

International management challenges of professional service firms: a synthesis of the literature

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Abstract

Purpose – This paper aims to identify what international management challenges professional service firms (PSFs) face and why they face them.

Design/methodology/approach – This study carries a focussed thematic literature review of 102 empirical articles. This paper uses content analysis to extract and aggregate challenges identified by researchers in their fieldwork and then analysed this data using qualitative and quantitative methods.

Findings – This study identifies 10 international management challenges that PSFs face and a number of causes for these challenges. The analysis also suggests that the distinctive characteristics of PSFs generate some of the international management challenges for PSFs.

Practical implications – This study helps PSF managers understand the international management challenges they may face depending on the specifics of their company, thus helping them better prepare their internationalisation.

Originality/value – This study contributes to providing a greater understanding of what is holding PSFs back in their internationalisation and why. It demonstrates that distinctive characteristics of PSFs may predict the challenges that PSFs will face, thus paving the way for further research on international management in PSFs and for the development of the diagnostic tool for practitioners that could help them to identify which challenges they should prepare for most.

Keywords Professional service firms, Internationalisation, International management challenges, PSF characteristics

Paper type Literature review



The second and third co-authors have contributed equally to the paper and are listed alphabetically.

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1. Introduction

Professional service firms (PSFs) are increasingly important players in the global economy, especially as competition is increasingly knowledge-based (Empson *et al.*, 2015); and they contribute to the globalisation phenomenon as both global service providers for their multinational clients and as political and economic agents of globalisation (Boussebaa and Faulconbridge, 2019). European data indicate that international trade in services (including professional services) continues to represent three times less than the trade in goods, despite accounting for three quarters of employment and GDP (European Union, 2017; Kundu and Lahiri, 2015). On the other hand, international trade in services is growing more than 60% faster than the trade in goods and there is increasing awareness that current measures underestimate the value created by international service trade (European Union, 2017; McKinsey Global Institute, 2019). For all these reasons, scholars have recognised the importance of service firms (Kundu and Lahiri, 2015; Rammal and Rose, 2014) and PSFs in particular (Boussebaa and Morgan, 2015; Empson *et al.*, 2015) in international business (IB) and have called for greater scholarly attention to be paid to the phenomenon.

Research on international PSFs has grown in the past decades but remains fragmented and many questions remain open (Boussebaa and Morgan, 2015; Brock and Alon, 2009). In particular, little is known about the international management challenges PSF faces. Understanding what barriers constrain PSFs' abilities to develop or sustain business abroad (Leonidou, 2004) can help to explain why these firms succeed and fail in international markets and in doing so advance the field of IB (Peng, 2004) and provide PSFs with useful managerial advice. This study aims to address this gap and investigates what international management challenges PSFs face and why. To do this, we reviewed what challenges are predicted for PSFs by theoretical writings and then explored the extant empirical literature to identify and synthesise the international challenges that researchers found in their empirical work. We also identified potential causes for these challenges and found evidence to suggest that the specific characteristics of PSFs lie at the root of several challenges. Specifically, we found that PSFs in highly professionalised and low-customised sectors are more likely to struggle with global integration; and highly professionalised PSFs are likely to struggle with managing institutional complexity. This study contributes to the literature on the internationalisation of PSFs by proposing a comprehensive set of challenges these firms may face in this process and identifying potential causes for these challenges. Together, these findings provide a greater understanding of what is holding international PSFs back. Furthermore, we contribute to this literature and to the IB literature more broadly by demonstrating that distinctive characteristics of PSFs may predict the challenges that PSFs will face. This finding both paves the way for further research on international management in PSFs and for the development of a diagnostic tool for practitioners that could help them to identify which challenges they should prepare for most.

The remainder of this paper is organised as follows. Firstly, we set the theoretical background for this study by discussing the concept of PSFs and reviewing IB theory to explore what predictions can be made about the international management challenges PSFs may face. Next, we present our research methods for data collection, qualitative analysis and quantitative analysis. Finally, we present and discuss our findings by linking back to the theoretical framework before providing some closing remarks on the limitations of our study, promising avenues for future research and practical implications of our study.

2. Theoretical background

2.1 Professional service firms

PSFs are often described by using a list of examples, i.e. accounting, consulting, engineering and law firms, etc. However, what PSF-industries are included in this list varies greatly and ambiguity remains around the concept and its boundaries. To address this, scholars have proposed to define PSFs through a set of characteristics (Empson *et al.*, 2015; Von Nordenflycht, 2010), rather than through a list of industries. Firstly, PSFs are knowledge-intensive and services are mostly delivered by people, leading some authors to describe them as “human capital intensive” (Löwendahl, 2005; Von Nordenflycht, 2010). Secondly, the nature of a PSF’s workforce is often professional, i.e. employees possess a professional knowledge base and this profession is subject to regulation and control by certain authorities (Von Nordenflycht *et al.*, 2015). Thirdly, PSFs tend to be low capital-intensive, i.e. production does not generally need non-human assets (Von Nordenflycht, 2010). Fourthly, professional services often require a high degree of customisation to the specific client needs, which can lead to the need for close physical proximity with the client (Abdelzaher, 2012; Löwendahl, 2005; Malhotra and Morris, 2009).

