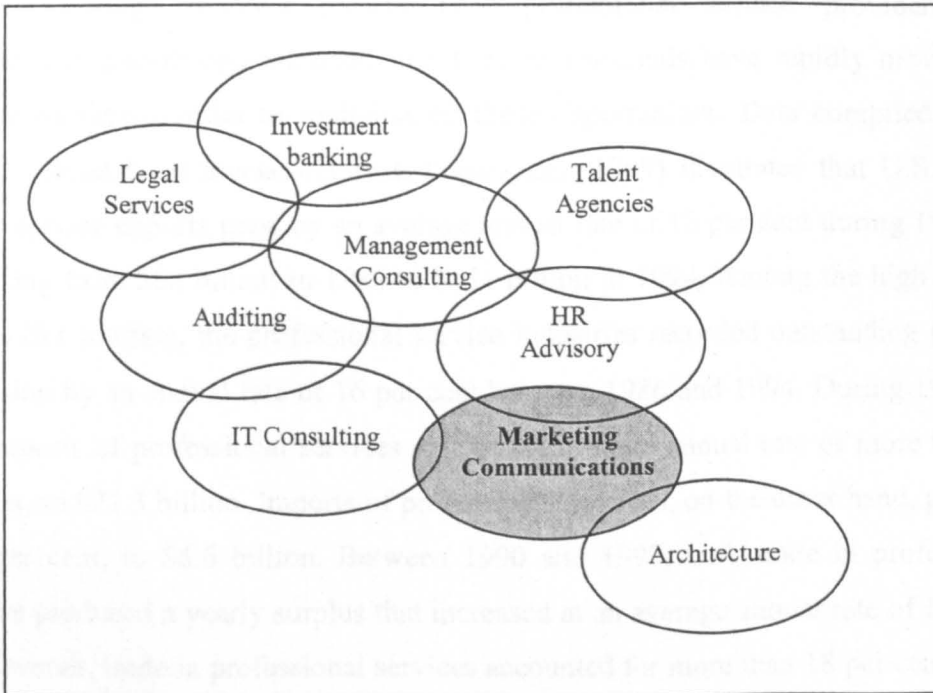
⁴ For example, investment and Banking services account for 17 % of the Overall PSF market, and of that share the Sales, Trading, Broking Services and Fund Management segment holds 40%; the Corporate Finance segment holds 30%; 20 % is held M&A Advisory segment , and 10% by other Venture Capital and Private Equity companies.

Hence, similar to consumer products, professional services are observed to undergo a steady transition from mature products to providers of highly innovative products or segments (Scott, 1998). Further down the maturity curve, the segments undergo a process of industry consolidation as competitors strive for a finite number of global client accounts. In effect, he argues, with increasing globalisation, industries like advertising and accounting have experienced a steady process of consolidation or convergence of major activities in the hands of a small number of global players. In the case of Advertising, 57 per cent of world-wide advertising revenue is concentrated among the Top Ten Ad agencies, up from 46 per cent in 1983. In Accounting, which is an even more mature industry, the C5/C6/C3 ratio is around 50 per cent⁵ (Scott, 1998). But this consolidation is not uni-directional. The fast growing consolidated professional services segments are noted to ‘unbundle’ at the same time (Dawson, 2000:37). That is, they are made up of a diverse collection of highly fragmented, diversified and various innovative speciality niches. These groups may choose to collaborate or not on a selective basis depending on the client being serviced and the internal politics of the network. Dawson (2000) further argues that consolidated networks in the professional services industry are not static. In fact, they are noted to be encroaching on each other’s marketplace, blurring further the classical differences associated with professional services sectors (see Figure 3.5). These authors highlight several possible reasons underlying this convergence.

- First, as mentioned before, professional services sectors require less capital investment than in the case of traditional manufacturing sectors which encourages more frequent independent entrepreneurial start-up and innovations;
- Second, the ultimate objective of a particular PBSF, besides being profitable, is to achieve strong client relationships. And one of the easiest ways of maximising income and client loyalty would be to extend services in areas of interest to the clients, presenting itself as a ‘one-stop shop’.
- Third, ‘commoditization’ (Dawson, 2000:39) which implies “the increasing digitisation of information, the greater availability of information to clients, more rapid communication leading to faster diffusion of innovations and lowering barriers to entry to other industries”.

⁵ A C6 ratio is the collective market share represented by the top six players.

Figure 3.5: An Illustrative example of Convergence in the PSF industry



Source: Adapted from Scott, 1998 p.17

In sum, the analyses of the above authors seem to suggest that the 'professional business services' industry is being increasingly polarised with a small number of large networks and large number of small, highly innovative firms specialising aggressively in high growth, overlapping areas. They foresee that this trend is bound to accelerate with further globalisation of the industry and the client firms, and continuous pressures from competition, convergence and technology.

3.3.4 Internationalisation in the Professional Business Services Industry.

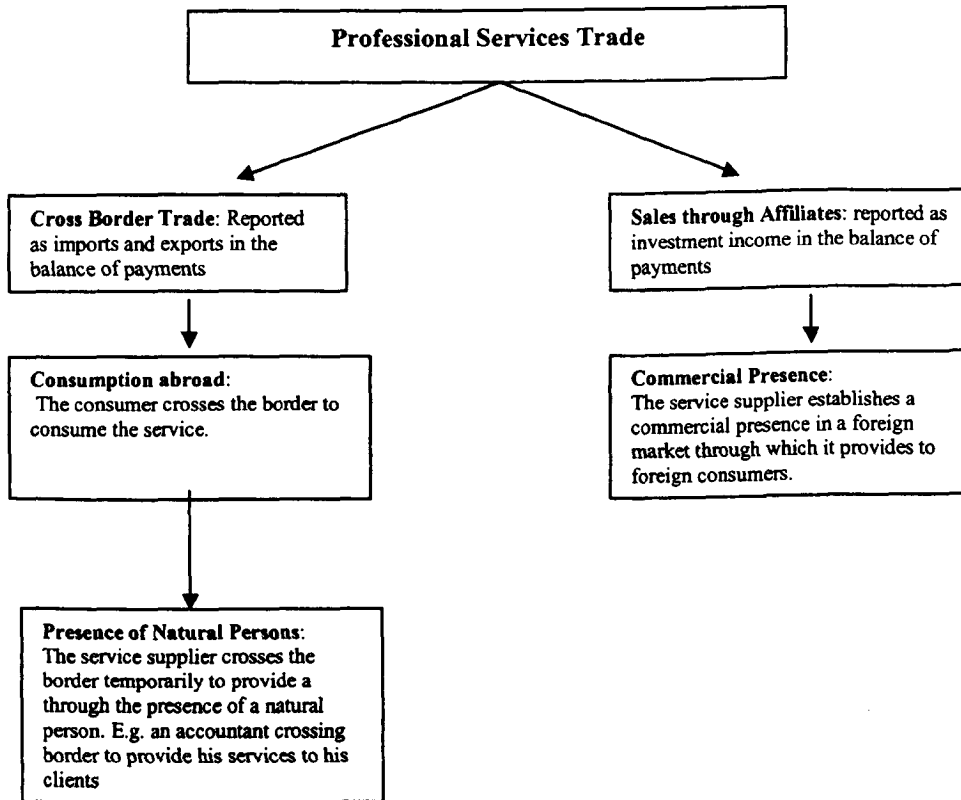
The internationalisation of business service firms is a phenomenon that dates back to the early 20th Century. Internationalisation followed a very gradual and incremental pace until the 1970s/1980s where PBSFs embarked strategically and aggressively in the pursuit of establishing global networks of companies to service their increasingly globalising clients. This process created a higher degree of market concentration and competition within the various business service industries internationally. Accordingly, PBSFs are argued to have undergone two separate phases of internationalisation (Roberts, 1998). The first phase has been one of gradual internationalisation through the establishment of overseas subsidiaries, whilst the second phase has been one of rapid international growth involving the use of various strategies and foreign market entry modes.

To date, the US is the world's dominant supplier and consumer of professional services. Foreign markets present U.S. professional service providers with considerable growth opportunities, and U.S. professionals have rapidly moved into foreign markets in order to capitalise on these opportunities. Data compiled by the USITC (United States International Trade Commission) (1999) illustrates that U.S. cross-border service exports grew by an average annual rate of 12 per cent during 1986-94, increasing from \$63 billion in 1986 to \$151 billion in 1994. Among the high growth sectors like tourism, the professional service industries recorded outstanding growth, increasing by an annual rate of 16 per cent between 1986 and 1994. During 1990-97, U.S. exports of professional services rose by an average annual rate of more than 17 per cent, to \$21.3 billion. Imports of professional services, on the other hand, grew by 19.5 per cent, to \$6.6 billion. Between 1990 and 1997, U.S. trade in professional services produced a yearly surplus that increased at an average annual rate of 16.5 per cent. Overall, trade in professional services accounted for more than 18 per cent of the total U.S. services trade surplus in 1997. At the European level, similar patterns of growth are exhibited. For example, European Union credits arising from 'other business services', which includes advertising, accountancy and management consultancy services, increased from a value of US\$ 30, 281 million in 1987 to US\$ 129, 535 million in 1996 (OECD/EUROSTAT, 1999: 76-77).

Further, such international trade data pertaining to professional business services are reported in two broad categories by the USITC: *cross-border transactions and sales through affiliates located in foreign markets*. Cross-border service transactions appear explicitly in the current account balance of payments. By contrast, transactions by affiliate is entered in the balance of payments as investment income which is more specifically described as the income derived by the parent firm from sales by its foreign-based affiliates. However, integrated in these two broad categories of conducting international trade amongst PBS are four narrowly defined channels, or 'modes' of supplying such services to foreign consumers (see Figure 3.6). The study of USITC identifies four modes of supply in relation to cross-border and affiliate trade. Essentially, cross-border trade is noted to encompass three of the four USITC modes of supply: cross-border supply, consumption abroad, and the presence of natural persons. Sales through affiliates are equated with the fourth mode of supply, that is, a commercial presence. Such a presence is established when, for example, a

PBSF establishes a foreign-based affiliate to sell its services to other firms located in the foreign market.

Figure 3.6: Modes of International Trade in Professional Business Services



Source: Author (derived from GATS (2000))

Further consideration of academic studies pointed out two different schools of thought explaining the internationalisation of PBSFs. The first portrays the international growth of PBSFs as evolving in a series of stages or processes towards achieving increasing international expansion, whilst the second suggests a more entrepreneurial and strategic approach in analysing the phenomenon.

Researchers taking the process viewpoint to study the internationalisation of PBSFs extended the principles originally developed by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) to PBSFs. One such important contribution is that of Johanson and Sharma (1987) and Coviello and Corrs (1998) who analysed the internationalisation processes of small-to-medium size technical and engineering consultancies respectively. Interestingly both these studies revealed the significance of networks, cooperative arrangements and personal or contractual

relationships in influencing the international expansion of such firms. More recently, Roberts (1999:84) postulates five stages that characterise the internationalisation process of PBSFs:

1. Provision of services to domestic clients only (no exports).
2. Provision of services to foreign clients in the domestic market (domestically located exports).
3. Provision of services to foreign markets through embodied service exports, people mediated exports and wired exports.
4. Establishment of a presence through which to deliver a service largely produced in the domestic market (intra-firm exports).
5. Establishment of service production facility in the overseas market.

Roberts (1998) further explains that internationalisation in PBSFs follows an evolutionary path generally starting with exports and advancing to eventually setting up an overseas presence, through FDI, joint venture or contractual agreements with firms in foreign markets. Such foreign investments are usually accompanied by increase in the frequency of trade, in particular intra-firm trade that merely implies servicing the overseas markets through a local presence. Roberts also cautions that such processes are not static but dynamic in that firms may progress rapidly or gradually through the different stages. Altogether, a firm can skip any of the stages completely if it decides to grow internationally through more aggressive strategies like mergers and acquisitions. Indeed, this model bears a lot of similarity with the framework presented by Scott (1998), discussed earlier, but there is little by way of empirical explanations to support their contentions.

The above argument ties into the strategic or entrepreneurial approach to internationalisation of the PBSF. In essence, this approach argues that the way in which such a firm chooses to internationalise is expected to be selected by every individual firm. In other words, the growth or geographical spread of such firms might not necessarily be bound by any life-cycle stages or predetermined evolutionary path, and a PBSF can even become internationally involved even prior to any national expansion. Such scenarios are particularly common in the case of PBSFs which are located in mega-cities, or in other major areas of agglomeration, where internationally oriented clients will induce their international rather than domestic development (O'Farrell and Wood, 1993, 1998; Roberts, 1998). Or again it is highly possible that such firms merge or get acquired by multinational conglomerates in their industries.

Empirical studies like that of Leo and Philippe, (2001) further support the above argument and are also illustrative of the entrepreneurial motivation inherent in these firms. These authors identify PBSFs as entrepreneurial firms which internationalised by reactively or proactively responding to international opportunities. From a study of 121 small-to-medium French PBSFs, these authors reported that 52 per cent of them entered international markets as a consequence of demand arising from international French clients (reactive attitude) and 48 per cent deliberately went abroad to expand into new markets (proactive attitude). In their sample, the proactive behavior is more specific to independent small and medium sized companies than that of a group of subsidiaries whose internationalisation follows that of their parents. The other factors mentioned derive from more passive attitudes, such as: unsolicited requests from clients and/or service activities as a natural support to the international exchanges.

Additionally, studies undertaken by Roberts (1998, 1999) with respect to UK PBSFs illustrate the cases of firms rigorously applying various international strategies previously thought to be relevant only for manufacturing, or more capital intensive service firms. She notes that internationalisation has been successfully implemented through organic growth, mergers and acquisitions and the formation of networks with international capabilities. Larger PBSFs are observed to opt for high involvement strategies of foreign market servicing like establishing wholly owned subsidiaries to counter the risks and uncertainties attached to their international expansion whilst fostering holding group structures and networks to manage their global operations. The formation of such structures also exhibit considerable potential for the firms to undertake diversification strategies into areas with high growth opportunities without pressures for 'full integration'. Altogether, such networks also allow the PBSFs to reinforce the international competitiveness by maximising various synergistic benefits and economies of scale and scope resulting from the exploitation of firm specific assets such as, organisational and informational networks, financial reserves and client banks (see also, Majkgård and Sharma, 1994; Aharoni, 1996, and Eriksson et al. 1997).

These arguments and others discussed earlier are indeed indicative of the need to study this industry as 'internationalisation' seems to be the way forward for large as well as small PBSFs seeking continued growth and sustained performance. Table 3.2 further outlines a brief analysis of internationalisation and related issues of four PBS sectors based on secondary data. This illustration points to the different sectors which

are characterised by different levels of maturity in their international development, and their own set of firm-specific and/or sector-specific influences that underlie their international competitiveness and strategies. *Supporting the focus of this thesis, this analysis of the 'professional services' literature concurs with the like of O'Farrell and Wood (1994) and Aharoni (1993) and Aharoni and Nachum (2000) to posit that knowledge and understanding of international strategic behaviour and management of PBSFs is deficient in many respects, particularly in the light of the issues highlighted in Chapter 2.* Subsequently, this suggests several areas for potential contribution to knowledge as this thesis aims to investigate organisational as well as the industry influences underlying the international strategies of PBSFs. And as far as testing the applicability of conventional strategic management theories is concerned the deficiency in the literature becomes more apparent at both conceptual and empirical levels, although some works are indicative of the relevance and/or significance of these theories to understanding the international strategic management of PBSFs.

Table 3.2: Key Features and Issues related to Internationalisation in a selection of Professional Business Sectors

Brief description	Accounting & Management Consulting ⁶	Advertising Services	Architectural & Engineering Services	Legal Services
	<p>Accounting and auditing services constitute the core activities of accountancy firms and they also offer a wide range of additional services most notably merger audits, insolvency services, tax advice, investment services and management consulting.</p>	<p>Advertising services include the preparation of advertisements⁷ and their placement in various media. While preparatory services encompass the development of advertising plans and the production of creative work, placement services involve the negotiation and purchase of space or time in either print or broadcast media⁸.</p>	<p>Architectural, engineering, and construction (AEC) services comprise interrelated service activities. Architectural firms provide blueprint designs for buildings and public works and may oversee the construction of projects⁹. Engineering firms provide planning, design, construction, and management services for projects such as civil engineering works and residential, commercial, industrial, and institutional buildings¹⁰. Construction services include pre-erection work; new construction and repair; and alteration, restoration, and maintenance work.</p>	<p>Legal services include legal advisory and representation services in various fields of law (e.g., criminal or corporate law), advisory and representation services in statutory procedures of quasi-judicial bodies, and legal documentation and certification services.</p>
<p>Key characteristics of demand or supply</p>	<p>Demand for accountancy services results from both mandatory legal requirements, such as financial reporting, as well as clients seeking advice on various issues, for example taxation. The majority of work involves services to enterprises.</p>	<p>Most advertising activities are ancillary business services. Advertisements are not normally destined for consumption as such, but as stimulants promoting demand for individual goods and services. The structural changes affecting the advertising industry are thus strongly influenced by developments in related product markets, including trends towards increased cross-border integration ('globalisation').</p>	<p>Architectural and engineering service suppliers may be characterised by the dominance of small businesses, especially for architects, although often architectural and engineering functions are combined in one company or group with the physical implementation facilities for construction.</p> <p>Such services may also be provided by general contractors, who oversee all construction work for those awarding the contract, or speciality subcontractors who perform discrete sections of the construction.</p>	<p>Cross-border trade in this service industry occurs when legal professionals travel abroad to provide services to clients, when clients travel abroad to engage the services of foreign attorneys, or when legal documents or advice are transmitted via telecommunication devices, postal delivery, or other forms of correspondence. Trade through affiliates occurs when foreign affiliates of legal service providers engage in commercial activity.</p> <p>In the vast majority of countries the legal profession is practiced by individual professionals or by small firms, while the large law firms are still a phenomenon limited to a small number of Anglo-Saxon, Common Law countries. In 1988 the first 91 law firms by number of partners were from the United States, Canada, the United Kingdom and Australia</p>

⁶ Trade data on accounting and management consulting services include data for closely related services such as auditing, bookkeeping, and public relations, as well as for accounting and management consulting

⁷ An advertisement is a paid announcement, delivered through a public medium, that promotes a particular product, service, or idea.

⁸ Traditional media comprise printed matter, such as newspapers and magazines, as well as broadcast media, including television and radio. Added to these are cable and satellite television, direct mail, outdoor advertising (for example, billboards), the yellow pages, and the Internet

⁹ Architectural services also include preliminary site study, schematic design, design development, final design, contract administration, and post-construction services.

¹⁰ Engineering services also include undertaking preparatory technical feasibility studies and project impact studies; preparing preliminary and final plans, specifications, and cost estimates; and delivering various services during the construction phase

<i>International Trade: Cross-border (1997)</i>	Exports = \$2.4 bn (16% to UK) Imports = \$1.1 bn (20% from UK)	Exports = \$581 million (17% to UK) Imports = \$863 million (14% from UK)	Exports = \$4.1 bn. (not available for UK) Imports = \$346 million (22% from UK)	Exports = \$2.1 bn. (18% to UK) Imports = \$568 million (23% from UK)
<i>Foreign Affiliates (1997)</i>	Sales by US - owned = \$7.5 bn (18% to UK) Purchase from US -based = \$1.9 bn (63% by UK affiliates)	Sales by US - owned = \$5 bn (18% to UK) Purchase from US -based = \$3.3 bn (64% by UK affiliates)	Sales by US - owned = \$8.6 bn Purchase from US -based = \$3 bn	Not available
<i>Mode of Market Entry and Development</i>	FDI (establishing permanent overseas operations); international partnerships (mainly through mergers); contractual agreements.	FDI (whole or majority ownership); Mergers and acquisitions	FDI; Joint venture; Franchising (to establish representative commercial offices), Export of experts	FDI, International partnerships
<i>Factors affecting international supply of professional service</i>	<ul style="list-style-type: none"> - Need to evaluate and understand local market conditions; - Need to provide services directly to clients - Cross-country differences in the perceptions and regulations towards the accountancy practice - Accountancy in most countries is largely practiced at the level of firms or partnerships rather than individuals, with small-scale firms being predominant 	<ul style="list-style-type: none"> - Competitiveness in the international advertising markets depends largely on the breadth and calibre of creative skills of the providers, their media relations' expertise, and their flexibility in tailoring advertising campaigns to targeted audiences. - Cross cultural differences necessitates agencies to cultivate strong local knowledge which is critical to the successful administration of advertising services, including an understanding of the local media environment, as well as familiarity with consumer tastes, language, and culture 	<ul style="list-style-type: none"> - Local presence in foreign markets is determining for international contract awards - Due to this specific nature, measurement of the economic importance of architectural and engineering services output is not straightforward to the extent that, in official statistics, it is most often absorbed in the broader categories of services output such as business services, or construction activity. - With advanced communications systems, blueprints and designs are transmitted electronically, and consulting are performed on-line. - It is argued that architectural services remain predominantly local or regional. International success is relatively rare and is related either to the top international artistic and intellectual cultures or to 'historic' patterns of international trade 	<ul style="list-style-type: none"> - International legal service providers are usually to become members of foreign bars and qualify to appear in foreign courts and prepare advice on foreign law. Lawyers, not locally accredited narrowly operate as foreign legal consultants. - Demand for legal services stems largely from business and organisations as well as from individual citizens. Most of the organisation in need of business and international law are involved in international transactions. - Local suppliers of legal services usually have a comparative advantage with respect to the knowledge of the local business and regulatory environment; - Costs and difficulties associated in establishing local presence are very high, physical presence of employees/partners of foreign law is strongly requested in the service delivery process. - The role of British and US law in international transactions

Source: Author (Compiled from data USITC (1999)).

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3.4 THEORETICAL PERSPECTIVES ON INTERNATIONAL STRATEGY OF PBSFs.

Chapter 2 discussed three conventional strategy-related theories that underlie the international strategy of firms. The review of literatures pertaining to the strategy and organisation of PBSFs in this chapter provides little evidence relating to the application of these theories, both conceptually and empirically. However, available contributions provide support on the relevance of these theories in understanding the international strategic management of such firms. Table 3.3 below maps and summarises these theories with the key strategic management considerations which seem to underlie the growth, competitiveness and success of a given PBSF.

Resource Based View (RBV). In relation to the *RBV*, a number of authors have successfully drawn important implications of this theory for the strategic management of PBSFs (see for example Løwendhal 1992, 1997, 2001; Brush and Artz, 1999; Samiee, 1999). Løwendhal, for instance, applied the RBV as a theoretical framework to study the interrelationship between strategy and value creation processes in professional service firms. She is of the opinion that the RBV stores promising implications for PBSFs as it “allows for a careful analysis of both the resources available, the resources needed, the success of resource accumulation, the utilisation, and management of the vulnerability resulting from mobile professionals who know their alternative options very well” (p.101). Similarly, from an empirical study aiming to capture the contingencies between resources, capabilities, and performance Brush and Artz (1999) posit that the RBV has all the potential to be a “full-fledged contingency theory of strategy”. They complemented the information asymmetry theory with the RBV to suggest that performance differences of such firms resulted mainly from differences in capabilities and a complex blend of resources depending in turn on the varying degrees of credence, experience and service qualities. Conversely, taking a much broader perspective, Samiee (1999) notes that as far as successful international marketing of services is concerned this is primarily driven by robust development of appropriate capabilities and competencies which are key to competitiveness in services trade.

Industrial Organisation View (IOV). However, all the above authors also refer to a contingent perspective in examining the competitive contexts in which the resources are utilised while drawing some implications from the resource based perspective. Lowendhal (1997) emphasises the heterogeneity within and between these industries

while Brush and Artz (1999: 246) point to the careful interpretation of “the characteristics of the service in relation to its competitive environment” in order to accurately evaluate the value of any resources or resource base. Indeed, such arguments do illustrate the importance of integrating the IOV into the analysis of the strategy of PBSFs since it allows the analysis of the external opportunities and threats dictated by different industry contexts. Strictly speaking, the review undertaken in this chapter identified no studies that have examined the competitive context of PBSFs following the principles and/or the theoretical frameworks of the IOV. However, Lovelock and Yip (1996) and Lovelock (1999) have undertaken such a task by modifying and applying Yip’s (1992) ‘globalisation drivers’ framework to study the transnational strategy of service firms in general. They conclude that internationalisation drivers need to be examined at “the level of individual industries as well as broader service categories” (Lovelock, 1999:284).

Network Based View (NBV). In contrast to the above two theoretical strands, the NBV has been usefully applied to study the strategy and internationalisation of the PBSFs, as illustrated before on p. 76 with the discussion of the life-stages framework of Scott (1998) and the related arguments of Maister (1993). More recently, other works like Maister (1997); Lapierre (1997); Halinen, (1996) have further pushed forward the relevance of the relational approach and network theories to understanding value creation in such services. These authors argue that, given the nature of professional business services being intangible, risky, complex and having ‘delayed effects’, the relationship approach seems particularly relevant to study such services. This is further supported by the inherent exchange relationship (past and expected future) that constitutes the most elementary context for assessing the individual performance of such services. In other words, the selling process of professional business services relies to a large extent on the strength of the relationship between the service firm and the client company. This relationship has considerable impact on the service evaluation process where different components of the service delivery are distinguished and associated (Halinen, 1996).

More specifically, empirical evidence from studies focusing on small service firms illustrates the strong influence of networks in their internationalisation process. Bell (1995), for instance, identified a rapid, non-incremental internationalisation process for small software firms (arguably service firms), and notes that although some firms entered “close” markets, other firms entered markets that were psychically

or geographically distant. Further, increased commitment to foreign markets by these firms was manifested in expansion to new markets rather than by increasing FDI in established markets. Finally, Bell's findings lead him to suggest that interfirm relationships (for example, with clients, supply chain partners) are influential in the internationalisation of the small high technology firm. This appears to be further supported by O'Farrell et al. (1998) who found that co-operative relationships were used by 34 per cent of SMEs at some point in their internationalisation. Hence, as suggested by Coviello and McAuley (1999), the NBV provides valuable insights into the dynamics of internationalisation in that it is more than a description of the process. Rather, it is linked to strategic direction and actions that provide a way of doing business.

Table 3.3 : Theoretical Perspectives on International Strategy in PBSFs

Key Propositions of the Proposed Theoretical Strands	Selected Proponents	Strategic Considerations in a 'Professional Business Service Firm'	Selected Proponents
<p>Resource-Based View (RBV)</p> <ul style="list-style-type: none"> - Unique resource and idiosyncratic processes drive heterogeneity among firms, hence heterogeneous performance outcomes; - Core resources are developed internally through sustained investments in difficult-to-copy attributes 	<p>Penrose (1959); Grant (1991), Mauri and Michaels (1998); Wenerfelt (1984); Barney (1986); Peteraf (1993); Dierickx and Cool (1989)</p>	<ul style="list-style-type: none"> - People Intensity - reliance on highly qualified individuals/professionals for service provision; - Customisation - idiosyncratic client services and subjective quality assessment; - Intangible - idiosyncratic, innovative service output; - Interactive nature of service delivery process - management of firm's pool of knowledge base, skills and talents to match customer's requirements. 	<p>Lowendhal (1997); Brush and Artz (1999); Nachum (1996)</p>
<p>Industrial Organisation View (IOV)</p> <ul style="list-style-type: none"> - Firms in an industry or strategic groups similar in terms of strategic resources they control; - If the resource heterogeneity should develop in an industry or strategic group, perhaps through new entry, this heterogeneity would be short lasting because the resources which firms use to implement their strategies are highly mobile. 	<p>Bain (1956); Andrews (1971); Porter, (1980, 1981, 1985, 1991) Caves (1976,1996); Bartlett and Ghoshal (1991); Venkatraman and Prescott (1990); Yip (1989; 1992; 1997)</p>	<ul style="list-style-type: none"> - Demand: fluctuating or stable depending on niche specialisation; - Strategic importance for these firms to meet the needs of their clients on a global scale; - Subject to the industry influences of deregulation, new information and communication technologies and growing global competition (global convergence and unbundling of services); - The evolution of manufacturing, retailing and indeed other industries into knowledge-based and naturally adopting approaches pioneered by PSFs. 	<p>Lovelock (1993, 1999); Aharoni (1993, 2000); Lovelock and Yip (1996); Daniels (1985)</p>
<p>Network-Based View (NBV)</p> <ul style="list-style-type: none"> - The MNE is at its best a controller of a network of interrelated activities; - Interactions between network nodes are both internal (within the MNE) and external (between MNEs and other organisations) - The extent and form of link-ups rests on the resource and capability configurations of the MNE both at headquarter and subsidiary level in the total network of activity. 	<p>Bartlett and Ghoshal (1990); Rugman and D'Cruz (1997); Dunning (1993); Welch and Luostarinen (1993); Welch and Welch (1996)</p>	<ul style="list-style-type: none"> - PBSFs evolve and grow primarily as 'multilocation' and 'multidisciplinary' network organisations; - Professionals bring to the firm their expertise, experience, skills in relationship building and maintenance, their professional reputation, their network of professional peer contacts; and their established relationships with past, present, and potential clients. - Reputation of the firm and personal relationship with a specific professional are important factors for client interaction; - Knowledge networks: increasingly accepted as a key element in the economic and intellectual capital base- are perhaps the most crucial resource for PSFs servicing global clients; - Social networks - social capital, or quality of relationships between people and the resources released through such relationships. Studies of successful partnership have frequently shown that it is the social contract that underpins success. 	<p>Lowendhal (1997); Maister (1993, 1997); Halinen (1996); Lapierre (1997); Bell (1995)</p>

Source: Author

3.5 CHAPTER SUMMARY

Following the focus of the thesis, this chapter contributed towards strengthening its theoretical basis by reviewing and examining the characteristics of and influences on the international business and the strategy of professional business services. In so doing, it also evaluates the relevance and extent of application of the theoretical perspectives discussed in the previous chapter to understanding the international strategy of professional business services. The chapter reviews both the 'services' as well as the 'professional services' internationalisation and management literatures.

The services literature reviewed in the context of this chapter highlights a longstanding debate in explicating the distinctiveness of 'services' per se while the study of strategy of service firms in the international context has generally received little attention. This chapter does not explore such debates relating to the distinctiveness or classification of services as it is argued that such services are blurring or diluting with the rapid pace of internationalisation in different service industries. This process is again argued to allow for useful crossfertilisation of knowledge and theories acquired from the study of manufacturing to services or professional services.

Moreover, literature pertaining to the internationalisation of service firms and industries is fragmented and studied from several perspectives. Primarily, global trade and investments of service firms have been the main interest of institutions like WTO and UNCTAD. Their analyses indicate a continuous growth of service-related trade and investments in the past decade. At the academic level, four categories of scholarly contributions were identified:

- A first group consists of economists and process-based theorists who conclude that existing international business theories can accommodate explanations for the international expansion of service firms. These researchers argue that the internationalisation process is fundamentally the same in manufacturing and service sectors, although the manifestation of it can vary across both sectors.
- A second, group of researchers have argued that internationalisation of service firms is a heterogeneous process given the differing characteristics of service industries. Such studies point to varying determinants of FDI and forms of cross-border trade specific to given service sectors.
- A third group of authors have opted to study the foreign involvement of service firms from marketing and strategic management perspective(s). Such studies are

very few and argue that the international strategy of service firms is determined by the type of service businesses they are involved in, the characteristics of the service delivery process and the country in which the firms chose to implement their chosen strategy.

- A fourth group of scholars have principally focused on the internationalisation of small service firms. These authors in particular highlight the impact of network relationships on the entrepreneurial ability of such firms to undertake expansion into foreign markets.

With more specific reference to the 'professional services' literature, the review again notes various definition-based debates characterising the description of such services. This seems to be due to the distinctive nature of the 'professional business services' themselves and the distinct process by which such services are delivered. However, an analysis of the various contributions helps delineate certain key features underlying professional business services. These include: *intangibility, people intensity, the interactive nature of the service process and customisation*. The chapter also argues that such characteristics should not be studied in isolation when investigating the international strategy of PBSFs but in conjunction with the firms' characteristics as they are integral to their organisation and management.

Following an understanding of the characteristics of PBS, the chapter discusses such firm characteristics noting the internal organisational influences likely to impact on the strategic management of these firms. The chapter concludes that:

- First, PBSFs are highly people intensive and subsequently rely on the specialist knowledge and skill base of their professional staff to sustain the domestic and international competitiveness.
- Second, PBSFs are composed of 'flat' and 'non-hierarchical' structures which are primordial in their ability to deliver highly customised services. In that respect, a typical way to evolve and expand internationally is as a network organisation maintaining its non hierarchical mode and operating as part of a 'loose federations of local organisations'.
- Third, the service delivery process can be highly interactive, client centred and regulated. Moreover, at an industry level, the literature presents the professional business services industry as highly diversified and one which is in a continuous state of convergence. In that respect, it is noted to be highly polarised, containing a relatively large number of small firms servicing domestic and niche

markets, together with a small number of large firms which serve national and international markets.

The chapter also reviews the key studies relating to the 'internationalisation' of PBSFs and two streams of thought are noted to explain this phenomenon in the context of PBSFs. The first portrays the international growth of PBSFs as evolving in a series of stages or processes towards achieving increasing international expansion, whilst the second suggests a more entrepreneurial and strategic approach in analysing the phenomenon. Studies belonging to the first school argue that PBSFs follow an evolutionary path generally starting with exports and advancing to eventually setting up an overseas presence, through FDI, joint venture or contractual agreements with firms in foreign markets. These studies emphasise the significance of networks, cooperative arrangements and personal or contractual relationships as key influences on the international expansion of such firms. In contrast, strategy-oriented studies contest this evolutionary view and argue that the growth or geographical spread of such firms might not necessarily be bound by any life-cycle stages or predetermined evolutionary path, and a PBSF can be very entrepreneurial and become internationally involved even prior to any national expansion. In the same context PBSFs are observed to rigorously apply various international strategies previously thought to be relevant only for manufacturing, or more capital intensive service firms. Indeed, internationalisation has been successfully implemented by these firms through organic growth, mergers and acquisitions and the formation of networks with international capabilities. Larger PBSFs are observed to opt for high involvement strategies of foreign market servicing whilst fostering holding group structures and networks to manage their global operations. Lastly, the chapter reviews the limited but conceptually and empirically supporting works that support the integration of the RBV, IOV and the NBV to study the international strategy of PBSFs. This theoretical analysis illustrates strong support for the integration of these theories into the conceptualisation of this thesis. The next chapter takes a specific look at the International MarComs industry, the chosen context to investigate the research questions focal to this thesis.

The International Marketing Communications (MarComs) Industry

4.1 INTRODUCTION

This chapter focuses on the advertising/MarComs industry, the industry of particular interest to this thesis. The intent here is to understand the distinctiveness of ‘advertising services’ as a professional business service and the extent of internationalisation characterising the industry. As such, the chapter starts by examining the distinctive features of advertising services followed by the characteristics of advertising agencies. Then the chapter discusses the organisation and structure of the MarComs industry at both the UK and the international level. Lastly, some key future trends and patterns affecting the internationalisation of the industry are elaborated in detail. Overall, the chapter objectives are as follows:

- To analyse the distinctiveness of ‘advertising/MarComs services’ and the advertising agencies;
- To examine the strategic influences on and the characteristics of internationalisation of the UK and the international MarComs industry;
- To analyse and discuss forthcoming trends and developments likely to impact on the international MarComs industry in the next 5-10 years.

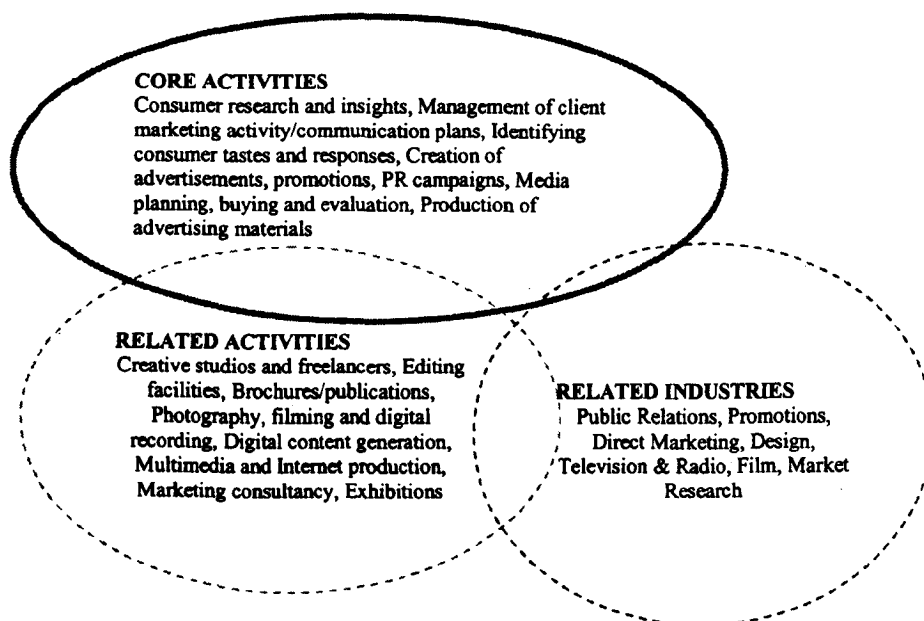
4.2 ADVERTISING/ MARCOMS SERVICES

“Advertising has been defined as a communication tool delivering controlled messages to many people simultaneously and at a low cost per message” (Wilmhurst, 1985: 58). As to advertising¹ services, they can be defined as packages of activities that are offered to client companies and are variedly concerned with the planning, production and/or delivery of advertising and advertising related services. The diagram below (see Figure 4.1) encapsulate the core activities, the related activities and the related industries that make up the marketing communications services in general. Advertising services are also described as activities or processes, not things (Grönroos, 1980). They also qualify as professional business services (Gummesson,

¹ Advertising is here used in the broader sense of the word and used interchangeably with the term Marketing Communications (MarComs or marcoms).

1978; Yorke, 1990) as they are provided by qualified personnel, are advisory in nature and focus on problem solving services, which are bought and designed to ultimately improve the purchasing firm's performance and well-being (Wilson, 1972). Advertising is expected to influence the attitudes, intentions and behaviour of the client's customers and thus increase sales and contribute to the growth of the client company.

Figure 4.1: Regrouping and Relating Marketing Communications Services



Source: Author (derived from Ministerial Creative Strategy Group, 2001)

Daniel (1995) contrasts advertising services with other service industries and argues that the provision of such services is 'mercurial' in nature. Client turnover is high, reflecting a client dominated demand that agencies should, for example, not work for any of their competitors, and some clients even go to the length of strictly stipulating that an agency should at no time have handled portfolios on behalf of competitor firms (Perry, 1990). Long-term agency-advertiser relationships tend to be the exception rather than the rule. Specialisation in such services essentially arises in terms of the quality and innovative attributes of the research, strategic marketing and other services provided by the agencies which are meant to support the core service portfolio of the agencies. The market for advertising services extends to local

(domestic) as well as international (products, services produced and marketed outside the country of origin) boundaries.

Marketing communications services are also considered to be made up of knowledge-intensive attributes. Such attributes, however, place less emphasis on the distinction of advertising services relative to other professional business services like legal services which rely on a more scientific body of knowledge, long formal education and ethical codes. Rather such attributes stress the nature of professionals' work in which various types of knowledge; interpersonal skills and creativity are prominent (Alvesson, 1993). Hence, at the core of a service of this nature is the expertise it offers to its clients. In buying advertising services, companies purchase knowledge and creativity embodied in individual professionals. Creativity or the 'craft component' (Daniels, 1997:125) is the essence of advertising services and is consequently a critical resource in the successful operation of an agency. Indeed, an American study has shown that performance -related factors such as depth of creativity, knowledge and experience in the client's market are important criteria in selecting an advertising agency (Wackman et al., 1987).

Moreover, the review of the 'unique' characteristics of professional business services in the previous chapter suggested four distinct features: intangibility, people-intensity, highly interactive and customization. Table 4.1 applies these characteristics to the case of advertising services based on the work of Halinen (1996). The conceptual analysis reveals that advertising services share a marked similarity with the key characteristics of professional business services. However, there exist some underlying differences which are particular with advertising services. Halinen (1996) calls these as 'ambiguities' and identifies five types of 'ambiguities' which particularly characterise the nature of MarComs services and their delivery process. These are defined as need, technical, market, political and transactional ambiguities. From the point of view of this thesis, interest is heightened by the kind of influence such distinctive features have in shaping the organisational and managerial dynamics and strategy of an advertising agency.

Table 4.1: Examining the characteristics of Professional Business Services and Advertising Services

<i>Professional Business Service Characteristics</i>	<i>Characteristics of Advertising Services</i>
Intangibility .	<ul style="list-style-type: none"> ▪ Intangibility of the service act (the process), and the intangibility of the service outcome are two aspects of the 'intangibility' characteristics that can be considered separately. ▪ The service act, planning, production and delivery of advertising are all essentially intangible activities, in spite of the fact that the inherent knowledge and creativity are often translated in tangible form in, for example, written briefs, research reports, commercials and advertising videos, and pictures and text. ▪ The outcomes of advertising, their effect on customers, are often intangible as well.
People intensity.	<ul style="list-style-type: none"> ▪ Advertising services are people-intensive. In the advertising business the core service is bound primarily to the individuals who provide it. ▪ The role of facilities and equipment is secondary or supportive in the provision of advertising services. This implies that the participating individuals significantly influence the perceived quality of the service.
The interactive nature of service processes.	<ul style="list-style-type: none"> ▪ Service production and consumption are inseparable activities - at least to some degree. The type and degree of interaction in service processes, however, varies from service to service. ▪ Advertising services are produced - and partly consumed - in an interaction between agency and client. Client participation in the production process is crucial. At the minimum, the client commissions the assignment, negotiates the terms, provides the necessary information for the account team and executes the acceptance of plans and materials. In briefings, face-to-face contact is also needed. ▪ The service performance depends directly on the client's needs, its marketing and advertising strategies and its behaviour in the service production process. This calls for co-ordination in a relationship.
Customisation.	<ul style="list-style-type: none"> ▪ The degree of client participation is also connected with the degree of customisation or standardisation of a service. ▪ Customisation increases the cognitive effort required both from the service provider and from the client. Advertising services are usually highly customised, with respect to both the service options and the service process. ▪ It is of the essence of advertising services that they are tailored to the special needs of the client firm. The agency representatives adopt, primarily, the role of professional problem-solvers, who are expected to apply their knowledge and creativity to a specific brief. ▪ Each client with its marketing strategy, products and individual representatives is different, and expects a creative and distinctive advertising campaign, advertisements, etc. Thus the contents of the 'service package', the appropriate mixture of the agency's service alternatives, is negotiated separately in each case. The way in which the assignment is organised and the whole planning and execution process are also customised.

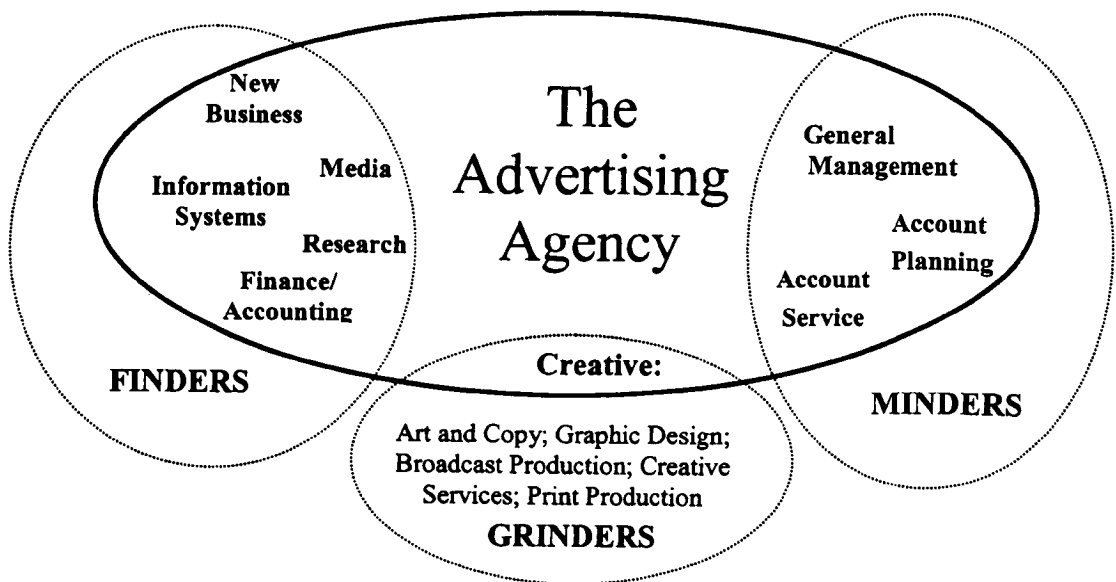
Source: Author: adapted from Halinen (1996)

4.3 MARKETING COMMUNICATIONS (MARCOMS) AGENCIES

To date, advertising markets have evolved to comprise a heterogeneous set of companies including advertisers, advertising agencies, media organisations and a variety of service suppliers such as packaging design firms, photographers, research organisations and different production firms. The advertisers, or clients, are the key participants in the markets. They own products or services which need to be marketed and therefore are the financial sources that pay for advertising and promotion efforts (Belch and Belch, 1990). Advertisers encompass private or public sector organisations that use advertising and the mass media to accomplish their organisational and/or marketing objectives. They may choose to perform advertising tasks through their own advertising departments or by setting up an in-house agency which then co-operates directly with media organisations and the suppliers of the necessary related services. Alternatively, advertisers may choose to use the services of one or more advertising agencies. (Aaker and Myers, 1987; Belch and Belch, 1990; Kahkonen, 1990)

Advertising agencies are professional business service companies that specialise in the planning and execution of MarComs services to their clients. An advertising agency acts on the basis of an assignment placed by the client in which the client also delegates some decision-making authority to the agency (Mills, 1982). In the majority of cases the agency makes not only the creative and media decisions but also supplies a number of supportive services such as market research and strategy consulting, and may even be involved in the total marketing plan of the client firms. The activities undertaken and the amount of autonomy allowed to the agency vary from one relationship to another (Aaker and Myers, 1987). Figure 4.2: below provides a generic description of the make-up of an ad agency based on the key structural characteristics of professional business service firms identified in Figure 3.2 in the previous chapter.

Figure 4.2: The Structure of an Ad Agency



Source: The Author (derived from Aaker and Myers, 1987)

In their original role in the late 1920s, advertising agencies were called 'media brokers', which sold advertising space for newspapers and magazines for a commission. In mapping a historical evolution of these firms Nevette (1982) explains:

Ad agencies were essentially expected to keep track of the rapid changes taking place in the newspaper world, advise on the suitability of a particular journal, write the copy if required, simplify accounting procedures and ease cash flow problems by granting credit. These were the services which were offered; and as newspapers began granting them commission, advertisers were able to benefit in effect 'free of charge' (Wilmhurst, 1982, p.5).

However, as their links with, and loyalty to advertisers developed, advertising agencies have assumed more strategic roles to their client firms by becoming the buyers of space, creators of advertising and advisers as to where advertising should appear so as to reach the maximum number of potential buyers most economically, hence assuming their roles as providers of professional services in the advertising business (Roberts, 1998). In the words of Shelly Lazarus, Chairman and CEO of Ogilvy and Mather:

We are facilitators of the new economy... and we are also its stewards. We must be better strategists, better brand marketers, more in touch with the consumers than ever before. We have to be accountable for what we do. In fact, the price for this ascendant role in the new economy will be just that – accountability. We have new clients with less experience who need our help even more; who trust us completely. And we shall honour that trust with the best we can deliver. (Shelly Lazarus, AAAA management Conference: Entering the New Millennium, May 2000).

Moreover, advertising agencies of the modern economy differ with respect to the range and type of services they offer and the structure of their ownership. Agencies

now feature varying degrees of diversification from their core businesses, which may involve concentrating on only some parts of the marketing communications services. Typical examples might be creative work only, providing advertising research or direct marketing services only, choosing to operate with respect to particular media vehicle (for example, radio advertising) or advertising to a specific market (for example, business-to-business marketing).

To sum up, advertising agencies remain relatively 'small' businesses when measured against the scale of most manufacturing enterprises. A given agency services only a limited number of clients in a given advertising market at any given point in time. Clients can be represented from various business areas or market segments with varying levels of internationalisation. The advertising business is also highly competitive (Kahkonen, 1990). Advertising agencies compete not only with each other but also with the advertisers' own advertising departments and media organisations. The most important competitive assets of advertising agencies are the range of services provided, price, reputation and the quality of knowledge and expertise of the agency's professionals. Which factors clients have valued the most have also changed over time and so has the need for agencies to adapt to the changing conditions of their industry and markets in order to maintain their competitiveness at both domestic and international levels.

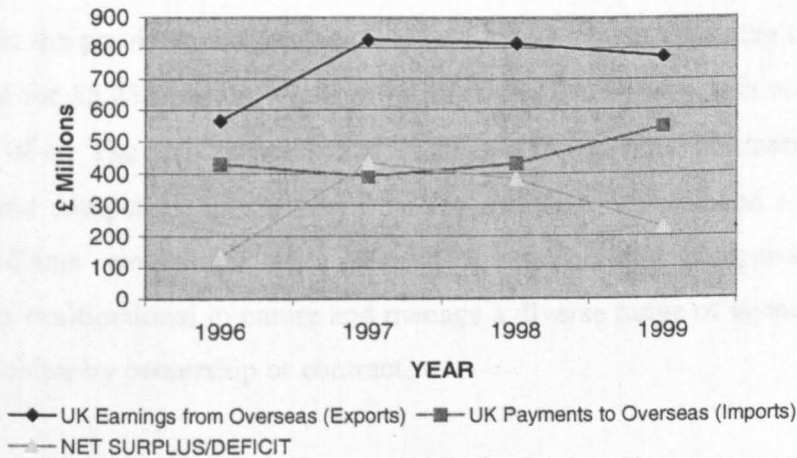
4.4 THE ADVERTISING/MARCOMS INDUSTRY IN THE UK.

The UK advertising industry remains a world leader in terms of business volume and creativity. Between 1993 and 1997, the industry grew in value by 45.8 per cent, resulting in billings in excess of £12 billion in 1997 (Moore and Lim, 1999). Internationally, UK stands as the fourth largest advertising market in the world after the US, Japan and Germany in terms of advertising expenditure and fifth in terms of expenditure per capita. UK's advanced ICT infrastructure, including free Internet access, digital television and growth in Internet start-up companies, as well as use of the English language, makes it an attractive location for advertising production. The quality of British advertising is recognised globally as being the most effective and creative. Total UK advertising expenditure (including direct mail) in 1999 was £15.3 billion, the highest level recorded so far. In revenue terms, the advertising sector had

gross revenues of £15.988 billion exclusive of VAT in 1998. (ONS, 2000: Sector Review of Service Trades).

The data of the ONS also illustrates that the average profit margin of the top 50 UK advertising agencies grew by 2.3 per cent between 1998 and 2000. It is estimated that 75 per cent of agency revenues are related to the production of advertising services, the remainder being derived from commissions on media. There was a similar trend in the value of advertising services sold overseas as net exports amounted to £229 million (see Figure 4.3 below). However, it is difficult to quantify exports because many agencies are run on a genuinely multinational basis. Of the top 15 multinational advertising agencies, all of them have some kind of physical representation in London. (<http://www.culture.gov.uk/creative/>).

FIGURE 4.3: OVERSEAS TRANSACTIONS IN ADVERTISING, 1996-1999



Source: Adapted from ONS (1999): UK Balance of Payments Pink Book.

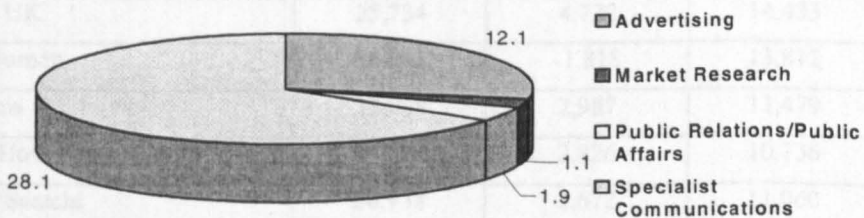
The above described market growth for advertising services in the UK has resulted from the growing size and strength of the domestic advertising industry. The ONS (2000) report explains that since 1994, advertising spending has grown progressively in real terms and advertising expenditure as percentage of Gross Value Added (GVA) and Gross Domestic Product (GDP) has remarkably exceeded the growth of the overall UK economy over the years. This has been due to a number of factors including a strong domestic economy, and an increasing demand by local and

international clients for active promotion triggered by a number of political, economic, and commercial events in the country.

In the last five years, the UK advertising industry has experienced a period of consolidation, with increasing cross-ownership, internationalisation and centralisation of accounts by major clients. As domestic brands and products shifted their focus to international or global level, UK advertising companies have responded accordingly by expanding their client base worldwide and/or penetrating into new markets internationally. Groups such as WPP Group and OMNICOM Group have emerged as extremely large and diverse communications conglomerates, as well as strongly performing listed companies.

In 1998, the number of businesses in the advertising sector in UK was 11,345. The advertising industry is composed of a high number of smaller agencies and a few large agencies each serving different sectors of the UK communications market, quite similar to the scenario described in the case of the professional business services industry in the previous chapter (see Figure 4.4 below). In 1999, the top 50 agencies accounted for £5.231 billion worth of billings, the top 20 of which accounted for 82 per cent of it. The two tables below (Tables 4.2 and 4.3) summarise the present ranking and competitive positions of the top MarComs groups and agencies in UK. The MarComs groups are also referred to as ‘holding companies’ which are essentially multinational in nature and manage a diverse range of agencies under their portfolio either by ownership or contract.

Figure 4.4: The UK Communications Market



Source: Ministerial Creative Strategy Group, 2001

Table 4.2: Top 10 UK MarComs Groups

Rank	Group	Operating Profit £000	Operating Margin on Gross Income £000	Gross Income per head £000
1	WPP Group	263,500	14.20	66,952
2	Aegis Group	61,800	21.94	68,523
3	Cordiant Communications	37,500	11.17	65,166
4	Saatchi & Saatchi	35,500	8.86	75,761
5	Omnicom Europe	28,462	9.11	75,399
6	Interpublic	22,913	6.76	103,940
7	Abbott Mead Vickers	13,314	11.03	81,755
8	Tempus Group	13,246	14.37	75,947
9	Ventive Holdings (UK)	10,781	12.90	14,687
10	Chime Communications	9,946	17.73	92,556

Source: Campaign 6th October, 2000

Table 4.3: Top 30 UK Agencies

Rank	Agency	Gross Income £000	Operating Profit £000	Employment Costs £000
1	Young and Rubicam Group	72,883	212	36,848
2	The Ogilvy Group (Holdings)	52,042	5,396	19,936
3	Saatchi and Saatchi Group	51,438	-5,424	29,201
4	BMP DDB	44,421	4,972	24,484
5	McCann-Erickson Advertising	42,484	7,492	23,984
6	J. Walter Thompson Group	42,407	4,644	26,064
7	TMP Worldwide	41,069	8,161	22,272
8	D'Arcy	34,830	1,444	20,809
9	Abbott Mead Vickers BBDO	33,853	5,239	17,073
10	Bartle Bogle Hearty	28,052	3,582	15,022
11	Bates UK	25,734	4,722	14,433
12	Leo Burnett	24,043	-1,818	13,812
13	Publicis	22,008	2,987	11,479
14	LoweHoward-Spink	21,277	2,826	10,736
15	M&C Saatchi	20,938	2,672	11,060
16	Grey Advertising	20,592	-319	9,113
17	Euro RSCG	20,568	660	12,751
18	Ammirati Puris Lintas	19,856	-531	8,803
19	McCann-Erickson Manchester	18,889	3,034	10,244

20	WCRS	16,558	3,507	8,888
21	Howell Henry Chaldecott Lury	14,031	3,640	7,095
22	TBWA/London	13,321	181	11,338
23	Leagas Delaney London	11,821	324	6,565
24	St Luke's Holdings	8,710	2,248	4,377
25	Collette Dickenson Pearce	7,400	116	4,864
26	Partners BBDH	6,627	1,456	3,324
27	BDH TBWA	6,430	-131	3,950
28	Delaney Fletcher Bozell	6,100	567	2,650
29	Duckworth Finn Grubb Waters	5,301	712	2,933
30	DMB&B Financial (Masius)	4,867	663	2,367

Source: Campaign 6th October, 2000

Consolidation and internationalisation seems to be an ongoing process in the industry as agencies increasingly group together into holding companies. As Table 4.4 below illustrates, mergers have proved a popular way of adding competencies and coverage, particularly global coverage for agencies. Although unable to compete with the consolidated global players, small to medium size agencies (SMAs) and micro-businesses increasingly specialise and develop their knowledge of discrete market segments or niches that may not be attractive to larger agencies because of their size or requirements. On the whole, the industry is primarily London based, 76 per cent of the staff of IPA (Institute of Practitioners of Advertising) member agencies are London based and the top 20 regional agencies had a total billing of £315.43 million, equivalent to 6 per cent of the total billings for the top 50 agencies in 1999 (<http://www.culture.gov.uk/creative/>).

Table 4.4: Some Examples of the Mergers and Acquisitions Deals in the Year 2000

<ul style="list-style-type: none"> ▪ Advertising agency Leagas Delaney was bought by Envoy Communications of Canada in a deal worth about C\$132m (£60m) ▪ Chime Communications buy advertising agency Roose Holdings; PR consultancy Quentin Bell Organisation; and specialist creative consultancy Giradot Partners for up to £24.1m ▪ KSDP was bought by Tempus Group for £20.9m ▪ The Partners was bought by Young and Rubicam, in a deal thought to be worth £15m ▪ Interpublic takes a controlling stake in English and Pockett ▪ Wagstaff and Metropolis Design Group join forces as Journey Brand Experience 	<ul style="list-style-type: none"> ▪ The Fourth Room was bought by US Interactive; ▪ Luxon Carra was bought by True north Communications of the US in a deal worth up to £12m ▪ Raymond Loewy International, McBrides & Grandfield, workhouse merged to form Loewy Group; ▪ Quite Extraordinary Design Partnership was bought by communications specialist Sheppard Day; ▪ Syzygy bought Paris-based new media group NetForce ▪ Nucleus was bought by Scandinavian e-consultancy Adera in an £8m deal ▪ New Media design consultancy Clarity is bought by Proxicom
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Source: FT Creative Business November 14, 2000

Further, the industry also has a secondary economic impact on a number of other advertising and advertising-related sub-industries in the UK (<http://www.culture.gov.uk/creative/>). It supplies the primary source stream for other creative industries as it employs a wide range of external suppliers, including photographers, lithograph houses, suppliers of communications services, outdoor advertising space providers, research houses, mailing services, printers, TV/film production houses and new media specialists in its service delivery process. Many of these sectors are small, independent companies and freelancers for which advertising accounts are fundamental to their success and survival. The contribution of advertising to media revenue and its use of many support services means that, both directly and indirectly, it is a major source of employment (<http://www.culture.gov.uk/creative/>). As such it is a key industry in the UK economy, enabling the country to remain competitive as a service economy both domestically and internationally.

4.5 THE INTERNATIONAL MARCOMS/ADVERTISING INDUSTRY

The origins of global advertising can be traced back to the 1950's. After the Second World War, many countries increased international trade, with most commerce concentrated in Europe. By the 1960s, the US became the centre of attention as U.S. corporations led the way in looking for markets across the globe. The 1960s saw a

general trend towards increased internationalisation of the advertising market. Cost and control considerations resulted in highly centralised and standardised marketing during this era. Increases in international trade were accompanied by the emergence of multinational advertising agencies, and domestic media began launching international editions. The 1970s saw the international expansion of non-US multinationals, hoping to mirror the international success of the US agencies. The 1980s/90s saw further 'globalisation' of ad agencies as they responded to their clients' demand for global presence, preferring to work with multinational ad agencies that could help them create a unified brand image and positioning around the world. In the past five years, such trends and others particularly with the advent of the Internet, digitisation and the linked innovations in terms of new media (emphasising interactivity, permission and relationship marketing, and integrated advertising) have had dramatic impact and are reshaping the industry internationally. This section attempts to map this changing industry, and amongst others, examines the key findings of some studies that have attempted to study the internationalisation of ad agencies. It then discusses the trends in international trade in relation to advertising services and eventually the key players and organisation of the industry internationally.

4.5.1 The Internationalisation of the MarComs Business

Internationalisation in the advertising business began in the early part of the twentieth century. In fact, among the first agencies to cross borders was J. Walter Thompson which, originating in the US, opened its first office in London in 1899. So far, the internationalisation of the MarComs business has been studied from several perspectives and there exists a fragmented literature base on the 'international operations' of ad agencies.

A first group of scholars have devoted their attention to examining the international advertising⁷ decisions of ad agencies. Such works have primarily focused on analysing the determinants of standardisation and/or adaptation of

⁷ International advertising is defined as the practice of standardising, integrating and transferring types of advertising across countries without taking country specific differences into account (Daniels, 1995:276)

advertising campaigns in foreign markets. Linked closely to the contention of Levitt (1983), discussed in Chapter Two, the proponents of the standardisation school support the notion that a single or common advertising campaign, with perhaps some minor adjustments, can be used to promote the same product or service across borders. While those belonging to the adaptation school argue that separate messages are required for buyers in different foreign markets as there are some irreconcilable differences (relating to, among others, cultural, economic, legal, media factors) between countries or even between regions in the same country (see, for example, Whitelock, 1987; Whitelock and Kalpaxoglou, 1991). Still another group of authors studying this same issue takes an intermediate standpoint arguing that standardisation or adaptation of advertising decisions is not a 'dichotomous' one (Pappavassiliou and Stathakopoulos, 1997:504). These authors, instead, suggest that such decisions should be viewed on a continuum (with standardisation and adaptation extending at each polar end) as there usually exist degrees of international advertising standardisation or adaptation.

While the main findings of these works do not contribute towards the main purpose of this thesis, it is interesting to note that some of their findings do illustrate the varying effects of organisational and industry influences or implications linked to the 'internationalisation' of advertising decisions. For instance, Pappavassiliou and Stathakopoulos include a set of firm-level determinants relating to agencies' internal conditions and decisions in their conceptual framework relating to standardisation or adaptation of advertising decisions. These determinants include the managerial and financial characteristics of the firms (that is, corporate strategy, internal culture, decision-making authority and financial conditions). Similarly, Grein and Ducoffe (1998) use Bartlett and Ghoshal's transnational framework to depict the 'globalisation' forces increasing the pressures for the global co-ordination or local responsiveness of international campaigns. And Anholt (2000) comments on a number of organisational and client-agency determinants underlying successful implementation of international decisions.

A second group of scholars, consisting mainly of geographers and economists, have studied the internationalisation of ad agencies per se, in relation to their manufacturing clients. Studies regarding this issue can be traced back to the early

1970s (for example, Weistein, 1974; Matellart, 1979) while relatively recent ones include the like of Daniels (1995), West (1996), Nachum (1997), and Roberts (1998). These works examine a broad range of issues relating to the international evolution of ad agencies, the determinants of FDI for these firms, or indeed, the global regulatory implications on the firms as a result of the liberalisation of advertising services. The conceptualisation of these works are to a certain extent based on the international business theories identified in Chapter 2 and subsequently their findings or conclusions bear strong similarities to the conclusions of studies using similar theoretical bases to study services or professional business services sectors. For example, taking a process view, Matellart (1979) suggests an evolutionary model depicting three stages leading to the pivotal role of transnational advertising agencies in world advertising: local structure/local clients; 'nationalisation' and transnationalisation through 'mega-mergers'. Conversely, Daniels (1990), West (1996) and Nachum (1997) opine that the FDI theory holds significant explanatory potential for understanding the determinants of foreign investments of multinational advertising agencies.

More interestingly, some of the important works in the above category point to significance of the internationalisation strategies of ad agencies in respect of international success and survival. They explain that: 'the internationalisation of the advertising agency business has made it necessary for multinational as well national agencies to direct more attention to corporate strategy and policy decisions. While agencies generally see internationalisation as a natural business progression, whether they choose to exist as a multinational or a national agency, they must position the agency properly within that environment to ensure their survival and prosperity' (Turnbull and Doherty-Wilson, 1990:12) (such an argument is also supported by Daniels, 1995). In further support of such arguments, the literature review identified several other studies noting that advertising agencies can penetrate foreign markets using various forms of market entry and development strategies (see, for example, Terpstra and Yu, 1988; Mooij and Keegan, 1991; Roberts, 1998). Turnbull and Doherty-Wilson (1990) and Daniels (1997) have also noted ad agencies undertaking related and non-related diversification strategies, both at domestic and international

levels, and how such strategies have been the basis of accelerated growth, permitting and encouraging cross-fertilisation, among agency businesses.

Of more relevance to this study, a third group of studies has preferred to examine international ad agencies from the strategic management perspective. Such studies are very few. From the four works identified in the literature review process, two (notably Carpano and Shao, 1994 and Kim, 1995) analysed the international expansion and consolidation strategies of large transnational ad agencies. The remaining two (namely, Anderson, 1984; Mitchell and Bright, 1995) looked into parent-subsidiary relationships and the implications for advertising decisions. Subsequently, Carpano and Shao (1994) contend that firm-specific resources and organisational structures are important determinants relating to the strategic performance of the international ad agencies. In contrast, Kim (1995), notes that ad agencies evolve internationally as global networks and that their international expansion is determined by various market forces shaping the industry and the intention of such firms is to leverage their global competitiveness in terms of resources and capital. From a subsidiary perspective, Anderson (1984) identifies three types of subsidiaries (namely, a branch agency, an affiliate agency and an associate agency) within a transnational ad agency network and focuses on strong co-ordination of activities between parent and subsidiaries as basis for international competitiveness.

On the whole, this review process concludes *that little is known about the international competitiveness and strategic behaviour of ad agencies* (also highlighted by Grein and Ducoffe, 1998). Indeed, very few studies, of a conceptual or empirical nature, have successfully developed a comprehensive framework to analyse influences on and/or the characteristics of the international strategic options of such firms. However, these studies essentially identify advertising or MarComs as a rapidly maturing global business, a process which is continually challenging ad agencies to identify properly structured and managed growth strategies. This is even more apparent when we look at figures pertaining to international trade in the industry.

4.5.2 International Markets and Trade of MarComs Services

The world advertising market is defined as expenditure in major media, newspapers, magazines, television, radio, cinema and outdoor, is estimated by Zenith Media Worldwide (www.zenithmedia.com) to have been worth US\$ 338 billion in 2000. The North American markets have been the largest market for the past decade with 44 per cent of the total, followed by Europe with 26 per cent, Asia/Pacific with 20 per cent, Latin America with 7 per cent and Africa/Middle East/Rest of the world having 3 per cent of the market (see Table 4.5 below). The US advertising market grew by 13 per cent in both 1999 and 2000 which is the highest since the recession of the 1980s. In contrast, growth in European markets (UK, France, Italy, Germany and Spain) averaged 8.7 per cent in both 1999 and 2000, growth explained primarily by the robust health of the global economy overwhelmed by consumption impetus and the perpetual rise of dotcom businesses and online advertising (now accounting for more than 2 per cent of the global advertising spend). These major markets are projected to grow further in the next two years and will be slowly joined by Japan and other East Asian markets (including China, South Korea, Taiwan, Philippines, Thailand, Singapore, Indonesia, India) which have apparently been 'dormant' so far. It is speculated that many of these emerging economies have comparatively little advertising experience compared to the West, thus there are opportunities for established international agencies to extend their reach into these territories.

Table 4.5. World advertising expenditure summary. Major media (TV, print, radio, cinema, outdoor). (US\$ million at current prices)

	1999	2000	2001	2002	2003
North America	137,145	152,316	156,082	163,472	170,853
<i>of which: USA</i>	132,233	147,110	150,576	157,689	164,809
<i>Canada</i>	4,912	5,206	5,506	5,783	6,044
Europe	80,532	87,727	92,897	98,253	103,470
Asia-Pacific	62,139	65,782	69,758	73,587	77,578
Latin America	22,248	24,244	26,573	28,787	31,175
Rest of world	7,739	8,575	9,508	10,495	11,434
Major media total	309,803	338,643	354,819	374,595	394,509
Internet	5,357	8,859	10,971	13,902	17,384
Total including internet	315,161	347,502	365,790	388,497	411,893

Source: www.zenithmedia.com

Not only is the US the leading advertising market but U.S. agencies are the most competitive participants in the international advertising market, given the breadth and calibre of their creative skills, media relations' expertise, and

flexibility in tailoring advertising campaigns to targeted audiences. Trade in this sector comprises both cross-border trade and affiliate transactions. Of these two delivery channels, affiliate transactions are the predominant mode of trade in advertising services. This is because firms with a local presence cultivate knowledge critical to the successful administration of advertising services, including an understanding of the local media environment, as well as familiarity with consumer tastes, language, and culture. Consequently, affiliate firms tend to develop a competitive advantage over agencies attempting to export advertising services from home offices. In 1996, sales by U.S.-owned advertising affiliates abroad equalled no less than \$5.0 billion, compared to \$551 million earned through cross-border exports of advertising services (USITC, 1999).

4.5.3 Organisation and Structure of the International MarComs Industry.

Following the foregoing arguments, the advertising business stands today as a relatively fragmented business on a global scale, with acquisition strategies being utilised by global networks to build worldwide market share. Industry globalisation pressures and the global consolidation process at the client-end are of increasing concern as the industry is still adjusting to the twin pressures of increased global geographical coverage and better client servicing in foreign markets. In response to these pressures, the international industry seems to be dominated by two distinct groups of agencies. The first group consists of multinational agencies groups and media buying shops which undeniably possess the ability to provide services worldwide (Roberts, 1998). In addition, this group consists of a few select firms that are very large in their own right but lack integral components, that is, they are able to handle 'mega' accounts but have reduced standing in some overseas countries. These firms usually engage in contractual arrangements with foreign agencies for advertising in particular countries (see Table 4.6 below for a summary of the Top 15 World Advertising Organisations). It is worth noting that some, if not all, of these organisations are present in UK as highlighted in Table 4.3. The second group is composed of small-to-medium size independent, innovative and entrepreneurial full-service ad agencies (SMAs) catering largely for domestic/regional markets while handling minimal international businesses.

Table 4.6 : World's Top 15 Advertising Organisations

Rank 2000	Company	Headquarters	Worldwide Gross Income 2000 (US\$m)	Worldwide Billings 2000 (US\$m)
1	WPP Group	London	\$7,971.0	\$67,225.0
2	Omnicom Group	New York	6,986.2	55,651.6
3	Interpublic Group	New York	6,595.9	54,828.2
4	Dentsu	Tokyo	3,089.0	21,689.1
5	Havas Advertising	Levallois-Perret, France	2,757.3	26,345.5
6	Publicis Groupe	Paris	2,479.1	29,302.7
7	Bcom3 Group	Chicago	2,215.9	17,932.6
8	Grey Global Group	New York	1,863.2	11,406.3
9	True North Communications	Chicago	1,539.1	13,171.7
10	Cordiant Communications Group	London	1,254.8	11,256.0
11	Hakuhodo	Tokyo	1,008.7	7,640.0
12	Asatsu-DK	Tokyo	431.4	3,740.1
13	Carlson Marketing Group	Minneapolis	390.2	2,977.3
14	TMP Worldwide	New York	332.1	3,386.5
15	Digitas	Boston	288.2	NA

Source: www.adage.com

Multinational ad agencies have converged into fewer larger global networks to achieve scale economies and to service global clients with global brands by positioning themselves as central strategic one-stop creative shops with some regional emphasis. These global network structures have so far proved to be the most effective way to service clients which have globalised product development but still sell locally, and therefore need local advertising. Toyota, for example, manufactures centrally but sells locally. As long as this is true it will be necessary to have agency networks. Other advantages of a network include market coverage, risk diminution, promotion of agency profile and an increased volume of business. Although the networks are used to varying degrees by different clients they also facilitate sharing of client knowledge and the ability to build teams that facilitate 'creative standardisation'. This encourages the development of shared goals, philosophy and a distinctive culture for the network as a whole (Daniels, 1995).

There are considerable variations in the volume of international business amongst agencies in the same network in different countries. This seems to be linked to the strength of the retail market, especially in packaged goods and in automobile markets. The advantage of a mixed portfolio for the advertising agencies is that it makes it easier for agencies to survive downturns in the local economy in circumstances where

clients are more likely to switch to their competitors. However, multinational clients look for strong equity-linked networks in the Top 20 list but they must choose between more centralised networks and those that work on the basis of lead agencies (Nicholls, 1993). Both network models make problem solving by senior managers and servicing multinational clients a rather costly business.

The global advertising organisations are all made up of acquired UK and US-based companies that provide an instant network of affiliate agencies spread out in response to the international advertising business. Each of the subsidiaries is largely independent and autonomous, leaving the parent company to direct long-term corporate strategy and financial planning and controls (UNCTC, 1990). This structure also facilitates competition for new business among the various subsidiaries. But there is still a need to look for economies of scale internally, especially with regard to creativity. This has to be done without upsetting a large number of partner offices in the network. It is now possible to develop a strategy for a global client and then determine whether it is necessary to adapt it to individual countries - this still lets each link in the network have an input. The longer-term outcome of such changes is that network coverage will be retained but staffing levels will fall and individual roles and positions will change (Daniels, 1985, 2000).

Some groups, such as True North communications, have encountered financial difficulties arising from their own strategy and the depressed global economy. Others have experienced differences of approach and style between agencies within the network which has been transmitted into client dissatisfaction. By the very nature of the activity the client base of the agencies is unstable (Perry, 1990) and this is increasing as the advertisers, the media and regulators become more sophisticated about the advantages and disadvantages of advertising. While majority stakes may still be the long-term objective, the exchange of minority shares between agencies in different countries (melding) is now seen as a less risky way to extend the coverage/growth of groups (Daniels, 1985).

The 'globalisation' of the advertising business has had significant consequences for the smaller players as well. The whole process has created barriers to entry to the global advertising business given the capital requirement to enter the international marketplace (Kim, 1995). Small agencies have reacted through various strategies to

overcome the different barriers to entry imposed by globalisation of the industry. For instance, capital requirements have been diminished by 'breaking away', that is, forming a new agency, in an amoeba-like fashion from staff splitting away from the main agency and taking accounts with them (West, 1996). Hence, breaking away is an established part of the agency business and drastically reduces the initial capital requirement compared to a fresh start-up. But in UK, a bolder strategy was put forward by a group of highly creative and financially adept local British agencies in the 1970s and 1980s which effectively challenged the global networks. Agencies like Boase Massimi Pollitt and Collett Dickenson Pearce made their mark. These agencies began with low capital requirements and office infrastructures and joined independent agency networks to undertake international business.

Independent agency networks, have existed in North America and western Europe since the 1920s. These networks offer a practical option for small/medium sized agencies to challenge some multinational businesses by enabling member agencies to cooperate and collaborate across borders. The international marketing communications industry presently consists of 31 such independent agency networks worldwide regrouping over 1400 small-to-medium agencies with an annual gross income of \$3,326 m, growing at average annual rate of 11.3 per cent (www.adage.com). Members typically buy shares in the umbrella organisation and then pay annual dues. These networks also provide local and cheaper media-buying to member agencies. Another factor in support of such networks is that many multinational advertisers use small local shops whenever they feel their creative work is outstanding. It is likely that new forms of ICTs have made such developments more straightforward. The Table 4.7 below provides some examples of independent networks worldwide.

Table 4.7: Top 10 Independent Networks Worldwide (US\$ m)

Independent Network	World Gross Income, 1998	World Billings, 1998	Number of Member Agencies
1. Second Wind Network, Reading, Pa.	732.0	2,040.0	606
2. Worldwide Partners, Aurora, Colo.	537.0	3,584.0	82
3. ICOM Agency Network, Rollinsville, Colo	356.0	2,376.0	75
4. AMIN, Wichita, Kan.	353.0	2,356.1	71
5. Dialogue International, Brussels	165.0	670.0	20
6. Mutual Advertising Agency Network, Cleveland	123.0	820.0	32
7. Transworld Advertising agency Network	110.0	775.0	45
8. Interpartners Communications, Brussels	94.4	609.0	21
9. Independent Network, London	90.0	617.0	31
10. Intermarket Association of Advertising Agencies, Dayton Ohio	77.4	523.5	23

Source: www.adage.com

4.6 TRENDS AND DEVELOPMENTS AFFECTING THE INTERNATIONALISATION OF THE MARCOMS INDUSTRY IN THE NEXT 5-10 YEARS

The international advertising business has developed into a much more complex and sophisticated business than it was some ten years ago. Such sophistication is expected to persist due to a number of trends and developments that are shaping the domestic as well as the global conduct of the business. This section, therefore, speculates on some of the important trends and developments identified in the literature. The review of these trends and developments had the dual purpose of informing the conceptualisation, as well as, providing the researcher with information on industry level issues, thereby facilitating discussions with interviewees during the fieldwork.

Digitisation, Internet and Technology

Kitchen and Schultz (2000) identify four major interrelated elements that are driving change in the international marketplace and thereby affecting international marketing and marketing communications: digitisation, information technology, intellectual property and communications systems.

Along the same line, critics of the industry comment on a 'process of integration' which is at work uniting online and offline channels of communications. Communication technologies and their ally computers are underwriting modern economic history bringing in cultural, technological and conceptual impacts that change consumer's living. Gray (2000) argues that websites and dotcoms extend far beyond the remit of new technology and they are fundamentally changing the way ad

agencies are doing business. The industry is being influenced by the impact of the digital revolution as shown by the following:

Multiple Digital Channels. Media changes and fragmentation are likely to continue as long as consumers will become ever more comfortable with using multiple digital channels of communication. The world will be an increasingly 'wired' one in which networks will have a profound effect on the every day life of the consumer. There will be no distinction between online and offline environments while commerce is predicted to become incredibly fast convenient and personal. Online access is projected to be ubiquitous (mobile phones, WAP, TVs, games consoles, kiosks, cars, white goods, PCs; interactive television, free phone calls in exchange for short advertising messages, and virtual signage) and available round the clock. In that respect, a pressing concern for traditional advertisers and their agencies is that digital technology will further accelerate the fragmentation of the mass market rendering old-established schools of advertising obsolete.

Internet and Web Advertising. Industry observers argue that advertisers and their agencies, using internet advertising sales network, are having to appeal to a global marketplace as well as defining their key audiences in each region or country precisely in order to allow accurate targeting of relevant messages. The internet is not only a truly global medium, but one that allows for carefully targeted advertising. Advertisers like Axa Insurance, BOL.Com, Saab, Ericsson and Hewlett-Packard have all sought pan-regional web campaigns but how the media buying is implemented depends on the maturity and positioning of the brand across various countries. BOL.Com, for example, has bought media globally to reduce costs and left its operations in various countries in control of execution. Intel ran campaigns with identical creative messages across six countries, changing the text to the local language. But in both scenarios, the advertisers and their agencies have had to be mindful of the consistency of their messages.

Sophistication of Consumer Marketing

The advent of the digital revolution has given the consumer an unprecedented control over what information and entertainment they choose to consume, where they consume it and when. The 'global' consumer is today knowledgeable and advertising-literate. It is estimated that the average consumer is exposed to 150,000 different

commercials, most of them about half-a-dozen times a day and print ads, billboards, cinema and radio commercials, matchbox covers and blimps. New advertisements, in other words, are received by seasoned, sceptical, advertising-literate minds (Fletcher, 1998). And the fact that there have been countless predecessors inevitably influences consumers' responses to each new advertisement. However, this is a phenomenon which is ignored by advertisers and agencies alike. (Fletcher, 1998) argues and cautions that many advertisers deny its very existence, and insist on treating consumers as naive, spelling things out to them as though they were children watching their first ever commercial.

Hence, the international market is becoming more advertising literate and changing, and relationship-led marketing and personalised communications are moving centre stage. Spend on online advertising is a growth area. These trends are still accelerating together with media fragmentation and the development of a greater number of niche audiences. So too has the emphasis on relationship marketing and the tools and disciplines which have facilitated its development. In many ways the internet is an extension, albeit a very powerful one, of relationship marketing and of the idea 'of a two-way dialogue between companies and their customers. Permission marketing seeks to develop this two-way communication into a commercially useful relationship by encouraging consumers to choose the information they would like to receive. As such, brands and agencies are aiming to deliver product value with every click of the internet consumer. The belief is that: "how a company inspires powerful, cross-media customer experiences and instantly delivers what customers (domestic or international) want, how, when and where they want it – a 'moment of value' – will be real time business strategy in the future" (FT, Creative Business, 2000: 7).

Global Integrated Advertising.

A recent report on Worldwide Advertising by Campaign (June 2000), revealed that the dynamic and dramatic effects of globalisation and consolidation still have a way to go in the advertising and media industries. This is partly because many companies are compelled to create a unified image or identity globally. Industry observers point out that international brand building is no longer a choice; it is a necessity for a company in the 21st century. The new global communications channels, the mobility of the consumer, the globalisation of the economy, the internet and the cautious

consumer have ensured that no brand-building can ever take place in geographic isolation. It is no longer tenable for a single brand to adopt different market positioning in different territories, and a brand that fails to express its core values consistently from country to country will dilute its equity until it recognises the need to do so.

Anholt (2000) argues that globalisation in general has created an environment where it appears cheaper and easier than ever for companies to export. Subsequently entirely new kinds of international businesses (global start-ups; small global businesses; global businesses with one office; global businesses based in 'third-world' nations) are now commonplace in a wide range of industries. These companies are compelled to build global brands as in the new economy a global brand may be their only real asset. As such international accounts are no longer the exclusive province of huge, television-driven FMCG brands, but of fast-moving start-ups whose domestic market happens to be the globe. Anholt (2000) further asserts that the international advertising business may be increasing and fragmenting at the same time but there is growing pressure on agencies to consolidate. In short, global clients are getting more numerous, smaller and spending less, as global agencies are getting fewer, bigger and charging more. Anholt (2000) also proposes that international marketing in the 21st century will not be about ignoring overriding cultural differences, but about understanding accommodating and harnessing them in the service of global brand building.

Kitchen and Schultz (2000) support Anholt's argument stating that the impact of globalisation will permeate across the industry. Their view is that no organisation will achieve globalisation in marketing and marketing communications and stop. Managers/agencies will have to deal with continuing change, continuing response to customer needs, continuing challenges from competitors and technology, and continuing change and relationships and ways of doing business.

Further 'unbundling' of Media

In 2000 the Top 50 new media agencies declared income of £168 million, 22 per cent up from £63 million in 1998 and forecast to rise to £370 million by 2003 with the digital revolution. Many new media agencies have emerged to serve a global market by handling E-commerce businesses but have been acquired by large advertising

conglomerates wishing to strengthen their new media competencies. By 'unbundling' it is meant that media planning service is taken away from the brand agencies that handle creative and given to a third party devoted exclusively to media planning Campaign, 2000).

Till recently, the industry witnessed the tendency for agencies to converge their new media offerings and position themselves as one-stop shops or full-service agencies. This allowed them to offer a comprehensive service from strategic consulting service, through to media planning and buying, to website development, design and building. In general, some of these elements of the business are outsourced, but the key factor is that these companies are marketing themselves as able to provide a complete new-media community package.

