CHAPTER 1: INTRODUCTION

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CHAPTER 1: INTRODUCTION

1.1 Background to the Research

The service sector accounts for around 55 per cent of the gross domestic product of India and 63.6 per cent of the world economic output (International Monetary Fund, 2011). Over the last two decades, international trade in services has been growing more rapidly than the merchandise trade. In 2009, total value of the world trade in services was one fourth that of the world merchandise trade (UNCTAD, 2010).

Three global meta-drivers, as summed up by Knight (1999), are the main reasons for increasing internationalization of services. First, multilateral agreements such as The General Agreement on Trade in Services (GATS) are providing momentum for the internationalization of services. In fact, GATS is often referred as the starting shot for services internationalization (e.g., Javalgi et al., 2003, Clark et al., 1996). Also, increasing bilateral Free Trade Agreements (FTAs) between countries are sustaining this momentum for the internationalization of services. Trade agreements facilitate internationalization of services by significantly reducing trade barriers between the participating countries.

Second, developments in information and communication technologies (ICT) are a major source for increased internationalization among professional service firms (e.g., Roberts, 1999, Bryson, 2001). Toivonen (2004) finds that increasing importance of ICT leads to increased use of professional services as a result of higher levels of
specialisation and opens up new possibilities for electronically delivered services export

Third, globalisation in general surely affects professional services as well. Global networking developments lead to more emphasis on services, tightening of the strategies of client companies and blurring of industrial boundaries in professional services (Toivonen, 2004)

Parallel to the meta-drivers, both demand and supply driven forces at the firm-level press towards increased professional services internationalization (Roberts, 1999). The most cited motivation in the service literature is 'client following' described by Vandermerwe and Chadwick (1989, p 79) 'As producers go global, their service suppliers must follow' Even today 'client-following' is a major motivation for internationalization (Bryson, 2001, Roberts, 1999). Client-following is the ultimate demand driven motivation for increased foreign operations. Besides, an increasing demand for one-stop service-combination offerings is evident (Bagchi-Sen & Kuechler, 2000), and the increased focus on core-activities in the manufacturing sector leads to more externalisation of particularly professional services (Roberts, 1999)

Strategies built upon such demand-driven motivations can be described as reactive, while strategies based on supply-driven motivations can be described as proactive (e.g. Bagchi-Sen & Kuechler, 2000). Today more and more professional service firms proactively seek new international markets. Proactive market seeking strategies for internationalization of professional service firms seem to outperform
demand-driven ones in the long run (Roberts, 1999). Roberts (1999) furthermore indicates that as firms are becoming more international in scope, the supply-driven forces are getting relatively more important. Orava (2005, p. 65) importantly adds, “seeking and following are not mutually exclusive. Even if customers are followed to foreign markets, it does not necessarily hinder new-customer procurement.”

While internationalization of manufacturing firms has been on the research agenda for over 50 years now, comparable research on internationalization of services first began to emerge in the mid-1980s (Knight, 1999). So, regardless of the service sector’s important position in world business, research on services internationalization lags behind that of manufacturing (Netland and Alftnes, 2007, Contractor et al., 2003) and does not reflect its world position (Javalgi et al., 2003, Samee, 1999, Lovelock, 1999, Gronroos, 1999).

Professional services are more important than other services in today’s globalized business scenario (Toivonen, 2004, Peneder et al., 2003, Aharoni, 2000) and are growing remarkably faster than manufacturing and other service industries in most countries. In addition, because the professional service product is an input into other service or manufacturing firm’s production chains, innovations in service processes is likely to positively affect other industries as well.

Today professional service firms are increasingly entering new international markets. However, research on internationalization of professional services does, by no means, reflect the industry’s important position in global business.
In their review of literature from 1999 to 2005, Netland and Alfnes (2007) mention a total of only 31 articles dealing with different aspects of internationalization of professional service firms or service firms in general (see Table 1.1).

