



# The hows and whys of foreign operation mode combinations: The role of knowledge processes

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## ABSTRACT

Despite evidence that firms often combine more than one operation mode in a foreign market and that these mode combinations change over time, this phenomenon remains understudied. Drawing on the knowledge-based view, in this process study we explore how and why foreign operation mode combinations change over time. We build on a longitudinal case study, spanning 21 years of a firm's development in three Latin American countries, to identify and analyse four different mode combinations. Our findings show how operation modes are combined to enable several knowledge processes simultaneously, and that these combinations change in response to changing knowledge needs.

## 1. Introduction

How to operate in a foreign market is an important strategic decision for an internationalising firm, and it follows that research on entry or operation modes is central to the field of international business. A wide variety of factors have been identified to explain the choice of entry mode, and there is a growing interest in how firms operate post-entry (Brouthers & Hennart, 2007; Canabal & White, 2008). Indeed, the literature has acknowledged that firms evolve over time and may change their modes of operation (Calof & Beamish, 1995; Clark, Pugh & Malloy, 1997), although many questions remain open regarding these operation mode changes (Putzhammer, Puck & Lindner, 2019).

In addition, much of the extant literature continues to assume that firms choose between single, discrete operation mode alternatives, when in practice it is common for firms to combine several modes in the same country (Benito, Petersen & Welch, 2009; Clark et al., 1997). As a result, the literature has largely ignored mode combinations and changes in those combinations (Putzhammer et al., 2019). Additionally, the main theoretical approaches used to study foreign operation modes appear of limited use to explain changes in mode combinations, either because they adopt a static approach or because they focus mainly on the primary operation mode (Benito, Petersen & Welch, 2011; Petersen,

Benito, Welch & Asmussen, 2008).

To address these issues, in this study we build on the knowledge-based view (Grant, 1996b) to explore how and why the operation mode combinations of a firm change over time. This theoretical lens emphasises the role of the firm as a knowledge-processing institution (Grant, 1996b; Grant & Phene, 2021), and posits that internationalising firms will choose the operation mode that enables maximum efficiency of those knowledge processes (Kogut & Zander, 1993). From this viewpoint, it follows that a closer examination of the knowledge processes in an international firm should provide us with useful insights to understand operation mode decisions, such as the combining of modes and making changes to those combinations. Building on recent calls for a more fine-grained analysis of knowledge processes in multinational firms (Grant & Phene, 2021), we explore four different knowledge processes – knowledge accession, knowledge acquisition, knowledge combination and knowledge transfer – to better understand the firm's operation mode choices.

Drawing on a longitudinal case study, that spans 21 years of a firm's international development in three Latin American countries, we use temporal bracketing techniques to examine the firm's internationalisation over four distinct periods of time, each with a different mode combination. By focussing on the different activities in the firm's value

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chain rather than on the primary operation mode (Benito et al., 2011; Petersen et al., 2008), we were able to identify the firm's goals, operation mode combinations and prevalent knowledge processes for each of the periods. This allowed us to analyse how and why combinations change over time.

Our findings reveal that the firm combines different operation modes in order to enable several knowledge processes to occur simultaneously. Moreover, given the evolutionary nature of the firm's goals and activities, as well as the finite nature of some knowledge processes, the firm's knowledge needs and priorities change too; and this leads to changes in mode combinations. As such, our study proposes a knowledge-based explanation of mode combinations and changes in them over time.

In doing so, our study contributes to the literature on foreign operation modes in two ways. First, our findings on how mode combinations change allow us to propose a more nuanced and precise conceptualisation of mode combination changes, namely by differentiating between *within* and *between* combination changes. Second, we contribute to developing the knowledge-based perspective on operation modes by showing how operation mode combinations are created to enable a variety of knowledge processes (in particular knowledge accession, knowledge acquisition, knowledge combination and knowledge transfer), and how a firm's changing knowledge needs lead to changes in these mode combinations. Thus, we demonstrate that the knowledge-based perspective can explain the choice of more complex alternatives beyond single mode choices, i.e. mode combinations and their changes, and provide a more fine-grained picture of the role of knowledge and knowledge processes in operation mode choices.

## 2. Theoretical background

### 2.1. Foreign operation modes and their combinations

Operation mode choice is a critical decision for the internationalising firm, and as such has occupied a central role in international business research since its beginnings (Shaver, 2013). The extensive research on operation modes (in particular at the time of market entry) has generated a number of mode classifications (Anderson & Gatignon, 1986; Welch, Benito & Petersen, 2018) and provided rich insights into the reasons why firms choose certain modes (Brouthers & Hennart, 2007; Canabal & White, 2008). However, in their endeavour to explain and predict the mode choices of firms, many studies have simplified the concept of operation mode, when in practice the reality that firms face is far "messier" (Benito et al., 2009). Indeed, while theory development requires simplification in order to isolate and study variables or concepts, it would appear that the assumptions upon which these dominant theories are built have simplified the reality of foreign operation modes excessively (Benito et al., 2009).

The first assumption in the literature on operation modes, that may be limiting our understanding of this complex phenomenon, is that firms choose one operation mode from a list of discrete modes. However, if we observe firms in practice, it is in fact common for firms to combine different modes in the same market (Benito et al., 2009; Welch et al., 2018). Yet, despite the evidence on the existence of operation mode combinations, the research on this phenomenon remains scarce.

Combinations of modes were observed and reported by Clark et al. (1997), but they did not delve further into these combinations. Petersen and Welch (2002) proposed a classification of combinations, which provided insights into how firms combined modes, namely based on their degree of integration. They defined four types of combinations: i) unrelated modes for diversified business across different industries; ii) segmented modes for different client, market or geographical segments; iii) complementary modes for different activities in the value chain; and iv) competing modes for the same activities.

The few empirical studies on mode combinations suggest that firms combine modes to achieve task or product differentiation, to respond to political demands and to adapt to local markets (Benito et al., 2011);

that certain factors may affect a firm's propensity to use a diversity of modes, namely the firm's technological knowledge-intensity (Hashai, Asmussen, Benito & Petersen, 2010); and the use of mode combinations may affect the speed of internationalisation (Putzhammer, Slangen, Puck & Lindner, 2020). Yet, the empirical evidence on mode combinations remains scarce and much remains unknown about why firms combine modes, what advantages are offered by the combination of modes and what barriers may exist to creating combinations (Benito, Petersen & Welch, 2012).

A possible explanation for the paucity of research on mode combinations is data availability: secondary data on foreign direct investments in foreign markets focusses on a single mode and gaining access to data on different modes is challenging (Benito et al., 2011; Petersen et al., 2008). Moreover, managers themselves tend to focus on the main operation mode (Benito et al., 2012). Therefore, new theoretical approaches may be required in order to bring additional operation modes to the forefront and to empirically examine mode combinations. Recent works suggest that adopting a global value chain (GVC) approach to study the firm's activities and determine how they are performed appears to be a promising avenue for the identification of mode combinations (Asmussen, Benito & Petersen, 2009; Benito et al., 2011; Benito, Petersen & Welch, 2019; Petersen et al., 2008).

The second prevalent assumption in operation mode literature is illustrated by the field's predominant focus on entry mode choice, namely that firms make a single mode choice on entry and continue to operate with said mode. In reality, firms evolve over time and change their foreign operation modes (Benito & Welch, 1994; Calof, 1993; Calof & Beamish, 1995). The growing body of literature on (individual) operation mode changes has identified a variety of change factors, namely external ones such as environmental or institutional uncertainty and industry or market demands (Axaroglou & Kouvelis, 2007; Calof, 1993; Puck, Holtbrügge & Mohr, 2009; Santangelo & Meyer, 2011); or internal ones such as knowledge accumulation, social capital or subsidiary maturity (Chetty & Agndal, 2007; Clark et al., 1997; Driffield, Mickiewicz & Temouri, 2016; Johanson & Vahlne, 1977, 2009; Pedersen, Petersen & Benito, 2002). A recent study reviewing this literature on operation mode changes highlighted that despite the growing interest in post-entry operations, the literature continues to focus on market entry. By disregarding mode changes, an opportunity to provide richer and more holistic explanations of the foreign operations of firms has been overlooked (Putzhammer et al., 2019).

This review pointed to different types of changes in operation modes, namely a switch from one mode to another (*between-mode change* or mode switching), changes within an existing operation mode (*within-mode change* or mode stretching) and changes in operation mode combinations (Putzhammer et al., 2019), and underlined the scarcity of research on the last of these three. The limited evidence we have on this topic suggests the following: Early empirical studies on entry modes provided some insights into how combinations change without explicitly referencing the concept of mode combinations. For example, the examination of sequential market entries showed firms adding operation modes to existing ones (Chang & Rosenzweig, 2001; Delios & Henisz, 2003; Guillén, 2003), a concept later labelled *mode additions*. Subsequent empirical work distinguished between mode *duplication* (replicating an existing mode) and mode *elevation* (adding a higher commitment mode to an existing one) (Putzhammer, Fainshmidt, Puck & Slangen, 2018). Together, these empirical studies point to reasons for change in these combinations similar to those existing in the research on individual mode changes, namely experience in the market (Chang & Rosenzweig, 2001; Guillén, 2003; Putzhammer et al., 2018) or institutional quality or uncertainty (Delios & Henisz, 2003; Putzhammer et al., 2018).

To summarise, research on the phenomenon of mode changes (and changes in mode combinations in particular) remains very limited compared to entry mode research; and studies continue largely to adopt a static view of the decision made at a single point in time (Benito et al.,

2009, 2011; Putzhammer et al., 2019). As a result, Putzhammer et al. (2019) and his colleagues call for more research on changes in mode combinations. Indeed, the few empirical exceptions discussed above notwithstanding, research on changes in operation mode combinations has left many questions unanswered, for example how and why operation mode combinations change over time.

The first step to answer these questions is to explore whether existing theoretical perspectives could shed some light on these issues. We investigate this in the following two sections.

## 2.2. Key theoretical lenses to explain operation mode changes and combinations

Two main theoretical perspectives have been applied to examine operation mode changes: an economic approach and a behavioural / process approach (Putzhammer et al., 2019).

The first of these – the economic perspective (i.e. transaction cost and internalisation theory) – focuses on the most appropriate governance mechanisms for a firm's international operations, given the transaction and coordination costs involved in those operations. This approach predicts that firms, having compared market, hierarchy and hybrid governance structures, will choose the one that maximises the gains of the firm (Buckley & Casson, 1976, 2020; Cuypers, Hennart, Silverman & Ertug, 2021). From this perspective, changes in operation modes are explained by changing conditions for market transactions and/or internal coordination mechanisms and a more efficient governance mechanism becoming apparent (Putzhammer et al., 2019).