Von Nordenflycht (2010) highlights that while all PSFs share knowledge-intensity, they may differ across other characteristics. For example, the degree of professionalisation in the workforce is high for lawyers (access to the profession is regulated and jurisdictional boundaries impermeable); while for consulting it is low (no restrictions to access the profession nor jurisdictional boundaries to practicing it). Similarly, although professional services are generally considered highly customised to client needs, a degree of variation also exists as some industries do aim to achieve a greater degree of standardisation in methodologies and practices (e.g. auditing) (Löwendahl, 2005; Malhotra and Morris, 2009).

While each of these characteristics taken separately is not exclusive to PSFs, in combination they create a distinctive phenomenon (Empson *et al.*, 2015). In particular, scholars have theorised that these characteristics are linked to distinctive organisational features and pose certain managerial challenges to PSFs (Von Nordenflycht, 2010). Similarly, Löwendahl (2005) argues that PSFs face a number of international management challenges due to their distinctive characteristics. Firstly, to provide consistent services across borders, international PSFs will face the challenge of coordination across borders, but this need for coordination and control will likely collide with professionals’ need for autonomy. Secondly, the knowledge-intensive and professional nature of services generate opaque quality, i.e. the difficulty of objectively assessing the quality of a service or project and this will require PSFs to develop proxies for quality such as a strong reputation or global presence. Thirdly, it is difficult to achieve economies of scale because each client has a different problem requiring a customised solution. Economies of scale may be found in upstream activities such as knowledge management, but managing knowledge across borders is also challenging. Finally, the customised nature of professional services leads to a need for close interaction between professionals and clients, which, in a global context, requires mobility of professionals.

These propositions are based on the assumption that general theories may not be applicable to PSFs and require adaptation or refinement to apply more aptly (Boussebaa and Morgan, 2015; Löwendahl, 2000, 2005). At the same time, IB scholars have claimed that although theories have been developed based on manufacturing firms, they apply more broadly to service firms too (Boddewyn *et al.*, 1986; Brouthers and Brouthers, 2003; Erramilli and Rao, 1993). In the next section, we explore how general IB theories can inform us about the international challenges PSFs may face.

2.2 International business theories and the challenges of internationalisation

IB literature offers several theoretical perspectives to predict what challenges or barriers firms would face in their internationalisation. The first perspective builds on the resource-based view (RBV) of the firm, arguing that a firm, as a bundle of resources used to provide clients with products and services (Barney, 1991; Penrose, 1959), develops into a multinational enterprise (MNE) due to its superior capacity to develop, exploit and transfer firm-specific resources across borders (Madhok, 1997; Peng, 2001). Cuervo-Cazurra *et al.* (2007) build on RBV to predict that MNEs can face three types of challenges in their internationalisation: the inability to transfer firm advantages across borders, the loss of a resource's advantage in the host market or the inability to access complementary assets in the host market. Applied to PSFs, this suggests that PSFs will face three major challenges: their specialised resources (e.g. professional workforce) may be difficult to transfer across borders, these resources may lose their value or applicability in the host market and local resources (professionals and/or local partners) may be difficult to find.

A second, albeit related perspective, is the knowledge-based view (KBV), which proposes that knowledge is the key resource of a firm and that firms are social communities that specialise in the creation and transfer of knowledge (Grant, 1996; Kogut and Zander, 1992). The KBV sustains that the more tacit firm knowledge is, not only the stronger the competitive advantage it may bring to a firm but also the stickier it is, i.e. the more difficult it is to transfer (Kogut and Zander, 1993; Szulanski, 1996). Given that much of the knowledge in PSFs resides in individuals and is, therefore, partially tacit (Von Nordenflycht, 2010), we can expect that PSFs will have difficulties transferring their knowledge across borders when they internationalise (Fang *et al.*, 2007; Martin and Salomon, 2003; Tallman and Chacar, 2011).

To a certain extent, the Uppsala model builds on the knowledge-based perspective (Welch, 2016) and explains the gradual expansion of the internationalising firm with the ongoing cycle of knowledge acquisition and resource commitment (Johanson and Vahlne, 1977, 1990). The subsequent development of the Uppsala model acknowledged that firms do not only develop knowledge internally but also through their interaction with the network of agents in the local market (Johanson and Vahlne, 2009; Vahlne and Johanson, 2013). Moreover, firms that do not succeed in penetrating these local networks will have difficulty acquiring the necessary market-specific business knowledge and will face a lack of trust in the local market. Professional services are usually highly dependent on strong client relations, and therefore for PSFs, it is expected that accessing local networks is particularly important to build client relations and establish a solid reputation in the host market.

A fourth perspective is anchored in institutional theory (North, 1990; Peng *et al.*, 2009). Given that firms are subject to pressures from institutions in the environment in which they operate and must adapt to achieve legitimacy with these institutions, it claims that MNEs will face the challenge of institutional duality, i.e. adapting to institutions in both the home and host countries (Kostova and Roth, 2002). Moreover, this challenge becomes more complex as MNEs will need to manage both external legitimacy (of the firm within each external institutional environment) and internal legitimacy (amongst the MNE subunits each embedded in different environments) (Kostova and Zaheer, 1999). PSFs are deeply embedded in the institutional environment of their profession and are impacted by regulators, professional associations and universities among other actors. Therefore, the institutional perspective would predict that PSFs are likely to face this challenge of managing the pressures of different institutional contexts and possibly more intensely than other firms.

