

**THE PROCESS OF FOREIGN MARKET ENTRY FOR
PROFESSIONAL SERVICE FIRMS: A CASE STUDY OF AN
AUSTRALIAN LAW FIRM IN A NEWLY EMERGING MARKET**

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Abstract

Service firms often look beyond their domestic markets to those defined as transitional or newly emerging markets (NEMs). Additionally, enterprises in the professional services arena have become active players in international markets in recent times. There is a greater need to understand the foreign market entry (FME) processes of professional service organisations. A critical element impacting FME are business relationships and the concept of networks. From an internationalisation perspective, the network theory stresses the influence that relationships and actors in the network have on the FME process. The purpose of this qualitative exploratory study is to examine the FME process of an Australian based law firm into Thailand to provide preliminary understanding of current FME models in NEMs. The analysis will be undertaken from a network perspective. Broadly, the significance of the study is that it will assist in further developing our theoretical understanding of, and the managerial implications surrounding, the process of FME by professional service firms into NEMs. More specifically, this paper highlights the importance of network relationships and the key elements of orientating, positioning and timing in the FME process in NEMs.

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THE PROCESS OF FOREIGN MARKET ENTRY FOR PROFESSIONAL SERVICE FIRMS: A CASE STUDY OF AN AUSTRALIAN LAW FIRM IN NEWLY EMERGING MARKETS

INTRODUCTION

For service firms seeking to develop business opportunities it is often the case that they look beyond domestic markets to those defined as transitional or newly emerging markets (NEMs) (Batra, 1997; Karande et al, 1999; Nakata and Sivakumer, 1997; Sunje, 1999). A need has been identified to understand the role that service firms play in international markets (Coviello and Martin, 1999; Coviello and McAuley, 1999; Erramilli and Rao, 1993; Gronroos, 1999; Sharma and Johanson, 1987). In particular, Coviello and Martin (1999) highlight the need to understand the internationalisation process of professional service sectors including management consulting, accounting and legal services.

Foreign market entry (FME) can be viewed from various internationalisation perspectives. These include the foreign direct investment (FDI) theory (economic perspective), the establishment chain or stage models of internationalisation (behavioural perspective), and network theory (relationship perspective). A critical element impacting FME are business relationships (Blankenburg, 1995; Coviello and Munro, 1997; Salmi, 2000). Analysis of business relationships has led to research of business networks (Axelsson and Easton, 1992; Johanson and Mattsson, 1987). From an internationalisation viewpoint, the network perspective stresses the influence that relationships and actors in the network have on the FME process itself (Axelsson and Johanson, 1992; Blankenburg, 1995).

The purpose of this exploratory study is to provide answers to the following two questions: first, *how do professional service firms participate in the FME process within NEMs?*, and second, *what are the key barriers to FME in NEMs for professional service firms?*

In order to find answers to these questions the study will explore the FME process of an Australian based law firm into Thailand. The analysis will be explored by adopting a network perspective to identify the 'process' of FME. Although other internationalisation approaches, for example FDI and the stage models, focus upon deciding, planning and subsequent mode of entry into a foreign market, the network perspective places importance on the actual processes involved in FME and subsequent implementation (Axelsson and Easton, 1992; Axelsson and Johanson, 1992; Blankenburg, 1995). The significance of this study is that it will identify the importance of network relationships in the FME process, and more specifically, focus our attention on the key elements of orientating, positioning and timing.

BACKGROUND TO PROFESSIONAL SERVICE FIRMS IN NEMs

Recent industry media has highlighted the interest in, and importance of, Australian based law firms participating in foreign markets particularly in the Asia-Pacific region (Australian Legal Business, 2003). This has stemmed from factors such as domestic market saturation and the relative size of firms in Australia, and the adoption of market following strategies by legal service providers of their key clients (Australian Legal Business, 2003). The foreign market participation of Australian law firms has seen legal service exports steadily increase since figures have been monitored, beginning in 1987/88 by the Australian Bureau of Statistics (ABS) (\$AU 74M), with exports in 2000/01 totaling \$AU 245M.

Australian based law firms seeking business opportunities in the emerging Asia-Pacific markets is supported by the Commonwealth government, who in recognition of increasing activity by Australian legal service providers established the International Legal Services Advisory Council (ILSAC) in 1990. ILSAC developed the 'Australian Legal Services Export Development Strategy' (2003-2006) which has three main objectives:

1. improving the trade and regulatory environment for legal services;
2. enhancing the profile overseas of the Australian legal sector; and
3. developing opportunities for winning work overseas.

At the recent ILSAC conference held in Sydney, Australia (March 2003) Ian Govey, General Manager – Civil Justice and Legal Services, Attorney-General's Department announced that:

For Australia, buying and selling legal services into Asia continues to grow in importance in our increasingly borderless world. If we are to continue to develop as a prosperous and forward-looking nation, we must pursue the trade opportunities that exist in the region (2003).