<table>
<thead>
<tr>
<th>Journal Name</th>
<th>Number of articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Journal of Services Marketing</td>
<td>11</td>
</tr>
<tr>
<td>The Services Industries Journal</td>
<td>10</td>
</tr>
<tr>
<td>Journal of International Business Studies</td>
<td>4</td>
</tr>
<tr>
<td>Management International Review</td>
<td>3</td>
</tr>
<tr>
<td>European Journal of Marketing</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Service Industry Management</td>
<td>1</td>
</tr>
<tr>
<td>Journal of World Business</td>
<td>1</td>
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</table>

Source: Netland and Alfnes (2007)

1.1.1 Professional Services

'Professional Services' is a widely used term that refers to knowledge based and people centred services. Others terms used for professional services are 'knowledge intensive business services' (KIBS); 'knowledge based business services'; 'contact based services'; 'intensive throughput technologies'; and 'information intensive business services' (Netland and Alfnes, 2007). Examples of professional services are R&D services, engineering and management consultancy, financial services, legal services, architectural and design services, IT services, health services, auditing and
accounting, education, advertising and marketing services, personnel recruitment services and so on

Several key differences between manufactured goods and services are now well accepted in the literature. The differences have been classified into four generic types: (a) Simultaneity of production and consumption (inseparability), (b) Intangibility, (c) Heterogeneity (variability) and (d) Perishability of output (Knight, 1999; Langford and Cosenza, 1998; Clark et al., 1996; Zeithaml, 1981; Berry, 1980) Two of these characteristics are especially relevant in an export context, namely inseparability and intangibility.

Silvestro et al. (1992) outline some related distinctive features of professional services. They have a high level of people commitment relative to equipment, they demand high people interaction, in most cases face-to-face, they have relative long interaction times and high level of discretion, most of the value added is carried out in the front office, they are characterised by process rather than product, and they have a high degree of customisation. In addition, professional services have a low volume of customers, measured by number processed by a typical unit per day. Finally, professional services are heterogeneous or unique. No service product is exactly alike the other, and standardisation is therefore difficult to obtain.

Summing up, the researcher found that professional services have several distinctive characteristics as shown in Table 1.2.
| 1 | Knowledge-intensive | - Professional knowledge constitutes both the main input and output  
- Professional service firms usually do not have any significant assets other than knowledge to explain their success |
| 2 | People-centred | - high level of people interaction  
- high degree of face-to-face interaction  
- high level of inseparability  
- high level of cultural sensitivity in an international context |
| 3 | Intangible | - process / activity rather than product  
- difficult to evaluate quality |
| 4 | Customized | - low degree of standardization  
- high degree of uniqueness |
| 5 | Penshable | - cannot be stored, inventory holding not possible |

These distinctive features make international marketing of professional services more complex and potentially more challenging than marketing goods or general services. This research focuses on internationalization of professional services in general and seeks to bring out the differences between exporters and non-exporters of a knowledge based and people centred professional service like engineering consultancy service.
1.1.2 Indian Consultancy Service Industry

In an export promotion paper for consulting industry in India, Ministry of Commerce (2006), classifies consulting firms as Engineering consultancy organizations, Management consultancy organizations and others, like Legal, Financial, Environmental and Socio-Economic consultancy organizations. The development of consultancy capabilities and business is directly proportional to growth in economic and industrial development. Over the past decade, Indian consultancy business has expanded, not only in terms of size, but also in terms of service offerings.

According to Ministry of Commerce (2006), it is estimated that consultancy business in India engages about 100,000 persons in about 5,000 consulting firms. The current size of the consulting industry in India is about Rs. 10,000 Crores including exports and is expected to grow at a CAGR of 25% in the next few years. As per Consultancy Development Centre (2006), the largest concentration of consultancy organizations is in the four metropolitan cities, Delhi (25.7 per cent) followed by Mumbai (25.5 per cent), Chennai (12.1 per cent) and Kolkata (9.1 per cent). Analysis of consultancy organizations in terms of technical professionals employed indicates that 68.3 per cent of them have up to 10 technical professionals, 14.3 per cent have 11 to 25 technical professionals, and only 1.5 per cent of the firms have more than 1000 technical professionals.
1.2 Overview of India’s Service Exports

India was the tenth largest exporter of services in the world in 2008 with its services export estimated at US Dollars 104.2 billion and a share of 2.7 per cent in world services export (Reserve Bank of India, 2010)

Traditionally, while services relating to trade in goods, such as transportation and financing were the major constituents, the rapid developments in telecommunications and information technology has facilitated the emergence of business and computer services as the main drivers of the growth in invisibles receipts. Thus, the focus of services trade has shifted from facilitating trade in goods to trade in services as an independent entity in itself. Reflecting these factors, the importance of service exports in India has grown significantly, with the services export to GDP ratio rising from 1.4 per cent in 1990-91 to 8.8 per cent in 2008-09 (Reserve Bank of India, 2010)

An important feature of services exports of India has been a structural shift since 2003-04, driven by the emergence of new avenues of services exports attributed to a rapid expansion in international trade and investment facilitated by an increased liberalization and the use of technology. According to the latest data published by the International Monetary Fund (in RBI, 2010), India’s share in world exports of services has more than doubled between 2003 and 2008 to reach 2.7 per cent.