Finally, another theoretical framework often used to explain the strategies of international firms is the Integration-Responsiveness framework (Bartlett and Ghoshal, 1989; Doz and Prahalad, 1991), which highlights that the task of global integration conflicts with the task of responsiveness or adaptation to local markets; and predicts that any transnational firm with operations dispersed across geographical markets will face the challenge of balancing these two conflicting forces. In particular, firms will seek to achieve economies of scale, while simultaneously serving the market with the locally adapted products (Bartlett *et al.*, 2004; Bartlett and Ghoshal, 2002). PSFs are predicted to face this challenge of balancing global integration and local responsiveness but exacerbated by their limited ability to achieve economies of scale as each professional service aims to solve a client's specific problem and by the potential limited applicability of the knowledge required to operate in other markets.

We lack evidence, however, on whether these challenges proposed for PSFs hold true, which limits our ability to inform managers of international PSFs and to suggest theoretically and managerially relevant future research. Therefore, the aim of this study is to analyse existing empirical work through the lens of challenges to identify the international management challenges PSFs face and why.

3. Research method

Given our specific aim to identify the international challenges PSFs face in practice, we carried out a comprehensive search of the extant empirical literature to compile a data set, which was then thoroughly analysed through our focussed thematic lens (Gaur and Kumar, 2018; Snyder, 2019). Data obtained from the content analysis were analysed qualitatively [inspired by the meta-synthesis approach (Hoon, 2013)] and also quantitatively (using Pearson's chi-squared (χ^2) goodness of fit test), as described below.

3.1 Data collection

To build the data set, a search was carried out in Scopus and Web of Science for empirical papers where the main research topic was the international management of PSF. These databases were chosen as two of the leading academic databases that include journals from 250 disciplines and follow a rigorous selection of indexed sources. The search was carried out using the search string "professional service firm" AND "international*" OR "global" OR "transnational" (as these terms are often used interchangeably). The search resulted in 134 articles, after removing duplicates. Another 47 articles were identified manually through citation analysis, providing a total of 181 articles for further filtering.

To apply the inclusion and exclusion criteria, all 181 abstracts were read. For a study to be included, it needed to address an international management issue in the context of PSFs and be published in a peer-reviewed journal included in the Chartered Association of Business Schools (ABS) ranking. Because ambiguity remains around the concept and boundaries of what constitutes a PSF (Empson *et al.*, 2015; Von Nordenflycht, 2010), we followed the criteria of the papers' authors and included papers where the research context was labelled by the authors as a PSF. Furthermore, given our aim to collect data about international management challenges PSFs face in practice, conceptual papers were excluded from the data set. Finally, studies that were empirically set in international or global PSFs but did not address international or cross-border issues were excluded. This resulted in a data set of 102 empirical articles on the international management of PSFs for analysis, which are marked with an asterisk in the bibliography (although not all articles are cited in the text).

3.2 Data analysis

Given that a large proportion of the data set were qualitative studies, the meta-synthesis approach was considered useful. This approach aims to accumulate existing case studies to extract, analyse and synthesise findings (Hoon, 2013). Inspired by this technique and guided by our research questions, we analysed the data in the following steps:

Step 1: To identify the challenges PSFs face, we first applied content analysis (Gaur and Kumar, 2018). For this, we developed a coding scheme building on the research questions. It included coding categories such as the PSF industry in which the study was carried out, the methodology used, international challenges and causes put forward by authors regarding why PSFs face these challenges. Furthermore, to understand the heterogeneity of PSFs, we coded the descriptions of PSF industries, in particular relating to the characteristics used to describe them. This coding scheme was then tested with a subset of 15 papers from the data set and refined.

The 102 papers were then carefully read in full, analysed and coded (with NVivo software), following the coding scheme. Challenges were often signalled with words such as “difficulty”, “problem”, “barrier” and “challenge” and were coded when identified in the findings or discussion sections. Challenges coded included those core to the paper’s topic of study and other tangential ones mentioned in passing. However, those derived from conceptual theorising were excluded, as our aim was to find empirical challenges observed by researchers during their fieldwork. Subsequently, to aggregate the challenges identified, various cycles of coding, recoding and classification were carried out (Miles *et al.*, 2013). Second-order classifications were generated through joint discussions between the three authors during the rounds of recodification (Gioia *et al.*, 2012).

Step 2: To explore why PSFs face these challenges and in particular whether the challenges identified are related to PSF characteristics, we did the following. Firstly, we analysed causes provided by the authors themselves (if any) as flagged in our content analysis. Secondly, we built a new data set by indicating for each paper which challenges had been detected and by assigning to this paper PSF characteristics based on the industry in which the study was carried out. To assign characteristics to industries (Table 1), we used von Nordenflycht’s (2010) characteristic-based taxonomy of PSFs and also double-checked these assignments with the industry descriptions provided by papers that we had coded. In the case of customisation, which is not considered in von Nordenflycht’s taxonomy, we built both on extant literature (Malhotra and Morris, 2009; Von Nordenflycht *et al.*, 2015) and evidence from the papers in our data set (Barrett *et al.*, 2005; Dirsmith *et al.*, 2015; Reihlen *et al.*, 2009). All PSFs are considered knowledge-intensive so this characteristic did not provide grounds for statistical analysis. Furthermore, while according to von Nordenflycht (2010) some PSF industries are high capital-intensive, such industries were not present in

Challenges	Accounting	Advertising	Architecture	Consulting	Engineering	Law
Von Nordenflycht taxonomy	Classic PSF	Neo PSF	Classic PSF	Neo PSF	Classic PSF	Classic PSF
Professionalised workforce	X		X		X	X
Low Capital-Intensity	X	X	X	X	X	X
Knowledge-intensity	X	X	X	X	X	X
Building on the data set and extant literature.						
Customisation		X	X	X	X	X

Table 1.
Assignment of characteristics to industries

our data set, and hence we could not run the statistical analysis for this characteristic either. When a paper explored a mixed-industry sample or a multidisciplinary firm engaged in several industries with varied characteristics, we assigned a “not available/missing data” code. The resulting sample size with no missing values is 86 for professionalisation and 82 for customisation. Given the categorical nature of our data, we used Pearson’s chi-squared (χ^2) goodness of fit test to explore if PSFs with a given characteristic were more likely to face a certain challenge (Navarro *et al.*, 2019).