Despite its success in generating a plethora of factors explaining mode choice, to help predict which operation modes are more appropriate in which conditions, the economic approach appears limited in its ability to inform us about changes in operation mode combinations (Benito et al., 2011, 2012). First, this approach adopts a static view, by focussing on the mode choice decision point (whether entry or later). Therefore, while it may provide insights into an individual mode change at a specific point in time, this analysis provides limited understanding of the on-going internationalisation process. Second, this theoretical lens assumes that a choice is made between mutually exclusive options, essentially disregarding the possibility of multiple modes co-existing (Petersen & Welch, 2002). Third, if it did acknowledge the possibility of multiple modes, its focus on the additional costs of negotiating, enforcing and coordinating multiple operation modes could potentially lead towards the conclusion that mode combinations represent an undesirable strategy for firms (Benito et al., 2012). As such, the ability of internalisation theory to address the complexities firms face in practice or to predict mode combinations and changes they may undergo over time is limited (Benito et al., 2019).

The second theoretical lens is internationalisation process theory – and the Uppsala model in particular – which has been very useful to study the evolution of operation modes over time (Calof & Beamish, 1995; Putzhammer et al., 2019). It proposes that firms reduce uncertainty by accumulating experiential knowledge (about a given market and internationalisation more generally), resulting in greater commitment to that market (Johanson & Vahlne, 1977, 2009). Effectively, the Uppsala model provides answers to both *how* a firm's primary operation mode changes over time (successive and interlinked commitment decisions about activities and resource allocation in the market) and *why* they change (because of the knowledge-commitment cycle) (Welch, Nummela & Liesch, 2016).

However, internationalisation process theory also ignores the possibility of mode combinations. Indeed, the Uppsala model was built from empirical data of firms that moved from one operation mode to another (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975), and consequently assumes that firms operate with a single mode that changes over time. The authors later referred more broadly to the firm's commitment to the market, and this could be interpreted as compatible with the idea of multiple modes. In fact, in recent writings, they present

the model as a tool to analyse and explain the evolution of the multinational business enterprise (Vahlne & Johanson, 2013). Nevertheless, the model itself does little to expose operation mode combinations or explain the changes they might experience. In other words, in the Uppsala model the concept of market commitment is a black box in terms of operation modes. It proves useful to explore single operation mode changes, by providing partial answers to why the firm's overall commitment to the market changes; but remains limited in its ability to expose and explain operation mode combinations and changes in them (Benito et al., 2012).

## 2.3. Knowledge-based view as an alternative theoretical lens

A third theoretical perspective – the knowledge-based view (KBV) of operation modes – has received far less attention so far, but in our view can be useful. Building on the resource-based view (Barney, 1991; Penrose, 1959), KBV posits that knowledge is the most strategically significant resource of the firm, on which its competitive advantage is built (Grant, 1996b). This competitive advantage arises from the transformation of the firm's knowledge into economically useful products and services through the application of a set of higher-order organising principles (Grant & Phene, 2021; Kogut & Zander, 1992). This transformation of knowledge may involve a range of knowledge processes, such as knowledge acquisition, transfer, replication and combination (Grant, 1996a, 1996b). As such, the firm is viewed as a knowledge-processing institution, whose main aim is to efficiently enable knowledge flows to occur (Grant, 1996a).

Applied to the study of international business, KBV suggests that multinational firms exist as a mechanism to efficiently enable knowledge to flow across borders (Kogut & Zander, 1993). From this perspective, firms will consider operation mode choices through the prism of their knowledge management needs. Indeed, KBV suggests that mode choices are motivated by the firm's need to manage its knowledge as a means of building its competitive advantage. KBV and the economic approach concur in predicting that the more tacit the knowledge on which competitive advantage is built, the greater the need for knowledge transfer to occur internally, namely to a subsidiary rather than to an external partner (Hennart, 1991; Kogut & Zander, 1993; Meyer, Wright & Pruthi, 2009). However, KBV does not consider the primary driver in such decisions to be the need to protect said knowledge from the threat of opportunism (Kogut & Zander, 1993; Malhotra, 2003), but rather the firm's goal to maximise efficiency and effectiveness of its knowledge processes. Indeed, the knowledge-based perspective of foreign operation modes has revealed factors affecting mode choices, such as the firm's knowledge transfer capacity (Martin & Salomon, 2003), the firm's knowledge objective (i.e. to exploit existing knowledge or to develop new knowledge) (Madhok, 1997) and the firm's ability to decompose their activities into modules and protect proprietary knowledge in key activities (Elia, Massini & Narula, 2019).

We propose to build on the knowledge-based view to explore why firms combine operation modes and change these combinations. If firms choose the operation modes they believe will result in the most efficient knowledge flows, then operation mode combinations may arise not only in response to external factors and the need to differentiate products and services (Benito et al., 2011), but also from the need to manage multiple knowledge flows. Indeed, although studies often isolate a single knowledge process in order to examine it in more depth, there is evidence to suggest that firms actually manage multiple intertwined knowledge processes simultaneously (Foss, Husted & Michailova, 2010; Tallman & Chacar, 2011b). For example, a firm may decide to create a subsidiary to enable internal knowledge transfer between individuals from the headquarters and local staff, but also may need to accelerate acquisition of local knowledge from outside the firm through an alliance. The need to support both of these knowledge processes could explain why the firm chooses to combine operation modes. Moreover, the strategic need to prioritise certain types of knowledge flows may also

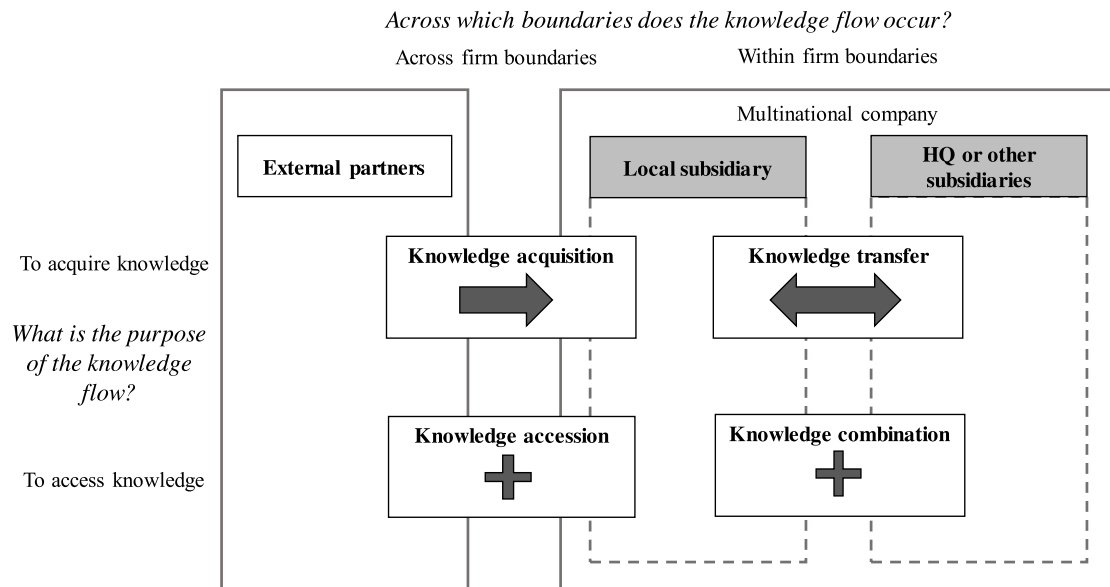


Fig. 1. Types of knowledge processes in a multinational firm.

affect mode choices, because different operation modes and their combinations will facilitate these processes to different degrees.

The knowledge-based view also recognises the evolutionary nature of the firm and highlights that knowledge is constantly being socially constructed, e.g. developed, applied and reconstituted or recombined, as activities are undertaken by individuals in the firm (Kogut & Zander, 1993; Tsoukas, 1996). In other words, it suggests that organisational knowledge stocks, knowledge flows and ultimately knowledge needs will naturally evolve over time. Therefore, if the firm has constructed an operation mode combination to enable specific knowledge processes to occur in the most efficient way, it follows that as these processes change, the operation mode combination too would need to change.

Therefore, exploring foreign operation modes through the lens of various knowledge processes a firm manages can generate useful insights. Existing literature has explored how MNEs access, transfer, and create knowledge (Grant & Phene, 2021), both within the firm amongst organisational units (Casillas, Moreno-Menendez, Acedo, Gallego & Ramos, 2009; Michailova & Mustaffa, 2012) and with external partners, networks and communities (Tallman & Chacar, 2011a). It has become clear from this research that the complexity of the multinational's knowledge processes needs to be addressed, in particular by differentiating between knowledge processes (Grant & Phene, 2021; Michailova & Mustaffa, 2012); and that a more fine-grained analysis is required of both the processes and units involved (Grant & Baden-Fuller, 2004; Grant & Phene, 2021; Tallman & Chacar, 2011b). Building on this literature on various types of knowledge processes, in this study we focus on four processes, summarised in Fig. 1.

We differentiate these four processes along two dimensions that, in our view, are most relevant to the choice of the operation mode. First, we distinguish between the knowledge flows that happen *within* the boundaries of the multinational firm (e.g. bi-directionally between headquarters and subsidiaries and/or between subsidiaries), and the knowledge flows that occur *across* the firm boundaries, i.e. with external agents. Second, we distinguish between the knowledge flows that aim to enable integration of knowledge to the firm's or a unit's knowledge base and those that do not. We labelled the resulting four processes as follows: *knowledge acquisition* refers to the process aiming to ultimately absorb the knowledge from external partners and integrate it into the firm's knowledge base (Cohen & Levinthal, 1990; Parra-Requena, Ruiz-Ortega, García-Villaverde & Rodrigo-Alarcón, 2015); while *knowledge accession* aims to combine complementary knowledge without the intent of integrating what the external partner knows (Buckley, Glaister, Klijn

& Tan, 2009; Grant & Baden-Fuller, 2004). Similar processes but happening *within* organisational boundaries are labelled *knowledge transfer* and *knowledge combination* respectively (Buckley & Carter, 2004). The way we use the two latter labels varies slightly from the existing literature, in that both knowledge transfer and knowledge combination have been used in the past to refer to knowledge flows both within and across firm boundaries (Argote & Ingram, 2000; Nahapiet & Ghoshal, 1998). In this study, we use these terms to denote only the flows within the firm boundaries. For example, knowledge transfer occurs when experts from the headquarters teach local professionals how to execute certain tasks on their own. Similarly, knowledge combination occurs when experts from different units of the MNE work together to solve client's problem, but the firm's primary aim is neither to transfer global knowledge locally, nor local knowledge globally. In sum, the local subsidiary will integrate new knowledge into its knowledge base as a result of knowledge transfer, but not of knowledge combination.