This trend towards global advertisers centralising their media is putting increasing pressure on smaller media network towards alliances. These firms argue that the big budgets are increasingly coming from handling multinational accounts and the only way they can appeal to such accounts is by aligning their businesses into a central global network. At the same time it is becoming increasingly hard for such networks to competitively differentiate themselves. At the moment, the big players seem to emphasise the importance of volume, enabling greater breadth of service, while the smaller independent networks are talking about the importance of providing flexible, carefully honed specialist services. Industry followers are predicting that in five years time there will be fewer players in the industry, and basically two distinct media operations are likely to emerge across the global stage. One will focus on being experts in execution and delivery, providing volume and all the benefits of economies of scale, while others will become businesses that provide expertise in strategic media behaviour, helping clients through the labyrinth of consumer communications channels.

Increasing Global Nature of Government and Regulatory Issues

The principal barriers to international trade in advertising services arise from restrictions on market access and on national treatment (GATT, 1989). Critical for trade in advertising services are the degrees of freedom in the movement of persons, access to communication networks and the extent to which a commercial presence in each market is permitted. Since international advertising

services are provided by professionals located in the client's market with each branch partnership operating autonomously with respect to production and to billing, temporary cross-border movements of personnel such as copywriters, artists or media buyers may be required to supervise or to train nationals. These remain crucial even though centrally-developed campaign concepts may sometimes be exported to be shaped and fitted to the needs of the local market.

Advertising services want agreements which maximise their freedom to operate in foreign markets either through direct representation or through cross-border trade. These are precisely the issues that are central to the General Agreement on Trade in Services (GATS) which has contributed enormously to the liberalisation of such services. Indeed, deregulation of the markets for several services have played its part in facilitating transnationalisation of corporate activity during the 1980s. But national regulation continues to be significant, not least with respect to advertising (Daniels, 1995). Agencies and their clients must operate within a framework of separate national regulations that govern the form, duration and types of product that may or may not be advertised. Even though the EU, for example, is attempting to harmonise the rules governing advertising in the member states, substantial variations occur because of different legal systems, different social attitudes and cultures (Euromonitor, 1992). This undoubtedly accounts in part for the importance attached to local markets and direct representation as reflected by the formation of advertising agency networks.

From the perspective of advertising service firms, however, regulation is not necessarily a constraining issue in their internationalisation process. Even if local input and product restrictions were removed overnight it would not change things very much. International agencies are used to operating within the regulatory frameworks devised by their hosts. Where there are restrictions on campaigns then other avenues are sought for advertising. Hence, it is the local regulatory environment that will continue to exert a powerful influence on the product delivery strategies adopted by advertising agencies and networks. Although global product types and packaging are becoming more universal, they have yet to overcome the nuances of local culture, prejudices, preferences and priorities. This will ensure that the global advertising (and all the economies of scale etc that it offers) will take a very long

time to replace the local or regional advertisement for the same product. Perhaps, global advertising will modify culture-constrained responses, eventually leading to a more uniform marketplace.

On the whole, it is less clear how the liberalisation of markets and world trade post-GATS will affect advertising services. There will certainly be new market opportunities associated with the economic growth enabled by the Agreement; but many of these opportunities, around the Pacific Rim, in the former Soviet Union or in South-East Asia, have already been identified by the agencies and their multinational clients. The GATS may simply help to facilitate, preferably at a more rapid pace than it took to arrive at an agreement, the global ambitions of the leading advertising agencies.

Other Encroaching Professional Service Industries: Management Consulting

The chances of other professional services like management consulting encroaching upon the advertising industry have been considered to be 'within the realm of possibility in the next five to ten years' (The Economist, 1997). Advertising agencies' role in the formulation of promotional campaigns have become secondary after client companies have turned to management consulting firms to develop marketing strategies for them. In this set-up, ad agencies are mere executors of creative products that have been given business direction by consultants. Industry journals have till recently reported alliances between CDP/Dentsu and Pricewaterhouse Coopers aiming to work together to provide a one-stop shop to UK companies wanting to build businesses on the internet. Similarly, Publicis has forged a partnership with the technology services company Cap Gemini and the management consultancy firm Ernst & Young. Such alliances have aimed to bring the brand communication and management skills together with the corporate strategy skills of the management consultants. A review of trade journals and others have revealed a number of reasons as to why management consulting poses a serious competitive threat:

- Consultants and accounting firms have traditionally proved themselves to be better at handling huge amounts of market research data, and number crunching analyses;
- They are equipped with more qualified staffs (majority with MBAs or some kind of Masters degrees);

- Clients are more likely to listen and adopt consultants' business strategy advices than those of ad agencies;
- Consultancies reach a higher level of management in client firms than do ad agencies;
- Management consultancy as a business is growing at a rate of 20-25 per cent annually faster than the rate of growth of ad agencies;
- Consultants have been hiring better marketing talents – Coopers and Lybrand brought Marketing execs from PepsiCo, Kraft, P&G. Booz, Allen and Hamilton and Andersen Consulting have been hiring from the ranks at P&G, RJR Nabisco, General Foods, Gillette and Ayer;
- The MarComs industry fails to look at marketing and branding from a more holistic perspective, looking at it just as a communications issue. They seem to have willingly relinquished control of strategy

4.7 CHAPTER SUMMARY

Following Chapter 3, this chapter contributed in providing a theoretical background on the characteristics and organisation of the MarComs industry as it is chosen as a representative context in which to examine the key research question underlying this study. The chapter conducts a comprehensive overview of the MarComs industry. In doing so, it presented an understanding of the nature and characteristics of advertising/marcoms services and the key features of an 'advertising agency'. It also incorporated a discussion on the composition, organisation and structure of the UK MarComs industry and the international MarComs based on up to date literature. Finally, it ended by highlighting some of the strategic industry trends and developments likely to impact on the international MarComs industry in the next 5-10 years.

With regard to the characteristics of MarComs services, the chapter illustrated that:

- Advertising markets, to date, have evolved to comprise a heterogeneous set of companies encompassing advertisers, advertising agencies, media organisations and a variety of service suppliers such as packaging design firms, photographers, research organisations and different production firms.
- Advertising services are at best packages of service activities that are offered to other companies and which concern the planning, production and/or delivery of advertising and advertising related services.
- These services succeed as professional business services as they are provided by qualified personnel, are advisory in nature and focus on problem solving, thereby tallying with the key characteristics of a PBS described in the previous chapter in Section 3.2. At the same time, there are several 'ambiguities' that characterise the service delivery process of advertising service which altogether makes them different from other professional business services.

With regard to advertising/MarComs agencies the chapter argues that:

- These firms do share a number of similar features with other professional business service companies. The ad agencies are primarily client-driven and specialise in the planning and execution of MarComs programmes for their clients.

- Their clients can be representatives from various business areas, market segments with varying levels of internationalisation.
- The advertising business is also highly competitive. Advertising agencies compete not only with each other but also with the advertisers' own advertising departments and media organisations.
- The most important competitive assets of advertising agencies are the range of services provided, price, reputation and the quality of knowledge and expertise of the agency's professionals. Which factors clients have valued the most have also changed over time and accordingly there is the need for agencies to adapt to the changing conditions of their industry and markets in order to maintain their competitiveness at both domestic and international levels.

The chapter also illustrates the UK advertising industry as a world leader in terms of business volume and creativity. The market growth for advertising services in the UK has resulted in the growing size and strength of the local advertising industry. In the last five years, the UK advertising industry has experienced a period of consolidation, with increasing cross-ownership, internationalisation and a centralising of accounts by major clients. Internationally, the MarComs industry shows an even more healthy picture. The world advertising market is estimated by Zenith Media Worldwide to have been worth US\$ 338 billion in 2000. International trade is expected to expand with an emphasis on affiliate transactions as the predominant mode of trade in advertising services. This is because agencies need local presence to cultivate knowledge critical to the successful administration of advertising services. This includes an understanding of the local media environment, as well as familiarity with consumer tastes, language, and culture in different markets.

Furthermore, internationalisation of the advertising business has been studied from several perspectives and the chapter presents the existence of a limited and fragmented literature base on the 'international operations' of ad agencies:

- A first group of scholars have devoted their attention to examining the international advertising² decisions of ad agencies. Such works have primarily

² International advertising is defined as the practice of standardising, integrating and transferring types of advertising across countries without taking country specific differences into account (Daniels, 1995:276)

focused on analysing the determinants of standardisation and/or adaptation of advertising campaigns in foreign markets.

- A second group of scholars, consisting mainly of geographers and economists, have studied the internationalisation of ad agencies per se, in relation to their manufacturing clients. These scholars opine that the FDI theory holds significant explanatory potential to understand the determinants of foreign investments of multinational advertising agencies. Ad agencies have been noted as undertaking related and non-related diversification strategies, both at domestic and international levels, and how such strategies have been the basis of accelerated growth, permitting and encouraging crossfertilisation among agency businesses.
- Of more interest to this study, a third group of studies has preferred to examine international ad agencies from the strategic management perspective. Such studies are very few. From the four works identified in the literature review process, two of them (notably Carpano and Shao, 1994 and Kim, 1995) analysed the international expansion and consolidation strategies of large transnational ad agencies. The remaining two (namely, Anderson, 1984; Mitchell and Bright, 1995) looked into parent-subsidiary relationships and the implications for advertising decisions.

On the whole, this review process concludes that little is known about the international competitiveness and strategic behaviour of ad agencies (also highlighted by Grein and Ducoffe, 1998). Indeed, very few studies, of conceptual or empirical nature, have successfully developed a comprehensive framework to analyse influences on and/or the characteristics of the international strategic options of such firms. However, the chapter essentially identifies advertising or MarComs as a rapidly maturing global business with the great likelihood of continuing to perpetuate in that direction where agencies are continually challenged to identify properly structured and managed growth strategies at both domestic and international levels.

Lastly, the chapter highlights some key trends and developments that are assumed to affect the internationalisation of the MarComs industry in the next 5-10 years. This was a deliberate exercise by the researcher to inform himself of the upcoming trends of concerns to firms in this industry, and as a way providing confidence to him when discussing with the interviewees during the fieldwork. Among others, the chapter

summarises such trends to include: Digitisation, Internet and Technology; Sophistication of the Consumer and Relationship and Permission Marketing; Global/Integrated Advertising and MarComs; Further 'Unbundling' of Media; Increasing global nature of government and regulatory issues; Other Encroaching Professional Services Industries: Management Consulting. The next chapter discusses the conceptualisation issues related to the conduct of this research.

5.1 INTRODUCTION

The literature review process in the preceding chapters aimed at examining the existing literatures in relation to the key intention of this study. In essence, Chapter 2 evaluated landmark contributions and underlying theories explaining international strategy primarily from a manufacturing perspective. Chapter 3 undertook a similar orientation in studying the accumulated understanding relating to the organisation, structure and international strategy of PBSFs. Thereafter, Chapter 4 progressed with the same objectives as in Chapter 3 but focused on the International MarComs industry. This current chapter draws together, in a conceptual framework, the key theories, ideas and concepts deemed to provide a comprehensive outlook on the international strategy of MarComs agencies, and also advances appropriate research question (s) and aims to guide the investigation. As such, its objectives are as follows:

- To organise the key theoretical ideas and concepts identified in the preceding literature review into a conceptual framework that appropriately structures the focus of this study;
- To draw out appropriate research constructs and issues, based on the aforementioned conceptual framework, in order to guide the study.

5.2 PRELIMINARY CONSIDERATIONS, RESEARCH OBJECTIVES AND CONCEPTUAL FRAMEWORK

The analyses carried out in the previous literature review chapters, illustrated various gaps in the literatures. Broadly speaking, Chapter 2 concludes that academic research in international business and strategic management is still lacking with regard to integrating accumulated knowledge and/or extending the application of the resultant knowledge and theories into different contexts. Closely related to this argument, most of the available studies were noted to devote separate attention to analyse issues relating to the strategy or issues relating to the organisation and management of international firms. Very few works have attempted an integrative perspective to see

how these issues are interrelated and what kind of implications emerge that affect the strategy and performance of the international firm.

Important gaps were also identified in the professional business services (Chapter 3) and MarComs literatures (Chapter 4). Chapter 3 posits that knowledge and understanding of the international strategic behaviour and management of PBSFs (or service firms is general) is deficient. However, there is potential for useful cross-fertilisation of theories and knowledge accumulated from the study of the international strategy of manufacturing to service industries. Similarly, Chapter 4 considers even more limited empirical or conceptual contributions regarding the strategy and management of rapidly globalising MarComs agencies. Hence, in an attempt to contribute towards closing the gaps discussed above, this study undertakes an exploratory approach to examine the following question:

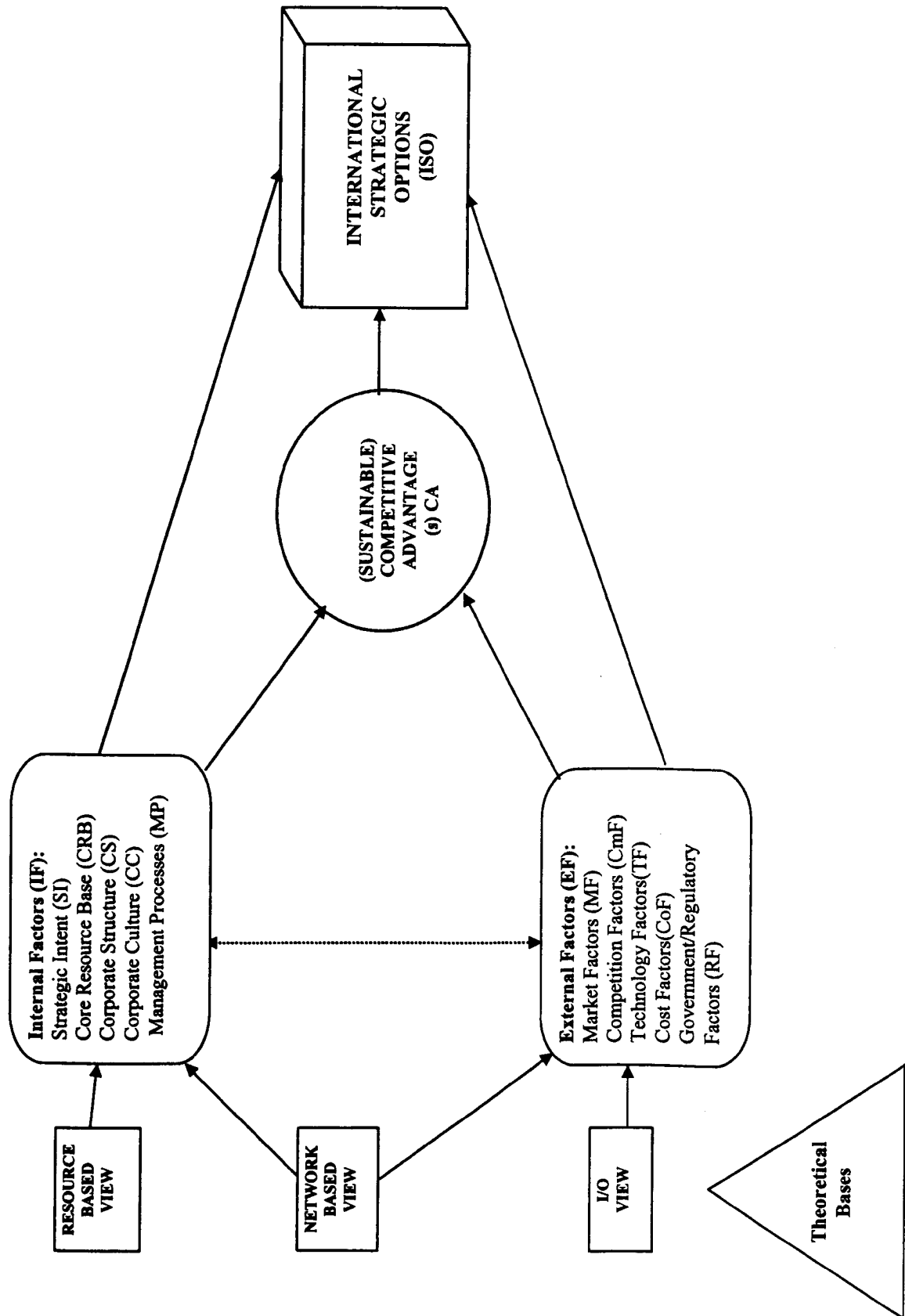
What are the influences on and characteristics of international strategy (ies) of MarComs Agencies?

To successfully explore this research question, four specific objectives are formulated to maintain focus on the underlying issues and allow the research process to proceed. These are as follows:

- 1. To investigate external and internal factors influencing the international strategies of MarComs Agencies;**
- 2. To investigate the characteristics of the international strategic options of MarComs Agencies;**
- 3. To examine the effects of the external and internal factors on the international strategic options of MarComs Agencies;**
- 4. To analyse the relevance of conventional theories to understanding the international growth and corporate strategic evolution of MarComs Agencies**

In further support of the above objectives and in order to bring in a strong theoretical structure into the focus of the study, a conceptual framework was designed to bring together the gaps identified and the main research question governing this thesis. This is presented in Figure 5.1.

**Figure 5.1: The Conceptual Framework:
An Integrative View of International Strategy of International MarComs Agencies**



The conceptual framework proposes an integrative perspective on the international strategy of PBSFs. This framework has been developed from a review and understanding of the relevant literatures and associated theoretical analyses covered in Chapters 2, 3 and 4. Figure 5.1 can be explained in the following way. The far-left hand corner of the framework illustrates the conventional theories of international business and strategic management. These are hereby proposed to envelop a given set of internal and external/industry influences that form the basis of (sustainable) competitive advantage and/or the international strategic options of the MarComs agencies. The internal influences represent a number of interrelated firm-level factors that are expected to emerge from the organisational dynamics and value-creation activities of firms. The heterogeneity present in the MarComs industry and its various sub-sectors calls for a careful examination of these internal influences.

In addition, it is argued that international strategy is the result of the interaction and dynamics of the internal as well as the external influences on the firm's environment. The framework, therefore, asserts that a number of external or industry influences, emerging primarily from the globalisation of the industry, affect the competitive advantage and international strategic options of MarComs agencies. Such influences are best examined here using Yip's (1992) model of globalisation drivers namely, market, cost, competition, technology and government factors, discussed in Chapter 2. Network theoretical insights are also considered, as it is assumed that a number of influences emerging from the inter-office(s) organisation structure of the companies, or again the external environment can be of significance to the agencies' international strategy. Following this generic description, the arguments below provide more detailed theoretical discussions in relation to each of the key constructs in the framework.

5.3 KEY CONSTRUCTS OF THE CONCEPTUAL FRAMEWORK

5.3.1 Integration of Theoretical Bases: Complexity and Complementarity

The conceptual framework integrates three theoretical strands, namely the Resource-Based View (RBV); the Industrial Organisation View (IOV) and the Network Based View (NBV), and argues for an integrative approach to examining the 'international strategy' of MarComs agencies. This relates the arguments in Section 2.4 and Section 3.4 which accordingly argue on the conceptual value of these theories. In essence, the

literature review suggests that these theories of international strategy, when effectively combined are capable of contributing towards a comprehensive explanation of the phenomenon in a given context. The framework, therefore, holistically merges the key propositions of these theories to effectively address the multidimensionality of international strategy and/or capture the complex set of interactions and processes influencing the international strategy of the agencies.

However, on a cautionary note, it is important to point out that such an attempt to combine these theories, albeit ambitious, is highly complex since the literature points out that all three (or any two of them) can be both complementary and competitive, and not mutually exclusive. These theories, therefore, intersect and overlap each other and interpenetration occurs even though they are drawn from somewhat different disciplinary bases. Cross-fertilisation occurs since each is liable to draw on the idea of the other and it is argued that there is much to gain from effective crossfertilisation in this thesis rather than distinguishing them individually. In fact, and until recently, several authors have argued that greater crossfertilisation and holism of such theories are needed, and as illustrated in Chapter 2 and 3, theoretical synthesis is a much needed issue of research at the moment (see also volumes by Montgomery (1995) and Foss et al. (1995). For example, commenting on the future orientation of the international business and strategic management fields Bartlett and Ghoshal (1991: 9) explain: "... the key task now is to retain and build on the firmer theory grounding that has been achieved while broadening our scope and perspective to create an even more integrative and managerially relevant field. Such a change would require the strategy field to expand its disciplinary base and its research focus, to complicate its models, and to legitimise a wider range of research approaches than currently used ... such stimulus can help trigger and facilitate the next round of evolution of the field".

Accordingly, the literature review identified a number of authors who emphasise the complementarity between, say the RBV and the IOV. Zou and Cavusgil (1995), for example, argue that these two theoretical approaches must be tied in to create a stronger theoretical basis to study international strategy. Similarly, Mauri and Michaels (1998) provide empirical illustration concerning the significant complementarities between the resource based and industrial organisation schools. They argue that "industry level drivers that promote homogeneity co-exist with firm – level drivers that generate heterogeneity, just as various forms of competition coexist within the same industry" (p.213). Thus while the IOV is primarily concerned with

the similarities among firms, the RBV focuses on firm-level differences as the basis for (sustainable) competitive advantage. Along similar lines, there are a number of conceptual efforts to suggest the complementarity of the NBV with both the RBV and the IOV separately. For instance, with regard to the relationship between the RBV and the NBV, Young et al. (1998:20) note that the resource based approach “has similar roots to that of the Johanson and Vahlne (1977, 1990) internationalisation process model, although the fundamental approach is quite different. The emphasis in Johanson and Vahlne’s work is upon the commitment of resources to foreign markets as the outcome of growing market commitment and market knowledge. From a resource based perspective, a firm’s commitment internationally is derived from a bundle of resources and capabilities; and its chosen form of international involvement is a mechanism to utilise these resources and capabilities to best effect”. Further supporting this argument, Welch and Welch (1996:11) add “... internal organisational processes (such as learning and network development) drive foreign market expansion ... internal processes are linked to a company’s strategy mechanisms thus tying internationalisation and strategic management into an interrelated cycle. Learning and network development influences and is influenced by the ongoing process of internationalisation...”.

However, attempts to explore the complementarity between these theories are few mainly because of the existence of limited empirical studies combining these theories. Such an exercise is empirically considered by many as highly complex for two main reasons:

- *first*, there is a lot of difficulty in operationalising the theories into testable constructs. Indeed studies relating to the IOV have depended on “proxies” of industry analysis models and frameworks to analyse the strategy-environment interface, while RBV researchers face constant difficulties in measuring unobservable firm-specific characteristics (Mauri and Michaels, 1998, Brush and Artz, 1999).
- *Second*, the theories are often related to a subset or family of theories. These at times may be from different disciplinary bases and challenge any attempt of theoretical integration. The RBV, for example, overlaps with such approaches as the evolutionary theory (Nelson and Winter, 1982; Montgomery, 1995) which devotes more attention to dynamic processes of learning and routines within organisations. Conversely, the IOV has been associated with the

Institutionalisation theory (Birkinshaw et al., 1995) which views firms as “social (as well as technical) phenomena that adapt to patterns of behaviour and activities that are appropriate to the environments” (p.639).

Therefore, the conceptual framework makes a clear case for the integration of these theories. However, and more particularly from an empirical stance, it is also careful to do so with a degree of flexibility and open mindedness by recognising that any of them could overlap and encompass a complex subset of directly related or unrelated theories. The next sections suggest how the internal organisational factors and external factors are operationalised to allow for a comprehensive examination of these influences with these theories in mind and allow a more systematic investigation to ensue.

5.3.2 Internal Factors

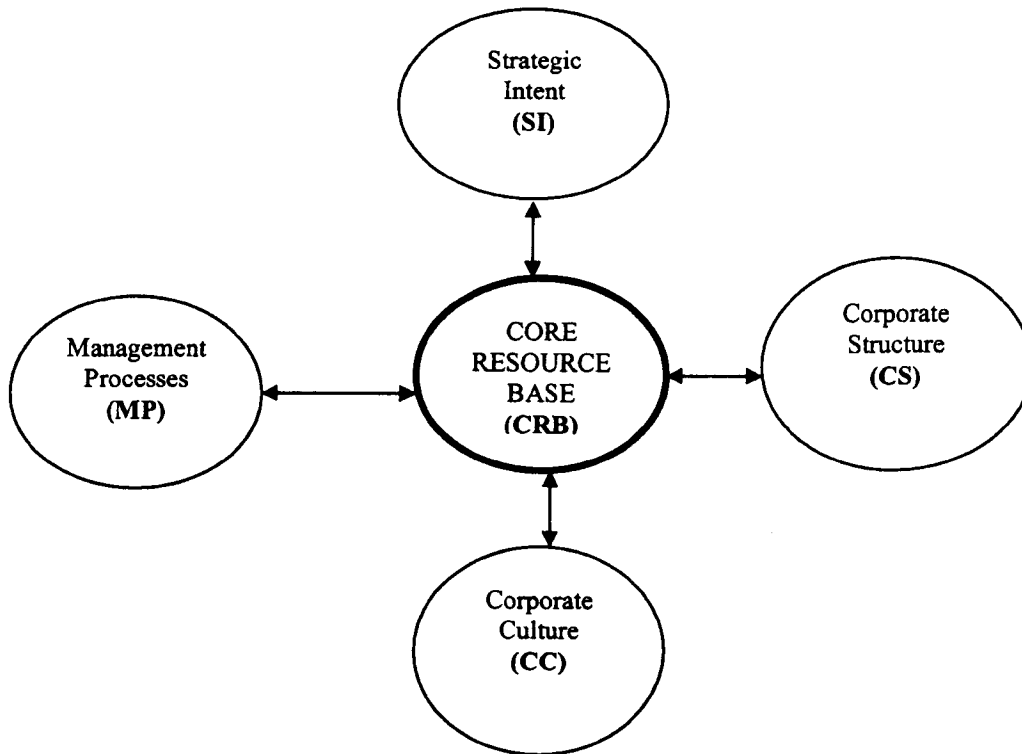
Following the RBV and NBV perspectives and Objective 1, a key issue concerns the application of the internal influences to strategy in the case of MarComs agencies. The framework suggests that firm effects capture the unique agency characteristics which are influential to the international strategies and performance outcomes of the MarComs agencies (Mauri and Michaels, 1998). Following a similar line of thought Grant (1991:116) asserts that:

“... in a world where customer preferences are volatile, the identity of customers is changing, and the technologies for changing customer requirements are continually evolving, and externally focus orientation does not provide a secure foundation of long term strategy. When the external environment is in a state of flux, the firm’s resources may be a much more stable basis on which to define its identity. Hence, a definition of business in terms of what it is capable of doing may offer a more durable basis for strategy than a definition based upon the needs which the business seeks to satisfy.”

He further argues that the case for making the resources and capabilities of the firm the foundation for its long term ‘strategy’ rests upon two premises: *first*, internal resources and capabilities provide basic direction for a firm’s strategy (for example, a mission statement relating its resources to its identity and purpose); *second*, resources and capabilities are the primary source of profit for the firm. His empirical findings report that several companies whose ‘strategies’ have been based upon developing and exploiting clearly defined internal capabilities have been proficient at adjusting to and exploiting external change (Grant, 1991). Hence, while numerous internal factors may influence MarComs agency’s international strategy and performance, the key ones are those which are considered to be the most influential in the strategy of these firms.

Again from a resource-based perspective, the framework suggests that the achievement and sustainability of competitive advantage in MarComs agencies lie in the possession of certain key resources and capabilities. A given agency can be endowed with an infinite list of resources and capabilities but not all of them assume equal significance as a source of (sustainable) competitive advantage (Fahy and Smithee, 1999). But the focus here is not solely on the agency's resources and capabilities, although it is assumed to be the key factor at the epicentre of and shaping the internal organisational characteristics of the MarComs agencies (see Figure 5.2 below). Instead, it is argued that there are common firm level drivers that affect the value creation or service delivery activities of a given agency. Thus, based on the review carried out in Chapters 2,3 and 4, the framework appropriately considers how a combination of internal factors influences the firms' international strategic options rather than emphasising on any specific factor or international strategy in particular. The purpose here is to describe and understand the strategic interplay between these factors and their significance for the strategic development of the agencies. Consequently, the literature review helped to regroup a number of such generic, or rather, theoretical internal organisational influences (please see Table 2. 1). These are appropriately incorporated in the construct and are broadly described in the paragraphs below.

Figure 5.2 : The Interface between the Internal Organisational Factors in a PSF



Source: The Author

5.3.2.1 Core Resource Base (CRB) – Resources and Capabilities

As mentioned earlier, the RBV essentially contends that the achievement and sustainability of competitive advantage lies in the possession of certain key resources and capabilities. In the case of PBSFs, as discussed in Chapter 3, the ‘core’ resources and capabilities of these firms are identified as the principal leverage for growth and competitive advantage (Lowendhal, 1997, 2001; Scott, 1998, Brush and Artz, 1999). But the literature review points to several important contributions that have been made in an attempt to define the characteristics of key resources and capabilities, and there still remains much confusion in the RBV literature as to their precise definitions and the nature of such terms (Foss, 1997).

The majority of resource based analyses in the literature are therefore preceded by attempts to define the characteristics of or explicitly define the distinction between key resources and capabilities. Speaking of resources, Grant (1991) describes resources as inputs into the production process and they are, therefore, the basic unit of analysis. Barney (1991) proposes that such resources must meet four conditions, namely, value, rareness, inimitability and non-substitutability. Grant (1991) argues

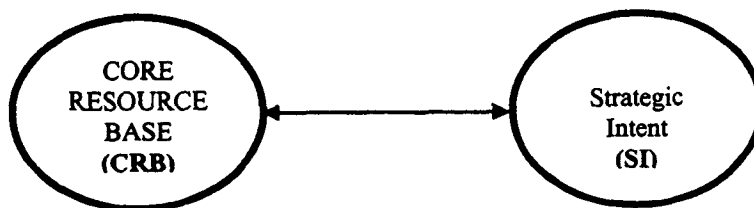
that levels of durability, transparency, transferability and replicability are important determinants while Collis and Montgomery (1995) suggest that they must meet five criteria namely inimitability, durability, appropriability, substitutability and competitive superiority. Amit and Schoemaker (1993) go even further, in postulating a list of eight criteria including complementarity, scarcity, low tradability, inimitability, low substitutability and appropriability, durability and overlap with strategic industry factors. But such characteristics have been criticised as being limited in their practical usefulness and 'context insensitive' (that is, noncontingent) (Brush and Artz, 1999). Similarly, Barney (1991) posits that measuring a firm's level of resources is problematic because the association between the resources possessed by a firm and its competitive advantage is 'causally ambiguous' or is the result of socially complex processes within the organisation.

Consequently, some authors (for example, Yeoh and Roth, 1999), have instead opted for basic categorisations of resources in order to make sense of the confused platform on which resource-based strategy is analysed. Others have preferred to distinguish between resources and capabilities. Grant (1991:119-120) notes that: "while resources are the source of firm's capabilities and capabilities are the main source of competitive advantage". A capability is the capacity for a team of resources to perform some task or activity which effectively calls for the cooperation and co-ordination of teams of resources (Fahy and Smithee, 1999). Understanding the nature of capabilities, however, is as complex a task to undertake as in the case of 'resources'. Zou and Cavusgil (1995) suggest that strategic analysis should emphasise organisational capability. These refer to the dynamic routines acquired by the organisation (Winter, 1987) and which are developed to foster collective learning, transfer information and skills, and facilitate innovation (Collis, 1991). They claim that such capabilities affect a business unit's international strategy and performance since they ensure that new strategies are initiated, beneficial developments are retained, and appropriate decisions are made. Conversely, Teece et al. (1997) explain the interaction between 'capabilities' and the 'external environment' by referring to 'dynamic capabilities'. The term 'dynamic' stands for the capacity to renew competences so as to achieve congruence with the changing business environment.

Subsequently, given the exploratory nature of this study and the inconclusive operational definitions of resources and capabilities, this research follows the suggestions of Lowendhal (1997, 2001); Grant (1991, 1998) and Fahy (2002) to opt

for broader categorisations of resources and distinguishes primarily between tangible vs. intangible resources. Tangible resources “which are the fixed or current assets of the organisation are relatively transparent and though they may be characterised by imperfect mobility, they are relatively weak at resisting duplication by competition” (Fahy, 2001:64). In contrast, intangible resources are harder to imitate and can include such assets as patents, copyright and other forms of intellectual property which can afford appropriate legal protection. Other examples of intangible resources may include such assets as competences, brand equity and corporate reputation which are even more sophisticated to duplicate and “whose accumulation over a period of time is characterised by high levels of specificity and complexity” (Fahy 2002: 64). Strictly speaking for PBSFs, Lowendhal (1997) places the main emphasis on the intangible resources as focal to the strategy and management of these firms. According to Lowendhal (1997), intangible and information based resources of the firm consist of a set of very different types of resources, all of which are frequently agglomerated under the label ‘competencies’ or ‘capabilities’. Löwendhal (1997) further asserts that intangibles include both elements of traditional goodwill, such as firm reputation, and competence or capabilities and accordingly defines four levels of competences embedded at the individual as well as the collective level in PBSFs. These are: (a) individual operative competences; (b) firm or organisation level competences; (c) group level competences; (d) intermediate competences in terms of managerial competences for the mobilisation of inputs from various parts or professionals of the organisation. These are accordingly incorporated in the analysis of the MarComs agencies.

5.3.2.2 Strategic Intent (SI)



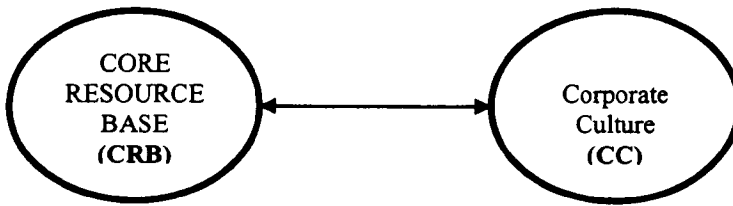
The term ‘strategic intent’ (Hamel and Prahalad, 1989; 1994) is strongly related to the *vision* (a statement of broad aspiration) of an organisation. The strategic intent of an organisation is concerned with its vision in that it attempts to reconcile where the organisation is and where it plans to be in the future. In that respect, it is also

associated with the strategic leadership of the organisation, that is, on those people who have overall responsibility for an organisation, particularly, the characteristics of those people, what they do, and how they do it. Hamel and Prahalad (1989) argue that an effective strategic intent should relate the core competences of the organisation to its future environment.

Strategic intent is recognised to be an essential prerequisite to international strategy. In fact, Perlmutter (1969) was among the first strategy authors to argue that the value system of the company, its history and development, its methods and practices, its vision and corporate culture influence the managerial orientation towards international strategy. Following the different philosophies underlying his ERPG matrix he suggests that managers must evaluate the appropriate philosophy of their businesses and ascertain the extent to which it is to be tailored to support and encourage an international approach to business. Ohmae (1989) further supports Perlmutter's argument as he posits that globally oriented businesses are more likely to adopt an 'equidistant' perspective and exploit the synergies of operating multinationally. Similarly, Zou and Cavusgil (1995) reason that global orientation and strong managerial commitment to the global market are fundamental to a business's international strategy and performance.

The professional services management literature does not discount the significance of strategic intent to the strategy formulation process. A key contribution on this concept has been the work of Lowendahl (1997) who explains that, senior management do take the responsibility for monitoring the development of strategy, building consensus on a vision as well as the operating priorities, enhancing strategic focus and a clear pattern in decisions, and reinforcing the common goals of the firm and its professionals. Hence, strategy in PBSFs primarily "involves the development and communication of consensus-based: vision, clear goals and priorities. Without clear, well-communicated strategic intent, vision or priorities, complemented by conscious managerial effort, the process of competence accumulation or cumulative reputation building and learning is likely to be ad-hoc and unsystematic rather than truly co-ordinated and synergistic in areas of strategic importance involving a high degree of flexibility and customisation" (Lowendahl 1997:95).

5.3.2.3 Corporate Culture (CC)

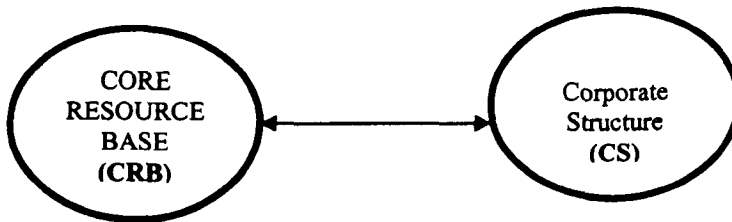


Corporate culture is an extremely multi-faceted concept characterised by many different approaches, many different points of view, and many researchers working on the idea (Perlmutter, 1969; Melin, 1992; Grant, 1998; McGivern and Tvorik, 1998). But the basic notion to these authors is clear: “Corporate culture is the implicit, invisible, intrinsic, and informal consciousness of the organisation which guides the behaviour of the individuals and which shapes itself out of their behaviour” (McGiven and Tvorik, 1998: 248). Generally, corporate culture is regarded as a ‘hard-to-spell’ factor but one which, if it exists, guarantees success and it has to be strictly kept apart from other similar-looking concepts such as corporate identity, organisational climate, or the national culture.

An organisation’s culture is acknowledged as influencing its strategic choice and performance significantly (Kotter and Heskett, 1992; Grant, 1998). Indeed, under certain circumstances, it is noted to be a key source of sustainable competitive advantage when managed appropriately (Barney, 1986). Kotter and Heskett (1992) point to three key attributes of organisational culture namely, strength, global orientation, and adaptiveness, which are of particular importance to international strategy and performance, because they can constrain a business unit’s strategic choice and its ability to implement the chosen strategy. Moreover, the international business and strategic management literature more particularly recognise the role of culture as a control mechanism, facilitating co-operation and co-ordination within a multinational setting while reinforcing the organisation’s vision (Melin, 1992; Grant, 1998). Grant (1998:45), for instance, explains that “ ... the impact of culture is not only in unity of motivation; a corporate culture can also assist co-ordination ... the unifying influence of corporate culture is likely to be especially helpful in assisting co-ordination through mutual adjustment in large cross- functional teams or decentralised structures ... permitting flexibility in the type of interaction it can support”.

In the services management literature, there are very few contributions to suggest the strength of the relationship between culture and firm's corporate strategy. However, organisational culture is recognised as influencing the actions and interaction of the service personnel directly when dealing with customers and other corporate audiences (Wilson, 1997a; 1997b; 2001). Conversely, Lowendhal (1997) observes that culture and the support structure surrounding the professionals are the two critical elements in maximising the chances of existing professionals staying with the firm and completing projects with minimum time lost in co-ordination and communication. In essence, these arguments suggest that corporate culture is an important determinant to strategy formulation within the MarComs setting.

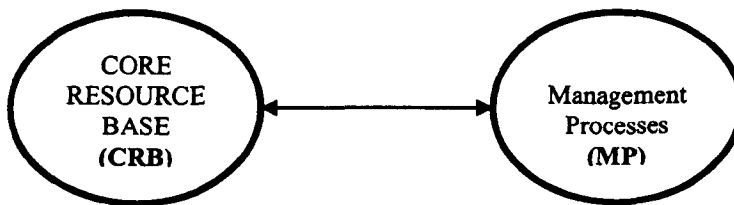
5.3.2.4 Corporate Structure



The literature review in Chapter 2 illustrated that accompanying the search or formulation of international strategy is the continuous search of companies for new and better ways of managing or controlling their businesses at an international level. Overtime, every company or firm evolves an organisational structure to further its growth and international expansion. Chandler (1962), Stopford and Wells (1972) and subsequent follow-up studies (which includes the like of Egelhoff, 1982; Daniels, Pitts and Tretter, 1984) have determined certain strategic fits between corporate strategy and organisational structure. Moreover, following the proposition of more innovative structures like the transnational solution in multinational scenarios, Bartlett and Ghoshal (1989), have observed that no particular organisation type is best suited for specific industries or countries in the given international business environment. Accordingly they maintain that different types of organisational structure evolve as a function of the match of the firms' resources and capabilities to the strategic requirements of their businesses or industry. Furthermore, accompanying the challenge of assigning the appropriate structures in multinational settings are the added challenges of managing integration vs. responsiveness and parent-subsiary

development issues (Birkinshaw and Morrison, 1995). In balancing these considerations, MNEs are often observed to follow hierarchical or heterarchical models of organisational arrangements to pursue their international goals. And any of these models are associated with distinct co-ordination vs. responsiveness issues relating to international strategic decisions, which can be very different for the MarComs agencies.

5.3.2.5 Management Processes



Linked to the above question of structure is a consideration for appropriate management processes. Leontiades (1986) posits that globalisation will increasingly lead companies to rely on a combination of co-ordination mechanisms to efficiently manage their multinational operations. Similarly, Prahalad and Doz (1987) point to integrative management processes such as global information systems, global business teams, co-ordination committees, task forces and other cross-country co-ordination devices as central to the implementation of international strategy. Johanson and Yip (1994) provide empirical evidence to illustrate the influence of management processes on international strategy and performance. From a slightly different perspective, Kogut (1985) and Bartlett and Ghoshal (1989) have emphasised the importance of integrative management processes that allow a healthy balance between headquarters and a subsidiary, particularly in managing the centralised co-ordination of the multinational network against the maintenance of local subsidiary responsiveness. With regard to the professional services management, the literature is poor at substantiating the role of management processes in an organisational setting. However, authors like Scott (1998) do point to carefully thought-out management processes as being key drivers of profitability and delivering outstanding client service with maximum efficiency in professional services. It, therefore, becomes important to understand the implications of this variable to the strategy of MarComs agencies.

5.3.3 External Factors

Following the principles of the Industrial Organisation View (IOV), the framework postulates that there are a number of external or industry influences, emerging primarily from the globalisation of the MarComs industry, which influence the competitive advantage and international strategic options of the firms. This rationale is supported by the various conceptual and empirical arguments made by various international business and strategy researchers focusing on manufacturing industries (examples include Porter, 1980; Hout et al, 1982; Leontiades, 1986; Prahalad and Doz, 1987; Yip, 1992; Johansson and Yip, 1994; Birkinshaw et al, 1995; Mauri and Michaels, 1998).

This view is primarily consistent with the prescriptions of the early strategy researchers (which including Ansoff, 1965; Andrews, 1977, see, Chapter 2) who, based on the industrial organisation paradigm, argued that companies must develop strengths based on key success factors that are externally governed by the industry environment. Speaking more in the context of international strategy, authors like Leontiades (1986) suggest analysing the scope of global industry trends and indicators before formulating any such strategy on that scale. Along the same line of thought but on the basis of a more rigorous analysis, Hout et al.(1982) and Yip (1992) advise that global business strategies are encouraged in an industry monopolised by global industry drivers. In theory, therefore, any business adopting a global strategy should attempt to maximise its 'fit' with such industry imperatives. Until recently, in analysing the relationship between firm-level and industry-level determinants, researchers such as Birkinshaw et al (1995) and Mauri and Michaels (1998) conclude that a firm's strategy and performance are extrinsically linked to industry environmental pressures.

Empirically, researchers relating to the analysis of industry level determinants also acknowledge the influence of external factors, although the evidences are somewhat limited and conflicting. An important work with such a focus is that of Rumelt (1991) who postulates that industry structure explains 10 per cent of profitability variance across companies. Other studies (see Hoskisson et al., 1999) argue that such profit variances arising from industry determinants is closer to 20 per cent. A recent study by McGahan and Porter (1997) again argues that industry effects account for a smaller proportion of profit variance in manufacturing industries but a larger proportion in service industries like lodging/entertainment, wholesale/retail trade, and

transportation. Altogether, the analyses taken with respect to the industry structure of the professional business services and the MarComs industries (Chapters 3 and 4) also indicate the varying trends and effects of industry level environmental pressures. Nevertheless, irrespective of these indecisive empirical results, the common view in the majority of the studies is that not only are industry-level drivers important strategic considerations but also the significance of such drivers are likely to vary from one industry to another. This is because of the varying levels of globalisation and/or unique blends of globalisation pressures characterising each individual industry.

The literature also suggests different tools or proxies of industry analysis. Such classic industry level frameworks include the like of Porter's (1980; 1986) Five Forces Framework (although the Porter [1980] work does not directly address international issues) and Yip (1992) Framework for analysing Globalisation Drivers. Based on their theoretical analyses of the various literatures, Tallman and Yip (2001) suggest two frameworks as appropriate for analysing the globalisation potential of international industries. The framework of Porter (1986) explores industries for international dispersion and co-ordination of operations, while Yip's (1992) framework, examines the various globalisation drivers underlying global versus local strategies. This thesis opts for Yip's (1992) model of globalisation drivers namely, market, cost, competition, technology and government factors, which can be described as follows (Yip, 1997):

Market globalisation drivers comprise market – and customer-based conditions that favour the use of international strategy. These are indicated by the global commonality of customer needs and tastes, the importance of global customers and channels, the global transferability of marketing approaches (reaction of local customers to foreign marketing, and the effect on customers of exposure to product and marketing experiences while overseas).

Cost globalisation drivers comprise cost based conditions that favour the use of international strategy. These are indicated by global scale economies, steep experience curve effects, sourcing efficiencies, favourable logistics, differences in country costs (including exchange rates), and high product development costs.

Government globalisation drivers comprise government-imposed conditions that require the use of international strategy. These are indicated by tariff and non-tariff barriers, compatible technical standards, and common marketing regulations.

Technological globalisation drivers comprise technological advancement and innovations that enable the use of international strategy. These are indicated by advances in performance and capabilities of telecommunications, computerisation and software, miniaturisation of equipment, and the digitisation of voice, video and text.

Competitive globalisation drivers comprise competitive conditions that require the use of international strategy. These are indicated by the extent to which competitors use international strategy.

Furthermore, Yip's framework is an academically well-accepted model and has been very usefully applied to understand the globalisation potential and strategies of many industries (Lovelock and Yip, 1996; Yip, 1997; Yip and Conn, 1997; Yip and Madsen, 1996). In particular, Lovelock and Yip (1996), Lovelock (1996) and Lovelock (1999) are examples of studies that have tested the application of a modification (by emphasising explicitly on technology drivers) of Yip's framework in the case of service-based businesses. They concluded that the relative significance of each driver varies by service category – people-processing, possession-processing and information-based services¹. In some instances there may even be variations by industry. They also illustrated some important variations in the impact of each of the five groups of drivers. The government drivers, for example, are often specific to individual industries, which makes it important to evaluate globalisation drivers at the level of individual industries, as well as in terms of broader service categories.

Lastly, these studies also conclude that industry evolution plays a role. As each of the industry globalisation drivers evolves overtime so does their appropriate impact on the international strategy. This is an important criterion to take into account while evaluating the impact of the external drivers in any particular industry.

5.3.4 (Sustainable) Competitive Advantage – (s)CA

As illustrated in Chapter 2, the pursuit of sustainable competitive advantage (s)CA has been an issue closely linked to international strategy, commanding considerable interest among academics of international business and strategic management fields, largely in search of the underlying determinants of (s)CA or again its relationship with international strategy. A key assumption accompanying the above framework is

¹ People-processing services that involve each customer directly in delivery of services targeted at the customer's physical person; possession-processing services targeted at physical objects

that (sustainable) competitive advantage² in PBSFs results from the combined influences of the internal organisational factors, the changing conditions of their industry environment and the competitive and collaborative behaviour of the firms. The contention of this assumption is that the influences to international strategy and (s) CA are common. Therefore, it is critical to analyse such influences on a continuous basis and to blend the results of such analyses in order to define the key strategic issues facing the businesses and/or challenging the (sustainability of the firm's) competitive advantage at any point in time.

The RBV draws primary attention to resource endowments of firms as central to their competitive advantage. Based on the work of Barney (1991), Fahy (2001) posits two key characteristics of such resources: first, that resources must be valuable or enable value creation and second, they must also resist competitive threats to duplication. Of the two, the latter is particularly important as firms must be equipped to counteract any competitive behaviour that threatens to erode their advantage through imitation, acquisition or substitution (Barney, 1991). Fahy and Smithee (1999) and Fahy (2002) further explain that resources which act as sources of asymmetries and withstand duplication in the short run are often protected by regulatory protection (Hall, 1992), scale (Collis and Montgomery, 1995) and causal ambiguity created by high levels of tacitness, complexity and specificity. When resources of these characteristics are effectively combined to allow for value creation that satisfies customers, sustainable competitive advantage ensues leading to persistently high performance levels usually measured in terms of profits or market share. The literatures dealing with professional business services are very limited in their analysis of determinants of SCA, but from those reviewed in Chapter 3, they indirectly support the above assertion. Lowendhal (1997) for instance, argues that the idiosyncratic resources of these firms are the principal sources of competitive advantage. To a large extent, PBSFs are observed to base a large part of their value creation on individual professionals. Similarly, Scott (1998) argues that competitive advantage in PSFs is a function of the quality of its people and the quality of its collective knowledge. Thus the RBV suggests that firm specific attributes drive both

belonging to the customer; and information-based services targeted either at customers' minds (mental-stimulus processing) or at their intangible assets (information processing).

² Competitive advantage can be defined in the following way: "when two firms compete with the same market, one firm possesses a competitive advantage over its rivals when it earns a

strategies and advantage, an argument which stands in sharp contrast to the predominance of market structure in the industrial organisation literature.

Following largely the economic traditions, the IOV argues that external changes in imperfect and competitive market and/or industry conditions are potential sources of competitive advantage, although such changes have differential impact on companies since each company is characterised by varying resources endowment and strategic positioning. Generally speaking, industries are exposed to a multiplicity of unpredictable changes and competitive advantage depends on the extent and sources of such changes and businesses ability to respond entrepreneurially and to capitalise (perhaps through innovation and new game strategies) on the emerging opportunities (Grant, 1998). Grant, however, adds that in order “ to identify and understand these imperfections in the competitive process, we need to recognise the types of resources and capabilities necessary and the circumstances of their availability” (p.185). Porter (1980, 1985) has argued that such market imperfections allow firms with two strategic choices in order to achieve a higher rate of profit (or potential profit) than its competitors: *first*, the firm can sell its products at a lower cost and/or, *second*, it can supply the product differentiated in such a way that will induce the customer to pay a higher price premium exceeding the additional cost of differentiation. Moreover, when applied on an international scale, the IOV suggests that the framework for analysing competitive advantage should include the influence of the firm’s national environment (Porter, 1990; Grant, 1998; Fahy 2002). Grant (1998), for instance, suggests that the design of long-term strategies that simultaneously develop market positions and organisational capabilities need to account for the potential for harnessing national characteristics. Such national environment is usually linked with such issues as domestic market conditions, government policies, exchange rates, the presence of related and supporting industries and many others.

To sum up, arguments from both the RBV and the IOV, support the assumption postulated by the conceptual framework stated at the beginning of this section. There were no texts explicitly analysing the determinants of SCA from the network theory perspective and therefore an ingoing assumption is that network influences are embedded and interwoven in the determinants of SCA as explained by the resource based and industrial organisation perspectives.

persistently higher rate of profit (or has a potential to earn a persistently higher rate of profit)” (Grant, 1998:174).

5.3.5 International Strategic Options – (ISO)

The literature review undertaken in Chapter 2 posited international strategy as a ‘multidimensional’ construct. The framework argues that the continuous efforts of the managers of MarComs agencies is to achieve the “strategic fit” (Grant, 1998) between their internal organisational resources and capabilities and the international opportunities and threats facing their respective businesses, can be comprehensively analysed with respect to three theoretical approaches combined. Further, the review of the manufacturing literature argues that ‘international strategy’ and its related issues have been studied from diverse perspectives. From the multinational’s perspective (see Table 2.1), the international strategy pertains to cross-border activities and can be explained from Porter’s (1986) configuration/co-ordination paradigm. It, subsequently, relates to Bartlett and Ghoshal’s (1989) multinational-global-international-transnational model and Prahalad and Doz (1987) integration-responsiveness typologies. From the subsidiary’s perspective (see Table 2.3) international strategy is characteristic of White and Poynter’s (1984) or Birkinshaw and Morrison’s (1995) descriptions of subsidiary strategies. In other words, these views, concur with the assertions of the contingency theorists who suggest that “there is no one best way” (Mintzberg, Quinn and Ghoshal, 1999) to approach international strategy research. Therefore, given the exploratory nature of this study, the framework proposes to examine ‘international strategy’ of MarComs agencies in a flexible and open-ended manner (Taggart, 1997) to allow for a ‘rich’ understanding of the underlying characteristics of the international strategy in that given context. Moreover, two assumptions provide support to this examination:

- First, ‘International strategy’ in MarComs agencies can be planned, processual and emergent.

The research premise of ‘international strategy’ in the above framework is based on the understanding that international strategy can be consciously planned and executed. At the same time, it can evolve as a process within the organisation or emerge as a result of the entrepreneurial value adding activities of the firm. Therefore, the ‘international strategy’ construct includes elements of all three characteristics. It also assumes that, given the nature of PBSFs, flexibility and responsiveness are critical determinants in the formulation and execution of successful international strategies.

- Second, the emphasis of ‘international strategy’ is on growth.

It is further assumed that the ultimate aim of international strategy is to achieve ‘growth’ and, besides reconciling the pressures of integration and responsiveness, this involves two other major decisions: the direction and mode of growth. For example, the ‘Growth-Strategy Grid’ below represents an extension of Karnani’s (1999) idea of growth strategy. It is argued that though both successful and unsuccessful companies can be identified within each box, there is no one straightforward way of fitting in all companies. The chosen strategy needs to be based on a company’s resources and its competitive position. Also a company is not confined to one such direction nor does it pursue all directions simultaneously. It is assumed that given relative pressures of integration and responsiveness and resources, it is up to the company to decide on the significance of each chosen growth direction.

Figure 5.3: The Growth-Strategy Grid

		DIRECTION OF GROWTH				
			<u>Domestic/International</u>			
		Internationalisation	Market Penetration	Vertical integration	Related diversification	Unrelated diversification
MODE OF GROWTH	Organic/Internal					
	Strategic alliances					
	Mergers and Acquisitions					
	Organic/External :Greenfield FDI					

Source: Author, Extending Karnani (1999)

Lastly, and on a methodological note, it should be pointed out that the conceptual framework presented in this chapter follows the guidelines of research method theorists who emphasise the significance of prior theory development before beginning fieldwork (see, for example, Eisenhardt, 1989; Wolcott, 1990; Yin, 1994; Miles and Huberman, 1994; Richards and Richards, 1998). Richards and Richards (1998:40), for instance, suggests that “both (prior theory and theory emerging from data) are always involved, often simultaneously ... it is impossible to go theory-free into any study”. Miles and Huberman caution against too tight and too loose research frameworks. Therefore, in designing this framework the researcher was careful to draw a compromise in that it is neither ‘too loose’ to lead to indiscriminate data collection and data overload, nor ‘too tight’ to mislead the informants who are being

researched. Moreover, with regard to the theoretical constructs and variables included in the framework, the researcher follows Bryman (1998) and suggests that they should not be interpreted too rigidly. The constructs included here are meant to serve as a reference or function as a guideline throughout the duration of the empirical phase. The theory-generating orientation of this thesis demands that the researcher be open to the multitude of meanings a certain construct can give rise to. Strauss and Corbin (1990) argue that the successive refinement of concepts implies that they constitute input as well as output of an inductive study. If these constructs prove important as the study progresses, then the researcher has a stronger empirical basis for emergent theory, otherwise the 'need' for theory is created in the process.

5.4 CHAPTER SUMMARY

This chapter aimed to organise the key theoretical ideas and concepts identified in the preceding literature review process into a conceptual framework that appropriately structures the main interest of this study. Following the analyses carried out and the gaps identified in the previous literature review chapters (2, 3 and 4 respectively), the conceptual framework suggested in this chapter supports this research's main question which is: *What are the influences on and characteristics of international strategies of MarComs Agencies?*, and proposes an integrative analysis of international strategy with respect to PBSFs, or more specifically the MarComs agencies.

The conceptual framework argues that a given set of internal organisational and external/industry influences form the basis of (sustainable) competitive advantage and/or the international strategic options of PBSFs and these influences can be appropriately analysed following the principles of the RBV, IOV and NBV combined. The chapter synthesises further arguments from reviewed empirical and conceptual works to define and discuss the related issues and relationships between each of the constructs presented in the framework. Subsequently, five key internal organisational factors are described: Core Resource Base (CRB), Strategic Intent (SI), Corporate Culture (CC), Corporate Structure (CS) and Management Processes (MP); and to analyse the external industry drivers the framework uses Yip (1992)'s model of globalisation drivers: market, cost, competition, technology and regulatory factors as proxy to undertake the analysis with respect to the professional business services industry. The next chapter will discuss the methodological and data analysis dimensions underlying the empirical conduct of this study.

6.1 Introduction

Following the review of the appropriate literatures, this chapter outlines the methodological process of the investigation. The chapter is structured in five key sections. Given the exploratory nature of this study, the *first* section concentrates on research design issues and discusses the underlying research paradigm supporting this investigation. The *second* section identifies the research strategy which is the Case Method. The *third* section describes, in detail, how the chosen strategy was implemented. The qualitative data collection process is here described, providing information on the purpose, method, sample selection, recruitment, questioning techniques, and administration. For each of these decisions involved, alternatives are described and compared, before the choice of the final method is discussed. In the *fourth* section the chapter expands on the qualitative analysis process undertaken to examine the collected data. *Lastly*, the chapter ends by discussions on the possible limitations underlying the research strategy of this study.

6.2 SELECTING THE RESEARCH DESIGN

Theoretically speaking, a research design is the plan of a series of activities which are carried out if the aims of the study are to be accomplished. It is concerned with such issues as: the subjects to be selected for the study, the type of data to be collected and the method of data collection and analysis (Kinnear and Taylor, 1991). In reality, such decisions are also influenced by other research-related constraints such as cost, time and other practicalities, for example, access to appropriate sampling frames (Kumar et al. 1999). This section intends to discuss these research design issues with respect to this thesis. But before those discussions take place, the research paradigm underlying those decisions is made explicit in order to justify the way in which they were executed.

6.2.1 The Research's Paradigm

Easterby-Smith et al. (1991) advise on the importance of explaining the underlying research paradigm of a given study as it directly affects the quality of its empirical process. A research paradigm is a comprehensive and interrelated framework that establishes the ontology, epistemology and methodologies that represent a set of values or worldviews of a research approach which is guiding the researcher. The different approaches are the different ways of observing, measuring and understanding social reality and each approach is associated with different traditions in social theory and diverse research techniques (Neuman, 1997). There are several research philosophies which have been developed extensively in management and social science research (Denzin and Lincoln, 2000; Lincoln and Guba, 2000). The aim here is to choose the appropriate one for this study. Table 6.1 below illustrates the four main research paradigms of positivism, realism, critical theory and constructivism outlined within the research methods literature. Of the four, positivism represents the scientific, predominantly quantitative approach. The remaining three, moving from realism through to constructivism, increasingly recognise the need to undertake qualitative research. The three terms ontology, epistemology and methodology are the interconnected generic activities, which define the research process, and all research is guided by the collections of these terms, which constitutes the researchers paradigm.

Table 6.1 : Basic Beliefs (Metaphysics) of Alternative Inquiry Paradigm

Item	Objective	Subjective	Interpretative	Phenomenology
Key Assumptions	Positivism The social world exists externally and that facts about social world can be discovered through a set of specific methods.	Realism There is a 'real' world out there and are interested in the structures and mechanics of reality, even if these structures and mechanisms are imperfectly probabilistically apprehensible.	Critical theory Social realities are comprehensive in that knowers are not portrayed as separate from objective reality	Constructivism There are multiple realities that are socially and experimentally based rather than objectively determined
Ontology	Naïve realism: 'real' reality but apprehendable	Critical realism: 'real' reality but only imperfectly probabilistically apprehendable	Historical realism: virtual reality shaped by social, political, cultural, economic, ethnic, and gender values; crystallised over time	Relativism: local and specific constructed realities
Epistemology	Dualist/objectivist: findings true	Modified dualist/objectivist: critical tradition/community; findings probably true	Transactional subjectivist: value-mediated findings	Transactional subjectivist: findings created through interaction of researcher and researched
Methodology	Experimental/manipulative : verification of hypotheses; chiefly quantitative methods	Modified experimental critical manipulation: falsification of hypotheses; can include qualitative methods	Dialogic/dialectical	Hermeneutical/dialectical
<p>Note: Essentially ontology is 'reality', epistemology is the relationship between that reality and the researcher and methodology is the technique used by the researcher to discover that reality</p> <p>Source: Adapted from Lincoln and Guba (2000) and Perry et al. (1998)</p>				

Generally speaking, therefore, the inquirer’s belief system or world view is recognised as having an important influence on the research, intrinsically linked to ontological, epistemological and methodological assumptions of different research paradigms. In that respect, ‘realism’ is here chosen as the most appropriate paradigm for this research. The reasons for this choice are further explained below.

6.2.2 Realism

The central principle of realism is its conception of reality. To social scientists, this realist approach entails a ‘degree of plausibility as they theorise the world in terms of the impact of (objective) social structures upon (subjective) dispositions’ (Silverman, 2000: 124). In other words, realists believe that there is a ‘real’ world out there and are interested in the structures and mechanics of reality, even if these structures and mechanisms are imperfectly and probabilistically apprehensible (Guba and Lincoln, 2000; Easton, 1998; Perry et al. 1998; Denzin and Lincoln, 2000). Therefore, a business research following this paradigm is essentially seeking “an understanding of the common reality of an economic system in which many people operate independently” (Perry et al., 1998:5).

Subsequently, the literature postulates three domains of relevance to realists (see Table 6.2 below), namely, real, actual and empirical.

Table 6.2: The Domains of Relevance to Realists

	Real Domain	Actual Domain	Empirical Domain
Mechanism	√		
Events	√	√	
Experiences	√	√	√

Source: Perry et al. (1998) and Easton (1998) from Bashkar’s classification (1978)

Accordingly, the real domain is made up of processes that generate events and contains the independent or observed mechanism (Easton, 1998; Perry et al. 1998). The actual domain is where patterns occur, even where these events have not been detected or observed. The empirical domain is where patterns and events may be experienced by direct observation or in-depth interviews (Perry et al. 1998). Moreover, the goal of realism is to discover observable and non-observable structures and mechanisms independently of the events they generate. Due to human mental

limitations and the complexity of the world, the literature suggests that it is crucial for researchers adopting this paradigm to acknowledge the difference between the world and their particular perception of the world. Knowledge is gained through the researchers perceptual processes and as such some of these perceptions may be true and others false (Easton, 1998).

Despite its reliance on perceptual processes, the realism paradigm equips the researcher to search for valid explanatory knowledge underlying a given research phenomena. In that respect, realism research can lead to research findings that are needed and are of practical use. As Easton (1998:377) explains:

“valid explanatory knowledge in this realist epistemology requires the researcher to identify the contingent causal powers that are operating in the particular situation under research and the ways in which they combine and interact in order to create the particular events observed in the empirical domain” (Easton, 1998:377)

In short, this research is focused on the discovery, identification, description and analysis of valid explanatory knowledge related to the complex reality underlying the international strategy of the MarComs agencies. The objective of this research is to develop knowledge based upon social experience as well as understanding of the deeper structure and meaning of the international strategy process. And, thereafter, use the knowledge to inform other settings by developing propositions for testing across other professional business services industries. Therefore, within this broad review of realism and mindful of the thesis’ objectives, the realism mode of inquiry is considered to be the most appropriate paradigm for this research. The next section elaborates further, based on this paradigm to discuss the pros and cons for this research as a piece of qualitative inquiry.

6.2.3 The Case For and Against the Qualitative Research Inquiry

Diverse assumptions in scientific discourse have generated two broad types of research inquiry, and hence, two types of data: qualitative and quantitative. Qualitative and quantitative research make different assumptions about scientific inquiry since they hold somewhat opposite view of ‘reality’, involve different relationships with data, and use different research methods (see Table 6.3 below). This section defines qualitative and quantitative research, compares their strengths and weaknesses, and in doing so discusses the choice of this research.

Table 6.3: Characteristics of Qualitative and Quantitative Research

Point of Comparison	Qualitative Research	Quantitative Research
Focus of Research	Quality (nature, essence)	Quantity (how much, how many)
Philosophical Roots	Realism, symbolic interaction	Positivism, logical empiricism
Associated Phrases	Fieldwork, ethnographic, naturalistic, grounded, subjective	Experimental, empirical, statistical
Goal of Investigation	Understanding, description, discovery, hypothesis/ proposition generating	Prediction, control, description, confirmation, hypothesis testing
Design Characteristics	Flexible, evolving, emergent	Predetermined, structured
Setting	Natural, familiar	Unfamiliar, artificial
Sample	Small, non random, theoretical	Large, random, representative
Data Collection	Researcher as primary instrument, interviews, observations	Inanimate instruments (scales, tests, surveys, questionnaires, computers)
Mode of Analysis	Inductive (by researcher)	Deductive (by statistical methods)
Findings	Comprehensive, holistic, expansive	Conclusive, generalisable

Source: (Merriam 1988:18)

Generally speaking, quantitative methods are used to measure and test hypotheses, the findings of which can be generalised to specific populations (Procter, 1997). It is derived from a view of research known as ‘positivism’. Positivism views respondents passively and researchers assume that their role is that of documenting respondents’ opinions or behaviours. *It assumes that objective facts can be established about the social world that are best described as statistical proof* (Filmer et al 1972). Researchers operating in this paradigm have a relatively distant relationship with their data. The quantitative researcher isolates and defines variables to test and frame hypotheses and the data is obtained via a predetermined and validated instrument (for example, questionnaire) (Kinnear and Taylor, 1991). The research is conducted with a statistically representative sample of the population. The

method of analysis is deductive: the data is analysed numerically to measure relationships between characteristics/variables, which are then generalised to a wider population (Chisnall 1997).

As mentioned in the earlier section, qualitative research belongs to an interpretative, rather than positivist, research perspective (Silverman, 1993). This assumes that reality is socially constructed, and that individuals act according to the meanings derived from their socially constructed reality (Cunningham-Burley, 1999). *Therefore, researchers do not seek to establish objective facts about the research issue, but seek to understand how the participants in the research make sense of their world or of the issue under study.* However, it is inevitable that researchers' analysis of their respondents views is ultimately influenced by their own understandings (Secker et al 1995). In this way, data must be treated according to the social context of its creation and prioritise subjective experience (Miles and Huberman, 1994).

Table 6.4 below shows the different research inquiries which demand a consistency between the types of research problems, the chosen way into the problem, and the phrasing of the fundamental research questions.

Table 6.4 : Relevant situations for different research methods

Strategy	Form of Research Question	Requires control over behavioural events	Focuses on contemporary events
Experiment	How, why	Yes	Yes
Survey	Who, what*, where, how many, how much	No	Yes
Archival analysis, e.g., economic study	Who, what*, where, how many, how much	No	Yes/No
History	How, why	No	No
Case Study	How, why	No	Yes

Key: * 'what' questions, when asked as part of an exploratory study, pertain to all five methods.

Source: Adapted from Yin (1989: 17)

Further, both discourses, qualitative and quantitative, have been increasingly popular among international business and strategic management researchers (see, for example, Wright and Ricks, 1994 and Hoskisson et al, 1999).

Having said so, quantitative methods have key strengths that reflect the inherent weaknesses of qualitative research. Quantitative methods can be used to explain what is happening and the frequency of its occurrence (Kinnear and Taylor, 1991). By conducting the research in a structured and replicable way to large numbers of respondents, bias is reduced and controlled and the findings should be

generalisable to larger populations (Kinnear and Taylor, 1991). The researchers' role and relationship with the data and the subjects of research is entirely different. They maintain an objective distance from the respondents, using a technically validated instrument (for example, a questionnaire) to gather data. The research process and survey instruments can introduce bias, but the opportunity for the researcher to influence the research process and analysis is less than with qualitative research (Procter, 1997). The analyses methods are also more objective in the quantitative discourse. If random samples are used, statistical analysis can be conducted on the data to describe, compare and make correlation between key variables, which can then be generalised to the wider population. This deductive nature of quantitative analysis is extremely appealing to many researchers.

However attractive their strengths, the quantitative methods are not appropriate to this researcher. As mentioned before, being primarily exploratory, this research is essentially concerned with the nature of 'reality' surrounding international strategy in the international MarComs industry. Following the positivist approach will imply this reality may be construed as external and objective, and for the purpose of rigorous scientific research, it needs to be broken down into individually identifiable and quantitatively measurable parts. But doing so, in the case of the substantive area selected by this thesis, it will 'unfortunately ignore real problems (with regard to the nature of the international strategy process) in order to fit neat packages' (Lewis, 1986:384). This is because reduction of this research phenomena into measurable parts and the manipulation of the conceptual variables for controlled experiments will create an artificial environment and remove the opportunity to understand the 'international strategy' process inherently involved in human action and the strategic behaviour of MarComs agencies (Easterby Smith, 1991; Patton, 1987).

Hence, following the literature review process and the gaps identified, this thesis argues for an approach that allows the research phenomena to be considered in its totality. This is because, as discussed in chapters 2, 3 and 4, the international strategy process is dependent upon a variety of factors, most of which are specific not only to the industry and spatial locations of individual firms but are also unique to the individuals involved in this process. Implicit in this argument, therefore, is the need to understand the 'uniqueness' of international strategy from the 'subjects' of the social world of which they are a part of in order to gain an understanding that 'fits and

works' (Glaser and Strauss, 1967). Such imperatives in and around the research phenomena inevitably demand an approach which will enable the researcher 'to get close' to the participants, to penetrate their internal logic and interpret their subjective understanding of the key influences on and characteristics of 'international strategy'.

Therefore, consideration of the nature of reality underlying this research and its theory building objectives qualifies qualitative research approach as most suitable for this study, and this for a number of additional reasons. *First*, the qualitative research is concerned with respondents' own accounts of events, experiences and feelings. It involves the exploration of loosely defined concepts amongst a statistically unrepresentative group (Silverman, 1993). Accordingly, this approach allows the researcher to be closely involved with the generation of the data and see himself as the research instrument. Rather than being involved in the testing of hypotheses and the measurement of relationships between variables, the qualitative researcher explores flexible concepts that may change throughout the research process. Thus, a wider array of more complex issues can be explored more readily than quantitative questionnaires, which are restricted by space and time. *Second*, the findings are not intended to be generalisable to a wider population, but are used to identify relationships, categories and propositions for further research (Kinnear and Taylor 1991). The qualitative approach uncovers the presence of concepts and categories, and explores the underlying reasons why particular behaviours and attitudes occur (Miles and Huberman, 1994). According to these authors, the use of projective techniques such as word association, mapping and personification help respondents elucidate subconscious or socially undesirable attitudes.

However, it needs to be pointed out that qualitative methods also have a number of inherent weaknesses. Due to the inductive nature of the analysis and the proximity of the researcher, the quality of analysis in qualitative research is very much determined by the skills and rigour of the researcher. *Interpretivism is central to qualitative research*. Therefore, researchers do not seek objective facts about the social world, but explore how respondents interpret and understand their social world. However, it is unfortunately inevitable that during this analysis process, the data is filtered through the researchers' own knowledge and value systems. Therefore, the qualitative theory is as much reflective of the researchers' understanding of the social world, as the respondents (Secker et al. 1995). As Miles (1979) has written: "the most

serious and central difficulty in the use of qualitative data is that methods of analysis are not well formulated. For quantitative data, there are clear conventions the researcher can use. But the analyst faced with a bank of qualitative data has few guidelines for protection against self-delusion. How can we be sure that an 'earthy', 'undeniable', 'serendipitous' finding isn't in fact wrong?" (Miles 1979:591)

Bearing these weaknesses in mind, the research followed some of Silverman's (1998) suggestions to reduce the potential for invalidity of the findings during analysis. He advises that the above weaknesses can be reduced by using any of the following strategies: first, by supporting generalisations by counts of events; second, by ensuring the representation of cases; third, by using a systematic and rigorous process to assist qualitative analysis; and, fourth, by recording data objectively and comprehensively using field-notes and actual recordings (for example, audio-tapes or video-tapes).

Hence, this research focused on the qualitative approach, and of the fourteen different strategies to conduct the fieldwork which are suggested in using this method of inquiry (Woolcott 1990:65)¹, the case method was adopted for the purpose of this thesis. The sections which follow provide a description of and justification for this strategy, and outline how the data collection was managed and administered within the framework of this research strategy.

6.3 QUALITATIVE RESEARCH STRATEGY: THE CASE METHOD

Bonoma (1985) suggests that choosing the research strategies most suitable for a study centres on the research objectives, the state of theory development, the complex nature of the subject area, and the need to study the area in its natural context. Yin (1994) adds that the extent of control over events and the contemporary or historical nature of the research determine the choice of the research strategy. Following these suggestions, this section describes and discusses the appropriateness of the case based research strategy for the purpose of this thesis.

Case methods are noted to be one of the most common strategies employed by researchers in different fields of study to describe, explore, and explain various

¹ Woolcott (1990) describes the following qualitative research strategies: ethnography, ethnography of communication, ethno-methodology, field study, participant observation, oral history, phenomenology, case study, connoisseurship/criticism, investigative journalism, non-participant observation, human ethology, natural history, ethnology.

phenomena (see for example, Bonoma 1985; Hamel, Dufour and Fortin, 1993). Gummesson (1988) explains that the popularity of the method lies in its ability to allow the researcher to acquire an in-depth and holistic understanding of multiple aspects of a phenomenon as well as the interrelationships between the different aspects.

There has been in the recent past a great acceleration in formalising case research strategy. Yin (1984, 1994) has advocated a quasi-experimental version of case research arguing that there is a “frequent confusion regarding types of evidence (e.g., qualitative data), types of data collection methods (e.g., ethnography), and research strategies (e.g., case studies)” (Yin 1981:58) . Indeed, his works remain the most influential ones for case based researchers. According to Yin (1994:13) case research is a versatile strategy with two key distinguishing characteristics:

- It is an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when
- the boundaries between phenomenon and context are not clearly evident.

Further, Yin states some of the data collection and analysis strategies that a case study enquiry deals with:

- Copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as a result
- Relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
- Benefits from the prior development of research questions or theoretical propositions to guide data collection analysis.

As a method of inquiry the case method is a disciple of the realism paradigm, discussed in the earlier part of this chapter. Easton (1998), for instance, argues that following the principles of realism, a case-based research is primarily investigating for causation. However, this is not the causality between the discrete events but a more general view of the mechanisms resulting in causality. To quote:

“Case studies which would wish to claim to a realist epistemology must be carried out in a different way; to be inquisitive, to look for the roots of things, to disentangle complexities and to conceptualise and reconceptualise, test and retest to be both rigorous and creative and above all to seek for the underlying reality through the thick veil which hides it” (Easton, 1998:380)

In this research, therefore, the case study method was chosen as the best strategy for investigation for the following reasons:

First, the characteristics of case based research make it an appropriate strategy for studying the context specific influences and the processes characterising the nature of 'international strategy' of MarComs agencies thereby contributing towards the aim of this thesis. *Particularly appealing with respect to this research is case study's ability to probe into the unique context in which MarComs agencies exist.* In other words, it has the ability to overcome the restriction of response imposed, for example, by the use of structured questionnaire when investigating the heterogeneity of the influences on and types of international strategy (ies) in the case of MarComs agencies. The case study approach therefore enables a holistic perspective of the problem under inquiry instead of breaking it into isolated factors which may not 'fit and work' with the social realities in which the respondents might be involved.

Second, since the case study strategy bears a strong relationship with the natural setting of the research phenomena, it is able to maintain the naturalism demanded by the qualitative mode of inquiry. Related to this, the study of the phenomena of interest involves the researcher 'getting close' to participants to penetrate and closely examine the socially constructed realities which characterise the international strategy of agencies in the world of advertising.

Third, the case method allows for flexibility in the theory building process through analytic generalisation. Yin (1994:30) was the first to make the distinction between the traditional "statistical generalisation" and "analytic generalisation". Yin argues that the sampling logic is not appropriate with case studies and likens such cases to experiments or surveys and suggests that in analytic generalisation, one draws theoretical inferences thereby obviating the intermediate step of drawing inferences to populations. Both Yin (1994) and Eisenhardt (1989) also suggest that multiple cases can be compared to one another with a view to establishing either "literal replication" or "theoretical replication" leading respectively to confirmation and disconfirmation of results by applying comparative logic.

Fourth, the nature of reality of interest to this study also highlights the need to complement multiple perspectives or sources of data in order to examine the research phenomena. Case study method provides room for triangulation through multiple

sources of data collection and offers a more comprehensive insight into the subject matter than the use of a single source of data (Miles and Huberman, 1994).

In conclusion, the last two decades, have seen some significant methodological developments in the area of case research. Case research processes are by now rather well established (Bonoma 1985; Eisenhardt 1989; Glaser & Strauss 1967; Gummesson 1988; Yin 1994) and recent papers (Donnellan 1995; Perry 1998) draw together different strands of writings and provide detailed guidance on why, how, when and where to implement the research strategy. This section justified the case based research strategy for this thesis centring on the research's paradigm, the nature of the research questions, and the need for theory development in a dynamic context over which the researcher has little or no control. The sections which follow will elaborate on the selection of cases and the management and administration of data collection instruments.

6.4 RESEARCH EXECUTION

6.4.1 Unit of Analysis

The unit of analysis is 'the kind of case to which the variables or phenomena under study and research problem refer to, and about which data is collected and analysed' (Hussey and Hussey, 1997:123). A unit of analysis could be an individual, an entity or an event and 'is related to the fundamental problem of defining what the 'case' is (Yin, 1994:21). Along similar lines, Patton (1987) asserts that the key factor in selecting and making decisions about the appropriate unit of analysis is to decide 'what unit is that you want to be able to say something about' (p.51). *Therefore, as this research is interested in the international strategy process of MarComs agencies, the 'agency firm' becomes its primary unit of analysis.* As explained in Chapter 5, the conceptualisation of this research exhibits the agency firm and its industry context as open systems which interact and the researcher is interested in studying how this interaction impacts on the international strategy process of the agency firm.

6.4.2 The Selection of Cases

Selection of cases is a crucial aspect of case based research (Eisenhardt, 1989). Given the theory building emphasis of such an investigation, the selection of each case should be such that it contributes towards the overall purpose of the research (Yin,

1994). Such cases should be selected from what Perry and Coote (1994:13) refer to as an 'ordinal role of possibilities'. This section discusses the case selection decisions including the sampling choice, single vs. multiple cases and the number of cases.

The sampling choice. The case study approach advocates theoretical sampling. The power of theoretical sampling lies in the selection of cases which are rich in information about the central issues with which a research study is concerned, that is, cases are chosen for theoretical, and not statistical reasons (Glaser and Strauss, 1967). This is different from the logic of probabilistic sampling which emphasises "selecting a truly random and representative sample which will permit confident generalisations from the sample to a larger population" (Patton, 1987:51). As such, theoretical sampling is suited to this research because it aims to develop a rich and detailed understanding of the research phenomena in the context in which it occurs. This has implications for the number of cases which should be included in a theoretical sample and for the criteria against which the findings to emerge from the inductive analysis of the data collected are evaluated.

There are several ways of sampling and selection under the logic of theoretical sampling. Patton (1987) and Miles and Huberman (1994) provide a typology of sampling strategies for qualitative inquiry. From these, the 'maximum variety' or 'maximum variation' sampling was felt appropriate for this research. This is because following its inductive logic this sampling strategy allows the case based researcher to include a broad spectrum of situations which would exhibit major variations in the determinants and nature of international strategies of MarComs agencies. In that respect the selected cases under this strategy are heterogeneous while at the same time share similarities in their experiences. Pettigrew (1988) further suggests that given the limited number of cases which can be studied in such scenarios, it makes sense to choose cases such as extreme situations and polar types cases where the phenomena of interest can be more 'transparently observable'.

Single vs. Multiple Cases. Theoretical sampling also implies that the researcher decides whether to base his/her research on a single case or multiple cases. Stake (1998) argues that there are three types of case studies: intrinsic, instrumental and

collective². Irrespective of the different types of cases, this research prefers the use of multiple case studies for the following reasons:

- Stake (1998) suggests that as the analysis progresses, the researcher might become particularly interested in a phenomenon or a population of cases rather than a single case. In such a circumstance he/she “cannot understand this case without knowing other cases” (p.88);
- Pettigrew (1987) notes that “one swallow doesn’t make a summer; and certainly one even comprehensive case study: cannot on its own prove its point” (p.481);
- Yin (1994) contends that single or multiple cases are part of the same research design of the case based approach though multiple case-based research is considered to be a more robust and less risky approach especially for the novice researcher;
- Parkhe (1993:238) suggests the use of multiple cases to address theory generation studies in that they “iteratively link data to theory in an inductive process moving toward the generation of an empirically valid theory that is subject to testing and refinement through replication logic”;
- Miles and Huberman (1994) state that multiple cases add confidence to the how, where and why questions, and aid the replication strategy. It allows for one case to be matched to another as a match to the theory generalisability and shows how effects vary under different conditions.

Hence, a single case study would provide only one view of the ‘international strategy process’ (though it would be an in-depth view). However, due to the context specific nature of the research phenomena, multiple views should provide a broader range of data, and a better reflection of the research interest and the propositions. Therefore, a multiple embedded case study design was utilised to build up evidence for the propositions.

Number of Cases. Following the above decision in favour of multiple cases, the next issue linked to that was how many cases were required? The research methods literature points out that there are no precise guides to the number of cases to be

² Accordingly an intrinsic case is where one particular case is chosen and the case itself is of interest. Instrumental cases are present in scenarios where the case is a secondary issue, easing one’s understanding of something else. Collective cases share similar characteristics to instrumental cases, but extended to several cases. There is a zone of combined purpose between

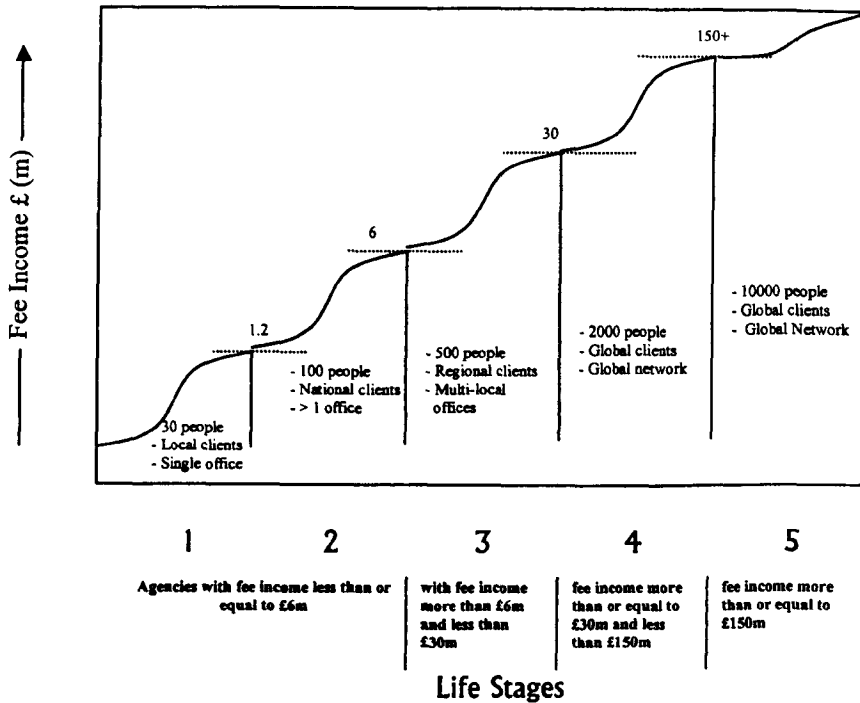
included - “the literature recommending the use of case studies rarely specifies how many cases should be developed. This decision is left to the researcher ...” (Romano, 1989:36). In a similar vein, Eisenhardt (1989) recommends that cases should be added until “theoretical saturation” is reached and Lincoln and Guba (1985:204) recommend sampling selection “to the point of redundancy”. Similarly, Patton (1990:181) does not provide an exact number or range of cases that would serve as guidelines for researchers, claiming that “there are no rules” for sample size in qualitative research. However, the views of these writers ignore the real constraints of time and funding in this type of research and how these impact on case selection. Finally, while following the above guidelines acting as starting points, the researcher focused on this quotation from Patton (1990:85) to justify his case selection method of not slavishly following any particular rule. He argues that “the validity, meaningfulness and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size”.