4. Findings

4.1 Challenges professional services firms face in internationalisation

The 10 challenges emerged inductively from the data analysis process. They are discussed below and summarised in Table 2, starting with the challenges most frequently cited.

Challenge 1: Global integration for consistent service delivery and quality across markets. There is increasing pressure on PSFs to provide their global clients with consistent service and quality around the world (Breunig *et al.*, 2014; Breunig and Hydle, 2013; Greenwood *et al.*, 2010; Segal-Horn and Dean, 2009). To achieve this, PSFs try to achieve global integration of their processes, resources and management structures, but continue to struggle in the implementation of global practices (Barrett *et al.*, 2005; Boussebaa, 2009; Brock and Yaffe, 2008; Greenwood *et al.*, 2010; Jones, 2005; Segal-Horn and Dean, 2007, 2009; Zhang *et al.*, 2016).

Challenge 2: Institutional complexity. PSFs operating in different markets must adapt to the institutional context of the host country. This affects PSFs in two ways. On the one hand, PSFs must comply with the local rules that regulate professionals and the services they deliver (Faulconbridge, 2009; Segal-Horn and Dean, 2011; Suseno and Pinnington, 2018; Winch, 2008); and on the other, they must manage professionals originating from different institutional contexts or what is known as national varieties of professionalism (Faulconbridge and Muzio, 2007), as conflicts may arise between professionals from different contexts that may hinder integration and performance (Faulconbridge and Muzio, 2016; Muzio and Faulconbridge, 2013; Smets and Jarzabkowski, 2013).

Challenge 3: Availability of resources with the necessary knowledge for internationalisation. Human capital is key in the internationalisation of PSFs and those that internationalise without strong human capital are likely to be at a disadvantage (Hitt *et al.*, 2006; Radulovich *et al.*, 2018). However, PSFs find it difficult to find and retain sufficient professionals with the necessary skills and knowledge to operate in international markets (Boxall and Steeneveld, 1999; Lu *et al.*, 2012; Pinnington and Sandberg, 2014; Spar, 1997; Suseno and Pinnington, 2017a). This includes home country professionals that travel to and from the host country and expatriates (Benson *et al.*, 2009; Benson and Pattie, 2009), local professionals (Kirsch *et al.*, 2000; Morgan and Quack, 2005; Poulfelt *et al.*, 2014) and managers with the necessary skills to manage offices in the host country (Bunz *et al.*, 2017).

Challenge 4: Managing knowledge across distributed locations. The specialised knowledge of professionals is the basis of the services a PSF delivers to its customers and is, therefore, a core asset for PSFs. Attempts to ensure the firm’s core knowledge and accumulated experience is available to professionals across geographical locations may include the transfer of best practices or processes (i.e. of explicit, managerial knowledge) (Boussebaa *et al.*, 2014) or the creation of shared learning spaces, for professionals to identify colleagues with relevant experiences and tacit knowledge on which they can build in their future projects (Faulconbridge, 2006; Hydle and Breunig, 2013; Richardson and McKenna, 2014). However, successfully implementing such initiatives is neither void of difficulties nor a guarantee of increased performance (Levine and Prietula, 2012).

Challenges	Total	Accounting	Advertising	Architecture	Consulting	Engineering	Law	Rest (1)
1 Global integration for consistency and quality	31	9	1		1	3	7	10
2 Institutional complexity	20	3		2		2	11	2
3 Availability of resources for internationalisation	15	1	1	2	2	2	6	4
4 Managing knowledge across distributed locations	11	1			3	3	3	1
5 Signalling quality and reputation abroad	11	1	1	1	1	1	3	3
6 Building international client relations	8	1	1	1	1	1	1	3
7 Non-transferability of services	6		1			1	1	3
8 Profitability of international activities	6	1				2	2	1
9 Language and cultural barriers	5	1				2	1	1
10 Partner attitude to internationalisation	2				1		1	
<i>Distribution of the total data set by PSF-industry</i>	<i>102</i>	<i>15</i>	<i>5</i>	<i>5</i>	<i>10</i>	<i>18</i>	<i>23</i>	<i>26</i>

Note: (1): Rest includes other industries, multidisciplinary firms with more than one industry and mixed samples with more than one industry

Table 2.
Challenges identified
in the data set: total
frequency and
frequency by PSF-
industry

Challenge 5: Signalling quality and building a reputation abroad. The quality of professional services is difficult to assess, sometimes even after the service has concluded (Løwendahl, 2005). PSFs must, therefore, find ways to signal quality and build up a reputation, a feat made more difficult in the international context where informal communication with customers is difficult to achieve and cultural and institutional contexts differ (McQuillan *et al.*, 2018; Nachum, 1996; Suseno and Pinnington, 2017a).