In conclusion, this study builds on the knowledge-based view of the firm, in particular the firm's role as a knowledge processing entity in which a range of knowledge processes occur, in an attempt to examine the question of *how and why foreign operation mode combinations change over time?* In doing so, our study aims to address the shortcomings in the literature regarding operation mode combinations and the managerial need for greater clarity on the matter.

### 3. Methods

#### 3.1. Research design

To address our research question, we chose a retrospective, longitudinal case study approach (Piekkari, Welch & Paavilainen, 2009). Our choice was guided by several considerations. First, case studies are particularly appropriate for how and why questions such as the ones we pose (Ghauri, 2004; Yin, 2018), and have been identified as relevant particularly for the in-depth analysis of foreign operation mode combinations (Benito et al., 2011). Second, our aim to analyse the temporal progression of mode combinations naturally called for a longitudinal process study (Langley, 2009, 2013; Pettigrew, 1990; Siggelkow, 2007). We adopted a retrospective perspective, i.e. we trace back the evolution of foreign operation mode combinations from the past to today, as opposed to following the phenomenon in real-time over a long period of time (Blazewski, 2011; Langley, 2009).

We adopted an abductive approach, combining inductive and

deductive steps in an iterative manner (Klag & Langley, 2013; Sætre & Van de Ven, 2021). We constructed our research question from the extant literature, and contrasted our data with concepts and definitions in the literature (Dubois & Gadde, 2002; Rheinhardt, Kreiner, Gioia & Corley, 2018). Observed mismatches between empirical observations and the existing conceptualisation of mode combinations in the literature led to further exploration. Our approach to explaining how and why operation mode combinations change is aligned with the contextualised explanation proposed by Welch, Piekkari, Plakoyiannaki and Paavilainen-Mäntymäki (2011).

### 3.2. Research setting

Given our aims, we needed a research setting that would allow us sufficient depth to examine manifestations of the concept (operation mode combinations) and temporal span to trace causal processes over time (Benito & Welch, 1994; Benito et al., 2009, 2011; Pauwels & Matthysens, 1999). Moreover, we needed an empirical setting, which would allow us to expose the potential role of knowledge in foreign operation modes and their combinations. Professional service firms (PSFs) are exemplars of this, as the primary asset for service delivery is knowledge (Hitt, Bierman, Uhlenbruck & Shimizu, 2006; Løwendahl, 2005; Maister, 1993). PSFs have often remained in the shadows in management research, despite their theoretical and empirical relevance (Empson, Hinings, Muzio & Broschak, 2015), and can provide an opportunity for novel insights into the internationalisation process. Following these requirements, we selected a Spanish professional service firm operating worldwide.

This firm provides engineering, architecture and consulting services to clients around the world. In 2019, the firm counted 3.800 professionals in 45 offices around the world, and a total income of €300 million, 80% of which came from international markets. As any professional service firm, the case firm provides customised solutions to its clients, based on the careful assessment and judgement of its professional workforce; and its delivery of services typically involves a high degree of interaction with clients and is constrained by professional norms of conduct (Løwendahl, 2005; Von Nordenflycht, 2010). As a result, two elements determine the firm's core activities. First, the firm operates with clear corporate values, especially relating to clients. Strong client relationships are key to understanding and resolving the clients' challenges with technically excellent solutions and are built through business development activities. Second, the central unit of work is the project, where professionals from diverse disciplines come together to work towards resolving the client's needs. Therefore, as is the case in many PSFs, project management, project execution and business development are core activities of the firm (Fosstenlökken, Løwendahl & Revang, 2003).

Within the research setting of the firm (or empirical unit of observation), the unit of analysis of this study is the (changing) operation mode combination in a given country (Fletcher & Plakoyiannaki, 2011). We followed a theoretical sampling approach and selected three embedded cases (Fletcher & Plakoyiannaki, 2011; Ghauri, 2004): Mexico, Colombia and Chile. In addition to providing the opportunity to observe mode combinations, these cases were chosen because they provided the longest period to observe iterations of change and an opportunity to compare multiple cases within a common external context, i.e. Latin America (although we recognise that considering Latin America a homogeneous context is a simplification of a more complex reality).

We did not initially restrict the timeframe of the study. However, as we analysed the data collected, we concluded that very little data was available prior to 1999, and that the firm's activities during those earlier years did not differ substantially from those between 1999 and 2004. Therefore, our study focuses on a 21-year timeframe, from 1999 to 2019, covering the major events of the firm's international development, and its development in Mexico, Colombia and Chile.

### 3.3. Data collection

We collected data from different sources: interviews, online recordings and archival data (Langley, 2009; Piekkari et al., 2009). First, to obtain a more comprehensive understanding of the internationalisation of the firm over the 21-year time period (C. Welch & Piekkari, 2017); second, as a means of triangulation to verify validity of data collected (Nielsen et al., 2020); and third to compensate for the different perspectives and limitations of each data source (Langley, 2009).

Although the study adopts an overall retrospective perspective, some data sources provide real-time data (e.g., archival data prepared at a given point in time reflecting that moment), while others adopt a retrospective perspective (e.g., interviews and teaching case studies). This combination of time perspectives provided an additional means to identify and manage potential retrospective bias. Table 1 summarises the data collected, sources, as well as the time-period and time perspective (real time or retrospective) of each data source.

#### 3.3.1. Semi-structured interviews

A total of 15 semi-structured interviews were carried out with 10 key professionals involved in the firm's internationalisation. Informants were middle or senior managers, actively involved in decision-making related to internationalisation. The diversity of their roles ensured that our data included different perspectives: that of the headquarters, of expatriates with managerial responsibilities in one or more of the Latin American subsidiaries and of local country directors. Informants were asked to describe the internationalisation process and their role in it; and then guided, with open questions, to comment on particular aspects of the process (e.g. what international strategy the firm follows, which operation modes were chosen and what drivers and barriers the firm faced in the development of the Latin American subsidiaries). Additionally, interviewees were asked about how the firm manages its knowledge; in particular, how different types of knowledge are shared and transferred across borders.

Interviews, carried out either in person or via video calls, were recorded and transcribed in Spanish. A summary of each interview was then prepared in English for discussion within the research team. Transcripts and summaries were shared with interviewees, inviting them to follow-up interviews should they wish to clarify or expand on any particular issue. The interviews provided deep and unique insights into events, decisions and links in the phenomenon; but also suffered from limitations (Langley, 2009). We accounted for these (e.g. potential retrospective bias of interviewees) by contrasting the narrative in our interviews with the other data sources.

#### 3.3.2. Online video recordings

Given the involvement of the firm in a variety of internationalisation events, six interviews and presentations, recorded between 2011 and 2019, were publicly available online. These were transcribed and coded. In these recordings, informants discussed the firm's international strategy, including in Latin America, and the firm's particular approach to project management and client relations, and therefore provided insights into firm goals, activities and knowledge processes. Several recordings were of professionals we had interviewed, which allowed us to contrast both sets of data to avoid retrospective bias.

#### 3.3.3. Archival data

Archival data was gathered mainly from three sources: (i) the firm's annual reports available online since 2008 and hard copies prior to that date; (ii) teaching case studies about the firm's internationalisation process; and (iii) news available online regarding the firm's international activities. The annual reports from the sectoral association and a doctoral thesis published in 2006 provided valuable information about the firm's international activities and income, substituting to some extent the missing annual reports.

The archival data sources provided a reliable source of events and

**Table 1**  
Summary of data sources constructing the longitudinal case study.

DATA SOURCE	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	TOTALS	
Interviews, interviewees numbered I1 to I10 and online videos numbered OV1 to OV6																							
Semi-structure interviews	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	15	
Online Videos (Interviews & presentations)													1		1	1	1			1		2	
Archival Data, documents numbered AD1 to AD54																							
Annual Reports					1	1		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	15 reports 2474 pages AD1-AD15
Teaching case studies	1	x	x	x	x	x	x	x	1										x	x	1	3 cases 85 pages AD16-AD18	
Press articles							1			2	2	2	1	3	1	3	1	4	5	6	6	31 articles 82 pages AD19-AD49	
Thesis	x	x	x	x	x	x	x	1	1	1												4 reports – 12 firm references AD50-AD53	
TOTALS																						47 pages in reference to firm AD54	

Notes:.

Time perspective of the data: RT = real time / RFT = retrospective from today / RFP = retrospective from past time-point.  
"x" denotes a specific time period covered by a retrospective data source.

dates generated in real-time, which allowed us to confirm or correct the data from the interviews and construct reliable timelines. Data from the archival sources (case studies, annual reports and press articles) were also used in the second and third analysis phases, to identify firm goals, activities, knowledge processes as well as causes for change in mode combination changes. In particular, the teaching case studies offered insights into the internationalisation and decision-making processes, while annual reports proved useful to identify changes in the overall international strategy of the firm and the development of the Latin American offices.

### 3.4. Data analysis

We coded the data in several iterations, each time focusing on different questions. During the first iteration, we aimed to identify the main periods in the firm's internationalisation in each country, so that we could compare the mode combinations in those different periods. First, as this is a process study we focused on events and compiled a timeline for each country, from the interviewee narratives and archival data. Then, we used a temporal bracketing strategy, identifying continuities in the activities in each period and marking the discontinuities in the temporal flow of activities to identify the frontiers between them (Langley, 1999; Langley et al., 2013). We compared the three embedded country cases and concluded that (except for minor differences discussed in the findings) a similar pattern, including four successive periods, existed across the three countries. This pattern was contrasted and confirmed with interviewees.

In the next iteration of data analysis, we used this four-period pattern and coded the data (i.e. interviews, teaching case studies, annual reports and press articles) for the following categories: What was the firm's goal in this period? What activities were carried out and by whom (Benito et al., 2011; Petersen et al., 2008)? What knowledge processes were key? What operation modes were used in each period? What was the role of each mode and what interrelation existed between modes (Petersen & Welch, 2002)? This round of coding enabled us to identify various operation modes and knowledge processes (and correctly label them according to the theoretical constructs summarised in Table A1 in Appendix 1) and unveil the instances of mode combinations. Cross-case comparison in this phase revealed no major differences across countries (Stake, 2006).

Having a clear idea of what mode combination existed during each period, we moved to the third round of data coding, which was driven by our core questions of how and why mode combinations change. At this stage, we particularly focussed on events (Langley, 2009) to identify changes, and then more particularly on puzzles (Grodal, Anteby & Holm, 2020), e.g. changes that did not correspond to the types of changes described in the literature (Putzhammer et al., 2019). By iteratively contrasting our emerging findings with the relevant literatures, we were able to refine our theoretical categories (Grodal et al., 2020), in particular by splitting mode combination changes into two types and identifying reasons for change that have not previously been discussed in the literature. Cross-case comparison revealed minor differences in the reasons for change across countries, which are discussed in the findings. Finally, we shared findings with several key interviewees, which provided contrast for certain findings or interpretations.