More specifically, both the Australian legal industry and ILSAC have identified Thailand as an emerging market for Australian based legal service providers. A recent survey of Australian based law firms (Australian Legal Business, 2003) identified three firms that had established a presence in Thailand. ILSAC's focus on Thailand as a key market for Australian firm participation is evident from its strategy documentation (Australian Legal Services Export Development Strategy, 2003). What is also apparent is that trade in international legal services is inhibited by a range of regulatory and other barriers, many of which have been put in place relatively recently as cross-border services trade has developed (Australian Legal Services Export Development Strategy, 2003).

This study makes a valuable contribution to existing theory, based on some identifiable gaps in the literature which are outlined below:

1. The elements of positioning, orientating and timing have not been conceptualised into a framework (Axelsson and Johanson, 1992), although are widely cited as vital elements in the FME process under a network perspective (Blankenburg, 1995; Salmi, 2000);
2. The industry under analysis (legal services), has not to the knowledge of the researcher, been reviewed in light of FME processes (Coviello and Martin, 1999);
3. Knowledge about service firm internationalisation (Erramilli and Rao, 1990; Gronroos, 1999; Sharma and Johanson, 1987) is limited and underrepresented in the literature;
4. This study will provide further understanding of the role and importance of networks in the FME process for professional service firms (Axelsson and Johanson, 1992; Blankenburg, 1995; Salmi, 2000), and
5. Exploration of the above concepts will be set against the backdrop of a NEM in the Asia-Pacific region.

From a managerial perspective this study provides useful insights for professional services firms seeking to understand the FME processes of 'hard services' (Erramilli, 1990) into NEMs in the Asia-Pacific region. Specific benefits may well be derived by industries including law, accounting and financial services and management consulting.

PERSPECTIVES ON FME

The FME process of the firm has been researched from varying theoretical perspectives, including the FDI and stage model approaches. One of the more recent developments in the discussion on the FME process has centered on network theory (Axelsson and Johanson, 1992; Blankenburg, 1995; Johanson and Mattson, 1987). Network theory focuses upon the interactions that take place between buyers and suppliers, and the way in which relationships and networks impact upon interorganisational transactions. Research by those including Blankenburg (1995), Salmi (2000), and Coviello and Munro (1997), discuss the impact that actors have in the FME process.

Blankenburg's (1995) view, highlights the network perspectives' concentration upon the role and importance that actors play when firms undertake FME. Additionally, it has been asserted (Axelsson and Johanson, 1992; Salmi, 2000) that differences are apparent in the way in which FME is analysed within a network perspective, introducing concepts such as positioning, orientating and timing of network actors and firms. The network literature contrasts against what has been termed the 'received literature' (Blankenburg, 1995). In essence the 'received literature' covers two general areas related to FME and the internationalisation of the firm, that being foreign direct investment (FDI) (Buckley and Casson, 1976, Rugman, 1980) and what is commonly referred to as the Stage Model approach (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977).

The general theory of FDI has developed from neoclassical and industrial trade theory, and supports the internalisation of the firm's activities when seeking to expand internationally (Buckley and Casson, 1976, Rugman, 1980). From a review of studies such as those by Aharoni (1966), Dunning (1980; 1988), Newbould et. al. (1978) and Rugman (1980) we uncover at least three major limitations when applying FDI theory to the internationalisation of the firm. These being that:

1. The concentration for studies conducted in this area seem to focus primarily on large MNEs;
2. Firms are researched that engage in the production and sale of goods as opposed to services; and
3. Taking a transaction-based approach to FME does not account for the impact and role that actors have on the process. These limitations of the FDI approach have been documented in order to form a basis for justifying the focus on networks.

Johanson and Vahlne (1977) provide the most commonly cited conceptual base for analysing and evaluating a staged approach to FME. This view proposes that firms will seek to expand their operations internationally via an incremental and stepwise manner (Johanson and Vahlne, 1977).

Some of the apparent limitations of the Stage Model (U-Model) approaches to FME include:

1. The studies do not focus on professional service firms participating in foreign markets. They are all manufacturing based cases.
2. Contrasting views exist in the literature surrounding psychic distance for firms seeking FME (Sharma and Johanson, 1987; Coviello and Martin, 1999) (both from the U and I-Model perspectives).
3. The U-Model perspective (Johanson and Vahlne, 1977; 1990) does not explain why or how the internationalisation process begins. Additionally there is no such discussion on the factors that influence the process.
4. There is little evidence in Stage Model theory to suggest that a focus has been directed towards understanding the FME process in what could be considered newly emerging markets (NEMs).

5. It can be argued that the I-Models do not accurately depict the way that firms behave, in the sense that they actually do not, or in fact should not, follow the stages as presented (Reid, 1984; Turnbull, 1987).
6. The impact and importance that actors and network relationships can have on the internationalisation process of the firm is not adequately addressed.

How then do these suggested limitations, as well as those identified for FDI theory, justify the proposed study? The fact that these limitations exist in the internationalisation literature provides us with the scope to explore:

1. The way in which professional service firms view the FME process;
2. The impact and role of networks in the FME process; and
3. The factors listed above in 1) and 2) against the backdrop of a NEM.