Challenge 6: Building and maintaining international client relations. PSFs sell a “credible promise” of resolving a client’s problems (Løwendahl, 2005) and to achieve this they must build a trust-based relationship with the client (Dou *et al.*, 2010; Hall *et al.*, 2009). Face-to-face interaction and collaboration with local partners facilitate relationship building with international clients but are slow and costly to achieve (Beaverstock *et al.*, 1999; Freeman and Sandwell, 2008; Skaates *et al.*, 2003).

Challenge 7: Non-transferability of services. PSFs may find that their services are specific to a given market and do not transfer well to others (Cort *et al.*, 2007). Indeed, the applicability of a professional’s knowledge may be limited to a given context (Spar, 1997; Sparrow *et al.*, 2013) or the results of a given creative project (e.g. advertising or architecture) inappropriate for other settings (Faulconbridge, 2006).

Challenge 8: Profitability of international activities. While internationalisation provides a means for growth, opportunities to generate economies of scale remain limited for PSFs (Jewell *et al.*, 2014). Moreover, the provision of professional services in international markets may well entail higher costs (Breunig and Hydle, 2013), while the market and competitive conditions often constrain prices (Bello *et al.*, 2016; Segal-Horn and Dean, 2011). This makes it difficult for PSFs to achieve and maintain profitable margins (Brock *et al.*, 2006; Faulconbridge and Muzio, 2007; Suseno and Pinnington, 2017a).

Challenge 9: Language and cultural barriers. The ability of professionals to deliver on their “credible promise” depends on their ability to communicate effectively with their clients and partners (Løwendahl, 2005). Language and cultural differences are key to this communication and are considered a barrier to PSF internationalisation (Alon and McKee, 1999; Pflanz, 2013; Winsted and Patterson, 1998). As discussed in the following section, language and cultural differences were also identified as causes for other challenges.

Challenge 10: Partner attitude towards internationalisation. PSFs often adopt a professional partnership (P²) form, in which employees assigned to be partners simultaneously play three potentially conflicting roles – of owner, manager and service provider. As owners, partners play a key role in the internationalisation process (Smets *et al.*, 2017) and tensions between the priorities of their different roles may have an impact on the process. For example, partners juggle between the short-term perspective (e.g. billable hours) and the long-term perspective (e.g. investing in pursuing international clients) and excessive attention to the former slows international expansion (Jewell *et al.*, 2014; Nachum, 1998). Furthermore, the partners’ attitude to risk will determine whether or not they add new international equity partners to the partnership, as well as how they manage the ratio of partners to professionals and the firm’s capacity to generate revenues efficiently (Brock and Yaffe, 2008).

Table 2 below provides an overview of these challenges and the frequency with which they were identified in our data set, overall and by PSF-industry. We found that the challenge of global integration was detected most often in studies in accounting and law firms and institutional complexity mainly in law firms, but both were also present in other industries. Other challenges (3, 5 and 6) were found fairly evenly across industries and the low frequency with which challenges 7 to 10 were identified does not provide much insight into where they might typically be found.

4.2 Causes for the international management challenges of professional services firms

Table 3 summarises the causes of the international management challenges of PSFs, as identified by the authors of the papers we analysed. The three most frequently cited challenges (global integration, institutional complexity and availability of resources) were also frequently linked to PSF characteristics, though not always unanimously to the same ones.

Causes for Challenge 1: Global integration for consistent service delivery and quality across markets. The papers in our data set mention a variety of causes for this challenge: language and cultural differences and the lack of training hinder the local implementation of policies (Belal *et al.*, 2017; Boussebaa, 2015; Ferner *et al.*, 1995), the limited potential for profit sharing across units (Boussebaa *et al.*, 2012; Cooper *et al.*, 1998) and the influence of geopolitics on power relations and stereotypes between offices (Barrett *et al.*, 2005; Boussebaa *et al.*, 2012; Cooper *et al.*, 1998). However, the most cited reason for tensions and resistance to the integration of global PSFs was the professional nature of the workforce and in particular, the autonomy which is core to their identity (Faulconbridge and Muzio, 2007, 2008; Klimkeit and Reihlen, 2015, 2016).

This relationship was, however, not supported by the Pearson's chi-square test performed on the numerical data set ($\chi^2(1) = 0.439$, $p = 0.507$, $n = 86$). Given the contradiction of these findings, we dug a little deeper. Instead of operationalising the degree of professionalisation as a binary variable of 1 (high) and 0 (low), we refined the operationalisation to include an intermediary value of the medium, which we assigned to industries with professional closure but more permeable jurisdictional boundaries, i.e. engineering and architecture (Malhotra and Morris, 2009). In this case, a significant association was found for highly professionalised PSFs ($\chi^2(1) = 6.308$, $p = 0.043$), namely, they were more likely to face the global integration challenge than medium and low professionalised firms. Indeed, in our data set, 42% of highly professionalised PSFs were mentioned to face this challenge, compared to 13% and 24% of medium and low professionalised PSFs, respectively.

The analysis revealed another significant association between global integration challenge and a PSF characteristic, namely, customisation ($\chi^2(1) = 9.049$, $p = 0.003$, $n = 82$). In this case, companies from low customisation industries (e.g. auditing) appeared to be more likely to face this challenge compared to companies from industries characterised by high customisation. In total, 58.8% of papers in our data set studying low customised PSFs mentioned this challenge, compared to 21.5% of papers studying high customised PSFs.

Together, these findings reveal a complex picture of the challenge PSFs face with global integration. **Table 2** shows how this challenge was detected mainly in studies on law and accounting firms, but it appears that the cause of the challenge is different, i.e. highly professionalised workforce and low customisation, respectively. Moreover, quite a broad spectre of additional causes was identified by researchers, but insufficient data exist to test these relationships more thoroughly, highlighting that although this challenge has received the most attention in the research on the internationalisation of PSFs, much remains unknown and untested regarding its causes.