### 3.5. Reflexivity and researcher positionality

As is common in process studies (Langley et al., 2013), one of the authors has had a prolonged involvement with the firm (i.e. employee for 2 years and continued collaboration thereafter). Therefore, we reflected on the way her experience contributed to shaping the research process (Corlett & Mavin, 2018), and in particular her position along the insider-outsider continuum (Aguinis & Solarino, 2019; Anteby, 2013).

On the one hand, her interactional expertise – or ability to engage with the professionals and the specific context (Collins, 2004) – led to

data access and a candid, trusting attitude of interviewees during interviews and other informal interactions (Jay, 2013). To avoid interviewing only professionals she knew, we asked interviewees to suggest additional interviewees. Moreover, her first-hand knowledge of firm's internationalisation to Latina America in periods 1 and 2 enabled inconsistencies or retrospective bias to be identified and clarified. On the other hand, her experience also shaped data analysis (Langley et al., 2013), namely by enabling implicit links made by interviewees to be identified and made explicit; and by facilitating detection of links between theory and data for subsequent exploration and analysis by the research team.

To monitor the researcher's positionality as she engaged with the research and leverage the complementary of the research team, we implemented a series of individual and group reflexivity practices. First, in 2019 recollections from time spent at the firm were recorded in written form, then contrasted with the recollections of another employee who left the firm at the same time and confirmed to be very similar. Second, thoughts and reflections stimulated by listening to the interviewees were also recorded to contrast later with interviewee transcripts. Third, building on the different theoretical and methodological backgrounds of the researchers as well as their different perspectives (both insider and outsider), the research team engaged in regular reflexivity exercises to discuss different potential interpretations of the findings and uncover new insights (Corlett & Mavin, 2018).

### 3.6. Triangulation

The sections described above include a number of different methodological alternatives or types of triangulation (Nielsen et al., 2020), which were implemented in order to enhance the trustworthiness and validity of our conclusions (Bansal & Corley, 2012; Rheinhardt et al., 2018), and can be summarised as follows (also see Table A2 in Appendix 1). First, we used multiple techniques and sources to collect our data as a means of *data triangulation*, to avoid errors, omissions or retrospective bias in the data and increase discovery potential. We also used different analytical techniques (temporal bracketing, categorisation and cross-case comparison) for *analytical triangulation*, to explore both how and why operation mode combinations change. Furthermore, these analytical techniques also allowed for *contextual triangulation*, in particular by comparing different temporal contexts and country contexts. The research team reflexivity exercises described above, as well as the contrasting of findings with interviewees allowed for *researcher triangulation*. Finally, although we did not examine our findings through multiple theoretical lenses and therefore cannot claim *theoretical triangulation*, our findings do point to non-knowledge-related reasons for

mode combinations change and lead us to acknowledge the complementarity of other theoretical lenses.

## 4. Findings

### 4.1. Characterisation of the internationalisation process

Steps 1 and 2 of our analysis allowed us to identify a pattern of four distinct time periods, which (after cross-case comparison) we determined was common to the three countries. In the following section, we characterise each period, by discussing the firm's goal, activities, operation modes, operation mode combinations and key knowledge processes.

To correctly label the operation modes and knowledge processes we consulted the relevant literature for core definitions that are summarised in Table A1 (Appendix 1); and to identify the different mode combinations, we built on Petersen et al. (2008) framework and mapped how the firm's core activities were carried out in each time period. The findings are summarised in Table 2, and represent the building blocks for the answers to our research questions.

### 4.2. Period 1: market discovery

The firm's goal in the first period was to explore the market to evaluate the firm's potential there, or as described by an interviewee: "Our focus back then was 'where are there opportunities?'" (I1). These new business opportunities were identified by professionals travelling to and from the headquarters; and project management and execution were also carried out in export mode: "We won a project in [country], [...] and so they asked me why don't you manage this project? [...] For close to two years, although I worked in [Spain], I travelled to Latin America often" (I10).

As is often the case for PSFs, demand came in the form of project tenders, and it was common for the firm to form alliances with local firms to tender for projects together. Local allies, working side by side with the firm's professionals, carried out activities requiring an on-going local presence or expertise. This collaboration allowed the firm to learn about the different local market dynamics, that is acquire knowledge from external partners.

### 4.3. Period 2: establishment of a permanent presence

With one or more projects in hand, a permanent presence was established, with a small initial investment and a focus on sales (Welch et al., 2018). The firm's goal with this "commercial office was to detect and develop opportunities for the exports of professional services from Spain"

**Table 2**  
Summary of goals, operation mode combinations and knowledge processes.

LATIN AMERICAN OPERATIONS	PERIOD 1	PERIOD 2	PERIOD 3	PERIOD 4
<b>STRATEGIC GOALS</b>	Explore the market to evaluate the firm's potential	Establish a permanent presence to access clients and increase sales.	Grow in the market and increase production efficiency by hiring locally	Consolidate the firm's presence in the market and ensure integration of teams into global organisation
<b>VALUE CHAIN ACTIVITY</b>	<b>Operation modes used to carry out the activity</b>			
<i>Business Development</i>	1. <u>Export</u>	1. <u>FDI (Sales)</u> 2. Export	1. <u>FDI (Production)</u> 2. <u>Export</u>	1. <u>FDI (Production)</u> 2. <u>Export</u>
<i>Project Management</i>	1. <u>Export</u>	1. Export	1. <u>FDI (Production)</u> 2. <u>Export</u>	1. <u>FDI (Production)</u> 2. <u>Export</u>
<i>Project execution</i>	1. <u>Export</u> 2. <u>Alliance</u>	1. Export 2. <u>Alliance</u>	1. <u>Export</u> 2. <u>FDI (Production)</u> 3. <u>Alliance</u>	1. <u>FDI (Production)</u> 2. <u>Export</u> 3. <u>Alliance</u>
<b>KNOWLEDGE PROCESSES</b>	1. Knowledge acquisition 2. Knowledge accession	1. Knowledge combination 2. Knowledge accession	1. Knowledge transfer 2. Knowledge combination 3. Knowledge accession	1. Knowledge combination 2. Knowledge transfer 3. Knowledge accession

Notes:

Operation modes underlined denote the primary operation mode in the corresponding period.

Operation modes and knowledge processes appear in order of importance in the performance of this activity.

(AD20).

In addition to the *between* mode change of the primary operation mode from export mode to a foreign direct investment, a country director was appointed. The country director took on responsibility for business development, namely managing clients and searching for new ones. However, the director's local relational knowledge was not enough to close sales; the technical knowledge of the specialist professionals was also needed. One interviewee (I2) referred to this combination of their technical expertise with the country director's local know-how as "*working a tandem*" – that is, knowledge combination was the core process during this period. Once contracts were awarded, project management and execution were carried out by professionals travelling from the headquarters (like in the previous phase), i.e. in export mode, and often together with local allies.

#### 4.4. Period 3: growth into a production office

As project volume grew, the office began hiring local professionals to increase both production capacity and efficiency in projects. This effectively changed the purpose of the primary operation mode from sales to production, leading to a *within* mode change of the primary mode occurred (Putzhammer et al., 2019; Welch et al., 2018). This gradual growth in production capacity, driven by demand for services, is typical of the PSF context (Boxall & Steeneveld, 1999).

However, for the local office to "*start producing locally bit by bit*" (I3), local professionals needed to gain experience in the firm's work methodologies and in particular in their approach to the core activities of managing ad-hoc projects and interaction with clients. Hence, project teams were created, bringing together professionals from the subsidiary and headquarters and enabling the necessary knowledge transfer: "*There is a risk to having someone produce deliverables without knowing our philosophy, our methodology. That's why our teams are always sponsored by someone with experience in the firm*". (I7).

For certain projects or activities, local alliances allowed additional resources to be accessed, "*because with our small teams we did not have local production capacity*" (I6). Business development activities continued to be carried out in tandem, and local professionals took advantage of this interaction to build their business development capacities, with an aim to start taking on these tasks locally, that is, with the aim to transfer this knowledge to local subsidiary.

#### 4.5. Period 4: consolidation

Although the boundary between the third and fourth periods is difficult to pinpoint, in each country it came a point where the focus shifted from growth to consolidation. The offices continued to grow, but the firm's goal in the country became to "*to consolidate our local teams and support our own people responsible for managing multidisciplinary projects*" (I7). This shift in role of the FDI represents a *within* mode change for the primary operation mode.

Local middle managers took on business development and client management responsibilities, as well as supervision of their local team, although in many instances professionals from the headquarters continued to engage in transferring their managerial expertise when necessary. The firm's intent was not to eliminate international participation entirely, but rather offer clients a combination of local and international expertise in mixed, multidisciplinary teams: "*we always aim to have an international expert in the project, to oversee quality but also to offer the client their international experience*" (I7). Therefore, in this period the intensity of knowledge transfer decreased, while knowledge combination through the creation of ad-hoc project teams combining professionals across business and geographical areas became more important.

With the consolidation of local teams, alliances were now mainly used as a means of accessing knowledge that the firm does not have nor intends to develop.

Table 2 provides a summary of findings, but also highlights important elements: First, it reveals a pattern resembling the classical staged representation of firm internationalisation. However, we were cautious to assimilate our case firm's pattern to these stages, because the data did not reflect a prescribed or pre-defined sequential development strategy. When we contrasted the pattern with interviewees, they confirmed that no pre-planned sequence of steps had been followed; but rather a recurrent sequence of goal setting and implementation had occurred, in which different organisational teams had contributed to making the offices what they were in this period (Van de Ven & Poole, 1995).

Second, Table 2 reveals how modes are combined, by illustrating the modes that were used for each activity over time. These activities are interrelated value chain activities (a business development activity leads to the award of a project, which is then managed and executed), and as such the combinations constructed by our case firm are *complementary* mode combinations, i.e. where modes are combined in a mutually supporting way to achieve the firm's goal (Petersen & Welch, 2002).

Third, Table 2 shows that different knowledge processes were key during the different periods. Knowledge accession and knowledge combination were on-going processes, though their relative importance changed between the periods. Knowledge acquisition and knowledge transfer, on the contrary, appear finite, ending after periods 1 and 4 respectively.

#### 4.6. How combinations change

Having identified the mode combination in each period, we examined how they changed. The change between combinations 1 and 2 is the most apparent. An additional mode (FDI) is added to the two existing ones, becomes the primary mode and relegates the export mode to a supporting role. This change represents a change in mode combination as defined by Putzhammer et al. (2019), namely adding (or eliminating) a new foreign operation mode to existing operations in a given host country.