An important perspective to note, and one that does in fact provide a contrasting view to both FDI theory and the Stage Model approaches is that known as the 'contingency' approach to internationalisation. This notion is based on the premise that the firm's international evolution is contingent on a wide range of market-specific and firm-specific characteristics. The view proposes that external situations or opportunities have the ability to cause firms to leapfrog stages or enter into markets that are psychically distant from their domestic market (Reid, 1984; Turnbull, 1987).

Whilst it has been shown that FDI and the Stage Model approach focuses upon the processes involved in deciding, planning and the subsequent mode of entry into a particular market, the network approach to FME places importance on the actual processes involved, as well as the requirement of a participant becoming an active player, or actor, in the network (Axelsson and Easton, 1992; Axelsson and Johanson, 1992; Blankenburg, 1995; Salmi, 2000). The received literature (highlighted earlier to predominantly consist of FDI and the Stage Model approaches) views FME as a decision problem and considers implementation as a secondary problem with management viewed as the main actor in the decision making process that enables a firm to progress (Blankenburg, 1995).

To enhance our understanding of FME process elements, under a network perspective, we must highlight three issues. Axelsson and Johanson (1992) sought to understand FME processes of the firm, from a network perspective. They undertook case study analysis and applied concepts developed by Johanson and Mattsson (1988) that looked at the degree of internationalisation of the market. This analysis discussed the concepts of '*The Early Starter*', '*The Late Starter*', '*The Lonely International*' and '*The International Among Others*' (Johanson and Mattsson, 1988). After applying these attributes to the case studies, they identified three issues of critical importance in the FME process, these being orientating, positioning and timing (Axelsson and Johanson, 1992).

ORIENTATING, POSITIONING AND TIMING IN FME

'Orientation' is the stage in which the actor seeks to harness an understanding of where counterpart actors sit in relation to all others. Orientation sees the need for actors to participate within, and gain experience from 'acting' within that network as an outsider can only have a very superficial comprehension of a network (Axelsson and Johanson, 1992). Importantly, orientating in the network is a process that takes place over time. This view was substantiated by the case study analysis conducted by both Axelsson and Johanson (1992) in tracing Kommundata's entry into the Gulf market, and Salmi (2000) looked at a Western IT company (Finnish based) seeking entry into the Estonian market.

'Positioning' is the process whereby the actor develops a distinctive stance within the network. Control of this particular process is not fully realized by one specific actor as positioning is effected by the actions of other participants within that particular network environment (Axelsson and Johanson, 1992). The positioning of actors is a process that is seen to be cumulative, which implies that positions are established, developed, maintained and defended. The cumulative nature of the positioning process has been illustrated in Axelsson and Johanson's (1992) research of Scania. The significance of this finding by Axelsson and Johanson (1992) is that it demonstrates the importance of active participation by the firm and the impact of network relationships in the FME process. A key research question in this study will seek to explain how the focal firm participates in the FME process in Thailand.

'Timing' is a key issue in the FME process (Axelsson and Johanson, 1992). It is a matter of seeing opportunities as and when they arise, as they will appear at irregular intervals, and then being in a position to act in a responsive manner. Pan et. al. (1999) provides further support for the importance of timing in the FME process. The studies of Axelsson and Johanson, (1992), Pan et. al., (1999) and Salmi (2000) highlight the importance of timing, both from an entry and opportunity analysis perspective. These findings provide us with the platform to further explore and validate this theoretical position in a professional services context.

Upon reviewing the research by Axelsson and Johanson (1992), Blankenburg (1995), Salmi (2000) and others it would appear that the concepts of orientating, positioning and timing, although found to be key elements in the FME process of the firm, have not yet been adequately conceptualised into a framework. Similarly, these FME elements of a network perspective have not been adequately researched in the professional services context, and more specifically, in relation to legal services. These elements, along with variables impacting the realized FME of the firm (Blankenburg, 1995), will assist in conceptual development and provide a contribution to the existant literature.

SERVICES AND FME

It is also identified that differences exist between goods and services, and therefore a need to research the role that service firms play in international markets has emerged (Buckley, Pass and Prescott 1992; Coviello and Martin, 1999; Coviello and McAuley, 1999; Erramilli and Rao, 1993; Gronroos, 1999; Gummesson, 1978; Sharma and Johanson, 1987). Comparative studies such as that conducted by Buckley, Pass and Prescott (1992) on both manufacturing and service based organisations point to distinguishing features of services to include intangibility, inseparability of production and consumption, heterogeneity and perishability. Furthermore, Erramilli (1990) has made the distinction between 'hard' and 'soft' services. Hard services include architectural design, education, and life insurance. Soft services include food service, laundry and lodging. Legal services would be considered a hard service offering and can be further categorised as a professional service offering to the market (Gummesson, 1978; Thakor and Kumar, 2000).

Coviello and McAuley (1999) identified only five studies that focused on internationalisation and services firms. None of these studies were based on the legal services sector, which is the focus for this particular exploratory research. From a FME perspective, Sharma and Johanson (1987) stated that the exposure to risk and the way in which this is managed for service firms is vastly different from the risk exposure pattern of manufacturing firms. These organisations can therefore not be expected to follow the notion proposed by Johanson and Vahlne (1977) and Johanson and Wiedersheim-Paul (1975) that due to the lack of knowledge about a foreign market firms will go to countries that resemble the domestic market – the concept of 'psychic distance'.

