CHAPTER 5: CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusions for Research Hypotheses
5.2 Framework presenting the main research conclusions
5.3 Conclusions about the Main Research Problem
5.4 Proposed model for the Internationalization of Professional Service Firms
5.5 Implications & Recommendations
5.6 Future Research Directions
CHAPTER 5: CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusions for Research Hypotheses

5.1.1 Emphasis on Establishing and Developing International Business Relations

Empirical support for Research Hypothesis 1 (refer chapter 4, section 4.2) indicates, a proactive intent or emphasis placed on establishing and developing international business relationships differentiates between exporters and non-exporters of engineering consultancy services.

Engineering consultancy service exporters understand that international business network development is critical to their internationalization. Unlike non-exporters they invest greater time, effort and resources to establish and further develop international business networks with an eye on future business opportunities.

Similarly, support for Research Hypothesis 1A, indicates that the two factors ‘Effort’ (time & energy spent by the firm) and ‘Resource commitment’ reflects the two dimensions of this ‘Proactive Intent’ of engineering consultancy service firms to establish and develop international business networks (see Figure 5.1)
Figure 5.1: Dimensions of ‘Emphasis on Establishing & Developing International Business Relations’

- Assign responsibility within the firm to manage business relationship with overseas clients
- Regularly communicate with overseas clients/associates
- Scan specialized foreign journals and trade publications
- Attend technical conferences and seminars in foreign countries for business networking
- Visit industrial fairs and exhibitions in foreign countries
- Advertise in foreign trade journals/publications
- Undertake regular visits to foreign markets in order to assess business opportunities
- Use third party organizations
Engineering consultancy service exporters regularly communicate with potential international clients, assign responsibility within the organization for international business development, attend international conferences & seminars for networking, and scan foreign journals & trade publications for business development. Exporters place much higher emphasis on these activities than non-exporters (MANOVA test shows significant difference between exporters and non-exporters).

Secondly, consultancy service exporters commit higher resources for international business network building. Senior managers regularly visit foreign countries for business development, regularly visit international industrial fairs & exhibitions, advertise in foreign journals, and make use of the services of third party organizations like chambers of commerce, industry associations, government organizations, consultants etc to identify potential clients and business associates in foreign markets. Exporters place much higher emphasis on these activities than non-exporters (MANOVA test shows significant difference between exporters and non-exporters).

To the knowledge of the researcher this is a new contribution to the literature on the internationalization of professional service firms and attempts to provide a better understanding regarding the difference between exporters and non-exporters of a knowledge intensive professional services, based on the 'network perspective'. Since there is no similar precedent in the literature it is not possible to compare or contrast the conclusion reached here with other research articles.
However, there is strong support in the literature that, ‘access to international business networks and exploiting these network positions is an important prerequisite for the internationalization of professional service firms’. For e.g. Loane and Bell (2006) suggest international growth of professional service firms takes place through the extension of the firm’s network through investment in network positions and the development of network relationships. 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. Coviello and Martin (1999) conclude that internationalization of professional service firms is heavily influenced by the firm’s network of formal and informal relationships. Coviello and Munro (1995) contend that foreign market selection and entry initiatives emanate from opportunities created through network contacts.

Business networks are important for the internationalization of the firm in various ways. Use of business networks (Johanson and Vahlne, 1990) improves understanding of new markets and how to overcome the institutional and cultural barriers in order to conduct business there. They reduce the cost of production or transaction, contribute to the development of new knowledge and competencies; and serve as bridges to potential customers, partners etc. (Johanson and Mattsson 1987)
5.1.2 Social Networks and Personal Relationships

Empirical support for Research Hypothesis 2 (refer chapter 4, section 4.3) provides valuable insight regarding the importance of social networks and personal relationships in the internationalization of engineering consultancy service firms. Engineering consultancy service exporters indicate, ‘when our firm gets an offshore consulting assignment, it is quite likely as a result of referral by foreign business associates, individuals known to senior managers, past clients or employees’

There is strong support in the literature that ‘social networks’ and ‘personal relationships’ contribute to the process of firm’s internationalization in terms of access to privileged resources such as information on business opportunities and potential partners (Scholl, 2006, Loane & Bell, 2006, Gluckler, 2006, Ellis, 2000, Peng & Luo, 2000, Axinn, 1998, Coviello and Munro, 1995 etc).

It is concluded that managers within the exporting consultancy service firms are able to translate their micro personal links with managers in international firms (potential customers, partners etc.) into improved macro organizational performance (for e.g. international growth). Non-exporting firms are not able to do this, mainly due to limited or a complete lack of international personal contacts among their senior managers. Hence, it is surmised that non-exporting consultancy service firms are unable to exploit foreign business opportunities due to the absence or lesser number of such personal contacts, besides other mitigating factors discussed in this research.
5.1.3 Firm Specific Characteristics

Partial empirical support for Research Hypothesis 3 (see chapter 4, section 4.4) indicates, firm size (number of professional employees) differentiates between exporters and non-exporters of engineering consultancy services.