However, our analysis revealed other instances of changes in mode combinations that did not align with this definition, namely when individual modes underwent change. The first of these is when within-mode changes occurred in the primary operation mode, which as Welch and his colleagues explain, can occur when the mode suffers change in activities, resources and/or organisational changes (Welch et al., 2018, p411). For example, when new activities were added to the FDI, its purpose changed from sales to production. Welch and his colleagues describe this as "*the incremental process in which one operation mode virtually "grows" into another*" (Welch et al., 2018, p409). In this case, no formal change of ownership or governance method occurred, but there was a shift in activities, organisational structure and resources in the local office, as evidenced by the following interviewee: "*We needed a team here, and we started building it. [...] The client needed experts with experience, but they had to count on a team, which was the one we began building here in [country]*." (I10).

The second instance was linked to the identification of changes in the supporting modes, in particular, changes in the role played by these supporting modes, i.e. the way in which that mode is being used to achieve the firm's objective (Benito et al., 2009; Petersen & Welch, 2002). For example, the role of the export mode changed from full responsibility for all activities in period 1 to a supporting role in period 4, as this interviewee describes: "*Initially we had a very strong component of international participation in projects, maybe 85%–90%. But that flipped [...] and now in projects we have, although not in all projects, 15%–20% of international participation*" (I7). Similarly, the role of alliances changed over time. Initially, alliance partners were brought into carry out local project tasks, then to cover the peaks in project volume, and then partners were chosen because of their complementarity with the firm. "*We continue to subcontract. Sometimes because we are at full capacity and we cannot do it ourselves, but our tendency is more and more to complement our team with knowledge that is not critical to our business, that is outside the*



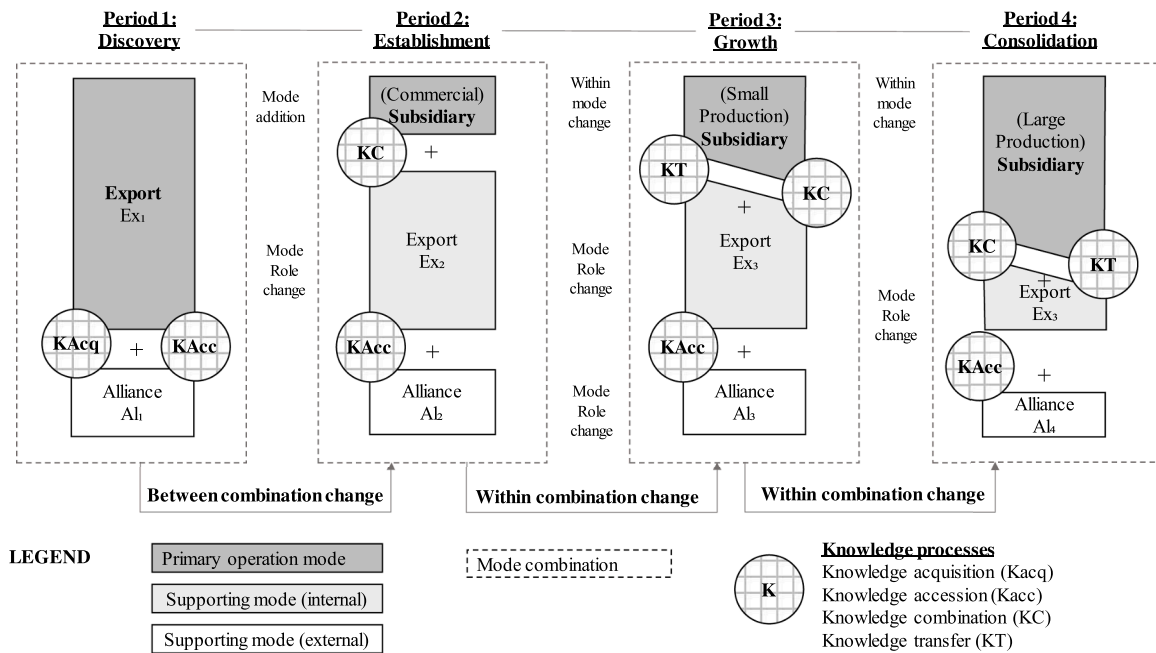


Fig. 2. Mode combinations changes.

firm and should remain outside the firm” (I2).

In conclusion, in addition to the combination changes the literature discusses, we found another type of change. Indeed, the existing conceptualisation of combination changes focuses on changes to the structure of a combination, i.e. changes due to the addition (or deletion) of an operation mode (Benito et al., 2012; Putzhammer et al., 2019). In this case, one combination substitutes another, which – if we use similar vocabulary to that of single modes – can be labelled *between-combination changes*. However, we identified another type of change in mode combination, which occurred when individual modes suffered within mode changes or role mode changes. In this case, the overall structure of the combination does not change, making this type of change analogous to the adjustments made within the boundaries of an individual mode, i.e. to within mode changes (Benito et al., 2012; Clark et al., 1997; Putzhammer et al., 2019). We have labelled these *within-combination changes*.

Building on all of these findings, Figure 2 shows how mode combinations change. In particular, it highlights the two types of change we identified: between-combination change and within-combination change. Furthermore, it provides an overview of all the changes identified that led to these combination changes: between and within changes to the primary operation mode and role mode changes to the supporting modes.

#### 4.7. Why mode combinations change

Our study also aimed to explain why mode combinations changed over time.

Analysis of our data revealed a variety of causes, many of which aligned with existing research on operation mode change. Table 3 provides an overview of all the causes identified, that we aligned with existing classifications of changes in operation modes (Calof & Beamish, 1995; Putzhammer et al., 2019; Swoboda, Olejnik & Morschett, 2011).

First, we found a number of changes similar to those already discussed in the extant literature. On the one hand, external causes for change, namely the increase in demand (Calof & Beamish, 1995), the institutional requirements for operating in the country (Axaroglou & Kouvelis, 2007; Benito, Pedersen & Petersen, 2005; Puck et al., 2009), home market uncertainty and the expectations of clients regarding a local presence. On the other, we found also internal or firm causes for

change, namely a change in strategy (growth or efficiency), resource needs (Calof & Beamish, 1995; Swoboda et al., 2011) and performance (Hennart, Roehl & Zietlow, 1999; Pedersen et al., 2002). We found that insofar as these causes affect single modes (often the primary operation mode) they also caused changes in the operation mode combination.

Second, the knowledge-based perspective allowed us to identify another cause for change in the mode combinations that we did not find in the extant literature: changing knowledge needs. In analysing how mode combinations changed, we identified that knowledge processes changed also. Indeed our analysis shows that changing knowledge needs meant different knowledge processes were most important for the firm in different periods.

In period 1, the firm aimed to acquire knowledge about how the market operated, where there were opportunities for the firm, and whether these opportunities were sufficient to justify a permanent presence in the country. When sufficient knowledge was gained in order to take a decision (i.e. to change the primary operation mode and an adjustment to the role of the export mode), this goal essentially became obsolete. Of course, the firm continued to learn about the market, but its main goal shifted to generating business opportunities by combining the country director’s local knowledge and the Spanish professionals’ technical expertise. Subsequently, the need to build local productive capacity led to the transformation of the primary operation mode from a commercial to production office (through hiring of local professionals); and the role of the export mode to change once again, this time towards transferring firm knowledge to locally hired professionals. Finally, once consolidation of the local team was achieved, the need for knowledge transfer diminished and focus shifted to reinforcing the managerial capabilities of local middle managers – a knowledge transfer process which will eventually also largely become obsolete as local managerial teams become more established. This shift gradually reduced the involvement of professionals from the headquarters and changed the export mode role to a supporting role. In period 4, the firm seeks to consolidate its competitive advantage by combining local and international expertise. Table 3 shows these three changes in knowledge needs identified as causes for the changes in the mode combination, and the supporting illustrative quotes.

Given that knowledge is continuously being created, refined, discarded, and recombined in the firm (Grant & Baden-Fuller, 2004; Kogut

& Zander, 1993), it follows that the firm's knowledge needs are continually changing. Some of the firm's knowledge goals (in this case, to acquire sufficient market knowledge to decide on the attractiveness of the market, or to transfer firm know-how to local professionals) are finite in that once they are achieved they no longer remain a priority for the firm. Therefore, the operation mode that enabled these knowledge processes changed its role and scope in the mode combination.

Finally, not only do our results yield numerous different causes for change, but we also found that mode combination changes were caused by a combination of different factors. Furthermore, cross-case comparison showed that the causes leading to the combination change for a given period differed across countries, creating different configurations of causes. For example, the decision to open the commercial office in one of the countries was due to the poor performance of the joint venture with a local partner and a critical mass of activities to justify a local commercial presence. In the second country, this same decision was due to the availability of a country director and the conclusion from the first period of market exploration that sufficient business potential existed in the country. And in the third country, the expectations of clients that the firm would have a local presence, together with the availability of a country director were important factors in the decision. Therefore, foreign operation mode and combination choices appear to involve a larger number of factors than research currently recognises, and the adoption of a configuration approach examining the different outcomes of different configurations of causes seems timely.

In sum, in answer to our research question of why mode combinations change, we found i) a novel cause for changes in operation mode combinations, namely changing knowledge needs, and ii) causes of primary mode changes in the extant literature prove useful to explain certain mode combinations change. Therefore, our findings suggest that to fully understand the complexity of mode combinations, the combination of theoretical perspectives is likely to be more informative and that research needs to start examining the combination of decision factors and their interplay.

## 5. Discussion

This longitudinal case study was motivated by the need to better understand operation mode combinations and explain why they change over time. First, we identified a pattern of four periods and characterised the operations in each period, namely strategic goals, operation mode combinations and key knowledge processes. By analysing how the mode combinations changed over time, in particular by identifying changes in both primary and supporting modes and changes in the knowledge processes, we found that changes in combinations can entail *between*-combination changes or *within*-combination changes. Finally, by analysing all the causes for change identified from the data, we identified a variety of reasons for change, many of which aligned with previous literature. However, we also found that combinations changed due to the firm's changing knowledge needs over time. In the following section, we discuss the theoretical implications for our findings and how they contribute to developing the knowledge-based perspective on operation modes.

### 5.1. Theoretical implications

#### 5.1.1. Refining the concept of changes in operation mode combinations

The analysis of how mode combinations change has led us to conclude that a more nuanced and precise conceptualisation of the concept of *changes in operation mode combinations* is required. Prior research defined such changes as "adding a new foreign operation mode of higher or lower mode to (an) existing operation/s or eliminating (an) existing operation/s in a given host country" (Putzhammer et al., 2019, p.10619). This definition only considers changes that result in a structural change in the combination. However, our findings show that changes may not involve mode addition or elimination, or in fact, any structural changes

to the combination. As a result, we propose that definitions of changes in operation mode combinations should distinguish between changes occurring *between* or *within* combinations. Table 4 includes definitions that we propose for these two different types of mode combination changes, compares them by contrasting their internal change mechanisms and their theoretical relevance, and illustrates them with an example from our case study.