NEWLY EMERGING MARKETS (NEMs)

Emerging markets can be viewed as economies that are in transition towards becoming market economies (Sunje, 1999). Although there is no universally accepted definition of emerging markets it has been suggested that there are two defining qualities (Nakata and Sivakumer, 1997). The first of these qualities are that emerging markets can be considered similar to less developed countries, which are characterised by elements that include rapidly growing populations, low levels of income per capita, poor infrastructures and a lack of capital. Secondly, the positive momentum of purchasing behaviour exhibited by these countries conceptualises the emerging notion. Nakata and Sivakumer, (1997) highlight a number of countries that fit this definition in the Asia-Pacific region including Malaysia, Indonesia and Thailand.

It is viewed that markets of the future lie not in the major industrialised nations, but in emerging market and newly industrialising economies, which are opening up and growing rapidly (Samuel and Douglas, 1997). However, it is acknowledged at the same time that emerging markets present concerns for entering firms. Some detractions include political risk, mercurial government policy, funds restrictions and creeping expropriation (Nakata and Sivakumer, 1997). These detractions are similar to those highlighted by Salmi (2000) in the emerging markets of Eastern Europe (Estonia). Salmi (2000) talks of emerging markets being turbulent in nature, exhibiting characteristics including instability, uncertainty and risk.

RESEARCH METHODOLOGY

A purposive (judgmental) sample (Cavana et. al., 2001) of an Australian based law firm with operations in Thailand constituted the focal firm for this study. The focal firm was identified after the researcher undertook a comprehensive web-based search [http://www.legal500.com/as500/frames/as_fr.htm] (*Asia Pacific Legal 500*, 2003)] to determine Australian based law firms with operations in Thailand. This research uncovered three such firms, all of which could be defined as small to medium sized firms. Firms were invited to take part in the research via a formal letter advising them of the background, research aims and objectives of the project, as well as the ethical guidelines under which the interview and questioning process would be conducted.

Research was conducted using a single case study design (Eisenhardt, 1989; Yin, 1989) with the unit of analysis being the firm. The research was qualitative (McCracken, 1988), and exploratory in nature. As stated by McCracken (1988) qualitative research does not survey the terrain it mines it, and therefore can be seen as more intensive than extensive in its objectives. Similarly, Yin (1989; 1993) and Eisenhardt (1989; 1993) focus on utilising a case based approach for generating theory and understanding phenomena. Support for using a qualitative case based design to understand phenomena under investigation, that being predominantly, the role of network relationships on the FME process, are apparent in the studies of Axelsson and Johanson (1992); Blankenburg, (1995); Coviello and Martin, (1999) and Salmi, (2000). These studies all utilised a qualitative, case based approach to their research, which in essence sought to better understand the foreign market entry decisions and activities of firms seeking to internationalise.

Multiple sources of information were used to gather data from the focal firm, with the main form of data gathering being the semi-structured questionnaire and interview process. Data was collected via face-to-face in-depth interviews, or video-conference link as required, with all discussions being taped for accurate transcription purposes.

The interviews undertaken explored senior management views from both the Australian base and the firm's strategic business unit (SBU) in Thailand. Staff members in the Thai SBU number approximately thirty. Three high level interviews were conducted in the focal firm which involved senior managers and partners identified as having a distinct understanding of, and active role in, the FME process of the organisation. Details of the participants in this study can be viewed at Appendix 1. All names have been changed to protect the identify of the informants.

Additional techniques such as seeking out industry reports and media releases (internal and external) were used to enable triangulation of data and thereby provide a comprehensive analysis. Secondary data of the focal firm was compiled, which included sources such as company reports, newspaper reports and articles, public access materials published on various web-sites and other published works. The use of multiple sources of evidence assists in reinforcing the base of evidence used in the study, provides a wealth of relevant detail and assists in confirming the importance of the case study method (Yin, 1989). Coding of the data was undertaken using methodology proposed by Strauss and Corbin (2001) – that being open, axial and selective coding.

SELECTION OF CASES

The Australian Legal Market

The Australian legal market comprises six large, full-service national firms that compete for instructions from the country's top corporates, government departments and financial institutions. These firms include Allens Arthur Robinson, Freehills, Mallesons Stephen Jaques, Blake Dawson Waldron, Clayton Utz and Minter Ellison. All six firms have a stable of loyal corporate and government clients that demand sophisticated legal services for a variety of complex matters.

Most major Australian firms have offices in Asia, though the number of offices and breadth of overseas practice differs from firm to firm. Of the firms with Asian offices, Deacons easily has the greatest coverage with 13 offices, and is a market leader in Hong Kong. Mallesons Stephen Jaques, Blake Dawson Waldron and Minter Ellison have offices in Asia plus small satellite offices in London, servicing Australian clients' needs in Europe and indirectly nurturing relations with the UK's legal community. Minter Ellison is the only Australian firm with a US outpost based in San Francisco (Asia Pacific Legal 500, 2003, <http://www.legal500.com/as500/frames/as_fr.htm>).