At a disaggregated level, the trade in services has been dominated mainly by software services and non-software miscellaneous services, which include business and professional services (see table 1.3). Exports of software and IT-enabled services
(ITES) increased to US $ 46.3 billion in 2008-09 as compared to US $ 40.3 billion during 2007-08, with its share in total services exports in 2008-09 being 45.5 per cent.

Table 1.3: Composition of India’s Services Exports (Receipts)

<table>
<thead>
<tr>
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<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>15.4</td>
<td>13.6</td>
<td>12.4</td>
<td>12.6</td>
<td>10.7</td>
</tr>
<tr>
<td>Transport</td>
<td>10.8</td>
<td>11.0</td>
<td>10.8</td>
<td>11.1</td>
<td>11.1</td>
</tr>
<tr>
<td>Insurance</td>
<td>2.0</td>
<td>1.8</td>
<td>1.6</td>
<td>1.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Govt. Services</td>
<td>0.9</td>
<td>0.5</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Software Services</td>
<td>40.9</td>
<td>40.9</td>
<td>42.4</td>
<td>44.6</td>
<td>45.5</td>
</tr>
<tr>
<td>Non-software Services</td>
<td>29.9</td>
<td>32.1</td>
<td>32.4</td>
<td>29.6</td>
<td>30.9</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source Reserve Bank of India (2010), p. 562

Within the non-software services exports, the rising prominence of business services reflect the high skill intensity of the Indian workforce (see table 1.4). Business, professional and technical services is a thriving services sector in most developed countries and some emerging countries like Brazil and India. These services range from legal to management services and from architectural to advertising services. India’s non-software services constituted almost 31 per cent of total services exports in 2008-09. Within the non-software services exports, the share of business and professional services constituted around 52 per cent in 2008-09.
### Table 1.4: Break up of Non-Software Miscellaneous Receipts

<table>
<thead>
<tr>
<th>Item</th>
<th>2007-08</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication Services</td>
<td>2,408</td>
<td>2,172</td>
</tr>
<tr>
<td>Construction</td>
<td>764</td>
<td>867</td>
</tr>
<tr>
<td>Financial</td>
<td>3,217</td>
<td>3,948</td>
</tr>
<tr>
<td>News Agency</td>
<td>503</td>
<td>800</td>
</tr>
<tr>
<td>Royalties, Copyrights &amp; License Fees</td>
<td>157</td>
<td>132</td>
</tr>
<tr>
<td>Business Services</td>
<td>16,772</td>
<td>16,445</td>
</tr>
<tr>
<td>Personal, Cultural &amp; Recreational Services</td>
<td>562</td>
<td>729</td>
</tr>
<tr>
<td>Others</td>
<td>2,327</td>
<td>6,298</td>
</tr>
<tr>
<td>Total (1 to 8)</td>
<td>26,710</td>
<td>31,391</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India (2010), p. 565

The major constituents of business services are management consultancy, architectural engineering and other technical services, maintenance of offices abroad and trade-related services (see table 1.5). With the rising demand for infrastructure and as a favourable destination for international companies for meeting the IT needs, India is emerging as an important country for trade in engineering services. Engineering services mainly include consultancy in designing and detailed designing services in areas like civil work & construction, automotive & transport, oil refining & petrochemicals, energy & power, mining & metallurgy, industrial & chemical processes etc.
1.3 Need for the Research

First Argument: India was the tenth largest exporter of services in the world in 2008 with its services export estimated at US Dollars 104.2 billion and a share of 2.7% in world services export (Reserve Bank of India, 2010). Export of architectural, engineering and other technical services was a mere 3.8% (US Dollars 1.76 billion from April 2008 to March 2009) as compared to export of software services, estimated at US Dollars 46.3 billion during the same period (Reserve Bank of India, 2010). Corresponding export figures from April 2007 to March 2008 was US dollars 3.14 billion for architectural, engineering and other technical services as compared to US dollars 40.30 billion for software services.
India has the single largest pool of engineering talent among emerging countries. According to a study by Booz Allen Hamilton for National Association of Software & Service Companies (2006), India accounts for 28% of all the available Engineering services outsourcing (ESO) and Business process outsourcing (BPO) talent in low-cost countries. The next largest sources of low-cost supply, Russia and China, contribute only 11% and 10% respectively. There are only two Indian firms as compared to 22 Chinese firms listed in the ‘Top 200 International Design Firms in 2009’, an annual list of international engineering design firms based on revenues from projects outside home country by Engineering News Record (2010).

