PREFACE

Services account for around two-thirds of the world economic output and the total trade in services in 2009 was estimated to be around one-fourth of the world merchandise trade. Despite the service sector’s important position in world business, research on services internationalization lags behind that of manufacturing. Professional services are more important than other services in today’s globalized business scenario and are growing remarkably faster than manufacturing and other service industries in most countries. However, research on internationalization of professional services does not reflect the industry’s important position in global business.

Distinctive features of services like intangibility, inseparability, perishability, heterogeneity etc. and in particular for professional services like high degree of customization, knowledge intensive and people centred nature make international marketing of professional services more complex and potentially more challenging than marketing goods or general services internationally.

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.
There is a paucity of research in the literature on different aspects of internationalization of professional service firms in the last two decades. There is no research reported in the literature that brings out differences between exporters and non-exporters of professional services taking into account the influence of business networks and social networks & personal contacts of firm's senior managers. Also, no research is reported in the Indian or other emerging economy context.

This research examines the major differences between exporters and non-exporters of a knowledge intensive & people centered 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. The various factors considered in the research are discussed in brief in the subsequent paragraphs.

The network theory of internationalization argues that international market entry is more dependent on a network position than on institutional, economic or cultural conditions of the host market. A business network serves as 'bridges to foreign markets'. International business networks improve 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.

Social networks and personal relationships contribute to the process of internationalization of the firm in terms of access to privileged resources such as
information on business opportunities and potential partners. Managers within a firm can translate their micro personal links with managers in other firms into improved macro organizational performance, like international growth.

Larger firms have greater resources (financial and human) making them better suited to absorb the risks associated with internationalization. Also, older firms are usually well established in the domestic market and have specialized managerial resources enabling them to do well in the international arena.

Managerial attitude towards exporting plays a critical role in the internationalization of professional service firms given their lower capital requirement as compared to manufacturing firms. When top management of the firm is positively inclined towards exporting, they provide the necessary impetus for the firm to internationalize.

Barriers to trade in services are an important stream of research in the services exporting literature. When managers perceive these barriers as great hurdles, they are not likely to export. Psychic distance (differences in language, culture, business practices etc. between home and export market) is also considered to be a major hurdle in the export of services.

Domestic environmental factors like competitive intensity and rate of change can influence internationalization of service firms. When the domestic market outlook is not conducive, firm’s managers tend to favour international expansion for growth, profit opportunities and risk diversification.
Export motivations are mix of both proactive and reactive export motivation elements. It is possible that the export motivations may be more proactive in nature than reactive. Also, firm's export motivations can be market seeking or client following in nature. Again, it is possible that the market seeking export motivation elements may be stronger than the client following ones.

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

**Literature Review** (Chapter 2) provides 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, 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 Conclusions regarding the different research hypotheses as well as the main research problem. A Framework for presenting the research results is included. Based on research conclusions, 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.