Choosing the Case Firms. Nonetheless, the following procedures were conducted to maintain a systematic focus and consistency in selecting MarComs agencies for this study. The agencies in this research were selected from Campaign (2000) Top 300 list of advertising agencies in UK. Following the reasoning of the ‘maximum variation’ sampling, explained earlier, the study aimed at examining the research’s interests across a reasonable spread of information-rich agencies with varying degrees of international involvement. To ensure access to and inclusion of a reasonable spread of agencies from the list, the three hundred agencies were categorised using the ‘Life Stages Framework’ of Scott (1998), described on p.76 of this document (see Figure 3.1). Hence, using this framework as guideline, the agencies were organised based on their fee income, following which four distinct groups of firms were identified (see Figure 6.1 below).

Referring to this figure, the first category of firms, that is, with fee income less than or equal to £6m were ignored because of their size and strong domestic orientation. However, for firms in the remaining categories, that is, with fee income more than £6m and less than £30m; fee income more than or equal to £30m and less

intrinsic and instrumental cases and cases are analysed for their specific and generic properties (Stake, 1998).

Figure 6.1: The 'Life Stages Framework' and Selecting the Case Firms



Source: Adapted from Scott (1998:18).

than £150m; and fee income more than or equal to £150m, the framework assumed them to be involved in some types of international business activities. Approximately one hundred and fifty firms made up the latter three categories. All of these were randomly approached as potential cases with the anticipation of recruiting between 15-25 firms, and with the intention of securing multiple respondents within each of them. Finally, those presented in Table 6.5 (sixteen of them) agreed to participate in the study, and these were accordingly selected as appropriate cases. At this point, it should be mention that access issues such as willingness of the companies to participate did influence the case selection process, although appropriate measure were taken to minimise the effects of non-response bias.

Hence the companies, which rejected the invitation to participate in this study, did so for several reasons. While some were categorical in their decline, others felt that the issues been explored were too demanding on their time, or again, too sensitive given the corporate politics of their respective organisations. Irrespective of their intentions, the researcher informed the agencies were informed of their choices to do

so (Barriball and While, 1999), but at the same time, he adopted a number of strategies to minimise the level of non-response bias. These strategies are explained in Section 6.4.4, detailing how the respondents were initially approached, informed, and reassured of the anonymity and confidentiality of their participation. Further, in all the sixteen firms that accepted to participate, the main informants comprised of people of top management calibre, that is, Managing Directors, CEOs or Managing Partners. These people had significant involvement in strategic decisions relating to the growth direction(s) of their respective companies. However, despite the intention and effort to secure more than one respondent in each company, the researcher was unable to do so on repeated attempts. It was felt that the respondents were sensitive in recommending any of their fellow colleagues, or did not feel comfortable that their views analysed vis-à-vis other informants or peers in their organisations. In that respect, even though the researcher adopted various strategies to triangulate the evidences of the study using alternative data sources and perspectives as a way of verifying the extent to which the sample firms matched the whole population at a very generic level. He, therefore, alerts the reader that the findings of this study needs to be treated with caution.

Furthermore, of the sixteen firms that make up this study, six of them were small-to-medium sized agencies (SMAs) and the remaining ten were subsidiary agencies (SAs) of major multinational MarComs networks. This composition of cases was the result of pure chance, although from the point of view of the researcher, crucial efforts were undertaken to include both groups of firms in the sample. The SMAs were deemed important because the literature identified them as being distinct in terms of their managerial style, independence, ownership, and scale/scope of their international operations and competitiveness (see for example, Scholhammer and Kuriloff, 1979; O'Farrell and Hitchins, 1988). Similarly, the SAs were equally important because of the deficient knowledge and literature around their existence, spread and patterns of international development across service industries (see Section 2.3.3 (p.46).

More specifically, the subsidiary management literatures suggest that roles and strategies of subsidiaries can vary from one industry context to another; and the survival or growth of multinationals, as 'differentiated network[s]' (Rugman and D'Cruz, 1997), are determined by the roles and strategies of the foreign subsidiaries within the global network. It is also important to mention that such subsidiaries are

observed to exist in various roles or forms, and with varying degrees of integration or autonomy with their respective parents. At this stage, it is anticipated that the ten SAs consists of firms spread along the spectrum of autonomy and integration to allow for a comprehensive analysis of the international strategy process from their perspectives. The reasons being that fully integrated SAs are clearly important to analyse because of their direct relationship or association with their parents' international strategy, but at the same time, autonomous SAs are equally significant because the literature suggests that:

- First, despite their autonomy, these firms are able to develop unique competitive capabilities at unit levels, hence adding to the competence base and/or influencing the development or growth of their network as a whole;
- Second, they are also capable of developing their own identity and sets of networks relationships in the different locations they are spread internationally, thereby enabling their own direction and mode of strategic growth.

Table 6.5 : The Case Firms

	Coding	Interviewee	Tenure with company (no. of years)	Income based on declared billings 98/99 £m	Staff Employed
Small –to-Medium Sized Agencies (SMAs)					
1	Case A	Managing Director	18	7.32	52
2	Case G	Managing Partner	12	7.54	20
3	Case I	Chief Executive Officer	17	5.65	35
4	Case K	ex-Managing Director	11	25.13	70
5	Case M	Managing Partner	17	12	81
6	Case P	Director	22	28.9	142
Subsidiary Agencies (SAs)					
7	Case B	Chief Executive Officer	10	68.33	211
8	Case C	Managing Partner	32	7.19	42
9	Case D	Financial Director	9	81.68	1000+
10	Case E	Chief Executive Officer	20	94.25	270
11	Case F	Managing Director	15	100.41	280
12	Case H	ex-Chief Executive Officer	20	74.71	285+
13	Case J	Chief Executive Officer	10	29.4	157
14	Case L	Chief Executive Officer	12	50.7	500+
15	Case N	Chief Executive Officer	1	122.52	1000+
16	Case O	Strategy Director	8	88.24	330

Source: Author

6.4.3 Triangulation

One of the major strength of the 'Case Method' strategy is in its inherent flexibility as a research approach to allow the researcher to triangulate evidences from multiple data sources and perspectives. Indeed, triangulation is a strongly supported validation strategy in the case method literature, which also recommends on various ways of implementing it (see for example, Yin, 1993, 1994; Patton, 1987; Gill and Johnson, 1991). Yin argues that triangulation provides confidence to the research and, also in differing instances, a way of strengthening qualitative evidences as the same question(s) are asked or same issues investigated from different sources of evidence, often combining different methods of collecting data (see also, Hammersley and Atkinson, 1983). Along the same line, Patton (1987) suggests and distinguishes on triangulation done through different data sources (that is, data triangulation), triangulation of perspectives on the same data set (that is, theory triangulation). Both these suggestions were varyingly adopted in this study and are explained below.

Data triangulation - Yin suggests six different sources of data for triangulation purposes, upon which case studies can be based: documentation, archival records, interviews, direct observation, participant observation, and physical artefacts. Accordingly he highlights that data source may be useful if researcher follows three principles: use multiple sources of evidence; create a case study database; and maintain a chain of evidence. For the purposes of this work, two types of documentation sources were identified: the first type consisted of primary documentary data produced by the case organisations (examples included documents produced by the case organisations in question, which were presented to the researcher during his visit to the companies. These were company reports, clients' proposals, information packs, financial reports); and the second type consisted of documentary data produced about the sector and the case firms in professional trade-related journals and magazines (examples of these encompassed key MarComs-related journals like Ad Age, Campaign, Creative FT, Marketing Week and New Media Age).

Theory triangulation - An important initiative was taken here to increase the external validity of the emerging theory from this study. A summary of the key research issues and the preliminary findings was prepared and sent in the form of questions to a number of key informants in the MarComs industry and clients of

MarComs agencies (see Table 6.6 for the list of participants, and Appendices 2.2, 2.3 and Appendix 3.2 for samples of the interview guides and contact letter). These informants and clients were approached through references gained from colleagues at the Department of Marketing as well as the case managers interviewed. The significance of this exercise to the research was twofold:

- *First*, it provided confidence that the understanding had emerged from the preliminary analysis so far was a valid representation of the perspectives of case participants. In this way, research findings were given “social validity” (Adam and Schvaneveldt, 1985), that is, the industry informants and clients agreed that the understanding of international strategy presented to them was a plausible reflection of their perceptions of the international strategy process in MarComs agencies.
- *Second*, by extending the discussion of the evidences to the industry informants and selected clients the evaluation of the preliminary data was further extended and reviewed from two new and relevant angles by interviewing people who were not only knowledgeable on the research issues, but also were directly affected by the strategic operations of the agencies. This brought additional insights and richness to the preliminary evidences, and provided a triangulation of perspectives, highlighting commonalities in views as well as any discrepancies that existed in the understanding of the international strategy process of these firms.

Table 6.6: Interviewing clients and industry institutions

	Institutions/Client Organisation	Contact Person	Position
	Institutions		
1	The Advertising Association	Andrew Brown	Director-General
2	Account Planning Group	Janet Grimes	Chairman
3	Institute of Practitioners in Advertising (Scottish)	Mark Gorman	Chairman
4	Admap, NTC Publications Ltd	Roderick White	Editor
	Client firms		
1	Kwik-Fit Holdings	Peter Holmes	Marketing Director
2	Scottish Enterprise	Mike Rymaruk	Senior Communications Executive
3	Scottish Enterprise	Alan McIntyre	Network Marketing Director/ Customer Relations
4	Scottish Power	Dominic Fry	Director of Corporate Affairs
5	Incorporated Society of British	Deborah	Director of Membership services

6.4.4 Case Study Protocol: Development and Pre-testing

While starting the contact procedures, a case study protocol (or interview guide) was developed at different stages in order to guide and maintain focus on the study during the interview process. This was by means of semi-structured questionnaires, which encouraged respondents to provide expansive answers to a number of open-ended questions.

The interview guide meant for the case firms (presented in see Appendix 2.1) was structured on the basis of the theoretical constructs discussed in Chapter 5. Hence, the questionnaire consisted of three sections: the first section sought basic background information relating to the international activities of the case firms. The remaining two sections sought to explore issues relating to the internal and external influences, and international strategy respectively. The questions were phrased in an open-ended manner and supported by appropriate 'prompts' to allow for further probing into the relevant issues. Similarly, the second interview guide was specifically directed towards the clients and the industry informants. The questions here were primarily related to the findings that emerged from the preliminary analysis of the data gathered with respect to the case firms.

The main semi-structured questionnaire was pre-tested through eight professionals (six professional academics from the Department of Marketing, University of Strathclyde and two Managing Directors of anonymous advertising agencies) before the major data collection stage could ensue. These pre-tests were not a "full dress rehearsal" of the interview protocol (Yin, 1994:74), but rather they were an integral part of developing the final interview protocol.

In the final draft of the interview protocol (see Appendix 2 again), the research issues presented in Chapter 5 were ignored temporarily at the start of the interviews. This was done in order to be broadly consistent with the interview principles proposed by Argyris (1973). As a result, interviews commenced with 'objective' questions, with questioning being mainly open-ended and aimed at developing a relationship. Where possible, short answers were followed up and long answers were reviewed with the respondent. This process was directed by some probe questions about the research issues, which were prepared to avoid the interviewee digressing into

unrelated themes and helped the researcher to maintain focus on the key interest of the study. However, one can only hope that the answers to the probe questions are provided before the questions have to be put (Easton, 1994). Care therefore was taken to phrase the questions with the words familiar to the interviewee while being open ended so that the answers would not result in a simple 'yes' or 'no' (Carson et al, 1995). The interview protocol was subsequently regarded as a data collection instrument which could produce a richness of data unobtainable through other means and which, in a semi-structured form, was particularly appropriate for the study.

6.4.5 Data Collection Procedures and the Interview Process

The two common features of qualitative research consist of direct observation and detailed description, usually supported by three main types of qualitative data collection instruments: participant observation, in-depth interviews and focus groups. Moreover, while adopting any of these data collection instruments, Miles and Huberman (1994) emphasise the need to maintain a prolonged contact with the field or situation, the need to establish a holistic and sympathetic understanding of the respondent's situation, the isolation of common themes and expressions, and the rigorous analysis of words. Table 6.1 summarises the main strengths and weaknesses of the different instruments. The remaining paragraphs provide a rationale for the chosen data collection method for this study, which is, the in-depth interview.

Individual depth interviews (in-depth interviews) are conducted face-to-face with the respondents and are used to explore issues, events, knowledge and attitudes in detail (Kumar et al 1999). Kinnear and Taylor define the depth interview as, "an unstructured personal interview which uses extensive probing to get a single respondent to talk freely and express detailed beliefs and feelings on a topic" (Kinnear and Taylor, 1991:315).

Depth interviews appeal to this study because they can be either non-directive or semi-structured and therefore qualitative in nature (Kumar et al 1999). Non-directive interviews allow the respondent complete freedom to respond within the boundaries of the subject matter. In this process, the interviewer must establish a trusting and relaxed atmosphere and probe and clarify the respondents' contribution to the discussion as they may not be particularly articulate or forthcoming in discussing entrenched beliefs without fear of judgement (Kinnear and Taylor 1991). These

interviews are likely to be relatively lengthy (around 45 minutes to 2 hours) and provide detailed case histories of particular issues (Kumar et al 1999) with the help of an open interview guide. The respondents were therefore encouraged to discuss topics at length and in depth and to explore all their thoughts and feelings on the issue of concern.

Figure 6.1: Advantages and Disadvantages of Qualitative Data Collection Methods

Method	Advantages	Disadvantages
(i) Observation	<ul style="list-style-type: none"> - Behaviour can be recorded while it happens (rather than retrospective or anticipatory); - The observer may see what the participant may not; - Can record behaviours which participants are not able to articulate, e.g., young children; - Little effort on part of respondent; - No need to obtain willingness – few issues with non-response; - Little bias 	<ul style="list-style-type: none"> - The environment, event or behaviour may not be available or appropriate for observation; - People may consciously or unconsciously change the way they behave because they are being observed; - The observer interprets the relevance and meaning of the acts; - Issue of research must be observable; - Can't observe awareness, feelings, attitudes, beliefs, intimate or personal activities; - Observed behaviours must be short and frequent
(ii) Focus groups	<ul style="list-style-type: none"> - Richness of data; - Can observe group interaction; - The group interaction put greater emphasis on the respondent's point of view; - Versatility – can be used to explore a variety of problems; - Ability to study special respondents, e.g., the disabled 	<ul style="list-style-type: none"> - Unnatural settings/group think; - Selection of the group could be based on suitability rather than representation; - Can only observe verbal behaviour and interaction in groups – essentially self-reported behaviour; - Because the discussion is controlled by the moderator, cannot guarantee how real the verbal behaviour is; - Opportunity of misuse – e.g., generalising from a few key remarks made in groups/selective perception in analysis.
(iii) In-depth interviews	<ul style="list-style-type: none"> - Can produce detailed case histories; - Temporal perspective; - Can use semi-structured interviewing for hard to reach situations; - Sensitive data 	<ul style="list-style-type: none"> - No opportunity to explore group process; - Relies on the skills and experience of the researcher; - Lengthy interview; - Few cases.

Source: Author

Hence, the data collection strategy of this thesis was therefore a combination of in-depth interviewing techniques and a semi structured interview protocol. However,

there were a number of procedures relating to access and ethics and potential biases that were observed to maintain consistency in the execution of the interview process.

Since the research's interviews were semi structured, specific prior preparations were made for each case interview separately (for example, finding background information on the company and the interviewee). A key advantage of this flexible approach to interviewing was the ability to incorporate emergent issues in the process. Consequently, although the majority of themes and issues had already been identified through the literature review some became more evident as the work progressed.

Whyte (1982) maintains that even unstructured interviews should be directed towards the research problem. Consequently, the process of interviewing was as carefully organised as the content of the interviews. Interviews were planned through the use of key informants and in support Whyte (1982:98) argues that in using such informants: "the researcher is not randomly sampling from the universe of characteristics of the study. Rather he/she is selectively sampling specialised knowledge of the characteristics". The use of key informants was therefore carefully managed, with the initial point of contact in each organisation being the Secretary or the Personal Assistant to the targeted key informants.

The interviews were considered in part to be a knowledge exchanging exercise, a *modus operandi* that appeared to construct a situation which was quite familiar to the individuals involved. In conducting the interviews it was found that the interview process was affected by other factors including: the location of the interview; the position of the respondent in the organisation; the respondent's perception of the interviewer's professional status and experience; the organisation's general attitude towards 'outsiders' ; the respondent's current relationship with their employer; and the organisational politics.

In an attempt to mitigate the effects of these factors and enhance the cooperation of respondents, the researcher adopted the following procedures:

- Respondents were telephoned to arrange interviews and to explain briefly the purpose of the research. The initial contact was followed by a letter on the University's letter headed paper to confirm the arrangements and provide some evidence of the researcher's background (See Appendix 3 for examples of contact letters). Using the 'University of Strathclyde' letterhead provided sound credibility during the contact process with targeted respondents.

- After the approval to participate, respondents were sent the Interview Protocol (Appendix 2.1) which summarised the key issues that would guide the meetings.
- At the beginning of each interview the respondent was reminded that information was being collected by the researcher for his PhD. They were promised that their contribution would remain confidential both within and without the organisation. Furthermore, they were informed that any criticism which emerged from the system would be couched in terms of process, systems and structure and not be directed at individuals or groups of individuals. The relationship between the researcher and the respondent was consequently based on trust.
- Respondents were asked for their permission to tape record the interviews, with permission being granted in all cases. The use of tape recorder enabled the interview to be conducted in a more natural way and to ensure that cues 'missed' during the interview were identified during transcription. Questions were posed in a neutral way, with interventions being timed and appropriately phrased. Respondents were promised anonymity³ in respect of their responses and identities.

Each interview lasted for minimum of one and a half to a maximum of two and a half hours. Interviews were verbal reports and therefore in all possibility suffer from bias, poor recall and poor or inaccurate articulation (Yin, 1994). Further, interviews were conducted in locations and at times which were most convenient to the respondent. As a result, some interviews were conducted outside normal office hours or in private locations agreed by the respondents. This flexibility in the research venue and timing seemed to be beneficial in ensuring that targeted respondents did participate in the study. Finally, as Carter (1999) has noted although interviewees participating in such a study are universally helpful or forthcoming, there are two groups of especially fruitful informants, the 'ultra-sensitised' and the 'willing' informants. In practice, this meant that although the researcher was persistent, he did not have unrealistic expectations of the value or contribution of every informant.

³ Anonymity is often considered in case studies. Though "anonymity is not to be considered a desirable outcome ... not only does it eliminate some important background information about the case but it also makes the mechanics of composing the case difficult" (Yin, 1994:144). Access to the companies and the freedom with which they participated in the research was central to their understanding that their identities would remain confidential.

The researcher was aware of the potential biases of case study interviewing: both in terms of 'researcher effects on the site' and in terms of 'site effects on the researcher' (see for example Miles and Huberman, 1994). The ontology and epistemology of the research meant that it would have been inconsistent to have attempted to eradicate bias (on the premise that bias may represent a particular view of reality). However, the negative aspects of bias were consciously managed in a number of additional ways to those already noted above. For instance, efforts were made to avoid phrasing questions in a leading way (Easterby-Smith, 1991). Steps were taken to demarcate volunteered and directed information, to actively search for contrary evidence, and to compare interview data with continuous observation where possible (Becker, 1998). Interviews were transcribed wherever possible soon after the meeting. This allowed the interviews to be evaluated in terms of effectiveness, the value of information obtained areas requiring clarification, a desirable balance of descriptive and evaluative data, and suitable tactics for re-interviewing (Whyte, 1982).

6.5 DATA ANALYSIS AND MANAGEMENT

Qualitative data analysis techniques 'seek to describe, decode, translate, and otherwise come to terms with the meaning, *not the frequency*, of certain more or less naturally occurring phenomena in the social world' (Van Maanen, 1979 p.520 emphasis added). In similar vein, Bonoma (1985) adds that the objective of data collection in studies involving cases is not quantification or even enumeration, but rather (1) description, (2) classification (typology development), (3) theory development, and (4) limited theory testing'. Indeed, data analysis in case research concentrates on examining the case studies using various analytical techniques where the "ultimate goal is to treat the evidence fairly, to produce compelling analytical conclusions and to rule out alternative interpretations" (Yin, 1994:103). A data analysis strategy or framework should be chosen before data analysis commences. Accordingly, this section seeks to describe the data analysis and management process suitable for this study.

There are a number of well documented challenges characterising qualitative data analysis and there is a subsequent lack of clarity around building theories from case based research (Eisenhardt, 1989; Bryman and Burgess, 1994; Huberman and Miles,

1998). Morse (1994:23), for instance comments that “despite the proliferation of qualitative methodology, texts detailing techniques for conducting a qualitative project, the actual process of data analysis remains poorly described”. To this argument Robson (1993: 370) adds “there is no clear and accepted set of conventions for qualitative analysis, corresponding to those observed with quantitative data”. The challenge centres on interpreting, “brief conversations, and snippets from unstructured interviews or examples of a particular activity which are used to provide evidence for a particular contention. There are grounds for disquiet in that the representativeness or generality of these fragments is rarely addressed” (Bryman, 1998: 77).

This makes the framework for data analysis a crucial tool for a qualitative research study. In theory, such a framework needs to state “the conditions under which a particular phenomenon is likely to be found (a literal replication) as well as the conditions when it is not likely to be found (a theoretical replication)” (Yin, 1994:46). Yin adds that the analysis must produce findings that are significant, complete, have considered alternative perspectives and display sufficient evidence, which is narrated in a composed and engaging manner. Further, the distinction between the phenomenon being studied and its contexts must be given explicit attention. Data analysis must clearly illustrate that very little information remained unanalysed and that critical information was given complete attention (Yin, 1994). In short, there must be a display of ample evidence so that the reader can reach an independent judgment regarding the merits of the analysis.

Various authors have offered general analytical tools and procedures, which overcome the main challenges of data analysis for qualitative studies. For instance, data analysis can include explanation building, pattern matching and time series analysis (Yin, 1994). Easterby-Smith, et al. (1991) suggests four stages of concrete experience, reflective observation, abstract conceptualisation and active experimentation as data analysis methods. Morse (1994) advises comprehending, synthesising (drawing together different themes from the research and forming them into new integrated patterns) and theorising, which is confronting the data with alternative explanations. Miles and Huberman (1994) suggest that to analyse qualitative data the process should include data reduction, data display and conclusion drawing/verification. All of these works centre qualitative data analysis on data reduction which usually involves coding and organising the data into a manageable

and condensed form (at times using some software packages); structuring data (which was achieved through the interview protocol as it related to the framework of the research) and detextualising the text, which necessitated arranging the dialogue into diagrams and illustrations for analysis. In essence, researchers are advised to summarise the data and then use the summaries to construct generalisations to confront existing theories or to construct a new theory, until they are robust enough to withstand analysis.

While the above authors were very insightful on the theory building nature of the qualitative analysis, very few offered clarification on how to undertake and organise such a process. Accordingly, before deciding on the rigorous analysis procedures to be adopted for this research, consideration was devoted to some computer enabled softwares (like NUDIST) which are suggested by some of the literatures to 'ease' the process. The next section discusses the pros and cons of these software packages.

6.5.1 A Consideration of Computer-based Qualitative Analysis

A number of qualitative analysis software packages have been developed to 'ease' the complexity around the process. There is considerable debate concerning the advantages and disadvantages of such computer based software packages in qualitative analysis (examples include NUDIST, HyperRESEARCH, AQUAD, ATLAS/ti and QCA). The major merits are the time saving element (though the initial coding is very time consuming), they can reduce analysis time, remove some of the drudgery, make the procedures more systematic and explicit, ensure completeness and refinement and allow for flexibility and revision ability during the analysis (Miles and Huberman, 1994). There are also validity and reliability gains by the simple counting allowed for in the programmes (Seale, 2000).

However, there is a danger that the researcher may become overwhelmed with the software *per se* and coding becomes the analysis, that data is taken out of context and that the package imposes a single linear order to the analysis (Coffey et al., 1996). The software package can distance the researcher from the data (Weitzman and Miles, 1995). As Richards and Richards (1998: 211) note 'the computer method can have dramatic implications for the research process and outcomes, from unacceptable restrictions on analysis to unexpected opening out of possibilities'. It is important that the data management techniques do not damage the thick descriptions

or force the researcher into routines that destroy insights. There is also the danger that the index system straitjackets the researcher and can seem to design data analysis that is never ending (Richards and Richards, 1998).

Another major criticism of such software packages and the use of computers to analyse such data is that they are promoting a standard format for the analysis and representation of data, what Coffey et al., (1996: 14) refer to as a ‘trend towards homogeneity’. As Seale (2000:171) observes “a technical fantasy seems to have emerged, uncomfortably close to quantitative work, with a language of counting, hypothesis testing and causal analysis that is alien to the interpretive freedom supported by qualitative research”. There is also a need, within the analysis, to recognise the complexity of social inter-relatedness, which this package can damage (Coffey et al., 1996) and there is a danger that the researcher becomes too attached to the index system and forgets the contextual situation (Weitzman and Miles, 1995). It is important to avoid the danger that “the style of the software one uses can coerce a project along a particular direction” (Richards and Richards, 1998:242).

After careful consideration of the above arguments this study decided not to use any computer-based software packages for analysis purposes. Instead, a more hands on, inductive approach was adopted to maintain prime emphasis on the analysis of the data and its context. This approach is described in the next section.

6.5.2 Data Analysis for this Study: An Inductive Process

The conception and execution of the data analysis framework for this study was designed following the inductive analysis model of Shaw (1999) and the theory building procedures for case research suggested by Eisenhardt (1989) and Dey (1993).

Based on the works of the above authors, the analysis process began as soon as the researcher entered the field to collect data, it was ongoing and it was inductive. Eisenhardt (1989: 539) explains that “it is frequent for data analysis to overlap with data collection in a research trying to build theory from case studies, not only it gives the researcher a head start in analysis, but more importantly, allows the researcher to take advantage of the flexibility and freedom to make adjustments that exist in the data collection process”. The analysis process, therefore, is a fitting description of the overlapping activities of data collection, analysis and interpretation. Thus, as soon as the researcher began the process of collecting data, he simultaneously engaged in

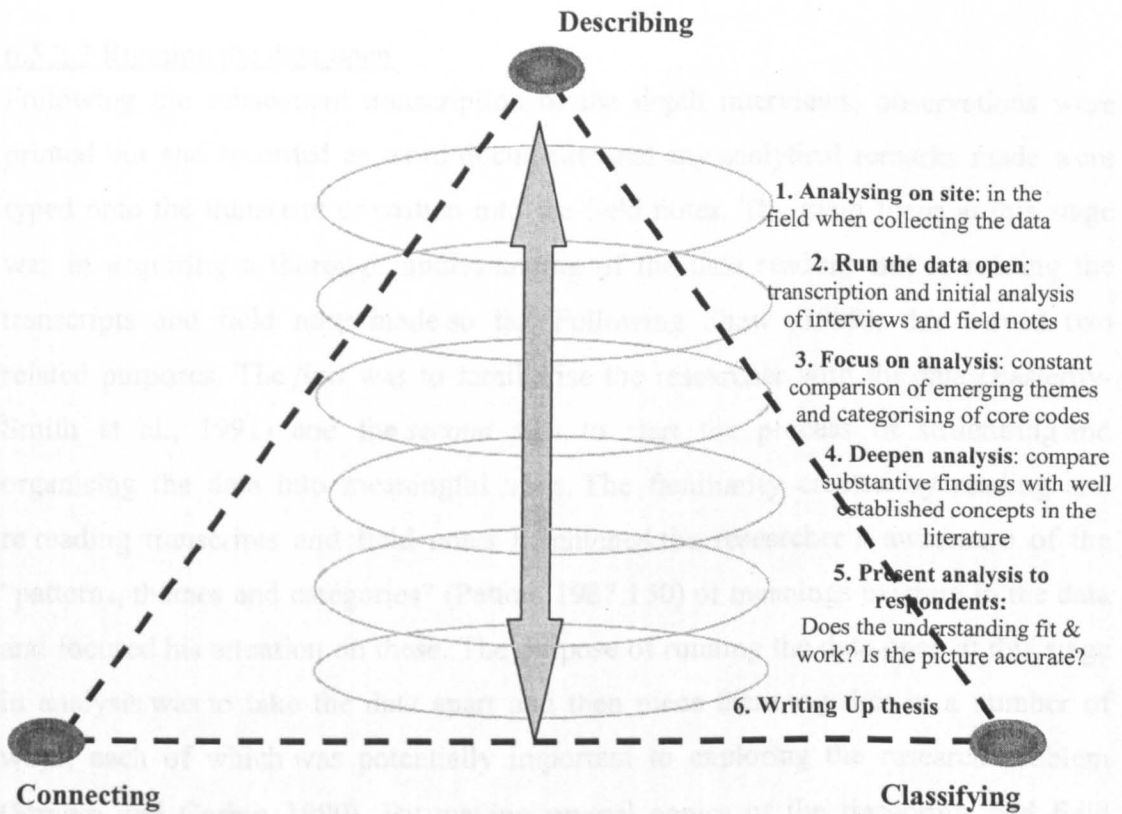
analysing and in interpreting the perspectives of those he was talking to and observing.

Moreover, the impact of this early and ongoing process helped the conduct of the interviews and analysis in a number of ways. By overlapping the phases of data collection and analysis, he was able to “adjust (his) observation strategies, shifting some emphasis towards those experiences which (bore) upon the development of (his) understanding, and generally, to exercise control over (his) emerging ideas by virtually simultaneously ‘checking’ or ‘testing’ these ideas” (Marshall and Rossman, 1995:103) with the collection of further data. This concurrency of data collection and analysis suited the fluctuating and emergent nature of what was being explored. On a practical level, the “sheer massive volumes of information” (Patton, 1987:297), generated by the qualitative methods used, demanded that analysis was not left until the collection of primary data was completed. However, there are no “formulas or cook recipes” (Yin, 1994, p.102) to advise on the “correct” or “best” way of inductively analysing qualitative data. Even specific qualitative studies in the strategic management literature, do not detail the exact procedures and scheduling of activities involved in their inductive analysis of qualitative data when reporting on the outcomes of their work.

The data analysis framework of this study is closely related to Shaw’s (1999) model of inductive analysis which is primarily guided by the literature on grounded theory (Easterby-Smith et al., 1991; Glaser and Strauss, 1967; Marshall and Rossman, 1995; Strauss and Corbin, 1990). This literature recommends that the inductive analysis of qualitative data involves: the reading and re-reading of transcripts and field notes (Easterby-Smith et al., 1991); the use of codes to bring order, structure and meaning to raw data (Strauss and Corbin, 1990); the constant comparison of the codes and categories which emerge with subsequent data collected and also with concepts suggested by the literature (Glaser and Strauss, 1967) and the search for relationships among emerging categories of data (Marshall and Rossman, 1995). The diagram below (Figure 6.2) summarises and explains the systematic process by which qualitative data was inductively analysed and interpreted to acquire a succinctly grounded understanding of the influences on and characteristics of the international strategy of MarComs agencies.

The framework presents the data analysis process as a logical sequence of steps, from the first encounter with the data through to its presentation and conclusion. This representation implies that the researcher had a clear sense of direction from the outset of the analysis and was determined to maintain a certain consistency in producing the conclusions from the data. Practically, however, the analysis process did not proceed in such a straightforward manner. In fact, it would be more realistic to picture the process as consisting of a series of spirals where the researcher had to loop back and forth iteratively through the various stages within the broader progress of the analysis. Accordingly, it is important to emphasise the interdependence between the different steps. Analysis in the case of this research was therefore akin to a spiralling process that turned through successive cycles, each at a higher level as more evidence was accumulated and concepts and connections between the constructs became clearer.

Figure 6.2: Spiral Process of Qualitative Data Analysis



Source: Author, extending on Shaw (1999:65)

6.5.2.1 Analysis on-site

As mentioned at the beginning of this section, this first phase in inductive analysis occurred while in the field. The early collection of data was guided by the researcher's pre-understanding (Gummesson, 1991) of the MarComs agencies concerned. Referring to Section 6.4.4 of this chapter, the interview process occurring at this stage was kept open to allow for 'rich' description of responses and perspectives around which further data collection could take place. The tape recording of interviews freed the researcher to make written as well as mental notes of any

analysis he made during interviews. This also allowed him to identify particular responses to probe further at a later stage during that interview.

6.5.2.2 Running the data open

Following the subsequent transcription of the depth interviews, observations were printed out and recorded as word documents and any analytical remarks made were typed onto the transcript or written into the field notes. The main focus at this stage was in acquiring a thorough understanding of the data reading and re-reading the transcripts and field notes made so far. Following Shaw (1999), this served two related purposes. The *first* was to familiarise the researcher with the data (Easterby-Smith et al., 1991) and the *second* was to start the process of structuring and organising the data into meaningful units. The familiarity created by reading and re-reading transcripts and field notes heightened the researcher's awareness of the "patterns, themes and categories" (Patton, 1987:150) of meanings existing in the data and focused his attention on these. The purpose of running the data open at this stage in analysis was to take the data apart and then piece them together in a number of ways, each of which was potentially important to exploring the research problem (Strauss and Corbin, 1990). By making several copies of the transcripts and field notes collected so far, the researcher attached "open" codes derived from the theoretical constructs, to those sections containing data which appeared to be important for the understanding of international strategy of MarComs agencies. In this way, some chunks of data were coded in a variety of ways, while others were discarded on the grounds that they were not relevant to the study and, thereby the data collected so far were reduced to a more manageable level. Following Shaw's suggestion, a second activity carried out at this stage was the writing of memos. These written notes or free notes were referred to at later stages of analysis to remind the researcher of the reasons why certain pieces of data were coded in particular ways and pulled together into organised, meaningful units. These memos additionally reminded the researcher of the logic of the interpretations that he had made at this early stage in his analysis.

6.5.2.3 Focusing inductive analysis

At this stage, the analysis became concentrated on issues central to understanding the research problem by focusing the collection and organisation of data around open codes and constantly comparing these data with previously coded sections. The method of analysis used during this stage is called the “constant comparative method” (Glaser and Strauss, 1967; Eisenhardt, 1989). This method involved the researcher repeating the process notes and constantly comparing the data collected during this phase with sections labelled with open codes during the previous analysis phase. Coded sections were then pulled together into different categories or “families” of codes with respect to the constructs identified in the conceptual framework. Included in each category were “slices of data” (Glaser and Strauss, 1967) exhibiting an “internal homogeneity” which held them together in a meaningful way (Patton, 1987). As the categories used exhibited “external heterogeneity”, they provided a structure to the sections of coded data meaningful to the understanding of international strategy. This process of focused data collection and constant comparison of coded sections of data continued until coded sections became saturated, that is, no new patterns or themes emerged. At this stage, analysis moved from open codes to focus on within case analysis and identifying cross-case patterns to understanding the substantive topic, around which deeper analysis and interpretation concentrated. These activities can be described as follows:

- *Within case analysis* – This involved a detailed analysis of each case complemented with analytical notes and descriptions central to the generation of insights in this scenario (Pettigrew, 1988; Eisenhardt, 1989). The overall purpose of this exercise was to become intimately familiar with each case as a standalone entity. This process highlighted unique patterns of each case before the researcher could proceed to generate patterns across cases (please refer to Appendices 4.1 and 4.2 for an example of how the individual cases were analysed).
- *Searching for cross-case patterns* – the above exercise accelerated the cross case comparison since it allowed the researcher to develop a rich familiarity with each individual case. In this scenario his attention focused on looking for cross case patterns by searching for within group similarities (literal replication) coupled with intergroup differences (theoretical replication). The dimensions for comparison were derived from the conceptual framework. This process enabled

the researcher to go beyond initial impressions derived from individual cases and enhance the probability of capturing novel findings that could exist in the data (please refer to Appendix 5 for an example of a cross-case display).

6.5.2.4 Deepening the analysis

Having grouped homogeneous slices of data into core categories of constructs and organised coded data into a meaningful structure, the analysis was deepened by interpreting the relationships between core categories and seeking to explain why these relationships existed. By interpreting the structure that had emerged and re-evaluating relationships between categories of data, a cohesive integration of categories, which provided an understanding of international strategy which “fitted” and “worked” with the data, emerged from this deeper analysis. In interpreting, re-evaluating and conceptualising relationships between categories of data, the constant comparative method of analysis was used once again (Shaw, 1999). During this stage, the researcher engaged in the prolonged and systematic search for similarities and differences between the slices of data contained within different constructs and the groups of cases in consideration with theories existing in the literature. The purpose of these comparisons was to understand the meaning and nature of these relationships and resulted in some slices of data being disregarded on the grounds that, when analysed more closely, they did not fit and work with the understanding that was emerging. To further strengthen the reliability and internal validity within this understanding, the systematic comparison of the constructs and the emerging relationships in the data led to the integration of relevant literatures from those reviewed in the earlier part of the thesis (Eisenhardt, 1989). Accordingly, Shaw (1999) suggests that this process is important for two reasons. *First*, such comparisons and integration between emerging findings and existing literature are useful in re-evaluating the reasons why these findings existed and support their validity with respect to conflicting or similar literatures. *Second*, such comparisons also revealed the extent to which the understanding of MarComs agencies which emerged from this in-depth, qualitative study had contributed to current knowledge and understanding of the substantive area.

6.5.2.5 Presenting the findings

This final phase involved presenting the findings that emerged from the analysis process, described by each of the CEOs and Managing Directors participating in the study. An important initiative was taken here to increase the external validity of the findings as described in Section 6.4.3.

Furthermore, linked to the presentation of findings in the writing up process, some data display techniques were utilised to enhance in the actual writing, presentation and discussion of the results of the study. Displaying the data in a systematic way has major benefits for the data analysis and the interpretation of the data and allows a reader to recreate the intellectual journey of the researcher. Data displays allowed the researcher to reduce the data into manageable, meaningful and coherent displays. This allows for understandings to be developed that permits conclusions to be drawn from the research (Miles and Huberman, 1994; Shaw, 1999).

Table displays were used extensively in this research to focus on and organise a large body of analysis. These tables aided in the examining of complex issues and relationships between issues and groups of cases. They allowed for the clear study of the patterns in the data and to highlight the how and why issues in this research. A number of matrix displays were also incorporated. This involves the crossing of two or more main dimensions to see how they interact. They include descriptive versus explanatory intent, partially ordered versus well-ordered, time ordered or non time ordered, categories or variables, two way, three way and n way, cell entry and single case versus multiple case data (Miles and Huberman, 1994).

6.6 A CRITIQUE OF THE RESEARCH STRATEGY

Academic research is often evaluated on the basis of questions regarding such issues as validity, reliability and generalisability (see for example, Easterby-Smith, 1991). However such criteria are argued to derive from a quantitative approach (Janesick, 1988) and this further questions their applicability in the context of qualitative research. Alternative ways have been adopted by the like of Patton (1980:327) who suggests that “the basic purpose of qualitative analysis is to provide useful, meaningful and credible answers” and Yin (1994) who recommends such tests as conformability, credibility and transferability, and dependability.

More specifically, Yin raises particular questions on the case study approach as a proper scientific method (Yin 1994). He contends that this approach does not allow for scientific generalisations and advances critical remarks by referring to a certain case study where “too many times the case study investigator has been sloppy and allowed equivocal evidence based on biased views to influence the direction of the findings and conclusions” (p.110). Yin concludes that case study research is remarkably hard to conduct, in spite of the fact that it has been considered a ‘soft’ approach. He even argues that the softer the research strategy, the harder it is to do. In similar vein, Easton (1995: 379) identifies three types of weaknesses in case-study research:

“Some case studies are simply rich descriptions of events from which the reader is expected to come to their own conclusions. Others are really examples of data that appear to provide, at best, partial support of particular theories or frameworks and are used in a quasi deductive theory testing way. A third kind employs multiple “case studies” in a way that suggests that they are relying on some notion of statistical generalisation.”

The underlying theme in the above arguments is that qualitative research (or indeed the case based approach) is distinctive in its method. In this section, therefore, the most important limitations of the case study method are examined. The areas of validity, reliability and generalisability are discussed along with the techniques used to minimise their effects. In doing so, the focus of the critique will be on the ‘logics of engagement’ which were used by the researcher to interact and engage with the field (Morgan, 1983:41) rather than defending one philosophical approach against another. This critique will be structured around four overlapping categories proposed by Miles and Huberman (1994:278-9) which cover questions of objectivity, reliability, internal validity and external validity.

The ‘objectivity/confirmability’ of the research was handled in a number of ways. The researcher strove to present in as much detail as possible a description of the conceptualisation and methods used in this study. Furthermore, the researcher attempted to be ‘reflective’ on his personal experiences in terms of acknowledging the potential impact of these on the fieldwork and on the subsequent analysis process. In addition, the data was subject to conflicting explanations most notably in the application of different theories and different literature base. By addressing such issues the researcher sought to reduce any potential bias in the work. However, the

basis of the research was in “analytic realism” (Altheide and Johnson, 1994:489). This means that the researcher presupposed that the reality is socially constructed and interpreted. Consequently the researcher endeavoured to represent the social world by those researched (that is, the MarComs agencies), and to highlight the influences on the way in which it had been interpreted by the researcher. As a result of this, the reader should be better placed to make his/her own interpretation of the research findings.

The second limitation concerns the ‘reliability/dependability’ of findings, which was regarded in terms of whether or not the research systematically studied what it claimed to study, and whether the data collection procedures can be repeated with the same results (Miles and Huberman, 1994). As has been outlined previously, the research was based on a fundamental research question that linked the fieldwork and theory through a conceptual framework explained in Chapter 5. This framework was used to maintain the focus of the study with the help of a carefully developed interview protocol. The preceding discussions of the fieldwork have described the role of the researcher within the case studies in as much detail as possible, as a researcher collecting data for a PhD. Efforts were also made to collect data from a variety of sources (industry informants and clients) and using a variety of data collection instruments (observations, written memos) which would be consistent with the conceptual framework. These are all described and assessed on a number of dimensions including the degree to which meaning was shared between the researcher and the informant. Finally, findings were subjected to peer review in terms of continuous process of supervisory review, presentation at conferences and publication of articles. The reliability of the research was therefore safeguarded by aiming to collect data systematically overtime, and systematically within each case.

The ‘internal validity/credibility/authenticity’ of the findings was taken to mean the degree to which the findings have meaning for those interested in them. Eisenhardt (1989) suggests that internal validity in such a study is increased if the researcher is able to show that the underlying theoretical reasons for relationships between constructs while supporting emergent theories with existing literature. One of the main ways for dealing with this was to present comprehensive descriptions of the cases studied which were closely linked to both their inner and outer contexts. Also, *triangulation* was extensively used to synthesise multiple perspectives and clarify

meanings. In addition, efforts were made to identify contrary evidence, to interrogate the data using rival explanations, and to link the findings with extant theory. The findings resulted from a systematic analysis process described in Section 6.5.2. Finally, where areas of uncertainty arose, these were noted and identified in the text. Consequently, the issue of credibility was addressed in terms of description, interpretation and theory.

The last logic of engagement is the 'external validity/ generalisability/ transferability' of this case based research. This refers to establishing the domain to which the study's results can be generalised (Miles and Huberman, 1994). The researcher attempted to provide a deep description of the research settings and its analytic generalisations for others to compare with their work. Further, the use of theoretical or purposeful sampling and multiple case studies was an important measure used to overcome external validity issues as it allowed for theory generation through the use of the replication logic explained before. Consequently, the research findings were examined using different 'rival' theories relating to the international strategy and professional service literatures, with the outcome being an assessment of transferability of this study's findings to other professional business services. Finally the limits to the research findings are suggested along with propositions for future research in the area. In short, the external validity of the research findings was dealt with in terms of links with extant theory and with the opportunity to develop a new theory.

6.7 CHAPTER SUMMARY

Following the conceptualisation of the thesis in Chapter 5, this chapter outlines the methodology and related issues encompassing the empirical process of this study. The chapter is mainly organised into five main sections.

The *first* section discusses the methodological paradigm underlying the research design of this study while it justifies the research as a piece of qualitative enquiry. Consideration of the ontological, epistemological and methodological issues presents the realism paradigm as a suitable basis for examining the research phenomena. This paradigm is interested in the structures and mechanics of reality, even if these

structures and mechanisms are imperfectly and probabilistically apprehensible. In that respect it equips the researcher to search for valid explanatory knowledge underlying a given qualitative research phenomena as it aims to determine what causal powers are in operation. It therefore suits this study since it is focused on the identification, description and analysis of valid explanatory knowledge related to a complex and imperfectly apprehensible reality underlying the international strategy of the international MarComs agencies. The section then makes a case for this research as a qualitative study for, given its exploratory imperatives and the realism paradigm, the research phenomena inevitably demand an approach which will enable the researcher 'to get close' to the participants, to penetrate their internal logic and interpret their subjective understanding of the key influences on and characteristics of 'international strategy'.

Based on the above, the *second* section of the chapter identifies the case method as the most suitable research strategy. This was justified by reference to the thesis objectives and research questions, the researcher's paradigm and the theory building nature of this qualitative research. The following reasons were put forward in further support of this choice: *First*, the characteristics of case based research make it an appropriate strategy for studying the context specific or unique influences and processes characterising the nature of the international strategy of MarComs. *Second*, since the case study strategy bears a strong relationship with the natural setting of the research phenomena, it is able to maintain the naturalism demanded by the qualitative mode of inquiry. *Third*, the case method allows for flexibility in the theory building process through analytic generalisation. *Fourth*, the nature of reality of interest to this study also highlights the need to complement multiple perspectives or sources of data to examine the research phenomena.

The *third* section of the chapter provides a detailed outline of the data collection and administration process of this study. This section starts by identifying the 'agency firm' as the main unit of analysis for this research. It then explains the theoretical and practical imperatives that governed the selection of the cases and the administration of the interview process. In short, the study uses theoretical sampling to justify the selection of multiple cases arguing that such a selection should provide multiple views through a broader range of data, and a better reflection of the research interest and

propositions. The section also discusses the development of the interview protocol and the conduct of the interviews.

The *fourth* section of this chapter expands on the data analysis process and the theory building procedures employed in this study. The qualitative analysis follows an inductive process qualified by five distinctive and highly iterative and interrelated steps: 1) Analysis on site; 2) Running the data open; 3) Focusing on analysis; 4) deepening the analysis; 5) Presentation of findings . Finally, the fifth section examines limitations of the research strategy and the measures that were taken to mitigate their effects in the light of issues concerning the objectivity, reliability, internal validity and external validity of the data.

The remainder of this thesis is organised as follows: Chapters 7, 8 and 9 present the analysis and discussion of the key findings of this study. Chapter 10 points out the conclusions and the managerial and theoretical limitations that can be drawn from this research while suggesting avenues for further research.

7.1 INTRODUCTION

This chapter presents the preliminary analysis of the sixteen cases involved in this study, based partially on data provided by the respondents taking part in the study and partially through information gathered via secondary documentary sources relating to the respective agencies. Essentially, the chapter draws on some preliminary cross-case observations, noting key differences and similarities amongst the cases based on some predetermined criteria. The intention of this chapter is to serve as a prelude to the forthcoming analysis chapters. This is done by familiarising the reader with the basic profile of the companies studied, before setting into the analysis to consider the issues more focal to this research. The analysis depicted in this chapter is closely related to Appendix 6 which presents a profile of the individual cases.

Data were gathered with respect to two groups of firms in this study. The first group consists of small –to-medium size enterprises, denoted here as Small to Medium sized Agencies (SMAs), and the second group comprises of subsidiary firms, denoted here as Subsidiary Agencies (SAs) (please refer to Table 6.5). Both of these groups of firms are identified in Chapters 3 and 4 respectively. Out of the sixteen MarComs agencies, six were SMAs and ten were SAs, and this composition of firms in the sample was achieved purely by chance. Discussions in this chapter are structured accordingly throughout, that is, the chapter starts by describing the key features of the SMAs and thereafter of the SAs.

7.2 SMALL-TO-MEDIUM SIZED AGENCIES (SMAs):

The SMAs in this study were cases A, G, I, K, M and P. Based on the data collected, the average age of a SMA in the study was between 10 and 12 years old, the eldest (Case P) being founded in 1980 and the youngest (Case G) in 1990. These were all start-up operations founded initially as ‘breakaway’ agencies and focusing primarily but not exclusively on regional or domestic markets. The agencies characterised themselves as ‘breakaway agencies’ because in the majority of the cases the founders, CEOs or Managing Directors (MDs) were previously senior corporate staffs or small

divisions of multinational MarComs agencies who left to set up their own independent operations.

7.2.1 Financial Profile of SMAs

The financial profile of the SMAs is here presented in terms of three key indicators of the financial health of the agencies, namely the billings, the agency fee income and the total staff employed. As discussed in Chapter 4 Section 4.3, fee income represents the real revenue or profitability of the agency firms, and it differs from billings, which includes the value of bought in services.

The average billings (with respect to the Main Media Services, MMS) for the year 1998/99 of the SMAs amounted to £34.5 m. The largest billing was that of Case P (£61m) and the smallest was that of Case I (£18m). Billings of the SMAs were primarily domestic based. For instance, 82.5 per cent of their average billings came from domestic sources (UK-based) while only 17.5 per cent were from international markets. The average agency fee income for the year 1998/99 for the same group of firms amounted to £9.84m per SMA.

With respect to total number of staff employed, on average each SMA employed a total of 70 people, 6.7 per cent of which were employed in foreign markets while 93.3 per cent were based in the UK. The largest number of employees was employed by Case P. As the largest SMA in the group it had a total of 142 staff both nationally and internationally. The above points are summarised in Table 7.1 below.

Table 7.1 : Financial Profile of SMAs

	Case A	Case G	Case I	Case K	Case M	Case P
Year Founded	1984	1990	1985	1989	1985	1980
Billings (1998/99), £m	29	30	18	36	33	61
Proportion of Billings, UK (%)	75	90	95	80	95	70
Proportion of Billings, International (%)	25	10	5	20	5	30
Agency Fee Income, £m (1998/99)	4	7.54	5.65	8	5	28.9
Total Staff Employed, 2000	62	20	35	80	81	142
Proportion of Staff Employed, UK (%)	92	98	98	97	100	75
Proportion of Staff Employed, International (%)	8	2	2	3	nil	25
Ownership	Independent, Privately owned and managed	Privately owned and managed (and part of an international network)	Independent, Privately owned and managed	Independent, Privately owned and managed	Independent, Privately owned and managed (and part of an international network)	Privately owned and managed (and part of an international network)

Source: Author – Compiled various based on background data collected during interview, Annual Reports of the respective Case Companies, their websites, other internal documentations related to customer reviews and service presentations and various financial data and reviews compiled by Campaign, 1997, 2000; on www.adage.com (please, see Appendix 6)

7.2.2 Diversification within SMAs

The data available helped to compile information on the extent of diversification undertaken by the SMAs in this study. The majority described themselves as ‘full-service’ agencies in that they were able to provide a range of advertising and related services according to the needs and requirements of their client firms. Defining ‘full service’, as such, was a relative description of every individual agency’s understanding of what was included in the portfolio of services it readily provided to its clients. In principle, it mainly involved defining the ‘degree of relatedness’ (Johnson and Scholes, 1999: 323) of the firms’ activities or services to the confines of the industry. Each SMA, therefore, seemed to have its own definition of what constituted ‘full service’. Hence, the data revealed the extent of diversification (product and market oriented) competitively undertaken by the SMAs in order to fulfil the needs of their domestic as well as their international clients. And ‘full service’, strictly speaking, included a range of MarComs services, encompassing advertising (usually the main service), sales promotion, direct marketing and interactive/web

advertising (these services are also described in Chapter 4, Figure 4.1 in further details).

Besides MarComs services, many of the SMAs had also horizontally integrated their activities to a certain extent. They provided appropriate media, marketing, brand communications consultancy services as other value-adding services to differentiate and improve their delivery process. Most of these value-adding services were competitive or complementary to their existing services. In some cases, they were identified as completely separate business units although operated under the administration and management of the SMA. Moreover, the majority of the SMAs also provided their services to a wide range of high-growth market segments or market niches. This enabled them to spread their income generating potential while at the same time developing their expertise by accumulating knowledge and experience over a wide range of client industries. Some agencies, however, preferred to focus their marketing on particular sectors of economic activities. For example, Case I specialised in servicing other 'service industries' instead of 'manufacturing industries' to differentiate itself from its competitors. This was done to avoid directly competing with multinational agencies and to emphasise instead the depth of its expertise on the particular market specialisation.

Further, the interviewees declined to comment on the accurate number of clients in their present portfolio. Instead, they preferred to provide indicative percentages to illustrate the extent to which their client bases were domestic and international. Aggregating those figures revealed that approximately 84.2 percent of the SMAs had a UK-based proportion of clients (which is explained by their initial emphasis on growth in domestic markets) and 15.8 percent of their client bases were international. Table 7.2 below illustrates the above statements in more detail.

Table 7.2: Diversification within SMAs

	Case A	Case G	Case I	Case K	Case M	Case P
Core Business Service Activities	Full Service	Advertising only	Full Service	Full Service	Full Service	Full Service
Examples of other Competing or complementary MarComs-related Activities	Media Planning	Marketing and Brand Communications Consultancy	Marketing and Brand Communications Consultancy (service industries only)	None	Media Consultancy	Digital and Interactive Communications Consultancy
Examples of Key Client Segments	Food; Beers and Lagers Automotive; Charity; Insurance; Travel	Publishing; Holidays; Beers and Lagers; Food and Drinks	Financial Services; Education; Insurance; other Professional Services	Automotive; Entertainment and Leisure; Medical/ Pharmaceutical	Travel; Automotive; Charity and Social marketing	Banking; Sports marketing; Automotive; Interactive entertainment; Financial services; Telecommunication services
Proportion of Client Base, UK (%)	85	80	90	90	90	70
Proportion of Client Base, International (%)	15	20	10	10	10	30

Source: Author – Compiled various based on background data collected during interview, Annual Reports of the respective Case Companies, their websites, other internal documentations related to customer reviews and service presentations and various financial data and reviews compiled by Campaign, 1997, 2000; on www.adage.com (please, see Appendix 6)

7.2.3 International Strategy of SMAs

The decision to internationalise. The first opportunities for international expansion for the SMAs happened in the early years of their life cycle. Before their internationalisation, two of the six firms (cases A and G) had internal capabilities in the form of personnel and management with significant experience in international business activities. Based on that capability both had proactively decided to develop internationally by exploring international avenues for growth through existing network contacts and relationships, and experiential knowledge of markets. For example:

“... we were forming international partners, we all had worked in highly successful major multinational agencies like Saatchi, TBWA, BMP, Publicis, Ogilvy, Grey and Y&R for 15 years...” (Case G)

Case firms I, K, M and P, in contrast, possessed no such in-house expertise to capitalise on. Their decision to internationalise resulted from clients’ invitations (or pressures from clients) to service them into foreign markets (cases K, M and P), or through spin-offs of existing network relationships (case I). Each of these firms subsequently equipped themselves to take advantage of the opportunities by recruiting

personnel who could speak any required foreign languages or possessed the necessary knowledge of local markets.

“... the wholesale financial services market is very international. We were working for a UK-based financial services company. It was acquired by GP Morgan from Germany and we got the business through that ... we have a local affiliation in Hamburg that helps servicing that client ...”

In summary, case firms A and G were ‘proactive’ in their approach to internationalisation, while firms I, K, M and P were more ‘reactive’ in that they would not have internationalised if they were not invited or pressured by their internationalising clients to do so. The intention to internationalise was also encouraged through existing sets of formal and informal network relationships (social or MarComs-related). None of the firms in this sample initiated international expansion based on strict cost/benefit evaluations or with the explicit motive to profit from economies of scale.

Market selection. The majority of the SMAs also had a primarily European based orientation to their international expansion strategies, where they focused on key European cities or fast-growing Eastern European economies (see Table 7.3 below). Some of the reasons mentioned included geographical proximity, cultural awareness/compatibility, a good reputation and credibility surrounding UK advertising, easily implementable along the line of the European regulations, easily available market knowledge and knowledge of potential partners for the purpose of collaboration. Some of the SMAs also had penetration in the US, assumed to be the biggest and most important advertising market globally.

Market selection as such did not appear to be supported by rigorous cost/benefit analyses, government requirements or again local infrastructures. Instead the choice of initial and subsequent market (s) was driven by clients’ locations or the location of business opportunities. Further, ‘psychic distance’ proximity was an essential criteria given the cultural sensitivity accompanying the provision of the MarComs services. But this was easily overcome by employing local professionals or forming low-risk alliances with local partners in different European locations, who would bring familiarity of the market and local knowledge into the service delivery process. Consequently, the most common forms of market entry and development

strategies were partnership agreements and contractual agreements. The table below summarises the above discussion with respect to each SMA.

International strategy. All the SMAs in this study therefore were noted to have undergone or were undergoing various degrees of internationalisation. All of them were present in at least two or more countries. This preliminary analysis of the internationalisation process of these firms, as summarised with respect to individual cases in Appendix 3 and Table 7.3, revealed three types of international strategies:

- The first is described as the *international client driven strategy*, undertaken in response to clients' internationalisation aims;
- The second is described as the *international market driven strategy* which is explained by the proactive initiatives of the agency firms to pursue their own internationalisation; and
- The third is described as *international network- driven strategy* which consisted of SMAs either integrating or consolidating with independent international networks or 'renting out' the international capability of an established global MarComs network through some form of contractual agreement or again 'selling-out' to a global MarComs conglomerate.

Table 7.3: International Strategy of SMAs

	Types of 'International' Strategies	Key International Markets	Mode of Market Entry and Development
Case A	Shifted from being initially 'reactive' Client driven strategy to 'proactive' Market driven strategy; 'International Network Integration: Rented- out' the international potential/capability of a global MarComs network	France, Italy, Spain	Partnership Agreements
Case G	International market driven ; International network integration ;joining independent international agency network	France, Germany, Belgium, Italy, New York	Partnership Agreements, Joint Ventures
Case I	International client driven; International market driven (through management's personal references and contacts)	United States, France, Italy, Germany	Partnership Agreements, Contractual Agreements
Case K	International client driven; International market driven; seeking opportunity for international network integration (prospecting global MarComs network to 'sell-out' to them)	France, Germany, Holland, Poland	Partnership Agreements, Strategic Alliances
Case M	International network integration: joining independent international agency network	United States, Norway, Spain	Partnership Agreements, Contractual Agreements
Case P	International client driven; International market driven; International Network Integration: joining independent international agency network	France, Italy, United States, Germany, Spain, Canada	Partnership Agreements, Contractual Agreements, FDI/Greenfield, Merger

Source: Author – Compiled various based on background data collected during interview, Annual Reports of the respective Case Companies, their websites, other internal documentations related to customer reviews and service presentations and various financial data and reviews compiled by Campaign, 1997, 2000; on www.adage.com (please, see Appendix6)

7.3 SUBSIDIARY AGENCIES (SAs):

The second category of firms in the sample of cases was made up of subsidiary agencies (SAs) which, included cases B, C, D, E, F, H, J, L, N, O (10 in total). In essence, these agencies were subsidiaries in the forms of firms, divisions or regional affiliates of major multinational MarComs conglomerates based in the United Kingdom. Amongst the multiple SAs in this study, the biggest in terms of size was Case O and the smallest was Case C. In addition to its size Case O also has a long history of operation in the UK market while the rest of the firms are on average 20-25 years old.

7.3.1 Ownership Structure of SAs

The preliminary analysis of the data helped uncover two groups of subsidiary agencies in this study. First, there were those which primarily started as small-to-medium sized firms to be later acquired by global communications conglomerates and subsequently became subsidiaries by mergers or acquisitions (namely cases B, F, H, J, O), which are denoted from here onwards as SA (1)). Second, there were those that were established as wholly owned subsidiary operations in UK by their respective conglomerates (namely cases C, D, E, L, N) which are denoted as SA (2)).

Further consideration of the ownership structure of the SAs indicated that these firms sometimes had multiple levels of ownership. SAs in this study were found to belong to a single or two corporate parents. Thus, the preliminary analysis distinguished between the *SAs' immediate parent* and the *SAs' ultimate parent* (as described in the Figure 7.1 and 7.2 below). More specifically, the ultimate parent represented the financial holding company that at times owned both the immediate parent and the subsidiary firm globally. For instance, the respondents in this study identified their ultimate parents as the global financial holding company, usually representing the entire global network in major stock markets. The ultimate parent assumed managerial roles depending on the nature of relationship with the subsidiaries. The immediate parent referred to the mother company that had the main entitlement and responsibility of owning and managing the case firm in question. This parent was often a brand or company acquired by the ultimate parent, often with its offices spread

internationally. Figure 7.1 and 7.2 below presents the ownership relationships between the subsidiaries and their parents.

Figure 7.1: Ownership Scenario for SA (1)

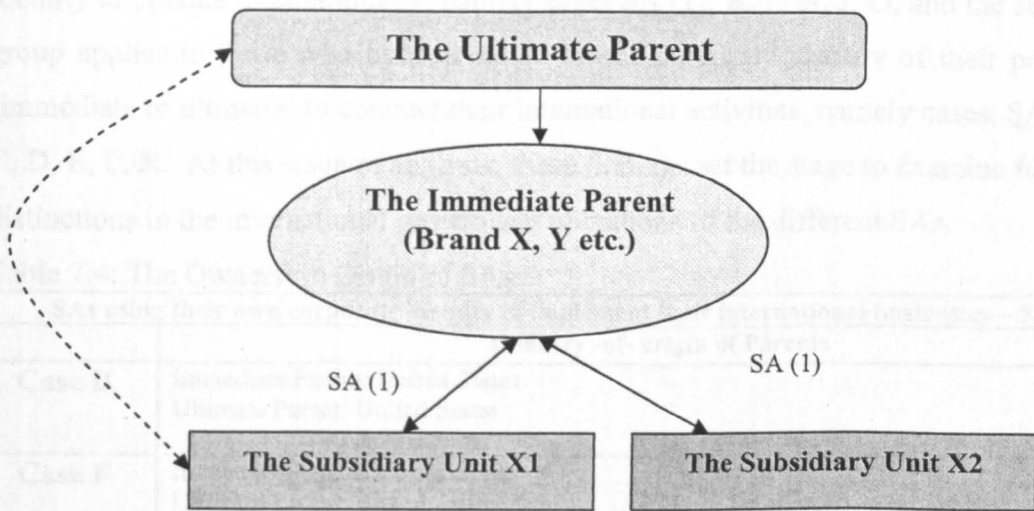
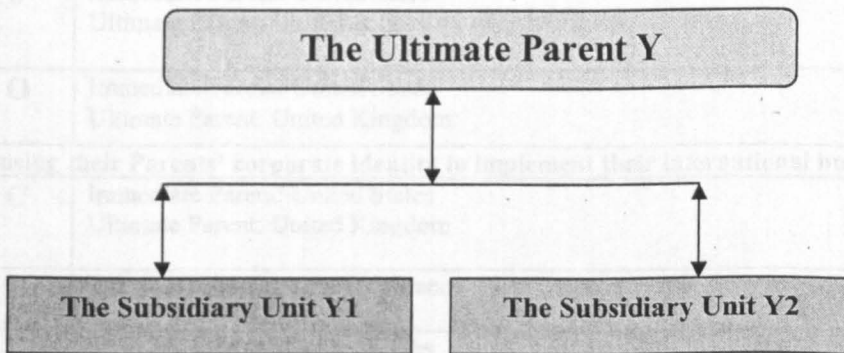


Figure 7.2: Ownership Scenario for SA (2)



Source: Author

Additionally, the nationality or country of origin of the parents varied for most of the cases. Subsequently, many of the SAs had dual nationalities. Most of the ultimate parents were primarily of American origin which is well substantiated by the fact that the United States is the world's biggest and fastest growing advertising market. Having said so, two of the cases, C and O had British ultimate parents and another two, case firms D and L were of French origin. The country of origin of the immediate parents' followed a similar pattern to that of the ultimate parents, in that most of them were originally located in United States. The Table 7.4 below summarises more information on the countries of origin of the SAs' parents.

Table 7.4 also categorises this sample of SAs into two groups with respect to the extent to which they were using their own or their parents' corporate identity (corporate name or brand) to expand or conduct their businesses internationally. The first group applies to those subsidiaries which used or relied on their own corporate identity to operate internationally, namely cases SA (1): B, F, H, J, O, and the second group applies to those who used or relied on the corporate identity of their parents (immediate or ultimate) to conduct their international activities, namely cases, SA (2): C, D, E, L, N. At this stage of analysis, these findings set the stage to examine further distinctions in the international growth and operations of the different SAs.

Table 7.4: The Ownership Origin of SAs

SAs using their own corporate identity to implement their international businesses – SA(1)	
	Country -of- origin of Parents
Case B	Immediate Parent: United States Ultimate Parent: United States
Case F	Immediate Parent: United States Ultimate Parent: United States
Case H	Ultimate Parent: United States
Case J	Immediate Parent: United States Ultimate Parent: United States
Case O	Immediate Parent: United States Ultimate Parent: United Kingdom
SAs using their Parents' corporate identity to implement their international businesses- SA(2)	
Case C	Immediate Parent: United States Ultimate Parent: United Kingdom
Case D	Ultimate/Immediate Parent: France
Case E	Immediate Parent: United States Ultimate Parent: United States
Case L	Immediate Parent: United States Ultimate Parent: France
Case N	Ultimate Parent: United States

Source: Author – Compiled various based on background data collected during interview, Annual Reports of the respective Case Companies, their websites, other internal documentations related to customer reviews and service presentations and various financial data and reviews compiled by Campaign, 1997, 2000; on www.adage.com (please, see Appendix6)

7.3.2 Financial Profile of SAs

To maintain consistency in the discussion, the financial profile is presented along the same criteria as denoted in the case of the SMAs. Therefore, the average

1998/99 billings for any SA amounted to £155m, with the smallest being that of Case C (£22.9m) and the highest being that of Case O (£283m). The majority of the SAs derived a higher proportion of their Billings from international markets when compared to the SMAs. It was noted that the proportion of billings with regard to international businesses was high or low depending on whether the focus of the SA was primarily in servicing the UK market or in servicing other international markets from UK. On average 45.7 percent of the average Billings of the SAs was from UK and 54.3 per cent from international markets or from servicing international clients. In the same year, the average agency fee income amounted to more than £53m per firm. The most profitable of the SAs in the sample was Case N with £122.5m. In the year 2000, the SAs employed an average total of 420 people, of which 45.75 per cent were based in UK and 54.25 per cent in foreign markets or involved in servicing international clients.

Table 7.5: The Financial Profile of the SAs

	Case B	Case C	Case D	Case E	Case F	Case H	Case J	Case L	Case N	Case O
Year Founded	1989	1970	1972	1980	1981	1982	1990	1994	1961	1899
Billings (1998/99), £m	217.5	22.9	255	199	27	142	61	176	267	283
<i>Proportion of Billings, UK (%)</i>	30	15	35	11	94	70	70	25	30	37
<i>Proportion of Billings, International (%)</i>	70	85	65	89	6	30	30	75	70	63
Agency Fee Income, £m (1998/99)	68.33	4.1	43	94.25	28	47	17	20	122.5	88.24
Total Staff Employed, 2000	211	42	1000	280	259	288	206	500	1000	417
<i>Proportion of Staff Employed, UK (%)</i>	35	20	10	4	94	70	85	80	10	20
<i>Proportion of Staff Employed, International (%)</i>	65	80	90	96	6	30	15	20	90	80

Source: Author – Compiled various based on background data collected during interview, Annual Reports of the respective Case Companies, their websites, other internal documentations related to customer reviews and service presentations and various financial data and reviews compiled by Campaign, 1997, 2000; on www.adage.com (please, see Appendix 6)

7.3.3 Diversification within SAs

Diversification was a common competitive activity amongst this group of agencies as well. Also, defining the 'full service' concept was an elusive exercise for these respondents as for those in SMAs. In some cases of SAs, 'full service' implied the same definition as that of SMA, in others it described a more extensive range of

services being provided. Such services were either part of the portfolio of the SAs or were treated as different or autonomous strategic business units (at times using a completely distinct identity) while being under the administration and management of the SA. Consequently, it was observed that the SAs were able to provide a more diversified range of related MarComs services. They were also able to make their service portfolio more distinct, elaborate and sophisticated by horizontally integrating into competing or complementary business activities to enhance their service performance (see Table 7.6).

Moreover, the SAs were able to compete for premium brands' markets in numerous consumer segments simultaneously. However, similar to the SMAs, some firms were found to concentrate on particular client industries or MarComs services (e.g. Case B into Financial Services; Case F into Direct Marketing) in order to differentiate themselves in terms of their market specialisation and/or particular capabilities. Furthermore, the degree of international penetration with respect to the client base varied amongst the SAs. This essentially depended on whether the SA was targeting the UK as a primary market (e.g. Cases F) or using UK as a base to service international clients or other international markets (e.g. Cases C, E, L, N). On average, SAs had a far higher proportion of international clients (62.2 percent) to domestic clients (37.8 percent) when compared to the SMAs. Even the smallest of the SAs (Case C), although the same size as a SMA in terms of its Fee Income (£4m), had 96 percent of its total client base as international because such was its role in the global MarComs network it belonged to.

Table 7.6: Diversification within SAs

	Case B	Case C	Case D	Case E	Case F	Case H	Case J	Case L	Case N	Case O
Core Business Service Activities	Full Service	Full Service	Full Service	Full Service	Direct Marketing	Full Service	Full Service	Full Service	Full Service	Full Service
Competing or complementary MarComs-related Services	None	None	Media consultancy Publishing Web Advertising Media Planning and Buying	Media, Brand and Design' Sponsorship; Public Relations consultancies	Database Management; List Broking and Management; Media and communication s Consultancy	None	Public Relations; Customer Relationship Management	Public Relations; Direct Marketing; Media Planning and Buying	Direct Marketing; Public Relations; Entertainment Advertising; Financial Services;	Media, Marketing, Brand and Communication consultancies
Examples of Client segments	Financial services; corporate communications; insurance; investment banking; travel	Business-to-business; High technology; Airline	Soft drinks; Automotive; FMCGs; Consumer electronics; computer hardware; telecommunications	Health, General retail; Entertainment, E-Commerce; Computer hardware; Automotive; Spirits	Automotive; Consumer Electronics; FMCGs	Automotive; Consumer Electronics; FMCGs; High Street Clothing; Telecommunication services; Hotel and Travel	Telecommunication services; Airline; Banking; FMCGs; Consumer Electronics	FMCGs; Pharmaceuticals; Automotive; Financial Services; Softwares	FMCGs; Pharmaceuticals; Automotive; Telecommunications; Computer; Car Rentals	Consumer Electronics; Corporate Recruitment; FMCGs; Pharmaceuticals; Retail; Pro Bono clients (charity)
Proportion of Client Base, UK (%)	70	10	30	4	94	40	60	20	20	30
Proportion of Client Base, International (%)	30	90	70	96	6	60	40	80	80	70

Source: Author – Compiled various based on background data collected during interview. Annual Reports of the respective Case Companies, their websites, other internal documentations related to customer reviews and service presentations and various financial data and reviews compiled by Campaign, 1997, 2000; on www.adage.com (please, see Appendix 6)

7.3.4 International Strategy of SAs

An initial observation of the internationalisation process of the individual agencies as highlighted in Appendix 6 illustrates three main types of international strategies adopted by these firms (please refer also to Table 7.7 below):

- The first represented SAs which sought to be independent and entrepreneurial in their approach to undertaking international businesses. They seemed to be driven by their own initiatives to manage their international growth and expansion irrespective of their parents' or networks' intervention. This strategy is here described as *International Subsidiary Market Driven Strategy* and was particular to firms in the SA(1) category.
- The second characterises those subsidiaries that seemed to have been principally set up by corporate parents as part of their grand plan to pursue the internationalisation of their client firms. Some of the subsidiaries which were set up on that basis still seemed to support this strategy autonomously as a response to the increasing demand to service international clients. This strategy is here described as *International Subsidiary's Client Driven Strategy* and was particular to firms in the SA(2) category
- The third type of international strategy was fundamentally *network-driven* in that it represented piggybacking strategies undertaken by subsidiaries in both categories (based on intra-network or inter-network collaborations) and executed either: (i) through more experienced sister subsidiaries; or (ii) through immediate or ultimate parents.

Also, three main objectives were considered to underlie the above or a combination of the above strategies: first, to improve service to international clients; second, to penetrate lucrative foreign markets or third, to establish regional hubs of operations for efficient and effective international co-ordination of MarComs-related activities. Further, given their location in UK, the SAs placed a lot of emphasis on focusing on European expansion or servicing international clients at a European level. The international coverage or market penetration of SAs varied depending on the subsidiary's entrepreneurial ability and effective autonomy in managing its growth and development. Besides, unlike the SMAs, SAs had the financial and resource

ability to implement various and more committed modes of market entry and development simultaneously in different target markets. This, in turn, implied the firms establishing a more reliable presence and servicing of international clients in the respective markets.

Table 7.7: International Strategy of SAs

	Types of 'International' Strategies	Key International Markets	Mode of Market Entry and Development
SA(1)			
Case B	International Subsidiary Market Seeking Strategies; Piggybacking: (i) Dominant sister subsidiaries (ii) Ultimate parent; International Diversification strategies	United States, Spain, Italy	Partnership Agreements; Arrangements through global MarComs network; FDI
Case F	Piggy Backing Strategies: (i) Dominant sister subsidiaries; International Subsidiary Market Seeking Strategies	France, Netherlands	Partnership Agreements; Arrangements through global MarComs network
Case H	International Subsidiary Market Seeking Strategies	United States, Japan, Singapore	FDI/Greenfield investments
Case J	International Subsidiary Market Seeking Strategies; Piggy Backing Strategies: (I) ultimate parent	China, United States, Mainland Europe, Africa	Partnership Agreements, Mergers and Acquisitions, FDI/Greenfield investments
Case O	International Subsidiary Market Seeking and Development Strategies	Europe, North America, Latin America, Asia-Pacific, Middle East, Africa	Partnership Agreements, Strategic Alliances, Joint Ventures, Mergers and Acquisitions, FDI/Greenfield investment
SA(2)			
Case C	Piggy Backing Strategies: (i) Immediate parent	Germany, France, Switzerland, Netherlands, Spain	Partnership Agreements, Arrangements through global Marcoms network
Case D	Piggy Backing Strategies: (i) Ultimate Parent	Europe, North America, Asia-Pacific, Middle East	Partnership Agreements, Joint Ventures, Mergers and Acquisitions, FDI/Greenfield investments
Case E	Piggy Backing Strategies: (i) Immediate parent (ii) ultimate parent	United States, France, Netherlands, Japan	Mergers and Acquisitions, FDI/Greenfield investments
Case L	Piggy Backing Strategies: (I) ultimate parent	Europe, North America, Asia-Pacific, India, Middle East	Partnership Agreements, Joint Ventures, Strategic Alliances, Mergers and Acquisitions, FDI/greenfield investments
Case N	Piggy Backing Strategies: (I) ultimate parent	Europe, North America, Asia-Pacific, Middle East, Africa	Joint Ventures, Mergers and Acquisitions, FDI/Greenfield investment

Source: Interview data (please, see Appendix 6)

7.4 CHAPTER SUMMARY

The aim of this chapter was to serve as a prelude to the discussion and analysis section of this thesis by presenting preliminary observations on the sixteen cases involved in this study. These observations are closely related to the case by case analysis outlined in Appendix 6 which presents a profile of each of the individual cases. Overall, two groups of firms were identified from the sixteen cases studied. Six of them were Small to Medium Sized Agencies (SMAs) and ten were Subsidiary Agencies (SAs). Both groups of firms were accordingly identified in Chapter 4.

On the whole, with regard to SMAs, the chapter illustrated that:

- The SMAs in this study were cases A, G, I, K, M, P. Based on the data collected, the average age of a SMA was between 10 and 12 years old. These firms were all start-up operations founded initially as 'breakaway' agencies focusing primarily but not exclusively on regional and domestic markets.
- Financially speaking, their average billings (with respect to the Main Media Services, MMS) for the year 1998/99 amounted to £34.5 and the average agency fee income for the same year amounted to £9.84m.
- The majority of the SMAs also described themselves as 'full-service' agencies in that they were able to provide a range of advertising and related services to suit the needs and requirements of their domestic as well as their international clients. This enabled them to spread their income generating potential while at the same time build their expertise by accumulating knowledge and experience on a wide range of client industries.

With regard to the international growth of the SMAs, their initial opportunities for international expansion happened in the early years of their life cycle. Of the six firms, case firms A and G were found to be more 'proactive' in their approach to internationalisation, while firms I, K, M and P were more 'reactive' because they internationalise based on invitations or due to pressures from their internationalising clients to do so. The intention to internationalise was also encouraged from existing sets of formal and informal network relationships (social or advertising-related).

The same can be said with regard to international market selection. The majority of the SMAs also had a primarily European based orientation to their international expansion strategies, where they focused on key European cities or fast growing Eastern European economies. Market selection, as such, was driven by clients'

locations or the location of business opportunities. Further, 'psychic distance' proximity was an essential criteria given that cultural adaptation was inherent in the provision of the MarComs services. Related to this, the most common forms of market entry and development strategies were partnership agreements and contractual agreements.

Overall, this preliminary analysis of the internationalisation process of these firms essentially distinguished three types of international strategies:

- The first is described as the *international client driven strategy*, undertaken in response to clients' internationalisation;
- The second is described as the *international market driven strategy* which is explained by the proactive initiatives of the agency firms to pursue their own internationalisation; and
- The third is described as *international network- driven strategy* which consisted of SMAs either integrating or consolidating with network of international spread and capabilities.

The second category of firms in this chapter were subsidiary agencies (SAs) which included cases B, C, D, E, F, H, J, L, N and O. In essence, these agencies were subsidiaries in the forms of firms, divisions or regional affiliates of major multinational MarComs conglomerates based in the United Kingdom (the majority of them in London). Also, the preliminary analysis of the data indicated two additional groups of subsidiary agencies.

- First, there were those which primarily started as small-to-medium sized firms to be later acquired by global communications conglomerates and subsequently became subsidiaries by mergers or acquisitions namely cases B, F, H, J, O, which are denoted from here onwards as SA (1).
- Second, there were those that were established as wholly owned subsidiary operations in London by their respective conglomerates namely cases C, D, E, L, N, which are denoted from here onwards as SA (2). These SAs were also seen to differ on the extent to which they were using their own or their parents' corporate identity (corporate name or brand) to expand their businesses internationally. Further, the ownership structure of the SAs illustrated that these firms were entitled to multiple levels of ownership. The preliminary analysis, subsequently, distinguished between the *SAs' immediate parent* and the *SAs' ultimate parent*.

The average 1998/99 billings for any SA amounted to £155m and the average agency fee income in the same period amounted to £53m. The majority of the SAs derived a higher proportion of their Billings from international markets when compared to the SMAs. Diversification of activities and processes was a common competitive strategy amongst this group of agencies as well. They were also able to make their service portfolio more distinct, elaborate and sophisticated by horizontally integrating into competing or complementary business activities to enhance their service performance.

In relation to their international growth, the SAs exhibited a higher degree of international involvement in their business activities. Three main types of international strategies were noted for the SAs, which held the similar motives as those of the SMAs:

- The first represented SAs which were sought to be independent and entrepreneurial in their approach to undertaking international businesses. This strategy is here described as *International Subsidiary Market Driven Strategy* and was particular to firms in the SA(1) category;
- The second characterised those subsidiaries that seemed to have been principally set up by corporate parents as part of their grand plan to pursue the internationalisation of their client firms. This strategy is here described as *International Subsidiary's Client Driven Strategy* and was particular to firms in the SA(2) category.
- The third type of international strategy was fundamentally *network-driven* in that it represented piggybacking strategies undertaken by subsidiaries in both categories (based on intra-network or inter-network collaborations).

These preliminary findings provide an important bridge to the next discussion and analysis chapters. The issues identified here were explored further and their logic substantiated in the light of additional rich data collected. Chapter 8 focuses on examining the internal and external factors characterising the MarComs business and their implications for the international strategy (ies) of the agencies and Chapter 9 focuses on examining the characteristics of their international strategy (ies).

Chapter 8

Discussion and Analysis: Internal and External Influences and their Implications for International Strategy

8.1 INTRODUCTION

This chapter pursues the analysis of the cases further, giving more particular consideration to the main research focus of this study. Referring to the conceptual framework, described in Chapter 5, this research is interested in examining the influences on and the characteristics of international strategy (ies) of MarComs agencies. This chapter, therefore, focuses on analysing and discussing the internal and external influences on international strategy as suggested in the conceptual framework. With regard to the internal influences, the discussions are first organised with respect to SMAs (namely cases A, G, I, K, M, P) and then with respect to SAs (cases B, C, D, E, F, J, L, N, O) as explained in the previous chapter. And with regard to the external influences the discussion takes a more holistic perspective on the industry as a whole. In so doing, the chapter aims to achieve the following objectives:

- To examine and discuss the characteristics of the key internal organisational influences with respect to the variables identified in the conceptual framework;
- To examine and discuss the external influences characterising the international marketing communications industry;
- To examine and discuss the implications of the above identified internal and external influences for the competitive advantage and international strategy (ies) of MarComs agencies.

8.2 SMALL-TO-MEDIUM SIZED AGENCIES (SMAs)

8.3 INTERNAL FACTORS

This group of factors, as conceptualised in the research framework in Chapter 5, aimed at capturing the internal organisational and managerial influences on the international strategy of MarComs agencies. Therefore, following the exploratory nature of this study, the data collection process and the subsequent analyses concentrated mainly on exploring the issues in relation to the key variables theoretically identified in the 'internal factors' construct in the research framework. Referring to Chapter 5, these variables include the Strategic Intent of the firm (SI); Corporate Culture (CC); Corporate Structure (CS); Management Processes (MP); and the Core Resource Base (CRB). The discussions below present the various perspectives on these variables and the implications for international strategy with respect to the SMAs.

8.3.1 Strategic Intent (SI) – Key Characteristics and Strategic Implications for International Strategy Development of SMAs

The conceptualisation defined the SI of the firm as being concerned with its vision (Hamel and Prahalad, 1989; 1994) in that it attempts to reconcile where the organisation is and where it plans to be in the future. Evidence in this study displayed various perspectives in the understanding and attitudes associated with the SI of any given agency. Executives interviewed considered the term as encompassing such issues as the vision of the agency, its mission statement, brand statement, corporate statement, business statement and such others. SI is also considered to be the product of a number of factors combined. Amongst others these can include the vision and values at the set up of the company, experience and personal professional background of its founders, the agency's core skills and targeted audience, existing 'major accounts', the market's perception of the company; its geographical scope; the type and nature of the agency's market specialisation and many others.

To illustrate, the interviewee at Case C argued that its SI is shaped by its history, that is, the purpose for which the company was set up and the market in which it intended to specialise, develop its core skills and grow. Similarly, giving

more emphasis to its business motives, Case H explained that clarity in understanding the primary motives of the business and the commitment to them as the business evolves directs the SI of the firm. In contrast, Case A believed that irrespective of its historical background SI, more importantly, transcended what the agency stood for, what it did and the way it did it, plus what it could achieve. In that respect, SI can be described as an 'overarching' business philosophy which:

"... is very often reflected across the various activities of the business, its culture, its professionals and their training and development, the different management levels, and ultimately the type and quality of the service output" (Case A).