Despite the edge India enjoys due to its large engineering talent pool, lower manpower cost, English language and IT capability, it seems majority of engineering consultancy services firms are still not marketing their services internationally and the sector is under-represented in India’s services export.

**Second Argument:** It is important to understand the factors that may deter some consultancy service firms from exporting whereas enable other firms to export their services, both from a research as well as a managerial perspective. To the knowledge of the researcher, no study has been reported in the literature that brings out the differences between exporters and non-exporters of professional services like engineering consultancy services except Winsted and Patterson (1998) and that too within a country specific context i.e. USA.

Winsted and Patterson (1998) study the US engineering consulting industry and report some differences between exporters and non-exporters of engineering.
consultancy services. These differences pertain to firm size, managerial attitudes toward exporting, domestic competitive intensity, and perceived barriers to exporting. The study does not take into account the emphasis placed by firms on establishing and developing business international business relations i.e. ‘proactive intent of building international business networks’ as a possible differentiator of exporters and non-exporters of professional services.

Second, the paper does not take into account influence of social networks, personal contacts and international experience of firm’s senior managers as a possible differentiator of exporters and non-exporters of professional services.

**Third argument** Existing literature in the last two decades provides some articles that take a ‘network perspective’ on the internationalization of professional service firms. However, none of the articles given below try to question the nature of differences between the exporters and non-exporters of professional services. The article briefs are mentioned below for reference:

- **Karantinou and Hogg (2009),** investigate the characteristics of relation development in management consultancy.

- **Chandra et al. (2009),** find that firms with extensive prior international experience and knowledge were found to deliberately search and discover international business opportunities. In contrast, firms with little or no prior knowledge tend to make use of opportunity discovery.
• Eisingerich and Bell (2008), explain how social network theory can help in understanding why some services firms manage to reinvent themselves and continue to succeed in a business-to-business environment.

• Freeman and Sandwell (2008) identify key barriers to internationalization in emerging markets (EMs) for professional services firms (PSFs) from developed markets and how these PSFs use social networks to participate within EMs of Asia and overcome these barriers. Key barriers identified were face-to-face communication, language, culture, work practices and government regulations.

• Evers and Knight (2008) elucidate that trade shows go well beyond being a marketing and information platform and make an important contribution to establishment and enhancement of a network infrastructure for enabling such firms to grow and expand internationally.

• Owusu et al (2007) propose that network and relationship based project business approach is viable as a strategic alternative for internationalization on its own or in combination with other modes.

• Gluckler (2006) demonstrates that social networks are the most frequent cause of international market entry for European management consultancy firms.

• Loane and Bell (2006) suggest international growth takes place through the extension of the firm's network through investment in network positions and the development of network relationships.
• According to Scholl (2006) social networks and personal relationships contribute to the process of internationalization in terms of access to privileged resources such as information on business opportunities and potential partners.

• Prashantham (2006) discusses the role of network relationships in the internationalization of small knowledge intensive firms (SKIFs) by citing four case studies from the Indian software industry. Three effects of foreign network relationships viz opportunities, information and advice are noted in the article.

• Lindsay et al. (2003) study five international service firms and contend that the individual plays a critical role in the process of knowledge transfer and that relationships form an integral part of this process.

• Chetty and Holm (2000) propose networks can help firms expose themselves to new opportunities, obtain knowledge, learn from experiences and benefit from the synergistic effect of pooled resources.

• Peng and Luo (2000) assert that managers within the focal firm translate their micro personal links with managers in other firms into improved macro organizational performance, in this case international growth.

• Covello and Martin (1999) conclude that internationalization is heavily influenced by the firm's network of formal and informal relationships involving clients, competitors, colleagues, government, friends and so on.

• Covello and Munro (1995) contend that foreign market selection and entry initiatives emanate from opportunities created through network contacts, rather
than solely from the strategic decisions of managers in the firm. These contacts may be formal (i.e., business-related) or informal (family, friends, etc.).