It seems that larger consultancy firms have a greater propensity to export their services. This may be because larger firms have greater financial resources and specialized human capital at their disposal which reduces the risk associated with internationalization. There is strong support for this in the services exporting literature (e.g., Javalgi et al., 2003, O'Farrell et al., 1998, Winsted & Patterson, 1998, Aaby & Slater, 1989). However, the sample provides quite a few examples to the contrary. There are a number of medium and large consultancy service firms that do not export their services. On the other hand, a number of smaller firms are regularly engaged in exporting. These smaller firms have specialized domain expertise and offer niche services like industrial design and project consultancy services in specific product areas.

There is no empirical support for a part of Research Hypothesis 3 (see chapter 4, section 4.4) which indicates, firm age (number of years in business) differentiates between exporters and non-exporters of engineering consultancy services. Stage model theory of internationalization (Johanson and Vahlne, 1977, 1990) suggests that older firms are likely to be more effective exporters i.e., older the firm more successful it will be in the internationalization process. Some studies in the literature have
detected that older firms are more likely to export their goods or services abroad (Ali and Swiercz, 1991, Westhead, 1995, Burgel et al., 2001)

However, this research does not find any support for the contention that older consultancy service firms will have a greater propensity to export. In fact a number of studies have questioned the wider applicability of stage model theories (McDougall et al., 1994, Leonidou and Katsikeas, 1996) because they have detected that some firms, particularly knowledge and technology-based firms, are “born global firms” (Knight and Cavusgil, 1996) or ‘International New Ventures’ (INVs). Evidence in the literature exploring the relationship between firm age and the ability of a firm to be an exporter is mixed.

5.1.4 Managerial Attitudes towards exporting

Empirical support for Research Hypothesis 4 (see chapter 4, section 4.5) indicates, managerial attitudes towards exporting differentiates between engineering consultancy service exporters and non-exporters.

As brought out by the support of Research Hypothesis 4A, it seems senior managers of the exporting and non-exporting consultancy service firms perceive the benefits and risk associated with exporting quite differently. Consultancy service exporters perceive benefits from exporting to be higher and risk / costs associated with exporting to be lower as compared to the non-exporters.

Exporters tend to agree more with attitudinal statements such as ‘exporting is potentially more profitable’ and ‘exporting can make a major contribution to my
Thus exporters of consultancy services tend to view exporting as a potentially more profitable, a desirable task that is good for the firm's reputation / image, and as a task that can make a major contribution to firm's growth etc.

Conversely, exporters tend to disagree more with attitudinal statements such as 'exporting involves higher cost' and 'exporting involves higher risk.' Thus, exporters of consultancy services do not view exporting as costly and associated with higher risks relative to the non-exporters.

It is interesting to note that risk perceptions do not exhibit the largest variation between engineering consultancy service exporters and non-exporters (Research Hypothesis 4A). It is the perceptions regarding the benefits of exporting that show the widest difference between exporters and non-exporters of engineering consultancy service firms.

There is strong support in the literature that service firm's management attitude positively relates to its international activity (Javalgi et al., 2003, White et al., 1999, Winsted & Patterson 1998, Axinn, 1988, Kedia & Chhokar, 1986 etc.)
5.1.5 Barriers to exporting

Empirical support for Research Hypothesis 5 (see chapter 4, section 4.6) indicates, perception of barriers to exporting differentiates between engineering consultancy service exporters and non-exporters.

As brought out by the support of Research Hypothesis 5A, it seems senior managers of the exporting and non-exporting consultancy service firms perceive the barriers to exporting quite differently. In general, senior managers of non-exporting firms perceive the all the barriers to be higher than the exporting firms. However, not all barriers show a wide difference between the exporters and non-exporters. Hence, it should not be thought as sacrosanct that non-exporters will find these barriers to exporting as insurmountable.

Group of items like political and financial risk, adjusting to foreign business practices, high cost of international business development, legal difficulties, and different language & culture present the largest perceived obstacles for non-exporters.

The second largest group of perceived barriers for non-exporters comprise of items like travel & work restrictions, lack of knowledge about business opportunities in foreign markets, lack of foreign contacts, lack of state-of-art technical know-how, restrictive foreign government regulations, lack of expertise to access foreign markets and prejudice against foreign consultancy firms.

This is in line with earlier studies in the literature like Ramaswami and Yang (1990) who report that exporters perceive fewer barriers than non-exporters and
Winsted and Patterson (1998) who report that most of the barriers to exporting were perceived to be significantly greater obstacles by the non-exporters than by the exporters.

Foreign market knowledge is not the most important barrier to exporting for the non-exporters of engineering consultancy services (Research Hypothesis 5B). However, it is the factor ‘Risk, Costs & Differences’ that shows the widest difference between exporters and non-exporters engineering consultancy service.

As brought out by the support of Research Hypothesis 5C, ‘Psychic distance’ is an important barrier to exporting for engineering consultancy service firms. Psychic distance is “the sum of factors preventing the flow of information from and to the market” (Johanson and Vahlne 1977, p 24), as for example, differences in language, education, business practice, culture etc between the home and export market.