The need for conceptual development on operation modes has been recognised (Putzhammer et al., 2019), and in particular the refined conceptualisations we propose are important for two reasons. First, because concepts and constructs are the foundational building blocks for all types of theorising (Cornelissen, Höllerer & Seidl, 2021; Suddaby, 2010). This is especially pertinent in the case of operation modes, as the focus of research has been on independent variables (choice explanations) while the dependant variable (modes themselves) have been overlooked and oversimplified (Benito et al., 2009; Petersen et al., 2008). Our more nuanced conceptualisation provides an opportunity for greater conceptual precision and operationalisation of constructs, necessary in future variance and configurational theorising on the global operations of multinational firms.

Second, our conceptual suggestions bring researchers closer to the practical reality firms face, by providing more realistic answers to the question of how firms manage their foreign operations. Specifically, this conceptualisation highlights the large variety of major and minor adaptations firms can make thus shedding light on both the complexity and the flexibility of such choices. (Benito et al., 2012).

#### 5.1.2. Exposing the role of knowledge in mode combination changes

The key challenge of international business theories attempting to explain foreign operation mode choices is to specify the circumstances or conditions in which hierarchical governance methods are superior to market governance methods and vice-versa. By shifting focus from the primary operation mode to the value chain activities in each country, our study allowed us to identify that rather than choosing between distinct operation modes, the firm is combining modes. In other words, it appears that the firm is constructing operation mode combinations as a hybrid governance form that allows different hierarchical and market mechanisms to be used simultaneously (Hennart, 2010). Our study also brought to light that the reason why the firm created combinations was to enable knowledge flows within and across its boundaries. This finding is in line with the knowledge-based view, suggesting that firms seek to maximise the efficiency of their knowledge processes and will choose the most appropriate governance mechanisms to do so (Grant, 1996a, 1996b; Kogut & Zander, 1992, 1993). In sum, our study revealed that the firm chose operation mode combinations as a hybrid governance mechanism to enable and manage multiple knowledge flows within and across its boundaries.

Furthermore, we found that changes in knowledge needs – in particular the relevance of different knowledge processes at different times in the firm's internationalisation process – led to changes in the foreign operation mode combination. These changes in knowledge needs occur not only as a result of changing strategic goals in each period, but also because of the intrinsically finite nature of certain processes. For example, knowledge acquisition, which occurs through the interaction of the firm with external agents (in particular with their alliance partners), is a finite process. Indeed, once the firm has acquired the given knowledge (in this case in relation to market dynamics and business potential), interaction with the alliance partners shifts towards knowledge accession, where partner knowledge is seen as complementary and each partner focusses on their own specialisation (Grant & Baden-Fuller, 2004). Similarly, insofar as knowledge transfer seeks to not only share knowledge with the recipient but ensure this recipient absorbs it and can apply it (Gupta & Govindarajan, 2000), it is also often a finite process. Once the recipients are knowledgeable enough to apply the knowledge themselves, there is no longer a need for the knowledge transfer process to continue. Our case firm illustrates this, as an

**Table 3**  
Reasons why foreign operation mode combinations change.

Illustrative Quotes (data source)	1st order classification (data-driven)	2nd order classification (theory-based*)	3rd order classification (theory-based**)
<ul style="list-style-type: none"> <li>An important milestone in [country] was a large project that we won [...] That project meant deploying many engineers from headquarters, so [...] the decision was made to [...] operate in [country] with our own structure. That large project gave enough stability to simultaneously develop an ambitious commercial process. (I5)</li> </ul>	Critical mass of activities justifying stable local sales presence P1->P2 (***)	Market demand/ Awarding of contracts by clients	Environmental factors
<ul style="list-style-type: none"> <li>The need to follow-up with clients can be the origin of the creation of a permanent office because it contributes to finding the critical mass to justify it. This has been the case of many of our current offices. (AD17)</li> <li>This [project award] marked a turning point, because previous projects were smaller, they worked well with exports. So, in addition to the people we had planned to bring [from the HQ] we needed much more local support here. (I10)</li> <li>Looking back, the [name] project represented an important leap. And growth. That's how, with one step, the office became a local production office. (AD46)</li> </ul>	Volume of projects require local production capacity P2->P3		
<ul style="list-style-type: none"> <li>We understood that the Latin American client, especially in [country] is demanding [...] in the sense that they require a physical presence and accompaniment in the decisions they must take in relation to the project. [...]. There's a meeting for everything, and they want to see someone for everything". (I7)</li> <li>Proximity to the client is essential to deliver the quality service expected of us. Therefore, our teams are established wherever we have projects. [...] We are certain that being close to the client is the correct way to understand their requirements and offer the best possible solution for their needs. (AD10)</li> </ul>	Proximity to the client Client demands P1->P2 P2->P3	External (local) context	
<ul style="list-style-type: none"> <li>[Public] Clients that had been previously more lax regarding local validation of professional authorisations began requesting local accreditation once more. (I10)</li> <li>There was an increase in new project contracting during the year, especially internationally; our presence outside Spain continues to rise as more and more significant and notable projects are obtained in all areas. [...] Thanks to these projects and several new contracts in Spain, we have maintained our range of professional services with minimal effects from the economic slowdown. (AD06)</li> </ul>	Institutional regulations P2->P3 Home market uncertainty P1->P2 P2->P3	External (home) context	
<ul style="list-style-type: none"> <li>With this base, [...] we should consolidate our international expansion, strengthening our business outside Spain, in all areas. This growth should not be based on domestic demand, as was the case until recently, but on external demand. We have enormous possibilities that we should consolidate in the coming years.(AD08)</li> <li>We were lucky that we had a person that wanted to go back to the country and that was the seed of the opportunity [to open the office]. (I6)</li> <li>If I had to highlight the key issues, the first would clearly be about the person: Do we have someone with a solid profile in IDOM around which we can pivot market entry? Does this person have the motivation to lead the project? If the answer is unclear, we think twice before acting. (AD17)</li> <li>The second reason [to open the office] was to coordinate our alliances with other firms and professionals and ensure quality control. (I7)</li> <li>To be more economically competitive, we definitely had to increase the local team and start to produce here." (I7)</li> </ul>	Availability of candidate for country director P1->P2	Resources	Firm
<ul style="list-style-type: none"> <li>All of our technical areas have a significant projection abroad (AD07)</li> <li>From the perspective of team development, we are on a growth path in practically every place we operate (AD13)</li> <li>The next leap is to become a multinational. Our headquarters is in [Spain] and we should not lose our essence, and an important presence in Spain, but our presence in other countries is relatively small. We work a lot abroad, but with little presence in the sense of being present in those societies with more stable and potent. And that's where we need to advance. (AD21)</li> </ul>	Coordinate local allies P1->P2 Increase efficiency of local operations P2->P3 Growth From P2-P3 From P3-P4	Strategy	
<ul style="list-style-type: none"> <li>The alternative of a [joint venture] with local partners was discarded after the experience of the firm in Mexico. [...] It didn't work. The cause is attributed to the lack of interest of both partners. The collaboration model did not generate enthusiasm of either party. (AD16)</li> <li>The results achieved allow the firm to consider new ideas in the industrial, energy and mining sectors, thus supporting the corporate strategy of consolidating [firm] as a large multinational (AD46)</li> </ul>	Performance From P1-P2 From P3-P4	Performance	
<ul style="list-style-type: none"> <li>"In the beginning we didn't know much about the markets, about how things worked there; so we worked with different partners, to see how they worked, and what types of projects were possible. Then, once we had a better understanding of how things worked in the country and sufficient clues to conclude there was business for us there, we thought about having someone there. From then on, that person guided us on local relations" (I2)</li> <li>There is always a sponsorship by the responsible of the business line from the headquarters. [...]Mainly due to their need to understand how we work and the risk it would entail to let someone produce deliverables without knowing our philosophy, our way of working. So the technical areas have always sponsored someone they believe to have a future in [firm]. (I7).</li> <li>When you go to another country, there is a period when you need to provide more international support [...]. They need mixed support, for [sales] offers or for on-going projects, and at the beginning there are more people who travel there (I3)</li> </ul>	Completion of knowledge acquisition goal P1->P2	Change in knowledge needs****	
<ul style="list-style-type: none"> <li>[Business lines] have professionals here and after a medium term they let them operate autonomously. (I7)</li> <li>Before, we would create ad-hoc teams for projects and [headquarter] professionals came here to manage the project. But now we have consolidated our local teams; and this is very</li> </ul>	Need for knowledge transfer process P2->P3 Terminal nature of knowledge transfer process P3->P4		

(continued on next page)

Table 3 (continued)

Illustrative Quotes (data source)	1st order classification (data-driven)	2nd order classification (theory-based*)	3rd order classification (theory-based**)
<p><i>relevant because it means that each technical area here can manage their own projects</i> (I10)</p> <ul style="list-style-type: none"> <li>• <i>When your business area has a team locally, you transfer responsibility to someone. You teach [them], you transfer your knowledge to [them] and then you say [name], now this business area is yours, your responsibility.</i> (I2)</li> <li>• <i>You need good profiles, and as the office becomes more mature, there is less and less need for people to go there because you have local people, your people, [firm] people.</i> (I3)</li> </ul>			

Notes:

\* Theory-driven (Calof & Beamish, 1995; Swoboda et al., 2011).

\*\* Theory-driven (Putzhammer et al., 2019).

\*\*\* Indicates from which period (P) to which period (P + 1) these reasons were found.

\*\*\*\* Category created by the authors.

important strategic goal of period 3 was to transfer firm know-how to the locally hired professionals, and once a sufficient critical mass of local professionals has accumulated this knowledge, the knowledge transfer from headquarters to subsidiary became less important. The local subsidiary received sufficient firm know-how to be able to train new hires on its own. Therefore, although the knowledge transfer process continues in period 4 (with a narrower focus on managerial capabilities), it is no longer the main focus of the interaction between the subsidiary and export modes. In other words, changes in knowledge needs can be a distinct driver of changes in mode combinations in of themselves, irrespective of other change drivers.