Moreover, without denying its overarching effect, other respondents in this category of firms argued that the main responsibility of SI in the corporate decision-making process lay with the management of the agency. As the executive of Case K pointed out:

"... the clarity of SI in the strategic development of an agency depends not only on whether it is clearly stated or committed to, but to what extent is management interested and ready to invest time thinking, defining and planning about the future direction of the business. Management teams in small agencies are often criticised to be too bogged down on the successful operation of their daily business operations or their personal agendas to spend time thinking of their businesses' future".

Arguably, therefore, SI, particularly in small advertising agencies, needs to happen at individual managerial level first, before it was successfully integrated into the organisation. Further, given the influence of SI on the image and 'personality' of the SMA, SI was frequently used as a 'seduction' or marketing tool to 'sell' the agency to multinational conglomerates and clients. Evidence in this study, indicated that SI could position independent SMAs as attractive acquisition targets particularly if their vision was aligned along with the vision of bigger agencies.

Furthermore, concurring with Perlmutter (1969) and Lowendhal (1997) the SI of a SMA was a critical element in shaping the growth and internationalisation process of SMAs. A comment made by the executive at Case A illustrates this point succinctly:

"... we are broadening as an agency to consider more international possibilities, this will in fact be the basis of our next revision of the agency's mission statement and strategy... our focus will be on how to become a mainstream international agency."

While SI seemed crucial to international strategy, it was important that it was kept flexible in its formulation. In other words, SI did not only accommodate the international orientation of the company but it was purposefully kept broad and 'strong' enough to support the different growth directions of the agency accompanying that orientation. Case P commented that it was facing growth in two directions when expanding internationally: first, in terms of scale, that is, expanding and/or diversifying into new business opportunities and second, in terms of geography. So the way in which it had to formulate its SI had to accommodate the two parallel growth imperatives of the agency.

Further, three other more internationally experienced cases claimed to have implemented international strategic decisions where a well-formulated or well-defined SI was central to those decisions.

- The first is Case I which explained that having a well-defined SI helped the agency to collaborate or co-operate with like-minded local SMAs in other international markets. Thus a well defined SI increased the chances for international business development for a SMA through foreign agencies sharing the same industry/market focus and/or managing the same niche/market segment in their respective markets.
- Second, Case G admitted that its well-formulated SI provided management with the 'building bricks' to use to inspire and promote their strategic development. This agency had helped its international development by integrating an independent international network that principally regrouped agencies with similar SI at an international level, enabling them to come and work together in a collaborative fashion.
- Third, Case J (as a SMA) described how an international SI at set-up point positioned the agency as an attractive candidate for acquisition to global conglomerates in the industry. A leading global network in the industry acquired the firm after only five years of operation as a SMA. Table 8.1 summarises the above arguments.

Table 8.1: Key Characteristics and Strategic Implications of SI in SMAs

	Key Characteristics of SI in SMA	Strategic Implications for International Strategy
SMA	<ul style="list-style-type: none"> - SI is an 'overarching' business philosophy encompassing the orientation, organisation and management of the SMA; - SI, is determined by a number of factors including the vision and values at the set up of the company, experience and personal professional background of founders, the agency's core skills and targeted audience, existing 'major accounts', market's perception of the company; its geographical scope; type and nature of the agency's market specialisation and such others - SI places strong emphasis on the reconciliation of the personal values and agendas of the different top management figures; - SI requires the personal involvement and commitment of managing partners to the present and future success of their respective businesses; - SI encourages closer and regular interaction among managing partners and clients and direct involvement in key challenging decisions with regard to agency and client management; - SI is used as an instrument to market the corporate identity of the company. 	<ul style="list-style-type: none"> - SI provides direction to international strategic thinking and development; - A broad and 'strong' enough SI can support the different international growth directions of the agency; - SI can help plan and implement international partnership strategies by enabling collaboration or co-operation with like-minded local SMAs in other international markets; - An international SI at set up can position the agency as an attractive candidate for acquisition to global conglomerates in the industry

Source: The Author (derived from data)

8.3.2 Corporate Culture of SMAs and its Organisational Implications International Strategy Development

Corporate Culture (CC) had an all-pervasive influence in the organisation and management of the SMAs, interwoven in the day-to-day operations and activities of the agencies. For instance, the executive at Case I argued that:

"... Culture brought a sense of unity and commonplace for professionals, people in the agency to identify themselves with or to. It is a product of everything that happened to the agency and everything that the agency did to it".

However, as the following discussion illustrates, CC, on the whole, seemed to have an all-pervasive influence across the internal organisation of a SMA. It had an important

impact on other internal organisational variables of the framework which were more central to the international strategic decision-making process.

The SMAs included in this study used various adjectives and expressions summarised in Table 8.2 below to describe the CC of their respective agencies and the various ways they used to enforce a culture that was desired. These evidences suggested that CC had a '*subtle or unconscious*' (Case M) influence in the way the agency delivered its services. It was a phenomenon that emerged from the natural setting or the complex social structures underlying the SMAs' formal and informal organisational dynamics established over the years since their set up. Based on the various adjectives used to describe CC, it can be inferred that management in SMAs seemed motivated to bring a sense of community and commonality in the internal organisation and management of their agencies. Such motivations were, on the one hand, inspired by the personal values and key skills and abilities of the founder or founding partners, and on the other, they were very much influenced by the clients' and/or markets' expectations. Case I, for instance, believed that

"... as a small agency we are quite driven to overcome our business difficulties and we are working very hard to compete in this industry. We believed in a good atmosphere of mutual respect and trust among our professionals who are quite focused in achieving results, although, we are not as quality conscious as we should have been".

Along the same line of thought, Case K argued that SMAs presented their CC with respect to the image or personality they wanted to project to the markets and/or clients

"... SMAs rarely distinguished or differentiated themselves from their core values but instead attached themselves strongly to those values that appealed to their clients and helped them to get more businesses or enabled them meet the expectations of their clients".

Moreover, it was noted that some of the SMAs in the sample expressed a strong supporting relationship between their strategic intent and their CC. The data illustrated that some agencies had a CC that was geared to support their SI. As Table 8.2 illustrates this association seemed to be a very effective way to reinforce or integrate the message underlying the SI of the firm consistently throughout the agency, across the different functional areas to professionals who were engrossed in the diversity of an agency's day to day activities. Case M, for example, commented that:

" Our vision is in fact in our style and reflected more precisely in the way we execute things. It's quite more about culture here than vision, i.e. the way we do things rather than the way we envision things. We are always trying to find the original unique position of the market because basically our work has

to say more about us than ourselves. So we work very hard to ensure that end. A lot of time is spent articulating what that means and its orientation.”

CC was also pointed out as playing an influential role in retaining or protecting the key people’s competencies, which were the main thrust to their competitive advantage. Case P avowed that this is in fact a two-way relationship:

“... People in an agency need to put their heart in their work. If the heart is lost you cannot do anything about that. So as an agency we try and make sure that there is a mixture of material benefits and also the culture of the workplace is as exciting and challenging”.

Table 8.2: Corporate Culture (CC) in SMA Setting

	Commonly used adjectives and expressions used to describe CC	Ways/Methods used to foster an environment conducive to agency’s desired CC	Organisational Implications for International Strategy (ies)
SMA	trust, honest, dependable, determined, intelligent down-to-earth; people getting on well; delivery focused; driven people at the top; integrity, very relaxed, very friendly,	Maintain a flat structure; Encourage or welcome change and innovation from staffs; Easy accessibility to higher management staff; Give prime importance to achieving clients’ objectives as if it was their own; hiring staff of mix genders; Empower staffs to take initiatives and come up with off the wall projects that give kind of buzz to the agency; Work towards creating a better working environment by encouraging more interaction among its employees (socially particularly) by organising monthly meetings, throwing a couple of parties a year; dinners together; pubs on Fridays etc; Encourage informal dressing codes rather than suits and ties all the time; Promote meritocracy	<ul style="list-style-type: none"> - SMAs are motivated to bring a sense of ‘community’ and ‘commonality’ in their management, inner working and CC, internationalisation could imply how far or in what way they are prepared to move away from conception of CC which is imperative to their survival and success; - SMAs’ CC is influenced by the clients’ and/or markets’ expectations, and international expansion could imply appropriate adjustments to needs of international clients and markets to enable CC conducive to the agency; - CC shares a supporting relationship with the SI of the agency firm, and any changes in the orientation creates implications for the CC or vice versa; - CC plays an influential role in the protection of key competencies forming the basis of competitive advantage of the agency

Source: The Author (derived from data)

8.3.3 Corporate Structure in SMAs and Organisational Implications for International Strategy

As illustrated in Chapter 4, agencies are generally organised around their key functional areas or departments, namely account management, creative, strategic planning, production and media (if any). However, this structure is challenged in a number of ways when considerations for international expansion are brought in. This section discusses the generic influences of CS that were noted in the data to affect structure-related decisions and the key implications of these on the international strategy (ies) of the agencies being studied.

For a given SMA, its clients were observed to be the important criteria affecting how a SMA organised, allocated and structured its key resources, teams and management. According to Case P, the clients' influence was evaluated with respect to the client's size in the agency's overall clients' portfolio and the client's loyalty to the agency. The clients' influence also affected the degree of autonomy the agency delegated to teams or partner agencies over the different operations or activities needed to deliver quality service to the clients. Such considerations to clients made it difficult to draw clear lines of responsibilities particularly for professional and management. Specifying functions or responsibilities were described as

"...theoretical delimitation to an agency's organisation which did not reflect the realities related an agency life Functions and responsibilities are only possible for certain aspects of the agency, for most of the time, people tended to share responsibilities... there are lots of sharing and cross-co-ordination that occurs but because the agencies are small, there is nothing formal that encourage that it happens automatically. Delegation of responsibilities and authorities are usually experience-related. And, given their size, basic co-ordination is kind of built into their DNA" (Case K, P).

Pursuing this argument, Case M's executive indicated that SMAs operate around a large number of small teams that were set up in informal ways depending on the range of services which the agency provides. He stated that a minimal hierarchy existed with respect to the account management and strategic planning functions, but it was usually flatter when it came to the creative function. SMAs were noted to be particularly "*sensitive*" about their creative function. Creative people needed freedom and autonomy and too many directives were thought to hamper creative thinking (Case A).

SMAs in this study, were therefore very careful to organise their CS around the needs of their markets or the key services they were set to deliver. Case M, for example, displayed a very conscious attitude in considering a CS that would be a crucial basis for desirable organisational functioning. This agency, for instance, reviewed and refocused its managerial jobs and positions regularly in the light of new client recruitment or market specialisation. It had created a specific marketing and business development team which was always keen to accommodate ideas for new business developments. For a small agency it was ready to invest in interior infrastructural designs and decorations that would help to create a better atmosphere to work in. It encouraged change and innovative ideas from its employees. It favoured

easy accessibility to higher management staff and encouraged attitudes like: “ You have to stand on your own feet in this business, you can’t hide behind titles or levels.” These points illustrated a broad level significance of corporate structure and management attitude in fostering the right culture and reinforcing the SI across the organisation. The diagram below illustrates the CS of Case M and its spectrum of market specialisation.

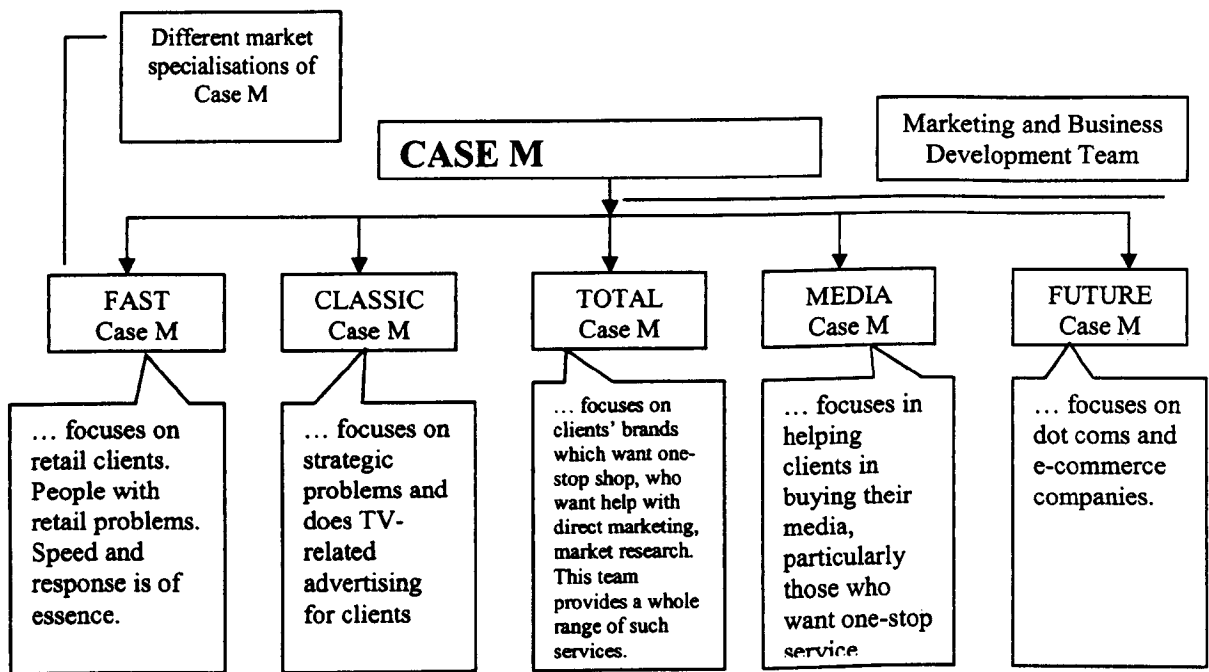


Figure 8.1: A diagrammatic representation of CS in a SMA.

Source: The Author (derived from data)

Consideration of ‘international strategy’ in the light of the above raised some issues of managerial concerns for the SMAs even though CS does not seem to bear any direct influence on the formulation of ‘international strategy’ per se. Implications were noted to be primarily related to the implementation of international strategy(ies).

Case G, for instance, argued that

“...assuming that we have the necessary resources an organisation structure based on tightly organised teams of professionals, like in our case, is very flexible to respond the needs of our internationalising clients. Our client servicing is more effective because our clients are not locked away behind layers of hierarchy and benefit from speedy interaction and decision making on key issues relating to their work. Management can at the same time afford to be innovative to develop and inject new skills or expertise that might be suddenly needed because of new international clients”.

In contrast, the scenario could well be on the opposite side where the CS has to be organised to meet the co-ordination challenges at an international level. Case P illustrated this point as follows:

“... international expansion brings with it the challenges of autonomy and delegation. Small agencies like us already operate around scarcely available expertise and teams of professionals. Very often winning an international pitch brings with it the challenge to draw a balance between the level of autonomy and delegation or indeed the sharing of revenues particularly when the account is won through a partnership collaboration. In such situations, agencies can be easily torn apart in deciding between the right team for the client’s work or where the creative work should be carried out.”

8.3.4 Management Processes – organisational and strategic implications for international strategy development

This section can be introduced through two statements made by the executives of Case A and Case G which bring into perspective the nature and adoption of MP in an agency setting. Case A’s executive mentioned that:

“The nature of an agency is such that there are few people who get to the top of the agency and who particularly try and manage. Most of us are trained on occasions, creatives are good creatives, planners are good planners, and end up as head of departments because they are good at what they do, not because they are particularly good at the management part” (Case A). Besides, “the establishment or setting up of management processes/ administrative practices are highly questioned or discouraged in a PSFs internal management because by nature we are expected to be fluid and flexible in our efforts to deliver value-added services to our clients. So theoretically we are willing to customise those practices that will best enable us to do our jobs. Besides, each department in a given agency has its own characteristics. And each department head had his/her own way of handling his department” (Case G).

Such evidences helped to indicate that in SMA settings, administrative practices were not rigidly pursued but adopted in a more flexible and versatile manner. They were “*non-transparent*” activities and managerial routines characterising the inner working of the firms (Case G, M). As such, flexibility was of the essence in the management processes of SMAs in this study. Such processes were, however, highly valued in some respect since they enabled employee empowerment by providing a sense of autonomy and freedom for professionals to work in.

Given the above perceptions among the executives, *MP* seemed to be of minimal significance to SMAs when dealing with international strategic growth and development issues. For SMAs, as long as existing administrative practices were working, it was of little importance what adjustments they were willing to consider with respect to their *MP* to make them more competitive while expanding internationally. In fact, during the early years of their internationalisation process, SMAs essentially replicated what had successfully worked before in domestic markets in new overseas operations and hoped that it would work. But as the degree of

internationalisation deepened and broadened, co-ordination and MP issues assumed significance as SMAs tried to handle and manage the details of their overseas operations by drawing their own management terms relative to new industry and/or performance conditions (Case I, P).

Moreover, the majority of the SMAs were observed to have highly integrated their operations using Information and Communication Technologies (ICT). Effective MP was closely linked to the degree of ICT adoption and integration across the agency. For example, as with other agencies, Case P and Case A had their own policies, procedures and information systems. An in-house technology-based information system was integrated whenever possible as there were some systems which could not be easily transformed to an IT platform. Each department had its own responsibilities in implementing the in-house system. Senior management intervened and offered support whenever it did not work. The management asserted that ICTs have enabled enormous consistency in the operations of agencies. Such operations can be easily transferred or adapted should the agency decide to open overseas offices.

8.3.5 Core Resource Base (CRB) of MarComs Agencies.

MarComs agencies are made up of distinct group of competencies organised around three key functional areas: Strategic/Account planning; Account management and creative, production and media¹. Illustrating the distinctiveness of 'competencies' in the MarComs business, the interviewee of Case H explained:

"... The advertising business is about the talent of individuals working together and there are different talents in an agency. It's a bit like making a cake. As management, you have to know how you mix those ingredients and there is nothing you can do or tell a person to do something that he can't. So it's about individual abilities and the ability of those individuals to work with others. It's not a sausage making factory where you can turn them into what they aren't. What you can do is make everybody better by training them in things they are not very good at and/ or make them even better in things they already are. That's what you are usually trained for as a professional in this business."

The above statement argues the strategic dependence on key individual competences and managerial competences in the MarComs business for competitive success, and also the distinctiveness of MarComs agencies' as professional business service firms. In particular, the agencies did not seem to rely on any form of standard or formatted knowledge databases to exercise their expertise. Instead, much of the knowledge about the business existed in tacit form, that is, experience as well

as creative skills and aptitudes that commanded the originality and quality of every piece of work or project. This is primarily because every piece of work is looking for an idea that will make a positive difference for the client. This usually takes the form of moulding, blending, teaming and managing every piece of individual talent the agencies possess. As such tracking, managing and retaining individual professionals was a strategic function of management in every agency interviewed and it seemed to be the greatest determinant resource when planning for the strategic growth and development of the firm. As Case F's executive commented:

"... Our strength is in our people ...and also in our ability to track and retain and develop the skill sets of key individual talents ... that's our heritage... and we are adding on to that the ability to make those key individual stars work together towards a common good...that of our own survival."

The CRB of SMAs included their financial assets, their tangible resources which mainly included their offices and other infrastructural facilities and their intangible and human resources. Of all the above, the intangible and human resources were considered to be central to the agencies' strategic development and value creation activities. These resources were of the essence because they were made of the distinct group of competences. An overall analysis of the sixteen cases involved in this study unveiled different level of competencies or capabilities characterising the intangible resources of MarComs agencies. As explained in Chapter 5, given the difficulty of directly measuring agency's level of resources, the researcher applied Løwendhal's (1997) competencies classification to gain possible insights into the different levels of competences in the agencies studied. Table 8.3 summarises the key findings of this particular analysis.

8.3.6 Core Resource Base (CRB) and the Strategic Implications for International Strategy Development in SMAs

Strictly speaking, with respect to a SMA, the product of such an agency's competence base seemed to be a function of individual operative competencies multiplied by team level competences, multiplied by managerial competencies (see Table 8.3). The creative director was considered to be an important asset in an agency, as "*... he was somebody who would be an ambassador for the agency and stand for and represent the agency's creative ambition and standards*" (Case P).

¹ Media often assumes a separate functional role altogether and is often noted to be a separate business unit.

Managerial competencies usually assumed a balancing act between other key functional areas and incorporating other organisational variables of management (such as corporate culture, management processes, knowledge and experience accumulated) into the function. Managerial competencies seemed to assume prime responsibility in maintaining and/or sustaining the competitive advantage and success of the agency. Investment in training and development of people competencies in SMAs depended on how far the agency was determined or committed towards maintaining the quality of its skill base and competencies

However, managing competencies tended to become a crucial issue when internationalising. Cases A, I and P, for example, reported inconsistencies in their ability to manage their intangible and human resources while taking their activities abroad. Studying the SMA cases revealed the following reasons for the said inconsistencies. First, these cases could not afford to spend the same budget in the training and development of their professionals in their few overseas operations and consequently had to spend a lot in terms of travelling expenditure as professionals had to be frequently called repeatedly for training updates. Second, they had to make careful arrangements in respect of partnership arrangements relating to the sourcing of creative works or the recruitment of professionals to work in overseas operations. They were again deterred in this effort as overseas partners had conflicting HR policies towards their professionals and their remuneration policies.

Further, of all the key functional areas and competencies of an agency, SMAs were observed to rely or use primarily their creative people/ department/ creative reputation in their ability to develop new businesses, attract and retain clients or penetrate new markets. Although there seemed to a continuous 'struggle' amongst the cases studied not to make that too transparent and to try and strike a balance between the different functional areas which are equally important to the successful operation of the agency, that said, however, '*creativity or the firm's creative reputation*' was a very legitimate competitive basis used by SMAs to penetrate international markets. However, from a potential client's perspective there was no rationale, systematic way of distinguishing between two SMAs which were using the same competitive basis for their 'international strategies. Nonetheless, such things as the number of creative awards won by the SMA were useful indicators. Otherwise, a lot of assessment or selection of agencies was based on subjective judgement or word of mouth.

Table 8.3: The Different Level of Competences characterising an agency setting.

Key Characteristics and Organisation of Competences	
Types of Competences	Supporting Statements and Inferences
<p>Individual Operative Competences</p>	<p>Managing Competences and Inferences</p> <ul style="list-style-type: none"> Managing individual professionals assumed a critical role in the ad agencies studied. As one interviewee pointed out: <i>"It's all about assigning the right skill to the right job. What we are doing is that we recruit bright people into the building, find out their natural tendencies and see where they gravitate to allocate them their responsibilities"</i> (Case E). Recruitment of talents and competences was influenced by the nature of the service delivery process and market/sector specialisation of the particular agency and screening individual competences focused in three areas in the knowledge, skills and aptitude of the professionals. Agencies in this study were observed to develop an increasing preference for graduates while this was not necessarily the case in the recent past. When investigated Case J, for instance, reasoned that: <i>" graduates have more empathy; training is easier; people who are easily geared to the same wavelength of the company, they are smarter, agencies need relatively smarter people since the business is increasingly driving itself towards a consultancy model. There is an increasing need for people who can think and work through client problems"</i>.
<p>Team/Group Level Competences</p>	<ul style="list-style-type: none"> Agencies were observed to survive on teams and team skills: <i>"In this business, teaming and team ability, having the spectre of everybody's contribution in the process are very important values for individual professionals to believe in and to manifest in their behaviours"</i> (Case B). The descriptions next highlights the nature of operations in the MarComs business and the different functional areas which are central to the chain of service delivery process.
<p>Knowledge</p>	<p>Strategic Planning and Account Management University Standard Education (e.g. marketing or management degree)</p>
<p>Skills</p>	<p>Experience; Ability to build and maintain relationships, Strong personal communication skills, People who are sympathetic towards creative thinking, Diplomatic skills, Negotiation skills</p>
<p>Aptitudes (Natural abilities)</p>	<p>Artistic, design, photographic and graphical talents</p>
<p>Creative and Production Arts' School and Specialised related Degrees</p>	
<p>Experience; Skills in handling specialised design and graphical computer based softwares; Photographic skills, Production and Publishing skills</p>	
<p>Account Planning - "... account/strategic planners are thinkers and advisers, people who are in very good terms with clients because clients respect their advice. The planning function helps to guide our strategic thinking and contribution and ensure that our campaign strategies are sound and effective."</p>	
<p>Account Management - "... Account management people are doers, organised and administratively strong... The account management function is the point of contact with the client. The people who effectively co-ordinate the offices overall activity..."</p> <p>Creative and Production - "... creatives are people whose function is just that... take a brief and transform that into an idea or image of value to the client's requirements. The creative function is central to everything we do... at the end of the day we are an agency producing creative work be it advertising or marketing communications".</p>	

<p>Managerial (Intermediate) Competences</p>	<p>Management assumed the crucial role in managing the above described team and individual competences.. Managerial competence <i>"respects the contribution that professionals make, give them enough exciting challenges and responsibilities. Management (CEO) is not responsible for everything everybody does, but 'empowers' professionals to do and make their own success"</i> (Case B). Managerial competence was key to bringing together the team culture, teaming and team abilities. The descriptions next denote the key features of managerial competences with respect to a SMA and a SA.</p>	<p>SMAs - Senior people who have been with the company since set up (continuity and consistency of skill base with in-depth knowledge of the business and industry, directly involved in graduate recruitment and training, on average 14/15 years of industry experience, personal training to professionals, graduate qualification, and entrepreneurial. SAs - Leadership skills, team-builders and managers, teachers, credible knowledge of the business and service delivery processes, well-trained and committed to Subsidiary's and Parent corporate values and vision, graduate qualification.</p>
<p>Relational Competences</p>	<p>Individual Relational Competences. Case G also provided some characteristics of relational competence within a small-to-medium sized agency. Among others, these were 'arrogance' and reputation as an agency; good relationship at senior-end of clients, making sure that their opinions are valued and respected; loyalty/good relationship among senior management.</p> <p>Collective Relational Competences. Subsidiary agencies (H, N) tended to encourage a spirit of collegiality, loyalty in the relationship of their subsidiaries (particularly the dominant ones) across their global networks. This made a positive difference in the networks' management and the extent of dynamism it bred to the benefit of everyone in the network.</p>	
<p>Firm/ Organisational Level Competences</p>	<p>Firm/organisational level competences were mainly present in SA settings which could afford the necessary financial and human resources to the setting-up and management of these competences. Cases B, D, H, M, N, O were all equipped by tailor made IT-based intranet knowledge systems. These were essentially carriers of databases of company's historical and ongoing case studies, clients' lists and campaigns produced worldwide and accessible to the subsidiaries in the global network. These are usually updated and managed by subsidiary heads supported by in-house IT staffs.</p> <p>Such organisational knowledge bases were communication channels and available for reference to professionals in the agencies. They also acted as an organisational capability established to train professionals and new skills of the agency's corporate culture across the network. Subsidiaries had open access to the parent's knowledge bases and had complete discretion to select any of the facilities from those resources use them to their advantage.</p>	<p>ICT and 'Resource' Sharing Implications. Case B, C and mentioned and explained o in-house knowledge-based systems which were shared and implemented across the global network to maintain consistency in operations and knowledge sharing between subsidiaries. Case, for example, had an intranet enabled a great deal of transferability. Offices/subsidiaries trade and work internally and they were connected by their ICT system in place. Similarly Case C mentioned of a powerful organisation-wide intranet system set up by its Parent which contained good materials on cases and market studies in virtually every industry in the world. This enabled sharing of organisational resources and competences across the global network.</p>

Source: The Author (derived from data)

8.4 DISCUSSION OF THE KEY FINDINGS ON INTERNAL INFLUENCES AND THEIR IMPLICATIONS FOR INTERNATIONAL STRATEGY OF SMAS

In summary, based on the above descriptions and analyses, it can be stated that SMAs of this study shared distinct internal organisational characteristics compared to manufacturing and other service firms, all having a varying degree of influence on their ability to grow and internationalise. This statement is consistent with the assertions of Scholhammer and Kuriloff (1979) and O'Farrell and Hitchins (1988) who argue that given their size smaller firms differ from larger firms in their managerial style, independence, ownership, and scale/scope of operations. The examination undertaken in the previous sections illustrated distinct firm-level influences in SMAs that are intrinsic to the nature of the MarComs services, the management styles and organisation of these firms. On the whole, the data helps to make the following analytical inferences with regard to the characteristics of internal influences in SMAs and the implications for their international strategy.

8.4.1 Characteristics of Internal Influences in SMAs

Hence, with regards to the characteristics of the firm level influences, it can be inferred that:

- Internal organisational influences of SMAs existed as firm, service and managerial characteristics. These influences are interdependent and primarily geared towards competitively leveraging the Core Resource Base (CRB) of the firms.

The findings described several evidences supporting this statement. The strategic intent, for instance, exhibited an overarching influence across an agency in that it transcended the various activities, culture, professionals, management thinking and ultimately the quality of the service output. The corporate culture shared a similar all-pervasive influence as the strategic intent variable, while corporate structures and management processes were elements, which were kept strictly informal and designed to fit and enable the day-to-day operations of the agencies to proceed. Hence, the data helps to suggest that the internal environment of a given SMA may be regarded as an open system. In this system the different variables or influences share interdependencies given the characteristics of the MarComs services (described in chapters 3 and 4) and the subjective management style of the SMA (supported by O'Farrell and Hitchins, 1988). Further, such interdependencies and interactions focus

on leveraging the key resources and capabilities determinant towards the growth and competitive success of the agencies. For example, in the particular case of SMAs, the creative capabilities embodied in the individual operative competences of the professionals and the creative reputation of the agency can be considered as such critical intangible resources and capabilities. This is supported by Lowendhal (1993; 1997) and Daniels (1997)

- The internal organisational characteristics of SMAs were driven by the agencies' needs to meet their clients' expectations.

The analysis revealed several pieces of data supporting this particular assertion. For example, the strategic intent statements of some of the SMAs are formulated in such a way to appeal to the agencies' targeted audiences and/or their existing clients. Similarly, some of the agencies preferred to adopt business values that were consistent with those of their clients or those that will enable them to attract more lucrative clients. In terms of their corporate structures, in the majority of the SMAs, clients' exigencies were central to the ways in which the agencies would organise and allocate their key resources, teams and management capabilities. Thus SMAs in this study were seen to carefully structure their organisations along with the needs of their markets or the services they were best capable of delivering. This description agrees with Aharoni (1993; 2000) who argues that the internal efficiency and service delivery process of PBSFs can be highly interactive, client centred and regulated. Halinen (2000) also supports this argument of Aharoni by referring to the particular case of advertising services. He contends that the performance of such services is seen to depend directly on the clients' needs, their marketing and advertising strategies and their participation and behaviour in the service production process.

- The internal organisation and operations of SMAs were purposefully kept dynamic, informal and flexible.

Referring particularly to the discussion in relation to the corporate structure of the SMAs, the data presented these firms as operating around a large number of small teams. These were in turn set up in informal ways depending on the range of services, expertise and the degree of customisation required in delivering value added services to clients. Besides each department (creative, account management or strategic

planning) was described as consisting of different groups of professionals with subsequently adapted and distinct subcultures necessary for differing management styles. The extent of fluidity and flexibility present in the structures and administrative routines of these firms was therefore an essential criterion for success. This assertion agrees with the arguments of Maister (1993); Aharoni (1996); Lowendhal (1997) and Empson (1999) in the case of PBSFs. The arguments of these authors are discussed in Chapter 3 and portray PBSFs as preferring to organise themselves around structures that govern minimum hierarchies and that enable a flexible service delivery. Such a structure is critical to the interaction among different forms of expertise embodied in individual and team competences. More specifically, Halinen (2000) asserts that ad agencies need to be able to respond as professional problem solvers who are expected to apply their knowledge and creativity to their clients' briefs. Each client is different and demands a different degree of customisation so that the whole planning and execution process of the assignment also has to be customised.

- Information and communication technologies (ICTs) assumed strong supporting roles in the management and administration of the internal environment of SMAs.

SMAs in this study were found to have acquired and integrated appropriate ICTs in their everyday operations. These were described as being strongly supportive in developing effective management processes while facilitating interaction and communication amongst professionals and different levels of competences across the agency. This argument confirms Schultz's (1996) and Bharadwaj et al (1993) observations that such ICTs are required to drive the internal communication mechanisms and systems of ad agencies that can be an important source of differential advantage to the firms.

8.4.2 Implications for International Strategy of SMAs

A second part of the examination of the characteristics of internal influences consisted of analysing their implications on the strategic decisions of the SMAs growth and internationalisation. In general, the data helped to conclude that the firm level influences would seem to be important determinants to the SMAs' international involvement and expansion. This generalisation is consistent with the manufacturing literature (see for example, Cavusgil, 1984; McDougall et al., 1994; Bell, 1995; Ibeh

and Young, 1999) who suggest individual and firm factors are antecedents to the international entrepreneurial orientation of small firms. This view is also consistent with the services internationalisation literature (for e.g. Sharma, 1988; Erramilli and Rao, 1993; Cicic et al. 1999) who identify such firm characteristics as important sources of differential advantage for internationalising service firms. Similarly, this is in agreement with Pappavassiliou and Sthakopoulos (1997) and Grein and Ducoffe (1998) who prescribe a set of firm level determinants relating to the standardisation and adaptation of international advertising decisions.

At the same time, the data made it possible to challenge the viewpoints of the above authors concerning the significance of firm-level influences on the internationalisation of small firms. The above studies place selective emphasis on firm-level factors affecting strategic decisions in small firms. The data, instead, suggested adopting a more comprehensive perspective on the different variables characterising the internal environment of SMAs (that is, people, culture and systems altogether), giving due consideration to their interdependencies and interrelationships. In short, it can be argued that the strategic implications of the influences embedded in the internal environment of a SMA are difficult to analyse by taking an isolated or selected perspective relating to any one of them. In that respect, with regard to the implications of internal influences on the international strategy of the SMAs, the data helps to lead to the following inferences:

- Internal influences in SMAs are interrelated and these effect a combined influence on their growth and internationalisation

This relates to the first inference discussed earlier with respect to the characteristics of internal influences in SMAs. Further analysis with respect to strategic growth and internationalisation issues, help conclude that the implications of the internal influences has to be considered in a holistic fashion in the international strategy process. This is primarily because of their interrelated nature and the supporting relationships they develop while interacting to provide ample leverage to the CRB, and ultimately the international competitiveness of a given SMA. This assertion confirms the arguments of Erramilli (1992), Edvardsson et al. (1993) and Cicic et al. (1999) who postulate a blend of internal influences emerging

from firm and managerial characteristics, and service types on the foreign market entry-mode decisions or the foreign business propensities of service firms.

- Linked to the above, the combined effect of the internal organisational variables has an important influence on the directionality of the international strategy of SMAs

The data, for instance, revealed that several SMAs in this study needed to have a clear understanding of their strategic intent and corporate culture as MarComs agencies and their strategic capabilities before collaborating or co-operating with foreign local agencies or even positioning themselves as attractive acquisition targets.

- Despite their interdependencies and interrelatedness, the different internal organisational influences exhibited varying degrees of significance in the development and implementation process of international strategy.

The data suggests that the impact of the internal influences varied in significance when SMAs develop and manage their international strategies. The analysis carried out illustrated various evidences where certain organisational variables were given more strategic consideration while developing international strategies than others which assumed more significance during the implementation phase. For example, several SMA executives stressed that a well-defined strategic intent was central as a guide to international strategy –related decisions, and the same was felt with regard to their CRB (mainly in terms of their creative expertise and reputation). This is in accordance with the argument of Edvardsson et al. (1993) who explains that the clear entrepreneurial vision of the manager and the strategic knowledge of the service firm act as significant guiding forces particularly during the initiation phase of the internationalisation process. In contrast, the data argues that issues relating to the corporate structure and management processes are more relevant to decisions relating to the implementation of a chosen international strategy or market entry mode choice. In particular, these variables have more longstanding implications for the internationalisation process since they are embedded in and distinct to the culture and complex social processes characterising each individual SMA. Erramilli (1991) and Edvardsson et al. (1993) support this assertion by arguing that structure and control systems are determinants for

international success of service firms in the long run. In that respect, internationalisation creates a unique set of managerial and co-ordination implications for SMAs, given the distinct and interrelated nature of their internal environment.

- The dynamic, informal and flexible management of internal influences in SMAs were determinant in the successful implementation of their competitive international strategies.

This conclusion can be closely associated with the one discussed above with regard to the fluidity and flexibility of internal management and operations of SMAs. The analysis argues that considerations for international strategy can challenge the extent to which SMAs prepared to move away from their existing management styles, and ready to accommodate novel ways to deal with the needs of their international clients or respond to the new imperatives of the international markets (supported by Edvardsson et al. 1993; Löwendhal, 1997).

8.5 SUBSIDIARY AGENCIES (SAs)

8.6 INTERNAL FACTORS

The internal organisational factors of the SAs were analysed following the same process as that employed with the SMAs. The main difference in this section is that the analysis focused in exploring the implications further with respect to the two groups of SAs identified in the previous chapter. The discussions below present the various perspectives on these variables and their implications for the international growth and development of the SAs.

8.6.1 Strategic Intent (SI) – Key Characteristics and Strategic Implications for International Strategy Development of SAs

In contrast to the SMAs, in both groups of subsidiaries the SI statements were presented in a more clear and concise manner, as statements stipulating the organisations' business philosophy, values and orientation. These statements served as guiding principles in managing their operations on a day-to-day or project-by-project basis. To illustrate, the executive of Case D explained:

“... understanding the SI of the overall global network is very often of little practical relevance to them given the sheer size of the global network. Indeed, what we need is a catchy, snappy well-formulated statement, slogan that can be used as an important marketing tool to sell the company in one picture to clients and industry's stakeholders in terms of what the agency stands for and the kind of services it delivers”. (also supported by Case C)

The SI of subsidiaries belonging to group SA (2) was primarily derived from those of their immediate or ultimate parents. SI was sold as a 'business property' to these subsidiaries. One of the reasons proposed for this was that:

“... the SI has a strong influence, if not in terms of the agency's strategic development, in terms of the way it managed its everyday business and its organisational culture. For this reason, even though different subsidiaries are encouraged to have their own identity, autonomy and focus, the SI of the parent often transcends as a 'business property' across the global network. It is introduced amidst the subsidiaries' initiatives, its different business areas, and alongside the local culture of offices, across different markets and countries” (Case N).

In contrast, for subsidiaries belonging to SA (1) their strategic intent varied from subsidiary to subsidiary within the same international network. Case B, for instance, described the scenario of two sister subsidiaries within the same parent conglomerate with slightly different brand/business statements. Further this group of subsidiaries were able to work on and promote “*consensus based*” SI, one which encouraged autonomy and a team-based management style within these agencies. The downside to this style, however, was that although it enabled well thought out

corporate decisions, the decisions took longer to implement as they had to be debated and compete amongst the corporate decisions of other dominant sister subsidiaries in the parent's global network.

Overall, the implications of this scenario varied depending on which of the two groups of subsidiaries were considered. With regard to SA (1), for instance, Case O acknowledged that its SI most importantly influenced the way in which it tried to innovate and develop new products and deliver its services internationally. Conversely, Case B argued that its SI was also the basis of its diversification strategies. The executive averred that its SI was an important expression signifying what it did best in its present market or niche. At the same time, it provided direction to expand towards new opportunities or to diversify into related/unrelated areas of market activity:

"... our business vision can be an effective instrument to reposition and organise our service portfolios and also to bring narrowness, specificity and focus in terms of what each service businesses can do or suppose to do without greatly affecting their ability of what they can do or not in achieving their business purpose. Our vision has helped in the generation of some management tools and decide on the kind of supports that we could benefit from our sister subsidiaries. It also served as a scheme of talking, sharing and communicating to clients using the experience of the global agency network".

Thus, SI gave a sense of autonomy and identity to these types of subsidiaries who were essentially standalone service brands or business units. It also inspired the type and nature of support roles in a parent-subsidiary scenario while enabling them to present a global profile to clients.

For the second group of subsidiaries, SA(2), success on an international scale (or across local markets internationally) seemed to depend on the extent to which they were committed or related to the SI of their respective parent conglomerates, or shared that vision to penetrate foreign markets. As one executive claimed:

"... the strength of personal commitment and leadership characteristics of subsidiary heads would affect rapport with parent and the parent had to make sure that the subsidiaries received due recognition if the commitment towards the Parent's SI was well appreciated, otherwise it could result in breakaways" (Case E).

Linked to this argument, Case D further emphasised the impact of its parent's management politics on its international strategy. Both case firms (E and D) strongly argued that their parents' enthusiasm, vision and investment interests for a particular subsidiary's growth and development could determine to a large extent the subsidiary's success on domestic and international front. In that respect, the

subsidiaries had to make sure that they remain “*the critical pawn*” from the perspectives of their parents. Among others, this depended on such factors as: *First*, the subsidiary’s reputation and image in the local market. *Second*, its location (whether it was in a global commercial centre or not). *Third*, the subsidiary’s location in terms of how many of the parents’ strategic clients it could service from that location which were either critical to the corporate parent per se or other dominant sister subsidiaries. *Fourth*, to what extent the subsidiary had a personality or (SI) that blended with that of the parent’s. *Fifth* whether or not the subsidiary was consistent with respect to its financial performance.

Implicit in the above scenario was the dilemma of striking a balance between the parents’ imperatives while integrating the local cultural differences of markets or creating subsidiary cultures that were strong enough to ensure success in the (foreign) domestic market in which they were based. Case N’s transcript detailed how, as a subsidiary, it was transforming its offices in UK as commercial hubs channelled to service clients on a regional basis at European level and penetrate the local UK market. This was reflected in the agency’s SI and the main objective of its international strategy to change its profile from being perceived as an US-centric organisation to a more UK -centric firm. Table 8.4 summarises the key differences discussed in relation to the strategic intent of the agencies.

Table8.4: Key Characteristics and Strategic Implications of SI in SAs

	Key Characteristics	Strategic Implications for International strategy
SAs	<ul style="list-style-type: none"> - The understanding around the characteristics and importance of SI was the same as that in SMAs; - SI in subsidiaries was very clear and concise statement of business philosophy and vision serving as a guiding principle in managing day to day operations; - SI was usually derived from either their Parents' SI or formulated on a consensus basis by the subsidiaries themselves; 	SA (1) <ul style="list-style-type: none"> - SI can vary from subsidiary to subsidiary within the same international network ; - SI can give a sense of autonomy and identity to these subsidiaries, which were essentially standalone service brands or business units. It also inspired the type and nature of support roles in a parent-subsidiary relationships while enabling them to present a global profile to clients; - SI could act as a guiding principle of a subsidiary's international strategies; - Implementation of international strategies can take longer time span as such decisions are debated and competed with the corporate decisions of other dominant sister subsidiaries in the parent's global network
		SA(2) <ul style="list-style-type: none"> - Success of international strategies seemed to depend on the extent to which SAs were committed or related to the SI of the parents, or shared their vision or identity to expand or penetrate their local markets. - Implementation of their international strategies SAs could imply important compromise between global network imperatives and the imperatives of the local cultural differences of markets in which they are based.

Source: The Author (derived from data)

8.6.2 Corporate Culture (CC)- organisational and strategic implications international strategy development

In similar manner to the SMAs, the SAs used several adjectives and expressions to describe their corporate culture (CC). Just like the SMAs, their CC was primarily associated with the people competencies (professionals) who were central to the inner personality and working of the respective agencies. Case C, for instance, described its culture in the following manner:

"... our culture is full of bright people on whom we thrive. These people are clever, young and have a fair amount of fun working together. Management has more the attitude of a team builder in terms of taking care of these people and bringing them to work together".

However, the CC of SAs was at the same time characterised by high level conflicts and competition between key functional areas. As the CEO of Case O asserted:

"... the 'harmony' of an agency's culture depended to a large extent on how far the key functional areas (namely, account management, creative and account planning) were getting along or working as a 'team'. The nature of agency life is characterised by frequent clash, friction or competition between

these functions in the process of service delivery. The competition between professionals is basically in terms of 'stature' – where each function wanted to be recognised or valued as the critical function in the success of the agency as a whole or in the success of providing an exceptional service to the clients”.

With respect to international strategy, the executive of Case B postulated that “... given the spirit of our culture... differences in the culture and working practices across subsidiaries have important implications for the strategy and performance of global networks as a whole.” Indeed, for both groups of SAs there were greater risks for alienation and segregation given the global dispersion of the networks and CC seemed to be a ‘too sensitive’ subject to handle in their strategic management. As such, in both scenarios, the subsidiaries’ parents had agreed intervention when it came to dealing with cultural issues. Whenever they intervened they needed to implement a conscious yet careful effort in promoting their fixed cultural values across the subsidiaries.

To illustrate, case firms in the SA(1) category did not adopt the cultural traits of their parents. At the same time, there were no interventions from the parents’ side on cultural issues. This was, *firstly*, because given the size of the global network, the SAs had a distant rapport with the parents to enable any kind of cultural integration. *Secondly*, the SAs were autonomous, sizeable or experienced enough to command their own cultural profiles, hence their identity. *Thirdly*, the parents did not intervene in this aspect of management because of the all-pervasive influence of CC across the organisation’s activities, the parents simply refrained from enforcing their own cultural initiatives. Case O, for example, preferred to align its cultural traits with respect to other professional services industries like law firms than its parent’s. Case F, in contrast, promoted its own ‘can do’ and delivery-focused’ entrepreneurial CC. It believed in the philosophy of ‘accountable marketing’, i.e., it only undertook client businesses where there was an identifiable financial outcome or where there was a potential to influence a particular financial outcome without the necessary agreement of its parents. These evidences helped to indicate that for subsidiaries in the SA(1) category, firms were not keen in adopting the cultural traits of its parents. If necessary, the extent to which they would do so would depend on the degree of autonomy in the parent-subsidary relationship or the degree of commitment of the subsidiaries’ heads to the cultural values of the parent.

In the second category of subsidiaries, that is, SA(2), the parents had agreed forms of intervention over culture and management issues of the subsidiaries. The SAs felt the need to constantly strike a balance between their own values and those of their parents. This is because as CC was essential, a compromise was required with respect to the market in which it was located and the global network to which it belonged. In the same category, Case L and N presented two scenarios where the cultural traits of their parents and the personal values and personality traits of the management heading the subsidiary combined to shape the cultural characteristics of the respective subsidiaries. One of the executives commented:

“... we looked up to our parent’s cultural traits as source of inspiration to draw our own sub-cultural values and characteristics as we wanted to maintain consistency in their image while servicing international clients or fostering our international growth”.

Even in this scenario, parents had to evaluate their forms of intervention as they were easily challenged or rejected. Case N explained that its parent was unsuccessful in trying to promote a new set of values across the global network. It experienced conflicts in enforcing those values because of issues like: the nationality differences of different subsidiaries, hence national culture influences; different subsidiaries had different key functions which dominated (e.g. account management vs. creative vs. strategic planning) their subcultures; local strengths of the subsidiaries in the overall portfolio of the global network; personal traits and attitudes of the management heading the different subsidiaries. Table 8.5 summarises the various adjectives used by the respondents to describe the corporate culture and examples of various measures undertaken to promote the desired culture in their respective organisations.

Table 8.5: Corporate Culture (CC) in SA Settings

	Commonly used adjectives, terms, phrases used to	Ways/Methods used to foster an environment conducive to agency's desired CC	Organisational Implications for International Strategy
SAs	Entrepreneurial, autonomous, dynamic divisive, hostile inward-looking; enthusiastic, hungry to learn, promoting collective expertise rather than individual expertise; risk-taking; unhierarchical at subsidiary level; lively, fun place to work, informality; open-door policy; country-of-origin of headquarters and cultural background of founder's family; personal values and personality traits of heads of subsidiaries	<p>Management's commitment to invest time and effort to develop its own culture; Assign specific responsibilities and authorities within agency to work and promote purely on the agency's culture; Maintain consistency in culture in the spirit of fun and informality; Avoid making a big deal out of 'failure'; Create 'centres of excellence' where individual professionals who do not have the same cultural attributes as the mainstream agency are put in a safe haven to adapt to the promoted cultural values; 'in-house bar'; Promote an environment of team culture; Continuously invest in people; encourage people to know each other; hold show-and-tell sessions where different people present their work to others and share with each other; away-days for whole agency where there are team-games, workshops etc. organised;</p> <p>Making sure that the corporate statement mean something to the people and something they in turn adhere to.</p> <p>HQ management's commitment to hold dear the set of values that are the basis of success of subsidiaries and personal efforts to try and enforce them down;</p> <p>Avoid key functional areas (e.g. account management or creative) to run their own 'cultures'; Recognising values of local cultures;</p> <p>Holding big conventions regrouping heads of all offices worldwide at the headquarters on more regular basis.</p>	<p>SA(1)</p> <ul style="list-style-type: none"> - SAs did not draw on the cultural traits of their parents or there were minimal or no intervention from the parents in dealing with cultural issues. - The extent to which a SA would adopt the cultural traits of its Parent depended on the degree or definition of autonomy in the parent subsidiary relationship or again the degree of commitment of the Subsidiary heads to the cultural values of the parent. <p>SA(2)</p> <ul style="list-style-type: none"> - There was varied interference by the parents in terms of what cultural values different subsidiaries wanted to promote. - Personal values and personality traits of the top management heading the subsidiary influenced the cultural characteristics of a subsidiary; - SAs' CC is a compromise between national market's culture and parents' culture

Source: The Author (derived from data)

8.6.3 Corporate Structure –Organisational Implications for International Strategy of SAs

The SAs were formally organised into matrix structures bringing geographies and accounts together. Figures 8.2, 8.3, 8.4, 8.5 depict 4 generic models of global structures derived from the analysis of the cases studied in the context of this research. Nevertheless, the data indicated that these management structures were mere useful illustrative tools or formats available and not necessarily the best structuring

format put in place to maximise their resources and competitive advantage. As Case H and J's executives explained:

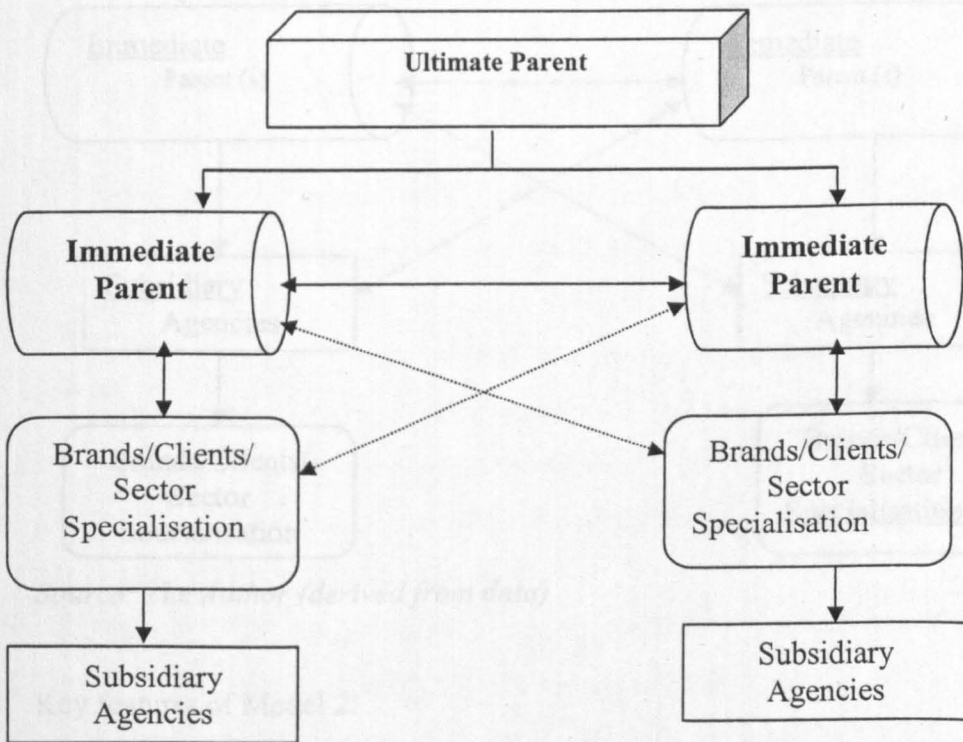
"... the nature of agency business is full of complexities and realities which these models do not necessarily account for and there is an ongoing search and effort to find the best ways to structure within these models. the realities of agency life call for several informal structures to be organised within those formal structures as ways of getting things done as efficiently and effectively as possible. Agencies are characterised by different mix of resources, groups of people trying to manage at various ends. And the challenge is a continuous struggle to bring the right teams to do the right things at the right time".

Such comments helped to infer that a subsidiary ad agency had different models of operations within its existing structure and there were no prescriptive guidelines of how a given SA would best organise itself.

8.6.3.1 Models of Global Structure of SAs

SA(1)

Figure 8.2: Model 1: Case B



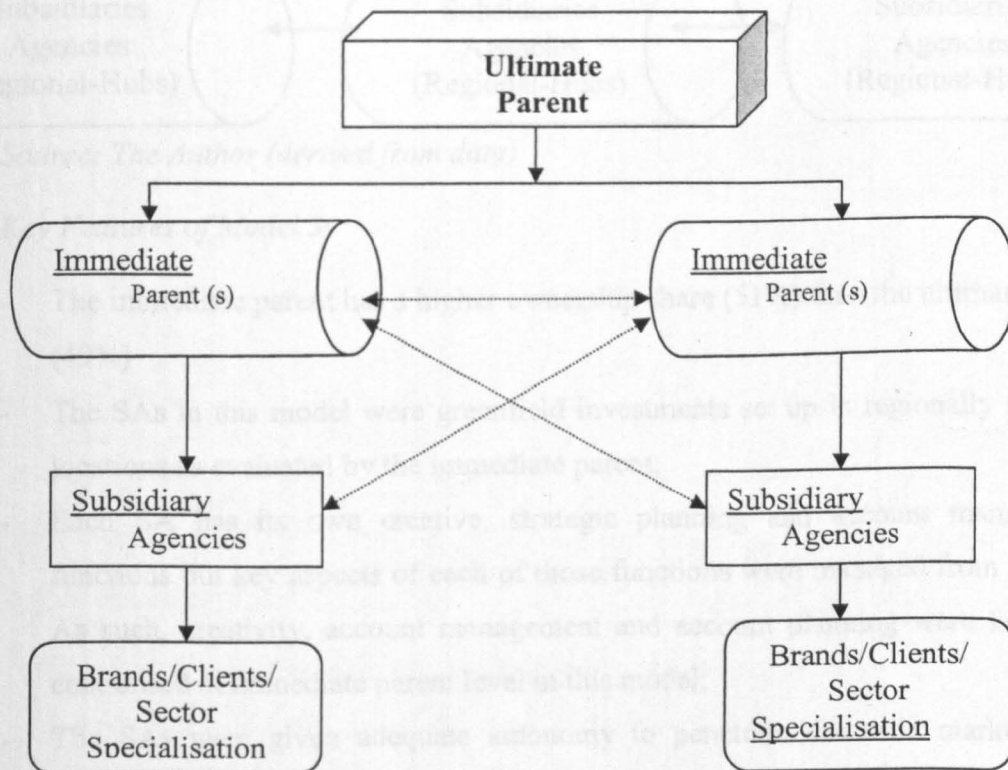
Source: The Author (derived from data)

Key Features of Model 1:

- Besides the ultimate and immediate parents, each subsidiary had its own Managing Director, Creative, Account Management and Planning Directors;

- Each subsidiary had the total accountability of its profit and loss and were organised and operated as small entrepreneurial agencies within a global network (the interviewees explained that it was more exciting to have small agencies as the quality of the service output was better managed and creativity was controlled);
- The head of each subsidiary reported to the CEO of the immediate parent while co-ordination was principally implemented through monthly or annual meetings organised by the parents regrouping the different subsidiary heads.

Figure 8.3 Model 2: Cases J, O



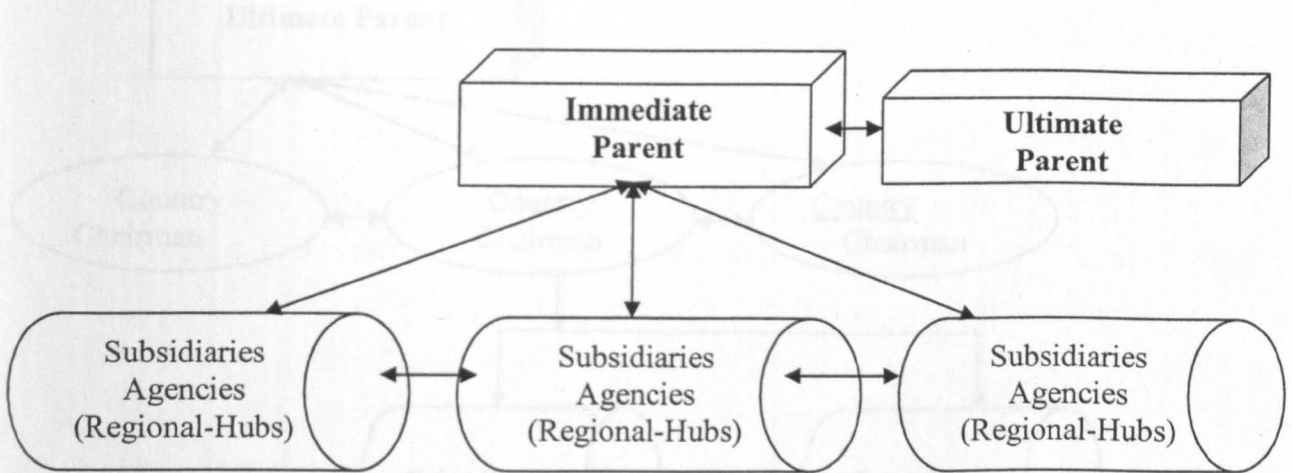
Source: The Author (derived from data)

Key features of Model 2:

- Referring to the diagram above, SAs operated as autonomous business units with very limited or no intervention from HQ while coming under the direct management of the immediate parent. As such the rapport of the SAs or their 'sense of belongingness' is stronger with the immediate parent. A representative from the ultimate parent seldom assisted the board meetings of the SAs;

- The SAs reported to the ultimate parent only in financial terms, usually, on a yearly basis.

Figure 8.4: Model 3: Case H



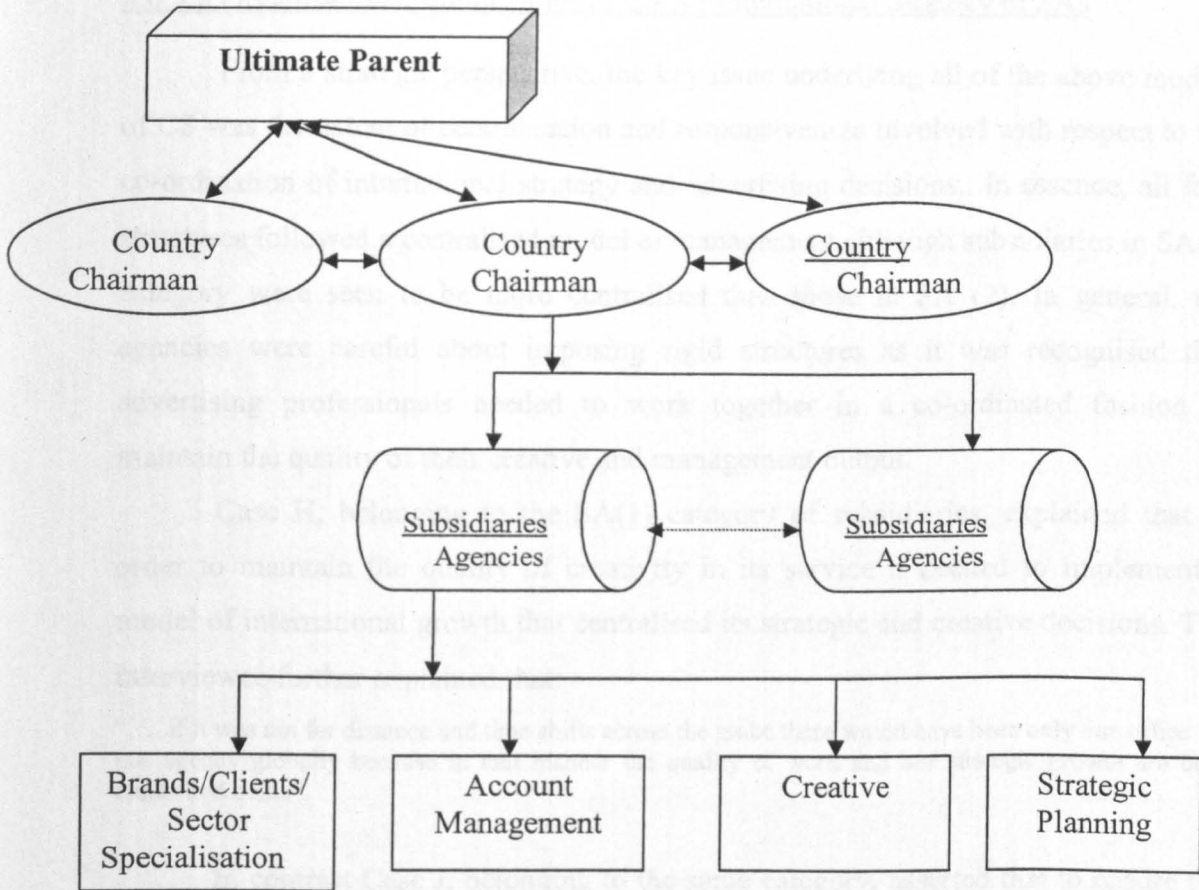
Source: The Author (derived from data)

Key Features of Model 3:

- The immediate parent has a higher ownership share (51%) than the ultimate parent (49%)
- The SAs in this model were greenfield investments set up in regionally strategic locations as evaluated by the immediate parent;
- Each SA has its own creative, strategic planning and account management functions but key aspects of each of those functions were managed from the HQ. As such, creativity, account management and account planning were kept very centralised at immediate parent level in this model;
- The SAs were given adequate autonomy to penetrate domestic markets with respect to their strategic locations;
- The heads of each SA were usually trained and experienced staff from the immediate parent while other professionals in the regions were appointed at the domestic level to facilitate integration of cultural values from both sides;
- Co-ordination usually took place through monthly international meetings of subsidiary heads.

SA (2)

Figure 8.5 : Model 4: Cases N, D, L



Source: The Author (derived from data)

Key Features of Model 4:

- A country chairman was responsible for one country or a group of countries. Some countries were more important than others in terms of strategic locations and key international decisions were centralised to the ultimate parent;
- Co-ordination, as such, was mainly organised by monthly meetings of country managers at HQ. The agenda of such meetings include discussion on such issues as: international development of agency; strategic network issues; international client businesses. The ultimate parent had a great deal of responsibility for the delegation of responsibilities to various country managers and subsidiary heads;
- The ultimate parent had agreed interaction with subsidiaries particularly on such issues as: financial management; business plans; strategic issues with respect to global accounts and global expansion. The ultimate parent had corporate strategic

guidelines delegated through country managers and subsidiaries were given leeway to work along those guidelines while adapting to the local cultures of their respective markets.

8.6.3.2 Organisational Implications of CS for International Strategy of SAs

From a strategic perspective, the key issue underlying all of the above models of CS was the extent of centralisation and responsiveness involved with respect to the co-ordination of international strategy and advertising decisions.. In essence, all four structures followed a centralised model of management although subsidiaries in SA(1) category were seen to be more centralised than those in SA (2). In general, the agencies were careful about imposing rigid structures as it was recognised that advertising professionals needed to work together in a co-ordinated fashion to maintain the quality of their creative and management output.

Case H, belonging to the SA(1) category of subsidiaries, explained that in order to maintain the quality of creativity in its service it needed to implement a model of international growth that centralised its strategic and creative decisions. The interviewee further explained that:

“... if it was not for distance and time shifts across the globe there would have been only one office for our agency globally because in that manner the quality of work and our strategic growth are both controlled better”.

In contrast Case J, belonging to the same category, asserted that to ensure the marketing success of its service it needed to be locally responsive in its global spread. In its network each firm needed to have a strong orientation and profile as a ‘local’ agency to operate successfully. Nevertheless, the decisions of where those ‘local’ agencies should be on a global scale were made centrally with the parent. As the interviewee explained:

“Your specificity vs. other agencies in a local market is having a clear sense of purpose which is locally geared even for big players like us. We like to be known as the most local international agency or the most international local agency but that’s our global corporate statement which is: Be First, Be Original, Be Quick! And that’s what the market needs to know about us... and the decision of how this is carried out is centrally calculated by management in this office and the HQ ...we need to make sure that both sides of the equation merged with an ambitious style”.

Referring to the global matrix structure of subsidiaries in the SA(2) category (presented as Model 4 above), several factors interfered in the formulation, execution and replication of successful international strategies on a global basis. Among others these factors included: the scale of the global network; different sizes of respective

sister subsidiary agencies in the network and their different stages of international development; efficiency of subsidiaries in carrying out successful strategies; subsidiaries' own concerns and priorities in their different country/locations and last but not least national culture differences. Underlying these are such client and project management decisions as to the 'right' team for particular clients' businesses, the degree of involvement of the agency with the clients, service co-ordination or again, decisions relating to where the main creative works were going to be carried out.

To illustrate data with respect to case firm D showed that the amount of autonomy an ultimate parent could allow over strategic decisions or the authority it could impose depended on how its clients were organised internationally and the relationship it shared with the different subsidiary offices in the global network. The interviewee explained that:

"... there was balance to be drawn between the need for autonomy when the agency may be pursuing some locally oriented strategies in servicing domestic clients vs. the need for centralisation where a global/pan-European strategy was stressed by the parent. The head office would usually release some strategic guidelines to be applied across the different offices and also allow for some autonomy to enable us to integrate our own insights with respect to domestic conditions. We must not forget this is a people's business and there should always be room for adjustments and discussions" (case D, also supported by Case N).

8.6.4 Management Processes – Organisational Implications for International Strategy Development

Given the nature of the advertising business, SAs, in this study, claimed not to operate around tightly organised integrated management systems and processes nor were they encouraged to do so by their conglomerate parents. However, this did not imply that such processes and administrative practices were non-existent. In fact, the analysis illustrated that they existed at subtler level of the agencies' functioning, as non-transparent practices and disciplines. The subsidiaries/offices in the global network were left with the autonomy and authority to establish their own policies that would enable their service delivery to match the best of their strategic capabilities.

The interviewee at Case H explained:

"... success in this industry comes from a group of people working together in an effective, fluid and flexible manner, different groups work in different way, you can't replicate that, it's not like a production line or a piece of technology. And you can't substitute anything for your people's abilities. All you can do is use information and communication technologies to encourage and get more and more exchanges and interaction because there is nothing to replace people meeting together and exchanging ideas. In all this people keep sharing their knowledge and examples of best practices. And this is something you can't handle best at a distance or it very much depends on a case by case, country-by-country basis."

Supporting this argument, Case D's executive added:

"... that the history of the advertising industry is full of examples and cases of firms/agencies which have been fired by clients because of the rigidity or formality of their administrative systems and subsequent inefficiency in meeting clients' expectations or deadlines".

Nevertheless, some SAs in both categories (SA(1) and SA(2)) did find it beneficial to integrate their MPs on a selective basis. Some of the areas of integration included such aspects of agency management as: remuneration policies, sharing of income policies between subsidiaries, information systems and intranet systems, recruitment policies, sharing of knowledge and expertise, financial reporting systems. In SA (1) category. Case O, for example had its financial processes, IT processes and HR processes set up on a global basis. The HR processes, however, were kept flexible to a certain extent since the policies and procedures varied on a case by case, country by country basis. It also seemed that the participation of the ultimate parent in the management of the subsidiary varied depending on the global significance of any particular subsidiary in the overall portfolio of the global network.

In the same category of SAs, a smaller subsidiary like Case B sought parental and sisterly support internationally on such issues as the training and development of its professionals. Case B explained:

"...these training sessions regrouped senior staffs of the different service portfolios/brands to create consistency in terms of their reporting of business performances and management issues to the headquarters. This also enabled interaction and learning among executive heads with respect to their individual experiences in managing their own subsidiaries or service brands. Subsidiaries in turn tried to replicate/repeat the learning and training acquired at their office levels. This helped the people on the board of different offices to share their experiences and learning, enabled quick and easy communication and enabled them to work on a common platform or template".

Similarly in the SA(2) category, analysis of Case C illustrated that support in terms of sharing and benefiting from organisation-wide resources and competences was coming principally from the immediate parent level rather than the parent conglomerate.

From the above illustrations, it can be inferred that: *first*, management systems and processes at subsidiary levels could vary and influence the nature or level of support and interaction involved in the parent-subsidiary relationship. *Second*, co-ordination of MPs in agency management happened on a selective basis given the nature of the business. *Third*, in a global network scenario support and co-ordination with respect to MPs was more likely to take place at the subsidiary or immediate parent level rather than the ultimate parent level. *Fourth*, the extent of sharing and

involvement between subsidiaries and parents depended on such issues as: ownership structure in the global network, geographical proximity of subsidiaries and their parents' offices; 'psychic' proximity between subsidiaries and the parents (i.e. the extent to which they shared similar management attitudes, characteristics and ways of doing business); the nature and type of clients they shared, and the complementarity of skills and resources between subsidiaries and parents.

8.6.5 Core Resource Base (CRB) - organisational and strategic implications to international strategy development

Referring to Table 8.3, the CRB held essentially the same significance in SAs as in SMAs although its management was more complex. That is, compared to the SMAs, managerial competences in the SAs had the more complicated tasks of creating team cultures and managing those teams in a coherent way towards a common purpose. As the interviewee of Case B explained:

"... agencies are built as a community of people with different skills, background and ambitions. Our job as managers is to make sure all that work and people do team with each other and that they are not silent operators. There should be no barriers within an agency and people should feel that they are working together as part of a team and that we all have shared ownership to the work produced by the team. As such, agencies or PSFs like us must be equipped with good teachers whose responsibilities become to educate the professionals in terms of the overall culture and our vision as an agency. Win them up by identifying their weaknesses and their strengths by identifying their ambitions, help them to gain the experience they need to become better-rounded professionals".

Hence, in the case of SAs, working with several global accounts, the "Creative Directors" as well as the "Worldwide/ Global Account Director" were key individual professionals responsible for maintaining the creative reputation of the network while managing the resources and key accounts on a global scale.

Nevertheless, although the intangible resources and capabilities were central to the strategic and value creation activities in all the subsidiaries, different SAs from both categories exhibited different policies and strategies towards managing them. Cases J and O had issued broad strategic HR directives across their respective networks and exercised an important level of intervention in the selection and recruitment of senior level personnel in the different offices. Case O:

"...we intervene in two key issues related to HR management. First, remuneration of corporate staff, where we suggest broad guidelines and then the offices had the flexibility to bring their own adjustments within that framework... and second, in implementing knowledge-based training schemes and initiatives which were set on a global basis".

In the same category, Case B benefited with no such intervention from its parent. Instead, it collaborated with its bigger sister subsidiaries by its own initiatives to set up a strategic regional HR centre to support and monitor the people competences of its own network.

The SAs in the SA(2) category exhibited a slightly different picture in managing their people competences. Cases C and E, for instance, had their own domestic and international HR policies set up in collaboration with their immediate parents. Case E had a formally set HR function within each international office to manage HR-related issues such as training, motivation, welfare development and others. Its training program was also implemented and supported by that of IPA (Institute of Practitioner of Advertising) an advertising industry institution in UK set up to support agencies on similar problems and other issues. There was little or no intervention by the ultimate parent whose interests were mainly of a financial nature.

Other subsidiaries, in the same category, had no such organised or integrated policies. To illustrate, Case D had neither any formal training and development programs nor any formal directives from its parent. As the interviewee explained, this was a major source of problems for the global network:

“... A couple of years ago the HQ took the initiative to implement TQM but it went in so far that it didn't conclude because of its sheer complexity. But instead, the HQ has a policy of directing its subsidiaries to allocate a share of their budget towards their training and development”. As such, we allocate 0.8% of our revenue towards staff training and we use the help of independent advertising institutions like IPA which provide specialised training and courses designed for professionals in this business. But the result on a global scale was rather negative. While we are able to manage ourselves as a strong UK-based agency in the overall network, the biggest impact of this inconsistency is felt in the underperforming territories where several types of investments and commitments to clients are not satisfactorily serviced because of poor management of competences. Examples of such territories were Central and Eastern Europe, Latin America and the Far East”.

However, with respect to international strategy, both groups of SAs demonstrated consensus concerning the prime significance of their CRB to successfully implement their 'growth' strategies. It was observed from the data that a given SA needed not only to feel secure in terms of its key skills and abilities but its growth strategies needed to be aligned and supported by strong recruitment, training and development policies. For example, Case D's (SA (2)) growth as a subsidiary did not centre only around its international expansion but also in terms of the related and unrelated diversifications it undertook in its effort to provide all-round service to its clients (both domestic and international):

“... Service provision, in terms of our marketing communications services (include above-the-line, below-the-line and through-the-line advertising). In the London SA, we have to ensure that our 400-

500 professionals are adequate and efficiently spread across our key functional areas focusing on the core services (namely advertising) as well as the smaller service brands (like publishing, direct marketing and web-based advertising) in servicing domestic as well as international projects”.

Further, amongst the SAs in this study, managing competences when implementing international strategy relied on efficient co-ordination vs. responsiveness decisions. Case L demonstrated that although there were multiple levels of HR management systems set up in global network, its operational complexity was increased given the matrix structures. Therefore, the co-ordination of key competences in such global structures was built around informal communication channels and the informal attitudes of professionals. This ‘informal co-ordination’ had been improved further with the introduction of ICTs within the agency settings. Such co-ordination decisions also had to be in terms of local responsiveness. Case N, for example, had formal HR policies and rules and also had HR managers appointed in local offices:

“... this is done to move away from the American imperialism of our parent and to integrate into the culture of the local ‘London Village’ thereby integrating the domestic market. Relying on the identity of a global American parent is not always felt helpful while penetrating different cultural contexts”.

8.7 DISCUSSION OF THE KEY FINDINGS ON INTERNAL INFLUENCES AND THEIR IMPLICATIONS FOR INTERNATIONAL STRATEGY OF SAs.

The above findings provided a picture of the internal environment of the SAs similar to that of the SMAs, and the organisational dynamics seemed to generate almost identical interdependencies and relationships between the variables analysed. The internal influences to international strategy are, however, characterised by a higher level of complexity. This complexity, in turn, was determined by a combination of such factors as: the characteristics of the MarComs services, the strategic capabilities and different the management styles and cultures of the subsidiaries, the scale and scope of their international operations, and more importantly the nature of parent-subsidiary rapport existential to the ‘culture’ of the global networks to which they belong. On the whole, the data supported the following analytical inferences with respect to the internal influences in SAs and the implications for their international strategy.

8.7.1 Characteristics of Internal Influences in SAs

Hence, with regards to the characteristics of the firm level influences, it can be inferred that:

- Internal organisational influences of SAs existed as firm, service and managerial characteristics. These influences were interdependent and primarily geared towards competitively leveraging the Core Resource Base (CRB) of the firms.

The findings presented several arguments that corroborate this assertion. For instance, the overarching influence of the strategic intent (SI) of the firms was reiterated amongst the SAs as well. SI was seen to have a strong influence, not only on the agencies' strategic development but also on the way they managed their everyday businesses and their organisational culture. The SI of the parents transcended as a 'business property' across the global network for subsidiaries in the SA (2) category while it was decided independently on a team basis for subsidiaries in the SA (1) category. The corporate culture shared a similar all-pervasive influence across the organisations' activities and the agencies were careful not to organise themselves around rigid structures and processes deemed detrimental to the quality of their creative and management works. Therefore, similar to the scenario of small firms, the internal environment of the SAs was characterised as an open, albeit more complex, system. In this system, the internal influences shared significant interdependencies aimed mainly at leveraging the key resources and capabilities central to the inner working and growth of the respective agencies. The key to the CRB was again the 'people' competences. However, in contrast to the SMAs which strongly emphasised the creative competences of individual professionals, the SAs added to that the managerial capabilities of their "Creative Directors" as well as "Worldwide/Global Account Director". The managerial competences of these professionals were crucial in maintaining the creative reputation and managing the resources and accounts on a global scale. These arguments are consistent with Löwendhal (1993; 1997) and Daniels (1997).

- The internal organisational characteristics of SAs were driven primarily by the subsidiaries' local culture rather than by clients' expectations.

The findings illustrated that the internal environment of the SAs need not only to conform to their clients' expectations but more importantly, it should be able to accommodate the different subsidiaries' initiatives, their different business areas, as

well as the local culture of offices across different markets and countries. In most cases, subsidiaries across both categories, were allowed the autonomy and authority necessary to establish their own policies that would enable their service delivery to be the best in terms of their strategic capabilities. Any intervention by respective parents implied that they needed to give careful consideration to such issues as: the nationality differences of different subsidiaries, hence national culture influences; different subcultures within subsidiaries which had different key functions dominating (e.g. account management vs. creative vs. strategic planning); the local strengths of the subsidiaries in the overall portfolio of the global network; personal traits and attitudes of the management heading the different subsidiaries. This view is particularly consistent with those of Porter (1986) and Carpano and Shao (1994) and at the same time informs those of Aharoni (1993; 2000) and Halinen (2000). Subsidiaries preferred to select separate structures and management processes from those of their parents because host country environments presented unique characteristics and/or clients that required country-tailored strategies, while the implementation of such strategies called for the particular expertise that was available at the subsidiary levels. Also, these arguments invariably support the next analytical inference with regard to firm level influences in SAs.

- The internal organisation and operations of SAs were invariably kept dynamic, informal and flexible.

The analyses indicated the need for fluidity and flexibility as essential to the successful management and operations of the agencies. These were highly desirable features which, given the complexity surrounding the nature of the business, were harder to achieve in the case of SAs than with the SMAs. Indeed, the imperatives of the agency business pressed for several informal structures to be organised within existing formal structures as ways of getting things done as efficiently and effectively as possible. SAs were thus characterised by a different and sophisticated mix of resources and skills, with groups of people trying to manage at various points while being continually challenged to bring the right teams and competences to do the right things at the right time. This process suffered an added complexity in terms of the high level conflicts and competition between key functional areas (namely, account management, creative and account planning) of the agencies.

In sum, therefore, success at domestic or international level relied on group of people working together in an effective, fluid and flexible manner and since different groups work in different ways the internal environment was always under pressure to provide adequate room for adjustments and discussions. As in the case of SMAs, this assertion agrees with the arguments of Maister (1993); Aharoni (1996); Löwendhal (1997) and Empson (1999) who illustrated similar features present in the wider context of PBSFs. However, as shown in this research, these authors do not clearly highlight the co-ordination complexities inherent in the activities of such firms at an international level and realise how fluid and flexible management of the internal operations can allow sustainable competitive advantage to emerge.

- Information and communication technologies (ICTs) assumed strong supporting roles in the management and administration of the internal environment of SAs.

This inference is strongly associated with the above argument. ICTs were no substitute for 'people' competences in the findings but they assumed strong supporting roles in encouraging and allowing for exchanges and interaction essential to the professionals. Therefore, ICTs enabled an easier diffusion of the tacit and organised knowledge underlying the system by allowing for professionals to share their knowledge and provide examples of the best practices. Moreover, ICTs also played an important enabling role in helping the efficient co-ordination of decisions characterising the international business activities of the SAs. For instance, the co-ordination of team-based competences in global structures was built around formal technology-based communication channels and the informal exchanges of the professionals across projects and specialisations. Roberts (1998; 2000) partially supports this inference as she has empirically demonstrated the widespread diffusion of ICTs across global networks of advertising agencies facilitating intra-firm and inter-firm trade.

8.7.2 Implications for International Strategy of SAs

Implicit in the above attempt to understand the internal organisational influences of SAs was also an added effort to examine the implications of these influences on the international strategy of these firms. Overall, the findings allowed for a 'bottom up'²

² Please refer to Chapter 2, Section 2.3.3, explaining the 'bottom up' perspective to international strategy.

perspective to international strategy and concluded that firm-level influences were important determinants to the strategic performance of international MarComs agencies. These findings, however, did not point to direct implications for international strategy per se, but instead to a range of strategic integration-type dimensions that were determinant to the international competitiveness of the subsidiaries in both categories: SA (1) and SA (2). As mentioned earlier, the inherent complexity in the international businesses of these firms demanded certain strategic decisions (with respect to integration vs. responsiveness) to be made along some key dimensions pertaining to the international management and co-ordination of the growth and operations of these firms. These dimensions further emphasised the differences identified during the preliminary analysis between the two categories of subsidiaries and emerged mainly from the differing parent-subsidiary relationships. These dimensions are referred to and discussed below:

- The degree of parents' intervention in corporate decisions relating to subsidiary's growth and strategy

There was an influential difference in the forms and extent of intervention exercised by the parents of both groups of subsidiaries on issues relating to their strategic development. Subsidiaries in the SA (1) category, for instance, were essentially standalone service brands or business units. They inspired and were led by their own strategic intent, with agreed or selective parental intervention on key strategic issues. These subsidiaries were primarily responsible for their innovations and development of new products, and the way they planned to deliver their services internationally or to secure international clients. In contrast, subsidiaries in the SA (2) category depended on their commitment to the strategic development of their respective parents to penetrate into foreign markets. Such subsidiaries also depended on the network of their parents to implement their own growth strategies. This process is further described with respect to Case C in the next chapter. The findings also illustrated that the parents' enthusiasm, vision and investment interests for a given subsidiary in the SA (2) category can determine its growth, development and indeed its success on domestic and international fronts.

- The degree to which subsidiary uses its parents' (immediate or ultimate) corporate identity/reputation for its own strategic development

The findings illustrated evidence on the extent to which subsidiaries from both categories identified themselves with the corporate identity of their parents. This was *first* evaluated by the straightforward use of the parents' corporate name or brand by the SAs to conduct or manage their international businesses. This was particularly the case with subsidiaries in SA (2) which were established as wholly owned operations of their (immediate or ultimate) parents in the foreign markets. The *second* indication was the extent to which the SAs derived or associated their strategic intent from that of their parents. Again, subsidiaries in the SA (2) showed a direct relationship with the vision of the parent they most closely related to for financial and strategic support. The subsidiaries in the SA (1) category, as mentioned earlier on, were more autonomous and entrepreneurial in their vision and international strategic orientation. The *third* indicator was the relationship between the cultural values of the subsidiaries and the parents. Case firms in the SA (1) category did not draw on the cultural traits of their parents and at the same time, there were minimal or no intervention from the parents' side to deal with the cultural idiosyncrasies of the subsidiaries. Instead, these firms showed stronger integration into the national culture of their domestic markets. For subsidiaries in the SA (2) group, the parents exercised varying degrees of intervention over culture-related issues. The SAs varied over the extent to which they adopted the corporate values and attitudes of their parents or they felt the constant need to draw a balance between their own values and those of their parents. In principle, the cultural traits of their parents, the personal values and the personality traits of the management heading the subsidiary and the culture of the domestic market contributed towards shaping the cultural characteristics of the respective subsidiaries. Such views agree with Wilson (1997; 2001), who highlights the significance of corporate culture in the service delivery environment. Wilson argues that there are inconsistencies in the way in which corporate values and attitudes are shared within an organisation and that such inconsistencies exist at various levels in the organisational hierarchy.

- The extent to which multinational clients are commonly shared and serviced across the worldwide network.