Indeed, some scholars have called into question whether global PSFs are truly implementing transnational strategies that balance global integration and local responsiveness (Boussebaa *et al.*, 2012; Boussebaa and Morgan, 2015). A more fine-grained analysis is needed and scholars have suggested this should be done by shifting the spotlight from firm-level to the level of organisational practices (Brock and Hydle, 2018; Klimkeit and Reihlen, 2016; Segal-Horn and Dean, 2009) or individuals (Barrett *et al.*, 2005) to better understand the underlying dynamics in PSFs. Our findings support the need for a more

Table 3.
Causes of challenges
as identified by
authors: Frequency

Challenges	Causes of the challenges					Total (n/%) [*]	Other causes
	Professionalised workforce	Low capital intensity	Knowledge- intensity	Customisation	Characteristics of PSF's		
1. Global integration for consistency and quality	11	1		2	14 (45)	11 (55)	Structure of the firm in profit centres (3) Dispersion of resources and cost of bringing them together (2) Geopolitics in the firm (2)
2. Institutional complexity	11				11 (55)		
3. Availability of resources for internationalisation	3	1	6	1	11 (73)		
4. Managing knowledge across distributed locations		1	2	1	4 (36)	10 (36)	Dispersion of resources and cost of bringing them together (6) Language and culture (2) Geopolitics in the firm (2)
5. Signalling quality and reputation abroad	3		2	1	6 (55)		
6. Building international client relations			1	1	2 (25)	3 (25)	Language and culture (3)
7. Non-transferability of services	1				1 (17)	1 (17)	Location-bound knowledge (1)
8. Profitability of international activities		1			1 (17)		
9. Language and cultural barriers						1 (50)	Language and culture (1)
10. Partner attitude to internationalisation							

Note: * = % is the percentage of the papers, who attribute a specific challenge to PSF characteristics amongst all papers, who mentioned this challenge

nuanced understanding and lead us to suggest that comparative research could be undertaken to determine how and why different PSFs are facing this challenge. As PSF research has traditionally adopted an industry perspective, this would typically entail a comparison of lawyers and auditors with respect to global integration initiatives. However, our findings suggest that the characteristics of PSFs play a role in the resistance to global integration and comparative research analysing the individual and interrelated effect of characteristics on global integration could provide exciting new insights.

Causes for Challenge 2: Institutional Complexity. Researchers concur in identifying the professionalised nature of a PSF's workforce as the main cause of institutional complexity (Table 3). Professions are regulated by a variety of institutions (state, professional associations and universities) and by internationalising, PSFs increase the complexity of the institutional pressures they face (Faulconbridge and Muzio, 2007, 2016; Muzio and Faulconbridge, 2013; Smets and Jarzabkowski, 2013). Pearson's chi-square test confirmed this relationship, revealing a significant association between professionalisation and institutional complexity ($\chi^2(1) = 6.703$, $p = 0.01$, $n = 86$). Companies from high and medium professionalised industries (accounting, law, engineering or architecture) appear more likely to face this challenge than those from industries characterised by low professionalisation (consulting, advertising). This finding holds for both binary (high/low) and 3-level (high/medium/low) operationalisation of professionalisation. For example, using 3 levels, 36.8% of papers studying highly professionalised firms were found to detect the institutional complexity challenge, compared to 17.4% and 4% of medium- and low professionalised firms, respectively.

These findings support the predictions of institutional theory with respect to the challenge of adapting to internal and external complexities created by the different institutional contexts (Kostova and Zaheer, 1999). In addition, these results highlight that some PSFs are more likely to face it than others and offer a possible reason why PSFs may face this challenge more intensely than other firms: due to the professionalised nature of their workforce. Similar to the previous challenge, scholars have called for the adoption of a micro-foundational perspective of institutional differences (Muzio and Faulconbridge, 2013). In particular, exploring how institutions impact professionals from different countries in different ways (i.e. varieties of professionalism) and how firms manage these potentially conflicting professional traditions, could prove theoretically and managerially relevant. Questions also remain regarding the extent to which institutional complexity caused by the professionalisation of the workforce represents a barrier to PSF internationalisation: When is it surmountable and which strategies may help overcome it? Faulconbridge and Muzio's (2016) insightful study on the strategies of law firms could be replicated in both low and highly professionalised industries.

Causes for Challenge 3: Availability of resources with the necessary knowledge for internationalisation. Many firms face a lack of skilled resources for international deployment. However, the data set shows that this is a particularly relevant challenge for PSFs because international knowledge is required not only in downstream marketing activities but throughout the whole service value creation chain – from formulating to delivering the “credible promise” (Morgan and Quack, 2005; Spar, 1997; Suseno and Pinnington, 2017b; Winch, 2014). Knowledge in PSFs is often tacit, experiential and embedded in people, resulting in the internationalisation process for PSFs requiring high levels of human capital; and so the lack of such qualified resources (from both home and host countries) becomes a particularly acute challenge for PSFs (Alon and McKee, 1999; Suseno and Pinnington, 2017a). Table 2 shows that, in contrast to the other challenges, this challenge was found in all types of PSFs, suggesting it may be common to all PSFs. This would make sense given that all

PSFs are knowledge-intensive, with a high dependency on human capital. However, many articles in the data set refer to international knowledge in an aggregated manner, limiting our understanding of which knowledge is needed or lacking [i.e. technical know-what, experiential know-how or social capital and know-who (Hitt *et al.*, 2006; Suseno and Pinnington, 2017b)] and if that knowledge resides in individuals, in teams of individuals or in the organisation (Malhotra, 2003).