The Focal Firm

Firm x is an international law firm with a strong Asia Pacific focus. *Asian Legal Business* ranks the firm as one of the largest legal groups in Asia, and *American Lawyer's* survey of global law firms ranks the firm as 14th largest in the world. The firm's 1,200 plus lawyers understand the dynamics of conducting global business through an integrated network of offices and support both local business and international companies doing business in the local market. In Australia, the firm is recognised as a market leader. The firm is a key legal adviser to many of Australia's top-100 companies by market capitalisation and to a number of Fortune 500 companies on their Australian operations (Asia Pacific Legal 500, 2003, <http://www.legal500.com/as500/frames/as_fr.htm>).

RESEARCH FINDINGS

This section analyses the findings of this study by seeking to address the research questions. These are: Research Question (RQ) 1 - How do SME professional service firms participate in the FME process within NEMs? Research Question (RQ) 2 - What are the key barriers to FME in NEMs for SME professional service firms?

RQ1 - SME Professional Service Firm Participation in FME Processes in NEMs

The interviews with key actors in the focal firm saw a number of key findings emerge. These findings will assist us in better understanding the way in which professional service firms participate in the FME process in emerging markets such as Thailand. Their participation in FME processes was a deliberate action. It is clear from this study that there is a distinctive stage the firm engages in prior to any 'in-country' foreign market participation, a stage in the internationalisation process similar to that highlighted by the stage theorists such as Johanson and

Vahlne (1977) and as represented in Anderson's (1993) review of the I-Models. This is witnessed in the internal commitment decisions the firm must make to itself in order to take the next step and become an active participant, or actor, in the target market:

We fairly quickly came to the point of deciding, in principle, that subject to conducting a thorough due diligence, that this international strategy was something that we wanted to pursue. It was identified that part of our strategic thinking was to focus on the Asian rim...we identified that we needed greater presence and we wanted to have things branded internationally.

Once a decision had been made by the firm to enter Thailand it became apparent that the entry of Firm x would need to be facilitated in some way. It was the international relationships developed by an actor in the focal firm that provided the impetus for the firm's FME, and it would be via these established networks that they would seek to overcome their lack of knowledge of the foreign market:

The opportunity was presented to us via the relationship that one of the individual lawyers in our Sydney office had with the four partners that eventually came to work at what is now Firm x Bangkok. That particular lawyer had worked with them in Bangkok in the firm they were now looking to leave. She had herself worked with that practice and had returned to Australia, left that practice and joined us. She had maintained a close and ongoing relationship with them and when it came to her attention that they were thinking about leaving and doing something on their own we got on a plane basically and went up and had a bit of a chat to them.

It became clearer to the focal firm that relationships formed as a result of interactions between actors of the firm and those actors that form part of a wider network in Thailand and the surrounding Asia-Pacific region would be key to their FME decisions, commitment and participation (Blankenburg, 1995; Salmi, 2000).

We became aware that a number of partners in a rival firm were looking to branch out...we assessed what type of clients these individuals had and the type of contacts they were looking to develop, and based on this information believed it was an opportune time to start an association.

It turned out that via other relationships a couple of the partners had with people who either knew of those partners, or clients of those partners, or relatives of those partners, we were then able to come to a basic view that we wanted to do something with these people...we were able to really leverage off their contacts locally.

Because of the relationship between the focal firm's Sydney employee, and international actors, the firm was able to gain impetus for implementing and thereby participate in the chosen market of Thailand. Based on the findings above, we can infer that network actors can emerge and influence the FME of the focal firm from both internal and external sources, as well as show that network actors can serve to broaden the original, in this case the domestic reach and scope of the focal firm. Although the importance of network actors in the FME process has been detailed in studies by Blankenburg, (1995); Coviello and Martin, (1999) and Salmi, (2000), the contribution this study can make to our theoretical understanding is to place it in the professional service firm context, thereby extending these previous studies.

Beyond the Internal Commitment Decision

The firm quickly established that participation in the Thai market would require focusing on some critical elements in the FME process. Critical elements identified by participants in the interview process included those discussed in research by Axelsson and Johanson, (1992), and further supported in case study research by Blankenburg, (1995) and Salmi, (2000) these being orientating, positioning and timing.

Orientation

Based on the findings, the focal firm had come to the realisation that gaining an orientation of the Thai market would impact the success of its international aspirations in Bangkok, and an element of FME that required attention. Orientation was assessed by the firm at various levels, including in both the individual and organisational contexts. Additionally, by adopting the orientation element propounded in network theory, the firm also realised that in order to be seen and accepted as a participant in the Thai market, it needed to be actively involved, and not viewed by network actors as adopting a role which did not provide the firm with actual presence. This presence also provides us with an insight into the actual entry mode adopted by the focal firm, that being foreign direct investment (FDI) into Thailand:

We took some comfort I think from the fact that each of the four partners of the firm that was being established had come through the classic major international firm discipline and could therefore help us position Firm x in a market that we did not fully understand at the time. We undertook a very considerable independent verification exercise to get a very good feel for the Thai market itself...you have to understand the market and the way it works, for that you really need to be on the ground. After an extensive period of discussion with the locals in Bangkok who knew the market well and our scoping trips to Thailand we purchased the office in Bangkok.