The extent to which the subsidiaries commonly shared multinational clients of their parents or respective networks was another important determinant to their international competitiveness. Subsequently, the extent to which subsidiaries in the SA (1) benefited in servicing international clients was restricted or again, was based on serendipity. However, SAs in this category were more proactive in using the image, reputation or profile of their global network to secure multinational accounts. They also accordingly used the support (whether financial or in terms of securing additional capabilities) of sister subsidiaries on a regional basis to service those accounts. Subsidiaries in the SA (2) were strategically located based on the international dispersion of their parents' multinational clients. A particular subsidiary was critical to the network depending on how many of the parents' strategic clients it could service from that location. The parents had direct (at times controlling) interaction with subsidiaries particularly on such issues as pertaining to the global management of strategic accounts and/or the global expansion of the network. This dimension is consistent with the manufacturing literature particularly with Prahalad and Doz (1987), Jarillo and Martinez (1990) and Taggart (1998) who incorporated the extent of sharing of multinational clients to empirically measure the degree of integration of the subsidiary to the multinational strategy.

- The extent of sharing of technology, knowledge, best practices or capabilities within the internal network

Overall, the findings illustrated that SAs from both categories (SA(1) and SA(2)) did find it beneficial to integrate their management processes on a selective basis. Some of the common areas of integration encompassed such aspects of agency management as: remuneration policies, sharing of income policies between subsidiaries, information systems and intranet systems, recruitment policies, sharing of knowledge and expertise, financial reporting systems. Such integration facilitated the transfer of knowledge, information on competition and allowed managers from different geographic areas to learn from the best practices of other agencies in the global network. Such integration helped to also determine the agencies' ability to understand their complex industry environment and effectively implement standardised campaigns or marketing strategies. Such initiatives allowed agencies and

clients alike to take advantage of economies in distribution, advertising, production and so on.

Nevertheless, the extent of sharing and involvement among subsidiaries and parents depended on such issues as: ownership structure in the global network, geographical proximity of subsidiaries and their parents' offices; 'psychic' proximity between subsidiaries and the parents (i.e. the extent to which they shared similar management attitudes, characteristics and ways of doing business); the nature and type of clients they shared, and the complementarity of skills and resources between subsidiaries and parents. As such, subsidiaries in the SA (1) category shared technological and organisational knowledge bases more particularly with their sister subsidiaries in their network or on a regional basis. For subsidiaries in the SA (2) category, the evidence was more indicative of them sharing and benefiting from organisation-wide competences, technology and/or knowledge that was coming principally from the immediate or ultimate parent levels. This view is consistent with the subsidiary management literature which has looked into subsidiary roles in terms of product flows (e.g., Kobrin, 1991), and knowledge (Gupta and Govindarajan, 1991) and resource flows (Randoy and Li, 1998). Also Prahalad and Doz (1987) and Taggart (1998) comment on the extent of technology sharing and material flow linkages as measures of integration of the manufacturing subsidiary with its internal network.

- The degree of control over international advertising decisions (creative, planning and management) of subsidiaries

Overall the findings pointed out that subsidiaries in SA (1) category were noted to be more centralised in terms of the structure of their strategic functions than those in SA (2) as they were more entrepreneurial and therefore had greater accountability for their performance and service quality. For instance, one of the subsidiaries belonging to the SA (1) postulated that in order to maintain the quality of creativity in its service it needed to implement a model of international growth that centralised its control over its strategic and creative decisions. At the same time other subsidiaries in the same category asserted that to ensure the marketing success of its service it needed to be locally responsive in its global spread. In this category, therefore, each firm seemed to continually compromise between the centralisation of its international

advertising-related decisions while maintaining a strong orientation and profile as a 'local' agency.

For subsidiaries in the SA (2) category, evidence showed that the degree of autonomy over international advertising decisions varied on a project by project basis as these agencies preferred a more standardised approach to the execution of their services internationally. Such decisions were subject to consultation at parental levels and depended on several other related strategic issues. Such issues included, among others: the way in which parents' clients were organised or shared internationally; the stage of international development or the international experience of the subsidiary in handling international accounts; efficiency of subsidiaries in carrying out successful international advertising; subsidiaries' own concerns and priorities in their different country/locations and last but not least national culture differences. Underlying these are such client and project management decisions concerning the 'right' team for particular clients' businesses, the degree of involvement of the agency with the clients or their competitors, service co-ordination or again decisions relating to where the main creative works were going to be carried out. This is supported by Carpano and Shao (1994) and Mitchell and Bright (1995) who found that broader headquarters-subsidiary relationships were likely to impact on the degree of autonomy given to local managers in relation to advertising decisions. This dimension also concurs with Prahalad and Doz (1987) and Taggart (1998) who used the extent of centralisation of production planning as a measure of integration for manufacturing subsidiaries to the multinational strategy.

- The degree of control over the performance (strategic and/or financial) of subsidiaries.

This was mainly indicated by the frequency with which headquarters' executives visited their headquarters or subsidiaries' executives visited their headquarters (supported by Carpano and Shao, 1994). In the SA (1) category, each subsidiary had total accountability of its profit and loss and was organised and operated as independent entrepreneurial agencies within the global network. The head of each subsidiary reported to the CEO of the immediate parent or sister subsidiary. Co-ordination of performance was principally done through bi-annual or annual meetings organised by the parents regrouping the different subsidiary heads. In the

SA(2), emphasis was more on the consistent control of the performance of the subsidiaries. Co-ordination of performance was achieved through the monthly meetings of country managers at HQ. The agenda of such meetings included discussions on such issues as: international development of the network and subsidiaries; strategic network issues; international client businesses and financial performances. The parents had considerable control in respect of the delegation of responsibilities to various country managers and subsidiary heads.

The analysis also demonstrated a number of advantages and disadvantages associated with each type of subsidiaries, these are summarised in Table 8.6 below. Further inference on these descriptions between SA (1) and SA (2) helped identify firms in the SA (1) category as being more *autonomous* as they were independent agencies whose heads were highly entrepreneurial in directing their chosen course for strategic growth. These companies were highly responsive to local markets' or clients' imperatives, often servicing a specialised market segment or possessing a distinctive MarComs-related capability. Similarly, those in the SA (2) category were more *integrated* with their parents or networks in various aspects of their management and growth.

Table 8.6: Advantages and Disadvantages of the Integrated vs. Autonomous subsidiary structures.

	Autonomous Structure - SA (1)	Integrated Structure – SA (2)
A D V A N T A G E S	<ul style="list-style-type: none"> ▪ Sharing or access to existing body of knowledge ▪ Access to support in training and development of professionals from sister subsidiaries; ▪ Opportunities to develop personal or professional contacts internationally ▪ Merger activities help reinforce overall network particularly where is observed weak before acquisition; ▪ Provides the ability, support and potential to fulfil larger aspirations; ▪ Interaction occurs amidst a collection of sister agencies of international calibre; ▪ Exposure to and cross-referral of international opportunities; ▪ Gives the agencies ability to assure clients that their works are being managed through one coherent network; ▪ Agencies' ability to position themselves as a 'locally based agency with high international possibility and dimension. 	<ul style="list-style-type: none"> ▪ There is always a 'lead' agency; ▪ Sharing existing body of knowledge and best practices centrally; ▪ Access to support in training and development of professionals from parents; ▪ Increased excitement and motivation of professionals in working with a team of international competences; ▪ Parents can be benevolent and supportive if subsidiary is meeting their performance targets consistently; ▪ Professionals are shared on a very organised and agreeable basis. Normally senior professionals are given incentive programs to go and work in other parts of the world. ▪ Subsidiaries benefit from value-co-ordination (the subsidiaries have easy access to global relationships already established in the global network); ▪ Lots of cross- cultural gains in covering different international markets;
D I S A D V A N T A G E S	<ul style="list-style-type: none"> ▪ Subsidiaries can lose control of alliance given the emphasis on financial performance; ▪ Subsidiaries find it difficult to maintain fluid communication and/or convince parents of their ideas or their own personal agenda on strategic development; ▪ Each 'non-dominant' subsidiary becomes a post-box with no ownership, no authorship and it becomes very political (little co-operation and creative work suffers); ▪ Having strong offices connected with light affiliations can very often be cause of tension and conflict in the network. Loose network relationships and self-interested sister networks also imply poor co-ordination and service quality; 	<ul style="list-style-type: none"> ▪ Greedy shareholders constantly pressuring for profits year after year is difficult in a creative context. It has demotivating effect through lost of key staffs and resources; ▪ Difficulty in assigning responsibilities across network since all sides are equipped with professionals who are bright people, very entrepreneurial and capable of delivering their 'goods' in their own way; ▪ Too much of interference by parent conglomerate (often forcing subsidiaries to conform to suit bigger clients' interests or too much of meddling on strategic issues) leads to political imbalances and tensions in the network; ▪ Friction among/amidst sister agencies in handling international clients; ▪ What decides in the quality of one agency vs. quality of another; ▪ Difficulties involved in fitting a large number of expert competences in one system given the professional or cultural egos and differing business interests issues.

Source: The Author (derived from data)

8.8 EXTERNAL FACTORS (EF)

The data gathered on the external environment of the MarComs agencies indicated a mix of several interrelated industry-level influences (in terms of market, cost, competition, technology, and government/regulatory) directly or indirectly underpinning the international development of these firms as well as the MarComs industry as a whole. The analysis process was able to organise most of these factors within Yip's framework of globalisation drivers. However, the effects of these factors on the strategic development of the firms were considered as being more simultaneous, ongoing, varying, gradual and dispersed over the last 20-25 years of the agencies' life. The paragraphs below describe the various explanations of the respondents on the external influences to have commonly affected the two groups of firms, the SMAs and the SAs.

Some of the key market factors outlined by the respondents were related to:

- The globalisation of culture, media and brands. According to the interviewees their clients were becoming increasingly international expecting agencies to become international by having completely separate marketing operations in every single market in which they operated. Global agencies had to cater for all sorts of global clients, expecting to have different interpretation of their brands in every single market. As one of the interviewee explained:

"It's actually clients that are building international agencies not agencies... You had all kinds of fundamental changes taking place in markets all round the world so that you could do something in more than one country, and of course at the same time, media became more global. Suddenly you would sit in front of TV and you could watch the same MTV as anywhere else in Europe... You were getting 'Hello' magazines while 'Ola' magazine in Spain, so much of these publications reflect on the globalisation of culture that has been going on where people can increasingly respond to the same stimuli in more or less the same manner." (*Case B, also supported by cases F, J, N, O, P*)

- The fragmentation of media, complexity and segmentation of society and horizontal commonalities of markets:

"... in general it's a multidimensional picture. The market is more complicated than it seems, it is at a constant pace of evolution, media is more and more fragmented with increasingly availability of miniature technologies, society is more complicated with more defined consumer groups and simply defined strategies might not work. Agencies are aiming to deliver full-service integrated marketing communication services in order to create consistent service delivery rather than looking at advertising as marketing communication practice on its own" (*Case I*).

The interviewee at case H added that:

"I think the way in which the international global advertising industry is configuring itself is shaping and differentiating the distance between consumers in one market to another. Not only in terms of

geographical or cultural distance but also in terms of 'generation distance', i.e. younger generation in one got more or less the same taste and appeal as a young generation in another market vs. older generations (Case H).

- Trend towards the international marketing of advertising services:

"There's no longer a great demand for local advertising services and certainly technology means that we can handle and carry out advertising assignments wherever we are based and whichever market we are targeting" (Case C).

Some of the key competitive factors outlined by the respondents were related to:

- The increasingly complex nature of resource-based competition in the advertising business:

"I would describe the advertising industry as a very competitive one. There is no shortage of suppliers and quality standards in people businesses in my own experience can be very variable by which I mean that the quality of work that you get in an agency is still very dependent on which team you happen to get (e.g. creative team, account team, planning team). I don't think anyone has the kind of consistency in quality largely because we are dealing with a very abstract scenario. These are all people businesses, so our unit of production is the 'human being and there is nothing more complex than that. Human interaction is complex, creativity is complex and so are marketing strategies. You can get them right and you can get them wrong... they still have a bigger element of chance and variation due to the nature of the industry (Case J)".

- Convergence of other professional services in the pitch list of the MarComs agencies:

"Competition often extends across professional service sectors, depending on client's brand agenda. Today when we go for a pitch we find ourselves align against design consultancies, Internet specialists and management consultants. Who we are competing with depend a lot on the client's brand agenda, brand definition and strategies.... The fragmentation of the industry has paradoxically lead to the encroaching of some suppliers in other professional service industries who can claim to have some credible expertise in some parts of the pitch (Case I, F)".

- Rapid emergence of web competitors:

"We have seen more and more the emergence of Web-Only agencies. These agencies have been responsible for erosion of some of our client base but they do not face a significant threat they are generally made of IT specialists and software developers rather than marketers who know how to communicate with the consumer" (Case B).

- Competitive effects from complementary industries – like the media industry.

"... The media buying industry will end up with three or four global players. They will be increasingly working with clients and their intermediaries to squeeze out revenues from the media providers. It won't be simply getting money out of them for media spaces" (Case O).

Some of the key cost factors outlined by the respondents were related to:

- Low cost barriers to expand internationally:

“Costs, in general, did not stop the agency from expanding internationally but they did prevent us from potentially taking advantage of the immediate opportunities emerging from the market” (Case O). Case P argued that mainly so because of the nature of the business: “Economies of scale do not exist in the traditional economic sense in this industry. Every client needs is unique and every client’s demand for a creative product is unique. You can begin to export some processes of service delivery, how you think about strategy, how you work with clients... but essentially the economies of scale does not exist given the nature of these processes or service delivery (Case P)”.

Some of the key technology factors outlined by the respondents were related to:

- Technological developments in the form of information and communication technologies (ICTs) has enabled more effective global communication and global portrayal of brands for the agencies and client firms alike:

“There are technological implications in terms of service delivery, constant exponential development of softwares and internet technology, and other related aspects such as data management, targeting, handling, analysis and evaluation. So the product itself is always being moved up and in becoming increasingly high-tech culturally. In terms of internal modus operandi, technology has a key role because the world is now interactive and reshaping up thinking and getting used to electronically very fast response time is important”. (Case J)

“... we created a website to bring consistency in our identity as an agency and communicate one message to our clients domestically and internationally” (Case F).

“Technology allowing communication concepts to be delivered globally and leading to the emergence of new set of skills and disciplines; and more diverse forms of mass communication Technology has been a great enabler in the management of internal processes and production systems. New forms of information technologies allows things to be handled in a different way and enhances agency’s ability to deliver higher level of creative product across wider geographic area. But it has also brought as much in terms of challenges (in terms of nature of fragmentation of media, nature of less mass audience) and opportunities (new service development)” (Case P).

“... People’s television viewing habit is increasingly fragmented so it’s much more difficult to reach people exclusively through television. So you have to find ways through other media. So that means being much more media literate and also media neutral in terms of the advice we give to clients... We need to find more multimedia mix of activities to reach our different audiences in different places and times... with improving technology television is no more the most sensible way to allocate client’s resource” (Case B).

Some of the key regulatory factors outlined by the respondents were related to:

- Regulatory factors have varying influence on the service delivery process of the MarComs agencies, mainly because:

“Nature of regulatory factors varies from market to market or culture to culture. Some markets are harder to define than others and not all of them are structured and regulated.” (Case P)

“Regulatory factors will have implications for the industry depending on the way in which new technologies will be regulated as this will challenge a lot of existing infrastructures in the advertising and media industry. Global purchase of media is not possible at the moment”. (Case O)

“Multinational agencies need to be aware of local market issues while working across international markets. Agencies have to be aware of different client requirements in different countries and be able to do that they have to be aware of the regulation and advertising codes of the different countries. The clients usually advise agencies on those. France and UK are pretty strict in that respect and ads produced in these countries are pretty much accepted anywhere in Europe”. (Case F also supported by cases J, N)

Other factors

- Distance and time shifts influenced Case H’s international location decisions.

“... “Time and distance shifts are the only reason why we opened more offices worldwide... (Case H)”.

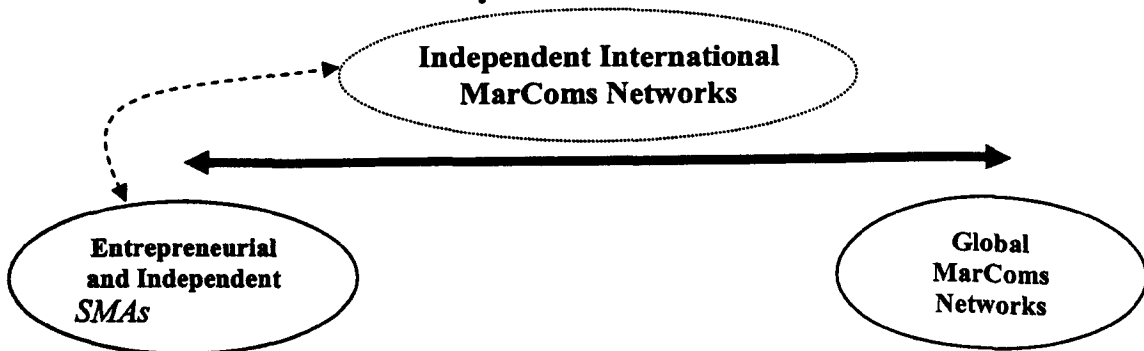
8.8.1 Organisation and Structure of the MarComs Industry: The Respondents’ perspectives on its present and future.

According to the respondents, the above factors have invariably had an important impact in shaping the present structure during the last 20-25 years. The executive of Case H quite succinctly described the present state of the industry in the following manner:

“...The advertising business, in general, has become increasingly connected and concentrated and as clients have grown and expanded further in their quest to internationalise. On the one hand we have the global networks and the other end is dominated by a small amalgamation of entrepreneurial and focused/talented agencies looking at the local client bases in domestic and/or regionally close international markets. The consolidation process has created an important gap with room for lots of opportunities at the same time”.

The description tallies with the literature review in Chapter 4 of this thesis which depicts a similar picture when discussing the structure and organisation of the international MarComs industry in the light of its globalisation. Diagrammatically, this description can be presented as follows:

Figure 8.6 : Respondents’ views on the Structure and Organisation of the International MarComs industry



Source: The Author (derived from data)

The data, therefore, helped to reveal two levels of network development in the industry:

(i) Independent International MarComs Networks. The independent international (multi-local) agency networks were found to be set up mostly by a group of independent entrepreneurial SMAs, as part of their 'internationalisation' process. While this was strategically a defensive response to the globalisation pressures by these firms, growth and new business development through these networks was achieved on an irregular (informally established) basis (Case G). That is, either the agency was proactive and looked for a partner experienced in a previous working relationship it could therefore trust, or would co-operate with an agency in a different market recommended by a common client.

(ii) Global MarComs Networks. The global MarComs network structures largely referred to the worldwide networks owned by global marketing communications conglomerates. Two principal features characterised these networks. First, the scale and scope of these networks are clearly recognisable by looking at the size, breadth and depth of international configuration and integration of the multinational agencies (MNAs) in the industry. Second, their internal dynamics were largely governed by a wealth of tightly managed and motivated small business units or subsidiaries. In essence, global networks were much more pluralistic entities/bodies and not just dots on the map in every major market or major cities in the world. Most of the smaller business units were specialised in different communication disciplines or specialised in different client segments they could capitalise on.

On a forward-looking note, the data predicted two industry trends that would affect 'international strategy' of different agencies in the coming five to ten years. First, as one of the interviewees explained "...*global networks are expected to grow bigger become more powerful/ and eat each other in the process and more innovative forms of international network structures will emerge*" (Case A). A number of reasons were extrapolated to support this trend, for instance;

- Clients are constantly looking for global marketing opportunities.
- Agencies are increasingly pressured to control their costs and quality of service globally.

- Agencies are constantly looking for ways to innovate and generate new businesses globally following the business models and case studies of other professional service industries.

Second, there is a “relentless and unstoppable” trend for agencies to consolidate further with other psychically close or complementary industries, i.e., firms from the Media Industries or other professional services industries.

In summary, therefore, if the industrial organisation perspective is taken, there is support for the view that external factors have directly or indirectly affected the international strategic development of MarComs agencies. Accordingly, the findings support the following analytical inferences:

- The external influences characterising the MarComs industry were interrelated, particular to the industry and arose from a mix of the globalisation drivers incorporated in Yip’s framework. Market and competitive drivers, however, seemed to assume prime significance for the MarComs agencies included in this study.
- The level of proactivity or responsiveness towards industry factors varied from agency to agency, depending also on whether they were a SMA or a SA, or again the type of clients’ markets they were servicing.
- Moreover, the effects of external factors on agency firms were antecedent, ongoing and occurring at a much broader level in the industry, hence the varying degree of influence or relevance for the international strategic options of the agencies.

The above inferences concur with the speculations made in Chapter 4 on the key trends and developments likely to affect internationalisation in the MarComs industry in the next 5-10 years. The significance of the technological factors, for instance, in keeping with the arguments of Kitchen and Schultz (2000) on the impact of digitisation, Internet and technology on the industry. Similarly, Fletcher’s (1998) idea on the sophistication of consumers and the trend towards global integrated advertising (Anholt, 2000) are equally supported. Further, referring to the conceptualisation of ‘external factors’ in Chapter 5, the above findings support the contention of the framework that a number of distinct industry level influences, emerging primarily

from the globalisation of the MarComs industry, affect the competitive advantage and international strategic options of the firms (this is supported by Lovelock and Yip (1996) and Lovelock (1999)). From the industrial organisation perspective, this view is, therefore, consistent with the contention of various international business and strategy researchers (the like of Porter, 1980; Hout et al. 1982; Yip, 1992; Johansson and Yip, 1994; Birkinshaw et al. 1995; Mauri and Michaels, 1998). These authors, accordingly, highlight the significance of global industry drivers on the strategy and performance of manufacturing firms.

8.9 (SUSTAINABLE) COMPETITIVE ADVANTAGE, (s) CA

Referring to the conceptual framework of this study, further analyses of data with regard to the competitive advantage of the agencies suggested that the internal and external constructs held important implications as the sources of such advantages, and at the same time helped to sustain them.

8.9.1 Internal Influences and Competitive Advantage (CA) of MarComs Agencies.

Overall, the data helped to demonstrate that the competitive advantage of MarComs agencies was primarily internally driven. This was firstly supported by one of the key assertions made with respect to the internal organisational influences of SMAs and SAs (see Table 8.7). Indeed, common to both scenarios were the significant interdependencies that existed between the organisational variables and how these interacted to competitively leverage the key resources and capabilities of the respective agencies. Secondly, such interdependencies and interactions were subsequently emphasised as key sources of competitive advantage because the data illustrated the primary significance attributed to a strategic blend of people-based capabilities (individual, team or managerial) underlying the core of the idiosyncratic internal environment of the MarComs agencies. As one respondent succinctly argued:

“... Agencies are in the business of selling ideas and ideas come from people, as oppose the incidence of ideas that can be improved by training. So management’s main concern is how to inspire people to use their maximum potential while directly trying to help their skills and creativity.”

This significance of firm-level influences as prime sources of competitive advantage is further substantiated by the respondents’ descriptions of what constitute the basis of their agencies’ competitive strengths. These are summarised in Table 8.7 and accordingly discussed below:

8.9.1.1 The Small and Medium Sized Agencies (SMAs)

The key to the competitive advantage in SMAs was the managerial competences of the agencies defined primarily in terms of their experience, skills and talents, business knowledge and intelligence as founders/senior partners. This was characteristic of cases A, G and K. For instance, Case G described its competitive strengths as:

“... its application of in depth experience and seniority to clients problems”. The interviewee further explained that “... Putting these two together means that we can wrestle with a problem or an opportunity quicker, leaner way. And come out with better insightful and competitively-edged

strategies and business solution, followed by sharper creative solution and campaign idea that is because of breadth of experience, depth of experience and our application of experience” .

SMAAs were also observed to be concerned about their agencies’ reputation, more particularly, with regard to how they were perceived by their client firms. They were seen carefully to align and communicate their competitive strengths in such a way as to suit their potential or existing clients’ interests. Case A, for example described this as the “*perceived competitive advantage*”:

“... as an ad agency we attempt to create or shape our competitive strengths to suit the ‘perception’ of the client firms or mainly by what we want to be perceived as by our targeted audiences. The key question is: what will a client who is just about to start considering us working with look at?”

Supporting this argument Case J added that :

“... for small firms like us our success is all about our ability to align our creative capabilities with the strategic need of the clients’ commercial success. So, We need to communicate that clearly to them”.

8.9.1.2 The Subsidiary Agencies

SA (1)

As noted earlier, this category of subsidiaries were particularly recognised for their autonomous characteristics. In that respect, they had their own independence and authority on how they wanted to define or manage their CA. They did not show any obvious association with their parents or networks in describing their CA (particularly cases J, O). Notable exceptions in the groups were cases B and F who placed emphasis on their increased collective abilities when associated with their sister subsidiaries and their expertise with respect to their clients-market or sector specialisation (Case B, F). Case O, for example, avowed that its competitive strengths lay in the fact that:

“... we have a clear notion of where we are heading as an agency, we know what we sell. We create ideas that make a difference and we judge everything against that. We stand for creativity and we try to make it happen. To enable this, you have to make sure that people are settled, and you have the right organisation culture and structure to fit them all in.”

Case F, similarly, indicated that: “... our competitive advantage is in the collective ability of our senior people to maintain and continuously enrich the intellectual capital of the firm”.

SA (2)

Subsidiaries in this group were hesitant to discuss this particular aspect of the investigation. They either gave some broad explanations as to what constituted their competitive strengths or simply made no comment. The data gathered, however, helped to conclude that the competitive advantage of these firms depended on several

factors. These among others include: first, their direct association with the corporate identity of a global network; second, their ability to source from different knowledge bases and examples of best practices from across the network; third, on their ability to generate and fuel their businesses with necessary financial resources; fourth, on their ability to engage and service long-term client relationships, and fifth, on their ability to handle and service clients' problems on a global basis. As the executive of Case N commented:

"... we are a cash-rich agency with a global spread but more specifically our competitive strength is in our ability to handle client problems, not to say that we also produce brilliant creative work. Besides this agency has had long relationship in dealing with such clients as P&G, SmithKline Beecham and Mars. They have been with us for 30 years or more and there is a grudging respect between us created by the way we have trained our people to deal with them, hence prolonging the longevity of our relationships with clients."

Table 8.7: Key Characteristics of Competitive Advantage in Agency Settings

	Words/Adjectives/Expressions used to describe 'Competitive Advantage' by Respondents
SMA s	<p>Case G: Elements of CA consist of: "establishing strong relationship with clients, strong bonding between senior partners and professionals, good relationship with senior-end of client firms, ability to provide full service package".</p> <p>Case K - Elements of CA consist of: "innovative strategic capabilities, solid creative work, senior management personalities, strong culture, attractive workplace"</p> <p>Case M – Elements of CA consist of: "its intelligence and creativity as a firm, its good reputation for strategic thinking over clients' problems"</p> <p>Case A - CA was defined in terms of its ability to align its creative capabilities with the strategic need of the clients' commercial success.</p>
SA(1) and SA (2)	<p>Case B – SA(1)- Elements of CA consist of: its strategic expertise and experience as a firm with respect to the sector it specialised (financial services); commitment to creativity in that sector;</p> <p>Case F – SA(1) - Elements of CA consist of: " our individual professionals, our focus and expertise, our corporate culture, our ability to make our professionals work in local teams, our ability to maintain innovation in our specialisation".</p> <p>Case J – SA(1) - Elements of CA consist of: "sense of purpose as a business; drive, commitment and determination of management, financial management, resourceful people, strong culture, business knowledge and experience".</p> <p>Case O – SA(1) - Elements of CA consist of: " pool of talent and ability to manage those talents as flexibly as possible combined with scale-based and quality-based resources"</p> <p>Case E – SA (2) - Elements of CA consist of: "clear sense of direction and purpose as a business, clear market focus...";</p> <p>Case L/N– SA(2) - described CA in terms of their abilities to handle complex global clients</p>

Source: The Author (derived from data)

8.9.2 On Sustainability: Protection of Key 'People' Competences

Further analysis of data gathered on the competitive advantage of these firms helped to indicate how the agencies were managing the 'sustainability' of their respective competitive strengths. Theoretically, 'sustainability' is achieved when the skills and resources underlying a business's competitive advantage resist erosion or duplication from other firms (Porter, 1985; Barney 1991; Fahy and Smithee, 1999). In this scenario since the emphasis was on key 'people' competences of the agencies, discussions with regard to 'sustainability' focused on explanations of alternative ways utilised by the agencies to protect and retain those key competences essentially encouraging them to stay with the agency. The discussions below provide the respondents' perspective on why this was a crucial exercise. They also conceptualise on a triadic model that reconciles the key elements utilised by the agencies in their continuous effort to withhold their key competences within their respective organisations.

The 'Protection' issue. The agencies interviewed were noted to be increasingly pressured to protect their people competences. Two main reasons were identified by one agency: the first was the competition from other professional services gradually encroaching into the MarComs industry to absorb or drive away their talents by presenting better remuneration packages. Second, the relatively young make-up of an agency's staffs suggested low commitment and prevalence of a passive attitude towards its corporate culture. The transcript below substantiates both these reasons:

"... the marketing and advertising profession is notorious for people 'jumping around'. The average age of the people employed are between 18-35, a relatively young composition and their average amount of time they are going to stay on a job may be 18 months... at the end of the day there is only so much we can do to retain them or maintain their interest in the agency. People have to put their heart into the agency, if the heart is lost there is nothing you can do about that... but more importantly we are worried, as an industry, by competition from other professional services sector for graduates. Till recently, we have found ourselves competing with banks and professional consultancy organisations providing a better starting salary and packages. And there is also a growing tendency for trained professionals in the advertising business to shift sectors after two years of experience to work in banking or management consultancy sectors" (Case C, also supported by Cases M and P).

The 'Protection' framework. Given the above issue, three key organisational variables were identified to help in the protection of key competences, namely: the Human Resource Development policy of the firm, the Corporate Culture of the agency and the Remuneration/Financial rewards of the professionals. These variables

were repeatedly noted to underlie the various ways used by the agencies to protect their key competences (see Figure 8.7 below). While each of the variables is treated separately below, the key assertion of the framework is that ‘sustainability’ of competitive advantage in MarComs agencies was a processual exercise pertaining to the direct responsibility of the management of the agency. It demanded a holistic consideration of these three variables to enable an efficient mechanism within the agency or develop several courses of action to protect and maintain the interests of key competences within the organisation.

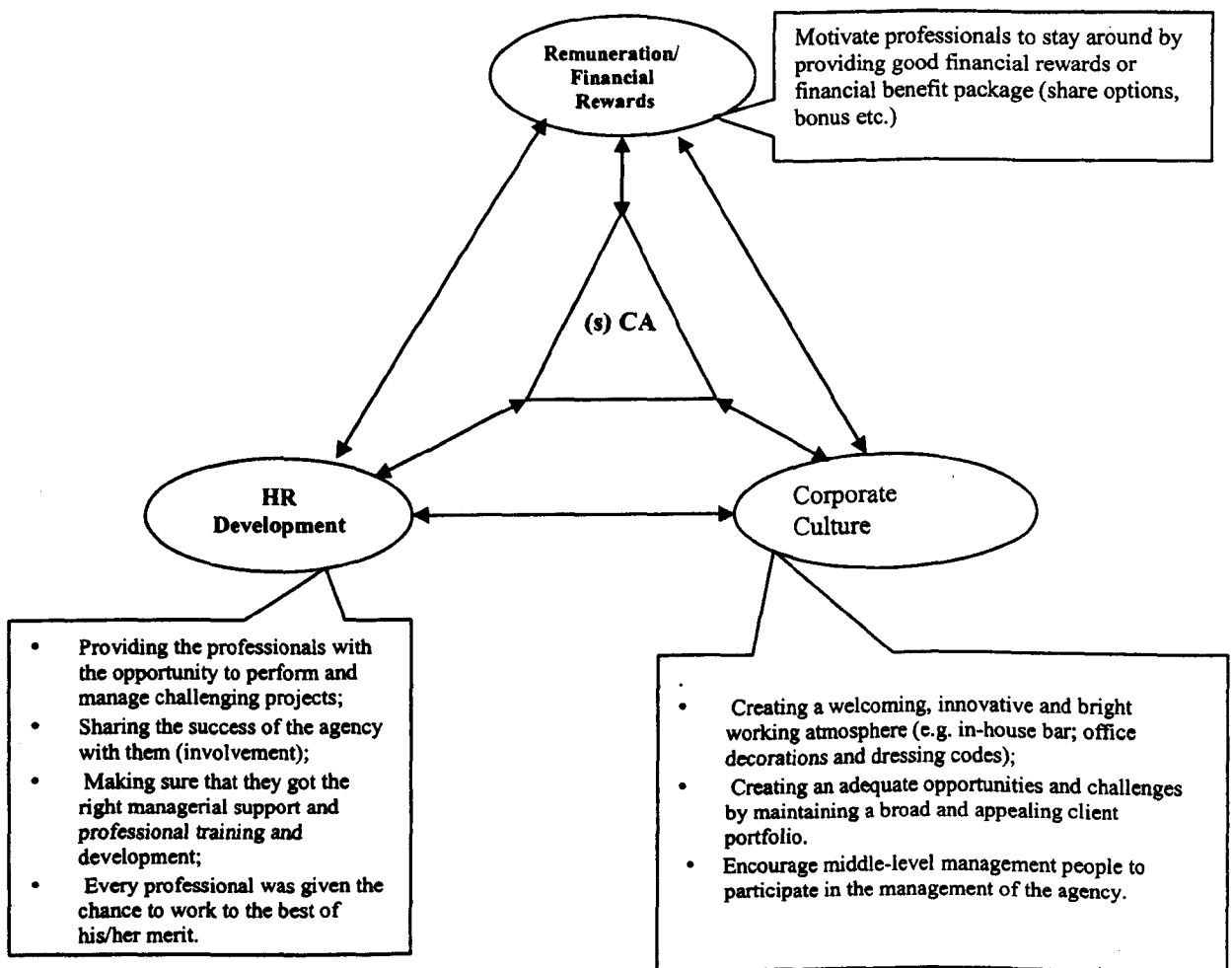


Figure 8.7: A Triadic Illustration of ‘Sustainability’ of Key Competences in MarComs agencies.

Source: The Author (derived from data)

8.9.3 External Influences and Competitive Advantage (CA) of MarComs Agencies.

With regard to the external determinants of competitive advantage, as assumed by the conceptual framework, there was insufficient data to assess the industry's environment as a reliable source for sustainable advantage for the agencies. The data, however, did provide nuances of evidence that help indicate the external environment as a potential source for competitive advantage for these firms.

For instance, referring to the findings on external factors, agencies seemed to have been inconsistent in their response and proactivity to take advantage of the opportunities and continual changes characterising their industry. Similarly, referring to the level of consolidation or integration prevalent in the industry, this draws attention to the significance of external industry-level linkages and networking amongst the key players or actors in the industry. Such processes, particularly in the case of SMAs, allowed them to embark on lucrative firm-level or project-based alliances. In so doing, these firms were also able to secure their financial strengths and complement their deficient advertising related capabilities and knowledge.

Moreover, the subsidiary agencies were able to benefit in similar fashion through collaborating with sister subsidiaries or parents to take advantage of emerging business opportunities or differentiate their service provision from that of their competitors. More importantly, in addition to the level of complexity inherent in their international business activities, a competitive service demanded that they give simultaneous attention to the global environment of their clients' industries as well as being responsive to the imperatives of the national culture of the targeted markets (Case N). Overall, therefore, it can be inferred that the external environment of the agencies held significant importance as a source of competitive advantage for the MarComs agencies. The benefits of this source of advantage, however, accrued to agencies that are entrepreneurial and highly proactive to external changes and opportunities, and possess the necessary resources and capabilities to capitalise on the continuously emerging industry opportunities.

In summary, from the above findings the following analytical inferences corresponding to the (sustainable) competitive advantage of MarComs agencies can be made:

- The key intangible resources and the system interdependencies underlying the internal organisational environment of the MarComs agencies acted as the primary source of competitive advantage for these firms;
- Specific to the SMAs, key organisational variables determining the competitive advantage of these firms were their intangible resources in terms of managerial competences, creative capabilities and reputation as an agency;
- Specific to subsidiaries in the SA (1) category, their autonomous nature implied that the intangible resources (that is, individual professionals and managerial competences), their specialisation (if any) and their indirect association with a global network are important determinants of their competitive advantage as MarComs agencies;
- Specific to subsidiaries in the SA (2) category, their competitive advantage was determined by their direct association with the corporate identity of a global network and benefits derived from the sharing of knowledge and capabilities in servicing multinational clients;
- ‘Sustainability’ of competitive advantage in MarComs agencies was a processual exercise pertaining to the direct responsibility of the management of a given MarComs agency. It demanded the holistic consideration of three interrelated managerial variables namely, the human resource development policy of the firm, its corporate culture and the satisfaction of the remuneration or financial rewards to the professionals, to enable efficient courses of action to protect and maintain the interests of the key competences within the organisation;
- The external changes in the imperfect and competitive environment of the MarComs agencies were potential sources of competitive advantage. The benefits of this source of advantage, however, accrued to agencies that were entrepreneurial and highly proactive to external changes and opportunities, and possessed the necessary resources and capabilities to capitalise on the continuously changing industry imperatives supported by Grant (1998).

8.10 CHAPTER SUMMARY

This chapter examined and discussed the key internal and external influences characterising the MarComs business and their implications for the international strategy and competitive advantage of the agency firms. The organisation of this chapter followed the structure of the conceptual framework underlying this study; this framework is presented and discussed in Chapter 5.

The 'internal factors' construct highlighted in the conceptual framework aimed at capturing the internal organisational and managerial influences on the international strategy of MarComs agencies. The data collection process and the subsequent analyses, therefore, concentrated mainly in exploring the issues in relation to the Strategic Intent of the firm (SI); its Corporate Culture (CC); its Corporate Structure (CS); its Management Processes (MP); and its Core Resource Base (CRB). The chapter presented the various perspectives gathered on these variables and the implications for international strategy, first, with respect to the SMAs (Small-to Medium sized Agencies) and then the SAs (Subsidiary Agencies).

With regard to the *SMAs*, the chapter argued that these firms shared distinct internal organisational characteristics compared to manufacturing and other service firms, all having varying influence on their ability to grow and internationalise. The examination undertaken illustrated distinct firm level influences in SMAs that are idiosyncratic to the nature of the MarComs services, the management styles and organisation of these firms. Also the chapter supported the following analytical inferences with regard to the characteristics of internal influences in SMAs and the implications for their international strategy:

In terms of the characteristics of the firm level influences, the chapter concluded that:

- Internal organisational influences of SMAs existed as firm, service and managerial characteristics. These influences are interdependent and primarily geared towards competitively leveraging the Core Resource Base (CRB) of the firms;
- The internal organisational characteristics of SMAs were driven by the agencies' needs to meet their clients' expectations;
- The internal organisation and operations of SMAs were purposefully kept dynamic, informal and flexible;

- Information and communication technologies (ICTs) assumed strong supporting roles in the management and administration of the internal environment of SMAs.

Again with regard to the SMAs, the chapter further discussed the implications of the firm-level influences on their international involvement and expansion. These interpretations here agreed with the manufacturing as well as the services literatures which identify firm characteristics to be important sources of differential advantages for internationalising firms. The chapter, however, suggested adopting a more comprehensive perspective on the different variables characterising the internal environment of SMAs (that is, people, culture and systems altogether), giving due consideration to their interdependencies and interrelationships. Accordingly, the following inferences were supported:

- Internal influences in SMAs are interrelated and these effect a combined influence on their growth and internationalisation;
- Linked to the above, the combined effect of the internal organisational variables has an important influence on the directionality of the international strategy of SMAs;
- Despite their interdependencies and interrelatedness, the different internal organisational influences exhibited varying degrees of significance in the development and implementation process of international strategy;
- The dynamic, informal and flexible management of internal influences in SMAs was a determinant affecting the successful implementation of their competitive international strategies.

With regard to the SAs, the chapter presented the various perspectives on these variables and their implications for the international growth and development of the two categories of SAs, SA (1) and SA (2). The chapter presented a similar picture of the internal environment of the SAs to that of the SMAs, and the organisational dynamics seemed to generate almost identical interdependencies and relationships between the variables analysed. The internal influences to international strategy are, however, characterised by a higher level of complexity. This complexity, in turn, was determined by a combination of such factors as: the characteristics of the MarComs services, the strategic capabilities and different the management styles and cultures of

the subsidiaries, the scale and scope of their international operations and, more importantly, the nature of parent-subsidiary rapport existential to the 'culture' of the global networks to which they belong. Overall, the data supported the following analytical inferences:

In terms of the characteristics of the firm level influences in SAs the chapter inferred that:

- Internal organisational influences of SAs existed as firm, service and managerial characteristics. These influences were interdependent and primarily geared towards competitively leveraging the Core Resource Base (CRB) of the firms;
- The internal organisational characteristics of SAs were driven primarily by the subsidiaries' local culture than clients' expectations;
- The internal organisation and operations of SAs were invariably kept dynamic, informal and flexible;
- Information and communication technologies (ICTs) assumed strong supporting roles in the management and administration of the internal environment of SAs.

Analysis of the implications of these internal influences for the international strategy of the SAs concluded that firm-level influences were important determinants of their strategic performance. The chapter, however, did not point to direct implications for international strategy per se, but instead to a range of strategic integration-type dimensions that seemed determinant of the international competitiveness of the subsidiaries in both categories: SA (1) and SA (2). The inherent complexity in the international businesses of these firms demanded certain strategic decisions (with respect to integration vs. responsiveness) to be made along some key dimensions pertaining to the international management and co-ordination of the growth and operations of these firms. Such dimensions were considered to be as follows:

- The degree of parents' intervention in corporate decisions relating to subsidiary's growth and strategy;
- The degree to which subsidiary uses its parents' (immediate or ultimate) corporate identity/reputation for its own strategic development;

- The extent to which multinational clients are commonly shared and serviced across the worldwide network;
- The extent of sharing of technology, knowledge, best practices or capabilities within the internal network;
- The degree of control over international advertising decisions (creative, planning and management) of subsidiaries;
- The degree of control over the performance (strategic and/or financial) of subsidiaries.

With regard to the 'external factors' construct, the chapter highlighted a mix of several interrelated industry-level influences (in terms of market, cost, competition, technology, and government/regulatory) directly or indirectly underpinning the international development of these firms as well as the MarComs industry as a whole. Accordingly, the chapter supported the following analytical inferences:

- The external influences characterising the MarComs industry were interrelated, particular to the industry and arose from a mix of the globalisation drivers incorporated in Yip's framework. Market and competitive drivers, however, seemed to assume prime significance for MarComs agencies included in this study;
- The level of proactivity or responsiveness towards industry factors varied from agency to agency, depending also on whether they were a SMA or a SA, or again the type of clients' markets they were servicing;
- Moreover, the effects of external factors on agency firms were antecedent, ongoing and occurring at a much broader level in the industry, hence the varying degree of influence or relevance for the international strategic options of the agencies.

With regard to the '(Sustainable) Competitive Advantage' construct, the chapter argued that both internal and external influences were important sources of such advantages. The competitive advantage of MarComs agencies, however, was primarily internally driven. Overall, the chapter made the following analytical inferences corresponding to (sustainable) competitive advantage of MarComs agencies:

- The key intangible resources and the system interdependencies underlying the internal organisational environment of the MarComs agencies acted as the primary source of competitive advantage for these firms;
- Specific to the SMAs, key organisational variables determining the competitive advantage of these firms were their intangible resources in terms of managerial competences, creative capabilities and reputation as an agency;
- Specific to subsidiaries in the SA (1) category, their autonomous nature implied that the intangible resources (that is, individual professionals and managerial competences), their specialisation (if any) and their indirect association with a global network are important determinants of their competitive advantage as MarComs agencies;
- Specific to subsidiaries in the SA (2) category, their competitive advantage was determined by their direct association with the corporate identity of a global network and benefits derived from the sharing of knowledge and capabilities in servicing multinational clients;
- ‘Sustainability’ of competitive advantage in MarComs agencies was a processual exercise pertaining to the direct responsibility of the management of a given MarComs agency. It demanded the holistic consideration of three interrelated managerial variables namely, the human resource development policy of the firm, its corporate culture and the satisfaction to the remuneration or the financial rewards of the professionals, to enable efficient courses of action to protect and maintain the interests of the key competences within the organisation;
- The external changes in the imperfect and competitive environment of the MarComs agencies were potential sources of competitive advantage. The benefits of this source of advantage, however, accrued to agencies that were entrepreneurial and highly proactive to external changes and opportunities, and possessed the necessary resources and capabilities to capitalise on the continuously changing industry imperatives.

The next chapter focuses on discussing the characteristics of the international strategy of MarComs agencies.

Chapter 9

Discussion and Analysis: Characteristics of International Strategy of MarComs Agencies

9.1 INTRODUCTION

The previous chapters provided a profile of the cases and discussed the set of key internal and external factors likely to influence the agencies' international strategy. Following the research objectives further, the aim of this chapter is to explore the characteristics of the international strategy (ies) of the MarComs agencies forming the sample in this study. To maintain consistency with the previous chapters, the discussions are structured first with respect to the SMAs and then the SAs. The chapter also presents case illustrations pertaining to each category of case firms to explain their international strategy process in greater detail. The chapter ends by discussing the views of client firms and industry informants on the findings of this study.

9.2 SMALL TO MEDIUM SIZE AGENCIES (SMAs)

9.2.1 Characteristics of International Strategy (ies) in SMAs

In general, the SMAs' focused their strategic growth and expansion primarily in the domestic markets in which they are based. As one of the interviewees pointed out:

"... our growth strategy has been to establish ourselves as a significant agency in the Scottish market. For us the national market (including Scotland, England and Wales) still holds tremendous potential and we are determined to make the most of that potential. We recently took a step in that direction and opened an office in London.... And this is opening whole new avenues for us, domestic as well as international" (Case A).

However, as identified in the opening chapter to the 'Discussion and Analysis' section, all the SMAs were also undertaking a certain degree of international business activities in that they all had some presence or were involved in at least two or more countries. In fact, the preliminary analysis of the internationalisation process of the SMAs in this study was characterised by three types of international strategies. The discussions below provide further evidence with respect to the above strategies.

9.2.1.1 International Client-Driven Strategy.

Clients were identified as the main influence on the internationalisation process of the SMAs in this study. Five out of the six SMAs (Case A, I, K, M and P) studied declared that they initiated their international expansion primarily on the back of their clients. Case A, for example, was appointed to undertake pan-European advertising for Honda which was willing to support the agency financially. Case I carried out its first international campaigns across Europe for GP Morgan. Case K was approached by its clients namely, Pizza Hut and Daewoo to undertake international advertising. Case M and P followed the requests of their major clients like British Midland, the Royal Bank of Scotland and Adidas to service them in other international markets.

Such international strategies were followed through in two essential ways.

First, by directly exporting the ads with some minor adaptation,

“... the first international advertising campaigns were pretty much straight forward activities because they were essentially British-produced ads or English language advertising ran on a pan-European level with some minor changes to adapt foreign local market conditions”.

Some form of this exporting was also domestically oriented as the agencies were also targeting at international brands willing to penetrate or already existent in the UK market “... you can work for clients who wants to go abroad and also work for international clients who want to carry out advertising in this country” (Case M).

Second, through bi-lateral partnership or contractual arrangements effected by clients’ referrals. Such one-to-one partnerships were organised either through the international client (s) requiring servicing abroad or through the agencies’ own efforts to search for a local partner in the foreign market(s) to collaborate and introduce the project (s). As the interviewees explained :

“... we follow our international business opportunities either through our affiliated independent agencies spread across Europe or via our clients who ask us to contact their local agencies in other markets and encourage us to work together. But it’s usually on a project by project basis” (Case K and I).

The downside to this strategy, as construed by the respondents, is that it carried a number of resource-related and co-ordination challenges. First, the SMAs felt that they were in a way “ *at the mercy*” of the international client(s) they were trying to service for their domestic success. In many instances they were urged to undertake international business even though they felt ill equipped in terms of the necessary capabilities because not doing so would give a wrong impression to their

corporate reputation and therefore constitute a threat to their domestic business. Second, projects carried out internationally on a partnership or contractual basis were double edged: on the one hand such opportunities helped the SMAs overcome their resource-related deficiencies and on the other were very short-lived and very often developed into a situation where it was difficult to follow through further international business opportunities once the project was completed. Underlying this were often disagreements around such issues as their incompatible corporate culture, the remuneration policies of the different agencies, decisions over where the creative works were to be carried out, and clashes over the poaching of key competences. As the executive at Case M explained

“... we suddenly had to deal with a culturally very different company. The difference is that we had to work at a much more fundamental level to get their trust and respect. For instance, we had to employ somebody who spoke their language. It was those cultural issues which had the biggest impact in the relationship. Plus the projects we handled were bigger and more complicated but that’s a question of degree rather than anything else”.

9.2.1.2 International Market –Driven Strategy.

This strategy, strictly speaking, signified a firm level strategy depending primarily on the SMAs international entrepreneurial initiatives and their own proactive interests to internationalise their domestic activities:

“... one of the reasons why we internationalised is straight proactive new business development.... There is hell of a lot of new international business opportunities out there just waiting to be tapped in” (Case G).

In the majority of cases in this study, such strategies were built on or pursued from the continuous process and success of following clients in internationally. The agencies in this sample were observed to execute this strategy in two principal ways.

First, through the firm’s own entrepreneurial motives and initiatives to penetrate international markets with existing capabilities and experiences. Case P, for instance, after a successful period of international success with Adidas in Europe, was requested to pursue advertising on its behalf in other parts of the world. In doing so, the agency started exporting (with professionals travelling abroad) and subsequently established various start-up offices internationally and started undertaking new businesses in foreign markets to maintain the profitability of their small international network of offices while penetrating new markets:

“ following Adidas, we started developing solutions and exported to key European markets and across the whole of Europe. Then it probably got to a stage where some of our work is being used in Asia , some in America. We found that we needed to grow and we opened offices in France, Italy, Spain and the US. We also realised that we needed a mixture of both centrally produced creative work which would then go across all of Europe and we needed to supplement that with some local work and in particular within sports where culture sensitivity is so important. Since, all of our offices have been start-up offices and the way we did it is that we prioritised the appointment of key creative staffs first from UK who would be the leaders of the agency and recruit local staffs for account management purposes. It’s being more towards achieving a balancing act in the process.... After establishing the offices, pressures started building up to finance and manage them and so we capitalised on our strong corporate brand and international experience to encourage our local offices to undertake new businesses in foreign local markets... this allowed them to grow and survive in a consistent way”.

The second mode of implementing this strategy was again through partnership or bi-lateral arrangements between agencies. Such network affiliation often emerged from informal relationships between agency heads or clients’ cross-referrals as explained in the case of client-driven strategy. Depending on their cultural compatibility, their entrepreneurship spirit and the available opportunities, if two firms had successfully worked together on previous occasions, they were prone to pursue further international initiatives through that partnership (Case M).

The success of this strategy depended on the international reputation, experience and financial capabilities of the agency firms. Being entrepreneurial internationally carried its own risks and the agency faced their own management and co-ordination challenges:

“... having established our offices we were faced with such pressures as the ability to generate enough income to cover overhead costs of agencies, to establish the right ‘nucleus’ of top management in different markets (a nucleus consisting of creatives, account management and planning expertise); to provide enough support to local offices to grow while giving them the autonomy they need to have an expression of their own identity” (Case M, P).

9.2.1.3 International Network-Driven Strategy.

The international network-based strategies implied an integration or consolidation process by the SMAs, which consisted of either: joining independent international networks or ‘renting out’ the international capability of an already established global Marcoms network based on some form of contractual agreements or again ‘selling-out’ to a global MarComs conglomerate in the pursuit of either client-based or market-based opportunities (or both simultaneously).

As explained in the previous chapter, the independent international MarComs or agency network is a new but growing phenomenon to characterise the international

MarComs industry. Three SMAs in this study were noted to be part of such a network, namely Cases G, M and P. Case G, for instance, joined an independent international agency network and accelerated its internationalisation by expanding into three or four markets at the same time. Box 9.1 illustrates the formulation and implementation of this strategy in case G. Case A, alternatively, furthered its internationalisation effort by accessing (based on contractual agreements) the international capability of an already well-established global MarComs network to service its international clients

“... we are having to implement our advertising in three countries simultaneously and we are doing so through HAVAS which is an already established global network in those markets... we did so by hiring the capability of the network on the basis of a contractual relationship”.

Or again the firms simply chose to ‘sell out’ to a global conglomerate if the right opportunity presented itself. This strategy is supported by evidence provided by a few subsidiary agencies which sold themselves out as SMAs to a multinational agency or global conglomerate network. Two cases (Case C and J) were observed to have adopted this strategy in the past and both firms were also observed to have an international/global strategic intent at their set-up as small agencies. The agencies explained a number of reasons for this strategy:

- Financial support and confidence: “...*the global networks have the power to enable the agencies to enact any part of international strategy they wanted*”;
- Consistent business growth, new business opportunities and challenges: “...*the agencies could ensure consistent revenue and profit growth as well as a wealth of interesting opportunities, strategic openings and challenges*”;
- Inheritance of or access to a wealth of knowledge and international experience.

The success of international network-based strategy, however, commanded a higher degree of discipline in communication and co-ordination of value creating activities. The case illustration (see Box 9.1) accompanying this section further deliberate these issues with reference to a specific company.

9.2.1.4 Diversification Strategies

Table 7.2 illustrated how the majority of SMAs interviewed were full-service agencies, although not all of them were providing media services to their clients. These firms had diversified into related and unrelated areas of their businesses in order to allow better client servicing while remaining competitive in the markets or niche specialisation. Case I, for example, following a change of management three years ago, broadened its portfolio of services to include financial services (still largest share); business services, professional services, consumer services, university, academic, computing, publishing etc. As the interviewee explained:

“... traditional mass advertising solutions are only part of the answer to a much more fragmented target audience and fragmented media solutions are prevalent in the market today.”

9.3 DISCUSSION OF KEY FINDINGS ON THE INTERNATIONAL STRATEGY OF SMAS

Taking an overall view of the above findings, it can be suggested that the international strategy of SMAs centred on two key motives: *first*, the management and servicing of existing clients. These encompass both internationalising domestic clients and foreign clients in the domestic market. *Second*, allowing for international growth by entrepreneurially undertaking new businesses or tapping into new markets based on the strategic resources and capabilities of the agency. In that respect, the research results do not support Edvardsson et al. (1993) and Roberts (1999) contentions that such firms move through various stages in their internationalisation process. Instead, it confirms the views of the ‘process’ school (see, for example, Welch and Luostarinen, 1988, 1993; Sharma, 1988; Bell, 1995 and Coviello and Munro, 1997). These authors argue that small firms do not necessarily follow a predetermined path of internationalisation and may include ‘inward’ and ‘outward’ patterns of internationalisation. Therefore a given agency can follow any single option or a combination of the above strategic options to permit its client-led or market – led motives to sustain its strategic growth. On the whole, the internationalisation of the SMAs resembled more "a mixture of strategic thinking, strategic action, emergent developments, chance and necessity" (Johanson and Vahlne 1990, p. 22).

Additionally, the following analytical inferences can be made in relation to the international strategic options of SMAs:

- The focus of the strategic growth and development of SMAs was primarily towards the exploitation of business opportunities in the domestic market where they are based.

The majority of the SMAs in this study emphasised that despite their growing interests to tap into international opportunities, their prime market remained the United Kingdom. They argued that the UK market was still lucrative with plenty of potential to capitalise on by servicing local clients as well as servicing foreign clients in the UK market. This strategic behaviour is not accounted for by the manufacturing literature on small firm internationalisation but is highlighted in the works of O'Farrell and Wood (1993), Edvardsson et al. (1993) and Roberts (1999) explaining the internationalisation process of service firms. O'Farrell and Wood (1993) argue that such behaviour is typical of firms which are located in major areas of agglomeration and are in frequent contact with internationally based clients, and Roberts (1993) describes this as a crucial stage in the internationalisation process where a firm engages in "domestically located exports" (p.84). This behaviour can also be explained from a different perspective by Edvardsson et al. (1993) who argue that such companies engage in international activities merely to leverage their performances in the domestic market.

- International strategy(ies) of SMAs was primarily client driven

Clients firms of the SMAs were identified as being the main drivers in their international strategy. According to the respondents, in most cases, they were the prime reason to internationalise. Indeed, the data pointed out that five out of the six case firms, declared that they initiated their international expansion primarily on the back of their clients. Such a strategy was preferred for the following reasons: *first*, in most instances it was an invitation from the client firms to act in support of their international expansion. Subsequently, it provided the firms with a secure step into a foreign uncertain market while at the same time protecting domestic businesses. Sharma (1988) and Leo and Philippe (2001) describe this reason as the 'reactive attitude' of the firms to client demands. *Second* it enabled the SMAs to overcome their size and resources –related deficiencies by entering into equity ventures with foreign local agencies.

This inference is strongly supported by some of the key works studying the internationalisation of ad agencies in relation to their manufacturing clients (see for example, Terpstra and Yu, 1988; Turnbull and Doherty-Wilson, 1990; Daniels, 1995; 1997; Roberts, 1998). It also gains support from such authors as Majkgard and Sharma (1998) who suggest the client-following motive as having determined the foreign market entry mode choice of service firms. It, however, contradicts the conclusion of such authors as Coviello and Corrs (1998) who suggested that client followership in the case of technical consultancy firms was mainly the result of continued demand, following successful international projects. Such international strategies were implemented in two ways: first, by directly exporting advertising campaigns and services with some minor adaptation to the foreign markets of their clients, and second, through bi-lateral partnership or contractual arrangements arranged through clients' referrals.

- International strategy of SMAs was also market driven.

Such a strategy depended primarily on the SMAs international entrepreneurial initiatives and on their own proactive interests to internationalise their domestic operations. Such an entrepreneurial orientation in the international strategy was more risky than the client led format. It was contingent on the SMAs ability to find suitable partnerships and to detect its own client targets or market needs. In essence this strategy demanded more proof for credibility and personal knowledge and the commitment of their managers for the SMAs to succeed in the foreign ventures. Therefore, amongst the success factors underlying this strategy, these included the international creative reputation, experience in international operations and the financial capabilities of the agency firms.

The above inference informs the literature relating to the internationalisation of the advertising industry (for example, Terpstra and Yu, 1988; Turnbull and Doherty-Wilson, 1990; Daniels, 1995) which discount such proactive market seeking and development behaviour in respect of small-to-medium size agencies. It is, however, strongly supported by literature pertaining to manufacturing and services SME internationalisation. Sharma (1988) and Leo and Philippe (2001) empirically support

such strategy from internationalising service SMEs. Majkard and Sharma (1998) highlight similar market seeking behaviours in the choice of foreign market entry-mode by service firms. And Carrier (1994) and Carson et al. (1995) note similar international entrepreneurial orientation in the strategies of small manufacturing businesses. The mode of implementing this strategy was again mainly through partnership or bi-lateral arrangements strategically pursued by the agencies themselves.

- International strategy of SMAs was network driven

This type of strategy implied an integration or consolidation process undertaken by the SMAs through network relationships. It encompassed such ventures where the SMAs were known to: join independent international networks or 'rent out' contractually the capability of an internationally established MarComs network, or again 'sell-out' to a global MarComs conglomerate. Any of these ventures were undertaken to accomplish either client-based or market-based opportunities (or both simultaneously).

Such network based international strategy implemented by SMAs is not mentioned for the advertising industry literature (an exception includes Roberts (1999) who observes that SMAs can leapfrog from one stage of internationalisation to another by merging with a global conglomerate). However, network-based internationalisation is strongly supported by both the services as well as the manufacturing literature. For instance with regard to knowledge-intensive firms Johanson and Sharma (1987), Sharma (1988) and Edvardsson et al. (1993) observe that network relationships have stimulated the internationalisation of these firms. Similar arguments are supported by Coviello and Munro (1995), Bell (1995) and Coviello and Munro (1997) who suggest that interfirm relationships are influential in the internationalisation of small knowledge intensive firms. Further, in contrast to the above authors the data suggested that the influence of network relationships on internationalisation can be more institutionalised, rather than personal, for example, through an established and formalised network of SMAs as in the scenario presented for Case G in Box 9.1.

- Linked to the above three inferences, SMAs were proactive in entrepreneurially undertaking diversification strategies

The diversification strategies noted in the case of the SMAs were in response to novel clients needs, the expected profit potential of the business opportunity (ies) created by changes in the market, and their strategic resources and capabilities of the firms. From the data, it can be induced that diversification strategies of the SMAs were meant to extend their capabilities and increase their potential to tap into a wider cross-section of client industries. However, the evidence was insufficient to explain whether such strategies developed from domestic to international markets in the case of these SMAs. Having said so, the services developed for the local clients were also put at the disposal of the international clients during the selling process. This inference is supported by Turnbull and Doherty-Wilson, (1989) and Daniels (1997) who explained how diversification strategies have been a strong basis for accelerated growth and cross fertilisation among agency businesses.

- Any or all of these strategies could be pursued simultaneously by a SMA and any of these can employ a combination of market entry and development strategies.

Overall, the results of this study show some variation in the foreign entry modes adopted by the SMAs. These appear to be a function of the clients, the degree of presence and control required in foreign markets and the managers' business network relationships (supported by Erramilli and Rao (1993). Foreign market entry strategies observed in any of the above international strategy scenarios adopted two essential modes: exporting and partnership or contractual agreements at bi-lateral levels. These were low involvement, low risk and rapid market penetration strategies (except for Case P which was using more committed forms of international involvement despite its size). Exporting was usually achieved through ICTs where the project was small but because of the interactive imperative of the advertising service, professionals were often sent abroad to service a given assignment. This is consistent with Roberts (1998, 1999) although she argues that the servicing of foreign clients was a different form of exporting by these firms. This preference for a form of exporting contradicts Boddewyn et al. (1986) who argue that exporting per se is only appropriate for service commodities. The partnership arrangement and contractual agreements were based on

the identification of the 'right' market opportunity, the need for outside capabilities, client referrals, or personal contacts. This is in particular agreement with Løwendhal (1993) who notes that PBSFs are extremely frequent with temporary co-operative agreements or alliances in order to complete specific projects. This is also confirmed by the arguments of the network school concerning internationalisation discussed earlier.

- Any international strategy type or any combination of the above strategies dictated a distinct set of internal organisational challenges relating to the nature and management of the advertising business.

Supporting an earlier conclusion noted in the previous chapter while analysing the impact of internal influences on international strategy, the data also suggests the above inference. Indeed, it is observed that the client driven strategy type, for example, carried its own resource-related and co-ordination challenges. The SMAs felt that they were in a way " *at the mercy*" of the international client(s) they were trying to service to achieve their domestic success. Similarly, being entrepreneurial internationally while following the market-driven strategy type carried its own risks and the agency faced pressures related to costs and the organisation of managerial competences. Again, successful international network-based strategies demanded a higher degree of discipline in communication and co-ordination of value creating activities.

Box 9.1 : Illustrative Case for SMAs

SMA: Case G

Background and Evolution

Four senior partners founded the company –Case G- in 1990 as a typical 'breakaway' agency. 'Breakaway,' because it is primarily a full service agency set up by four founding partners with an average of 15-25 years of experience working in multinational agencies like Publicis, Grey Worldwide and Ogilvy and Mather. Presently, its billings amount to over EUR 37.4 million and it employs around 20 professionals. It joined an independent international network called BRUSSELSLINKS Communications three years ago. Case G has grown consistently over the past ten years and integrating BRUSSELSLINKS has enabled and furthered its abilities to handle international businesses. It is presently servicing foreign clients in five main markets including France, Germany, Belgium, Italy and the US (New York) through partnership arrangements with sister agencies in the network.

BRUSSELSLINKS was founded in the 1980s by a group of independent small-to-medium advertising agencies. Established in Switzerland as a limited stock company with equity shared by key players, the organisation has grown to a network of 21 offices spread across Europe, a representation in New York and 7 joint ventures with local operators in Eastern Europe. BRUSSELSLINKS is Europe's second

largest independent network. It currently represents 12 international clients in 3 or more markets. Its group consolidated billings amounts to over \$609m worldwide in 1999.

Company Profile

	1998/99
Billings	EUR 37.4 m
Income	EUR 4.2 m
Number of People Employed	20

Main Markets:

France (sister-network agency)	EUR 91.5 m
Germany (sister-network agency)	EUR 46 m
Belgium (sister-network agency)	EUR 37 m
Italy (sister-network agency)	EUR 30
New York (sister-network agency)	\$ 180 m

Mode of Servicing International Markets: Partnership Arrangements and Joint Ventures

Proportion of Billings:

UK	90 per cent
International	10 per cent

Proportion of Client Base:

UK	80 per cent
International	20 per cent

Case G was founded with the corporate vision of creating a “*respected, productive medium sized high calibre agency that was manageable by four senior partners. And that provided an environment that was proactive and very fulfilling to work in, with a mission to help clients build better successful brands with great creative work and strong insightful strategies*”. Essentially, it represents a small-to-medium size agency deliberately set up in this way to enable regular and direct involvement by partners with clients in a ‘happy family’ style while handling their challenging businesses. Case G has no aspiration to join the top 20 or 30 lists of agencies UK but it has the ambition to be the best among agencies of small-to-medium size calibre agencies. Case G targets at ‘secondary and tertiary brands’ (basically brands that come second or third to leading brands in the market) and wants to be recognised for the quality of its creative work, strategic thinking and client servicing rather than the quantity of its works. In the words of the interviewee: “*We believe in our intensive care approach to clients. We aim to prove two plus two can equal five. We are geared to providing clients with business solutions that are both new (and imaginative) and advertising strategies that are truly different (and sharper). This approach challenges us to think- and act creatively, in everything we do. We strongly believe that if we cannot always outspend our competitors, we can outthink them*”

Independent International Network: Brusselslinks

	1998/99
Worldwide Gross Income	\$ 94.4 m
Group Consolidated Billings: Worldwide (incl. USA)	\$ 609 m
Europe	EUR 380 m
Number of Partner Agencies	21
Presence in Number of Countries	16

Source: Company Sources

BRUSSELSLINKS, on the other hand, aims to “*provide a close-knit group of owner-driven entrepreneurial advertising agencies covering the main markets of new Europe*”. It defines itself as an ‘unconventional European network’ with the resources and flexibility to tailor itself to the needs of its clients. It does so by:

- Drawing on local insights within carefully selected cross-border clusters, enabling itself to translate regional patterns into a streamlined European strategy: *"We have no egos and are accustomed to working in a framework where respect for cultural identities and understanding of respective markets are key."*

- By enabling co-operation between free-spirited entrepreneurs and not tied down by multi-layered bureaucracy. Partner agencies who are not owned by the network but the network is owned by them. For instance, Case G holds equity in Brusselslinks, but Brusselslinks has no share of ownership in Case G:

"... We are not blocked by multinational agency bureaucracy. We are a close-knitted group of advertising agencies, with each partner participating in the network's activities and sharing its profits. Our clients are dealing with local entrepreneurs in each of the markets they are operating in – and owners make better and fully accountable drivers. These are people who are keen to integrate, not ignore, cultural and social differences"

- By recognising and enabling central planning and monitoring: *"we have backed the network with an HQ Co-ordination Centre in Brussels with short lines of communication (including intranet), common procedures and staffed by professionals with international experience and language fluency. It is a system that works, regardless of which partner is the client's lead agency."*

Internal and External Determinants

Case G was propositioned by BRUSSELSLINKS three years ago and it joined that network because of a combination of internal as well as industry influences:

Internal determinants:

First, at its inception, the agency was founded by four senior partners with considerable previous experience in handling international businesses. So it was basically an international intent inscribed in the agency's DNA at set up.

Second, there was limited risk attached to the venture since the network was not going to share the company's equity but vice versa;

Third, similarity in the background and experience of firms forming the network. Most of the agencies in the network were all 'breakaways, set up with senior partners who had left multinational agencies and running secondary/tertiary types brands in the respective markets;

Fourth, compatible visions - because the network shared its philosophy that if you can't outspend your competitors, you can outthink them"

External determinants:

Defensive reasons – *"... We wanted to be recognised as an agency with international capabilities at the point of selection by the clients. Even though they might not be looking for an international agency we wanted them to be reassured that we had the capabilities if needed. So at minimal, it was a defensive one."*

Clients' call – *"... we were getting more and more of our clients wanting us to help them with their international expansion. Having declined these offers we would have made ourselves vulnerable."*

New business development – *"... it was just for straight proactive new business development. There is a hell of a lot of new international business opportunities there and with the network we were able to enjoy several new initiatives coming from member agencies which might want to come to UK."*

Directions of International Strategy

International Growth and expansion for Case G in such a network seemed to be working as in an 'osmosis'. New businesses and existing businesses' servicing is primarily handled through proactive use of the established network relationships or cross-referral based on flexible, non-binding contractual agreements. As Case G explained : " *We have started to export some of our accounts and works to other European countries and we have been handling some businesses coming from France and income is shared depending on the nature of businesses handled and contractual agreements drawn. Usually a percentage of the income goes a commission to the HQ.*" International businesses are handled in three ways in such networks: first, through the HQ going European-wide or global; Second, at a Satellite-level where two or more partner agencies collaborate to pitch for big international accounts at their own discretion and third, at a local level basically foreign market servicing of domestic clients.

Flexibility and Co-ordination: The very nature of independent international agency network is designed to avoid the red-tapism and bottle necks involved in multinational agency structures. And in that way, there is a degree of respect, relationship, autonomy yet consideration to key expertise being catered for when handling international businesses in the network. As the interviewee explained: "*...although we have our headquarters (HQ) established and common procedures set up, there are loose rules within the network structure. I don't have to take any business they want me to work on. They can't give me a cigarette account if I don't want to. This in no way means that I will lose my membership. In essence , we are part of a family and we respect each other's choice.*" Figure 9.1 below provides diagrammatic illustration of the directions of the international strategy (ies) of Case G

Key success factors and challenges

Essentially, the challenges facing Case G in such a network are the same as those they would be facing in handling domestic markets in terms of quality of thinking and quality of output. However, there are two main issues noted in the case of Case G which often act as deterrent in handling international businesses efficiently:

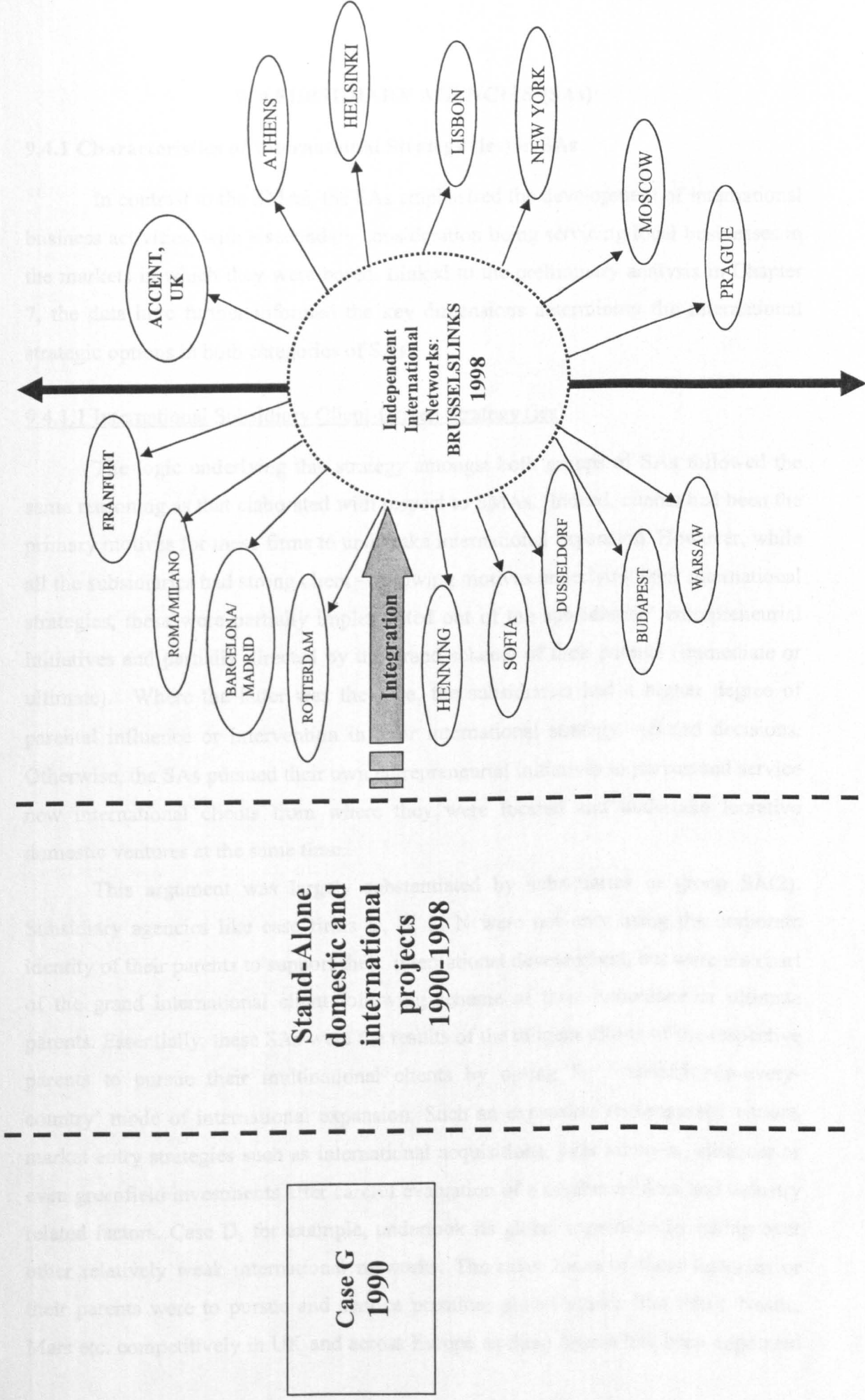
Clash of different agency cultures – Even though the agencies share more or less the same philosophies, they are very often not organised or managed in the same way. As the interviewee explains: "*... managing an international network is probably more complicated in the sense that there are different approaches to handling international businesses, different styles of management and different ways to go about strategy*".

Accounting for profits – It is very often difficult to draw the lines on the share of income and dividends in handling international businesses, unless partnership agreements draw precise guidelines on the financial arrangements.

In that respect mutual gain and mutual respect are the key to successful relationships in such independent entrepreneurial international agency networks.

Source: Author (derived from data)

Figure 9.1: Directions of International Strategy (ies) of Case G



Source: Author (derived from data)

9. 4 SUBSIDIARY AGENCIES (SAs)

9.4.1 Characteristics of International Strategy (ies) in SAs

In contrast to the SMAs, the SAs emphasised the development of international business activities, with a secondary consideration being servicing local businesses in the markets in which they were based. Linked to the preliminary analysis in Chapter 7, the data here further informed the key dimensions determining the international strategic options in both categories of SAs.

9.4.1.1 International Subsidiary Client-Driven Strategy (ies)

The logic underlying this strategy amongst both groups of SAs followed the same reasoning as that elaborated with respect to SMAs. Indeed, clients had been the primary motives for these firms to undertake international expansion. However, while all the subsidiaries had strong client –following motives underlying their international strategies, these were partially implemented out of the subsidiaries’ entrepreneurial initiatives and partially directed by the grand scheme of their parents (immediate or ultimate). Where the latter was the case, the subsidiaries had a higher degree of parental influence or intervention in their international strategy –related decisions. Otherwise, the SAs pursued their own entrepreneurial initiatives to pursue and service new international clients from where they were located and undertake lucrative domestic ventures at the same time.

This argument was largely substantiated by subsidiaries in group SA(2). Subsidiary agencies like case firms D, E, L, N were not only using the corporate identity of their parents to support their international development, but were also part of the grand international client following scheme of their immediate or ultimate parents. Essentially, these SAs were the results of the diligent efforts of the respective parents to pursue their multinational clients by opting for ‘an-office-in-every-country’ mode of international expansion. Such an expansion encompassed various market entry strategies such as international acquisitions, joint ventures, alliances or even greenfield investments after careful evaluation of a number of firm and industry related factors. Case D, for example, undertook its global expansion by taking over other relatively weak international networks. The main focus of these agencies or their parents were to pursue and service premium global brands like P&G, Nestle, Mars etc. competitively in UK and across Europe as these brands had been appointed

by their parents (immediate or ultimate) or themselves on a global scale. As the interviewee at Case E explained:

“... as a subsidiary in London we focus primarily on handling clients in UK and across Europe. Any international business recruited in this office is run from here and it uses other offices in the global network to service those accounts. The core creative work and account management is handled at the central hub in London and the campaign is then exported to local offices in respective markets for adaptation and delivery. But we can also be on the receiving end. Our parents in the US could recruit international accounts, where the main creative and account management work will be carried out. We would then act as a local office to service those international clients across Europe”.

9.4.1.2 International Subsidiary Market Driven Strategy (ies)

This strategy was where the agency had limited or no intervention of their immediate or ultimate parents and had to rely on their own entrepreneurial orientation and resources to foster their international growth while pursuing and managing their clients internationally. The client-following impetus was still at the basis of this strategy too but there was strong enthusiasm and concentration on exploiting new growth opportunities like penetrating new market segments and/or developing into new international markets at the same time.

This strategy applied to cases in group SA(1), namely F, H and O. Case O, for example, explained that:

“... our international expansion has been driven by our own initiatives mainly through a process of organic and entrepreneurial growth. Much of it has been acquisition-led but it has also settled down on partnership arrangements, strategic alliances and joint ventures. The expansions were basically through contacts in our global network while following our customers across the globe”.

Conversely, Case H exhibited a rather more proactive approach in that respect. As the interviewee explained:

“... we started by servicing three international clients Audi cars, Whitbread, and Levi's. These businesses had a tremendous influence on the pace at which we internationalised our business ... we, however, implemented this process in a rather distinct way. Instead of going for 'an-office-in-every-country' approach, we chose to open offices in locations we considered to be strategic for client servicing and business development across the globe. The location decisions were based on such factors as: their ability to compensate for worldwide distance and time shifts to facilitate business transactions; effectiveness and quality of global client servicing from those location(s) and the potential the locations offered for new business development and international regional market penetration. For co-ordination purposes, this strategy is supported by an efficient internet-based communication system and we attempt to keep our key services and expertise centralised within the main office in London as this is deemed to be a predetermining criterion for our success in this business”.

9.4.1.3 International Subsidiary Network-Driven Strategy (ies)

As mentioned in the preliminary analysis, this was essentially describing forms of piggybacking strategy (ies) which were implemented in a given global MarComs network either through (1) a sister subsidiary's network; or (2) the immediate or the ultimate parents' networks. This strategy applied to both groups of SAs identified in this study and the underlying motives aimed at achieving international client or market seeking (and development) objectives (at times both simultaneously). An example from each category of SA follows.

Given the size and spread of its global network and its relationship with its parents, Case B of SA(1) took the initiative to penetrate international markets through its immediate sister subsidiary in the global network:

“ We had worked alongside our immediate leading sister company to expand our activities in other parts of the world, particularly in Europe. And all along or in return it enabled the sister agency to benefit from our market specialisation and expertise in the financial services market while we initiated our own start-up operations. We were further supported in implementing our internationalisation strategies in terms of access to the infrastructural facilities of the immediate leading sister agency in the overseas markets. Now, our new ambition is to look at other equally or less dominant sister agencies in the global network and approach them to find new opportunities for support and penetrate international markets in other geographical areas. We coexist by enabling each other to benefit from our expertise, infrastructural support and market accessibility and knowledge support” (Case B).

This strategy, however, did not necessarily mean that the immediate sister agency was growing altogether. The latter could be stagnant though the overall global network would ultimately benefit.

The second example is that of Case C from SA(2) category. The strategy followed by this agency was more or less the same as Case B above but instead this subsidiary opted to grow through its immediate parent. Case C provided a good illustration of how this happened:

“ We owned three international offices under our own right but used the rest of the offices in the overall network to service our clients in various countries and to meet new business opportunities. At the moment we have offices in over 24 countries across Europe through our immediate parent's European network. In each of those 24 offices there are separate departments established which specialises in b-to-b, technical and financial markets. These are in turn monitored by the managers of the local offices who then report to me in London. We act as the core nexus in the overall network responsible for handling that particular market segment. All this co-ordination takes the shape of a matrix structure. Meetings are organised on a quarterly basis every year. This model has so far been successfully implemented across Europe. We are now planning to replicate the strategy across our parent's global network in North America, and Asia-Pacific” (Case C).

All the above network-based strategies governed their own management and co-ordination challenges. As one of the executives succinctly asserted:

“... In an age of network competition in this industry, how do you co-ordinate diverse disciplines and cultures together in one direction and work towards it? The challenge of every global network to be profitable and grow when everybody seems to be equipped with the same resources and capabilities and trying to grow in the same direction. And the lines between international advertising and other form of marketing services have blurred and to find the identity in a network becoming more and more difficult; attracting the best people in the industry and keep them loyal and happy to work with the agency” (Case H).

Table 9.1 below summarises some of the key success factors/key challenges faced by the executives of SAs of this study in implementing their international network-based strategies. The majority of these issues, as discussed in the previous chapter, primarily relate to managing the centralisation vs. responsiveness issue while co-ordinating and managing the CRB of the agency firms across the global network.

Table 9.1 : Key Success Factors/ Key Challenges in Managing International Network-Based Strategies amongst SAs

Agencies	Key Success Factors/ Key Challenges in Managing International Agencies
SAs	<ul style="list-style-type: none"> ▪ How to maintain and manage creativity when “... It is observed that as agencies grow bigger they become less creative” (they are in danger of running out of creativity)? ▪ How to handle pressure from shareholders in balancing financial requirements with people requirements? ▪ How to balance and manage commitment and responsibility as being part of a collective whole in a global network? ▪ How to enable co-operative teamwork; set common standards and maintain rigorous adherence to a global credo or global culture? ▪ How to maintain commonality and fairness in remuneration structure (common methodologies and remuneration)? ▪ How to manage teams in a creative and fluid way while they are entangled in a matrix structure? ▪ How to operate in several different markets at the same time and make sure that each of the SAs have the right set of resources and skills to fulfil the requirements of any number of people that are working together? ▪ How to maintain balancing act of integrating HQ corporate culture in a different geographical/national culture? ▪ How to establish efficient systems and/or structures to manage global network? ▪ How to manage people consistently across offices? ▪ How to maintain consistent satisfactory performance across offices in a global network? ▪ How to maintain client loyalty on a global basis? ▪ How to maintain a positive spirit of collectivism, collaboration, commonality yet competition across the overall global network? The transcript provides an interesting illustration of how agencies are breaking away from their headquarters in order to create their own identity/becoming autonomous over their actions and responsibilities.

Source: Author (derived from data)

9.4.1.4 International Diversification Strategies

As the preliminary analysis illustrated, the majority of SAs interviewed in the context of this research were full-service agencies, in that they provided a range of marketing communications services (including media services). The SAs in both categories, SA (1) and SA (2) were cash-rich agency firms and the product-based or market based diversifications were essentially adapted to the needs of the local markets and clients. Depending on their size and resource capability, they were either able to provide an integrated set of MarComs services or they were themselves part of their conglomerate's corporate diversification strategy, specialising in a given client or market segment and managed as autonomous business units. Cases D, N, for instance, had diversified into several service areas as they wanted to be perceived as a 'one-stop' local MarComs services shop for their clients while Cases B and C were specialist in financial services and business-to-business market segments respectively. But growth through diversification was a very popular strategy amongst all the subsidiaries. In support Case D's executive argued:

"...Advertising still generates the largest stream of revenues for us but this is where competition is concentrated and the hardest part is to convince international clients that you can still deal with other aspects e.g. below the line, through the line advertising. But we did it, we established one identity for our services' portfolio and drew on all our skills and resources across the organisation to further our ability to provide an all-round service to our domestic and international clients".