Theoretical predictions of RBV and KBV and causes identified by the authors of the papers we reviewed all point to the characteristic of knowledge-intensity as the cause for this challenge. However, given that the characteristic of knowledge-intensity is common to all PSFs, we could not test this association statistically. Existing theories did not point to other PSF characteristics as potential reasons for this challenge and in line with this, we found no statistically significant association between this challenge and degree of professionalisation ($\chi^2(1)=0.051$, $p = 0.822$, $n=86$) or degree of customisation ($\chi^2(1)=2.210$, $p = 0.137$, $n = 82$).

Causes for Challenge 4: Managing knowledge across dispersed locations. Authors in our data set identified a number of reasons why PSFs find it difficult to share and transfer knowledge within the firm. Using the CAGE framework (Ghemawat, 2007) we classified them as *cultural* factors, e.g. language differences and the culturally-embedded nature of knowledge (Boussebaa *et al.*, 2014; Poulfelt *et al.*, 2014; Spence *et al.*, 2015); *administrative* factors such as different jurisdictional norms (Suseno and Pinnington, 2017a); *geographical* factors, e.g. time and space differences (Hydle, 2015) or travel costs (Faulconbridge, 2007; Scott-Kennel and von Batenburg, 2012); and *economic* factors, e.g. fee differentials and perceived value of knowledge across subsidiaries (Belal *et al.*, 2017; Boussebaa *et al.*, 2014; Faulconbridge, 2007). Furthermore, managing knowledge across dispersed locations is particularly difficult for a PSF because its knowledge is largely experiential and embedded in the firm's employees (Hydle *et al.*, 2014). Tacit knowledge is best shared within the firm through internal networks linking the expertise that exists in different locations across the firm (Beaverstock, 2004; Tallman and Chacar, 2011). Indeed, attempts to promote knowledge sharing through knowledge management systems seem to have limited success in PSFs (Boussebaa *et al.*, 2014; Werr and Stjernberg, 2003). However, even PSFs that have implemented knowledge network relations find their efforts are hindered by the factors identified above (Faulconbridge, 2006, 2007; Hydle *et al.*, 2014). Therefore, the combined effects of the experiential, tacit nature of a PSF's knowledge and the variety of distance factors they encounter in their internationalisation, make the management of knowledge across dispersed locations within an international PSF a salient challenge managers must be prepared to face (Hsiao, 2008). Similarly to challenge 3 above, it was not possible to test the association with the characteristic of knowledge-intensity, as all observations in the data set were identified as knowledge-intensive.

Given that knowledge in highly professionalised PSFs is often location-bound by jurisdictional boundaries (Malhotra and Morris, 2009), institutional theory pointed to the possibility that highly professionalised PSFs might be more prone to this challenge. However, we found no such association in our data set. One of the explanations for this finding might be that this association depends on the type of knowledge needed for internationalisation. Indeed, perhaps, professional knowledge bound by jurisdictional boundaries is not that which is needed or lacking (challenge 3) nor what causes difficulties in cross-border knowledge transfers (challenge 4), but rather internationalisation know-how (Fletcher *et al.*, 2013) or know-who (Hitt *et al.*, 2006; Suseno and Pinnington, 2017b) that require further exploration.

Causes for Challenge 5: Signalling quality and building a reputation abroad. Researchers attribute this challenge to the knowledge-intensive nature of professional services and more specifically to the opaqueness of quality, i.e. the difficulty of assessing the output of a service (Nachum, 1996; Suseno and Pinnington, 2017a). Firms often build on the professional expertise of individuals and their ability to customise services to clients needs to build the reputation of the firm; but this is more challenging in international markets where neither the individuals nor the firm is known (Greenwood *et al.*, 2010; Harvey *et al.*, 2017). However, as in the previous cases, we cannot test the association with knowledge-intensity with our data set. In addition, evidence from our qualitative analysis of the papers suggests that PSFs in “unbounded professions”, i.e. those without professional closure, face additional difficulties in signalling quality as clients do not have clear expectations of the service output or even of the profession (Beaverstock *et al.*, 2010; Hall *et al.*, 2009). These observations led us to expect to find an association between this challenge and the degree of professionalisation, such that the challenge is more likely to be faced by companies with a lower degree of professionalisation. We did not, however, find a significant association, which could be due to the low number of observations of this challenge in our data set (only 11).

Remaining challenges 6 – 10: Given the few instances of these challenges in the data set, few causes were identified by the authors themselves and insufficient data was available to test potential relationships. However, building on the extant theory and our qualitative analysis of the data set, we propose potential causes that might be explored further and tested.

Firstly, it has been theorised that a PSF’s need for substantial interaction with clients is due to the degree of customisation required to fulfil the “credible promise” (Löwendahl, 2005). The studies in our data set that identify this challenge of building international client relations suggest that customisation plays a role, in that it intensifies the need for strong relations with clients (Freeman and Sandwell, 2008; Hall *et al.*, 2009). They also point to the linguistic and cultural differences (Freeman and Sandwell, 2008; Hall *et al.*, 2009; Ström and Mattsson, 2006) and knowledge asymmetry (Dou *et al.*, 2010) as causes of this challenge.