Finally, our study sheds light on knowledge process that have received less attention in the international business literature, namely knowledge combination and knowledge accession. Indeed, the KBV of MNEs literature predominantly focusses on knowledge acquisition and transfer, i.e. processes that imply that the ultimate aim of knowledge flows in MNEs is to alter the firm's or the unit's knowledge base (e.g., Buckley & Carter, 2004; Martin & Salomon, 2003; Minbaeva, 2007). Yet, our findings highlight that this is not always the case, as at some point in the firm's internationalisation the firm may wish to access and integrate knowledge into its offering to clients with no ambition to learn it (Buckley et al., 2009; Grant & Baden-Fuller, 2004). In the case of knowledge combination, professionals work together and share complementary knowledge. Similarly to knowledge accession, the aim is not that local professionals acquire this knowledge, but rather for actors to collaborate with their specialised knowledge in the hope that the combination and integration of the complementary knowledge will be even more valuable for the execution of the relevant activities. The distinction between knowledge flows with and without ambition to acquire knowledge, and acknowledgement that the need for the latter can exist throughout the internationalisation process, is critically important to understand foreign operation mode combinations and their evolution. Indeed, knowledge acquisition and transfer come with costs, potential knowledge losses (Buckley & Carter, 2004), and risks to dilute the firm's (or unit's) specialisation and lose its core competence (Buckley et al., 2009). Therefore, to be efficient in knowledge integration and in using its knowledge resources, a firm needs to choose modes of coordination that can avoid the high costs of extensive mutual learning (Grant & Baden-Fuller, 2004). Thus, depending on the specific knowledge needs and associated costs and risks, a firm may choose a portfolio (that is, a combination) of foreign operation modes that best suits its need to access different types of knowledge in the most efficient manner.

Overall, our study revealed that operation mode combinations are created to enable a variety of knowledge processes to occur, some of which may be finite and/or may entail a change to the firm's knowledge base. Throughout the firm's internationalisation process, its knowledge needs will evolve, and as these needs evolve, so will the operation mode combinations. Remaining faithful to the complete set of findings, we acknowledge that other reasons exist why mode combinations will change, namely due to internal strategic and resource factors and/or

adaptation to external contextual factor. However, our contention is that in the case of complementary mode combinations (where modes contribute in a mutually supporting way to a common goal (Petersen & Welch, 2002)), the need to manage changing knowledge needs is the predominant motive for the combination of foreign operation modes. In sum, our study provides a knowledge-based explanation for the combination of operation modes and for changes in these operation mode combinations.

## 5.2. Boundary conditions

Given our process case study approach, our findings and conclusions are contingent to the specific empirical context in which the study was carried out and raise the question of generalisability (Gehman, Treviño & Garud, 2013; Welch et al., 2011). Our aim was to explore how changes in operation mode combinations occur and provide explanations of why. Our insights and conceptualisation will be applicable to cases similar to our case firm, so it appropriate to specify what our study is a case of (Langley, 2009; Tsoukas, 2009).

Our case study is set in a service context. The debate remains open regarding whether service firms behave differently in their internationalisation and to what extent (Blagoeva, Jensen & Merchant, 2020). Some scholars question whether existing theories – developed in the context of manufacturing firms – apply to service firms, due to their distinctive nature (Kundu & Lahiri, 2015; Malhotra & Hinings, 2010; Merchant & Gaur, 2008). However, others have concluded that these theories are indeed applicable, in particular to operation mode choices, albeit with some adaptations (Boddewyn, Halbrich & Perry, 1986; Brouthers & Brouthers, 2003; Erramilli & Rao, 1993). The main distinction relevant to this study is the service firm's ability to disaggregate its value chain. It has been argued that inseparability of production and consumption of services hinders the decoupling of value chain activities (Rugman & Verbeke, 2008). However, closer examination of knowledge-intensive services has in fact shown that value chain activities can be disaggregated, albeit in a different manner (Ball, Lindsay & Rose, 2008; Løwendahl, Revang & Fosstenlökken, 2001). Building on these works, we believe that the combination of modes in manufacturing firms will also enable knowledge flows (e.g. knowledge acquisition from working with local distributors, knowledge accession from collaborating with licensees or knowledge transfer between organisational units). Therefore, although further exploration is required in other types of firms, these interest of these findings are a priori not limited to the service context.

Another feature of our case study firm to consider is its knowledge-intensive nature. Given the high reliance of such firms on their human capital and the combination of individual, team and organisational knowledge (Hitt et al., 2006; Løwendahl, 2000; Malhotra, 2003), the knowledge processes and their intensity in these firms may differ from others. Knowledge-intensive firms will likely have a higher proportion of tacit knowledge and require greater social interaction for knowledge

**Table 4**  
Comparison of between and within combination changes.

	Between combination changes	Within combination changes
Definition	Replacing one mode combination with another of higher (or lower) commitment	Maintaining the overall mode combination structure, but adjusting individual modes or their role within the combination
Structural change	Change to structure due to changes in the composition of the combination	No change in combination structure
Change mechanisms	<ul style="list-style-type: none"> <li>• Between mode changes, i.e. replacing a mode with a new mode</li> <li>• Mode addition (duplication or elevation)</li> <li>• Mode elimination</li> </ul>	<ul style="list-style-type: none"> <li>• Within-mode change, i.e. change in activities within the boundaries of the existing mode or ownership adjustments to existing mode</li> <li>• Mode role change, i.e. change in the mode's contribution to the firm's objectives in the market</li> </ul>
Theoretical relevance	<ul style="list-style-type: none"> <li>• When contemplating changes in foreign operations, firms are not limited to changes in the primary operation mode</li> <li>• Incremental resource commitment does not necessarily entail implementation of a higher commitment mode</li> </ul>	<ul style="list-style-type: none"> <li>• The (changing) role of supporting operation modes provides a deeper, more nuanced understanding of the internationalisation process and reveals more gradual changes in activities and resources.</li> </ul>
Illustration from case study	<ul style="list-style-type: none"> <li>• Firm changes primary mode from export to FDI but maintains the export mode as a supporting mode</li> </ul>	<ul style="list-style-type: none"> <li>• Firm expands primary operation mode from sales FDI to a production FDI and the role of supporting modes shifts to support changes in the primary mode.</li> </ul>

sharing and integration to occur (Faulconbridge, 2006; Noorderhaven & Harzing, 2009). In comparison, less knowledge-intensive firms may be able to achieve higher levels of codification of knowledge making it easier to transfer (Teece, 1977, 1981; Zander & Kogut, 1995). This may lead firms to choose different specific operation modes or their combinations, depending on their level of knowledge-intensity, or change them at the different pace, depending on how quickly the finite knowledge processes (such as knowledge acquisition or transfer) are completed. However, taking into account that any firm can be seen as a mechanism to enable knowledge processes (Grant, 1996a), we suggest that the underlying idea that firms use foreign operation mode combinations to enable the knowledge processes that are key for them at the specific period of time will apply to different firms irrespectively of their level of knowledge intensity.

Finally, the firm we studied is a case of incremental internationalisation implementing mode combinations using complementary modes (Petersen & Welch, 2002). Questions remains open, therefore, regarding how and why changes will occur in competing, segmented or unrelated mode combinations.

### 5.3. Limitations and future research directions

Our study, like all empirical studies, is subject to certain limitations. The choice of empirical context proved useful for the aims of this study, but some caveats should be kept in mind. In light of the potential risks of single case studies, namely researcher subjectivity or lack of generalisability (Eisenhardt, 1991; Flyvbjerg, 2006), we have carefully reported data collection and analysis and discussed of the boundaries of applicability of our findings.

Additionally, we focussed on three Latin American countries, where the firm grew and continues to grow. Our study therefore only provides evidence of incremental commitment, and further research on mode combinations involving decreased commitment or other types of increased commitment, such as acquisitions, may provide further insights.

Our case study revealed a complex picture of mode changes and reasons for those changes, but our analysis does not provide answers regarding the relative importance of these causes or which of these causes are necessary for the changes to occur. Applying a configurational approach to this conundrum might provide some answers to which factors lead to which mode combinations, and which combination of factors lead to changes in those combinations. Future research using qualitative comparative analysis (QCA) techniques may prove useful in this endeavour (Fainshmidt, Witt, Aguilera & Verbeke, 2020).

(Benito et al. (2009); 2012) pose the question of whether firms proactively manage their combinations or combinations develop reactively in answer to other management practices. In a similar vein, research on subsidiary knowledge flows suggests that the role of managers is key in determining whether those flows are deliberate or emergent (Tippmann, Sharkey Scott & Mangematin, 2014). Our data provides some clues on the proactive or deliberate nature of mode combination and knowledge management, although these remain inconclusive and require further exploration. It is our understanding that the firm proactively planned and managed the activities needed to achieve the firm's goal at each stage of international development, and subsequently planned the necessary knowledge resources to do so. In doing so, the firm is effecting change on the operation mode combinations and enabling knowledge sharing to occur, although their attention may not be focussed on managing the combinations as such. Further research into the perspective adopted by the firm's management to proactively manage their international operations could provide more comprehensive answers to this question (Younis & Elbanna, 2021).

Finally, signs could be found in our data to indicate that in the next period of the firm's internationalisation focus would shift from developing individual countries towards regional integration in Latin America (Verbeke & Asmussen, 2016). In this regional expansion strategy, Mexico, Chile and Colombia play a central role as major hubs, as smaller offices are opened and grow with their support. Future research on operation mode combinations in such a scenario could explore knowledge processes in concentrated regional value chains to examine cross-border dependencies, in comparison to the dispersed value chains the firm currently has.

### 5.4. Managerial relevance

The traditional view of operation modes as single, discrete alternatives present in the extant literature has, to some extent, been transferred to managers: when asked about their operation modes, managers often reverted to discussing the primary operation mode. The conclusions from this study can contribute to shifting the perspective of operation modes by shedding light on the wider choice of options to operate in any given market. Managers may be better served by considering the management of international operations like a portfolio of operation modes. This is managerially more challenging, but an opportunity arises for creativity and innovation that may enhance the firm's competitive advantage, in a way that both researchers and managers have overlooked until now.

Moreover, our study invites managers to think beyond specific modes and individual value chain activities to consider what the firm's knowledge needs are at each stage of the firm's development. Mode combinations are a way for managers to encourage key knowledge

processes within and across firm boundaries, and our study shows how these combinations can be adjusted to adapt to the firm's changing knowledge needs .

Finally, our process perspective, showing mode combinations changes over time, illustrates how the management of international operations is an on-going process that lasts far beyond the moment of market entry. This has important managerial implications, as the firm may need to put continuous operation mode management processes in place, that consider coordination needs both across activities worldwide and within host countries. Moreover, managers may consider defining strategic indicators or milestones that allow changes to be monitored within individual modes and in mode combinations, to facilitate decision-making during the internationalisation process.

### 5.5. Conclusions

This study, based on a longitudinal case study of the development of a professional service firm in three Latin American countries over 21 years, was motivated by a need to better understand the phenomenon of changes in operation mode combinations. After characterising the firm's internationalisation process in four distinct periods and identifying the mode combinations in each period, we revealed how and why changes occurred in the case firm's mode combinations over time. We identified a number of causes for these changes and concluded that operation mode combinations are created in order to enable a range of knowledge flows within and across firm boundaries and that these combinations change as the firm's knowledge needs evolve over time.