Several other reasons were noted to justify the need for corporate diversification. These included: increasing level of market sophistication; competition; the need to be innovative in terms of expertise development and talent accumulation. Such diversification strategy, however, accompanied its own set of management and co-ordination challenges which among others included such issues as directing the right talents to the right jobs; different marketing services disciplines commanded their own subcultures of their own; the need to create more autonomy between divisions which needed their own identity to survive in markets (e.g. PR).

A more in-depth analysis of the above strategies and the differences between the two models of subsidiaries are further illustrated in Boxes 9.2 and 9.3.

9.5 DISCUSSION OF KEY FINDINGS ON THE INTERNATIONAL STRATEGY OF SAS

Taking an overall view on these findings, it can be asserted that the same motives qualified the international strategic development of the SAs as the SMAs. However, the findings did not specify the various strategic options undertaken by the SAs to pursue those motives, instead, they further informed the integration-type dimensions discussed in the previous chapter. Having said so, the following analytical inferences are made with regard to the international strategy of subsidiary agencies.

- International strategy of subsidiaries in SA (1) category was primarily market driven.

This strategy was characteristics of subsidiaries in the SA (1) category which had limited or no intervention from their immediate or ultimate parents. Subsequently, these firms relied on their own entrepreneurial orientation and resources to foster their international growth while pursuing and managing their clients internationally. The client-following impetus was still at the basis of this strategy too but there was strong enthusiasm and concentration in exploiting new growth opportunities like penetrating new market segments and/or developing into new international markets at the same time.

- International strategy of subsidiaries in SA (2) category was primarily client driven

The logic underlying this strategy amongst both groups of SAs followed the same reasoning as that elaborated with respect to SMAs. Indeed, clients had been the primary motives for these firms to undertake international expansion. However, while, all the subsidiaries had strong client –following motives underlying their internationalisation, these were partially implemented out of the subsidiaries' own entrepreneurial initiatives and partially directed by the strategic orientation of their parents (immediate or ultimate). This strategy was pursued particularly by subsidiaries in the SA (2) category which benefited from strong parental support for their international development while being part of the grand international client-following scheme of their immediate or ultimate parents.

- International strategy of both groups of SAs was network driven

As mentioned in the preliminary analysis, this was essentially describing forms of piggybacking strategy (ies) which were implemented in a given global MarComs network either through (1) a sister subsidiary's network; or (2) the immediate or the ultimate parents' networks. This strategy applied to both groups of SAs identified in this study and the underlying motives aimed at achieving international client or market seeking (and development) objectives (at times both simultaneously).

- Linked to the above three inferences, SAs were proactive in entrepreneurially undertaking diversification strategies for domestic as well as international markets.

SAs in both categories SA(1) and SA(2) had undertaken or were part of the product-based or market based diversifications that were essentially adapted to the needs of the local markets and clients. Depending on their size and resource capabilities, they were either able to provide an integrated set of MarComs services or they were themselves part of their parents' corporate diversification strategy by specialising in a given client or market segment and managed as autonomous business units. These specific advertising services/segments/specialisation developed by the subsidiaries were used for their own as well as their parents' markets. This is more the case with firms in SA (2) than those in the SA (1) category as they had a direct responsibility towards sharing the servicing of multinational clients.

- Any of all of these strategies can be pursued simultaneously by a SA and any of these employed a combination of market entry and development strategies.

Compared to the SMAs, the SAs were observed using more committed forms of market entry modes into foreign markets. Case firms in the SA (2) category were established as a result of the diligent efforts of the respective parents to pursue their multinational clients. Such pursuits were accomplished through the use of various market entry strategies such as international acquisitions, joint ventures, alliances or even greenfield investments. Similarly, firms in the SA (1) pursued the process of international growth by mostly following acquisition-led strategies and others like partnership arrangements, strategic alliances and joint ventures. Overall, subsidiaries

in group SA (2) were able to opt for more high risk or high commitment strategies given the support of their parents than those in SA (1).

- Any international strategy type or any combination of the above strategies dictated a distinct set of internal co-ordination challenges relating to the integration and responsiveness SAs activities internationally.

The findings point to a number of distinct management or strategy-related challenges underlying the implementation of each type of strategies. These are summarised in Table 9.1 in terms of key success factors/key challenges noted by the executives of SAs of this study in implementing their international strategies. The majority of these issues are primarily related to managing the integration vs. responsiveness issues determining the strategic decisions.

Box 9.2: Illustrative Cases of SA (1)

SA(1): Case F

Background and Evolution

Case F- was founded in 1981 and is a leading direct marketing agency in the UK. Its billings amount to over £140 million and it employs more than 280 direct marketing professionals. Its immediate parent is Europe's biggest provider of direct marketing services, which in turn is a division of one of the largest marketing communications groups in the world (the ultimate parent). Case F has grown consistently over the past 20 years. It owns six offices (four across the UK and two overseas) and deals with a number of clients across Europe through partnership arrangements with its sister agencies. Case F is a horizontally integrated direct marketing agency which owns its own supply chain and manages a portfolio of five specialist service areas within the direct marketing discipline.

Company Profile

	2000
Billings (MMS)	£27m
Proportion of Billings:	
UK	94%
International	6%
Total staff employed	259
Proportion of Staff Employed:	
UK	94%;
International	6%
Agency Fee Income	£28m
Markets (International)	France, Netherlands

The basic management model followed by this agency is an overarching strategy and decentralised control. As an acquired company it commands considerable autonomy from its parents and implements its own strategic plans. As mentioned, the agency manages five specialist service areas within its administration, these include: database management; list broking, media, direct marketing, strategic communications consultancy

Internal and External Determinants

Case F attributes its consistent growth to a number of internal and external factors that have directly or indirectly influenced its strategic development. In respect of internal factors, management ambition to

expand the agency, the ability to develop personal relationships with sister agencies within the overall network, and shareholder returns are the prime factors that emerge from the case.

Internal determinants

Competences and Capabilities. - The predominant emphasis is attributed to the expertise and quality of work of the direct marketing professionals, as the core resource in the strategic development of the agency. Case F acknowledges that the key to its competitive advantage is the “*hearts and minds*” of its professionals.

“ ... we have a very strong individual entrepreneurial staff feudal heritage. Our strengths is in our people... in the ability to track and retain and develop the skills set of key individual talents... that's our heritage... and we are adding on to that the ability to make those key individual stars work together towards a common good”.

Case F employs 280-plus experienced staff with expertise in a variety of related disciplines – from the effective use of data and strategic consultancy to direct response advertising and e-marketing. Case F is very committed to maintaining and updating the key skill levels and abilities of its professionals. While most of its professionals are graduates and are all trained in-house, the company also seems to profit extensively from a number of programmes at the level of its parent's network.

Corporate Vision. Four essential concepts are at the basis of the agency's strategic vision and its value creation activities, namely, accountability, passion, challenge, and partnership. These are inscribed in the agency's ‘DNA’ and, according to the firm, are the values that make “ *the firm unique, defining the way it does business, its standards of service and its quality of thinking*”.

Agency Culture. The corporate culture of Case F promotes strongly the core values of the agency. But at the same time the challenge of management is to nurture an environment conducive to sustain such a culture and enable the professionals to work towards the common good of the agency. As the company notes:

‘we focused on things we can and we are delivery focused ... we are known as people who would deliver the client needs; hence our position in the marketplace is accountable marketing. We only do direct marketing and our culture is all about being on time, on budget, on brief’.

Agency Structure. As noted earlier, Case F is the direct marketing subsidiary of a global marketing communications group. The delivery of the majority of the company's services is focused on the domestic market, through various regional offices. Outside the UK, the Netherlands office specialises in charity businesses, while the French office provides general direct marketing and media services, together representing 6 percent of total billings. However, 40 percent of the firm's client base is still international and the agency profits significantly from international business generated through network interactions.

Management Processes. Despite an apparently creative and supportive culture, Case F has no internal management processes or integrated management systems to allow an adequate co-ordination of its different service structures or to benefit from the workings and knowledge of its professionals:

“ We are now beginning to get the chief execs to consider operating in conjunction with one another. We believe the strengths of our competitive advantage is getting our people to talk to one another, to work towards a co-operative culture; but we can't get them all to communicate at the moment.”

External Factors

As well as internal factors, a number of industry variables have both positively and negatively shaped the strategic orientation of the agency's expansion and market development over the past twenty years. While growth and expansion has been principally client-driven, a closer analysis of the data also revealed a number of other industry factors that indirectly affect the strategy of the firm. These are summarised as follows:

- Clients' need for strategic cost control and consistency of message across international territories;
- Availability of global solutions (local solutions increasingly adaptable across international markets);
- Availability of global media, horizontal commonalities of consumers across markets in terms of activities and attitudes;
- Global information and communication technologies and presentation of global brand identity;
- Competitive pressures from emerging multinational advertising conglomerates;
- Regulatory factors which limit the ability to collect data and access markets in a systematic way.

Directions of International Strategy (ies)

Underlying Case F's growth and expansion is the twin strategy of focusing upon what it does best as an agency while ensuring it is innovative and responsive to the changes and imperatives of the industry's environment. On the one hand the agency feels fully equipped and determined to accommodate further expansion: "*... we want to expand ourselves in a new market space with new services, and we are... looking at new geographical locations*". On the other hand it is facing the pressures of being locked into the global politics of its conglomerate parent network and adhering to the need to maintain cooperative teamwork, common standards and a global culture.

International Expansion. Case F is an agency committed to further its international expansion. It took a big step towards European growth by advancing a proposition to sell itself to the ultimate parent group six years ago, but so far its international operations are restricted to two countries Netherlands and France, through a joint venture and partnership arrangement respectively. Both of these international initiatives and some of the firm's domestic expansion were the result of *ad hoc* collaborations with some key individuals in the respective markets:

"... there are a lot of bright guys in the industry with whom you spent a lot of time and enjoy working with forming personal professional relationships... the Netherlands office, for instance, was set up on the back of a specific individual we have a strong relationship with and whom we met at a global convention in Amsterdam".

But along with this focus, Case F has systematically concentrated its effort to post-rationalise its strategy to strengthen the portfolio of services and direct marketing businesses it covers in order to better control its supply chain. Hence a number of diversifications have been undertaken in related service areas, and a number of companies have been established within its own supply chain:

"we've been big players in data for a long time, and now we've taken that on a stage further with the launch of a strategic consultancy company called Zalpha; and to keep up with the digital/media revolution we launched Digital"

Overall, three types of international growth and expansion strategies have been observed in this case. The first involves the firm's own initiative to grow organically by setting up international offices in countries where it may have a strategic advantage with respect to its expertise and the quality of work it produces. The second set of strategies are basically diversification-related, again depending largely on the firm's own initiative to expand into related or unrelated service areas. These to a greater or lesser extent are closely related to the firm's desire to gain greater control over its own supply chain or to collaborate further across its own networks. The third strategic direction relates to the company's entrepreneurial ability to profit from its relationships with parent and sister networks, within the framework of its parents.

Key Success Factors and Key Challenges

Case F postulates that two factors are hampering its internationalisation process at the moment. The first relates to the erosion of expertise and individual competences:

"cash is not the real issue... but the constraint is more in terms expertise erosion...when you have to make sure that you have to start any overseas office with the right people in place... so the risk is always linked to whether we have found somebody we can do business with or whom are we going to transfer from our local base".

Second, its international development is closely tied up with group politics:

"we look around for something that could be based on the consensus of New York policies but more than directly competitive to its strategies". However, ironically, a number of international business opportunities were unlocked through the immediate parent:

"a vast majority of business we do is not with [divisional] offices but instead with second stream direct marketing agencies that were acquired by [our parent] along the way, although this depends a lot on our plans to do so".

Co-ordination. Analysis of this case suggests that co-ordination is a crucial element in the success of an international strategy of such agencies. For instance, Case F is recognising that with international network interaction and integration comes the need to bring in teams of professional to work together with a '*common heart and mind*' and on the basis of '*common methodologies*':

" we are effectively getting co-operation at a senior management level when it comes to co-ordination with the mother ship but a lot is left to ourselves to control our operations in a very autonomous fashion.. so far, coordination is very centralised... we have managing directors in the overseas offices who effectively [undertake] sales by liaison, and everything else is done from here; so we approach the agency as one business and migrate our services and expertise to suit the local context".

Source: Author (derived from data)

Box 9.3 : Illustrative Cases of SA (2)

SA(2): Case C

Background and Evolution

Case C was founded in 1971 by a group of four partners. At the very outset of establishing the company, the founding partners had planned to sell the company after ten years of operation. They eventually sold out the company in 1980 for two reasons. First, the agency wanted to find a stronger partner they could work with; second, to gain access to the scope and scale of an international network. To date Case C is a primary business-to-business specialist in the overall network with in-house design and creative teams, media planners and buyers, print buying and interactive specialists, with responsibility for overall marketing communications of its clients. It is ranked as one of the best business-to-business agencies in UK specialising in the advertising of industrial and technological products.

Company Profile

	1998/99
Billings (Declared)	£22.9m
Proportion of Billings: UK	15%
International	85%
Proportion of client Base: UK	10%
International	90%
Total staff employed	42
Proportion of Staff Employed: UK	20%
International	80%
Agency Fee Income	£4.1 m
International Markets	Germany, France, Switzerland, Netherlands, Spain

Internal and External Determinants

Similar to Case F in Box 9.2, Case C depicted on the weight of internal organisational and external factors on its strategic development. While there were some similarities in the internal and external characteristics of factors of both cases, the main difference for Case C lies in the degree of intervention and/ or level of support provided by its immediate parent.

Internal factors

Competences and Capabilities. Case C explained the significance of its people in the following way: *"... agencies are in the business of selling ideas and ideas come from people and I suppose the incidence of ideas can be improved from training. In that respect we receive a lot of support from our parent. The management of our human resources is centralised and we are very serious about our recruitment process. Our recruitment is influenced by our market specialisation. Our training programs are organised from the centre and focus on leadership issues. We concern in inspiring our people to become leaders by trying to directly access their creativity..."*

Strategic Intent – Case C recognises the strength and importance at the centre of its strategic development as an agency. The SI has been an ever-present element in the company's strategic orientation since its inception thirty years ago. Eversince the SI has developed, been improved on and reworked upon as the agency has been acquired and grown successfully in its specialisation. The interviewee explained: *" we are a full service ad agency with specialist skills in business, finance and technology markets. this business statement is fundamentally grounded in the history, experience, skills and market specialism of the agency. It was not affected by our acquisition...since it was a vision welcome by our acquirer."*

Corporate Culture – Case C described its culture by emphasising on the quality, skills and its role in the protection of its people competences: *" culture is the hard-to-spell variable as it encompasses everything the company does to create the right environment to keep the workplace fun and challenging. This is crucial because our agency is full of bright people, which have been chosen primarily because they are clever, young, and who actually have a fair amount of fun working together. Management has more an attitude of a team builder in terms of taking care of its people and bringing them to work together..."*

Corporate Structure - Case C is mainly organised around the key functional areas of planning, account management and creative departments and every board meeting is governed in the presence of a representative from the immediate parent, *"given our size , we are essentially organised as a small-to-medium size agency. We have the board of directors, MD, the functional areas of planning, account management and creative, and finance and we regularly have a representative from our parent assisting us in our board meetings. We are given good autonomy to operate by ourselves. Our parents review our corporate plans, financial status and have selective intervention over client and management issues.. depending on how important it is to our success..."*

Management Processes – Case C provided no evidence of elaborated administrative systems at the basis its organisation. However it did mention that Co-ordination of clients' work and value-creation activities is achieved through knowledge based system established by the immediate parent and implemented across the network.

External factors

Case C noted that the industry is experiencing an increasing trend towards internationalisation. With specific reference to its development and area of specialisation, the interviewee commented as follows: *"I think a number of things have changed in that area with particular recognition of the importance of the brand in the b-to-b marketing secondly, the much more emphasis on international marketing. It has changed from the situation 20 years ago, companies in the home market did some export rather than casually to a situation where now they have to operate multinationally or internationally and the of course the latest change until recently has been the advent of the internet in the business. Our business helped by technology involves sending work around the world very quickly and getting feedback on those works . These changes point to the fact that there is no longer a great demand for local advertising services and certainly technology means that we can handle and carry out advertising assignment wherever we are based or whichever market we are targeting."*

Directions of International Strategy (ies)

The international strategy of Case C centres on servicing its existing international clients, building its international capability and experience to accommodate new clients. It benefits from international business both through its own initiative and through the global network of its immediate parent... *"... Each subsidiary has its own set of clients where relationships with the client are done on a contractual basis. Neither of our parents directly intervene if we contract a client through our own strategy.. but if the immediate parent contracts a multinational client then all the offices are automatically required to service that client as per the services required on an adhoc basis. In the latter case every aspect of managing the account and fee is centrally controlled by our parent and we are totally excluded from being directly involved in the process..."*

Co-ordination - Case C manages over 70 offices in 24 countries around the world. Three offices come under our direct administration and the rest are managed with support from the global network of its

immediate parent... " *In each of those 24 offices separate departments are established with the same orientation as us and they liaise centrally and directly with us in UK over different businesses.... The local managers of those offices have an immediate control of the businesses and our departments but they are eventually responsible for reporting to us.. we are the nexus for B2B clients in the global network... thus all co-ordination takes the shape of a matrix structure... and general meetings are organised over a quarterly basis every year...* "

The immediate parent presently holds a net billings of \$11 billion globally with 359 offices in 100 countries, employing more than 8500 people. In most local offices, it has a 50/50 mix between local and international clients. The 'business network' of the immediate parent is a specialist resource dedicated to international business and technical communications. In Europe, the Network brings together dedicated B2B teams in over 20 countries (Portugal, Spain, Ireland, France, United Kingdom, Belgium, Netherlands, Germany, Denmark, Norway, Sweden, Finland, Austria, Poland, Czech Republic, Russia, Switzerland, Slovakia, Hungary, Yugoslavia, Turkey, Italy, Greece). Through the network Case C is able to offer 'advertising' rather than 'literal' translations, check creative work for cultural acceptability, and provide information on markets, media and list sourcing. It brings together specialists who understand the complexities of business-to-business advertising. They translate their knowledge into well-branded campaigns with local orientation. " *Europe is a single market but a complex one. Business transactions and business people frequently cross-frontiers and so should brands. But at the same time there are diverse languages, business environments and management styles. The Network enables us to take account of important regional variations and, at the same time, to build consistent pan-European brand. The members of the network are specialists. They understand complex business-to-business products, distribution channels and buying processes. They offer a full range of media in the broadest sense. They provide access to creative skills across Europe to help you generate sales leads and build you brand....* "

This model has so far been very successful for Case C and it is actively planning to replicate it across the American and Asia-Pacific networks of its immediate parent...

Key Success factors and Key challenges

Creativity is endangered – " *It is observed that as agencies grow bigger and bigger they become less and less creative... we at the moment have problems co-ordinating our creative works.. success in this lies in the ability to align our professionals to produce good ideas... and sustaining and retaining those talents overtime* ".

Source: Author (derived from data)

9.6 THE INTERNATIONALISATION OF THE MARCOMS INDUSTRY: THE PERSPECTIVES OF THE CLIENTS AND INDUSTRY INFORMANTS

As mentioned in Chapter 6, p186-187, the purpose of considering the views of the client firms and the industry experts was to ensure that the findings of the study were a valid representation of firm strategy in the sector. Overall, the research findings were given "social validity" (Carter, 1999), as the clients and industry participants agreed that the understanding of international strategy presented to them was a plausible reflection of the perceptions which they had about the international strategy process of the MarComs agencies. This section details the views of these respondents on such issues as: the key drivers to internationalisation and consolidation in the MarComs industry; internationalisation and diversification strategies of the SMAs and the SAs; and eventually the key success factors determining the future of firms in the MarComs industry.

9.6.1 Influences to Internationalisation in the MarComs Industry

According to these respondents, the internationalisation of MarComs agencies has been closely associated with the ongoing consolidation process of the industry. These processes combined have had a significant impact on the strategic growth and competitiveness of the agencies. In effect, internationalisation and consolidation have led to an increased polarisation of firms in the industry, creating wider disparity between the operations of the small firms and the subsidiaries. In the opinion of these respondents, the presence of both types of firms is an essential characteristic of the industry as they co-exist to serve the diverse fragmented communication needs of the clients' markets. For instance the executives of Kwik-Fit Holdings and Scottish Enterprise suggested:

"... in my opinion all agencies have their place in the global market. Large multinational clients such as Ford and GM are always trying to globalise their brands and will inevitably look for an agency or network with a global reach. But not all campaigns carried out are actually global. We try and do what we feel is appropriate for our brand. So far we are to make commercials in local languages and using local media and it has proven to be a successful formula..." (Kwik-Fit Holdings Plc).

"... there is a common misunderstanding among many of the present global networks that they should fulfil all aspects of a client's communication plan. I don't think that's realistic. There will always be rooms for specialists in this industry and recent examples include why new-media agencies keep snatching a larger share of the agencies' opportunities. These companies won't replace the advertising

agencies in the traditional sense but they will be sitting alongside them in the pitching sessions... ” (The Scottish Enterprise).

The client and industry respondents suggested a number of forces underlying the related processes of internationalisation and consolidation, emerging primarily from the wider external business contexts of the agencies or their clients. Such forces included : the globalisation of clients or brands, the internationalisation of media, competition, financial pressures and the proactive interests of the agencies in international markets and opportunities. These influences were consistent with those identified and discussed with respect to the ‘External Factors’ construct in the previous chapter. To further illustrate, the various opinions are highlighted in the quotations below:

“consolidation is a major issue for the players in the advertising industry, it’s happening and it’s mostly about financial engineering...” (Scottish Enterprise)

“Consolidation amongst the ad agencies is their response to an increasingly global client network.. as clients we want to globalise our brands and it makes more sense doing that through one or two agencies rather than a disparate network of agencies” (Scottish Power).

“ ... by and large follow rather than lead and the major influences I think which have encouraged that change have obviously been international organisations, local organisation of their kinds the agencies that produced creative product and booked space, those functions have now become separated. And obviously the commission system no longer exists, so agencies have become much more about the production of brand strategies and brand executions, and, I think, particularly multi-national companies, are concentrating more and more on core businesses...” (The Advertising Association)

“... key influences have been the globalisation of client companies, the need for increased international business for the marketing departments of client companies; increased divide between local and international businesses; very low financial barrier to internationalise (all you need is an office and staffs); for defensive reasons – need to pick up influential international clients, an advantage while pitching since it protects other weak businesses/ weaknesses of the agency...” (The Account Planning Group)

“... the whole process took off in the 1970s and 1980s with globalisation of the brands ... brand owners became aware of the asset value of their brands and have demanded more and more consistency in the communication of their brands’ images across the different regions of the world.” (Institute of Advertising Practitioners)

“ ... the agencies internationalised mainly because of pressures from their clients (e.g. JWT developed on the back of GM). Pressures also came from within agencies as they were seeing opportunities in the international markets they were developing other than UK. So they moved from a reactive to a proactive stance in their internationalisation...” (Admap, NTC Publications Ltd).

9.6.2 Internationalisation and Small-to-Medium sized Agencies (SMAs)

In the opinion of the industry experts, internationalisation amongst the SMAs was a decision that faced enormous scepticism by their managers for two main reasons: *first*, because of the risks and dilemma associated with the dilution or loss of control over the quality of their creative works, hence their services; and *second*, because of the high level of uncertainty accompanying the implementation of international business activities. Both these reasons can be attributed to the SMAs in this study as they help support the inference that the strategic interests of these firms lie primarily in the local market they were based. These reasons are further illustrated in the following comments:

“ ... that's particularly a UK perspective because London agencies consider themselves to be the most creative in the world, and if you have a lot of international business it tends to drive your level of creativity down...and therefore most of the London agencies are in two minds whether it is a good thing (because it makes the agency grow) or bad thing (because it impedes on the creative freedom of the agency).” (Account Planning Group)

“ ... small firms are quite nebulous and international business is carried out in a very haphazard or serendipitous manner. Several factors affect their international business decisions, for example, the panic of going into the unknown, multilingual and multicultural differences, and knowledge of local media is limited ...” (Institute of Practitioners in Advertising)

However, when internationalisation was pursued amongst the SMAs, it was mainly implemented through various tactics and strategies involving a combined use of network-based alliances, exporting or by the increasingly popular web-based modes. Network-based strategies and partnerships were noted to be preferred routes to internationalisation as they ensured the financial and creative autonomy of the firms as well as signifying low commitment in their international involvement. However, the clients discredited such temporary alliances or partnership agreements as they distracted the agencies from working to the best of their capabilities to deliver consistently high levels of creative standards or intelligently to respond to pressures for adaptation.

“ ... these firms find it very to get to the point where they decide to internationalise. Once they reach there, they are faced with two options: 1) either sell themselves to major global networks; 2) get into alliance or club with similar other agencies. This club-route is particular of those agencies who want to retain their financial independence and protect their creative freedom by avoiding getting acquired. The primary objective of the SMAs is not always the need to become international as an agency but to raise cash for the owners that's why a lot of the SMAs prefer the partial acquisition route, signifying partial commitment...” (Account Planning Group)

“ ... the small agencies have essentially grown by getting acquired by multinational agencies or by exporting of their international services. For instance , such an agency can say We are going to a

highly creative agency in London and we do not wish have offices all over the world. So we will produce first class creative products and sell it to clients to be used internationally in their campaigns with no concern of any details in how it is handle elsewhere. There has also been the case of the web-enabled agencies, good examples are the ones based in New Zealand. They are English speaking, low cost and provide their services by interacting on the web..." (Admap, NTC Publications Ltd).

"I don't think independent agreements work. Everybody has their own agenda and they'll all fight for business. People that I've seen that have done them have gone back on that agreement and have ended up going into either buying a network or buying into a network that was already in existence. So I think I would have to say that they have to have common objectives to succeed. In which case, it would have to be a network, a group of companies that are networked as opposed to an independent agreement or arrangement" (Incorporated Society of British Advertisers Ltd).

" if you are small and wanting to internationalise the difficulty lies in getting the critical mass in any particular market you get into ... if you integrated into a network your main strength will lie in trying to build into the market in which you are based, reach consistently high standards of creativity in the market and act as a hub for the local as well as the international businesses of the network". (Admap, NTC Publications Ltd).

9.6.3 Internationalisation and Subsidiary Agencies (SAs)

The clients and the industry informants strongly supported the two key distinctions of subsidiaries underlined by the findings of this study. Further, clients were indifferent as to which networks they belonged provided the creative expectations were ultimately met. They suggested two main dimensions that determined the strategic differences between these types of SAs (SA (1) and SA (2)). The *first* relates to the corporate identity of the agencies and the *second* to the co-ordination differences that exist in their parent-subsidary relationships. To illustrate:

"... there two types of structures that are transparent across the global networks of the big players in UK. Firstly, you have those kind of companies which strongly identify themselves with their holding companies (e.g. Grey Advertising, Publicis etc.) and secondly those which are very separately branded agencies (e.g. the portfolio of companies under WPP)... The key differentiating factors are two-fold: the first relates to the corporate branding of the agencies and the second has to do with the degree of co-ordination exercised by the parent companies. For instance, in the like of agencies like Publicis there is more hierarchy involved in the operations of the company and more regular parental intervention, while in the case of WPP it's portfolio is made up of too strong and competing corporate brands (like JWT vs. Ogilvy) which makes any possibility of integration very remote and the firms more autonomous. In the latter case, holding companies like WPP is mainly accountable on financial matters, although there are informal intervention to co-ordinate client businesses, at times on a regional basis" (Account Planning Group).

"... there are two types of global networks in this industry with different structures altogether. There are the ones like WPP which consist of a loose federation of separately-branded companies, encouraging them to work together, and the ones like Interpublic or OMNICOM which seems to be much more of an American command and control mode. There is much difference in the way these networks co-ordinate and manage their activities. However, it needs to be mentioned that agencies in both these networks are to a large extent very customer-responsive. In that sense, they tend to set themselves up on a given account (like Ford or P&G) to provide the sort of service their clients want or appear to want. This varies enormously so that although an agency may want to behave in a certain way it still needs to adjust to its clients expectations which may support its existing structure. So in a

way none of the above are clear cut and I think that's what makes this business very difficult to analyse" (Admap, NTC Publications Ltd.).

"..... both would be appealing in different scenarios, wouldn't they? Depends how strong how the original agency brand is. Publicis has a very good reputation, very creative, very hard working, and they think that can apply to all their other group companies. Well, I think if you ask most clients they have no idea who belongs to what group anyway. Have you tried to actually get a map of who owns who? We tried to create one. It's impossible and it changes daily. You know, WPP bought another, what, 6 companies last week? You know, as far as clients are concerned, they don't really care. As long the brief can be cracked. At the end of the day, they're just interested in delivery, they don't care how they get to it, as long as it's transparent. So if they're using a group company, they want to know who it is, they want to know what the deal is, they want to see it broken down. They want to know that there's no, you know, double profit-making within the organisation and at the end of the day, it's just about whether they can deliver. I really couldn't say that the client would like one scenario or another. It depends entirely on the brief" (Incorporated Society of British Advertisers Ltd).

Further, the respondents also underlined a number of co-ordination problems distinct to the nature of the networks of both groups of subsidiaries. For instance, firms in the SA (1) category were associated with deficiencies linked to the diversity as well as fragmentation of the levels of expertise spread throughout the network. The subsidiaries were ignorant of the various capabilities their sister firms and pressures to outdo each other in terms of performance and clients' businesses suppressed any opportunities for co-operation. And firms in the SA (2) category were criticised for high levels of conflicts with parents and their insensitive attitude to cultural adaptation in delivering international services.

SA (1) - "... but the problem in a loose federation network is knowing what's actually available in terms of specific expertise. This is widespread that it leads to numerous co-ordination problems. It puts an awful lots of premium between people willing to co-operate for common businesses." (Admap, NTC Publications Ltd.).

SA (1) - "... WPP is the most uncoordinated company, that they don't make the best of opportunities of, you know selling and cross-selling within their group companies. They don't work together properly, they have no one person co-ordinating activities, who looks at new business or new opportunities. They don't do that... plus They offer one deal to one client and they don't offer it to another and they've got all their other clients saying well, why aren't they talking to us about that? Why aren't they being pro-active? Why did we hear about this throughout the grapevine?... I know, I think agencies are shambolic are marketing themselves. They are really poor at communications. I mean, everything that they do and sell to clients, they don't do for themselves. They really don't and they've struggled, they've really struggled..." (Incorporated Society of British Advertisers Ltd).

SA (2) - "I think you'll find that most agency networks, if you talk to clients that those networks don't deliver the global networks that they claimed they could. They don't deliver, they don't work together, there's lots of in-fighting between different branches of the agency - so the French won't agree with what the English did - and I think that there's a lot of squabbling about where the strategy is dictated. So it needs a really strong client to use a network like that. I think that's why most people shy away from it. It is difficult. I think the qualities you need as a marketing director to work even on a pan-European basis are very different to what they might be if you're working on a local basis. I think you need fewer marketing skills and more diplomatic and co-ordination and persuasion and good communication skills. So there's different skills needed" (Incorporated Society of British Advertisers Ltd).

SA (2) - "... you get lost 'in the noise' as an account and you tend to gradually slip down on the list of priorities. Sometimes you get the 'one-size' fits all approach and get services shipped in standard solutions without due attention towards cultural sensitivity" (Scottish Power).

In the light of the above problems and their future competitive success, clients suggested that such networks should exhibit greater accountability towards the service delivery process particularly the creative execution and media planning aspects of the services. To succeed, these networks should also take more proactive interests in co-ordinating their knowledge, capabilities and client bases and minimise the levels of conflicts that presently impede their performance.

"... agencies should exhibit better evaluation criteria; they have increased accountability to drives sales, deliver creativity and help plan media outlets.." (Scottish Power)

"... I think the expectations are that the agency will co-ordinate and do everything. That they will deliver whatever it takes, for whichever market. So they'll be able to demonstrate local knowledge... they'll expect them to know about local laws and culture and not produce something that is going to offend the tastes of any particular person in that particular market place. So they'll expect them to have an intimate knowledge but they'll also expect them to have an intimate knowledge of the global strategy and to be able to deliver against both things which is very hard, quite hard. In terms of co-ordination, I mean they will talk to each other, the networks will talk to each other, and they will not squabble, they will produce the advertising and get it to market" (Incorporated Society of British Advertisers Ltd).

9.6.4 Diversification amongst MarComs agencies

The client firms and industry experts concluded that diversification of activities amongst MarComs agencies represented extensions of the firms' capabilities to meet the diverse advertising-related needs of their clients. This view is consistent with the findings of this study in relation to this issue. Indeed, diversification initiatives have formed an important part of the growth strategies of these firms in that diversification initiatives have been allowed to evolve from being one-stop shops to being one-stop networks. Accordingly, these respondents suggested that such initiatives are set to perpetuate particularly with the emergence of more integrated forms of communications and/or with the fragmentation of media. The quotations below further illustrate this point:

"... agencies are now providing far less in terms of the range of services than they used to provide 30 years ago. I mean, agencies would have graphic studios, design studios, acting studios or designers, they have much more elaborate information centres, they'd have their own market research departments, they'd have marketing departments and all of those have gone. They all, the services still exist but they've all spun off and become consultancies or businesses in their own right. So, what is offered now by an agency who claims to be a full service agency is entirely different from what was offered 30 years ago. Agencies were much more of one-stop shops than they are now. Agencies

would do the sales promotions, they'd do all those kind of things. Now, their managers will find somebody to do the sales promotion. So ... and that is largely functioned of economics, clients weren't prepared to pay for a full service agency, providing all those financial services and some clients wanted them, other clients didn't" (The Advertising Association)

"... diversification strategies have emerged because of the need to provide full range of services by agencies... agencies have extended their capabilities to provide diverse but related advertising services all with the exception of media services which until lately have tended to grow as separate businesses.. this partly because of the fragmented nature of the business... agencies have become increasingly concerned about the research/thinking aspect of advertising and extended their portfolio to provide market research services. But these have also been very independent businesses particularly because the clients insist that they are provided separately." (Account Planning Group)

"... agencies have been trying to pull together different related disciplines to provide a full service package, and recently the pressures have been more from the client side particularly with the emergence of the idea of integrated communication. This has got a lot of expectations around and big agencies are finding it hard to provide the kind of services that fulfil those expectations particularly because of the widening range and fragmentation of the media market. That's why companies like WPP have opted for the model supporting a loose federation of companies with different specialist expertise..." (Admap, NTC Publications)

9.6.5 The Future Drivers to Internationalisation in the MarComs industry

These respondents pointed out a mix of internal and external drivers determining the international competitiveness of the MarComs agencies in the next 5-10 years. With regard to the external drivers, most of the trends and patterns identified at the beginning of this section or earlier with regards to the external factors are set to continue. These trends encompassed clients' globalisation, emergence of new-media services, integration or further competition from the management consultancy sector and these will combine to further widen the gap between the two polar types of firms that exist in the industry. With regard to internal drivers, the respondents argued that size per se won't be the determining factor, instead it will be the agencies' abilities to enable and maintain the right hub of professional talents within their organisations while adapting to the changing imperatives governing their clients' markets and businesses. The quotes below further illustrate these drivers.

External drivers

"... I think globalisation is growing, so I think client companies will, in the end, they are the driving force. All advertising is only a means to an end. It's a competitive tool that enables suppliers of goods and services to talk directly to consumers. So I think that trend will be increased but I think there will also be a kind of ... an opposite effect because I think for advertising to be successful and retain the confidence of consumers, because that's what it has to do and if consumers don't trust advertising it doesn't work. I think international firms will have to start ... or they already have started but I think will have to grow and become more sensitive to local cultural needs" (Advertising Association)

"I think there will continue to be polarisation and middle ground agencies will disappear and instead there will be the widespread emergence of new small, specialist local agencies providing not strictly advertising services but other services like New Media.. I also think also be increased

possibilities of integration with of services like management consultancy, not particularly with the advertising core but may be with the media side of the business.” (Account Planning Group)

“ all the logic of things so far suggest that bigger networks will get bigger overtime and clients will increasingly have a strong influence in the behaviour of these companies, globalisation will bring about more sophistication in the way this business is done” (Admap, NTC Publications, Plc.)

Internal drivers

“... there is a trend towards fewer and fewer big agencies. I think there is only so far that an agency can go because ideas come out of people’s brains, it’s the culture of the different agencies that is going to be key... with increasing globalisation, medium-sized agencies need to reinvent themselves to win global brands if they feel their expertise and services are limited, but ultimately the quality of their campaigns should say it all” (Kwik-Fit Holdings Plc.).

“ I think the future for agencies has to be about cultivating creative minds that can think across platforms. Such agencies can deliver a more integrated service than a multinational network. Size does not make the differences, instead its their ability to stay creative and adapt to our needs” (Scottish Enterprise)

“I think that personally, one of my theories is that client departments are shrinking so marketing directors are becoming fewer. There are fewer specialist ad managers, ad directors. But, the whole supplier side is becoming much more fragmented. It’s becoming more complex because there are increasingly more routes to market. Clients are confused about what communications routes they should take. I don’t think they yet trust their agency to give them a complete communications planning scenario. Global networks, on the other hand, need to sort out their process, systems and distribution to deliver well organised creativity, because this is what clients needs. The network which will be able to attract and harness the creative talents in all service areas are best placed to succeed” (Incorporated Society of British Advertisers Ltd).

9.7 CHAPTER SUMMARY

The objective of this chapter was to explore the characteristics of international strategy (ies) of the MarComs agencies investigated. Accordingly, the chapter highlighted the features characterising the international strategy (ies) of both SMAs and SAs, and also presented case illustrations pertaining to each category of case firms to explain their international strategy process in rich details.

With regards to the SMAs, the chapter argued that international strategy (ies) of SMAs centred on two key motives: *first*, the management and servicing of existing clients. These encompass both internationalising domestic clients and foreign clients in domestic market. *Second*, allowing for international growth by entrepreneurially undertaking new businesses or tapping into new markets based on the strategic resources and capabilities of the agency. In that respect, the research results illustrated that small agencies did not necessarily follow any predetermined paths, instead a given agency can follow any single option or a combination of international strategic options to accomplish its client-led or market – led motives. In the words of Johanson and Vahlne (1990:22) the internationalisation of the SMAs seemed to resemble more "a mixture of strategic thinking, strategic action, emergent developments, chance and necessity". Additionally, the following analytical inferences were made in relation to the characteristics of international strategic options of the SMAs:

- The focus of the strategic growth and development of SMAs was primarily towards the exploitation of business opportunities in the domestic market where they are based;
- International strategy of SMAs was primarily client driven;
- International strategy of SMAs was also market driven;
- International strategy of SMAs was network driven;
- Linked to the above three inferences, SMAs were proactive in entrepreneurially undertaking diversification strategies;
- Any of all of these strategies could be pursued simultaneously by a SMA and any of these can employ a combination of market-entry and development strategies;

- Any international strategy type or any combination of the above strategies dictated a distinct set of internal organisational challenges relating to the nature and management of the advertising business.

In contrast to the SMAs, the chapter emphasised the SAs developing mainly their international businesses and allowing a secondary consideration for local businesses in the markets in which they were based. Further, the chapter asserted that similar motives underlay the international strategic development of the SAs and the SMAs. The findings, however, did not specify the various strategic options pursued by the SAs in pursuing those motives, instead, they further informed the integration-type dimensions discussed in the previous chapter. Having said so, the following analytical inferences were made with regard to the characteristics of the international strategic options of subsidiary agencies in this study:

- International strategy of subsidiaries in SA (2) category was primarily client driven;
- International strategy of subsidiaries in SA (1) category was primarily market driven;
- International strategy of both groups of SAs were network driven;
- Linked to the above three inferences, SAs were proactive in entrepreneurially undertaking diversification strategies for domestic as well as international markets;
- Any of all of these strategies can be pursued simultaneously by a SA and any of these employed a combination of market entry and development strategies;
- Any international strategy type or any combination of the above strategies dictated a distinct set of internal co-ordination challenges relating to the integration and responsiveness of SAs activities internationally.

Lastly, this chapter reported on the views of some client firms and the industry experts who were consulted as a measure to check on the validity of the findings of this study. Overall, the clients and industry participants agreed that the understanding of international strategy presented to them was a plausible reflection of the perceptions which they had about the international strategy process of the MarComs agencies. The chapter further detailed the opinions of these respondents on such

issues as: the key drivers to internationalisation and consolidation in the MarComs industry; internationalisation and diversification strategies of the SMAs and the SAs; and eventually the key success factors determining the future of firms in the MarComs industry.

10.1 INTRODUCTION

In Chapter One, the research question and objectives, which this thesis set out to answer, were stated. This chapter reports the main conclusions from the case based approach, in the light of this research aim. Thus, the chapter is structured in the following way. It starts by introducing the purpose of this study and summarises its main findings. It then discusses the implications of this study for theory as well as managerial practice. In so doing, the research findings are reviewed in the light of existing literature and its contributions highlighted. Finally, the limitations of the thesis are discussed before recommending avenues for further research.

10.2 THESIS OVERVIEW AND SUMMARY OF KEY FINDINGS

The main purpose of this study was to examine the influences on and characteristics of the international strategy of MarComs agencies. Understanding of this research interest was accumulated by qualitatively studying the internal and external environments as well as the international management of a sample of MarComs agencies in UK. This process was carried out with the eventual aim of generating theory and producing insights into the international strategic management practices of MarComs agencies and other firms.

To allow the investigation to proceed, the literature review process at the start of this thesis (Chapters 2, 3 and 4) adopted an interdisciplinary approach to analyse and synthesise related research studies from three different, albeit interrelated, domains of study. Accordingly, Chapter 2 reviewed the significant body of knowledge pertaining to the international strategy and management of manufacturing firms. Chapter 3 followed along similar lines and reviewed existing literature relating to the organisation, structure and international strategy of services and professional business services firms. Chapter 4 pursued with the same focus as Chapter 3 but centred on the internationalisation and management of MarComs agencies. Overall, this process concluded on international strategy as a multidimensional concept and at the same time uncovered significant gaps in the literature with regards to the international strategic behaviour and management of PBSFs. With these knowledge gaps in mind,

Chapter 5 conceptualised the governing question of this study into an ‘integrative framework of international strategy’ (see Figure 5.1), combining key theories and constructs considered to hold important implications for the international strategic management of MarComs agencies.

The methodological conduct of this inquiry (see Chapter 6) was framed within the qualitative paradigm, as the intent was to allow for a richer understanding of the various issues of interest underpinning this study. The research design involved multiple case firms selected for the purpose of comparative analysis and to gather perspectives from a wider cross-section of firms operating in the UK MarComs industry. Put another way, from the sixteen agency firms incorporated in the sample, six of them were small-to-medium sized agencies (namely cases A, G, I, K, M, and P) and ten of them were subsidiaries of major global networks (namely cases B, C, D, E, F, H, J, L, N and O). Further, the subsidiaries were composed of two distinct groups of firms denoted in this study as SA (1), the autonomous structure (namely cases B, F, H, J, O) and SA (2), the integrated structure (namely cases C, E, L, D, N). Additionally, based on the principles of a qualitative research design, the data collected was inductively analysed following a systematic and structured process. The findings were subsequently presented and discussed in Chapters 7, 8, and 9. These findings, in turn, allowed for some key analytical conclusions with regards to the influences on and characteristics of international strategy of firms in both SMAs and SAs. These are summarised and considered as possible propositions for further research in Table 10.1 below. On the whole the major contributions of the thesis can be summarised on the following grounds:

10.2.1 Theory and Methodology:

- (i) This thesis examines and applies selective knowledge and theories with respect to the international strategic management of manufacturing firms to a given ‘service’ context. In so doing, it contributed to this literature in several ways:
 - First, it extends the application of three prominent strategic management theories (namely the RBV, the IOV and the NBV) by evaluating their relevance and usefulness to studying international strategy in a selected ‘service’ context. Consideration of the propositions of these theories allowed

the analysis of the distinct characteristics and relationships of firm-level as well as industry-level determinants affecting the international strategy of firms like the MarComs agencies. Perspectives on these determinants were drawn by examining both small as well as subsidiary agency firms with varying degree of international involvement;

- Second, the thesis contributes to the literature pertaining to the internationalisation and strategy of small-to -medium sized firms by explicitly analysing the international strategic options of small MarComs agencies. This analysis added important insights into this literature as it adopted a holistic view to international strategy and provided a comprehensive understanding of the various strategic options and related issues relevant to the management and growth of such small service firms. It also explores the implications to these strategies by mapping their relationships with the organisational characteristics of such companies, their service output characteristics and the nature of the industry effects in which they are based;
- Third, the thesis contributes to the subsidiary strategy and management literature by evaluating and extending existing manufacturing-based subsidiary models in a given 'service' context. This literature strand is noted to be growing and evolving rapidly but, at the same time, it is lacking considerably in so far as theories and empirical evidences of strategy and development of international subsidiary 'service' firms.

(ii) Along with the above, the thesis contributes various theoretical insights that are valuable extensions to the services, or more specifically, the professional services management literature. The literature review analysed this literature strand being generally poor in relation to knowledge and theories available with respect to the international strategic management of such firms in view of their rapid internationalisation. This thesis highlighted the possibility of adjusting and integrating existing knowledge and conventional theories from the manufacturing to the professional business services context, by looking at the case of MarComs agencies. It also stressed various specific organisational

as well as industry level issues that can be appropriately examined by using classic strategic analysis understanding and proposed a holistic 'international strategy' framework that can be appropriately adjusted and applied to study other professional business services contexts;

- (iii) The thesis also makes an important contribution to the sectoral literature on the international management of advertising agencies, as there is a limited knowledge base on the international operations and strategy of these firms. Most importantly, this thesis proposed an integrative theoretical framework analysing various strategic as well as managerial issues relevant specifically to the international strategic development and management process of small as well as subsidiary MarComs agencies.
- (iv) Methodologically, the thesis illustrates the value and significance of the case based approach to study the 'international strategy' process of firms like the MarComs agencies. Along the same line, it also extends and applies the 'inductive analysis process' framework proposed by Shaw (1999) and Dey (1993) in a different investigation context and illustrates its applicability and usefulness as a method of qualitative data analysis.

10.2.1 Empirical

- (v) Although the empirical evidences of this study are confined to the case of the MarComs agencies, they variously contribute to knowledge by providing a rich understanding of the determinants and characteristics of the international strategy of these firms. Accordingly:
 - The findings of this study emphasise the nature and characteristics of firm-level as well as industry-level influences to the international strategic development and growth of MarComs agencies. The findings also demonstrate the nature of the interdependencies shared by these influences, and how they interact to leverage the strengths or impose various challenges on the international strategy and growth of small as well as subsidiary MarComs agencies;

- The thesis also explores the internal as well as the external determinants to competitive advantages of MarComs agencies. It proposes a framework that can be a basis to conceptualise appropriate strategies or methods to sustain such advantages;
- With specific regards to SMAs, the thesis suggests three main types of international strategic options that characterised the MarComs agencies, namely international client-driven, international market driven and international network driven strategies;
- With regards to SAs, the thesis identified two models of subsidiaries and their international strategic options. It also suggests various integration vs. responsiveness type strategic dimensions that underlie their international *strategic development*;
- Last but not least, the thesis triangulates the key findings examined by this study with the views of client firms and industry informants. This helped reinforce the various analytical conclusions while providing insights into avenues of further investigation.

PAGE
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Table 10.1: Summary of Key Findings

Key Findings with respect to influences on and characteristics of international strategy of MarComs Agencies	
Key Constructs from the Integrative Framework	<p>Internal Factors</p> <p>Characteristics</p> <p>SMA:</p> <ul style="list-style-type: none"> ▪ Internal organisational influences of SMAs existed as firm, service and managerial characteristics. These influences are interdependent and primarily geared towards competitively leveraging the Core Resource Base (CRB) of the firms; ▪ The internal organisational characteristics of SMAs were driven by the agencies' needs to meet their clients' expectations; ▪ The internal organisation and operations of SMAs were purposefully kept dynamic, informal and flexible; <p>SA:</p> <ul style="list-style-type: none"> ▪ Information and communication technologies (ICTs) assumed strong supporting roles in the management and administration of the internal environment of SMAs. <p>SMA:</p> <ul style="list-style-type: none"> ▪ Internal organisational influences of SAs existed as firm, service and managerial characteristics. These influences were interdependent and primarily geared towards competitively leveraging the Core Resource Base (CRB) of the firms; ▪ The internal organisational characteristics of SAs were driven primarily by the subsidiaries' local culture than clients' expectations; ▪ The internal organisation and operations of SAs were invariably kept dynamic, informal and flexible; ▪ Information and communication technologies (ICTs) assumed strong supporting roles in the management and administration of the internal environment of SAs
Implications for International Strategy	<p>SMA:</p> <ul style="list-style-type: none"> ▪ Internal influences in SMAs are interrelated and these effect a combined influence on their growth and internationalisation; ▪ Link to the above, the combined effect of the internal organisational variables has an important influence on the directionality of the international strategy of SMAs; ▪ Despite their interdependencies and interrelatedness, the different internal organisational influences exhibited varying significance in the development and implementation process of international strategy; ▪ The dynamic, informal and flexible management of internal influences in SMAs was determinant to the successful implementation of their competitive international strategies. <p>SA:</p> <p>Strategic integration-type dimensions determining the international competitiveness of the subsidiaries:</p> <ul style="list-style-type: none"> ▪ Degree of parents' intervention in corporate decisions relating to subsidiary's growth and strategy; ▪ Degree to which subsidiary uses its parents' (immediate or ultimate) corporate identity/reputation for its own strategic development; ▪ Extent to which multinational clients are commonly shared and serviced across the worldwide network; ▪ Extent of sharing of technology, knowledge, best practices or capabilities within the internal network; ▪ Degree of control over international advertising decisions (creative, planning and management) of subsidiaries; ▪ Degree of control over the performance (strategic and/or financial) of subsidiaries.

<p>External Factors</p>	<ul style="list-style-type: none"> ▪ The external influences characterising the MarComs industry were interrelated, distinct to the industry and arose from a mix of the globalisation drivers incorporated in Yip's framework. Market and competitive drivers, however, seemed to assume prime significance for MarComs agencies included in this study. ▪ The level of proactivity or responsiveness towards industry factors varied from agency to agency, depending also on whether they were a SMA or a SA, or again the type of clients' markets they were servicing; ▪ Moreover, the effects of external factors on agency firms were antecedent, ongoing and occurring at a much broader level in the industry, hence the varying degree of influence or relevance for the international strategic options of the agencies.
<p>(Sustainable) Competitive Advantage</p>	<ul style="list-style-type: none"> ▪ The key intangible resources and the system interdependencies underlying the internal organisational environment of the MarComs agencies acted as the primary source of competitive advantage for these firms; ▪ Specific to the SMAs, key organisational variables determining the competitive advantage of these firms were their intangible resources in terms managerial competences, creative capabilities and reputation as an agency; ▪ Specific to subsidiaries in the SA (1) category, their autonomous nature implied that the intangible resources (that is, individual professionals and managerial competences), their specialisation (if any) and their indirect association with a global network are important determinants of their competitive advantage as MarComs agencies; ▪ Specific to subsidiaries in the SA (2) category, their competitive advantage was determined by their direct association with the corporate identity of a global network and benefits derived from the sharing of knowledge and capabilities in servicing multinational clients; ▪ 'Sustainability' of competitive advantage in MarComs agencies was a processual exercise pertaining to the direct responsibility of the management of a given MarComs agency. It demanded the holistic consideration of three interrelated managerial variables namely, the human resource development policy of the firm, its corporate culture and the satisfaction to the remuneration or financial rewards of the professionals, to enable efficient courses of action to protect and maintain the interests of the key competences within the organisation; ▪ The external changes in the imperfect and competitive environment of the MarComs agencies were potential sources of competitive advantage. The benefits of this source of advantage, however, accrued to agencies that were entrepreneurial and highly proactive to external changes and opportunities, and possessed the necessary resources and capabilities to capitalise on the continuously changing industry imperatives.

**International
Strategic Options**

SMA:

- The focus of the strategic growth and development of SMAs was primarily towards the exploitation of business opportunities in the domestic market they are based;
- International strategy of SMAs was primarily client driven;
- International strategy of SMAs was also market driven;
- International strategy of SMAs was network driven;
- Link to the above three inferences, SMAs were proactive in entrepreneurially undertaking diversification strategies;
- Any of all of these strategies could be pursued simultaneously by a SMA and any of these can employ a combination of market entry and development strategies;
- Any international strategy type or any combination of the above strategies dictated a distinct set of internal organisational challenges relating to the nature and management of the advertising business.

SA:

- International strategy of subsidiaries in SA (2) was primarily client driven;
- International strategy of subsidiaries in SA (1) was primarily market driven;
- International strategy of subsidiaries in both categories was network driven;
- Link to the above three inferences, SAs were proactive in entrepreneurially undertaking diversification strategies for domestic as well as international markets;
- Any of all of these strategies can be pursued simultaneously by a SA and any of these employed a combination of market entry and development strategies;
- Any international strategy type or any combination of the above strategies dictated distinct set of internal co-ordination challenges relating to the integration and responsiveness SAs activities internationally.

10.3 IMPLICATIONS FOR LITERATURE

This section discusses the implications of the research findings for the international strategy as well as the professional service literatures. The discussions here follow the same organisation as the conceptual framework. Hence, Section 10.3 starts by examining the significance of the conventional strategic management theories (that is, the Resource Based View, the Industrial Organisation View and the Network Based View) in the light of the above findings. Following this, the ensuing sections accordingly discuss theoretical implications relating to the 'internal factors', 'external factors', '(sustainable) competitive advantage' and the 'international strategic options' constructs.

10.3.1 Implications for Theory

From an overall perspective, the findings of this study demonstrated various evidences, which implicitly or explicitly supported the relevance and the complementary significance of the RBV, the IOV and the NBV to studying the international strategy of such firms as the MarComs agencies. The application of these theoretical strands provided interesting insights into the analysis of these firms and are discussed separately below.

10.3.1.1 The Resource Based View (RBV)

The RBV was incorporated into the framework with the intent of probing into the impact of the agencies internal mechanisms and attributes on their international strategy. Adopting this view proved useful in the following way:

First, the RBV helped to indicate that the survival and growth of MarComs agencies is attained primarily by the possession and accumulation of key resources and capabilities, and the utilisation of these to deliver value creating services to domestic and international clients (Wernerfelt, 1984; Barney, 1991; Collis, 1991; Zou and Cavusgil, 1996, Samiee, 1999). The primary strategic resources of the MarComs agencies were their 'intangible resources' (e.g. creative and managerial capabilities, reputation and knowledge bases) which existed at individual, organisational and network levels (Lowendhal, 1997; 2000). Each agency had unique packages of such resources as well as distinct ways of managing them to enhance their competitiveness.

Successful management demanded an in-depth understanding of the contexts in which these resources existed and the various interdependencies and contingencies they shared with other aspects of the firms' internal and external environment. In an international strategy context, resource-based strategic decisions were important to defining the direction of international expansion as well as in anticipating co-ordination challenges that would impede their creative performance in servicing clients in foreign markets. These also implied agencies choosing entry modes that would facilitate their competitive positioning in given overseas market, particularly when subject to constraints created by resource-related deficiencies. In that respect, mode of entry represented a way of exploiting the firms' strategic capabilities or a capability in its own right (supported by Young et al. 1998). For example, in the case of the SMAs, they were observed to enter into various forms of low commitment alliances to leverage their capabilities, whilst the SAs did the same by laterally or vertically integrating their global networks. Hence, from the RBV, internationalisation presented an additional way for MarComs agencies to acquire or build their existing resource base; and resource-related constraints do not hamper their international expansion, rather they present a challenge that needs to be surmounted.

Second, the RBV presented a holistic perspective of the internal environment of the MarComs agencies. Its application in this investigation made it possible to focus not only on the key resources and capabilities crucial to these firms' survival but also drew attention to their contingent relationships between the services, firm and managerial characteristics of the agencies. Hence, success in the strategic management of MarComs agencies' primarily involved leveraging the firms' resources and capabilities and flexibly co-ordinating their deployment (through technological and organisational trajectories) whilst delivering quality service performance. This, of course, varied in complexity with respect to the SMAs and SAs. Such arguments concur with Lowendhal (1997) and Brush and Artz (1999) suggested that the RBV demand not only a careful analysis of the level of resource-based strengths or weaknesses of the firms involved but also aims at capturing the various contingencies needed to achieve above average performance.

Third, linked to the above, the RBV identified the MarComs agencies as learning organisations. SAs and SMAs learned from servicing their domestic and international

clients and industries, inside and outside the firms and networks, through successful and unsuccessful businesses and, more importantly, by encouraging open formal or informal interaction amongst professionals. The existence and management of these learning processes, however, differed across both the SAs and the SMAs. And resource accumulation implied a process of continuous learning and resource accumulation by the firms as part of their efforts to build and leverage their unique capabilities (Sanchez et al. 1996). Moreover, in an internationalisation context, learning also seemed to influence strategic decision making by the firms or indeed the choice of modes and markets. For instance, senior management in most of the SMAs were professionals with considerable experiences in dealing with international clients or working with multinational agencies prior to undertaking their own ventures. Such experiences, in turn, affected their choice of international markets or indeed their collaborative strategies in pursuing their international expansion. Johanson and Vahlne (1990) support this observation; in fact, they argue that internationalisation evolves as a function of managers' cognitive learning and competency development which gradually builds up through experience.

Fourth, the resource-based perspective also provided an understanding of how MarComs agencies managed and protected their competitive strengths. The findings emphasised the idiosyncratic capabilities of the agencies as their prime sources of competitiveness. At the same time they seemed vulnerable or threatened in sustaining such capabilities given the high mobility of professionals. Accordingly, based on the findings, this study was able to indicate on a resource-based strategy that was employed by some of the case firms linking their professionals more tightly to their organisations and reducing the threat of losing them. This involved implementing a careful blend of appropriate human resource policies, financial incentives and organisational culture to develop the professional loyalty needed to keep the capabilities within the organisation. This strategy in way complements Lowendhal's (1997; 2000) recommendation that PBSFs should implement strategies for increased loyalty of professionals as these are fundamental to the development and maintenance of competitive advantage within such firms.

10.3.1.2 Industrial Organisation View (IOV)

As in the case of the RBV, the IOV was relevant in a number of ways in analysing the implications of the industry-level drivers for the international strategy of MarComs agencies.

First, based on Yip's framework, the IOV facilitated the analysis of distinct industry-level influences characterising the external environment of the MarComs agencies. These influences varyingly affected the agencies' freedom of strategic manoeuvre in their domestic as well as their international markets. Such analysis also suggested that these influences were strongly associated with globalisation drivers emerging mainly from the client industries, often imposing on the agencies the need to innovate or develop the necessary capabilities to meet the cropping imperatives. For SAs, in particular, external analysis also demanded considerations to the local environment of the subsidiaries in order to adjust for pressures of local responsiveness in their respective strategies. In that respect, this study concurs with the assertion of industrial organisation theorists (e.g. Porter, 1985; 1986; Yip, 1989; 1992) who argue that changes in the external environment are influential in respect of the international strategy and performance of firms like the MarComs agencies.

Second, the IOV portrayed the external factors as contingencies that needed to be carefully assessed along with the internal strengths and weaknesses of the MarComs agencies. This is consistent with the like of Brush and Artz (1999) who insist on the careful match between services characteristics and their competitive contexts as a basis for evaluating the distinctive value of a company's resource base. Much here depended on the agencies' ability to manage the external environment and their entrepreneurial vigour to capitalise on the emerging opportunities. As mentioned before, the external environment was important to many of the SMAs because many of them survived or sustained their competitiveness by accessing resources from this environment as external networks (formal or informal), client-referrals, competitors, host country governments and so on. For SAs, the relevant environment included not only external entities but also elements from their corporate networks, as Birkinshaw and Morrison (1995) argues, this depends on the way in which the subsidiary defined the relevant facets of its 'structural context'.

10.3.1.3 Network Based View (NBV)

Closely linked to the above arguments, the NBV was useful in delineating several interesting insights highlighting the significance of (internal or external) networks and (formal or informal) relationships as bases for survival and competitiveness in the MarComs business.

First, internal network relationships evolved as part of the interdependencies characterising the organisational dynamics and highly interactive services of the MarComs agencies. Such relationships could be assumed to exist at individual, team and managerial level or even at client levels and played crucial roles in facilitating strategic co-ordination during resource accumulation process. Such relationships also provided impetus for growth and survival as they were determinant to the selling process of the MarComs services and had considerable impact in the evaluation of service performance. This is congruent with Maister (1997) and Halinen (1996)

Second, with regard to the result of the 'external factors' on the MarComs industry, the findings illustrated the widespread presence of network-based competition underlying the global consolidation process of the industry, affecting agencies at various levels in their international expansion. Such findings illustrated that the development of international network structures in the MarComs industry was an outcome of the ongoing globalisation pressures as well as the various international strategic options of the agencies executed over the past three decades. Indeed, many of the foreign value-added activities of the agencies had occurred through the 'networking' process, where agencies had deliberately or entrepreneurially responded to the need for internationalisation by building internal or external links with a web of relevant players through contractual, partnership or other similar forms of arrangement. Further, given that this is a trend predicted to perpetuate in the international MarComs industry, international network developments should inevitably become an integral consideration in the international strategic management process of the agency firms. This concurs with the views of the network-based theorists (particularly supporting the views of such authors as Welch and Welch (1996), Welch and Luostarinen (1993) and Rugman and D'Cruz (1997). With this in mind, this study lay emphasis on the strategic value of incorporating network

theoretical insights in future studies seeking to analyse the implications of industry effects on the international strategic development of other PBSFs.

Third, and more specific to the SMAs, the NBV denoted relationships established through international transactions and contacts of the professionals or senior management of agencies which influenced their growth and expansion to other countries. This is consistent with the Uppsala school (Johanson and Vahlne 1990). They found that internationalisation in the context of exchange networks was a gradual process, resulting from interaction, and the development and maintenance of relationships over time. Sharma and Johanson (1987) also found that professional service firms like technical consulting firms operated in networks of connected relationships between organisations, where relationships become "bridges to foreign markets" and provided firms with the opportunity and motivation to internationalise. Related to this, Johanson and Mattsson (1988) suggest that a firm's success in entering new international markets is more dependent on its relationships within current markets than on market and cultural characteristics. Similarly, Coviello and McAuley (1999) argued that internationalisation decisions and activities in the Network perspective emerge as patterns of behaviour influenced by various network members.

Fourth, and specific in the case of the SAs, the findings described a scenario where the subsidiaries operated amidst a complex web of lateral and vertical relationships in their global networks. This scenario shared similarities with Bartlett and Ghoshal's (1990) conceptualisation of the multinational as a differentiated network (also consistent with Malnight, 1996; Rugman and D'Cruz, 1997; Birkinshaw and Hood, 1998), where the various interrelationships and interdependencies seemed to be embedded in a heterarchical structure (Hedlund, 1986; Birkinshaw and Morrison, 1995). For instance, a broad comparison of the findings with the conditions of heterarchy as synthesised by Birkinshaw and Morrison suggested that: first, creative and managerial capabilities and decision making were dispersed throughout the global network; second, liberal relationships existed between the subsidiaries in terms of professionals and capabilities flows; third, international business activities were coordinated with a varying degree of autonomy or types of control along multiple dimensions, typically with regard to capabilities spread, geography and dispersion of

multinational clients. In that respect, the global networks (or the parents) of the SAs resembled best a controller of interrelated tactical and strategic activities using formal or informal organisation and co-ordination mechanisms to align their international strategy.

In sum, turning to the potential contribution of these theoretical perspectives, it should be stressed that the aim of the approach adopted in this study was not to substitute other prevalent models and theories underlying the international strategic management literature. Rather, the approach was designed to illustrate the potential value and relevance of these theories based on specific insights drawn from the international MarComs industry. The outcomes of the application of these theories in this study supported strong complementarities between their key propositions and implications, suggesting that they should be effectively combined to further study the international strategic behaviour and decision-making of such other firms as the MarComs agencies. These firms are subject to idiosyncratic resource endowments and organisational features and their international strategic responses are meant to be diverse, adopting different paths to internationalise or service their international clients. In that respect, the 'integrative' framework underlying this study shares similarities of the contingency approaches to international strategy suggesting the comprehensive evaluation of various internal and external influences in strategic decision making.

10.3.2 Internal Factors

Closely linked to the above discussions relating to the RBV (Wernerfelt, 1984; Barney, 1986, 1991), the data characterised the internal environment of MarComs agencies as open systems emphasising the system interdependencies and interrelations between the firm-level influences. Firm, service and managerial characteristics existed in supportive and mutually reinforcing relationships, the primary focus being to build, accumulate and leverage the key resources and capabilities determinant to the agencies' growth and competitive success. This in turn demanded a highly flexible, informal and responsive organisational environment, to easily conform to clients' expectations and therefore, provide a high quality of service performance. These assertions concur with the manufacturing (for example, Grant, 1991; Mauri and Michaels, 1998) as well as the professional services and advertising literature (see for

example, Maister, 1993; Aharoni, 1996; Lowendhal, 1997; Empson, 1999, Halinen, 2000). However, none of these works (Lowendhal (1997) being an exception) attempted to explore the nature and significance of system interdependencies that exist within the internal environment of PBSFs. The data suggested that such dynamic interrelationships amongst organisational variables have direct implications for the firms' core capabilities and competitive advantage. Such issues, therefore, demand further exploration to identify the key internal drivers underlying the unique organisational dynamics of other PBSFs like the MarComs agencies. This study further argues that such research should explore the perspectives of the managerial professionals as well as the supporting staffs (e.g. personnel assistants or secretaries) in order to gain richer insights into the routines and complex social processes underlying the inner workings of such firms.

Further, when extended, such studies would also be a crucial source of insights into firm – level drivers to growth and the internationalisation of these firms. The data of this study pointed to firm-level influences as important determinants to the agencies' international involvement and expansion. This generalisation is consistent with the manufacturing literature (see for example, McDougall et al., 1994; Birkinshaw et al. 1995; Bell, 1995; Mauri and Michaels, 1998; Ibeh and Young, 1999) and the services internationalisation literature (for e.g. Sharma, 1988; Erramilli and Rao, 1993; Cicic et al. 1999). At the same time, the data contradicted these authors and argued that the strategic implications of the influences embedded in the internal environment of MarComs agencies are difficult to analyse and understand by taking an isolated or selected perspective on any one of them. This study suggests taking a holistic perspective in studying the internal environment of MarComs agencies (that is, people, culture and systems altogether), giving due consideration to their interdependencies and interrelationships in order to gain a comprehensive understanding of their implications for international growth and performance.

10.3.3 External Factors

Again linked to the above discussion on the IOV, the overall findings with regard to the 'external factors' supported the key assertion of the conceptual framework with regard to this construct. This is essentially because a number of distinct industry level influences, emerging primarily from the globalisation of the MarComs industry, were

noted to affect the competitive advantage and international strategic options of the firms.

Using the Yip (1989, 1992) framework of assessing globalisation drivers, the analysis of the data depicted a blend of market, cost, competitive, technological and regulatory conditions underpinning the globalisation of MarComs agencies. The case companies shared their various experiences on the nature and impact of these external influences on their respective firms, reflecting the varying degrees of influence of these industry conditions on their international strategic development. In this respect, the main findings with regard to external factors concur with Yip (1989), Lovelock and Yip (1996), Zou and Cavusgil (1995), and Bob de Wit and Meyer (1998) who asserted that every industry varies across drivers and that the impact of such drivers on international strategy evolves overtime. Indeed, the significance of these industry effects on the firms strategy was observed to be antecedent, ongoing, incremental occurring at a much broader level, either at the level of the MarComs industry itself or of the clients' industries. More particularly, in the case of the MarComs industry the market and competitive drivers were noted to exert the strongest pressures on the agencies' internationalisation, emerging mainly from the demands of the clients and the strategic actions of the competitors.

This study, therefore, supports the views of the industrial organisation theorists and makes an important contribution to the professional services literature which lacks empirical studies examining the impact of industry-level drivers on the international strategic development and performance of PBSFs (notable exception include Grein and Ducoffe, 1998). In so doing, it also suggests that future studies undertaken along this line of enquiry, should consider the assessment of the globalisation drivers both at the level of each individual industry, as well as at the level of the broad clients' industries targeted by the firms for business and marketing. Such a comprehensive consideration would allow achieving more accurate insights into the global industry trends and indicators before adopting any 'growth' directions and strategies on that scale. Concurring with the views of Rumelt (1991) and McGahan and Porter (1997) such studies could probe further, by taking a longitudinal perspective, to quantitatively analyse the performance implications of the globalisation drivers on the international strategy of MarComs agencies or other PBSFs.

10.3.4 (Sustainable) Competitive Advantage

The findings were also supportive of the key assertion regarding (sustainable) competitive advantage of MarComs agencies in the conceptual framework (Chapter 5). The framework postulated that the competitive advantage(s) of the agencies were mainly internally driven and the determinants to such advantages shared strong commonalities with those influencing the strategic orientation of the firms. The analytical conclusions above are thus congruent with the professional services literature (namely the like of, Lowendhal, 1997; 2001; Scott, 1998) and the resource-based theorists (namely, Barney, 1991; Grant, 1991 and Fahy 2002) who identified the 'core' resources and capabilities of such firms as their principal leverage to growth and competitive advantage.

The findings concurred further with the resource based theorists to suggest that not all the resources and capabilities assumed equal significance in the achievement of sustainable competitive advantage (supported by Fahy and Smithee, 1999). Indeed, the different MarComs agencies (that is the SMAs vs. the SAs) emphasised primarily their *intangible resources* and within the frame of these resources each category of firms highlighted different intangible elements determining their competitive strengths. At the same time, these findings argued that such resources would not generate (sustainable) competitive advantage if they were isolated outwith their context and were not properly managed in the light of the interdependencies they shared in their respective internal environments. Indeed, such interdependencies were effectively combined to allow for idiosyncratic value creation that satisfied customers and enabled sustainable competitive advantage.

Additionally 'sustainability' in the case of the MarComs agencies implied protection of key competences of the firms by simultaneously managing three key interrelated organisational variables namely, the human resource development policy of the firm, its corporate culture and the satisfaction with the remuneration or financial rewards of the professionals. These arguments, therefore, further support the need to explore these organisational interdependencies empirically and investigate their potential as sources for the competitive advantage in MarComs agencies as well as other firms with similar characteristics. Such studies should also attempt to gain richer insights

into the kind of causal ambiguities resulting from these interdependencies that ensure the 'sustainability' of such advantages (Fahy and Smithee, 1999) and persistently high levels of performance in terms of profit and market share.

Moreover, the data relating to the impact of external influences on competitive advantage was insufficient to allow for reliable analytical conclusions on the relationship between these constructs. Having said so, however, the data did suggest two important inferences that are consistent with the IOV and subsequently deserve further investigation. *First*, it was noted that external conditions in the imperfect and competitive MarComs industry were potential sources for competitive advantage for the agencies. *Second*, given the multiplicity of uncertain changes, competitive advantage depended on the extent and sources of such changes and the agencies' abilities to be proactive and entrepreneurially profit on emerging opportunities (possibly through new service developments or by implementing inter-firm or intra-firm network-based strategies, as noted for firms in this study).

These assertions, for instance, tally with Grant (1991; 1998) who argues that firms should be able to identify and understand the imperfections underlying the competitive process of their respective industries and recognise the resources and capabilities they possess, and the circumstances of their availability. Further, the study concurs with Fahy (2002) and Grant (1998) arguing that the study of competitive advantage in such industries as the international MarComs should analyse its firms' organisational capabilities along with the effect of national culture influences on the servicing of their multinational clients'. The data on external factors and competitive advantage hinted at the importance of understanding and responding to the national culture characteristics of international markets as a potential source of competitive advantage either when servicing multinational clients or penetrating foreign markets.

10.3.5 International Strategic Options

In general, the findings with regards to the SMAs of this study are supported by the services and manufacturing literature relating to small firm internationalisation. Overall, the data depicted SMA as distinct organisations sharing discrete internal organisational characteristics compared to manufacturing and other service firms, all having varying influence on their ability to grow and internationalise. This statement

is consistent with the assertions of Scholhammer and Kuriloff (1979); O'Farrell and Hitchins (1988) and Coviello and McAuley (1999) who argue that given their size, smaller firms differ from larger firms in their managerial style, independence, ownership, and scale/scope of operations. The research takes the argument further to emphasise that these features vary with respect to individual small firms in different industries (as noted in the case of SMAs of this study) as they face distinct internal and external environments depending on the industry in which they are operating. This calls for further investigation into the distinct processes characterising the internationalisation and growth of small firms in different service and manufacturing industries.

Again, in the case of the SMAs, the findings described an 'international strategy' process that was externally (through clients and formal and informal network relationships), as well as internally driven (depending on the entrepreneurial behaviour and learning of the owner managers) (supported by Johanson and Vahlne, 1990; Coviello and Munro, 1997). These authors, among others, argued that small firms do not necessarily follow a predetermined path of internationalisation and may include both 'outward; and 'inward' patterns of international expansion (Welch and Luostarinen, 1988; 1993). More particularly, the international strategy of the SMAs described the strategic behaviour of such firms in the context of a network of interorganisational and interpersonal relationships (Axelsson and Easton 1992). The firms focused on network relationships and other forms of non-hierarchical systems to strengthen and monitor their position in international networks (Johanson and Mattsson 1988, 1992; Sharma 1992; Bell, 1995; Zarafullah et al. 1998). This description contradicted the arguments of Edvardsson et al. (1993) and Roberts (1999) who described service firms as moving through various stages when expanding internationally.

Overall, the study suggests that the international strategic options of small-to-medium size PBSFs should be studied further from an holistic perspective (integrating for instance network based and resource based perspectives) given the features exhibited by the SMAs in this study. Moreover, the international entrepreneurial behaviour of such firms through network relationships is certainly worthy of further examination. For instance, it was noted that success of SMAs operating in independent

entrepreneurial international networks depended on the agencies' own learning ability and initiative to take advantage and build upon the accumulated realm of relationships in the international network irrespective of their size-related or resource related limitations. Studying international strategy and entrepreneurship in small service firms therefore should concentrate on understanding the internal learning of the organisation in relation to its pattern of entrepreneurial activities (Beamish, 1990), together with the informal and unstructured interaction and behaviour of the firm and its network actors. Other issues of research can also extend towards studying the diversification behaviour and foreign market entry strategies of small PBSFs. For instance, there was insufficient data in this study to illustrate whether diversification included development from domestic to international markets. Similarly the data was limited in illustrating the circumstances in which the SMAs would incrementally move towards undertaking stronger resource commitment as their experiential knowledge of the market increased. This is an important issue for the internationalisation process of the small enterprise (Young et al. 1998).

At the level of the SAs, the data implied certain strategic dimensions as defining the degree of 'integration' or 'autonomy' of the subsidiaries with respect to parents' networks and, therefore, was central to their international competitiveness. These dimensions are supported by the subsidiary management literature discussed in Chapter 2, (more particularly with the like of Prahalad and Doz, 1987; Jarillo and Martinez, 1990; Taggart, 1998). These authors implicitly or explicitly highlighted the significance of autonomy versus integration aspects in determining subsidiary roles in their respective models. Table 10.2 below summarises the main distinctions discussed in Section 8.7 that were observed between the two groups of subsidiaries identified in this study. These differences pertain to a qualitative assessment of the degree of integration of the subsidiaries along a number of structural and operational variables characterising their operations and strategic growth as MarComs agencies.

Consideration of the subsidiary management literature suggested that both groups of SAs loosely corresponded to some of the existing role typologies attributed to manufacturing subsidiaries. For instance, the study portrayed the autonomous SAs as independent agencies whose heads were highly entrepreneurial in directing their chosen course for strategic growth. These subsidiaries were also considered to be

highly responsive to local markets' or clients' imperatives, often servicing a specialised market segment or possessing a distinctive MarComs-related capability. White and Poynter (1984) referred to these as 'strategically independent' subsidiaries, in that they were significantly independent enough to develop their own business for local, multi-country or global market. Bartlett and Ghoshal (1986) labelled such firms as 'Contributors'; Jarillo and Martinez (1990) used the term 'autonomous'; Gupta and Govindarajan (1991) suggested 'local innovator' and Beechler et al. (1998) suggested that such firms are part of its 'Adaptive model'. Moreover, their interdependence with affiliated subsidiaries in the network brought these SAs closer to Birkinshaw and Morrison's (1995) description of 'specialised contributors' but the minimal ownership control exercised over their operations by their parents likened them to Taggart's (1998) model of 'detached subsidiary' or again Randoy and Li's (1998) 'independent subsidiary. Similarly, the *integrated* subsidiary easily corresponded to those models of subsidiaries that featured high levels of integration with their parents or networks. In that respect these SAs were not far from Bartlett and Ghoshal's (1986) model of 'Strategic Leader' or Jarillo and Matinez's (1990) description of 'active subsidiaries' or again Birkinshaw and Morrison's (1995) model of 'World Mandate. This is because these SAs were based in a strategically important market and operated as partners in developing their parents' corporate strategy or in servicing their multinational accounts.

Nevertheless, the models of subsidiaries identified in this study are at the same time different from the models described by the manufacturing studies. These two groups of subsidiaries were distinct not because they were prescribed such well-delineated roles by their parents' or networks' but mainly because such distinctions were embedded in their various value-creation activities or firm-specific capabilities related to the delivery of their MarComs services. This is supported by Rugman and Verbeke's (2000:237) recent assertion that subsidiaries cannot be assigned 'unambiguous and well-defined roles' because most of them are involved in performing specific value creating activities, which are fundamentally embedded in the local markets' characteristics. This study, therefore, extends the literature on subsidiary development and strategy by arguing that future studies taking a bottom-up' perspective to international strategy should view such service industries as distinct contexts commanding varying subsidiary-level strategies or development process.

Along the same line, such studies are also advised to select the range of variables that more precisely reflect the range of strategic decisions that these subsidiaries must make to sustain their international competitiveness.

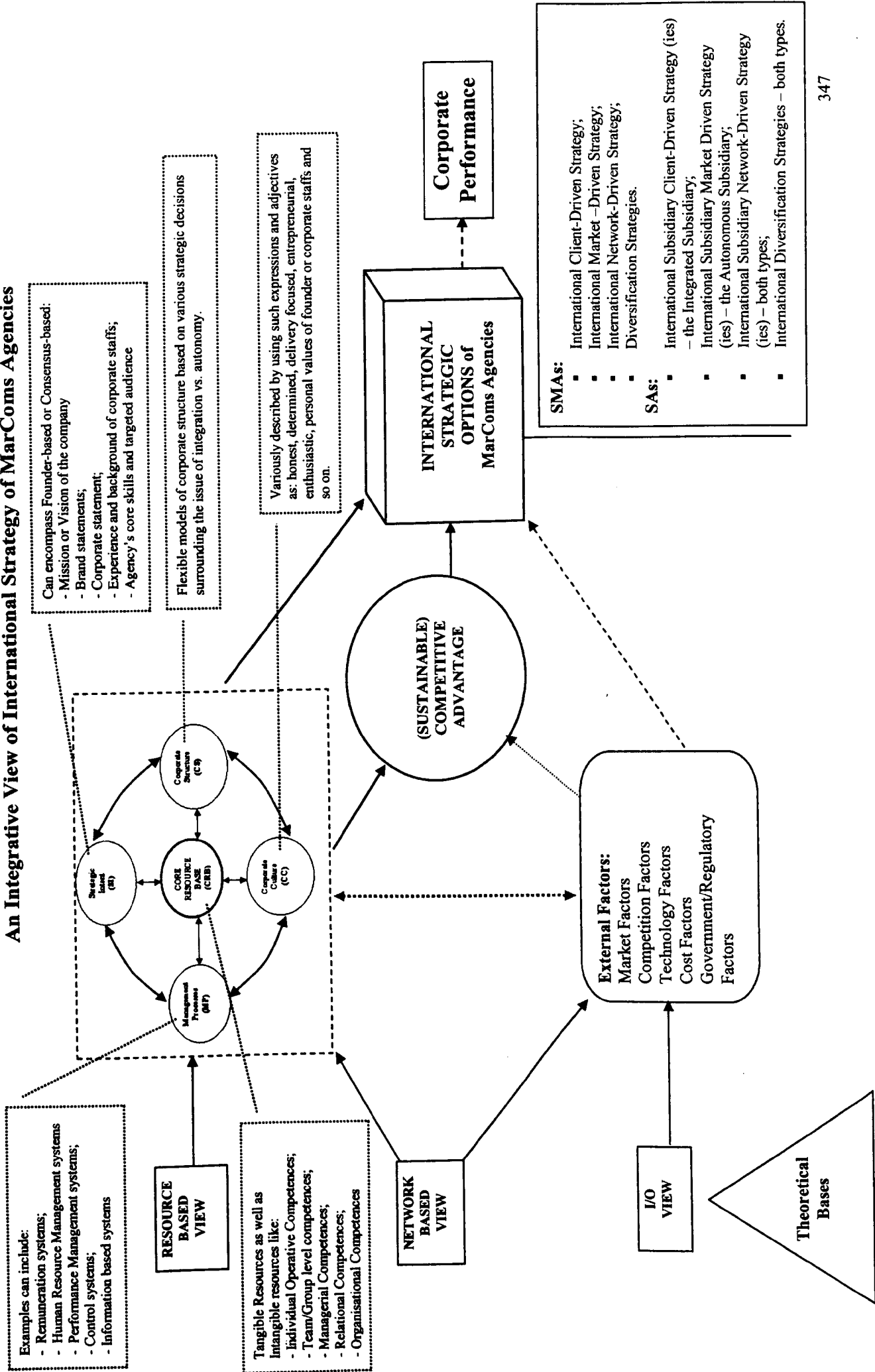
Overall, in the light of the findings and their theoretical implications, the conceptual framework proposed in Chapter 5 can be accordingly modified as shown in Figure 10.1 below. The 'Revised conceptual framework' details the issues and interrelationships between the constructs analysed and fosters a complementary view of the RBV, the NBV and the IOV in order to grasp a comprehensive understanding of international strategic management of MarComs agencies. The link-ups with the bold arrows indicate the existence of qualitative relationships between the constructs which deserve further empirical analysis in quantitative terms. And the broken arrows are indicative of insufficient evidence from the point of view of this research and therefore require further qualitative exploration.