Empirical studies on different business service sectors question this argument (Sharma and Johanson, 1987, Bell, 1995, Coviello and Martin, 1999). They show that actual geographical patterns of expansion do not necessarily follow a gradient of psychic distance. Instead, their evidence suggests that those markets promising highest growth or sales potential are often targeted first.

However, this research finds support for the contention that ‘Psychic Distance’ is an important barrier for engineering consultancy service exporter. There are a number of examples to support this contention. Indian service firms have pronounced international consulting activities in neighbouring countries.
like Nepal, Bhutan, Sri Lanka, Bangladesh as well as in the Middle East and East & South African countries. UK and France have major international consulting activities in countries of former colonies, German consulting firms are particularly present in Austria and Switzerland and Spanish consultants have engaged quite intensively in South American markets (Gluckler, 2004, p. 9).

5.1.6 Domestic Environment

Partial empirical support for Research Hypothesis 6 (see chapter 4, section 4.7) indicates, managerial perception about competitive intensity in the domestic market differentiates between engineering consultancy service exporters and non-exporters. Also, partial support of Research Hypothesis 6A (chapter 4, section 4.7) indicates, exporters of engineering consultancy services perceive competitive intensity in the domestic market to be higher than the non-exporters.

This shows that engineering consultancy services exporters feel that many firms in the domestic market are vying for the same project. Consequently there may be price undercutting leading to lower profitability. Also, it may be difficult for the engineering consulting firms to successfully differentiate themselves from the others. It is not as easy for say TCE Consulting Engineers to differentiate itself from L&T Engineering as it might be for GE to distinguish itself from BHEL (in power generation equipment), where the potential buyer can compare not only their reputations, but also technical specifications and performance characteristics. Competitive pressures in the domestic markets motivate the consultancy service firms to look for growth opportunities in foreign markets.
Earlier studies that researched the effect of domestic market forces reported mixed findings. For example, Katsikeas et al. (1996) reported a non-significant effect for domestic market pressure. Madsen (1989) reported a negative influence of domestic market attractiveness on export sales. Patterson and Cicic (1995) found domestic competition as a significant motivator for exporting.

Perceived rate of change in the domestic environment as a differentiator between engineering consultancy service exporters and non-exporters finds no support (chapter 4, section 4.7). Exporters view rate of change in the domestic environment as slightly higher than the non-exporters. There is not much support in the goods or services exporting literature linking perceived rate of technological change to export propensity. Perceived rate of change in the domestic environment signifies technological turbulence which can be a significant source of uncertainty (Hartman et al., 1995). The cycle of technological innovation/obsolescence may be shorter and faster, fuelled by the pace of growth in knowledge and its proliferation (Achrol, 1991, p. 81). This research shows that perceived rate of change in the domestic environment i.e., technological turbulence does not differentiate between engineering consultancy service exporters and non-exporters.

5.1.7 Motivations for exporting

Empirical support for Research Hypothesis 7 (see chapter 4, section 4.8) indicates, export motivation elements for engineering consultancy service exporters consist of both proactive and reactive elements.
As brought out by the support of Research Hypothesis 7A, it seems that the export motivation elements are more proactive in nature than reactive. However, the number of proactive motivational elements is not substantially greater than the reactive elements (eight against five among thirteen items Refer Table 4.13) Hence, the conclusion in this respect is equivocal.

Some firms become involved in international activities because they have been pressured by a foreign agent, though they do not truly consider internationalization as an objective. However, there are a number of firms who are deliberately motivated towards international markets. Internationalization demands an active, committed, and entrepreneurial management. From these arguments, it seems logical to expect that firms with different export aspirations will adopt a different internationalization process. Therefore, firms with higher international orientation can be expected to pursue more new opportunities in foreign markets than firms with a reactive orientation. In accordance with this senior management who subscribe to proactive motivations will transmit a global strategic vision within the firm that will increase the likelihood of adopting an accelerated internationalization process.
5.2: Framework presenting the Main Research Conclusions

Show a proactive intent for developing international business networks

Social networks & personal contacts of senior managers

Larger Firm (more number of full time professional employees)

Managerial attitude towards exporting (View benefits > than risk & costs involved)

Managerial perceptions of barriers to exporting

Psychic distance between home & export markets

Managerial perceptions of competitive intensity in home market

Motivations for exporting are more proactive than reactive

- 149 -
5.3 Conclusions about the main research problem

The main objective of the research is to bring out 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.

Conclusions reached for each research hypothesis discussed in the earlier section, provides a complete picture regarding the differences between engineering consultancy service exporters and non-exporters. The main variables that differentiate between the consultancy service exporter and non-exporter are:

1. **Proactive Intent** or **Emphasis** on establishing and developing international business relations (i.e. networks) → exporters spend greater time, energy and resources to establish and develop international business networks than the non-exporters.

2. **Social networks and personal contacts** of the firm’s senior managers → Non-exporting firms are unable to exploit international business opportunities due to a possible absence or lesser number of such social & personal contacts of senior managers besides other mitigating factors.

3. **Size of the firm** (human capital i.e. number of professional employees) → Larger firms are more likely to export.