**Fourth Argument:** It should be noted that the existing literature does not report any India (or any other emerging market) specific research in this area. It is important to consider this since research on internationalization of professional services from the west (developed countries) may not be replicated for professional services firms in India or other emerging markets.

**Fifth Argument:** There is in general, a paucity of research in the literature on different aspects of internationalization of professional services firms during the last decade. In their review of literature from 1999 to 2005, Netland and Alfnes (2007) mention a total of only 9 articles dealing with different aspects of internationalization of professional service firms. Contractor et al. (2003), Javalgi et al. (2003), Samiee (1999), Lovelock (1999) and Gronroos (1999) are right when they state that theory lags considerably behind practice in professional service’s internationalization.

Reviewing the literature from 2006 to 2010, the researcher has come across not more than 10 articles that deal with different aspects of internationalization of professional service firms. It is clear that research on internationalization of professional services does not reflect the industry’s important position in global business. The researcher firmly believes that present research will address this shortcoming, contribute to the literature and enhance knowledge about the differences between exporters and non-exporters of engineering consultancy services in specific and professional services in general.
Sixth Argument: Existing literature provides few influencing variables that may differentiate between professional services exporters and non-exporters. These include factors such as


(iv) **barriers to exporting** (Nguyen-Hong 2000, Winsted and Patterson 1998, Ramaswami and Yang 1990) etc

The above articles do not take a holistic approach to bring out differences between exporters and non-exporters of professional services. Also, these do not take into account (i) proactive intent of building international business networks and (ii) social networks, personal contacts and international experience of firm’s senior managers as possible differentiators between exporters and non-exporters of professional services.
1.4 Objectives of the research

1.4.1 Broad research objectives

It is important to understand the factors that may deter some consultancy service firms from exporting whereas enable other firms to export their services, both from a research as well as a managerial perspective.

1. The main objective of the research is to investigate the major differences between professional service exporters and non-exporters by studying the Indian engineering consultancy industry and seeking empirical support for various research hypotheses in this context.

2. As an outcome of the main objective, the research seeks to identify and understand major impediments that must be overcome to encourage more Indian professional services firms to enter foreign markets.

3. The second objective of the research is to study the principal motivations for exporting among the consultancy services exporters and to determine whether these export motivations are mainly proactive or reactive in nature. This will have important managerial implications.

4. The third objective of the research is to study and rank the various external support systems that may help the consultancy export firms to market their services in the international arena, again with important policy and managerial implications.
1.4.2 Research Questions

Specific research questions that follow from the broad research objectives have been developed after an extensive review of the literature. The important research questions that the research will enquire and seek empirical support for are:

1. Does the emphasis placed by firms on establishing and developing international business relations differentiate between exporters and non-exporters?
2. Do social networks and personal contacts of senior managers assist the firms to seek and exploit international business opportunities?
3. Does firm size and age differentiate between exporters and non-exporters?
4. Does management attitude towards exporting differentiate between exporters and non-exporters?
5. Does the managerial perception of barriers to exporting differentiate between exporters and non-exporters?
6. Does the managerial perception of competitive intensity and rate of change in the domestic environment differentiate between exporters and non-exporters?
7. Are the export motivations more proactive than reactive in nature?
8. Are the export motivations more market seeking than client following in nature?
1.5 Scope of the Research

As mentioned the main objective of the research is to understand the major differences between professional service exporters and non-exporters. As an outcome, the research seeks to identify and understand major impediments that must be overcome to encourage more Indian professional services firms to enter foreign markets. For this the research develops and seeks empirical support for various research hypotheses that may differentiate between exporters and non-exporters of engineering consultancy services in India.

Engineering consultancy is a service industry for which there is significant and growing demand in foreign markets, but for which exporting is still a small portion of business done. It is a high contact, complex, highly customized and interactive service demanding significant commitment to enter a foreign market.

The research intends to empirically investigate a sample of Indian engineering consultancy service firms and analyze the differences between exporters and non-exporters focusing on factors such as: (i) emphasis on establishing & developing international business relations; (ii) influence of social networks & personal contacts of senior managers; (iii) firm specific characteristics like firm size and age; (iv) managerial attitudes towards exporting; (v) perceived barriers to exporting; and (vi) influence of domestic business environment (competitive intensity and rate of change).