Table 10.2 : Summary of Strategic Dimensions Determining the International Strategy of SAs

<u>Strategic Dimensions</u>	Autonomous Structure – SA (1)	Integrated Structure – SA (2)
Degree of parents' intervention in corporate decisions relating to subsidiary's growth and strategy	<ul style="list-style-type: none"> ▪ Subsidiaries were standalone service brands or business units; ▪ Subsidiaries were responsible for their innovations and development of new products, and the way they planned to deliver their services internationally or secure international clients ▪ Subsidiaries relied on their own entrepreneurial orientation and resources to foster their international growth while pursuing and managing their clients internationally. They concentrate in exploiting new growth opportunities like penetrating new market segments and/or developing into new international markets. ▪ International strategy was implemented by vertically integrating immediate or ultimate parents within the global network. 	<ul style="list-style-type: none"> ▪ Subsidiaries were dependent on their commitment to the strategic development of their respective parents to penetrate into foreign markets. ▪ Parents' enthusiasm, vision and investment interests for a given subsidiary's determine the growth, development and indeed success of subsidiaries on domestic and international front ▪ International strategies were partially implemented out of the subsidiaries' entrepreneurial initiatives and partially directed by grand scheme of their parents (immediate or ultimate). ▪ International strategy was executed by laterally integrating sister subsidiaries in the global network
Degree to which subsidiary uses its parents' (immediate or ultimate) corporate identity/reputation for its own strategic development	<ul style="list-style-type: none"> ▪ No straightforward association with the parents' corporate name or brand; ▪ Subsidiaries were more autonomous and entrepreneurial in their vision and international strategic orientation ▪ Subsidiaries did not draw on the cultural traits of their parents. At the same time, there were minimal or no intervention from the parents' side on cultural issues of the subsidiaries 	<ul style="list-style-type: none"> ▪ Straightforward use of the parents' corporate name or brand ▪ Subsidiaries showed a direct relationship with the vision of the parent they most closely related to for financial and strategic support ▪ Parents exercised varying intervention over culture-related issues of subsidiaries. The SAs felt the constant need to draw a balance between their own values and those of their parents.
Extent to which multinational clients are commonly shared and serviced across the network.	<ul style="list-style-type: none"> ▪ Subsidiaries benefited infrequent opportunities to service international clients from the parents or network. ▪ Subsidiaries were more proactive in using the image, reputation or profile of their global network to secure 	<ul style="list-style-type: none"> ▪ Subsidiaries were strategically located based on the international dispersion of their parents' multinational clients; ▪ Parents had direct (at times controlling) interaction with subsidiaries particularly on such issues with

	multinational accounts.	respect to the global management of strategic accounts and global expansion of the network
Sharing of technology, knowledge, best practices or capabilities within the internal network	<ul style="list-style-type: none"> ▪ Subsidiaries are shared technological and knowledge bases more particularly with their sister subsidiaries in their network or on a regional basis. 	<ul style="list-style-type: none"> ▪ Subsidiaries were sharing and benefiting from organisation-wide competences, technology and/or knowledge that was coming principally from the immediate or ultimate parent levels.
Degree of control over international advertising decisions (creative, planning and management) of subsidiaries.	<ul style="list-style-type: none"> ▪ In this category of subsidiaries, each firm to continually compromise between the centralisation of its international advertising-related decisions while maintaining a strong orientation and profile as a 'local' agency. 	<ul style="list-style-type: none"> ▪ The amount of autonomy over international advertising decisions parents would allow for subsidiaries varied on a project by project basis and depended among others on the strategic importance of the client(s) to the overall network
Degree of control over the performance (strategic and/or financial) of subsidiaries.	<ul style="list-style-type: none"> ▪ Subsidiaries had greater accountability towards their performance and service quality; ▪ The head of each subsidiary reported to the CEO of the immediate parent or sister subsidiary. ▪ Co-ordination of performance was principally done through bi-annual or annual meetings organised by the parents regrouping the different subsidiary heads 	<ul style="list-style-type: none"> ▪ Emphasis was more on the consistent control of the performance of the subsidiaries; ▪ Co-ordination of performance was achieved through the monthly meetings of country managers at HQ; ▪ The parents had a lot of say in the delegation of responsibilities to various country managers and subsidiary heads

**Figure 10.1 : The 'Revised' Conceptual Framework:
An Integrative View of International Strategy of MarComs Agencies**



10.4 IMPLICATIONS FOR PRACTICE

Along with its aim to contribute to theory, the study also led to related implications relevant for the managers of MarComs agencies. These are accordingly discussed in the paragraphs below. Overall, the conceptual framework can be utilised as a comprehensive frame of reference to assess and guide the strategic thinking process and growth orientation of MarComs agencies.

10.4.1 Internal Factors

First, fundamental to the strategic management of the MarComs agencies was the possession or acquisition, accumulation and leveraging of the firms' resources (in particular, the intangible resources) for quality service performance and international competitiveness. Most of these resources, in both SMAs and SAs, were acquired and accumulated in delivering projects and/or servicing clients. Strategically speaking, management of these key resources and capabilities were crucial for long-term survival and growth as it directly affected the agencies, their value-creation processes and their abilities to retain or attract potential clients and capabilities. Such findings, therefore, suggested that managers of MarComs agencies should be primarily concerned about: identifying or recruiting and maintaining their key individual capabilities and having a portfolio of creatively challenging clients to maintain professionals' enthusiasm and enhance their reputation.

Second, the data also suggested that such resources should not be managed in isolation of the context in which they existed. As illustrated by this study, such resources existed in the individual professionals, their daily operational activities and the unique organisational routines of the agencies. Therefore, even though the scenario varied in complexity, both types of MarComs agencies needed to have clear strategic visions as firms. They supported an organisational culture that promoted team spirit, and also enabled informal flexible structures and processes (often integrating ICTs) to allow for free-flowing communication or interaction between professionals. Hence, it is crucial for managers of MarComs agencies to pay equal attention to these interdependent aspects of agency management as existing resources and capabilities are assigned and dispersed to multiple and differing domestic or international clients. In that respect, 'flexibility' and understanding the 'dynamics of interdependencies' in co-ordination and management are central, given that the definition and allocation of responsibilities vary in relation to each client and project.

10.4.2 External Factors

The findings of this study illustrated that the external environment of the MarComs agencies is evolving in an increasingly global context. Its effects for the industry as a whole were largely the result of the pressures emerging from or changes in the global environment of their client industries. Managers of the MarComs agencies should be able to understand, evaluate and manage the characteristics and significance of the industry-level drivers before subscribing to any growth strategy. This is because such external changes are likely to hold unique performance or strategic implications for different agencies, given the idiosyncratic endowment of resources and capabilities. Desired client-based or strategic performance goals would therefore be achieved out of a proper match and adjustment of the agencies' firm-level capabilities and the demands of the external environment. Further, managers should also note that the external environment could be a source of important opportunities for the agencies to compensate for their deficient capabilities or implement growth strategies by identifying and developing network-based relationships with external actors in the industry. The latter mainly depend on senior managers' ability to be entrepreneurial and carefully manage such opportunities.

10.4.4 (Sustainable) Competitive Advantage

Linked to the above discussion with regards to the internal factors, the findings argue that the prime drivers to the competitive advantage of MarComs agencies were internally based. Firm-level determinants to competitive advantage encompassed the agencies' abilities to possess key resources and capabilities as well as effecting an appropriate internal environment for these to operate in and leverage the firms' competitiveness. Managers should therefore acquire an in-depth understanding of the key resources of their firms and how they may be combined to improve their strategic and creative performance. They need to fathom the logics of the inner workings of their respective firms and develop relevant resource accumulation and utilisation strategies based on these logics and the needs of their clients. 'Sustainability', in that respect, becomes an issue of encouraging professional loyalty or protecting existing capabilities from competition. Accordingly, this can be achieved by developing policies and strategies based on the framework developed during the course of analysis in this study.

10.4.5 International Strategy

Two common sets of motives characterised the international strategy of the MarComs agencies: the client-driven and the market-driven. But these varied in complexity in their execution and co-ordination when considered in the case of the SMAs and the SAs.

10.4.5.1 SMAs

These firms can choose to grow organically into foreign markets or form lucrative collaborative or network-based strategies with similar firms located abroad. SMAs in this study were observed to opt for the latter as their preferred approach in their quest for international growth. As such managers of MarComs agencies should have a comprehensive understanding of the impact of network relationships (formal or informal, social or MarComs-related) on their international development. Such network relationships could hold enormous potential for future profitable opportunities but it all depends on the firms' ability to entrepreneurially evaluate and capitalise on such relationships. Managers within MarComs agencies should, therefore, learn to appreciate the significance of managing network relationships and network-based growth. This should form part of an ongoing market or competitive research activity evaluating such possible options along the line of the firms' strategic orientation and firm-specific capabilities. Related to this, managers can increase their opportunities of forming appropriate network relationships by proactively recruiting internationally experienced professionals and building on their existing peer contacts. Finally, once they enter into collaborative agreements, it is important for managers to successfully negotiate and leverage their competitive positions into the established realm of network relationships.

10.4.5.2 SAs

The international strategy of these firms was largely a function of their firm-level capabilities and entrepreneurial orientation as well as the nature of parent-subsidiary relationships inherent to the global networks of which they were a part. Overall, managers of these firms must be aware that a successful international strategy is not associated with a single formula of standardisation or responsiveness rather it exists as a multidimensional construct demanding co-ordination across a range of strategic

decisions. These could encompass such issues as: extent of parents' intervention in decisions relating to strategic growth and development, relationships with the corporate values or identity of the parents; the degree of sharing resources, technology and best practices, the extent to which multinational clients are shared; the degree of control over advertising-related decisions; and degree of control over their strategic and financial performance. All of these could command a varying blend of co-ordination vs. responsiveness imperatives, implemented by support of vertical or lateral relationships in the global networks. Managers should therefore have a comprehensive understanding of these and other issues underpinning their strategic development as subsidiaries. To this end, they should integrate the imperatives of the local environment in which they are based and accordingly define the degree of autonomy relating to their strategic decisions and competitive positioning.

10.5 LIMITATIONS TO THESIS

The validity of a research exercise lies primarily in clearly recognising its limitations. This recognition may well serve as a starting point for future research agendas following this research. The weaknesses relating to the case method are discussed in section 6.6. This section aims at discussing the weaknesses of this study with regard to the applicability and/or usefulness of its findings.

On the whole, the findings of this study are mainly constrained by the method chosen to conduct this scientific inquiry and by the researcher's access to the resources of time and finance. Related to this, the specific limitations can be described as follows:

- First, it should be noted that understanding of the influences on and the characteristics of international strategy of MarComs agencies was generated by analysis and interpretation of data that were the experiences and perceptions of participants directly involved in the international strategy decision-making process. As such, even though methodological and data triangulation as well as rigid sampling procedures were employed for the purposes of strengthening the validity of the data, it is important to state explicitly that the validity of the findings are firmly grounded on the truthfulness of the data sources from which they were generated.

- Second, following its exploratory orientation and its subsequent research design the findings of this study are not generalisable or are limited to the extent to which they can be generalised to the wider population of PBSFs. However, since the intention of the research was to generate a substantive understanding of the influences on and the international strategy process within a purposive sample of MarComs agencies, rather than to test hypothetical relationships between the variables of the research framework, it was expected that the findings would be specific to the MarComs industry only. Any extension of the findings of this study to other professional business service contexts would require a careful consideration of the cross-sectoral or cross-industry effects which might hamper their relevance and applicability. Overall, it is important to reiterate that the findings need to be treated with caution.
- Thirdly, one limitation to this research relates to the fact that it was principally UK-based. Although UK is renowned as a global MarComs centre, the findings of the study cannot be readily extended to other global centres like the US or Japan. Consequently, this study needs to be replicated in other relevant international contexts in order to contribute to the generalisability of the findings.

10.6 FURTHER RESEARCH AVENUES

The findings of this study suggest several interesting avenues for future research. This thesis highlights a range of issues which demand further investigation as firms like the MarComs agencies pursue their strategic growth internationally. Clearly there is still much to learn about the nature of their international strategic management, and this study could serve as a springboard for such researches to proceed. Hence, the following recommendations are provided to assist those interested in pursuing research in this area.

First, referring to the key findings of this study, these can be accordingly taken forward as propositions for further qualitative or quantitative examination. Though justified for this research, the use of case studies has resulted in certain limitations on the use of the results. A general recommendation for further research into the international strategic management of such firms would be to test the concepts and propositions identified here on a wider scale across SMAs and SAs, and perhaps using

quantitative methods where appropriate. Generally speaking, there is an acknowledged need to test any theoretical hypotheses for statistical generalisability with a qualitative research study. As this is a theory building research, the findings of this study need to be analysed on a much wider scale to gain further support and generalisable validity.

Second, and linked to the conceptual framework, the following suggestions can be made as further areas of qualitative and/or quantitative investigation:

- There is support in this study on the relevance of the RBV, IOV and the NBV as contingent theories holding important insights into the strategic management of such firms as the MarComs agencies. The potential of these theories should be further explored as, unlike the manufacturing literature, there is generally limited conceptual and empirical research supporting their relevance with regard to their application to study service industries. Therefore, further research is needed to confirm their applicability to study domestic as well as international strategic management in professional service industries.
- Referring to the findings in relation the internal factors, these could be conceptualised into interesting avenues of research taking more close-up views into the internal drivers to strategic growth and success in other PBSFs. The interdependencies and interrelationships between several aspects of the internal environment demands further exploration as sources of sustainable competitive advantage.
- With regard to external factors, the data provided limited evidence to substantiate the strategic implications of the external influences or their significance as sources of competitive advantage on an international scale. This issue deserve further attention both in the context of the MarComs industry as well as other professional service industries.
- The international strategy of such firms should be studied further from an integrative perspective given the characteristics exhibited by the MarComs agencies. More specifically, with regard to small-and-medium size PBSFs, their international entrepreneurial behaviour is worthy of further examination. Such behaviour should be accordingly analysed with regard to their learning

capabilities as firms and their abilities to develop and grow through network relationships. With regard to larger firms like the subsidiaries, the models and strategic dimensions identified here should be explored in other similar contexts to conceptualise more robust models of subsidiary strategy and development. Accordingly the conceptual framework can also benefit from additional insights by exploring similar issues from the parents' perspectives.

- Also, the overall framework and findings of this study should be examined in the light of the relationships existent with the service, strategic as well as financial performance of MarComs agencies. 'Performance' evaluation should be introduced into the framework and the implications need to be thoroughly examined in the light of the international strategic development of such firms.

Further, the geographical limitations of this study could be overcome by replicating the research qualitatively or quantitatively in other countries (for example, the US or Japan). This would develop the international scope of the study further and also facilitate comparison on the strategic operations of MarComs agencies internationally.

Last but not the least, this study would also benefit from a longitudinal perspective on the issues highlighted. It would be both interesting and insightful to return to these cases to study the continuing process of the international operation and growth. Such a longitudinal study would provide further interesting insights as this research highlights the need to take a process perspective to understand the international strategic management of these learning service-oriented organisations. In conclusion, this study sets the stage for a realm of interesting avenues of research and theory development relating to the international strategic management of such firms as the PBSFs.

10.7 CHAPTER SUMMARY

This chapter summarised the main findings and contributions of this thesis in the light of existing literature. It further discussed various implications relevant for managers and practitioners based on the same findings. It finally highlighted the limitations of the study and ended by proposing directions for further research.

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**Appendix 1:
List of MarComs Agencies**

Appendix 1: List of MarComs Agencies

	Company's Name	Billings' 99		ESTIMATED FEE INCOME	
		DECLARED	MMS	DECLARED	MMS
		£M		£M	
	Agencies with fee income less than or equal to £6m				
1	1576 ADVERTISING	12.5		3.93	0.00
2	999 DESIGN GROUP		1.17	0.00	0.37
3	ABACUS ADVERTISING AND MARKETING (JERSEY) Ltd.		2.18	0.00	0.68
4	ABSTRACTS		1.81	0.00	0.57
5	ADMST ADVERTISING Ltd.		1.06	0.00	0.33
6	ADPARTNERS Ltd.		1.43	0.00	0.45
7	ADVERTISING BRASSERIE	10		3.14	0.00
8	ADVERTISING PLANNING AND MANAGEMENT ltd.		9.6	0.00	3.02
9	ADVERTISING PRINCIPLES Ltd.		11.96	0.00	3.76
10	ADVERTISING SYNDICATE		1.89	0.00	0.59
11	AGA GROUP	14.16		4.45	0.00
12	AMV ADVANCED		6.96	0.00	2.19

13	ARCHIBALD INGALL STRETTON	10.56		3.32	0.00
14	ARCOM	8.5		2.67	0.00
15	ARM DIRECT		15.05	0.00	4.73
16	ASHFORN ASSOCIATES		1.22	0.00	0.38
17	ASPEN AGENCY		3.78	0.00	1.19
18	ATP ADVERTISING AND MARKETING		2.08	0.00	0.65
19	ATTICUS ADVERTISING AND MARKETING Ltd.	3.4		1.07	0.00
20	ATTINGER JACK ADVERTISING		13.61	0.00	4.28
21	AV BROWNE ADVERTISING	7.97		2.50	0.00
22	BANC (Bean Andrew norways Cramphorn)	16.15		5.07	0.00
23	BANNER Corporation Plc.		4.29	0.00	1.35
24	BARNES VEREKER		3.64	0.00	1.14
25	BARNET WILLIAMS PARTNERSHIP	13		4.08	0.00
26	BARRINGTON JOHNSON LORAINS & Partners	15.56		4.89	0.00
27	BCD&P	3.62		1.14	0.00
28	BCLO BACON CALDOW LONEY OCONNELL	8.72		2.74	0.00
29	BEDROCK ADVRT &MARKETING		2.12	0.00	0.67
30	BIG COMMUNICATIONS	11		3.46	0.00

31	BILLINGTON JACKSON ADVERTISING	4.5		1.41	0.00
32	BILSLAND COLTMAN MCKENNA	6		1.88	0.00
33	BLACKSHEEP ADVERTISING		1.03	0.00	0.32
34	BLAIR FOWLES ADVERTISING	11		3.46	0.00
35	BLOWFISH ADVERTISING	8.6		2.70	0.00
36	BMB ADVERTISING	8.5		2.67	0.00
37	BRAHM AGENCY Ltd.		1.57	0.00	0.49
38	THE BRIDGE		7.89	0.00	2.48
39	BRUNNINGS COMMUNICATIONS		1.57	0.00	0.49
40	BRUNNINGS		1.54	0.00	0.48
41	BUCKFIELD LORD & COMPANY		3.18	0.00	1.00
42	BYGRAVES BUSHELL VALLADARES SHELDON		1.53	0.00	0.48
43	CAMP CHIPPERFIELD HILL MURRAY	18		5.65	0.00
44	CAMPBELL & RUSSELL ADVERTISING		2.38	0.00	0.75
45	CAPRICORN FULTON HARRIS		5.76	0.00	1.81
46	CARNEY RICHARDSON		5.03	0.00	1.58
47	CHARTERHOUSE ADVERTISING AND MARKETING	7.1		2.23	0.00
48	CHEETHAM BELL	16.5		5.18	0.00

49	CHEIL COMMUNICATIONS		5			1.57	0.00
50	CIA CONCEPT			14.8		0.00	4.65
51	CICERO ADVERTISING AND MARKETING Ltd.		7.69			2.42	0.00
52	CIRCUS COMMUNICATIONS			1.68		0.00	0.53
53	CKBT (Capon Kirchner Balmforth Trendall Ltd)		18			5.65	0.00
54	CKMP			5.6		0.00	1.76
55	COLEMAN GREENSTED THACKERY (CGT)			2.25		0.00	0.71
56	COLTAS Ltd		26.5			8.32	0.00
57	COMMUNICATIONS IN BUSINESS (CIB) Group Ltd			1.43		0.00	0.45
58	CONRAD ADVERTISING			4.73		0.00	1.49
59	COPELAND & CHARRINGTON		3.47			1.09	0.00
60	CRAMMOND DICKENSLERNER&PARTNERS		3.66			1.15	0.00
61	CRANSHAW MIDDLETON		1.8			0.57	0.00
62	CRAVENS ADVERTISING Ltd.			7.31		0.00	2.30
63	CREATIVE DIRECTIONS			1.19		0.00	0.37
64	CREATIVE PARTNERSHIP			15.75		0.00	4.95
65	CREATIVE STRATEGY			1.63		0.00	0.51
66	CWG Ltd.		13.03			4.09	0.00

67	DA COSTA & CO Ltd.	13.7		4.30	0.00
68	DAVID COLEMEAN MEDIA		2.14	0.00	0.67
69	DPA (DAVID PILTON ADVERTISING)		10.56		
70	DAVIES LITTLE COWLEY FIDDES		2.54	0.00	0.80
71	DESBROW THOMSON CHAFFE	2.11		0.66	0.00
72	DESIGNATE CREATIVE MARKETING AND ADVERTISING	3.77		1.18	0.00
73	DEWYNTERS		3.65	0.00	1.15
74	DONER CARDWELL HAWKINS	27		8.48	0.00
75	DOREMUS & CO		2.08	0.00	0.65
76	DOUGLAS PERRY ROGERS		1.18	0.00	0.37
77	DREW NICHOLSON & ASSOCIATES	1.5		0.47	0.00
78	DRURY LANE CO Ltd.		1.15	0.00	0.36
79	EARDRUM ADVERTISING		4.52	0.00	1.42
80	EDGE GMC		1.05	0.00	0.33
81	ELLIOTT BORRA PERLMUTTER	9.56		3.00	0.00
82	EURO RSCG HEALTHCARE London Ltd	18		5.65	0.00
83	FACTOR THREE		3.55	0.00	1.12
84	FIELDING GIBSON	4.75		1.49	0.00

85	FIRST CITY ADVERTISING Ltd		8.75			2.75	0.00
86	FIRST FINANCIAL ADVERTISING Ltd.			7.23		0.00	2.27
87	FORSYTH COMMUNICATIONS			0.84		0.00	0.26
88	FOX MURPHY		8.3			2.61	0.00
89	FRAME & CUNNINGHAM			2.22		0.00	0.70
90	FRONTLINE INTEGRATED			1.24		0.00	0.39
91	GCAS ADVERTISING			1.22		0.00	0.38
92	GENESIS ADVERTISING Ltd.			1.43		0.00	0.45
93	GENIUS			1.04		0.00	0.33
94	GILLETT & BEVAN Ltd.		6.47			2.03	0.00
95	GOSLING DIX CARTER			3.21		0.00	1.01
96	GOULD & PORTMANS		18			5.65	0.00
97	GREENLEAF COMMUNICATIONS Ltd.			3.06		0.00	0.96
98	GROUP NEXUS/H UK			6.91		0.00	2.17
99	GROVE ADVERTISING SERVICES Ltd.			0.95		0.00	0.30
100	H&H ADVERTISING AND MARKETING			1.25		0.00	0.39
101	HAKUHODO UK Ltd.		8.5			2.67	0.00
102	HANDLEY PARTNERSHIP			5.87		0.00	1.84

103	HARP			3.52	0.00	1.11
104	HAYMARKET ADVERTISING Ltd.			1.33	0.00	0.42
105	HERMAN BEASLEY ADVERTISING	11.2			3.52	0.00
106	HHC ADVERTISING (BRISTOL)	6.35			1.99	0.00
107	HOLMAN ADVERTISING Ltd			0.82	0.00	0.26
108	HOLMES & MERCHANT HEALTHCARE			1.14	0.00	0.36
109	HOOKER SEROWKA Ltd.			2.25	0.00	0.71
110	HUDSON TAYLOR ADVERTISING	4.35			1.37	0.00
111	HUDSON WRIGHT ASSOCIATES			0.92	0.00	0.29
112	HUJET & CO Ltd.			1.05	0.00	0.33
113	IDEAS MEN			1.06	0.00	0.33
114	IN TOUCH MARKETING PARTNETSHIP			1.16	0.00	0.36
115	INGENIA CREATIVE COMMUNICATIONS	9.2			2.89	0.00
116	INTERMARKETING			3.63	0.00	1.14
117	JPH JEFFRIES PARKER HALL			6.05	0.00	1.90
118	JSP			1.65	0.00	0.52
119	KA ADVERTISING	9			2.83	0.00
120	KEITH SHAFTO ASSOCIATES			1.21	0.00	0.38

121	KENNETH HUDSON ADVERTISING			1.2	0.00	0.38
122	LAVERY ROWE ADVERTISING	19			5.97	0.00
123	LAWTON COMMUNICATIONS GROUP Ltd	9.1			2.86	0.00
124	LCR ADVERTISING	4.3			1.35	0.00
125	LEVY McCALLUM ADVERTISING AGENCY			7.34	0.00	2.31
126	LIGHTHOUSE			1.64	0.00	0.52
127	LONDON ADVERTISING PARTNERSHIP Ltd.	3.2			1.01	0.00
128	MADISON BELL			1.41	0.00	0.44
129	MAHER BIRD ASSOCIATES			3.9	0.00	1.23
130	MANIFESTO			1.2	0.00	0.38
131	MAP			4.55	0.00	1.43
132	MARR ASSOCIATES	7.5			2.36	0.00
133	MARTIN TAIT REDHEADS Ltd	18.5			5.81	0.00
134	MARTIN WAXMAN ASSOCIATES			1.17	0.00	0.37
135	MB ADVERTISING AND MARKETING	8.5			2.67	0.00
136	MBO SOLUTIONS			5.01	0.00	1.57
137	MCA GROUP			2.85	0.00	0.90
138	MCCONNELLS ADVERTISING SERVICE			1.43	0.00	0.45

139	MEDIATREND Ltd		1.08	0.00	0.34
140	MERCIER GRAY	10.92		3.43	0.00
141	MIKE FROST MEDIA		1.97	0.00	0.62
142	MILES CALCRAFT BRIGINSHAW DUFFY	1		0.31	0.00
143	MOMENTUM INTEGRATED COMMUNICATIONS Ltd.		2.6	0.00	0.82
145	MORGAN KEMP & PARTNERS		2.42	0.00	0.76
146	MORGAN PARTNERSHIP		4.11	0.00	1.29
147	MOSTLY MEDIA	4.26		1.34	0.00
148	MOUTAIN VIEW	9		2.83	0.00
149	MULBERRY COMMUNICATIONS	2.58		0.81	0.00
150	MULLIS MORGAN MIDLANDS		0.84	0.00	0.26
151	MURRAY CONSULTANTS		1.07	0.00	0.34
152	NAVIGATOR BLUE Ltd.		1.18	0.00	0.37
153	OAKBASE plc.	5.16		1.62	0.00
154	OGILVY ONE Worldwide		6	0.00	1.88
155	OPEN AGENCY		2.76	0.00	0.87
156	PALMER HARGREAVES MINT	30		9.42	0.00
157	PEACOCK MARKETING & DESIGN		3.6	0.00	1.13

158	PERTERSEN PARTNERSHIP Ltd.	1.8		0.57	0.00
159	POINT MRKT COMMS (BRISTOL)	1.3		0.41	0.00
160	POINT MRKT COMMS (NORWICH)	5.4		1.70	0.00
161	PROCTER & STEVENSON	2.92		0.92	0.00
162	PROPERTY MARKETING CO	1.86		0.58	0.00
163	PTK HEALTHCARE AGENCY	11.01		3.46	0.00
164	PUBLICITY BUREAU Ltd.		16.58	0.00	5.21
165	QD GRAPHICS		1.94	0.00	0.61
166	QUADRANT ADVERTISING AND MARKETING Ltd.	4.38		1.38	0.00
167	QUAY ADVERTISING AND MARKETING Ltd.	8.86		2.78	0.00
168	RADICAL COMMUNICATIONS	12		3.77	0.00
169	RADIOVILLE		14.17	0.00	4.45
170	REDHANCED ADVERTISING		2.3	0.00	0.72
171	RESPONSE ADVERTISING MEDIA		2.17	0.00	0.68
172	RH ADVERTISING & DESIGN		0.83	0.00	0.26
173	RICHARD DAVIES & PARTNERS		1.07	0.00	0.34
174	RICHARDSON BIRKETT & PARTNERS	12		3.77	0.00
175	RILEY ADVERTISING GLASGOW		1.07	0.00	0.34

176	RIVER ADVERTISING	12.28			3.86	0.00
177	ROGER BARSON PARTNERSHIP		1.09		0.00	0.34
178	RPG ADVERTISING		0.94		0.00	0.30
179	RSCR (REECE SEATON COTTON ROWE)		0.92		0.00	0.29
180	SASS PANAYI & Partners Ltd.		1.67		0.00	0.52
181	SCHOLZ & FRIENDS LONDON Ltd	10.74			3.37	0.00
182	SCOPE CREATIVE MARKETING	7.7			2.42	0.00
183	SEPTEMBERS MCCONNELLS ADVERTISING & MARKETING		1.19		0.00	0.37
184	SHEPPARD DAY ASSOCIATES	17.67			5.55	0.00
185	SMARTS ADVERTISING AND DESIGN	9			2.83	0.00
186	SMITH BUNDY CARLSON	14.6			4.59	0.00
187	SOLD OUT ADVERTISING Ltd.	8.08			2.54	0.00
188	SPACE CITY COMMUNICATIONS		6.1		0.00	1.92
189	SPIRIT ADVERTISING	9.79			3.08	0.00
190	SPS ADVERTISING		1.22		0.00	0.38
191	THE SQUARE		0.9		0.00	0.28
192	STEVENSON SHARPE DESIGN & ADVERTISING		1.9		0.00	0.60
193	STRATHEARN ADVERTISING		1.12		0.00	0.35

194	STRATTONS	7		2.20	0.00
195	SUMMERFIELD WILMOT KEENE & PARTNERS	8.7		2.73	0.00
196	SWITCH BIRMINGHAM		1.57	0.00	0.49
197	TAYLOR & TAYLOR Advertising		1.22	0.00	0.38
198	TBA		5.11	0.00	1.61
199	TEAM SPIRIT		1.54	0.00	0.48
201	TEAMWORKS ADVERTISING	18		5.65	0.00
202	TLG MARKETING	5.62		1.77	0.00
203	TONIC COMMUNICATIONS		3.52	0.00	1.11
204	TRAFFIC BUREAU		0.79	0.00	0.25
205	TRAILER EVANS COMMUNICATIONS		1.28	0.00	0.40
206	TRAVIS DALE & PARTNERS		0.78	0.00	0.25
207	TREBLED HALVED		0.9	0.00	0.28
208	TREVOR PETERS DESIGN		0.96	0.00	0.30
209	TUGBOAT AGENCY		2.19	0.00	0.69
210	TYPESTYLE ADVERTISING		2.32	0.00	0.73
211	UNDERGROUND		3.87	0.00	1.22
212	UNION Advertising Agency Ltd.	12		3.77	0.00

1	BARKERS COMMUNICATIONS (Edinburgh & Glasgow)	45.1		14.17	0.00
	BARKERS COMMUNICATIONS (Edinburgh & Glasgow)				
2	BCMP PILKINGTON SPEYER	22.15		6.96	0.00
3	BDS BEECHWOOD	29		9.11	0.00
4	BDH TBWA	75		23.56	0.00
5	BRAY LEINO Ltd.	34.5		10.84	0.00
6	BROADWAY(UK) Ltd.	20		6.28	0.00
7	CITIGATE ALBERT FRANK	47.8		15.02	0.00
8	COGENT Advertising	31		9.74	0.00
9	CONQUEST		22.55	0.00	7.08
10	COURT BURKITT & CO	31.21		9.80	0.00
11	CRAIK JONES WATSON MITCHELL VOELKEL Ltd.	26.6		8.36	0.00
12	DUCKWORTH FINN GRUBB WATERS	80		25.13	0.00
13	DMB&B FINANCIAL Ltd.	19.71		6.19	0.00
14	DP&A Ltd.	26		8.17	0.00
15	EMO	27.4		8.61	0.00
16	EURO RSCG Wnek Gosper	18		5.65	0.00
17	EVANS HUNT SCOTT EUROCOM	83.25		26.15	0.00

18	FALLON McELLIGOTT		23		7.23	0.00
19	FAULDS ADVERTISING Ltd		38.2		12.00	0.00
20	FCA !		85		26.70	0.00
21	GOLLEY SLATER GROUP		86		27.02	0.00
22	GRIFFIN BACAL ADVERTISING			31.01	0.00	9.74
23	HDM AGENCY		22		6.91	0.00
24	HPT BRAND REPONSE		30		9.42	0.00
25	IMP		90		28.27	0.00
26	INTERFOCUS Network Ltd.		59		18.53	0.00
27	J.WALTER THOMPSON MANCHESTER		24.5		7.70	0.00
28	JONES MASON BARTON ANTENEN		54		16.96	0.00
29	JOSHUA AGENCY		47		14.77	0.00
30	LEAGAS DELANEY PARTNERSHIP		92		28.90	0.00
31	THE LEITH AGENCY			23	0.00	7.23
32	MITCHELL PATTERSON GRIME MITCHELL Ltd.		24		7.54	0.00
33	MOTIMER WHITAKER O'SULLIVAN		32		10.05	0.00
34	MOTHER		35		11.00	0.00
35	MUSTOE MERRIMAN HERRING LEVY		42.39		13.32	0.00

36	OSPREY COMMUNICATIONS	45	14.14	0.00
37	PARTNERS BDDH	91	28.59	0.00
38	POULTER PARTNERS	37	11.62	0.00
39	PRIMARY CONTACT Ltd.	22.9	7.19	0.00
40	RAPIER Ltd.	40	12.57	0.00
41	REES BRADLEY HEPBURN Ltd.	21.23	6.67	0.00
42	ROBSON BROWN COMMUNICO	31	9.74	0.00
43	ROOSE & PARTNERS	54	16.96	0.00
44	RPM3 Ltd.	38	11.94	0.00
45	SENIOR KING Ltd.	42.3	13.29	0.00
46	ST LUKE'S	90	28.27	0.00
47	TRAVIS SULLY HARARI	25.42	7.99	0.00
48	UK ADVERTISING & MARKETING SERVICES	20.63	6.48	0.00
49	WALLIS TOMLINSON	19.89	6.25	0.00
50	WARL WILLOX AMBLER RODFORD LAW	29.5	9.27	0.00
51	WUNDERMAN CATO JOHNSON	42.8	13.45	0.00

	Company's Name	Billings' 99		ESTIMATED FEE INCOME	
		DECLARED	MMS	31.415% Of Billings	
				DECLARED	MMS
Agencies with fee income more than or equal to £30m and less than £150m		£M		£M	
1	ABBOTT MEAD AND VICKERS BBDO	399		125.35	0.00
2	BANKS HOGGINS O'SHEA/FCB	143		44.92	0.00
3	BARRACLOUGH HALL WOOLSTON GRAY	118.55		37.24	0.00
4	BARTLE BOGLE HEGARTY	238		74.77	0.00
5	BATES UK		179.5	0.00	56.39
6	BMP DDB	440		138.23	0.00
7	BRANN	160		50.26	0.00
8	CLAYDON HEELEY INTERNATIONAL	93.6		29.40	0.00
9	COLLETT DICKENSON PEARCE	94.2		29.59	0.00
10	DmB&B (D'ARCY Masius Benton & Bowles)	217.5		68.33	0.00
11	DELANEY LUND KNOX WARREN	134.4		42.22	0.00
12	DRAFT WORLWIDE Ltd	93.72		29.44	0.00
13	HHCL&PARTNERS	180		56.55	0.00
14	GREY ADVERTISING	390		122.52	0.00

15	J.WALTER THOMPSON LONDON		280.9	0.00	88.24
16	LEO BURNETT	220		69.11	0.00
17	LOWE LINTAS	325		102.10	0.00
18	M&C SAATCHI	240		75.40	0.00
19	MCCANN-ERICKSON UK GROUP	305		95.82	0.00
20	OGILVY & MATHER Ltd	218		68.48	0.00
21	PUBLICIS	260		81.68	0.00
22	RAINEY KELLY CAMPBELL ROALFE	249.73		78.45	0.00
23	SAATCHI & SAATCHI	354.62		111.40	0.00
24	TEQUILA PAYNE STRACEY	105		32.99	0.00
25	TBWA GGT SIMONS PALMER	300		94.25	0.00
26	WCBS	186.2		58.49	0.00
27	WWAV RAPP COLLINS GROUP	319.61		100.41	0.00
				0.00	0.00
	ADVERTISING ORGANISATIONS		Billings' 99		Billings' 99
	Agencies with fee income more than or equal to £150m		£ bn. (approx.)		£ bn. (approx.)
1	Interpublic Group		5.32		1.67

2	Cordiant Communications Group		0.78		0.25
3	WPP Group		5.45		1.71
4	Grey Global Group		1.24		0.39
5	Publicis Group		1.64		0.52
6	Bcom3 Group		1.53		0.48
7	Havas Advertising Group		1.68		0.53
8	Dentsu Group		1.87		0.59
9	Omnicom Group		4.93		1.55

FEE/INCOME CALCULATION:

Total Billings = 100%

commissionable fraction = 71% (from European Advertising Agency Association)

marked-up fraction = 10% (assumption)

Fee fraction = $[100 - (71 + 10)] = 19\%$

So turnover or fee income =

$\{15\% \text{ of } 71\% \} + \{17.65\% \text{ of } 10\% \} + \{19\% \text{ of } 100\% \}$

$= 0.1065 + 0.01765 + 0.19 = 0.31415$ (approx. 0.3) Agency's Income Coefficient

Reference:

The source is Crosier, K (1999) 'Chapter 25: The Argument for Advertising Agency Remuneration' in P.J. Kitchen, Marketing Communications: Principles and Practice, London: International Thomson Business Press.

Note: the 15% and 17.65% are industry standards

Appendix 2: Interview Guides

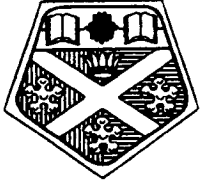
Appendix 2.1: Interview Guide for Case Companies

Appendix 2.2: Interview Guides for Clients

Appendix 2.3: Interview Guides for Industry Informants

Appendix 2.1

Interview Guide for Case Companies



**International Strategy in Professional Business
Service Industries: The Case of the International
Marketing Communications Sector in UK**

**UNIVERSITY OF
STRATHCLYDE**

INTERVIEW GUIDE

*Interviews Undertaken in Preparation of Thesis
Leading to a PhD*

**At
Strathclyde International Business Unit
Department Of Marketing**

<< Date >>

**BY
DEV K. BOOJIHAWON
DOCTORAL RESEARCHER**

AGENCY PROFILE

Company/Agency Name: _____

Year agency was founded: _____

Your name & title and number of years with agency: _____

Personal Assistant/ Secretary: _____

Parent Company (if any) : _____ **Nationality:** _____

Address: _____

Other international locations:

Number of countries : _____

Top 5 Markets	Year of Entry	Key event(s) that initiated entry	Initial Mode of Entry	Current Mode of Servicing
1.				
2.				
3.				
4.				
5.				

Number of Years of Experience in International Activities as an agency: _____

Proportion of Billings/Fee income

UK: _____

International: _____

Total Employment:

UK: _____

International: _____

Proportion Client Base:

UK: _____

International: _____

INDUSTRY AND CORPORATE OVERVIEW

1. Can you give a brief account of your company's history, highlighting the key stages, operations and milestones of your agency's strategic development for the past ten years?
(prompt: *international development*)

2. What's your opinion on the evolution of your industry during the past ten years?
(prompt: *international and competition and competitive environment*)

3. What is the current qualification profile of your human resources (above secretarial and administrative staff) in your agency? To what extent are you involved in the recruitment and training of your professionals across your network spectrum?

4. Where do you think are your key abilities and skills as an agency (i.e. do you think they lie at the individual professionals, organisational level, team level, managerial level?)

VISION AND CORPORATE POLICY

5. What is your organisation's vision or mission statement, even if not formal?

(prompt: *based on the vision of a single person (founder) or a group of people (current management), i.e. consensus-based*)

6. Do you think that your agency's corporate vision influence your thinking, formulation, planning and organisation of your international strategies? (prompt: *Why? How?*)

(prompt: *vision & changing (international) business environment or client needs; management of your resources/core competences; network arrangements and implications*)

ORGANISATIONAL/CORPORATE STRUCTURE

10. How would you describe your organisational structure? Why is it organised that way?

(prompt: *factors (internal and external) do you think influence your organisational structure decisions implications for your international strategy development or your agency's strategic choices*)

CORPORATE CULTURE

11. How would you describe your agency's culture?

(prompt: influence on the management of your 'professionals'; influence on your international strategy development, culture clashes between network actors)

MANAGEMENT PROCESSES

12. What kind of policies, procedures and programs exist within your agencies that contribute to managing agency business? (e.g. global compensation systems; global transfer mechanisms of staff and teams; global training systems, hiring and recruitment policies, performance evaluation systems, management information systems)

(prompt: management of agency businesses and daily operations; flexibility and responsiveness; as a source of competitive advantage; information and communication technology issues)

13. Do you make any adjustments in your internal systems and processes when transferring your set systems to your different network partners?

COMPETITIVE STRENGTHS

15. What in your opinion are your principal sources of competitive strengths?

INTERNATIONAL STRATEGY

16. What are your strategic motivations when considering geographical expansion across the globe?

17. What were the different modes of market entry and development you used in your initial stage of internationalisation/ And what modes do you use now?

(prompt: modes of international expansions: internal development, exporting, joint ventures, strategic alliances, mergers and acquisitions, licensing/franchising; other joint collaborative approaches (e.g. partnership arrangements), FDI/greenfield)

18. Your industry is observed to merge into international networks and conglomerates. How does that affect your international development? (If so, why and If not why not?)

(drivers of this consolidation process: advantages and disadvantages of being part of a network; how do you see the industry shaping in the next five to ten; development and diffusion of knowledge (learning processes and transfer of resources), flexibility and responsiveness issues (client needs and local market needs), cost economies and location economies]

19. What would you say are the main challenges and key success factors of managing an international agency?

EXTERNAL INDUSTRY FACTORS

MARKET FACTORS

20. From your experience, what kind of changes have occurred with respect to the **market factors** in your industry in the past five years and what do you foresee over next 5/10 years challenges of managing an international agency?

(prompt: effect your international strategy)

21. COST FACTORS

22. TECHNOLOGY FACTORS

23. COMPETITIVE FACTORS

24. GOVERNMENT/REGULATORY FACTORS

PERFORMANCE

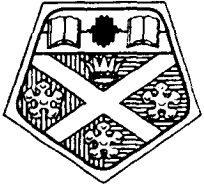
25. What are the main indicators of your agency's corporate performance?

(prompt: strategic goals five years ago and now; corporate performance and international development of the agency; courses of action in case of performance dissatisfaction)

THANK YOU

Appendices 2.2 and 2.3:

Interview Guides for Clients and Industry Informants



**UNIVERSITY OF
STRATHCLYDE**

**International Strategy in Professional Business
Service Industries: The Case of the International
Marketing Communications Sector in UK**

INTERVIEW GUIDE

***Interviews Undertaken in Preparation of Thesis
Leading to a PhD***

**At
Strathclyde International Business Unit
Department Of Marketing**

<< Date >>

**BY
DEV K. BOOJIHAWON
DOCTORAL RESEARCHER**

Appendix 2.2: Interview Guide for Client Firms

- **Opening questions:**

- Can you briefly explain me your advertising and/or marketing strategy?
- What are the decisions level involved in planning and executing a 'corporate' marketing strategy? (lead: the role of ad agencies and /or the role of other professional services, e.g. management consultants, in the process);
- To what extent is your company involved in international/regional/global advertising? How far and in what way do you see the contribution of agencies in that respect? What is the degree of local/regional/global adaptation involved?
- What are the decision criteria involved in selecting an ad agency for domestic/international advertising?
- To what extent or how do you see ad agencies helping/enabling you to materialise/realise your international/global reach? Are they a 'partner' at all in the process?

- **On Internationalisation and Consolidation of the Advertising/Marcoms industry**

- What is your perspective on the internationalization of the advertising industry and ad agencies so far?
- What do you think are the drivers to that internationalisation? (lead: agency network consolidation; diversification)
- Is it important that your company is part of an international agency or a global ad agency network? How significant is the fact that your company is dealing with a global agency or not?
- Do you work exclusively with one network? Do you anticipate this will change in the future?
- Does conflict worry you and are you prepared to accept that your business could be handled by a network that also works for your rivals? (lead: subsidiaries using their parent's corporate brand identity vs. separately branded subsidiaries)

- **Future**

- What do you think are the factors influencing success for advertising agencies?
- How do you picture your 'ideal' international agency in the next 5-10 years? What are the key characteristics that your business will demand from its international communications agencies over the next five years?
- What do you perceive to be the future drivers of internationalisation of the ad industry? (Lead: key driver could be clients themselves)

Appendix 2.3: Interview Guide for Industry Informants

- **Opening questions**

- How would you explain the internationalisation of ad agencies, having in mind the strategic developments that have the international advertising industry in the past 10 or 20 years? What do you think have been the major consequences?
- After a decade of consolidation in the advertising industry, what do you think has been the net effect on the ad agencies? (diversification)
- What do you think have been the major influences of such internationalisation/consolidation process? And what do you think have been the major consequences both for the industry as a whole and for the agency firm?

- **On Internationalisation and Consolidation of the Advertising/Marcoms industry**

- What is the key decision criteria involved when an ad agency is thinking of its international expansion?
- How would you categorise or differentiate between the international/global agencies and their subsidiaries? What are the advantages and disadvantages of each/any categorisation you suggest? (autonomy vs. delegation and centralisation vs. responsiveness, degree of parent's influence)
- Do you think size of agency matters in this industry? How can sum up the implications on small-to-medium size as a result of globalisation/internationalisation of the industry? (independent agency networks)
- What do you think are the strengths and weaknesses of the major global networks and international independent networks?

Diversification

- How would you relate the internationalisation and diversification strategies of ad agencies?
- Is the concept of 'one-stop' service in advertising business a myth or reality to you?
- Diversification has been observed to be a popular growth strategy among ad agencies but the consistency and nature of diversification strategies seems to vary considerably with respect to international agencies and their markets. What is your view on the 'international' diversification strategies of ad agencies?
- What are the implications of internationalisation of closely related industries such as the Market research and Media sector on the overall advertising industry?

- What do you think are the factors influencing success for advertising agencies?
(Key success factors and challenges of small agencies vs. global networks – competitive advantage)
- Global/International Regulation of the advertising industry?
- **Future of industry:**
 - What do you think are the future drivers of internationalisation in the ad industry?
(Clients' influence)?
 - What do you see as the key issues or key trends in advertising and marketing today? What of those do you feel will have most impact on the international operations of agencies?

Appendix 3: Letters of Contact

Appendix 3.1: Contacting Case Companies

**Appendix 3.2: Contacting Industry Informants and Client
Companies**

**Appendix 3.1:
Contacting Case Companies**

To:

<<Title>> << Surname>>

<<Position>>

<<Address>>

<<Date>>

Dear Sir/Madam,

I am Doctoral Researcher within the Strathclyde International Business Unit at the University of Strathclyde. I am writing to request your cooperation in a major UK-wide research project on the *International Strategies of Professional Business Service Firms*. More specifically, the research aims to investigate “*the basis on which advertising agencies or marketing communications companies define and maintain their competitive international strategies.*” I would be very grateful if we could arrange to meet as I am seeking the opinion of those who, like yourself, have extensive marketing /management career experiences and industry knowledge. All your answers will be kept strictly *confidential* and *anonymous* when citing examples in my thesis and any subsequent publications.

I hope we can meet at your office, at a time suiting your convenience by the end of October, to discuss issues related to the above research agenda. I shall telephone your secretary, after this letter is sent, to try and arrange an appointment, and would appreciate if you could pass on my name to your secretary along with a selection of possible dates. Thereafter an *Interview Guide* will be mailed or faxed to you, as a basis to guide our discussions. The meeting is expected to last for two hours maximum.

Following our meeting and in appreciation of your assistance I will send you a summary of the collated information setting out the major findings of the study as soon as the analysis process is completed.

Attached with this request is a letter from my supervisor Prof. Stephen Young which further informs you of the importance of the study. In case of any further queries please feel free to contact me by mail, fax or telephone at the address on this letterhead, or by e-mail at the address below. I thank you again for your consideration, and look forward to our meeting.

Yours sincerely

Mr. Dev K. BOOJIHAWON, Doctoral Researcher (email:dev.boojihawon@strath.ac.uk
and phone: 0141 548 4261)

**Appendix 3.2:
Contacting Industry Informants and Client Companies**

To:

<<Title>> << Surname>>

<<Position>>

<<Address>>

<<Date>>

Dear Sir/Madam,

I am Doctoral Researcher within the Strathclyde International Business Unit at the University of Strathclyde. I am writing to request your cooperation in a major UK-wide research project on the *International Strategies of Professional Business Service Firms*. More specifically, the research aims to investigate “*the basis on which advertising agencies or marketing communication companies define and maintain their competitive international strategies.*” I would be very grateful if we could arrange to meet as I am seeking the opinion of those who, like yourself, have extensive marketing /management career experience and/or industry knowledge. All your answers will be kept strictly *confidential* and *anonymous* when citing examples in my thesis and any subsequent publications. For your information this interview is following from a number of interviews conducted with a range of major advertising agencies, and is now seeking the views of clients and industry experts on the preliminary conclusions of the study.

I hope we can meet at your office, at a time suiting your convenience by the end of July/beginning of August, to discuss issues related to the above research agenda. I shall telephone your secretary, after this fax is sent, to try and arrange an appointment, and would appreciate if you could pass on my name to your secretary along with a selection of possible dates. Thereafter an *Interview Guide* will be mailed or faxed to you, as a basis to guide our discussions. The meeting is expected to last for one hour maximum.

Following our meeting and in appreciation of your assistance I will send you a summary of the collated information setting out the major findings of the study as soon as the analysis process is due.

Attached with this request is a letter from my supervisor Prof. Stephen Young which further informs you of the importance of the study. In case of any further queries please feel free to contact me by mail, fax or telephone at the address on this letterhead, or by e-mail at the address below. I thank you again for your consideration, and look forward to our meeting.

Yours sincerely,

Appendix 4: Example of Interview Transcripts

Appendix 4.1: Example of Interview Transcript of Case F

Appendix 4.2: Example of Within Case Analysis of Case F

Appendix 4.1: Example of Interview Transcript of Case F

Background to Interviewee:

Before the recorder was switched on, the researcher's prompt was as follows:

I'd like to record today's conversation if that's ok. As I said on the phone, the interview will be more structured today as we are going to follow the format of the interview guide that I sent to your attention. I don't want to miss anything you say or accidentally change your words, misunderstand you by taking notes. I'll have the task of listening to this over again, stop the button if there's something you don't want to record.

This transcript relates to Case F and starts here :

Q: Could you give me a brief account of your company's history and the major operations and milestones of your strategic development in the past ten years or so?

A: Ok, err.. we are twenty years old, twenty years as a group with now about 800 employees working here. It was a start-up and then we formed an alliance with BBDO who had no direct responsibilities as our employers. We were selling off the page to somebody up front and somebody else would do that advertising. We've grown over the last twenty years, I guess the significant milestones were 20 yrs ago we set up, 12 years later we set a new company which was a startup in Leeds. Then, we started an agency there, and then seven years ago we started an agency in Scotland, 5yrs ago we started a second stream agency in London. called???, 3 yrs ago we started in Bristol and also in Holland in Amsterdam. Apart from that we are a horizontally integrated group of agencies, we also own our supply chain. So in the past 10 yrs ago we acquired a data bureau company/data processing company, and we branded that as a computing group. Link to that we also started a list broking company...(o27-029)...

Q; so you have been moving away from your core services?

A: No not really, it basically enabling our supply chain. I mean we started through quality management as we could not find anybody doing so 10 yrs ago, that is, nobody in the market could probably control the quality of name and address management and actually enclosing letters and envelopes. Because this consisted of more than 50% of the group's business we had problem in finding anybody who could physically send out our letters. That's when we really started a computing group in the production house, as a quality control unit. We post-rationalised, there is a huge amount of post rationalisation of what our strategy has been within this group. We post rationalised to be able to control our supply chain and actually earn from our supply chain. Honestly speaking, very much of our strategic intent has been directing towards supporting an awful lot of our tactical implementation. So as a group we have tended to act when we found somebody who, with a like mind, was prepared to do business with us. We also opened our second agency in Leeds because one of our largest client happened to be based in Leeds and was looking for support.

Q: so basically it was client driven there...

A: hmm . No basically individually driven by Mr. XXX who became the first managing director of the Leeds agency and was also its marketing director. He was brought in our agency to do something else.. Chris Gordon, another colleague, became managing director of the Scottish office when we opened that. He had just been made redundant by his previous employers and we hired him. The reason we opened a list broking arm was the Chief Executive wanted to come over here from New York and was wondering what they could do to expand the business further.

Q: You also mentioned an office in Amsterdam right.. how did that happened.. how did that fit into the development you just highlighted?

A: Let me go back to last end. So we opened a number of companies within our own supply chain. We also set up a media company three years ago and we now have another new media company this year. Six years ago we sold the company to OMNICOM which privately own us and this was based on the decision of a number of managers, mainly the equity holders, who decided to sell to OMNICOM based on two factors, one we were reflexive, that is, for a number of senior staff who had been with us for more than 15 years were approaching their 50s and were looking for an exit route to cash out. And secondly we were looking to get European expansion. We have been trying to open offices in mainland Europe as Case F really from about 1985/86 onwards. On fair total we now have a couple of expansion abroad through TEMPUS. We recently did a deal in Paris and then another one in Italy. For some time we actually sold 20% of the equity to the Italian telecom giant.

Q: so your expansion so far has been European focused?

A; right ok. We sold to OMNICOM six years ago for two reasons.. one for cash and two to get into the European network. That actually did not happened in the way that we thought it was going to happen. I don't know if you know the structure of OMNICOM. OMNINOM is supposed to own five networks.. They have got three advertising agency networks: DDB, BBDO, TBWA, DAS (Diversified agency services and communication.. Basically into DAS goes everything that is not advertising. So in here you have got things like PR, contract publishing, market research, direct marketing. And here in communication is New Media. So this where agency.com is owned and operated. Ok, now, DAS in North America and South America and DAS in UK own RAPP Collins in mainland Europe. Rapp Collins is owned by DDB so OMNICOM bought us to fill in the hole in the RAPP Collins network. RAPP Collins is the largest direct marketing firm globally but in UK it was about 30 odd people. It was a complete disaster. It went through about five rounds of changes and they cost them an absolute fortune. So they bought Case F as brand leader in the market to basically enhance their status and fill the gap in the market. We sold to OMNICOM for cash and on the basis of that we got to fit into the EUROPEAN RAPP Collins network.. Back then, we didn't but we have now six years later because DDB, the advertising agency owns the RAPP Collins brand across mainland Europe and this is something very very different to the way RAPP Collins in North America, South America and UK. Effectively RAPP Collins in mainland Europe is just a small sales promotion agency.

Q: In that respect how does that parallel the development of the industry for the past ten years?

A: Well, clients are asking for more and more now for international presence. I would say 40% of our client base is international. We have either Americans coming in, classic examples include the like of CapitalOne, Morgan Stanley, DeanWinter, launching their brands to providing their services across Europe. Also, people like SONY OR DELL are asking us have centres of excellence here in the UK, controlling the execution of their direct marketing strategies across mainland Europe. So it's a combination of both.

Q: I understand it has been basically client driven. What other factors can you see altogether that did impact on your international development?

A: We are a service firm so we are very much driven by client need. I mean yes there is client globalization, mainly driven in this current cycle is the need to control cost. If you are looking at DELL, we work with this company in 11 European territories. So the key focus that DELL has got is partly consistency of message but mainly on how do I control the cost phase from one central strategic control and just use the amount of local execution that I need. So we have 11 different catalogues for DELL businesses. All of the creative work is done here in the UK, we then run an extranet where the creative work is downloaded but just transliterated in different local point in the structure in the base. All of these changes are downloaded in one central electronic repository and we print all of the European catalogue monthly in one central repository and then dispatch them out to the local countries again and this by using that central coordination. It saves us downright an absolute fortune. So that's the sort of role that we are saying is one very much driven by globalization, but globalisation not in terms of so much developing new web strings as a lot of people thought it was but it's globalisation just in terms of brand awareness, image output control and then cost control. I suspect that will change in the future.

Q: Do you have a formal HR development policy?

A: Yes we do.

Q: What kind of qualification profile do you expect from your HR personnel?

A: They are all graduates and they are all trained in-house. We have training programmes at a number of levels. So, there is OMNICOM global training, basically a senior management program that typically senior execs will attend two weeks a year in a business school. It tend to regroup some 15 CEOs and is run centrally in North America but bringing together the global managers. The next level down each individual territories has its own training series again OMNICOM-based or DAS-based. These are horizontal training program and service related training that are coordinated either through DAS or OMNICOM simply because we get better buying power that way. Quite frankly, the sort of issues somebody in PR comes up against won't be the same as somebody from direct marketing.

Q: In that respect what would you be looking for in a person you are trying to recruit?

A: It depends in what area of the business we need people in. I mean if there is a need on the agency side, we would be looking for very good personnel skills or very good implementation skills and attention to details, management skills and communication skill, but probably not for entrepreneurial skills. If I am looking for somebody in, we set a Digital company here, and such skills, I will looking for somebody with great entrepreneurial skills who has got ability to handle change, with knowledge in possibly a wide range of related subjects, somebody who is a self-starter and can operate outside the box as oppose to somebody within an agency with very disciplined structure. The skills at the bottom could be skills set related to sending a 100,000 mailings or a skill set to help setting up an e-commerce solution where by you are bringing together databases and making three different client bases work together. These are completely different skill sets.

Q: Where do you think are you key abilities and skills as an agency?

A: We are trying to build the team at the moment. We recognise where we came from only twenty years ago. We have a very strong individual entrepreneurial staff feudal heritage with a portfolio of 13 or 20 companies. Each of which has operated beside us with the chief exec of each of those basically operating baronies of systems totally ruled from the local side. That what has been the case uptill now because most of our expansion has been from inside out. What we are attempting to do now, probably really only over the last 18 months or so, we have been trying to get that horizontal cooperative working across the various sister companies and that's becoming a significant part of my role. The nature of my job is effectively changing from the chief exec to having a group role. But our strength is in our people, in the ability to track and retain and develop the skills set of key individual talents. That's our heritage and that will still be the case going forward. We are adding on to that and the ability to make those key individual stars work together towards a common good. We have effectively been doing lots of training program within DAS and OMNICOM university schemes over the last five years .Principally under DAS university scheme where we have worked together with other chief execs which seem to have the same operating issues.

Q: As you said it is one thing to have a key set of people and another to bring them to work together, once you have created this how do you protect them or how do you prevent these people from leaving you?

A: It is mostly hearts and mind. We have a very very strong corporate culture so it's partially corporate culture, partially personnel development, and then partially remuneration. And I would say it's probably 40% culture, 40% personnel development and 20% remuneration. However remuneration is becoming more and more important, than ironically, as we move from individual culture into a team culture where we are calling upon our staff to work together.

Q: Regarding your corporate planning exercise, who takes the decision? Is it based on the board here or OMNICOM?

A: Historically they've been taken by the chief exec here, the founding person of Case F who left in June, up until this year. Now, I would say there is an inner board of probably five of us who take the strategic decisions. What has happened till recently is a new group chief exec has taken over, and removed what initially used to be a far vaguer consensus group into a much smaller holding company board. We were a holding company board I guess of 18 and we are down to 11, because a lot of the original founders have had to leave as a result of the acquisition.

Q: So have you had to make a lot of adjustments as well from the vision of the founding member to what it is today?

A: We have moved effectively from a corporate culture to an entrepreneurial culture. The key is how do you retain the best elements that have driven the business growth so far?. And I think we are doing that partially by allowing if you like incubator type innovations. So our digital companies are classic examples. You set up a spark within the corporate culture and it becomes an integral part of the culture while functioning independently.

Q: Do you think that this is one of the ways to channel a consensus based vision towards your professionals?

A: Yes this is one of the ways. We now have a holding company board of 11. Each of those 11 has far more of a rounded role than they may ever have had in the past. They give more in to recognise individual strengths. So the managing director of one of our regional agencies, for example, has got an amazing ability to implement very detailed practical solutions. So one of the things we are essentially doing is centralising our group production and underneath all of this, every single boundary has had their own production units. So the managing director in each group would take commodity spotting the best practice which can be applied across the group and probably create another central resource that everybody would benefit from. The director would have the skills set to examine all of those local issues in details and provide that very tightly managed implemented solution but taking good control of that. Another example is myself, my best role for example is of innovation and initiation. I have created three companies already and it something I am very good at starting. From year zero, getting it up to end of its first or two years doing, doing proof of the concept that actually drove me through and actually having it managed and take off.

Q: How has this vision influenced your international development?

A: It has not yet so much because our international development is very tied up with the global OMNICOM politics. So our international development at the moment is restricted to two countries where we own operations. We owned a data bureau in France which we acquired two years ago, and we run an agency in the Netherlands which we set up three years ago. There are also all the RAPP Collins offices which we don't own. In fact, the vast majority of the business we do isn't with RAPP Collins offices, they are with second stream direct marketing agencies that OMNICOM bought along the way and that are managed through DAS. All global development are

unlocked only through this line. The OMNICOM persuasion to DDB to produce that part of us has already been the subject of three global boards. A number of us have been out in the States to see if we can negotiate this deal or it would be based on a start-up when we get the RAPP Collins brand. But we are going to have to start up a new set of direct marketing agencies or probably get new direct marketing agencies in every single European territory under the RAPP Collins brand.

Q: In that respect, how do you adjust your old corporate structure within this overall integration process?

A: Well our corporate structure at the moment is that Case F is under DAS under OMNICOM. We are unusual in what we do and we are directly reporting to DAS, but we have something like 5% of the constituent. I mean we are as 5% DAS worldwide, we are all very big in terms of both revenues and PBT. If we do the DDB deal there will be a joint venture between us and DDB, and they will be reporting to us. If we don't do the DDB deal what will happen is that we will still remain but the RAPP Collins will probably be facilitated with a JV with somebody else. So the reporting line effectively does not change.

Q: On the whole, what would say are some of the internal and external factors that have influenced the change process underway here?

A: The internal factors that are influencing it are just management evolution and that's just typical first generation start up into corporate culture. The external factors that are influencing it are shareholders drive for return and our clients' demand for beyond global servicing. Of the two probably the other internal factor is personal ambition, there are a number of senior managers here who have been educated on a global stage. You know there are bright guys out there that you actually enjoy working with and because you spent time with them, you form personal relationships and if you have got any problem you just pick up the phone where you communicate your end of the business. To date I think the heart of global communications is education and personal relationship development. We have not got into a point of integrating networks but we have got to a point of recognising hearts and minds, and that of having common methodologies.

Q: How would you describe you agency's corporate culture?

A: Can do and deliver focused. Case F is known as the people who would deliver the clients' needs. Our position in the marketplace is accountable marketing, we only do direct marketing, we only undertake client business where we can see that there is an identifiable financial outcome out of it. It's not necessarily profit but we need to be able to identify that financial outcome, and we need to be able to influence that financial outcome. So the vast majority of the corporate culture is rooted in the 'nursing' sector, I am not going to give you a blinding new strategy but what I am going to give you is that 8 million mailing or that door dropping of 23 million people. The vast majority of our clients are FTSE 100 businesses who conduct very large scale marketing. If you look at what our offices do are grossly little BtoB businesses. All the BtoB we have are very big BtoB, and there are relatively very small niches. So the corporate culture is all about being on time, on budget, on brief. Now, what we

have to make sure is that this as a culture it needs to be extended or advanced. So what we are trying to add on to that is how we gain on our protection of creativity which is something we had historically had when I joined this agency. We had a reputation for our creativity since our inception. It slide off during the pass six years and we are trying work on that. We are also trying to address the reputation for innovation and leading in strategic thinking, which again has been something the marketplace is associated widely. So we launched a strategic planning consultancy last year.

Q: What does the agency do to create an environment that is conducive of that culture?

A: At the moment, we are thinking of centres of excellence where you create them. You find an individual who normally does not have the same culture attributes as mainstream Case F's culture and you create a safe haven in which they can grow or at least germinate their seeds of innovation or their seeds of creativity or their seeds of a new market. . We fund it, provide the set up, and maintain that safe haven for a couple of years.

Q: What kind of management processes or management systems do you have in place that enables you to do your job better?

A: None is the honest truth. We are only beginning to get the chief execs to consider operating in conjunction with one another. As it is, it meant we don't have any remuneration systems for getting people to work as a group. We are expecting a whole set of remuneration systems so that the remuneration of each individual chief exec will be based upon group results. From there I think we will move into a culture of cooperative work but until we get the CEOs working together we can't expect to get the rest to coordinate. I am painting a really bad picture but we do have group business forums. We also we do have a number of working parties where individuals of operating companies are working together but they are constantly frustrated by the culture.

Q: I get the impression that the coordination is more at an executive level but not at the lower levels of management?

A: I think you are absolutely right. We are just getting cooperation at the very senior level. I think the digital company again is a very good example. We have proof of concept with digital over the eight month. What we are trying to do next year is to digitise the group, that could mean if we like creating mini centres of excellence but it is also going to be done by a central group training programmes. For example, the classic one would be to prepare the case study in the centre, take them out to the central training manager to work with the local chief exec and allow the local digital experts to do the coaching and the teaching, do the sharing of experience at the local operating company level. But that would be the first time we have ever done anything like that on a group level.

Q: Have you been setting up such centres in Amsterdam or Paris?

A: Honest truth, they are such small proportions of our revenue base (6% for France; and 12% Amsterdam) so, No. We are just beginning to recognise that we need to have case studies of this practice between the operating company here in the UK.

Q: Do you think these systems help to improve your competitive advantage?

A: Quite frankly, I don't care whether it is the internet or whether somebody coming in and spending a morning with you. I think the strengths of our competitive advantage is getting our people to talk to one another. I think it may be an intranet but it might as well be creating too much of red tape. I think people can spend a lot of time making nice picture frame than talking to one another. Emails could be huge double edged swords. Emails help greatly on time difference, without email it would be totally impossible but also people in this office tend to email each other from one floor to another. Actually if they went down and talk to the person you would get a far better result. So I would personally rather not have a corporate intranet in the first year. I would rather spend the money and train the staff to communicate etc.

Q: What are your competitive strengths as an agency?

A: Our competitive strengths are our individuals, our focus on expertise, our corporate culture which binds those individuals into local teams, maintaining innovation and reorganisation.

Q: How do you protect them?

A: There is relatively little barrier to entry, we protect them through the corporate culture. It is effectively protecting your personnel resource, your people, keeping them believing in your team as oppose to any body else's team, and nurturing them and developing them and insisting that those rigorously high standards are maintained across the board. I believe right now that we have the ability to hire the best people in the field. I also believe that innovation is going to be a massive part of our future in terms of developing new products. For instance, we successfully sorted out mass mails before anybody else in the UK. So my first contact with this group was some twelve years ago when I was running my own company, and they wanted to get into television as there was a channel explosion happening. At that time, the market place had changed and there was wide availability of opportunities through television but there was nobody in the corporate culture who knew anything about television and how to use. I broke the leg, I created the space for market innovation as they had done ten years ago with direct mails and brought in a whole new set of client base as well as new ways of raising capital. I think this is what we are doing with this digital arena here. Looking at how to profit from this new cycle of innovation and we want to expand ourselves in a new market space with new services, and we are looking to expand into market place by looking at new geographical locations.

Q: How long ago did you set your businesses in Amsterdam and Paris?

A: 3 yrs and 2 yrs ago respectively.

Q: You mentioned your reason for setting up in these countries were clients but what other factors you think could have influenced your decision altogether?

A: The main constraint was investment, not financial, but more in terms of expertise investment that we have real shortage of. Together it was a case of making sure the agencies are starting with the right people in place. Cash is not the issue, the issue is if you are going to take senior talent from somewhere and you are going to send to a new area, the risk of success is always linked to whether we think he can do the job or whether we have found somebody we can do business with. We failed 15 years ago because we tried to do that; you can look at our successful businesses where we had strong local partners (e.g. Leeds and Scotland). So we set the Netherlands business on the back of a specific individual we have a very strong.. (556 change side of tape)

Tape B

A:... cont'd.. relationship in that respect. We speak every year through a global convention in Amsterdam which has been on for the last seven years or so. And when we decided to set up in mainland Europe, we looked around for something that could be based on the consensus of our policies, but more than directly competitive, and we chose the area of charities. We dedicated to the area of charity forming a charity agency in Netherlands and basically we found the guy who was running the charity business in the Netherlands at this conference and we decided to do a joint venture. So, this basically the way it happened.

Q: What was your main form of entry into the market? Was it the setting up of a branch, an agreement? What kind of representation did you have?

A: We set up an agency. We took into consideration what resources did they needed. They needed an office with probably three of them, and then we pumped in large amount of resources from launch. So, we have a managing director who effectively does sales by liaison, everything else is done from the mothership, that is here. So, approached the agency as one business and migrated our services to suit local context..

Q: What is the situation now compared to three years ago?

A: It has effectively grown employing a staff total of 20 people.

Q: Would you say that your international expansion has grown towards your core service provision and internal growth or has it been towards related services and markets?

A: ohh... it is totally core product; we are absolutely focused. We only do direct marketing and services associated in the supply chain of direct marketing. So, for example, we have got a data bureau and in Holland we have got an agency so err..

whichever way we got into mainland Europe it will either be data bureau-led, agency-led or media-led. Whichever elements go first, the other elements will follow.

Q: Is your international expansion a multi country expansion or your customers following you. and so on?

A: (laugh...) At the end of the day we are a client service business. Our clients will dictate what we do whether we want them or notehmm We are going to start off with an initial strategy that says we think that the key geographical markets are going to be France, Germany, Scandinavia, and then something down south the honest truth. They will say we decided we are going to do something in Spain; we will go and do something in Spain. Our development will be driven by the partners that we can find and via clients.

Q: Your industry has been observed to emerge into international networks and this trend seems to be consolidating further. Why has this been so and how do you perceive these to affect your development?

A: Well, increasingly the clients are looking for global marketing opportunities. In the current cycle the ability to have lowest common denominator of control can make the difference. So at least my brand is represented in the same way globally and I can control my cost and my quality of service globally. I suspect we are going through an innovation cycle and I am looking for ways to innovate and generate new business globally. But at the moment, a fear factor is uncertainty. In a way, it's very simple for us because effectively what we are doing we are copying the business models of the accountants and the management consultants and in the advertising agencies business. It's blindly obvious what not to do because lots of people have made the mistake beforehand, lots and lots of case studies are available.

Q: From all that we have discussed so far, what would you say are the main challenges key success factors of managing an international agency?

A: (laugh... ohh...) it would be cooperative teamwork would it!! Common standards, rigorous adherence to the global credo or global culture, creating a global culture and actually getting ways to counting the money in the same way. I was in USA in August and there the North American network don't have the same methodologies for counting the money as we do, and certainly no agreed rules for team working and that's just within the North American network.

Q: Speaking of industry factors that have influenced your international development, What would you say are the market factors?

A: Market factors will be above all clients. Secondly, you have got competitive pressures like the WPP group and other emerging other competitive networks. I have to say at the moment we are not losing clients because of international alignment. I think that's the immaturity of our industry. If you look at the last five years you'll see the advertising agencies losing accounts because of global realignment, not happening with direct marketing. I think it will but I think there will another 18 months before it starts to become apparent. The other two factors I would say are the availability of global solutions, so we have now got a broad range of common standards and data.

For example, we have now booked a program for British Airways, focusing to have a standard message across Europe. Three years ago, sending a mass mail in Europe was virtually impossible even though you had the availability of global media. And then you got the global consumer; I have got a lot more in common with a senior businessman in Milan than he has got in common with the man on the factory floor who happens to work and leave a mile away from him. So you are getting a horizontal commonalities of the consumers, commonalities in terms of activities and commonalities in terms of attitude.

Q: You think these factors will take up more substance in the coming five years or what do you foresee?

A: oh yeah absolutely. I mean there is an increasing trend towards globalisation.

Q: what about technological factors?

A: Global communication, global portrayal of a brand, taking us for example, Case F portrays itself as a mail order agency generally. Case F in Scotland portrays itself as a FMCG direct marketing agency. Case F in London portrays itself as a big direct mail agency; while in the west it portrays itself as a cutting edge new technology direct marketing agency so we have five different positioning of our group within our agency network. What we do is we set up a website to bring in the issue of what our brand stands for in one place instead of having different brochures.

Q: What would you say about your competitors?

A: The only influence competitors had is a case of how we perceive them. We don't have a direct competitor, WPP could be one. We are more than twice the size of our nearest competitor; our direct competitors are really in other industries. The global consultants are turning in and taking away the intellectual capital. They are the digital companies coming in our way and taking our ability to excel. People, like agency.com are coming and taking away that middle market between consultancy and implementation and then the advertising agencies who come into direct marketing and so on and so forth....the DDBs for e.g... So it's other markets encroaching in your markets or encroaching on your markets ability to develop. I would our biggest risk is that we don't force the development of our sphere of influence rather than somebody coming in and winning a direct marketing account big deal. What is growing worse is the ability to move on the definition of what is direct marketing in the areas of our competitors.

Q: Government and Regulatory Factors?

A: Not really. There are a number of regulatory factors, not all of them have really influenced our development. The biggest problem arises because of lack of closeness within our network. The things that could influence our development are all the data collection stuffs and the ability to access our markets data. All is set within the EU area. In Germany for example, you are not allow to contact somebody in case you have already contacted him twice so you send them a product or service, we then contact them until they contact us again. If you apply that across Europe that would raise huge number of issues in the amount of direct marketing that we can do. On the

use of the electoral roll and electoral register, Germany bans any use of the electoral roll for any marketing purpose. This affects us because if we are not able to access the electoral roll we are not able to do our credit check. So it's that sort of data regulation.

Q: In terms of your performance what are the main indicators of your corporate performance?

A: Classic is the revenue growth and margin. Profitability is the main criteria and definition of billings is totally outdated one. I would say the key indicators are some measure of creativity, measure of staff retention, client satisfaction and staff satisfaction. In-house measures are also available, for example, in house surveys, client satisfaction surveys, staff satisfaction surveys are done regularly and we measure staff retention and staff turnover.

Q: What about your strategic goals, for instance the goals that you set in Amsterdam three years ago, have you achieved them all?

A: We are looking to have a coherent European network, we are working towards it.

Q: What have been the trends of your revenues?

A: Increasing trend towards globalisation calls us to focus more on our margin growth. I suspect there will be three phases to it, the very leading agencies are the truly global based. We are one of them but clients are leading the way at the moment. Clients like DELL, SONY and others. The second phase will be where we will be teaching globalisation to our clients. Clients are looking at us to use as a basis to improve their European connections. Our margin will be significantly enhanced and the third phase will be bringing consolidation with margin erosion..

Q: What do you see as your next phase of international development?

A: Getting on people in the entire network, so either that will be wholly-owned network or it will be a series of joint ventures growing very quickly through partner agencies. Increasing focus mainly in mainland Europe and North American network is taken care of. We have more than 50% of revenue from there which comes directly into the UK but there really aren't any global accounts. There are opportunities to have Pan-European accounts. That really where our direct marketing ability is focusing at. The opportunity isn't optimised yet because our network is not well set up.

Further research issues:

I would be fascinated to see your results because competing as an international service in the international arena is going to be my personal focus in the coming 3 to 5 years. I am actively negotiating JVs within mainland Europe, at the moment, and these issues of constant relevance. I also am looking forward to read your main findings to know whether you are making a contribution but yeah you are talking about the main issues.

(tape ends at 214)

Appendix 4.2: Example of Within Case Analysis of Case F

PAGE	RESEARCH ISSUES	Codes	Memos/Notes
Company Background			
P. 1.	<p>- Ok, err.. we are twenty years old, twenty years WWAP group which is now about 800 employees work for people in the basement, it was a start-up and then we formed an alliance with BBDO who had no direct response capabilities with our employers and we were selling off the page in somebody's upfronts and somebody else would do that advertising. We've grown over the last twenty years, I guess the significant milestones were 20 yrs ago we set, 12 years later we set a new company which was a startup in Leeds (Beads 018-020).. we started an agency there, within the agency environment then seven years ago we started an agency in Scotland, 5yrs ago we started a second stream agency in London. called???, 3 yrs ago we started in Bristol and 3 yrs ago we started an agency in Holland in Amsterdam. Alight that, sorry we are a horizontally integrated group of agencies, we also own our supply chain , so 10 yrs ago we acquired a data bureau company/Data processing company and we branded that as a computing group and again about 10 yrs ago we started a list broking (o27-029)...</p>	Company Background	Basic profile of agency to date...
P. 6.	<p>- the internal factors that are influencing it are just management evolution and that's just typical, first generation start up into corporate culture, the external factors that are influencing it are shareholders drive for return and our clients' demand for beyond global servicing. Of the two probably the other internal factor is personal ambition, there are a number of senior managers here who have been educated on a global stage.. you know there are bright guys out there that you actually enjoy working with and because you spent time with them .. you form personal relationships .. yeah if you have got problem.. you got to pick up the phone.. when you communicate you end up doing business. To date I think the heart of global communications is education and personal relationship development.. we have not got into a point of integrating networks but we have got to a point of recognising heart and mind and that of having common methodologies.</p>	IF/EF explained broadly...	Para. explains some of the internal and external factors that have underlie the change and development the agency has gone since its set up, after its acquisition by parent network to its present state
P.9/P. 10	<p>- main constraints is investment, not financial, nut more in terms of expertise investment that we have real shortage.. making sure the agencies are starting with the right people in place. Cash is not the issue , the issue is if you are going to take senior talent from and you are going to send to a new area.. so the risk of success is always linked to whether we have found somebody we think we can do business with, we failed 15 years ago because we tried to do that, you can look at all our successful businesses where we had strong local partner (e.g. Leeds and Scotland) .. so we set the Netherlands on the back of a specific individual we have a very strong.. relationship in that respect.. when we speak every year through a global convention in Amsterdam.. which has been on for the last seven years or so.. and when we decided to set up in mainland Europe, we looked around for something that could be based on the consensus of New York policies but more than but more than directly competitive and we chose the area of charities.. and we dedicated to the area of charity forming a charity agency in Netherlands and basically we found the guy who was running the charity business in the Netherlands at this conference and we decided to do a joint venture....so this basically the way it happened.</p>	IF/EF/broad	Further on factors explaining the international development of the agency and the pressures they faced while expanding abroad; how the setting of their office in Netherlands happened
P.11	<p>- ... it would be cooperative teamwork would it!!.. common standards, rigorous adherence to the global credo or global culture, creating a global culture.. actually getting ways counting the money in the same way.. I was in USA in August and there is the North American network don't have the same methodologies for counting the money and certainly no agreed rules for team working just within the north American network</p>	Key success factors and main challenges	Managing an international agency
Internal Factors (IF)			
P.4	<p>- they are all graduates and they are all trained in house. We have training at a number of levels. So there is OMNICOM global training, a senior management program that typically senior execs will attend.. two weeks a year in a business</p>	IF/CRB/Training	The agency has a formal HRD program; Training of professionals and

	<p>school, one tend to be 15 CEOs run centrally in North America but bringing together the global managers.. next level down each individual territories has its own series again OMNICOM based or <u>DAS based horizontal training program</u>.. you know ..service related training who coordinated either through DAS or OMNICOM simply because we get better buying power that way. Quite frankly the sort of issues somebody in PR comes up against.. won't be the same as somebody from direct marketing</p>		<p>management of the agency and the influence of parent network in the organisation and implementation of the training programs.</p>
<p>P.4</p>	<p>- depends in what area of the business they are in. I mean if they are an agency .. they be looking for <u>very good personnel skills or very good implementation skills and attention to details, management skills and communication skills</u>.. but probably not for <u>entrepreneurial skills</u> if I am looking for somebody in .. we set a Digital company here.. I will looking for somebody with great entrepreneurial skills.. whose got ability to handle change ...knowledge in possible a wide range of related subjects.. somebody who is a self-started operating outside the box.. as oppose to somebody within an agency with very disciplined ... the skill set of sending a 100,000 mailings and a skill set of setting up an e-commerce solution where by you are brining databases.. and making three different client bases work together .. they are completely different skill sets..</p>	<p>IF/CRB/ Recruiting professionals</p>	<p>Other qualities of professionals; differences in skill set</p>
<p>P.4/P.5</p>	<p>- we are trying to build the team.. again recognise where we came from.. we are only <u>twenty years old</u>, we have a <u>very strong individual entrepreneurial staff feudal heritage</u> .. so we have had up till now <u>13 or 20 companies</u>.. each of which have operated beside us with the chief exec of each of those basically operating baronies of system ...<u>totally ruled from the local side</u>.. that what has been the case up till now because <u>most of our expansion has been from inside out</u>.. what we are attempting to do now ... we've really early built up to do shares (160) ... probably really only recognised that over the last 18 months or so... before trying to get that <u>horizontal cooperative working across the various sister companies</u> and that's becoming a significant part of my role, the nature of my job is effectively changing from the chief execs I have got into a group role. But our strength is in our people... in the ability to track and retain and develop the skills set of key individual talents .. that's our heritage.. that will still be the case going forward.. we are adding on to that and the ability to make those key individual stars work together towards a common good. We effectively doing lots of program within <u>DAS and OMNICOM university scheme over the last five years ..principally under DAS university scheme where we have worked together with other chief execs which seem to have the same operating issues</u>.</p>	<p>IF/CRB/key abilities and skills and abilities as an agency</p>	<p>Organic expansion, through different companies within the agency - horizontal integration; cross-sharing of resources between these sister companies; importance of team synergy and support provided by the parent network in this..</p>
<p>P.5</p>	<p>- historically they've been taken by the chief exec, the founding person of Case F who left in June, up until this .. I would say there is an <u>inner board of probably five of us who take the decisions</u>, what has happened till recently is a <u>new group chief execs</u> has taken over and removed initially what used to be a far more vague consensus group into a much smaller holding company board, we were a holding company board I guess of 18 and we are down to 11, because a lot of the original founders have had to leave...</p>	<p>IF/SI/ Corporate planning</p>	<p>How corporate planning exercises are carried out within the agency</p>
<p>P.5</p>	<p>- we have moved effectively from a corporate culture to an entrepreneurial culture .. the key is how do you retain <u>the best elements who have driven the business growth so far...</u></p>	<p>IF/SI/Vision</p>	<p>How vision of agency has changed..</p>
<p>P.5</p>	<p>- yes this is <u>one of the ways</u> .. we now have a holding company board of 11 .. each of those 11 have far more of a rounded role than they may ever have in the past, will be giving to recognise individual strengths so the managing director of one of our regional agencies (managerial competence) for example has got an amazing ability to implement very detailed practical solutions , so one of the things we are essentially doing is centralising our group production and underneath all above this, every single boundary has had their own production units, he would take commodity spotting the best practice which can be applied across the group and probably create another central resource that everybody would benefit from. <u>This particular person has the skills set to examine all of those local issues in details and provide that very tightly managed implemented solution but taking good control of that</u>.. my best role for example is of innovation and initiation .. I have created three companies already and it something I am very good at .. starting from year zero.. getting it up to end of its first or two years doing, doing proof of the concept that actually drove me through and actually having it managed and take off..</p>	<p>IF/SI/ communicating vision among professionals</p>	<p>Para. also emphasises the importance of management competence; + agency is also centralising group production and how it is establishing a group knowledge base that could be shared across sister companies</p>

P.6	<p>- it has not yet so much because our international development is very tied up with global OMNICOM politics.. so our international development at the moment is restricted to two countries where we owned operations ... we owned a data bureau in France which we acquired two years ago and we run an agency in the Netherlands which we set up three years ago. All these RAPP Collins offices here we don't owned and in fact this is absolutely not a tribulation or whatsoever?? .. because <u>vast majority of the business we do isn't with RAPP Collins offices is with second stream direct marketing agencies that OMNICOM bought along the way that are owned by DAS.</u> All <u>global development will unlocked only though coz OMNICOM</u> persuade DDB to produce that part to us which has been the subject of three global boards.. a number of us has been out in the states to see if we can <u>negotiate this deal or it would be based on a start-up when we get the RAPP Collins brand but we are going to have to start up new direct marketing agencies or probably get new direct marketing agencies in every single European territory under the RAPP Collins brand.</u></p>	ISO/SI/international development	Influence of parent network on the agency's SI and international development; highlights also some of the disadvantages of being part of a global network; also explains how integration with a global conglomerate brings new business opportunities..; bureaucratic and politics of the parent network
P.6	<p>- well our corporate structure <u>at the moment is that WWAV is under DAS under OMNICOM.. we are unusual in that we do that we are directly reporting to DAS</u> but we have something like 5% of the constituent, I mean we are as 5% DAS worldwide we are all very big in terms of both revenues and PBT. If we do the DDB deal there will be a joint venture between us and DDB and that will be reporting to us and if we don't do the DDB deal what happened is that will go that will still remain but the RAPP Collins will probably be facilitated with a JV with somebody else, so the reporting line <u>effectively does not change.</u></p>	IF/CS/network structure	Explains a bit about the agency's positioning in the global network and their reporting mechanism
P.7	<p>- <u>can do and delivery focused.. Case F is known as the people who would deliver the clients' needs .. our position in the marketplace is accountable marketing. we only do direct marketing.</u> we only undertake client business where we can see that there is <u>an identifiable financial outcome out of it.. it's not necessarily profit but we need to be able to identify that financial out come and we need to be able to influence that financial outcome.</u> So the vast majority of the corporate culture is rooted in the nursing sector of I am not going to give you a blinding new strategy but what I am going to give you is that 8 million mailing or that door dropping of 23 million people, vast majority of our client pays are FTSE 100 business to consumer very large scale marketing, if you look what our offices do are grossly little BtoB, all the BtoB we have are very big BtoB and there is relatively very small niches.. so the corporate culture is all about on time on budget on brief.. now what we have to make sure is that this as a culture needs to de extended or advanced.. so what <u>we are trying to add on to that we gain on our protection of creativity which is something we had historically when I joined this agency .. we had a reputation of our creativity since our inception.. its slid off during the pass six years and we are trying work on that we also try to address the reputation for innovation and leading in strategic thinking which again has been something the marketplace is associated widely. So we launched a strategic planning consultancy last year..</u></p>	IF/CC	Description of agency's culture
P.7.	<p>- at the moment, we are thinking of centres of excellence where you create.. you find an individual who normally does not have the same culture attributes as mainstream WWAV and <u>you create a safe haven in which they can grow or at least germinate their seed of innovation or their seed of creativity or their seed of a new market. .. who funds it .. provide the set up.... and maintain that safe haven for a couple of years.</u></p>	IF/CC	Supporting the culture
P.7/P.8	<p>- e.g. the Digital company..up until June of last year.. Case F group had done absolutely zero in the area of new media.. we played about it but it didn't counted for less than one percent of the group's revenues at the end of last year. We took a decision last summer, the market had matured to a point where we needed to enter it.. We had a view of three stages of evolution in the digital media, <u>first</u>, is infrastructure building that's SISCO, IBM and that's us. We don't build call centres or warehouses in the real world <u>second</u> stage is content, we provide a limited amount of content but we don't do television stations or newspaper... so we are not building on mass content, first stage of evolution in Digital is marketing, but the vast majority of marketing efforts have been on brand marketing, we don't do pure run accountable brand marketing, what we do is very identical and accountable direct marketing... we were beginning to realise that it was about that it was about e-commerce or about subscription it was bringing</p>	IF/CC	Further on the idea of centre of excellence; + how top management is convinced of an entrepreneurial idea..