4. **Managerial attitude towards exporting** → management attitude positively relates to the firm’s export propensity.
5 Perceived barriers to exporting ➔ senior managers of exporting firms perceive lower barriers to exporting than their non-exporting counterparts

6 Competitive intensity in the domestic market ➔ senior managers of exporting firms perceive higher competitive intensity in the domestic market as compared to non-exporting firms

7 Motivations for exporting – Proactive or Reactive ➔ senior managers of exporting firms have more proactive motivations for exporting

5.4 Model proposed for the Internationalization of Professional Service Firms

Figure 5.3 presents a model proposed for the internationalization of knowledge intensive and people based professional service firms like engineering consultancy service. The model presents a holistic view of the process of internationalization of such professional service firms. Also, the model presents a multi-factorial and an integrative view that is a closer representation of what is observed in the real world.

The key constructs that influence the professional service firm internationalization process are (i) managerial factors; (ii) firm specific factors; and (iii) environmental factors. These are further narrowed down to three specific export triggers under the headings of (a) motivators; (b) information sources and (c) enablers. Barriers to export act like a moderating force on the decision to export as well as the export operationalization process. The export process as such leads to different foreign market experience outcomes.
Fig. 5.3: Proposed Model for the Internationalization of Professional Service Firms

Firm specific factors
- Firm size
- Firm industry
- Years in business
- Competitive advantage

Managerial factors
- Global mindset
- Risk attitude
- Foreign experience
- Entrepreneurial orientation

Environmental factors
- Competitive intensity
- Cultural factors
- Country of origin effect
- Govt. policies / incentives

Motivators
- Growth & profitability
- Risk minimization
- Client following
- Export commitment

Information sources
- Business networks
- Social networks
- Govt., trade associations
- Media

Enablers
- Management orientation
- Financial resources
- Human capital
- Foreign partners

Decision to export

Export barriers
- Travel & work restrictions
- Different language & culture
- Lack of market knowledge
- Political & financial risk
- Lack of resources

Outcomes
- Market knowledge (+)
- Financial effect (+)
- Business network (+)
- Cultural learning (+)
- Export experience (+)
Firm specific factors include items like firm size, industry (in this case engineering consultancy service), years in business and firm’s competitive advantage. This research supports the contention that larger firms will have a greater propensity to export, whereas, firm age or years in business may not have a major influence on the internationalization of professional service firms (refer section 5.1.3 for the research conclusion) The variable, firm’s perceived competitive advantages has not been considered in this research (refer chapter 1, section 1.5).

Managerial factors include items like global mindset, risk attitude, international experience and entrepreneurial orientation. Global mindset refers to the recognizing the benefits of exporting (growth opportunities, profitability etc.) and a general openness to serve anywhere in the world when there is an opportunity to do so profitably. Exporting managers take a measured risk while entering international markets. This research supports the contention that managers of exporting firms perceive the benefits of exporting to be higher and risk / costs involved to be lower than the non-exporters (refer section 5.1.4 for the research conclusion).

Environmental factors include items like competitive intensity, cultural factors, country of origin and government policies / incentives. This research supports the contention that managers of exporting firms perceive competitive intensity in the domestic market to be higher than the non-exporters firms (refer section 5.1.6 for the research conclusion). Also, this research supports the contention that Psychic distance (differences in language, business practice, culture etc. between the home and export market) acts like a barrier to exporting (refer section 5.1.5 for the research conclusion). Country of origin is an important variable that may shape the customer.
service quality perception and hence influence internationalization \textit{per se} (refer section 5.5.8)

The three \textbf{specific triggers for export decision making are Motivators, Information sources and Enablers.} This research studies the principal export motivations (refer section 5.1.7 for the research conclusion) International business networks and social networks of senior managers are an important source of information about foreign market knowledge and specific business opportunities. This research shows that exporting firms place greater emphasis on establishing and developing international business networks (refer section 5.1.1 for the research conclusion) Management commitment to exporting, financial resources, specialized personnel (human capital) and international partners are important enablers of the internationalization process.

The various \textbf{outcomes of the export process} may be increase in specific market knowledge (hence +), financial effect (profit or loss, hence ±), increase in business contacts (hence +), increase in cultural learning (hence +) and increase in export experience (hence +)
5.5 Research Implications and Recommendations

5.5.1 Emphasis on establishing and developing international business relations

'Proactive intent' of the firms or the 'emphasis' placed on establishing and developing international business networks differentiates between exporters and non-exporters of engineering consultancy services. As concluded in earlier section (5.1.1), engineering consultancy service exporters understand that international business network development is critical to their internationalization. Unlike non-exporters, they invest greater time, effort and resources to develop international business networks and do so with a proactive intent, with an eye on future business opportunities.

Business networks improve understanding of new markets and how to overcome institutional and cultural barriers in order to conduct business there, contribute to development of new knowledge and competencies and serve as bridges to new clients/partners etc.