According to Dunning (1977, 1988, 2000), in order to enter a foreign market, a firm must have certain specific ownership advantages (competitive advantages) that
compensate for the general liability of foreignness of the firm. Such competitive advantages may be of two types (i) unique resources and/or (ii) distinctive skills, like technology & know-how, brand name, patent rights, economies of scale, exclusive rights to scarce natural resources etc. The capability to acquire, process and analyze information, combining human and physical resources to produce specific “know-how” may be distinct competence of many services especially consulting services.

In the Indian context, the researcher feels that there is not much in terms of technology, know-how, specialized personnel, skills, brand name etc that separates the top engineering consultancy firms from each other. This may be because most of the engineering consulting firms have access to similar levels of technology & know-how, the same manpower talent pool, do not carry out much in-house R&D, level of differentiation existing between the firms is low and so on. Furthermore, interaction with industry experts led the researcher to conclude that firm’s perceived competitive advantages may not be an important differentiator between exporters and non-exporters. Hence, firm’s perceived competitive advantage has not been included in this research as a possible differentiator between engineering consultancy service exporters and non-exporters.

For purposes of this research, exporting is defined in the survey questionnaire as ‘all those business activities involved when an organization markets its services outside its main domestic base of operation’ for example (i) an offshore consulting assignment; (ii) a consulting assignment carried-out by firms overseas branch office or through a joint venture”, (iii) working as a subcontractor for an organization carrying out a foreign assignment etc.
For the survey, a structured questionnaire was sent to the senior executives of engineering consulting firms in India with more than ten professional employees listed in the members directory of Consulting Engineers Association of India (CEAI), an apex body of Consulting Engineers in India and Consultancy Development Centre, a non-profit registered society, supported by Department of Scientific & Industrial research (DSIR) and Ministry of Science and Technology, Government of India. It is expected most of the small firms (i.e. with less than ten professional employees) are local or regional in their orientation and are not expected to be involved in exports. Earlier research (Javalgi et al., 2003, Winstead and Patterson, 1998, O'Farrel et al., 1998, Katsikeas, 1994, Erramilli and Rao, 1993 etc.) in the literature shows that small professional service firms are not much involved in exports due to lack of resources (like financial, specialized technical manpower etc.) and their consequent lower risk-taking ability.

1.6 Benefits of the Research

India's export of engineering & technical consultancy services is a fraction of the exports of software & IT enabled services (3.8 per cent in 2008 - 09). In spite of the edge India enjoys due to its large engineering talent pool, lower manpower cost, English language and IT capability, it seems majority of engineering consultancy services firms are not marketing their services internationally and the sector is under-represented in India's services export.

The research seeks to examine major differences between exporters and non-exporters of a knowledge intensive professional service like engineering consultancy.
and hence understand the major impediments that must be overcome to encourage more Indian professional services firms to enter foreign markets.

It is important to understand the factors that may deter some consultancy service firms from exporting whereas enable other firms to export their services, both from a research as well as a managerial perspective. The research implications will enable both practicing managers and policy makers to offset the mitigating factors that inhibit Indian professional service firms from entering international markets. Moreover, the research will advance the body of knowledge in a relatively unexplored area i.e. differences between professional service exporters and non-exporters.

1.7 Framework of the Thesis

The research thesis is divided into five chapters. Chapter 1, Introduction provides an Overview of India’s Service Exports and a Background to the research. Secondly, it makes the case why the research is needed, enumerates the Research Objectives and Questions, provides the Scope and Benefits of the research.

Literature Review (Chapter 2) provides required theoretical foundation for the research. The chapter deals intensively with various topics pertinent to this research like Characteristics of services, Classification of services, Internationalization of services, the various Internationalization Theories - particularly Network Theory, the concept of Psychic Distance, service Quality Perception in an International Context and finally on the Country of Origin effect on the Internationalization of services.
Research Methodology (Chapter 3) states the Research Objectives and develops various Research Hypotheses. Later part of the chapter provides the Research Design like Sampling Scheme, Research Instrument, Measurement of Constructs, method of Data Analysis and its justification. Finally, Limitations of the research are enumerated.

Chapter 4 presents Analysis and Interpretation of the research results. Conclusions and Recommendations (Chapter 5) presents Research Conclusions about the different research hypotheses as well as the main research problem. A Framework for presenting the research results is included. Research Implications and Recommendations are suggested. Finally, a Model is proposed for the Internationalization of Professional Service Firms. This is followed by the Future Research Directions.