Positioning

The establishment of a distinctive stance in the foreign market network was an issue that the firm knew it would need to address, and in fact was front of mind when deliberations first began around the possibility of FME into Thailand. Positioning of the practice was addressed at many levels, from the brand name itself, to the areas of law to which service would be provided to the Thai market, as was the need to continually assess the success of the positioning strategy (or as described by Blankenburg (1995), a focus on a possible re-positioning the firm's services). The FME process element of positioning was a constant theme raised by those involved in the interview process, and considered a vital issue for those charged with the assimilation of the Australian based firm into the Thai market:

Initially when we first identified Bangkok as a centre we wanted to be part of it was about building relationships and positioning ourselves with these existing market players...there is no use going into any new market unless you understand where you are going to position yourselves...we identified that we needed greater presence and we wanted to have things branded – we want international branding.

The strategy was actually to go for more of a niche to position ourselves based on specific areas of competence. We figured that rather than going into the Asian region, and in particular Thailand, as a firm that was everything to everyone, that the position was more to build a brand in each of the jurisdictions making sure we have a focused approach...(in Thailand) it is a commercial practice and we'll be adding a human resources and industrial relations practice that will be part of our, I guess, uniqueness in that market in that there really isn't a human resources and industrial relations practice in that local market. We have also implemented a continuous re-assessment program for our positioning strategy to ensure we are getting traction in this market with our clients and targets.

Another respondent remarked in relation to the positioning of the firm's brand name:

We do not treat the use of our name lightly so there was a full range of quality assurance and reputation and brand risk, and all those sorts of issues associated with progressing into the scenario in which our name would be used in a market like Thailand.

Timing

The firm's timing into the Thai market was also deemed a significant consideration in the overall FME process. In fact, timing was viewed to be important on a number of levels. This included adequately assessing the situation in Thailand surrounding the economic and political climate, and from a market or industry perspective, that is, understanding the sheer opportunism that can be presented to firm's from time to time in their particular area of specialisation. This is particularly relevant given the findings of Axelsson and Johanson, (1992) in the Kabi Vitrum case and Salmi (2000) in research undertaken on a western IT company:

We had to take into account the Asian crisis and the ripple effects that this downturn would have on the market so we timed our buy-in to the local firm to coincide with what we considered to be some positive indicators around the economy.

In particular, Axelsson and Johanson, (1992) noted that it is a matter of seeing opportunities as and when they arise, as they will appear at irregular intervals. This notion was also witnessed by actors in the focal firm:

...prior to the opportunity presenting itself to us we hadn't actively gone out chasing opportunities for a practice in Bangkok. Not that we had actively avoided chasing opportunities in Bangkok either, it just wasn't, you know, it wasn't front and centre in terms of where we were at in that point in time. The timing of the firm's entry into Thailand was certainly a matter of taking the opportunity when it presented itself.

Again, these findings validate the position of previous studies (Axelsson and Johanson, 1992; Salmi, 2000) in relation to the importance of timing in the FME process, but also provide further perspective on its importance in a professional services context. It is in the professional services sector that internationalisation processes are under-represented in the literature (Coviello and Martin, 1999).

RQ2 - Key Barriers to FME in NEMs for SME Professional Service Firms

The contribution to be made from identifying key barriers in the internationalisation process is to highlight these in the professional services context, specifically as they relate to legal services in the Asia-Pacific region.

Language barrier

One of the elements that was repeatedly mentioned by respondents in the interview process was that relating to the cultural language barrier. The focal firm was aware that this particular element would be a factor impacting the success of the FME process. This was clear in the minds of those helping facilitate the FME process as the firm had previously entered alternate Asian markets prior to the firm's entry into Thailand. The firm had learnt there existed a number of practical issues inherent with the practise of law in other parts of the world, with one of the primay ones relating to language. This needed to be overcome, and one way in which this could be achieved was by instituting proactive planning and recruitment strategies:

The Thai language first of all doesn't use the same alphabet, doesn't use any aspect of it, no aspect of it is similar to English and so it is a practical requirement that you have a

significant number of Thai practitioners who can converse with counterparts and clients, and help to sell your services to the market.

However, a conflicting view on the language barrier was apparent in one of the interviews conducted within the focal firm. This view was expressed by a senior partner who had spent considerable time in the firm's Asian office network, specifically Indonesia. When posed the direct question by the researcher as to whether language was a distinct barrier faced by foreign firms in a newly emerging market such as Thailand, the response was as follows:

Language is not. My experience of language is that it has not been an essential element in the Asian markets...It can assist but the need to speak Thai or Bahasa or Chinese, Mandarin Chinese is not essential other than probably in Shanghai where it is a critical factor to some degree.

We therefore view a distinct difference of opinion expressed by focal firm actors as to the importance of the language barrier in the FME process. The psychic distance notion discussed by Johanson and Vahlne, (1977) proposes language as one of the key elements that can impact on the internationalisation of the firm. This element may serve to impair the clear flow of information between the firm and the desired market. It is believed from analyses of the responses provided that further probing would be required in order to make any profound statements. What this does contribute to the discussion however, is the possibility to further explore the notion of psychic distance (specifically the perceived language barrier) in the FME processes undertaken by professional service firms.