Therefore, it is important that firm's top management recognize that business network development must be an ongoing activity and a critical component of the firm's overall internationalization strategy. Figure 5.4 provides possible source of contacts for networking.
Important Managerial Implications:

(i) **Proactive intent or emphasis on building international business networks.**

Senior managers of the firm have to spend time, energy and resources to establish and develop international business networks. They need to actively develop and nurture networking capabilities that will allow the firm to exploit opportunities for internationalization. For this, senior managers need to regularly visit foreign countries for business development (even though at present there may not be any revenue stream from these country markets), visit international industrial fairs & exhibitions, attend international conferences & seminars for networking, advertise in foreign journals, regularly communicate with potential international clients, scan foreign journals & trade publications for potential business opportunities, source business intelligence from third parties and so on.

(ii) **International Business Network Development should be an ongoing activity.**

Secondly, senior managers should recognize that international business network development has to be an ongoing activity. Most senior managers recognize that building of networking capabilities can only be developed with considerable effort and over a significant time period (Hayes et al., 1996). The process involves first building networking capability and then, depending on strategic direction, reconfiguring, gaining or releasing resource combinations to the point where they become the basis for the firm’s internationalization. As an example, I am quoting a senior manager of an
Figure 5.4: Possible Source of Contacts for Network Building

Possible source of contacts

- Private contacts
  - Family members, kinships, community etc.
  - Social contacts, collegial contacts etc.
  - Participation in industry fairs, exhibitions etc.
  - Presentations at conferences, seminars etc
  - Advertising, publication of articles etc.
  - Direct marketing activities
  - Referrals from clients, associates etc. (past / present)
  - Third parties like - professional bodies, government organizations, institutes & universities, search consultants, trade promotion organizations etc
engineering consultancy exporting firm, "If you asked me could we do anything better
in our business – I think even though we do have great relationships and good
networks we probably don't work them as hard as we could . . . the first thing we have
to do is to make sure that at least once a quarter we get at least one or all of our senior
staff on the road meeting with partners and customers, attending events”

(iii) International business network development should be a critical
component of firm’s overall internationalization strategy.

Thirdly, senior managers should recognize that international business network
building should be a critical part of the internationalization strategy of the consultancy
service firm. A distinction is made between fundamental and secondary networks
(Mort and Weerawardena, 2006) The fundamental networks are those held by
managers which are inherited by the firm at the time of inception and help the
managers to identify and exploit initial global market opportunities. Secondary
networks are those which the managers build during the firm's growth process in order
to exploit market opportunities and respond to market competition. Both type of
networks, especially secondary networks can certainly be 'strategically planned, one
step at a time over time'.

(iv) Networking capability has to be nurtured personally by senior managers
to fulfill the firm's strategic vision of reaching foreign markets

Mort and Weerawardena, (2006) identify that networking capability is nurtured
personally by the owner / manager of firm to fulfill the strategic vision of reaching
global markets. This requires the key decision maker to actively develop and nurture
networking capabilities that will allow the firm to exploit opportunities for internationalization

**Some Novel Recommendations**

(a) **Quid-pro-quo: sharing of business network resources**

The Latin word quid-pro-quo means more-or-less equal exchange of goods or services. Engineering consultancy service firms who are not direct competitors and whose lines of business do not clash can come to an understanding to share their particular international network resources. For example, a civil engineering and an environmental engineering consultancy firms can share their network resources on a quid-pro-quo basis for their respective advancement of international business networks.

(b) **Entry into country specific networks**

The Japanese word ‘Keiretsu’ means a grouping of companies with interlocking business relationships and shareholdings. Similarly, the Korean word ‘Chaebol’ refers to powerful business grouping of multinational South Korean companies. ‘Guanxi’ (meaning relationships and connections) is a unique phenomena embedded in the Chinese culture. In contemporary business terminology it is used to refer to business networks or a grouping of businesses with strong networks. Similar concepts in other cultures are ‘Blat’ in Russian culture, ‘Wasta’ in Middle Eastern culture, ‘Old Boys Network’ in the western culture etc. Indian consultancy service firms can
endeavour to get access to such country specific important business networks by establishing business links with some constituent part(s)

(c) **Indian Diaspora as a source of entry into country specific business networks**

The widespread Indian Diaspora (persons of Indian origin or non-resident Indians) who are spread throughout the world can be a source of new network connections to a specific country’s - business and (or) social networks. An interesting example is the case of ‘firms run by entrepreneurs of Chinese origin spread throughout south-east Asia and are encompassed by different political and economic systems but are bound together by shared traditions and form a network of entrepreneurial relationships’

According to Hiscock (1997) success in Asia depends on power, prestige, influence, favours given and received, family fortunes and connections. Without these even the simplest deal can become unstuck for no obvious reason. Hiscock suggests that there is networking on a grand scale as there are an estimated 57 million Chinese and 18 million Indians who are living abroad and provide the basis of the network.

5.5.2 **Social Networks and Personal Relationships**

Social networks and personal relationships contribute to the process of firm’s internationalization in terms of access to privileged resources such as information on business opportunities and potential partners.
It is concluded in the earlier section (5.1.2) that managers within the exporting consultancy service firms are able to translate their micro social and personal links with managers in international firms (potential customers, partners etc.) into improved macro organizational performance (for e.g., international growth). Non-exporting firms possibly are not able to do this, mainly due to lack international personal contacts among their senior managers.