Our findings contribute to developing the knowledge-based view of foreign operation modes, by providing a more nuanced conceptualisation of mode combinations that differentiates between *within* and *between* combination changes, and a knowledge-based explanation for why mode combinations exist and change, namely to adapt to the changing knowledge needs of the internationalisation process. Moreover, we answer the call to explore the complex nature of knowledge flows in MNEs beyond the umbrella terms of knowledge transfer or sharing, by revealing and discussing four different knowledge processes that, amongst which two – knowledge combination and knowledge accession – have received much attention to date.

### Declaration of Competing Interest

None

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### Appendix 1

Tables A1 and A2.

**Table A1**  
Labelling of firm's foreign operation modes and knowledge processes

Concept	Definitions	Illustrative quotes extracted from data
<b>Foreign Operation Modes (Welch et al., 2018)</b>		
<b>Export</b>	... the exporter does not operate through independent intermediaries, in home or foreign markets, but undertakes the activity itself, dealing directly with foreign customers.	<ul style="list-style-type: none"> <li>• "Exports, understood to mean the sale from the market of origin. It is an alternative often used in the service sector where resources, i.e. people, are easy to move. In [firm] exports have been used since the initial stages of international activity." (AD17).</li> </ul>
<b>FDI (sales office)</b>	... for the purpose of assisting export sales by the investing firm to the country in question, and may involve a very limited package initially, tied to the export support role.	<ul style="list-style-type: none"> <li>• "The idea was to open a commercial office to detect interesting projects where the engineering could be developed from Europe, so essentially exporting engineering services to be developed here [local office], with the support given from here: find the projects, find the partners necessary for the local tasks and take care of the basic client management tasks." (I10)</li> <li>• "From that moment on, [firm] operated in the country with its own structure, and put a young director at its head, [...] who was charged with developing business there. [...] He had a super commercial profile, and basically his only role was to sell, and decisions on how to do the work would be taken later" (I5)</li> </ul>
<b>FDI (production office)</b>	... the most powerful and substantial way in which a company can become involved in a foreign market, normally requiring a heavy on-the-ground commitment of various types of resources – for example finance, technology and people.	<ul style="list-style-type: none"> <li>• We needed a team here and we started building it. (I10)</li> <li>• "That's when the [business division in country] took off and went from three people to 50 people" (I5)</li> <li>• "Looking back, the [name] project represented an important leap. And growth. That's how, with one step, the office became a local production office." (AD46)</li> </ul>
<b>Alliance</b>	... may vary from informal, agreed cooperation in a given activity in one or more foreign markets, for example in joint promotion of two companies' products and information sharing, to formal, legally structure agreements perhaps including shared equity in a foreign enterprise, in the form of a joint venture, thereby generating a flow of foreign direct investment.	<ul style="list-style-type: none"> <li>• "Depending on the project we will look for a partner or not, to complement us and to strengthen us, or to create economies of scale in a situation where a partner knows how to do something very local that we are not the best at doing" (I7)</li> <li>• "... in other smaller projects, we also subcontract. Either because we are at full capacity and we cannot do it ourselves, but our tendency is more and more to complement our team with knowledge that is not critical to our business, that is outside the firm and should remain outside the firm. That is, for very specialised knowledge that I am not interested in having in my cost structure if I am only going to</li> </ul> <p>(continued on next page)</p>

Table A1 (continued)

Concept	Definitions	Illustrative quotes extracted from data
<b>Foreign Operation Modes (Welch et al., 2018)</b>		
		<i>partially take advantage of it every now and then.” (I2)</i>
<b>Knowledge processes</b>		
<b>Knowledge acquisition</b>	the transfer of knowledge resources between firms with the aim of acquiring knowledge in order to learn (Buckley et al., 2009, p. 601).	<ul style="list-style-type: none"> <li>• <i>Our internationalisation must drive the sustainable growth of [firm]’s activities, by developing our competitiveness through the professional development of our professionals and the accumulation of experience and learning in the organisation. (AD18).</i></li> <li>• <i>“International markets have been the motor of our growth and motivation to search for projects that will allow us to grow both personally and professionally (OV5)</i></li> <li>• <i>“Our focus back then was “where are there opportunities”?” (I1)</i></li> <li>• <i>“Business intelligence missions were organised to visit the country” (I7)</i></li> </ul>
<b>Knowledge accession</b>	the combination of knowledge resources of different firms in the partnership (Buckley et al., 2009). Each member firm accesses its partner’s stock of knowledge in order to exploit complementarities, but with the intention of maintaining its distinctive base of specialised knowledge and without the intention to learn (Grant & Baden-Fuller, 2004).	<ul style="list-style-type: none"> <li>• <i>“Now we collaborate with partners if they are complementary. In my case, we collaborate with firms that are specialised in knowledge areas where we are not.” (I3)</i></li> <li>• <i>“It will depend on the project whether we collaborate with a partner or not, to complement us. They share their experience, we share ours.” (I7)</i></li> </ul>
<b>Knowledge combination</b>	The combination of knowledge resources of the local subsidiary and headquarters (or other subsidiaries), with the intention of maintaining each unit’s distinctive base of specialised knowledge and without the intention to learn (inspired by Buckley et al., 2009; Buckley & Carter, 2004; Grant & Baden-Fuller, 2004)	<ul style="list-style-type: none"> <li>• <i>“Once we had a person there [local office], business development activities happened in a tandem. [...] He had the local knowledge and experience and I had the technical knowledge and experience.” (I2)</i></li> <li>• <i>“Local capacities and international experience: Our office in Colombia counts on the collaboration of all the experts of [firm], located in all the offices of the Group. This means that we can assemble multidisciplinary teams to respond to the specific needs of our clients, providing integral solutions that are workable. (AD10)</i></li> </ul>
<b>Knowledge transfer</b>	the process through which knowledge is moved between the local subsidiary and headquarters (or other subsidiaries) with the aim of acquiring knowledge in order to learn by at least one of the units involved (inspired by Argote & Ingram, 2000; Buckley et al., 2009).	<ul style="list-style-type: none"> <li>• <i>“There is always a sponsorship by the responsible of the business line from the headquarters. So [business lines] have professionals here and after a medium term they let them operate autonomously.” (I7).</i></li> <li>• <i>“When your business area has a team locally, you transfer responsibility to someone. You teach [them], you transfer your knowledge to [them] and then you say [name], now this business area is yours, your responsibility. (I2)</i></li> </ul>

Table A2

Summary of data analysis

Analytical step	Step 1	Step 2	Step 3
<b>Analytical strategy</b>	Temporal bracketing: Decomposition of the temporal process without presuming progressive developmental logic (Langley, 1999)	Categorisation: generating and refining initial categories to enable analysis step 3 (Grodal et al., 2020)	Categorisation: generating initial categories, refining and stabilising categories (Grodal et al., 2020)
<b>Techniques (moves)</b>	<ol style="list-style-type: none"> <li>1.Coding of dates &amp; event to build chronology of events</li> <li>2.Emergence of common pattern</li> <li>3.Identify continuities and discontinuities in chronologies</li> <li>4.Cross-case comparison (Stake, 2006)</li> <li>5.Contrast &amp; confirm in subsequent interviews</li> </ol>	<ol style="list-style-type: none"> <li>1 Coding of data driven by questions:                             <ul style="list-style-type: none"> <li>• <i>What was the firm’s goal in this period?</i></li> <li>• <i>What activities were carried out and by whom (Benito et al., 2011)?</i></li> <li>• <i>What knowledge processes were key?</i></li> <li>• <i>What operation modes were used in each period?</i></li> <li>• <i>What was the role of each mode and what interrelation existed between modes?(Petersen &amp; Welch, 2002)</i></li> </ul> </li> <li>2 Creating &amp; refining tentative categories with iterative data analysis and coding</li> <li>3 Refining categories by consulting with the literature (Welch et al., 2018)</li> <li>4 Cross-case comparison (Stake, 2006)</li> </ol>	<ol style="list-style-type: none"> <li>1 Coding of data driven by questions:                             <ul style="list-style-type: none"> <li>• <i>How do modes and mode combinations change?</i></li> <li>• <i>Why do modes and mode combinations change?</i></li> </ul> </li> <li>2 Refining categories by contrasting with the literature (e.g. Putzhammer et al., 2019)                             <ul style="list-style-type: none"> <li>• <i>Between &amp; within mode changes</i></li> </ul> </li> <li>3 Focus on puzzle                             <ul style="list-style-type: none"> <li>• <i>Different types of combination changes</i></li> </ul> </li> <li>4 Creating &amp; refining tentative categories, with iterative data analysis and coding                             <ul style="list-style-type: none"> <li>• <i>Causes for mode combination changes</i></li> </ul> </li> <li>5 Stabilising categories, contrasted with literature                             <ul style="list-style-type: none"> <li>• <i>Types of combinations changes (between-combination change &amp; within combination change)</i></li> <li>• <i>Reasons for change (reasons existing or not mentioned in the literature)</i></li> </ul> </li> <li>6 Cross-case comparison (Stake, 2006)</li> </ol>
<b>Main source of data for analysis</b>	<ul style="list-style-type: none"> <li>• In-person interviews</li> <li>• Online video recordings</li> <li>• Archival data (Annual reports, teaching case studies, press articles)</li> </ul>	<ul style="list-style-type: none"> <li>• In-person interviews</li> <li>• Archival data (Annual reports, teaching case studies, press articles)</li> </ul>	<ul style="list-style-type: none"> <li>• In-person interviews</li> <li>• Archival data (teaching case studies, annual reports)</li> </ul>
<b>Supporting data sources</b>			

(continued on next page)

Table A2 (continued)

Analytical step	Step 1	Step 2	Step 3
<b>Outputs</b>	<ul style="list-style-type: none"> <li>Archival data (thesis and sector annual reports)</li> <li>Pattern of 4 successive periods, including primary operation mode</li> </ul>	<ul style="list-style-type: none"> <li>Online video recordings</li> <li>Comprehensive overview of goals, activities, operation modes and combinations and knowledge processes in each of the 4 periods</li> </ul>	<ul style="list-style-type: none"> <li>Online video recordings</li> <li>Categorisation of mode combination changes</li> <li>Causes for mode combination changes</li> <li>Process overview in Fig. 2Figure 2</li> </ul>
<b>Triangulation</b>	<ul style="list-style-type: none"> <li>Data triangulation &amp; contrast of timelines with interviewees</li> <li>Contextual triangulation: temporal &amp; country contexts</li> </ul>	<ul style="list-style-type: none"> <li>Data triangulation &amp; contrast of findings with interviewees</li> <li>Analytical triangulation</li> <li>Contextual triangulation</li> <li>Researcher triangulation</li> </ul>	<ul style="list-style-type: none"> <li>Data triangulation &amp; contrast of findings with interviewees</li> <li>Analytical triangulation</li> <li>Contextual triangulation</li> <li>Researcher triangulation</li> </ul>

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