Work Practices

From a cultural perspective it was also acknowledged that work practices and 'ways of doing business' in Thailand was another barrier that needed to be considered in the FME process (Johnson and Vahlne, 1977). There was a shared belief by those interviewed, and which had specific in-country experience in Asian markets, that understanding cultural work habits was a learnt behavioural requirement:

The custom of doing business in Asian markets for those that have not practised there before needs to be taught...you need someone that is either aware of it first that understands the country's cultural issues, or if it's someone that is new to the Asian market I think it is absolutely imperative that they have training on the cultural sensitivities involved in conducting business.

Regulatory Environment

Another barrier to be adequately dealt with by foreign law firms seeking to practice outside their domestic market is the existant regulatory environment (Johnson and Vahlne, 1977). For law firms in particular this is a critical issue as it is within, and possibly opposed to, these specific regulations, governmental polices and legal frameworks that the firm will in fact practice law. This was viewed as an element that required considerable thought as to how this barrier could best be overcome, be it implementing training for Australian practitioners on Thai law, increasing local recruitment ratios of those versed in the Thai law, or making decisions as to the type of law that would be practised in that particular market:

The regulatory environment is something which is directly relevant because the Australian Common Law system is very different to the system in Thailand, so there really was a range of matters in relation to the practice.

Infrastructure

In the literature, Nakata and Sivakumer (1997) detail poor infrastructures as a defining characteristic of a newly emerging market such as Thailand. Respondents in the focal firm highlighted that technological barriers existed in the newly created office in Bangkok. The International Operations Manager discussed the importance of technological advancement and supporting infrastructure in the foreign market:

I mean we're talking about the support levels in relation to your infrastructure, all those things need to be considered especially when we're looking at integrating our offices internationally, we're talking about all of our systems being pushed out to international offices. So for example if we look at the Thai office, they are not able to use any products, operating systems other than Windows 97 because it won't handle the language conversion...So it means that we have to maintain a separate platform which means that we can't integrate them immediately.

The findings related to the barriers faced by professional service firms in the FME process, will not only contribute to the existing literature, but also serve as a guide for marketers and managers in their advisory roles within the professional services sector. These barriers included language (to some degree), work practices, the regulatory environment and infrastructure.

DISCUSSION OF THE FINDINGS

The evidence suggests the focal firm in this study has adopted an integrated approach to FME (Chetty and Campbell-Hunt, 2003; Coviello and Martin, 1999; Coviello and McAuley, 1999), with planning and internal commitment decisions made prior to utilising network actors to help facilitate, participate and implement the FME process. The focal firm established a wholly owned subsidiary as their choice of entry mode. We therefore see support for the adoption of a FDI approach (Buckley and Casson, 1976; Rugman, 1980). However, strategic decision making for the Thai office is still heavily vested in the focal firm's domestic operations.

The integration theory of internationalisation as proposed by Coviello and Martin, (1999) Coviello and McAuley (1999) and Chetty and Campbell-Hunt (2003) given the industry sector under analysis in this study and the professional services context, sees the findings both support and extend this theory. We see from the results that the three distinct internationalisation theories, these being the stage models, network theory and FDI are not mutually exclusive theoretical positions. These results ratify and affirm Coviello and Martin, (1999), who suggest that a holistic approach to understanding firm internationalisation is appropriate.

Furthermore, whilst the integration of internationalisation theory is acknowledged and accepted based on this focal firm study, there is also clear support for the importance and required focus on network theory in the actual process and implementation of FME (Axelsson and Johanson, 1992; Blankenburg, 1995; Coviello and Munro, 1997; Salmi, 2000).

The first of the research questions posed in this study sought to better understand how professional service firms participate in the FME process. From the findings the importance of network actors (in this case the experienced legal practitioners in Thailand and the focal firm's catalyst based in the Sydney office) is evident. Their impact and ability to influence the FME implementation process was paramount to successful participation in the NEM of Thailand.

Based on the existing literature we know that network theory places importance on the participant becoming an active player in the network (Axelsson and Easton, 1992; Axelsson and Johanson, 1992; Blankenburg, 1995; Salmi, 2000). The views expressed by the focal firm in the interview process demonstrated a clear acknowledgment of the importance of network actors in the FME process. It was through these interpersonal relationships, combined with taking an active

participatory role, that the actual process of FME was facilitated for the focal firm into their target market. This encompassed previous professional working relationships and more informal social contact (Johanson and Mattsson, 1987) between key players in the FME process. Additionally these networks assisted the focal firm to obtain crucial market knowledge (Blankenburg, 1995) due to the inherent understanding and established contact base of the Thai lawyers.

CONCLUSION AND FUTURE RESEARCH

A modification to extant literature, and certainly an area that would require more extensive questioning, was witnessed in one of the interview responses provided by a senior partner of the focal firm. This centered on the native language spoken in Thailand. The suggestion made was that this factor was not as important as perhaps the literature base would suggest. Johanson and Vahlne, (1977) assert that the notion of psychic distance tells us that any factor preventing or disturbing the flow of information between the firm and the market can constitute a barrier to foreign market entry activity. In this instance the language barrier would seem less important in the internationalisation of the firm.