It is important that senior management of the firm recognize the need to ‘internalize new network connections’ by acquiring additional team members who have particular network resources required for the internationalization of the firm. In other words, firms should seek to hire those senior managers who by virtue of their international experience and contacts can help the firm to obtain international assignments.

Oviatt and McDougall (1994, 1995) note that there are a lot of well-trained professionals who have had extensive experiences with international operations in other multinational companies. These experiences are useful in assembling resources, gaining access to existing international networks, and configuring firm’s value chain. Researchers (e.g., Reuber and Fischer, 1997) have identified other benefits of international experience, such as gaining access to strategic partners. This access is conducive to higher foreign sales.

According to Oviatt and McDougall (1994, 1995) prior international experience makes managers more aware of the challenges associated with conducting businesses on a global scale. Consistent with this proposition, McDougall et al. (2003)
empirically find that international experience is conducive to early internationalization. No doubt some managers become aware of these issues and learn a great deal about the international business environment and how to structure their operations to create value.

5.5.3 Firm Specific Characteristics

As concluded in the earlier section (5.1.3), it seems that larger engineering consultancy service firms have a greater propensity to export their services. This may be because larger firms have greater financial resources and specialized human capital at their disposal which reduces the risk associated with internationalization.

However, this does not mean all the smaller consultancy service firms do not export. There are a number of smaller firms who are exporting. These firms have specialized domain expertise and offer niche services, for example, industrial design and consultancy services in specific product areas like aerospace, automotive systems, etc.

The survival of smaller consultancy firms in the increasingly globalized and competitive environment suggests that not only do they possess distinct competencies but also that they use them more effectively. One such distinct competency is the smaller firm's ability to establish and manage special relations with partners at home and abroad. Managing relations, for the most part, is not dependent on physical resources, but relies on entrepreneurial traits, business networks, and social capital.
Another distinct competency that smaller firms can effectively use to compete in the international arena is in-depth knowledge and extensive experience about a particular field i.e. domain expertise. It is a well known practice in western consultancy firms to hire retired industry people who have deep knowledge and experience in a particular industry.

5.5.4 Managerial Attitudes towards exporting

It is concluded in the earlier section (5.1.4) that senior managers of the exporting and non-exporting consultancy service firms perceive the benefits and risk associated with exporting quite differently. Consultancy service exporters perceive benefits from exporting to be higher and risk / costs associated with exporting to be lower as compared to the non-exporters.

Consultancy services exporters tend to view exporting as a potentially more profitable, a desirable task that is good for the firm’s reputation / image, can make a major contribution to firm’s growth etc. However, exporters tend to disagree more with attitudinal statements such as ‘exporting involves higher cost’ and ‘exporting involves higher risk’.

It is quite clear that consultancy service firm’s management attitude positively relates to its international activity. When firm’s senior managers are positively inclined towards international activity they provide the necessary impetus for the firm to internationalize. Managers in non-exporting firms are encouraged to view the benefits of exporting positively and take a measured view of the risk and costs.
involved in exporting. Attitudes are shaped over time by a number of aspects and may be difficult to change. Perhaps senior managers from successful exporting firms in unrelated business areas can share their experiences and encourage managers in non-exporting firms to view exporting more positively.

5.5.5 Barriers to exporting

It is concluded in the earlier section (5.1.5) that managerial perception of barriers to exporting differentiates between engineering consultancy service exporters and non-exporters. Also, it seems senior managers of the exporting and non-exporting consultancy service firms perceive the barriers to exporting quite differently. In general, senior managers of non-exporting firms perceive all the barriers to be higher than the exporting firms.

Items like political and financial risk, adjusting to foreign business practices, high cost of international business development, legal difficulties, and different language & culture present the largest perceived obstacles for non-exporters and also show the widest difference between exporters and non-exporters.

It is also concluded that 'psychic distance' is an important barrier to exporting for engineering consultancy service firms. Psychic distance refers to differences in language, education, business practice, culture etc. between the home and export market.

Previous research shows that cultural issues such as language barriers, sociocultural differences, and differences in established business practices and customs,
have drawn significant attention in the so-called pure service industries (e.g. consulting or legal services) in an international setting (Cicic et al. 1999, Erramilli and Rao, 1993).

It is proposed by La et al. (2005) that cultural sensitivity, i.e. “a general open-mindedness with respect to different cultures and the willingness to understand the ways in which cultures differ” (Hanch and LaBhan, 1998, p 87), has an impact on the perceived performance of the service personnel. This research suggests that engineering consultancy service firms should train and inculcate among their senior managers various facets of cultural sensitivity. This can go a long way in mitigating the effects of cultural differences between home and export markets.

The Psychic Distance of managers i.e. mapping the perceived foreignness of international markets - has been widely viewed as a high-quality indicator of foreign orientation of managers (Dichtl et al., 1990). From a managerial point of view, the concept of Psychic Distance can offer a variety of interesting perspectives. For instance, Psychic Distance could be used as a selection criterion for export promotion schemes. Differentiating between managers with high and low psychic distance could result in a more effective allocation and tailoring of export promotion programmes, since managers with lower psychic distance ratings are more likely to initiate export ventures than managers with high psychic distance ratings.