<p>P.8</p> <p>P.9</p>	<p>people back to whatever the digital marketplace was asking .. so we make the decision to set up a digital company. The corporate attitude was show me the return on investment, show me the result and then I am prepared to invest time money and effort in it. That's the culture we drive into our account execs that walked into the door two weeks ago.. show me how this marketing activity is going to work for your client. The vast majority of that activity you are carrying out within this arena is by spreading so what you need to do is to have this separate corporate culture here Digital company, group funding, that says we believe as a group this is an area probably 30% of our income within two years therefore we need to put in that incubation environment, we need that proof of concept so that the group company can see as successful return on investment is being generated... ohhh that's what you mean? That's what we've done with Digital.. I mean we've spent six month going or eight month now and we've have all got to a point now that all the chief execs.. have gone I see what you mean.. we will go and hire ten of those.. and literally within the business plan of next year every single operating company has got a proportion of the budget devoted to this .. digital company and got a significant proportion of our budget dedicated to retraining to develop the skill sets towards their other employees... so try and change the corporate culture the whole of WWAV should innovate all the time consistently I think it would be a huge mistake because it would take the corporate eye off the ball of delivering in the clients results day after day after day....</p> <ul style="list-style-type: none"> - no is the honest truth, we are only beginning to get the chief execs to consider operating conjunction with one another.. <u>as it meant we don't have any remuneration systems for getting people to work as a group.</u> We are expecting ... a whole set of remuneration systems so that the remuneration of each individual chief exec will be based upon group results. From there I think we can move into a culture of cooperative work but until we get the CEOs working together we can't expect to get the rest to coordinate... we are painting a really bad picture.. we do have group business forum, we do have a number of working parties where individuals of operating companies are working together but they are constantly frustrated by the culture - quite frankly I don't care whether it is the internet or whether somebody coming in and spending a morning with you I think the strengths of our competitive advantage is getting our people to talk to one another.. I think it may be an intranet.. but it might as well be a red tape.. <u>i think people can spend a lot of time making nice picture frame than talking to one another ... emails could be huge double edged swords.</u> ... emails help greatly on time difference.. without email it would be totally impossible.. but also people in this office tend to email each other.. the people here email people in the first floor.. actually if they went down and talk to the person you get a far better result.. so I would personally rather not have a corporate intranet in the first year .. I would rather spend the money and trained fares and plane fares and etc. 	<p>IF/MP</p> <p>IF/MP/technology</p>	<p>Also mentions how culture is affecting the proper organisation of management processes....</p> <p>Explains how CEO is still skeptical about the integration of technology to improve internal management processes.</p>
External Factors (EF)			
<p>P.3</p> <p>P.3</p> <p>P.11</p>	<ul style="list-style-type: none"> - well clients are asking for more and more now for international presence... I would say 40% of our client bases are international . either Americans coming in .. classic examples CapitalOne.. Morgan Stanley DeanWinter.. launching their brands for providing their services across Europe.. people like SONY OR DELL are asking us have a centre of excellence here in the UK controlling the execution of their direct marketing strategies across mainland Europe so it's a combination of both.. - we are a service firm so we are very much driven by client need... I mean yes there is client globalisation.. mainly in driven in this current cycle is the need to control cost.. if you are looking at DELL.. we work with DELL in 11 European territories.. the key focus that DELL has got is partly consistency of message but mainly on how do I control the cost phase from one central strategic control and just use the amount of local execution that I need..... - market factors will be above all .. clients, secondly you have got competitive pressures.. WPP group and emerging other competitive networks..... I have to say at the moment <u>we are not losing clients because of international alignment.. I</u> 	<p>EF/ MF</p> <p>EF/CoF +Others</p> <p>EF/MF</p>	<p>Client expansion their internationalisation</p> <p>Need for cost control, brand control and image output control.</p>

<p>P.12</p> <p>P.12</p> <p>P.12</p>	<p><u>think that's the immaturity of our industry ...</u> if you look at the last five years you'll see the <u>advertising agencies losing accounts because of global realignment</u>, not happening with direct marketing.. I think it will but I think there will another 18 months before it starts to become apparent.. the other two factors I would say are <u>availability of global solutions</u>, so we have now got.. a broad range of common standards and data, so for e.g.... we have now booked a program for <u>British Airways...</u> focusing to have a <u>standard message across europe...</u> 3 yrs ago, sending a mass mail in Europe was virtually impossible and you have got the <u>availability of global media..</u> and then you got the <u>global consumer...</u> I have got a lot more in common with a senior businessman in Milan than he has got in common <u>on the factory floor who happens to work and leave a mile away from him....</u>so you are getting a <u>horizontal commonalities of the consumers...</u> <u>commonalities in terms of activities and commonalities in terms of attitude...</u> foresee an increasing trend towards globalisation</p> <p>- <u>global communication and global portrayal of a brand...</u> taking us for e.g... WWAV North portray themselves as a mail-order agency.. WWAV Scotland portray themselves as a <u>FMCG direct marketing agency</u>; WWAV London portray themselves as a big direct mail agency, while in the west portray ourselves as a cutting edge new technology direct marketing agency so we have <u>five different positioning of our group within our agency network..</u> so what we do .. <u>we set up a website to bring in the issue of what the WWAV brand stands for in one place instead of having different brochures</u></p> <p>- the only influence competitors had is a case of how we perceive them.. we don't have a direct competitor.. WPP could be one.. we are more than twice the size of our nearest competitor.. <u>our direct competitors are really other industries...</u> the <u>global consultants.. turning in and taking away the intellectual capital..</u> they are the <u>digital companies..</u> coming in our way taking our ability to excel .. people like <u>agency.com</u> coming away and taking away that middle market between consultancy and implementation.. hmm and then the advertising agencies who come into direct marketing.. the DDBs for e.g.... <u>so its other markets encroaching in your markets or encroaching on your markets ability to develop..</u> I would our biggest risk is that we don't force the development of our sphere of influence rather than somebody coming in and winning a direct marketing account big deal....<u>what is growing worse is the ability to move on the definition of what is direct marketing in the areas of our competitors.</u></p> <p>- there are a number of <u>regulatory factors..</u> not all of them have really influenced our development.. the biggest problem arises because of lack of closeness within our network.. the things that could <u>influence our development are all the data collection stuffs.. the ability to access our markets data... all set within the EU area.</u> In Germany for e.g., you are not allow to contact somebody in case you have already contacted him twice.. you send them a product or service , we then contact them until they contact us again.. if you apply that across Europe that would raise huge number of issues in the amount of direct marketing that we can do. Use of the electoral roll and electoral register... Germany bans any use of the electoral for any marketing purpose... this affects us because if we are not able to access the electoral roll we are not able to do our credit check. .. so its that sort of data regulation</p>	<p>EF/TF</p> <p>EF/TF</p> <p>EF/RF</p>	<p>Disadvantage of being part of a global network</p>
(Sustainable) Competitive Advantage			
<p>P.5</p> <p>P.5</p>	<p>- <u>mostly hearts and mind.</u> We have a very very <u>strong corporate culture..</u> so its <u>partially corporate culture, partially personnel development, and then partially remuneration.</u> And I would say it's probably <u>40% culture, 40% personnel development and 20% remuneration,</u> however <u>remuneration is becoming more and more important</u> than ironically as we move from start all culture into a team culture where we are calling upon our staff to work together ...</p> <p>- <u>the key is how do you retain the best elements who have driven the business growth so far.</u> And I think we are doing that partially by allowing if you like <u>incubator type innovations ..</u> so digital companies are classic examples.. you set up a spark within the corporate culture and it becomes integral part of the culture</p>	<p>(S)CA – protection of key skills and abilities</p> <p>(S)CA/protection</p>	<p>IO/ CRB/key abilities and skills/protection</p> <p>How it protects its best people...; + IO/CC; it is also a way of communicating the agency's vision to its</p>

	while functioning independently		professionals
P.9	- our competitive strengths are our individuals, our focus on expertise, our corporate culture which binds those individuals into local teams..; maintaining innovation and reorganisation	(S)CA	
P.9	- there is relatively little barrier to entry , we protect it the corporate culture .. it's effectively <u>protecting your personnel resource, your people, keeping them believing in your team as oppose to anybody else team.</u> and nurturing them and developing them and insisting that those rigorously high standards are maintained across the board.. I believe right now that we have the ability to hire the best people in the field .. I also believe that innovation is going to be a massive part of out future in terms of developing new products.. for instance we successfully sorted out mass mails before anybody else in the UK.. so my first contact with this group was some twelve years ago when I was running my own company.. and they wanted to get into television there was a channel explosion happening at that time the market place had changed there was availability .. but there was nobody in the corporate culture who knew anything about television.. and how to use.. I broke the leg... I create the spac4 for market innovation as they had done ten years ago with direct mails and brought in a whole new set of client base.. and new ways of raising capital.. and I think this is what we are doing with this digital arena here.. looking at how to profit from this new cycle of innovation... we want to expand ourselves in a new market space with new services, and we are looking to expand into market place by looking at new geographical locations.	(S)CA/protection	
International Strategic Options (ISO)			

P. 2	<p>- (moving away from core services)...No not really, it's basically enabling our supply chain, I mean we started through quality management we could find anybody 10 yrs ago who could probably control the quality of name and address management and actually enclosing letters and envelopes because <u>more than 50% of the group's business is like that we could not find anybody to physically send out letters</u>. That's when we really started a computing group in the production house, as a quality control. <u>We post-rationalised, there is a huge amount of post rationalisation of what our strategy was within this group. We post rationalised to be able to control our supply chain and actually earn from our supply chain. Honestly speaking, there has been very much of our strategic intent is being an awful lot of tactical implementation</u>, so as a group we have tended to act when we have found somebody who with a like mind is prepared to do business with us. So we opened our second agency in Leeds because one of our largest client happened to be based in Leeds and was looking for new challenge.</p>	ISO/ Diversification	+ explanation of why they provide such a range of services within its portfolio
P. 2	<p>- No basically individual driven Goldon Brown?? who became the first managing director of the Leeds agency was marketing director of Granham?? He was brought in our agency to do something else.. Chris Gordon who became managing director of the Scottish office when we opened that ... had just being made redundant by his previous employers> The reason we opened a list broking arm was the chief exec wanted to come over here from New York and was wondering what they could do..</p>	ISO/ Expansion	Expansion has not essentially been client driven but 'individual driven'
P. 2	<p>- we opened a number of companies within our supply chain ..we set up a media company three years ago and we have a new media company this year.. six yerss ago we sold the company to OMNICOM which was privately owned where a number of managers holding the equity decided to sell to OMNICOM based on two factors, one we were reflexive??? For a number of senior staff. A number of senior managers have been with us for more than 15 years .were approaching their 50s and were looking for an exit route.. so that was a float and secondly we were looking to get European expansion. We have trying to open offices in mainland Europe as WWAV really from about 85/86 onwards on fair total we have a couple of expansion abroad through TEMPUS.. where we did a deal in Paris and the other one where we did a deal in Italy.. for a time we actually sold 20% of the equity to the Italian telecom giant.</p>	ISO/ International expansion	Partly explains the how? and reason for international expansion; CB on further factors influencing international development
P.10	<p>- we set up an agency... we took into <i>consideration what resources did they need...</i> they need an office .. probably three of them.. and what you do you pump in large amount of resources caring it.. large amount of resources in from launch... so we have a managing director who effectively does sales by liaison, everything else is done from the mothership, so approach the agency as one business and migrate our services to suit local context.. it has effectively grown employing a staff total of 20 people</p>	ISO/International expansion	Supporting overseas offices
P.10	<p>- it's totally core product we are absolutely focused.. we only do direct marketing and services associated in the supply chain of direct marketing.. so for e.g we have got a data bureau and in Holland we have got an agency so err.. whichever way we got into mainland Europe it will either be data bureau-led, agency-led or media-led... whichever elements go first, the other elements will follow...</p>	ISO/International expansion	Related/unrelated diversification
P.10	<p>- at the end of the day we are a client service business.. our clients will dictate what we do whether we want them or not.. we are going to start off with an initial strategy that says we think that the key geographical markets are going to be France, Germany, Scandinavia, and then something down south the honest truth.. they will say we decided we are going to do something in Spain, we will go and do something in Spain... our development will be driven by the partners that we can find and via clients... getting on people in the entire network.. so either that will be wholly-owned network or it will be a series of joint ventures growing very quickly through partner agencies.. focusing mainly in mainland Europe...our north American network is taken care of.. we have more than 50% of revenue from there which comes directly into the UK but there really isn't any global accounts.. there are opportunities to have pan-European accounts.. that really where our direct marketing ability is focusing at... <u>the opportunity isn't optimised yet because our network is not well set up.</u></p>	ISO/International expansion	Multicountry expansion vs. client following .. future of international development
P. 3	<p>- we sold to OMNICOM six years ago for two reasons.. one for cash and two to get into the European network. That actually has not happened in the way that we</p>	ISO/Network	Explains how the overall network is structured and where the agency is positioned in that network

	<p>thought was going to happened.. don't know if you know the structure of OMNICOM... No.. OMNINOM is supposed to own five networks.. they have got three advertising agency networks. DDB, BBDO, TBWA, DAS (Diversified agency services and communication.. basically into DAS goes everything that is not an advertising agency. So in here you have got things like PR, contract publishing, market research, direct marketing. And here in communication is New Media.. so this where agency.com is owned... ok.... DAS in North America and South America and in UK own RAPP Collins in mainland Europe Rapp Collins is owned by DDB so OMNICOM bought WWAV to fill in the hole in the RAPP Collins network.. RAPP collins is the largest direct marketing firm globally but in UK it was about 30 odd people .. it was a complete disaster.. went thporug about five round of changes and cost them an absolute fortune.. so they bought WWAV as brand leader in market to basically enhance their status and fill the gap in the market. We sold to OMNICOM for cash and on the basis of that we got to fit into the EUROPEAN RAPP collins network.. ok we didn't.. we have not six years later because DDB, the advertising agency owns the RAPP collins brand across mainland Europe and so the RAPP collins brand across mainland Europe is something very very different to RAPP collins in North America, South America and UK, effectively RAPP collins in mainland Europe is just a small sales promotion agency.</p>	influences	
P.11	<p>- well increasingly the clients are looking for global marketing opportunities, in the current cycle the ability to have lowest common denominator control. So <u>at least my brand is represented in the same way globally and I can control my cost and my quality of service globally (clients concerns)</u>. I suspect we are going through an innovation cycle and I am looking for ways to innovate and generate new business globally but at the moment it's a fear factor and uncertainty.. it's very simple for us because effectively what we are doing we are copying the business models of the accountants and the management consultants and in the advertising agencies business it's blindly obvious what not to do because lots of people have made the mistake beforehand.. lots and lots of case studies are available.....</p>	ISO/network influences	International network conglomerates and their development
P.3 /P.4	<p>- So we were 11 different catalogues for DELL business to consumer and SMEs.. all of the creative work is done here in the UK, we then run an extranet where the creative work is downloaded but just tranliterated in different local point strcuture from the base.. all of these changes are downloaded in one central electronic repository and we print all of the European catalogue monthly in one central repository and then dispatch them out to the local countries again and by using that central coordination. It saves us downright an absolute fortune. So that's the sort of role that we are saying is one very much driven by globalisation but globalisation not in terms of so much developing new web strings as a lot of people thought it was but it's globalisation just in terms of brand control.. image output control and then cost control... I suspect that will change in the future.</p>	ISO/ Co-ordination	Co-ordination and organisation of service delivery
P.8	<p>- I think you are absolutely right, we are just getting cooperation at the very senior level.. I think the digital company is a very good example... we have proof of concept with digital over the eight month.. what we are trying to do next year is to digitise the group.. that could mean if you like creating mini centres of excellence but it also going to be done by a central group training for e.g....so classic.. prepare the case study in the centre, take them out to the central training manager to work with the local chief exec and the local digital experts to do the coaching and the teaching, do the sharing of experience at the local operating company level but that would we the first time we have ever done anything like that on a group level. Honest truth, they are such small proportions of our revenue base (6% for France: and 12% Amsterdam) so.. No, we are just beginning to recognise that we need to have case studies of this practice between the operating company here in the UK.</p>	ISO/Coordination	IO/MP.. relates to the discussion of the centres of excellence argument + how it's happening in overseas offices
Corporate Performance (CP)			
	<p>- classic are the revenue growth and margin ... profitability is the main criteria.. <u>definition of billings is totally outdated one</u>...i would say the key indicators are some measure of creativity, measure of staff retention, client satisfaction and staff satisfaction.. in house measures are available.. in house surveys, client</p>	CP	

satisfaction surveys, staff satisfaction surveys and we measure staff retention and staff turnover...

- increasing.. trend towards globalisation calls us to focus more on our margin growth. I suspect there will be three phases to it, the very leading agencies are the truly global based, we are one of them but clients are leading the way at the moment, clients like DELL, SONY and others, the second phase will be where we will be teaching globalisation to our clients. clients are looking at us to use as a basis to improve their European connections... our margin will be significantly enhanced and the third phase will be bringing consolidation with margin erosion.

Explanations on Family of Codes:

As can be seen from the codes detailed below, the term family is used loosely as some codes have many members while others have fewer members. These codes are also summarised in the research's conceptual framework (see Figure 5.1)

Family 1: Internal Factors (IF)

Data particular to participants' perceptions about the influences, characteristics and implications of internal factors.

Members:

- ◆ SI - Strategic Intent
- ◆ CRB - Core Resource Base
- ◆ CS - Corporate Structure
- ◆ CC - Corporate Culture
- ◆ MP - Management Processes

Family 2: External Factors (EF)

Data particular to participants' perceptions about the influences, characteristics and implications of external factors.

- ◆ MF - Market Factors
- ◆ CmF - Competition Factors
- ◆ TF - Technology Factors
- ◆ CoF - Cost Factors
- ◆ RF - Government/Regulatory Factors

Family 3: (Sustainable) Competitive Advantage – (s) CA

Data particular to participants' perceptions characteristics and implications on '(Sustainable) Competitive Advantage'

Family 4: International Strategic Options – ISO

Data particular to participants' perceptions characteristics and implications on 'International Strategic Options'

**Appendix 5:
Example of Cross Case Displays**

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**Appendix 6:
Individual Summary on Case Firms**

Company Summary Sheet

Case A

- **Billings (MMS) : £ 29 m (YR: 2000)**
Proportion of Billings: UK = 75%; International = 25%
- **Profitability Indicators :**

	1989	1995	2000
Annual Turnover (£m)	10	16	55
Agency's Fee Income (£m)	1	2	4
Profit (£, 000)	150	250	700

- **Total staff employed (if possible overseas vs. domestic) – 62**
Proportion of Employment: UK = 80%; International = 20%
- **Diversification/Range of Services provided or businesses operating under the holding:**

Services: Full service agency providing a full range of marketing communications services including advertising , sales promotion and direct marketing and interactive/web advertising.

Related Businesses under holding: Leith Interactive (specialising in media planning); Satellite office in London.

- **Key Clients:** Grolsch, Honda Civic(pan-European), Comic Relief, Beat 106, Carling, IRN-BRU, Standard Life, Orangina, Tennent's Lager, Atlantic

Proportion of Client Base: UK = 85%; International = 15%

- **Nationality of HQ/Parent :** Scotland/ UK
- **Markets (International):** Main revenue from UK , Partnership Operations in France, Italy and Spain
- **Internationalisation:**
 - ☛ Case A was founded in 1984 as typical breakaway agency from Saatchi and Saatchi (Scotland);
 - ☛ 1984 – 1990: UK focused, based strongly in the Scottish Market;
 - ☛ 1990 onwards: acquired reputation as a mainstream UK agency;
 - ☛ 1998: launched its first international operation on the back of the Honda Civic account. It undertook campaigns on a Pan-European level covering countries like Spain, Italy and France. Following its success it gained further proposition to do international advertising for brands like J&B (Whisky) and till recently Grolsch. Given its resource restraints to meet upcoming international demands, it

'borrowed' the global network of Havas Advertising on some contractual agreements to better service its international clients;

☛ 2000 onwards: Case A is planning to further its international expansion and gradually diversify its portfolio of businesses in terms of UK and international servicing.

- **Mode of Market Entry and development :**

Partnerships agreements

- **Ownership:**

Independent, privately owned and managed.

Sources: Interview data, Annual Reports of Case Company, 1998, 2000; Campaign 2000

Company Summary Sheet

Case B

- **Billings (MMS) – £217.5**

Proportion of Billings: UK = 70%; International = 30%

- **(Estimated Agency Fee Income, 1999/98) – £68.33 m**

- **Total staff employed (if possible overseas vs. domestic) – 211**

Proportion of staff employed: UK = 65%; International = 35%

- **Diversification/Range of Services provided or businesses operating under the holding:**

Core service: Retail Financial Services;

Other related services: corporate communications; business-to-business, corporate and investment banking, wholesale financial services.

- **Key clients:**

Accident line, BACS, Blue Circle Plc., Business Systems Group; Charterhouse, Ernst & Young; Euroclear, Guardian Employee Benefits, Forsyth Partners, HSBC, Morgan Stanley Dean Witter, National Australia Life, People's Bank, Connecticut, Standard Chartered Bank, Vivid, worldtraveldirect.com

Proportion of client base: UK = 70%; International = 30%

- **Nationality of HQ/Parent – British/US**

- **Markets (International) :**

New York (US), Spain, Italy

- **Internationalisation –**

- Founded in 1989 as Case B;
- 2000 : First international start up office was set up in New York;
- Two opportunities lured the company into the US. First, presence of a growing market segment (mainly financial and business-to-business sectors). Second, because is known as the biggest business centre in the world and it wanted to capitalise on its sister agency's reputation in the consumer goods segments;
- It took core local talent from its established UK office to the US office and now considers itself to be a specialist agency within the global its sister agencies;
- 2001 onwards: planning to set similar up start up operations in Hong Kong and Frankfurt

- **Mode of Market Entry and development:**

FDI; Partnership arrangements and piggybacking with main multinational sister agencies in the global network structure

- **Ownership;**

Case B comes under the direct ownership and administration of an immediate parent. It has so far collaborated and grown with the help of its sister subsidiary which specialises in mainstream advertising as its core service provision. This sister subsidiary employs over 6000 people in 131 offices in 75 countries. Its declared worldwide billings amounted to \$6.2 billion in 1999.

The immediate parent is part of a bigger conglomerate. This ultimate parent is one of the world's leading advertising and marketing communications holding companies. It was the result of a merger (Jan. 2000) of The Leo Group and The Macmanus Group, followed by an approximate 20 percent investment in Tokyo-based Dentsu Inc. Bcom3 is headquartered in Chicago and employs over 18,000 worldwide. It has over 520 operating units across more than 90 countries (covering North America, Canada, Asia/Pacific, Europe, Middle East and Africa), with revenues of nearly \$2 billion. Other companies and diversified ventures in the holding include: BBH (49%), N.W. Ayer and Partners, Starcom MediaVest Group, Medicus Group International, Manning Selvage and Lee, Buehler and Partners, TheKaplan Thaler Group, Moroch and Associates, The Lab: Unexpected solutions, Giant Step, Chemistri, Novo, Hard Reality, Bromley Communications.

Some of the multinational clients of the ultimate parent include: Polaroid, P&G, Coca Cola, GM, M&M Mars, McDonald's, Philips, Fiat, Kellogg's, Pillsbury, Walt Disney, Hallmark, Johnson and Johnson, Nestle, Canon.

- **Control vs. Autonomy –**

- Case B is independently managed as a corporate brand and consists of two boards of directors (UK and US);
- The New York Office reports directly to the London office which acts as the HQ for Case B offices;
- There is limited intervention from the parents in Case B corporate management. Case B is regulated and supported financially by its main sister agency under the network of the immediate parent.

- **Integration with parent or not (Degree of) –**

Types of collaboration/integration that take place:

- Partnership arrangement and piggybacking support by stronger sister agencies to weaker agencies willing/having to internationalise;
- Globally centralised human resource management policies and guidelines set up by the immediate parent.
- Sharing of knowledge bases through intranet information systems established by the immediate parent.

Source: Interview data, Annual Reports of Case Company 2000, internal company publications provided during data collection.

Company Summary Sheet

Case C

- **Billings (Declared, 98/99): £22.9m**
Proportion of Billings: UK = 15%; International = 85%

- **Profitability Indicators:**

	1989	1995	2000
Turnover (£m)	16	19	26
Agency's Income (£m)	2.4	2.8	4.1
Profit (£,000)	400	400	700

- **Total staff employed (if possible overseas vs. domestic): 42**
Proportion of Staff Employed: UK = 20%; International = 80%

- **Diversification/Range of Services provided or businesses operating under the holding:**

Core market segments: Business-to-business markets; technology markets

- **Key clients:**

Siemens, SR Technics, Laborman, ADM Cocoa, Redland, Braas Building, Boeing, Unichema, British Fibreboard Packaging Association

Proportion of client Base: UK = 10%; International = 90%

- **Nationality of HQ/Parent: British**

- **Markets (International):**

Main Markets: Germany, France, Switzerland, Netherlands, Spain

- **Internationalisation:**

- Founded in 1970;
- Sold out to its now immediate parent in 1980. It was originally sold for two main reasons. First, the agency wanted to find a stronger partner they could work with; second, to gain access to the scope and scale of and international network;
- 1997: Case C internationalised its operations through the subsidiary unit of existing parent's offices across Europe. This was achieved by forming an Ogilvy Business Network which spread across more than 20 European countries;
- 2000: Case C can access and has minimum businesses in one way or the other in the following European markets: Portugal, Spain, Ireland, France, Belgium, Netherlands, Germany, Denmark, Norway, Sweden, Finland, Austria, Poland, Czech Republic, Russia, Switzerland, Slovakia, Hungary, Yugoslavia, Turkey, Italy, France;
- 2001 onwards : case C plans to extend the same internationalisation model to North America and Asia-Pacific, through its parent's network.

- **Mode of Market Entry and development:**

Partnership arrangements; Piggybacking through network of main sister agencies.

- **Ownership:**

Case C operates largely as an independent and specialised unit but it is owned and indirectly administered by the immediate parent. The latter presently holds a net billings of \$11 billion globally with 359 offices in 100 countries, employing more than 8500 people.

The Immediate parent, is in turn, owned by holding company an ultimate holding. This holding has a global billings of \$37.10 billion (1999) and income of \$5.3 billion (1999). Other main operating subsidiary units within its global network are: J.Walter Thompson, Ogilvy & Mather, Young and Rubicam, Conquest, Asatsu-DK, Minshare, Millward Brown, Research International, Hill and Knowlton, Ogilvy Public Relations Worldwide, Enterprise IG, CommonHealth, Impiric (formerly Wunderman Cato Johnson), Burson-Marsteller, Cohn and Wolfe, The Media Edge.

It employs some 54, 800 people globally with 1280 offices in 100+ countries. Its main clients include: American Express, De Beers, Ford, IBM, Kellogg, Kodak, Kraft/Miller, American Home Products, Colgate-Palmolive, Philip Morris, United Airlines.

- **Control vs. Autonomy :**

Case C is largely autonomous and financially regulated by the immediate parent. There is minimal intervention as such in the day to day management of Case C although there is a representative present in every board meeting.

- **Integration with parent or not (Degree of):**

Integration and collaboration takes place on a selected/optional or 'when needed' basis between Case C and the immediate parent. For instance,

- Training and development programs are supported by Ogilvy and WPP courses;
- Sharing knowledge bases and best practices via a global intranet established by Ogilvy and Mather.

Sources: Interview data, Annual Report 2000, Internal Company documentation on Client Portfolio; www.adage.com

Company Summary Sheet

Case D

- **Billings (MMS, 98/99): £ 255m**

Proportion of Billing: UK = 35%; International = 65%

- **(Declared Fee Income, 2000) – £43m**

- **Total staff employed – 10,000+ (globally)**

Proportion of Staff Employed: UK = 10%; International = 90%

- **Diversification/Range of Services provided or businesses operating under the holding:**

Holding company: Ultimate Parent (Full Service Agency Network)

Related business under management of Case D London: Case D (Advertising); Mundocon, Optimedia, FCA!, Case D Technology, Case D Dialog, Case D Blueprint, Comma

- **Key clients:**

Renault Clio, Coca Cola (Pan European); Hewlett-Packard, L'Oreal, Nestle, Siemens, Tefal Whirlpool, Club Med, Sara Lee/Dim, Unilever/Boursin, Pfizer, British Airways, Lego, Ericsson.

Proportion of Client Base: UK= 30%; International = 70%

- **Nationality of HQ/Parent: France**

- **Markets (International):**

Europe, North America, Asia-Pacific, and Middle East.

- **Internationalisation:**

- The ultimate parent was founded in France in the 1920s;
- Case D internationalisation was and has highly organic and acquisitive subject to the lead of such clients as Nestle in the 1950s
- Case D was originally incorporated as McCormick & Partners Ltd in 1972;
- In 1979, it was bought by the now ultimate parent, France as part of its European expansion. The London subsidiary was completely restructured thereafter;
- 2000: the ultimate parent acquired Saatchi and Saatchi through its Case D to further consolidate its global network;
- It also owns 10% equity in True North Communications which another US-based global communications group. True North Communications' income was \$1.4 billion in 1999. It has 175 offices in 92 countries and employs some 12,200 staff globally.

- **Mode of Market Entry and development:**

FDI/Greenfield investments, partnership arrangements, joint ventures, merger and acquisitions (related and unrelated businesses).

- **Ownership:**

Case D London is 100 percent owned by its ultimate parent which is based in France.

- **Control vs. Autonomy :**

Case D London operates as a semi-autonomous subsidiary unit and is independent in the way it manages its daily operations. Corporate decisions, however, are centralised to the HQ in Paris. Managing Directors and Chief Executives of local offices are called upon to report to 'Country Chairman' who manages the offices on a regional basis globally. They in turn report to HQ with corporate issues relating to different regions.

- **Integration with parent or not (Degree of):**

➤ Initially key creative works (particularly those relating to multinational clients) were centralised and then sent away to local offices to be locally adapted. This model is now discouraged and key local offices are encouraged to organise for their own creative works;

Some issues however are centralised, e.g.:

- Remuneration across subsidiaries on multinational accounts;
- Appointment of multinational clients is done at HQ level (and usually the strategic planning and management of multinational accounts);
- Sharing of professionals and expertise across subsidiaries is co-ordinated through HQ to bring reinforcement and support in handling multinational accounts.

Source: Interview Data, Annual Report of Case Company, 2000

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Company Summary Sheet

Case E

- **Billings (MMS, 2000): £199m**

Proportion of Billings: UK=11%; International = 89%

- **(Estimated Agency Fee Income, 98/99): £94.25m**

- **Total staff employed (2000) : 280**

Proportion of Staff employed: UK= 3.5%; International = 96%

- **Diversification/Range of Services provided or businesses operating under the holding:**

Core service: Marketing services and communications and General Advertising (including, TV ads, Poster ads and Press ads)

Other related services: Specialty advertising: Health, Retail, E-Commerce, Entertainment, Promotions, Direct Marketing/CRM, Events, Sponsorship, Interactive Media, Graphic Design, Brand Consultancy, public relations.

- **Key clients:**

Accuris, Sony Play Station, Absolut Vodka, Apple Computers, Beierdorf, Henkel, Nissan, Seagram

- **Nationality of HQ/Parent: Omnicom/USA**

- **Markets (International):**

United States, France, Netherlands, Japan

Proportion of client base: UK = 3%, International = 97%

- **Internationalisation:**

- CASE E was founded in the 1970s in Paris with the vision to be a multinational/global agency;
- 1980s: it opened its office in London;
- 1982: It went through major management restructuring and its profitability slumped;
- Mid-1990s: It sold out to its now ultimate parent followed by an episode of consolidation through mergers and acquisition using its own identity as the umbrella brand name;
- In the same period it established presence worldwide on the lead of such clients as Sony Play Station and later Apple Computers;
- 2000: It is established as a leading marketing communications subsidiary unit within the global network of the ultimate parent. It has access to 182 offices in 57 countries

- **Mode of Market Entry and development:**

FDI/greenfield, mergers and acquisitions

- **Ownership:**

The ultimate parent based in the US. Formed in 1986, it is a strategic and financial holding company that manages a portfolio of market-leading companies in the disciplines of advertising, marketing services, specialty communications, interactive media and media-buying services. Its global billings in 1999 amounted to \$45.54 billion and an income of \$5.1 billion. Other main operating subsidiaries under the holding include: BBDO Worldwide, DDB Worldwide, Diversified Agencies Services Group, Communicade Division, Omnicom Media Group. It employs some 43,000 staff in 1,255 offices in 100+ countries (United States, Canada, Latin America, Europe, Africa and Middle East, Asia-Pacific). Some of its main clients are: PepsiCo, Gillette, Visa, McDonald's, Volkswagen, Johnson & Johnson.

- **Control vs. Autonomy:**

CASE E is given complete autonomy to strategically manage its every day operations, including account planning and handling activities. It is regulated by the ultimate parent on two dimensions: financial performance and reputation of its creative work. CEOs/MDs of CASE E are called upon to meet on an annual or bi-annual basis.

- **Integration with parent or not (Degree of) –**

- Intervention from HQ occurs mainly in the handling or servicing of key multinational clients;
- Creativity decisions and related strategic decisions are centralised depending on which subsidiary unit appoints the multinational account (s). A particular subsidiary unit as such assumes two roles in the global network of the parent. If it appoints a multinational client from its geographical location it becomes the central-hub of key creative works and strategic account servicing activities and then delegates to other sister units in the networks, or it can be on the receiving end where it acts as an operational unit adapting the works of other agencies acting as central-hubs to local markets' considerations;
- Sharing of best practices and resources through globally established intranet information system.

Source: Interview data, Annual Report of Case Company, 2000

Company Summary Sheet

Case F

- **Billings (MMS, 2000): £27m**

Proportion of Billings: UK=94%; International = 6%

- **(Declared Agency Fee Income, 2000): £28m**

- **Total staff employed: 259**

Proportion of Staff Employed: UK = 94%; International = 6%

- **Diversification/Range of Services provided or businesses operating under the holding:**

Core Service: Direct Marketing

Other services: Data, Database Management, List Broking and Management, Media, Digital, Strategic Communications Consultancy

Related Businesses under CASE F's administration: TCG, HLB, CASE F Rapp Collins Media, CASE FRC.Digital, Zalpa, plus strategic links with Rapp Collins Worldwide.

- **Key clients:**

RAC, Cahoot, Sony Europe, P&G (Pampers)

- **Nationality of HQ/Parent : US**

- **Markets (International) :**

France, Netherlands

- **Internationalisation:**

➤ Founded in 1981;

➤ 1984/5: undertook its first initiatives to internationalise to France and Italy by borrowing an international network but failed in the attempt;

➤ 1986-1990: Established itself as one of biggest provider of direct marketing services but was operating mainly in UK with offices in London, North (Leeds), West (Bristol) and Scotland;

➤ 1994/5: sold out to ultimate parent and was held under the administration of the immediate parent in the holding's portfolio, servicing international clients on behalf of the parents and other sister agencies;

➤ 1997: CASE F set up its first international operations in Holland and France

➤ 2000 onwards: Plans to further its internationalisation in mainland Europe under the parents' brand umbrella brand through the support of leading sister agencies in the global network.

- **Mode of Market Entry and development :**

Partnership arrangement, Joint venture

- **Ownership:**

CASE F is owned by an ultimate parent but comes under the direct reporting line of an immediate parent in the holding's global portfolio. CASE F accounts 5 percent of the immediate parent's total revenue. The immediate parent is a global enterprise of more than 100 companies that specialise in providing direct marketing/consultancy, public relations, promotional marketing, and specialty communications. Other operating subsidiary units under DAS include: Brodeur Worldwide, Fleishman-Hillard, Ketchum, Porter Novelli International, Gavin Anderson & Company, Alcone Marketing Group, Interbrand.

The ultimate parent is based in New York and is a leading provider of direct marketing services and customer management globally. It employs around 2900 professionals in 70 offices in 33 countries with a capitalised billings of \$2.4 billion. Its geographical coverage include such regions as US, Latin America, mainland Europe, Asia, New Zealand, Australia.

- **Control vs. Autonomy:**

CASE F is autonomously managed and is responsible for its corporate and strategic decisions. Its financial performance is annual reviewed and evaluated at a general meeting held at Omnicom HQ under DAS administration.

- **Integration with parent or not (Degree of) –**

Although operating as an autonomous unit, CASE F benefits largely from the interaction with its immediate parent and other sister agencies in the global network. For instance, a major proportion of its international accounts is the result of cross referral between sister agencies or part of the global co-ordination of multinational clients.

Also, networking through the ultimate parent encourages subsidiaries like CASE F to use sister agencies for guidance and collaboration when a new international challenges arise. The consequence of that is that clients continue to work with their usual agency while obtaining expert work outside of that agency's core competency. Partners are constantly learning and expanding their knowledge while maintaining close ties with clients.

Source: Interview data, Company's website.

Company Summary Sheet

Case G

- **Billings (MMS, 98/99): £30m**

Proportion of Billings: UK= 90%; International = 10%

- **(Declared Agency Fee Income, 98/99): £7.54m**

- **Total staff employed – 20**

Proportion of Staff employed: UK: 98%; International = 2%

- **Diversification/Range of Services provided or businesses operating under the holding -**

Services: Advertising, Business and Marketing consultancy

Market segments: General brand building, finance, food and drink, publishing, holidays, beers and lagers

Related business unit within portfolio: Mitchell² (marketing and communications consultancy)

- **Key clients:**

Adecco, Bordeaux Wines, Cinven, DeMonfort University, Highland Distillers, Kuoni Travel, Patak's, Raleigh, Royal Caribbean & Celebrity, Twinings.

Proportion of client base: UK =80%; International = 20%

- **Nationality of HQ/Parent: United Kingdom**

- **Markets (International):**

France, Germany, Belgium, Italy, New York

Partner in an independent international agency network with 21 partner agencies in 16 countries in Europe.

- **Internationalisation:**

- Founded in 1990;
- 1990-1997: main concentration in UK with minimum involvement in international projects;
- 1998: joined independent international agency network called Interpartners Communications in Belgium and subsequently increased its potential to conduct international business in 16 European countries via some 21 (similar profile) partner agencies.
- 2000: working closely with the administration of the independent network to formulate a coherent business internationalisation strategy in mainland Europe.

- **Mode of Market Entry and development:**

Partnership arrangements, joint ventures

- **Ownership:**

Case G is an independently owned and managed agency. It further holds equity in Interpartners Communications, an international independent network which is headquartered in Brussels. The network holds an worldwide gross income of \$94.4m regrouping 21 partner agencies in 16 European countries. Some of the main European cities in which the network is established are: Frankfurt, Roma/Milano, Barcelona/Madrid, Rotterdam, Henning, Sofia, Dusseldorf, Budapest, Warsaw, Prague, Moscow, New York, Lisbon, Helsinki, Athens.

Source: Interview data, Customer Portfolio report of the Case Company, and Video Presentation done for clients by the case firm

Company Summary Sheet

Case H

- **Billings (MMS, 98/99): £142m**
Proportion of Billings: UK = 70%; International = 30%

- **Profitability Indicators:**

	1989	1995	2000
Annual Turnover (£m)	80	157	317
Agency's Income (£m)	12	23	47
Profit (£m)	2	3.5	8

- **Total staff employed (2000) : 288**
Proportion of Staff employed: UK = 70%; International = 305
- **Diversification/Range of Services provided or businesses operating under the holding :**
Full service agency providing range of marketing and communications services

- **Key clients:**
Levi's (1984-1998), Olivio, Polaroid, Audi, One2One, Boddingtons, Lynx, Wallis, Haagen Dazs, CNBC Asia, Singapore Telecom, Johnie Walker, Lipton.

Proportion of Client Base: UK = 40%; International = 60%

- **Nationality of HQ/Parent: British/ United Kingdom**

- **Markets (International):**
USA, Japan, Singapore

- **Internationalisation:**

- Founded in 1982 as breakaway agency by three partners;
- 1982/3: had established strong creative reputation and was appointment by three multinational brands Audi Cars, Whit Bread and Levi's. Subsequently, these brands became instrumental to the internationalisation of CASE H;
- 1987: CASE H was awarded Campaign agency of the year and gained wide acclaim for its pan-European advertising;
- 1990-1995: developed a centralised model of international expansion where its main aim to set up offices in key global strategic locations with respect to client spread rather than the more decentralised approach of having an office in every country. The centralisation model was opted for two main reasons; first, the belief the world was getting more and more homogeneous and second, because of the belief that the best quality of creative works are produced when they are centralised;
- 1995-2000: The centralisation model was successful in that it led to the appointment of other multinational clients like Reebok, Unilever, Boddington, Heineken, Electrolux. In the same period, CASE H established start-up offices in

the US (New York) , Singapore, and till recently in Tokyo. These are considered to be the key business centres in the world.

- **Mode of Market Entry and development :**

FDI/Greenfield investment

- **Ownership:**

CASE H is an independently managed agency, even though The immediate parent holds 49% equity of the company. The immediate, in turn, is a leading marketing services and communications of an ultimate holding group of companies. This partnership provides CASE H with considerable potential to use the holding's global network for its international client servicing to geographically remote locations.

The ultimate parent is one of the world's leading advertising and marketing communications holding companies. It was the result of a merger (Jan. 2000) of The Leo Group and The Macmanus Group, followed by an approximate 20 percent investment in Tokyo-based Dentsu Inc The ultimate parent is headquartered in Chicago and employs over 18,000 worldwide. It has over 520 operating units across more than 90 countries (covering North America, Canada, Asia/Pacific, Europe, Middle East and Africa), with revenues of nearly \$2 billion. Other companies and diversified ventures in the holding include: CASE H (49%), N.W. Ayer and Partners, Starcom MediaVest Group, Medicus Group International, Manning Selvage and Lee, Buehler and Partners, TheKaplan Thaler Group, Moroch and Associates, The Lab: Unexpected solutions, Giant Step, Chemistri, Novo, Hard Reality, Bromley Communications.

- **Control vs. Autonomy –**

CASE H is complete autonomous in its management and implementation of corporate strategy. The Managing Directors of each of the international satellite offices report the London office, which acts as the headquarter.

- **Integration with parent or not (Degree of) –**

CASE H is a highly integrated agency as part of its centralisation model. Key corporate initiatives are taken by HQ in London (UK) and accordingly delegated to respective satellite offices internationally. Also, decisions/ activities relating to creativity, international account handling and management are centralised and co-ordination is achieved through informal interaction (phone and email) and quarterly formal meetings organised every year. Satellite offices are encouraged to undertake local market penetration and business development activities with respect to their strategic location and share knowledge/experiences of best practices across the different satellite units.

Source: Interview data, Company's website, Annual Report 2000, Campaign 1997

Company Summary Sheet

Case I

- **Billings (MMS, 98/99): £18m**

Proportion of Billings: UK= 95%; International: 5%

- **(Estimated Agency Fee Income, 98/99): £5.65m**

- **Total staff employed : 35**

Proportion of Staff Employed: UK: 98%; International: 2%

- **Diversification/Range of Services provided or businesses operating under the holding -**

Core service: marketing communication to the services industry;

Key market segments: financial services, education, insurance, other professional services

Other services: brand creation and development, customer acquisition, customer relationship management, internal communications

- **Key clients:**

AIG Life, Lloyds TSB commercial Finance, Morley Fund Management (CGU), Barclays Group, Direct Line Insurance, FT Information, Scottish Equitable, Swiss Life, Zurich Group, Royal and sun Alliance Investments, Project Hamburg .

Proportion of Client Base: UK= 90%; International = 10%

- **Nationality of HQ/Parent : United Kingdom**

- **Markets (International) :**

Main concentration in UK

International businesses conducted in: USA, France, Italy, Germany

- **Internationalisation:**

- Founded in 1985

- 1997: Major restructuring and reorganisation of agency;

- 1997-2000: involved in small international projects largely influenced by invitation from existing clients to service them abroad. Some of international businesses were also undertaken on the basis of personal contacts of key management personnel and professionals in neighbouring European markets. The company has also been invited by agencies of similar profile from mainland Europe to conduct business on a bilateral basis.

- **Mode of Market Entry and development :**

Partnership agreements; Contractual agreements.

- **Ownership:**

Case I is a private owned and independently managed agency.

Source: Interview Data

Company Summary Sheet

Case J

- **Billings (MMS) : £16m**

Proportion of Billings: UK = 70%; International = 30%

- **(Declared Agency Fee Income, 2000) : £17m**

- **Total staff employed (2000): 206**

Proportion of Staff Employed: UK = 85%; International = 15%

- **Diversification/Range of Services provided or businesses operating under the holding -**

Core Service: Direct Marketing, Sales Promotion, General Advertising and other communications consultancy

Related services: Public relations, Customer Relationship Management

- **Key clients:**

PepsiCo, Alta Vista, BBC Worldwide, British Airways, Compaq, Credit Suisse, Moneygator.com, Motorola, Nortel, Oneworld, QVC, Reuters, Royal Mail, Sony Consumer Products, Shelter, Zurich Financial Services, Walker Snack Foods, Esso.

Proportion of Client Base: UK = 60%, International = 40%

- **Nationality of HQ/Parent : USA**

- **Markets (International) :**

China, US, mainland Europe, Africa

- **Internationalisation :**

- Founded in 1990;

- 1991-1993: Slow growth characterised by domestic market penetration serving blue-chip companies;

- 1994-1997: sold out to a holding company and subsequently experienced exponential growth in its international activities. It enjoyed a 40 percent annual growth rate after its acquisition. The acquisition helped in reaching out such clients as PepsiCo, which has been with the agency ever since.

- 1997 onwards: the agency has focused its efforts in enabling its international expansion through partner agencies in its ultimate parent's global network. The agency claims to enjoy excellent working relationships and collaboration, and benefits significantly on cross referral of multinational accounts.

- **Mode of Market Entry and development :**

FDI/Greenfield investment, partnership/alliances in global network; mergers and acquisitions

- **Ownership:**

Case J is owned by the ultimate parent but comes under the direct reporting line of an immediate parent in the global structure.

The ultimate parent is a strategic and financial holding company that manages a portfolio of market-leading companies in the disciplines of advertising, marketing services, specialty communications, interactive media and media-buying services. Its global billings in 1999 amounted to \$45.54 billion and an income of \$5.1 billion. Other main operating subsidiaries under the holding include: BBDO Worldwide, DDB Worldwide, Diversified Agencies Services Group, Communicade Division, Omnicom Media Group. It employs some 43,000 staff in 1,255 offices in 100+ countries (United States, Canada, Latin America, Europe, Africa and Middle East, Asia-Pacific). Some of its main clients are: PepsiCo, Gillette, Visa, McDonald's, Volkswagen, Johnson & Johnson.

The immediate parent is a global enterprise of more than 100 companies that specialise in providing direct marketing/consultancy, public relations, promotional marketing, and specialty communications. Other operating subsidiary units under DAS include: Brodeur Worldwide, Fleishman-Hillard, Ketchum, Porter Novelli International, Gavin Anderson & Company, Alcone Marketing Group, Interbrand.

- **Control vs. Autonomy:**

Case J has complete autonomy on its management and corporate development. It is financially evaluated on an annual basis at formal meetings organised by the parents. As to its own satellite offices in China, US, mainland Europe, Africa it adopts a decentralised approach in managing them. However, it employs expatriate staffs as local heads and complemented by local professionals from international markets.

- **Integration with parent or not (Degree of) –**

Case J is not integrated to its parents. It, however, interacts, with sister agencies in the global network on a regular basis to enable the servicing of common multinational accounts or cross-referral on new business developments.

Source: Interview Data, Website of Case Company and that of its parent company

Company Summary Sheet

Case K

- **Billings (MMS, 1998/99): £36m**

Proportion of Billings: UK = 80%; International = 20%

- **(Declared Agency Fee Income, 2000): £8m**

- **Total staff employed(2,000): 80**

Proportion of Staff Employed: UK = 97%; International = 3 %

- **Diversification/Range of Services provided or businesses operating under the holding -**

Core service: General Advertising (full-service agency)

- **Key clients:**

Daewoo (pan-European), Buena Vista Home Entertainment, Prudential (pan-European), Boehringer Ingelheim Self Medication – Pharmaton, CoI – Learn Direct, Ennis Food-Rumblers, Home Choico, Quip!, BBC, Bongo, The National Game.

- **Nationality of HQ/Parent: British/United Kingdom**

- **Markets (International) :**

UK (principally), but international business conducted in France, Germany, Holland, Poland.

Proportion of Client Base: UK = 90%; International = 10%

- **Internationalisation:**

- Founded in 1989 by four partners;
- 1991: appointed two international accounts Daewoo and Pizza Hut
- 1992- 2000: Daewoo asked for pan-European servicing and the agency undertook a series of partnership arrangements with similar profiled agencies in mainland Europe to service that request. Creative works were centrally carried out.
- 2000: Agency is strongly considering to sell-out to a global network that will create the potential to accommodate the growing international demand of its advertising and marketing services.

- **Mode of Market Entry and development :**

Alliances; Partnership arrangements

- **Ownership:**

Case K is a privately owned and independently managed agency.

Source: Interview data, Company's website.

Company Summary Sheet

Case L

- **Billings (MMS, 1998/99): £176 m**

Proportion of Billings: UK = 25%; International = 75%

- **(Declared Agency/Fee Income, 2000): £20m**

- **Total staff employed: 500+**

Proportion of Staff Employed: UK = 80%; International = 20%

- **Diversification/Range of Services provided or businesses operating under the holding:**

Market segments: consumer durables, consumer and business services, consumer packaged goods;

Services: Advertising (general); Interactive, Media, Direct marketing, Design, Sales Promotion, Public Relations

Related Specialist companies: Mediapolis, EURO RSCG Direct, Coran Design (CGI), KLP, Biss Lancaster GTPR

- **Key clients:**

Airbus, Bristol Myers Squibb, Cadbury Schweppes, Canal +, Danone, Haagen-Dazs, Smithkline Beecham, American express Financial Services, Peugeot, Citroen, Sara Lee, Iomega, Philips, Microsoft

Proportion of Client Base: UK= 20%; International = 80%

- **Nationality of HQ/Parent: France**

- **Markets (International) :**

Europe, North America, Latin America, Asia-Pacific, India -Middle East (in total 125 offices in 35 countries)

- **Internationalisation:**

➤ Case L was founded in 1994. It had a strong start since it was set up by regrouping a number of small agencies with a robust client list and a capitalised billings of £100m;

➤ 1995-2000: Case L internationalised rapidly in servicing cross referred multinational account from Euro RSCG Worldwide, the world's fifth largest agency network. During the same period a number of international clients proved instrumental to the international expansion of the agency, some of which were: Microsoft, Philips, Abbey National, Peugeot, Citroen, Cadbury, Intel and such others.

➤ 2000 on wards: The agency to extend its global coverage through Havas Advertising Group's global network.

- **Mode of Market Entry and development:**

FDI, Acquisitions, Alliances, partnership arrangements, joint ventures.

- **Ownership:**

Case L is owned 100 percent by its immediate parent worldwide. Formed in 1991, the parent is made up of 202 agencies in 75 countries that specialise in advertising, marketing services, interactive design, public relations and healthcare communications. Headquartered in New York, the immediate parent is a division of the Havas Advertising Group, the fourth-largest communications group in the world.

The Havas Advertising Group reported a global consolidated billings of \$18.48 billion and an income of \$2.3 billion in 1999. Its main operating subsidiaries are Case L's parent (includes Bounty SCA Worldwide), Campus (includes Arnold Communications and WCRS), Media Planning Group (45 percent) and partial ownership of Diversified Agencies Group (includes Brann Worldwide and Circle.com). The network employs 20,800 professionals in 314 offices in 75 countries. Some of its global clients include MCI WorldCOM, Intel, Peugeot, Citroen, Philips, SmithKline Beecham, Proctor and Gamble

- **Control vs. Autonomy:**

Case L is not managed as a completely autonomous subsidiary in its parent's network. The latter sets strategic guidelines on a number of corporate issues leaving subsidiaries the flexibility to adjust and adopt. Corporate reporting takes the format of a global matrix structure resulting in a mix of interactions between heads of countries, heads of international accounts and regional heads for effective co-ordination. Subsidiaries are encouraged to pursue their own strategic growth in their local markets.

- **Integration with parent or not (Degree of):**

Case L believes strongly in the local responsiveness of multinational accounts. Some of the multinational accounts and general human resources management are centrally planned, leaving room for adaptation to local offices. Local offices are allowed considerable authority in directing the local adaptation of multinational accounts. Co-ordination largely takes place through informal communication and structures through an intranet information system established by the parent.

Source: Interview data, Company's Annual Report, 2000; Company's website

Company Summary Sheet

Case M

- **Billings (MMS, 1998/99): £33m**
Proportion of Billings: UK = 95%, International = 5%

- **Profitability Indicators:**

	1989	1995	2000
Turnover (£m)	10	24	40
Agency's Income (£m)	2.0	3.6	5.0

- **Total staff employed: 150**
Proportion of Staff Employed: UK = 100%
- **Diversification/Range of Services provided or businesses operating under the holding:**

Services: General Advertising, Direct marketing, Corporate identity, consultancy

Related companies under portfolio, The Case M Group: Navigator Responsive Advertising, Red Path design, The Glasgow Agency.

- **Key clients:**
Auto Trader, Weight Watchers, Work 24 (JV: Scottish Power and Royal Bank of Scotland); Learn Direct, British Midlands, Scottish Airports, Kwik – Fit

Proportion of Client Base: UK = 90%; International = 10%

- **Nationality of HQ/Parent : Scotland/ United Kingdom**

- **Markets (International) :**
Scotland (main market), conducted international business in Spain, Norway and the US

- **Internationalisation :**
 - Founded in 1985;
 - 1985-1995: established reputation as a mainstream Scottish marketing communications agency;
 - 1995-2000: joined and independent international network with scope for international expansion in Europe and the US. The network regroups 18 agencies in Europe and 34 agencies in the US.

- **Mode of Market Entry and development:**
Contractual, bilateral agreement and partnership arrangements

- **Ownership:**

Case M is an independent SME and is privately owned and managed by itself and is based in Scotland.

Source: Interview data, Internal documentation on Company's presentation to client firms.

Company Summary Sheet

Case N

- **Billings (MMS, 1998/99): £167m**

Proportion of Billings: UK= 30%; International = 70%

- **(Declared Agency Fee Income, 1998/99): £122.52m**

- **Total staff employed (2000): 1000 +**

Proportion of Staff Employed: UK= 10%; International = 90%

- **Diversification/Range of Services provided or businesses operating under the holding:**

Service Areas (aimed at providing integrated communications solutions): Brand Identity and Promotion, Interactive communications, Co-marketing, Youth and Entertainment Marketing, Hispanic Marketing, Yellow Pages Advertising, Multimedia communications, Beauty, Fashion and Image Advertising.

Related Business and partner companies: Direct, GCI (Public Relations), APCO Worldwide (e-commerce), Healthcare Group, MediaCom, Case N Interactive, G2 (integrated marketing), FOVA (hispanic Marketing), G-WHIZ entertainment youth oriented accounts), Alliance (entertainment industry); Visual communications group (dotcoms businesses and financial services).

- **Key clients :**

P&G, Pringles, Land Rover, 3M, Block Drug, BMW, BP oil, Budget, Rent A Car, Cable and Wireless Communications, Compaq, IBM, Johnson & Johnson, Mauritius Tourism, Microsoft, Motorola, Time Warner

Proportion of Client Base: UK = 20%; International = 80%

- **Nationality of HQ/Parent: US**

- **Markets (International):**

US/North America, Europe, Middle East & Africa, Asia-Pacific, Latin America

- **Internationalisation:**

- Founded in the US in the 1920s;
- 1956: won the international Lilt account from multinational P&G;
- 1960s: other international brands like Bristol Myers, General Foods and Revlon approached the agency for international advertising;
- 1961: Established the London Office;
- 1965: Established as a major US agency and started servicing international clients in countries like Australia, Austria, Belgium, France, Germany, Italy, Japan and Venezuela;
- 1963 –1980: Besides its international growth, Case N diversified into a number of related service areas to be identified as a one-stop shop. It incorporated services

like Public relations, healthcare advertising, music production, entertainment advertising, direct marketing, Hispanic marketing into its overall portfolio;

- 1990: more than 40 per cent of its worldwide billings came from companies in non-traditional advertising services and 50 percent of clients used Case N for integrated marketing;
- 2000: Case N's global network hold 408 offices in 100 countries employing 10,000+ people.

- **Mode of Market Entry and development:**

FDI/Greenfield investment, mergers and acquisitions, joint ventures

- **Ownership:**

Case N (London) is 100 percent owned and managed by its Global Group, the holding company based in the US. The global group reported a consolidated billings of \$9.79 billion and an income of \$1.15 billion in 1999. It employs some 10,700 people in 408 offices in 100 plus countries. Its main clients include: P&G, Mars, BAT, Oracle, Hasbro, 3M.

- **Control vs. Autonomy**

The Case N's ultimate parent operates as a highly centralised unit globally. Key corporate decisions are made at the HQ in the US. The CEO has a dominating influence and control over such decisions. CEOs of subsidiaries and affiliate offices report directly to the CEO at the HQ through a matrix of formal and informal structures. Subsidiary units are however given significantly flexibility to adapt works of multinational clients and penetrate local markets for new business developments.

- **Integration with parent or not (Degree of):**

The Case N (London) as a subsidiary is strongly integrated with its HQ in the US. Decisions relating to multinational account handling and management are decided from the parent's office and so is the sharing of remuneration on those accounts. Subsidiaries are encourage to adjust multinational campaign with their own local creative insights and establish their reputation to accommodate local clients.

Source: Interview data, Annual Reports, 1998, 2000

Company Summary Sheet

Case O

- **Billings (MMS, 98/99): £283m**

Proportion of Billings: UK = 37%; International = 63%

- **(Declared Fee Income, 98/99): £88.24**

- **Total staff employed (2000): 417**

Proportion of Staff Employed: UK = 20%; International = 80%

- **Diversification/Range of Services provided or businesses operating under the holding:**

Market segments: Consumer durables, corporate recruitment, financial, FMCG, Leisure, Media, Pharmaceuticals, Retail, Service, Pro Bono Clients (charity organisations)

Services: Advertising, Direct Marketing, Employment and Marketing Communications, Specialty communications

- **Key clients:**

Merrill Lynch, British Car Auctions, De Beers, Hasbro Toys, Jaguar cars ltd., Mazda Cars (UK) Ltd, Rolex, Shell Oil, Siemens, Nestle, Wilkinson Sword, Kraft, Kellogs, First-e.com, Rail Track.

Proportion of Clients: UK = 30%; International = 70%

- **Nationality of HQ/Parent : United Kingdom**

- **Markets (International) :**

North America and Canada (87 offices in 43 cities, 2 countries); Asia- Pacific (48 offices in 27 cities, 16 countries); Europe, Middle East and Africa (82 offices in 52 cities, 44 countries); Latin America (29 offices in 25 cities, 21 countries).

- **Internationalisation :**

- Founded in 1864, claims to be the world's first ad agency;
- 1899: Established its first international office in London;
- 1942/43 CASE O wins the Pan American account of Ford;
- 1963: CASE O became the first agency to simultaneously introduce a product in 23 countries around the world. The brand was Kodak Instamatic;
- 1969: CASE O goes public at \$38 per share;
- 1986: CASE O opened its Beijing office to mark its presence in Asia-Pacific;
- 1987: CASE O was sold to a holding company for \$566 million;
- 1996: With the fall of communism, CASE O crosses the rubble of the Berlin Wall and develops presence throughout Eastern Europe in Poland, Moscow, Bulgaria, Romania, Prague and Slovenia. On a different CASE O Vietnam also opened its office in Hanoi;
- 1997: CASE O begins the monumental task of transforming itself into the world's first global brand communications company;

➤ 1998-2000: opens office in Mozambique and Nepal and it now has 250 offices and affiliates in 88 countries.

• **Mode of Market Entry and development :**

FDI/Greenfield, Mergers and Acquisitions, Strategic Alliances, Joint Ventures, Partnership arrangements.

• **Ownership:**

CASE O is owned its ULTIMATE PARENT in UK, as part of its 'Advertising Portfolio'. The agencies in the 'Advertising Portfolio' are full service agencies specialising in the planning, creation, production and placing of advertising for both national and multinational clients in all categories from radio commercials, posters and print to interactive television commercials.

The ULTIMATE PARENT has a global billings of \$37.10 billion (1999) and income of \$5.3 billion (1999). Other main operating subsidiary units within its global network include: J.Walter Thompson, Ogilvy & Mather, Young and Rubicam, Conquest, Asatsu-DK, Minshare, Millward Brown, Research International, Hill and Knowlton, Ogilvy Public Relations Worldwide, Enterprise IG, CommonHealth, Impiric (formerly Wunderman Cato Johnson), Burson-Marsteller, Cohn and Wolfe, The Media Edge. The group employs some 54, 800 people globally with 1280 offices in 100+ countries. Its main clients include: American Express, De Beers, Ford, IBM, Kellogg, Kodak, Kraft/Miller, American Home Products, Colgate-Palmolive, Philip Morris, United Airlines.

• **Control vs. Autonomy:**

CASE O is operates as an autonomous agency in the global network. Control by WPP is only exercised through financial measures on an annual or bi-annual basis.

• **Integration with parent or not (Degree of) :**

Although CASE O operates as an independently agency, some broad area of intervention and collaboration were noted between the parent and the subsidiary. For instance:

- Broad corporate policies relating to global strategy and growth are directed by ULTIMATE PARENT and CASE O is left to bring on or negotiate its own adjustments;
- ULTIMATE PARENT collaborates in implementing global training programmes;
- ULTIMATE PARENT intervenes in decisions relating to salaries/perks of corporate staff;
- ULTIMATE PARENT collaborates in the implementation and use of a global information system, disseminating organisational knowledge bases.

Source: Interview data, Annual Reports, 2000, Internal Documentation on Customer Reviews, Documentations on Parent Company.

Company Summary Sheet

Case P

- **Billings (MMS, 1998/99): £61m**
Proportion of Billings: UK= 60% ; International = 40%
- **(Declared Fee Income, 1998/99): £28.9m**
- **Total staff employed: 142**
Proportion of Staff Employed: UK= 75%; International = 25%
- **Diversification/Range of Services provided or businesses operating under the holding :**
A 'full-service 'agency, specialising mainly in advertising.

Related business: The Digital Partners (specialising digital and interactive communications)

- **Key clients:**
Lycos (pan-European), Barclays, Adidas, Hyundai, Porsche, United Nations, Salomon North America, Sega, CNET, Virgin Cola, IKEA, Comundo, Deutscher Franchise-Verband, Banca San Paolo Invest, Telecom Italia.

Proportion of client base : UK = 70%; International = 30%

- **Nationality of HQ/Parent : Envoy Communications Group Inc., British/Canadian**
- **Markets (International) :**
Paris, Rome, San Francisco, Hamburg, Barcelona.
- **Internationalisation:**
 - Founded in the 1980s;
 - 1992/93: It won addidas, its first global account. The agency was called to develop communication solutions across Europe, Asia and America. In that period, the account was service mainly through collaboration and partnership arrangements;
 - 1994/95: Opened its first office in the United States;
 - 1995-1998: Developed a European network by opening offices in Paris, Hamburg, Rome, Barcelona;
 - 2001: Sold out to independent international network, Envoy Communications Group in Canada for £60m.
- **Mode of Market Entry and development :**
Contractual agreements; partnership arrangements, FDI/Greenfield, Merger.

• **Ownership:**

Case P is still an independently managed agency even though it recently merged with Envoy Communications of Canada. The merger was principally done to increase its scope of international penetration and to better service its international account through partner agencies.

The Independent Network is a global integrated marketing services and technology based group of companies that aims at delivering the best communication solutions to its customers. The goal of Envoy is to rank among the top 50 U.S. communication companies with \$500 million in gross billings and offices in Canada, the United States, and the United Kingdom. Its plan is to replicate the uniquely successful model abroad and encourage growing through mergers and acquisitions

Financials: FY End Sept. 30, 1998		CDN\$
Operations	1999E(a)	1998
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Revenue	\$205,000,000	\$37,844,485
Net Income	3,100,000	1,502,799

Source: Interview data, Case company's website, and www.envoy.com

**Appendix 7:
Examples of Transcripts from Clients and Industry
Informants' Data**

Appendix 7: Examples of Transcripts from Clients and Industry Informants' Data

Industry Informants		Freenotes
<p>The Advertising Association</p>	<p>Issues relating International Strategy In the Advertising Industry</p> <p>Influences to internationalisation - "It think that by and large they follow rather than lead and the major influences I think which have encouraged that change have obviously been international organisations, local organisation of their kinds and I think that's where you'll start really. I mean still, well not quite half the world's advertising is based in America. I mean, there's a debate going on in the UK at the moment, is there a recession or isn't there a recession in the advertising business. What is perfectly clear is that the agencies are suffering because the multinationals are suffering. The multi-nationals are retaining money in the States because the States are having a difficult time and that seems to me that the single most important influence on the internationalisation of the agency is missed. Agencies have followed their comments and the second thing I think is that there has been a growing internationalisation of the media. Now the relationship between agencies and the media have become quite complicated. I mean when I worked in an agency for 28 years. And in those days the agencies that produced creative product and booked space, those functions have now become separated. And obviously the commission system no longer exists, so agencies have become much more about the production of brand strategies and brand executions, and, I think, particularly multinational companies, are concentrating more and more on core businesses.</p> <p>Diversification - I mean, if you think about the agencies over the last 30 years, agencies are now providing far less in terms of the range of services than they used to provide 30 years ago. I mean, agencies would have graphic studios, design studios, acting studios or [?]</p>	<p>Future of the Advertising industry</p> <p>Future drivers of internationalisation:</p> <p>Well, I think globalisation is growing, so I think client companies will, in the end, be the driving force. All advertising is only a means to an end. It's a competitive tool that enables suppliers of goods and services to talk directly to consumers. So I think there will also be a kind of an opposite effect because I think for advertising to be successful and retain the confidence of consumers, because that's what it has to do and if consumers don't trust advertising it doesn't work. I think international will have to grow and become more sensitive to local cultural needs. They can't be a situation where, we'll take the decisions in Detroit for the rest of the world. It won't be like that because there will be a backlash and one of the reasons I think there will be a backlash is because I think advertising will become more interactive. So, the quality of data coming back from consumers will increase and that will magnify in culture differences, market by market, which I think will be more difficult to analyse centrally.</p>

	<p>designers, they have much more elaborate information centres, they'd have their own market research departments, they'd have marketing departments and all of those have gone. All the services still exist but they've all spun off and become consultancies or businesses in their own right. So, what is offered now by an agency who claims to be a full service agency is entirely from what was been offered 30 years ago. Agencies were much more of one-stop shops than they are now. Agencies would do the sales promotions, they'd do all those kind of things. Now, their managers will find somebody to do the sales promotion and that is largely functioned of economics of the business. Clients weren't prepared to pay for a full service agency, providing all those financial services and some clients wanted them, others didn't.</p>		
<p>Account Planning Group</p>	<p>Influences to internationalisation: "The key influences has been globalisation of client companies, the need for increased international business for the marketing departments of client companies; increased divide between local and international businesses; very low financial barrier to internationalise (all you need is an office and staffs); for defensive reasons - need to pick up influential international clients, an advantage while pitching since it protects other weak businesses/weaknesses of the agency"</p> <p>Agencies are sceptical about their internationalisation - " that's particularly a UK perspective because London agencies consider themselves to be the most creative in the world, and if you have a lot of international business it tends to drive your level of creativity down, and therefore most of the London agencies are in two minds whether it is a good thing (because it makes the agency grow) or bad thing (because it impedes on the creative freedom of the agency)."</p> <p>SMA's, internationalisation and strategies : " these firms find it very difficult to get to the point where they decide to internationalise. Once they reach there, they are faced with two options: 1) either sell themselves to major global networks; 2) get into alliance or club with similar other agencies. This club-route is particular of those agencies</p>	<p>Future drivers to internationalisation in the industry - "I think there will continue to be polarisation and middle ground agencies will disappear and instead there will the widespread emergence of new small, specialist local agencies providing not strictly providing advertising services but other services like New Media.. I also think there will be an increased possibilities of integration of services like management consultancy, not particularly with the advertising core but may be with the media side of the business."</p>	

who want to retain their financial independence and protect their creative freedom by avoiding getting acquired. The primary objective of the SMAs is not always the need to become international as an agency but to raise cash for the owners that's why a lot of the SMAs prefer the partial acquisition route, signifying partial commitment."

Global networks and subsidiaries— "there two types of structures that are transparent across the global networks of the big players in UK. Firstly, you have those kind of companies which strongly identify themselves with their holding companies (e.g. Grey Advertising, Publicis etc.) and secondly those which are very separately branded agencies (e.g. the portfolio of companies under WPP). The key differentiating factors are two-fold: the first relates to the corporate branding of the agencies and the second has to do with the degree of co-ordination exercised by the parent companies. For instance, in the like of agencies like Publicis there is more hierarchy involved in the operations of the company and more regular parental intervention, while in the case of WPP it's portfolio is made up of too strong and competing corporate brands (like JWT vs. Ogilvy0 which makes any possibility of integration very remote and the firms more autonomous. In the latter case, holding companies like WPP is mainly accountable on financial matters, although there are informal intervention to coordinate client businesses, at times on a regional basis".

Diversification – "diversification strategies have emerged because of the need to provide full range of services by agencies. Agencies have extended their capabilities to provide diverse but related advertising services all with the exception of media services, which until lately have tended to grow as separate businesses.. This partly because of the fragmented nature of the business, agencies have become increasingly concerned about the research/thinking aspect of advertising and have also been very independent businesses particularly because the clients insist that they are provided separately"

<p>Institute of Practitioners in Advertising (Scotland)</p>	<p>Influences to internationalisation – “ the whole process took off in the 1970s and 1980s with globalisation of the brands. Brand owners became aware of the asset value of their brands and have demanded more and more consistency in the communication of their brands’ images across the different regions of the world.”</p> <p>SMAAs – internationalisation/strategies – “small firms are quite nebulous and international business is carried in a very haphazard or serendipitous manner. Several factors affect their international business decisions, for example, the panic of going into the unknown, multilingual and multicultural differences, and knowledge of local media is limited ...”</p>	<p>Future criteria for success – “ ... there is a trend towards fewer and fewer big agencies. I think there is only so far that an agency can go because ideas come out of people’s brains, it’s the culture of the different agencies that is going to be key...”</p>	
<p>Admap, NTC Publications Ltd.</p>	<p>Influences to internationalisation: “ ... the agencies internationalised mainly because of pressures from their clients (e.g. JWT developed on the back of GM). Pressures also came from within agencies as they were seeing opportunities in the international markets they were developing other than UK. So they moved from a reactive to a proactive stance in their internationalisation”.</p> <p>SMAAs – internationalisation and strategies/ web competition – “ ... the small agencies have essentially grown by getting acquired by multinational agencies or by exporting or their international services. For instance, such an agency can say We are going to a highly creative agency in London, and we do not wish have offices all over the world. So we will produce first class creative products and sell it to clients to be used internationally in their campaigns with no concern of any details in how it is being handle elsewhere. There has also been the case of the web-enabled agencies, good examples are the ones based in New Zealand. They are English speaking, low cost and provide their services by interacting on the web”.</p> <p>Global networks/subsidiaries – “... there are two types of global</p>	<p>Future drivers to internationalisation – “ ... all the logic of things so far suggest that bigger networks will get bigger overtime and clients will increasingly have a strong influence in the behaviour of these companies, globalisation will bring about more sophistication in the way this business is done”.</p>	

networks in this industry with different structures altogether. There are the ones like WPP which consist of a loose federation of separately-branded companies, encouraging them to work together, and the ones like Interpublic or OMNICO which seems to be much more of an American command and control mode. There is much difference in the way these networks co-ordinate and manage their activities. However, it needs to be mentioned that agencies in both these networks are to a large extent very customer-responsive. In that sense, they tend to set themselves up on a given account (like Ford or P&G) to provide the sort of service their clients want or appear to want. This varies enormously so that although an agency may want to behave in a certain way it still needs to adjust to its clients expectations which may support its existing structure. So in a way none of the above are clear cut and I think that's what makes this business very difficult to analyse".

Diversification – “ agencies have been trying to pull together different related disciplines to provide a full service package, and recently the pressure have been more from the client side particularly with the emergence of the idea of integrated communication. This has got a lot of expectations around and big agencies are finding it hard to provide the kind of services that fulfil those expectations particularly because of the widening range and fragmentation of the media market. That's why companies like WPP have opted for the model supporting a loose federation of companies with different specialist expertise.”

Problems with loose federation – “but the problem in a loose federation network is knowing what's actually available in terms of specific expertise. This is widespread that it leads to numerous co-ordination problems. It puts an awful lot of premium between people willing to cooperate for common businesses.”

Key success factors/ challenges for internationalising agencies – “ ... if you are small and wanting to internationalise the difficulty lies in getting the critical mass in any particular market you get into. If you integrated into a network you main strength will lie in trying to build into the market in which you are based, reach consistently high

	standards of creativity in the market and act as a hub for the local as well as the international businesses of the network".		
Client Firms			
	Issues relating International Strategy In the Advertising Industry	Future of the Advertising industry	Freenotes
Kwik-Fit Holdings	Existence of SMAs vs SAs - "... in my opinion all agencies have their place in the global market. Large multinational clients such as Ford and GM are always trying to globalise their brands and will inevitably look for an agency or network with a global reach. But not all campaigns carried out are actually global. We try and do what we feel is appropriate for our brand. So far we are to make commercials in local languages and using local media and it has proven to be a successful formula".	Future - "... with increasing globalisation, medium-sized agencies there is a need to reinvent themselves to win global brands if they feel their expertise and services are limited, but ultimately the quality of their campaigns should say it all".	Selection criteria for an agency - somebody who understands the market; preferably experienced in the market and knows about the customers; chemistry between us and the agency; knowledge on the local media of the different markets".
Scottish Enterprise	"... consolidation is a major issue for the players in the advertising industry, it's happening and it's mostly about financial engineering..." Problems with global networks - "... there is a common misunderstanding among many of the present global networks that they should fulfil all aspects of a client's communication plan. I don't think that's realistic. There will always be rooms for specialists in this industry and recent examples include why new-media agencies keep snatching a larger share of the agencies' opportunities. These companies won't replace the advertising agencies in the traditional sense but they will be sitting alongside them in the pitching sessions".	Future - "... I think the future for agencies has to be about cultivating creative minds that can think across platforms. One provide can deliver a more integrated service than a multinational network. Size does not make the differences, instead its their abilities to stay creative and adapt to our needs".	Selection criteria - experience, prior knowledge, expertise and chemistry..."

Scottish Power

"Consolidation amongst the ad agencies is their response to an increasingly global client network. As clients we want to globalise our brands and it makes more sense doing that through one or two agencies rather than a disparate network of agencies".

Problems with global networks - "... you get lost 'in the noise' as an account and you tend to gradually slip down on the list of priorities. Sometimes you get the 'one-size' fits all approach and get services shipped in standard solutions without due towards cultural sensitivity".

Expectations from networks - "... agencies should exhibit better evaluation criteria; they have increased accountability to drives sales, deliver creativity and help plan media outlets.."

Selecting an agency - "the agency's understanding of the brief and their responses; industry knowledge; flexibility and awareness; creativity; delivery and willingness to spend time..."

Incorporated Society of British Advertisers Ltd (ISBA)

Selecting an agency - "... The key driver is usually creativity. Creativity is the thing that makes the difference and makes the edge. I think more and more over the last, say, 5 years it has been a desire to work more intimately with an agency, to be more an integral part of the team - rather than the account director comes in and takes the brief, goes back, goes into the agency 6 months later, they slap down a solution and they say this is it, this is your solution. I don't think people want to work that way anymore, they want more team work, they want to buy in at an earlier level and so they don't want have the possibility of getting 6 months down the line the agency creates an idea it's not exactly on the brief ..."

Sceptical on global networks - "... I think you'll find that most agency networks, if you talk to clients that those networks don't deliver the global networks that they claimed they could. They don't deliver, they don't work together, there's lots of in-fighting between different branches of the agency - so the French won't agree with what the English did - and I think that there's a lot of squabbling about where the strategy is dictated. So it needs a really strong client to use a network like that. I think that's why most people shy away from it. It

Future of ad agencies - "I think that personally, one of my theories is that client departments are shrinking so marketing directors are becoming fewer. There are fewer specialist ad managers, ad directors. But, the whole supplier side is becoming much more fragmented. It's becoming more complex because there are increasingly more routes to market. Clients are confused about what communications routes they should take. I don't think they yet trust their agency to give them a complete communications planning scenario. Global networks, on the other hand, need to sort out their process, systems and distribution to deliver well organised creativity, because this is what clients needs. The network which will be able to attract and harness the creative talents in all service areas are best placed to succeed".

Clients changing requirements - I think everybody would want to work locally because they've got more control. They can develop their own strategy and their own approach. It depends on the company. With some companies it's just not possible. Some companies change their mind constantly, like Coca-Cola for instance who have gone from global to local to global to local - I think they're on local at the moment. People change their minds all the time. It depends who's at the top of the tree".

Partnership agreements - "for this work it depends entirely on the

is difficult. I think the qualities you need as a marketing director to work even on a pan-European basis are very different to what they might be if you're working on a local basis. I think you need fewer marketing skills and more diplomatic and co-ordination and persuasion and good communication skills. So there's different skills needed".

Clients' views on independent networks – "...I don't think independent agreements work. Everybody has their own agenda and they'll all fight for business and I haven't seen that they work. People that I've seen that have done them have gone back on that agreement and have ended up going into either buying a network or buying into a network that was already in existence. So I think I would have to say that they have to have common objectives and they probably have to have common business objectives. In which case, it would have to be a network, a group of companies that are networked as opposed to an independent agreement or arrangement".

Clients' expectations from the networks – "I think the expectations are that the agency will co-ordinate and do everything. That they will deliver whatever it takes, for whichever market. So they'll be able to demonstrate local knowledge... they'll expect them to know about local laws and culture and not produce something that is going to offend the tastes of any particular person in that particular market place. So they'll expect them to have an intimate knowledge of the global they'll also expect them to have an intimate knowledge of the global strategy and to be able to deliver against both things which is very hard, quite hard. In terms of co-ordination, I mean they will talk to each other, the networks will talk to each other, and they will not squabble, they will produce the advertising and get it to market.

Choosing between the two identified models of SAs/networks – "... both would be appealing in different scenarios, wouldn't they? Depends how strong how the original agency brand is. Publicist's have a very good reputation, very creative, very hard working, very hard thinking and they think that can apply to all their other group companies. Well, I think if you ask most clients they have no idea who

relationship between the client and the agency in the first place. It depends entirely on how happy the client is at that point. So what we're seeing in that scenario in that situation, such growth strategy is very much dependent on intangible issues such as relationships plus so many skills, diplomatic and motivational skills They are really intangible and they change constantly. Because the whole of this business is based on personalities and philosophy and fit. If you don't come up with the goods then, you know, we're going to leave you. And if you *don't* crack the brief then we're not going to stay with you. You don't get chances, it's too costly. They'll go somewhere else. It's a real quicksand".

belongs to what group anyway. Have you tried to actually get a map of who owns who? We tried to create one. It's impossible and it changes daily. You know, WPP bought another, what, 6 companies last week? You know, as far as clients are concerned, they don't really care. As long the brief can be cracked. At the end of the day, they're just interested in delivery; they don't care how they get to it, as long as it's transparent. So if they're using a group company, they want to know who it is, they want to know what the deal is; they want to see it broken down. They want to know that there's no, you know, double profit-making within the organisation and at the end of the day, it's just about whether they can deliver. I really couldn't say that the client would like one scenario or another. It depends entirely on the brief'.

Problems with existing global networks - "WPP is the most uncoordinated company, that they don't make the best of opportunities of, you know selling and cross-selling within their group companies. They don't work together properly; they have no one person coordinating activities, which looks at new business or new opportunities. They don't do that.... plus They offer one deal to one client and they don't offer it to another and they've got all their other clients saying well, why aren't they talking to us about that? Why aren't they being pro-active? Why did we hear about this throughout the grapevine? I know, I think agencies are shambolic are marketing themselves. They are really poor at communications. I mean, everything that they do and sell to clients, they don't do for themselves. They really don't and they've struggled, they've really struggled".