Faced with the internationalisation of an Australian legal practice into Thailand, the findings demonstrate that the FME process would involve a convergence of internationalisation theories. Internal strategic decision making and planning (stage models), interaction and participation between market actors (network theory), and a financial commitment to the market (FDI approach) were apparent. Therefore an integrated, holistic approach is witnessed in the FME process of professional services into NEMs.

A focus for this study was to highlight the importance of network theory in the FME process. It would appear the concentration on networks is validated based on the catalytic nature of network actors in FME. The impetus for focal firm market participation were the existant network relationships. Salmi (2000) found that interacting parties bring to the process both their past history and future expectations, and it is often this history which plays a very decisive role in characterising the present situation. This was certainly the case in this study.

The network elements of orientating, positioning and timing were found to be critical in the FME process and validated findings of previous studies (Blankenburg, 1995; Salmi, 2000). They manifested as both inherent considerations for the focal firm in their decision making and planning, as well as presenting as sheer opportunistic factors (for example, timing of foreign market participation by the focal firm).

This study also unearthed distinct barriers for professional services in NEMs. The regulatory environment, level of technological advancement and infrastructure, and Thai work practices were all cited as issues to be addressed in the FME process of the professional services organisation.

Some of the identifiable limitations in this study, and therefore opportunities for further research, include:

- 1) The actual mode of entry adopted by the focal firm, although acknowledged in this study, was not the focus of this research;
- 2) An integrated view of internationalisation theories (Chetty and Campbell-Hunt, 2003; Coviello and Martin, 1999; Coviello and McAuley, 1999) was not specifically applied to this study (i.e. theoretical focus for this study centered on network theory);
- 3) The methodology for this study focused on a single case perspective as opposed to cross-case analysis or statistical generalisations, therefore only theoretical generalisations can be made (Chetty and Campbell-Hunt, 2003); and

- 4) Research was conducted based on a focal firm, single industry focus (that being, legal services).
- 5) Thailand was chosen as the emerging market for this study, however other emerging markets in the Asia-Pacific region could also be examined.

This study makes a valuable contribution to the existing services and international business literature from numerous perspectives. These being:

- 1) the industry under analysis (legal services), has not to the knowledge of the researcher, been reviewed in light of FME processes (Coviello and Martin, 1999), and from a managerial and marketing perspective ILSAC has discussed the importance of Australian law firm participation in selling its services into Asia, including Thailand (Australian Legal Services Export Development Strategy, 2003);
- 2) knowledge about service firm internationalisation (Erramilli and Rao, 1990; Gronroos, 1999; Sharma and Johanson, 1987) is limited and underrepresented in the literature;
- 3) this exploratory study will provide further understanding of the role and importance of networks in the FME process (Axelsson and Johanson, 1992; Blankenburg, 1995; Chetty and Campbell-Hunt, 2003; Salmi, 2000), and
- 4) exploration of the above concepts will be set against the backdrop of a NEM in the Asia-Pacific region.

From a managerial and marketing perspective this study provides useful insights for services firms seeking to understand the FME processes of hard services (Erramilli, 1990) into NEM's in the Asia-Pacific region. Specific benefits may well be derived by industries including law, accounting and financial services and management consulting.

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APPENDIX 1 – FOCAL FIRM INTERVIEWEE DETAILS

Interviewee	Position	Number of years with firm
Mr MP	Partner	14
Mr IG	Partner	21
Mr CD	International Operations Manager	2

Mr MP - Partner

MP is a corporate and M&A practitioner with extensive Asia markets transactional experience. MP returned to Melbourne in 2001 after more than five years in the firm's Asia operations and held the position of resident partner in Jakarta from 1997 until December 2000 and has had a significant involvement in, and understanding of, the development of the Thai office operations.

He regularly advises Australian and international clients seeking to undertake business in the Asia-Pacific region. MP has advised clients in areas that include banking and financial services, telecommunications, broadcasting and media services, advertising, manufacturing, retailing, mining, automotive industry, food, health, steel, property, insurance and general trading.

Mr IG – Partner

IG has extensive experience in international corporate/commercial legal and trade work in South-East Asia having been involved in the area over the last 15 years. He is the immediate past Australian Vice President of the Australian Indonesian Business Council and a member of the Australian Malaysian Business Council.

IG advises clients of significant standing, both private, public (listed and non-listed) and statutory bodies in respect of corporate/commercial matters including mergers and acquisitions, joint ventures, partnerships, management and leverage buy-outs, private equity raising, venture capital and commercial licensing.

Mr CD - International Operations Manager

CD has been intimately involved with the Asian office network of Firm x since accepting the position of International Operations Manager in 2002. He has spent significant time researching, analysing and working directly with the firm's Bangkok office in order to assist the Partners develop the practice in that market.

One of CD's core roles is to leverage off knowledge gained from his previous position, that of Business Manager–Corporate in Firm x's Australian operations, in order to facilitate increased work flow opportunities for the firm, as well as to ensure efficient office management.