Moreover, the concept of psychic distance may be applied to country market selection during the internationalization process. Countries which
produce low psychic distance values among managers in charge could purposefully be targeted first. Further applications of the concept might arise from using it to select managers for foreign assignments or even for the handling of overseas accounts from a domestic base (Dichtl et al., 1984).

The second largest group of perceived barriers for non-exporters comprise of items like travel & work restrictions; lack of knowledge about business opportunities in foreign markets, lack of foreign contacts; lack of state-of-art technical know-how, restrictive foreign government regulations; lack of expertise to access foreign markets and prejudice against foreign consultancy firms.

In order to induce more of non-exporters to export their services, trade promotion and facilitation activities have to address the market knowledge & information lacunae. Non-exporters themselves have to invest time and effort to gain country specific market knowledge and business opportunities. Also, non-exporters may take the help of professional consultants in order to mitigate the export procedural barriers.

The larger issues of restrictions i.e. travel, regulatory, legal etc. can be only taken up by the government and policy makers through bilateral and multilateral Free Trade Agreements (FTA) with foreign countries or blocs. Finally, it all depends on firm’s senior managers export commitment and motivations. When firm’s senior managers feel the barriers are insurmountable, the firm is likely not to be involved in international activity.
5.5.6 Domestic Environmental Factors

It is concluded in the earlier section (5.1.6) that managerial perception of competitive intensity in the domestic environment differentiates between engineering consultancy service exporters and non-exporters. Also, it is concluded that consultancy service exporters in general perceive the competitive intensity in the domestic market to be higher than non-exporters.

Consultancy service exporters view competitive intensity in the domestic market to be comparatively higher and this may be one of the precursor for their motivation to export in search of growth, profitability and de-risking. Non-exporters generally perceive the domestic market environment to be munificent and see good scope for further growth in the domestic market. High competitive intensity in the domestic environment is found to have an impact on exporting in goods export literature (Morgan, 1999, Ali and Camp, 1994, Westhead, 1994 etc) and also in the services exporting literature (Madsen, 1999, Winsted and Patterson, 1998, Patterson and Cicic, 1995 etc).

It is interesting to note the wide difference in the perception of competitive intensity for the same industry by the respondents in this research. Since, the firm’s that perceive higher competitive intensity are more likely to export, policy planners and export promotion organizations may target their policies / export promotion incentives to these firms for greater effectiveness and success of their programmes.
5.5.7 Export motivations

It is concluded in the earlier section (5.1.7) that export motivation elements for engineering consultancy service exporters consist of both proactive and reactive elements. Though the number of proactive motivational elements are greater than the reactive motivational elements (eight against five among thirteen items), it is not a clear cut case of one being substantially more than the other. Hence, the researcher feels the conclusion in this matter is equivocal and further empirical support is required to prove the case. However, the research contends that market seeking export motivations are stronger than client following export motivations.

Czinkota and Johnston (1981) and Katsikeas (1996) have investigated differences in export motivations between two distinct groups of exporters based on level of export development i.e. regular and sporadic exporters. They suggest that both proactive and reactive elements stimulate the firm’s decision to continue and maintain exporting. Katsikeas (1996) reports that out of five export stimulus items held in relatively high regard by respondents, three were proactive in nature and other two were reactive in nature.

Senior managers of non-exporting firms are advised to direct their efforts to enhancing the proactive stance of their company towards export marketing activities. In achieving this, more attention may be paid to: the firm’s ability to adapt their present service offerings for export markets; the formation of favourable managerial beliefs about the value of exporting; management’s awareness of national export programmes; developing business contacts in
foreign markets: training of personnel regarding export procedures, learning foreign languages, international experience etc.; and the development of specific service offerings for serving export markets. These are potentially important factors leading to an aggressive export behaviour, which in turn can facilitate export development and success.

Secondly, senior managers of exporting firms are impressed upon to follow a market seeking export strategy as opposed to relying only on a client following export strategy. In a client following strategy, the fortunes of the consultancy service firm are tied to that of the client and hence an external un-controllable factor for the firm.

5.5.8 External Support Systems & Activities

While ranking various external support systems by the consultancy services exporters, 'Promoting the Indian service sector brand image', secures the top rank (with a mean score of 4.65 in a rating scale from 1 to 5). According to La et al. (2005), 'a positive country of origin effect enhances the firm’s image, which in turn strengthens perception of performance'. If country of origin or brand image plays a significant role in providing tangible cues to shape the service perception and to assess its quality in an international context, then Indian professional consultancy service firms may be at a disadvantage.

India as a nation is perceived by the world at large, as a developing nation that does not have access to state of the art technology and business practices. On the other hand, India has acquired an image of being service providers to the world (mainly in
information technology areas) with a large pool of English speaking, technically qualified personnel

The respondents perhaps wish industry bodies and government departments to reinforce the 'Engineered in India Proposition' similar to the one carried out by NASSCOM for software services and "Made in India" shows for manufactured goods by Confederation of Indian Industries (CII)

Ministry of commerce (Government of India) had introduced a "Served from India" scheme in October 2007 and set-up a Services Export Promotion Council. Membership list of the Services Export Promotion Council shows, its members are dominantly Hotels & Tourism service providers, Healthcare service providers, Entertainment & Education service providers rather than consultancy service providers. This may be because former sectors have practical utility of Duty Free Scrip against foreign exchange earnings to import capital equipment used in their line of business.

The second important support system ranked by consultancy service exporters is 'Foreign market intelligence' (with a mean score of 4.24) Respondents feel accurate and timely foreign market intelligence reports are important to spot potential business opportunities. It may be not cost effective for individual firms to go for such market intelligence reports. Reports by industry associations and export promotion organizations perhaps need to be reinforced by inputs from foreign industry bodies, professional consultants, market survey & research firms etc.
The third important support system ranked by consultancy service exporters is ‘Financial support to bid for international projects’ (with a mean score of 4.17). Respondents feel it is important to have access to financial support in order to bid for international assignments. Institutions like Exim Bank, India provide financial guarantees to Indian companies who bid for international projects. However, the scope and quantum of financial support (in the form of bank guarantees, lines of credit, working capital loans, etc.) may not be enough.

The fourth important support system ranked by consultancy service exporters is ‘Directory of Indian consulting firms circulated in foreign chambers of commerce’ (with a mean score of 3.89). Consultancy Development Centre has started a web-based database of Indian consultancy service firms in 2010. However, the directory is not specifically for engineering consultancy service firms.

The fifth important support system ranked by consultancy service exporters is ‘Mechanism for forming consortium to bid for specific international projects’ (with a mean score of 3.85). It is possible that many individual Indian engineering consultancy service firms do not have the wherewithal to bid for large international projects. It is a common practice for two or three consultancy service firms to pool their resources (financial, manpower, and know-how, etc.) to bid for large international assignments. However, forming a consortium is a difficult task due to regulatory clearances, financial and legal hurdles. Policy makers and shapers need to look into and iron out these legal and financial issues so as to ease the process of consortium formation.
Another support system ranked by consultancy service exporters is ‘Strong association with Research & Development organizations’ (again with a mean score of 3.85) State-of-the art know-how is an imperative to compete in international markets that too in a knowledge intensive service delivery like engineering design. Engineering consultancy service firms need to connect and jointly work with institutes of higher learning and sponsor research programmes in areas such as material sciences (for e.g. application of new materials in automobiles to reduce weight and improve performance), computer aided design & analysis (for reducing development cycle times) etc.

Other support systems not given as much importance by the exporters are advice from marketing & legal consultants (mean score 3.70), overseas business interface on a regular basis (mean score 3.65), export training programmes & workshops (mean score 3.65), apex rating body for Indian consultancy service firms (mean score 3.43), export incentives (mean score 3.43), and travel subsidies (mean score 3.30)

5.6 Future Research Directions

Future research could proceed in various directions. One is to expand the analysis, theoretically and empirically, to examine other national contexts and to include other factors that were not included in this research, for example international entrepreneurial culture of senior managers of the firm, knowledge management & exploitation etc.
Dimitratos and Plakoyiannaki (2003) suggest that an international entrepreneurial culture embodies various dimensions including (i) risk attitudes, which refers to a firm's willingness and desire to undertake significant and risky resource commitments in pursuit of new opportunities in foreign markets and (ii) learning orientation, which centers on gathering, interpreting and disseminating intelligence about foreign markets and the alertness to opportunities that exist in these markets. Perhaps these two dimensions of international entrepreneurial orientation may also explain differences between exporters and non-exporters of professional services and hence there may a need to empirically examine these factors.

The ability of a consultancy service firm to acquire knowledge from its experiences and manage knowledge, i.e., exploit these knowledge assets effectively and gainfully to deliver client solutions rapidly is critical for the success of consultancy service firms in domestic and more so in the competitive international markets.

Professional consultancy service firms usually do not have any significant assets other than knowledge to explain their success. Moreover, such firms can charge a price premium that cannot be explained simply by the accomplishments of their employees (such as educational degrees, long industry experience, etc.). What these firms may do well is move knowledge around effectively, taking the company's entire accumulated know-how and gathering it quickly at a single point to create a unique solution for the client. However, this is easier said than done. Valuable knowledge is tacit and customized to each client's needs. It will be interesting to see results of an empirical study evaluating whether exporting firms are more adept at managing and exploiting technical knowledge than their non-exporting counterparts.
It will be also interesting to see the results of an empirical study evaluating the ‘Direction of Causality’, for e.g. a professional service firm keen on exporting overseas is more likely to invest time, effort and resources on establishing & developing international business relationships. One can argue for a reciprocal interaction of the factors i.e. the availability of international business relationships could speed up its likelihood to export its services overseas. Secondly, Management Attitude towards exporting may influence the firm’s Export Motivations. Alternatively, one can argue for a reciprocal interaction i.e. firm’s Export Motivations influence the Management Attitude towards exporting.