Secondly, the theoretical prediction that the competitive advantage of PSFs may not be transferable to international contexts (Cuervo-Cazurra *et al.*, 2007), seems to be supported by some of the studies in our data set. Specifically, they identify possible causes for this challenge such as the location-specific nature of knowledge on which the professional service is based (Cort *et al.*, 2007; Faulconbridge, 2006) or the existence of regulations that limit professional practice in the host country (Spar, 1997; Sparrow *et al.*, 2013).

Thirdly, although the causes for the difficulties linked with achieving profitability in international activities have not received much attention, Löwendahl (2005) suggests that a PSF’s low capital-intensity and the customised nature of its services limit its capacity to achieve economies of scale. When, in addition, PSFs operate in an environment which is price-sensitive (Belal *et al.*, 2017; Bello *et al.*, 2016) and additional costs are incurred due to geographical distance (Breunig and Hydle, 2013), it has been proposed that diseconomies of scale may occur (Jewell *et al.*, 2014; Löwendahl, 2005).

Fourthly, although language and cultural differences were mentioned by several studies as challenges for PSFs, none of these provided potential causes for this challenge or clues as to whether PSFs might face this challenge more or less frequently than other firms. Nevertheless, the knowledge-intensive nature of PSFs (in particular that PSFs’ knowledge is embedded in people) and the need for services to be customised to each client is likely to make PSFs particularly susceptible to the impact of language (Welch and Welch, 2008) and cultural differences.

Finally, language and cultural differences may negatively influence the attitude of partners towards changes in the partnership structure, for example, regarding the equity and non-equity partnership status of international professionals (Brock and Yaffe, 2008; Deprey *et al.*, 2012). However, this challenge has received very little scholarly attention and other potential causes for this challenge remain to be identified and explored.

5. Discussion

5.1 Theoretical implications

This study explored the questions of what international management challenges PSFs face and why. We began by reviewing IB theories to identify what challenges we might expect to find and then compiled a data set of 102 empirical articles on the internationalisation of PSFs to identify relevant empirical evidence on this issue. Our qualitative and quantitative analysis of this evidence provides some interesting answers to these questions. In answer to *what* international management challenges PSFs face, we provided a list of 10 such challenges that can inform both managers and scholars. Furthermore, we identified a number of causes *why* PSFs may face such challenges and in particular highlighted instances when their specific nature, i.e. PSF characteristics, could be causing them.

Our study confirmed that PSFs do indeed face the challenge of global integration frequently, as the integration-responsiveness framework would predict (Bartlett and Ghoshal, 1989; Doz *et al.*, 1981). However, our findings revealed that the degree to which PSFs face this challenge does not appear uniform. Our data suggest that two types of PSFs are more likely to face this challenge. Firstly, PSFs with a high degree of professionalisation of their workforce are more likely to face resistance to integration, which may be explained by the strong sense of professional autonomy that is core to these professions (Faulconbridge and Muzio, 2007, 2008; Klimkeit and Reihlen, 2015). These professionals (e.g. lawyers, auditors, architects) tend to be viewed as specialists in their field and delivery of a solution to clients is highly dependent on their personal judgement and they can even be held personally responsible in liability claims (Lowendahl, 2000). As such, attempts to implement global practices across the firm can be perceived as an attempt to limit this autonomy (Klimkeit and Reihlen, 2015, 2016). Secondly, PSFs with a low degree of customisation (i.e. higher degree of standardisation) are also more likely to face this challenge. Indeed, while many PSFs may focus on implementing consistent managerial practices but still leave professionals with a certain degree of professional autonomy, firms that see an opportunity for greater standardisation in professional practices and service delivery (e.g. auditing firms) will face resistance to this global integration (Alon and Dwyer, 2012; Barrett *et al.*, 2005). Overall, our results shed new light on the challenge of global integration in PSFs, by showing that when we apply the lens of PSF characteristics to the phenomenon, a sharper picture comes into focus: differentiated sources of resistance to global integration appear, providing us with a better understanding of how and why this resistance arises and how to manage it more effectively. This also has implications for research answering the call for further exploration of the *transnational* form (Boussebaa and Morgan, 2015; Brock and Hydle, 2018). Applying the lens of PSF characteristics to this topic could help researchers achieve a more fine-grained understanding of how characteristics such as customisation, for example, impact organisational features (Brock and Hydle, 2018; Greenwood *et al.*, 2010) or the PSF's business models (Breunig *et al.*, 2014).

Our findings also have noteworthy implications for institutional theory. Firstly, we confirmed that PSFs do struggle with institutional complexity: it was the second most detected challenge. Indeed, institutional theory predicts that firms will be subject to pressures from institutions to conform to the environment in which they operate

(Peng, 2002, 2009) and when firms are present in several countries they are faced with the challenge of managing the inconsistencies between both institutional environments (Kostova and Roth, 2002). International PSFs are likely to be subject to the pressures of informal institutions such as cultural norms and values (Scott, 2014), but given the strong influence of formal institutions (state, professional associations, universities, etc.) on professions (Faulconbridge *et al.*, 2012; Faulconbridge and Muzio, 2007) it is likely PSFs will face institutional complexity to a greater degree than other firms. Secondly, we also found examples in our data to support the proposition that firms face both external institutional complexity (due to external environments) and internal complexity (amongst firm subunits) (Kostova and Zaheer, 1999). However, our data set unveiled an additional layer of internal complexity in PSFs besides that which arises between subsidiaries, namely, on the level of individual professionals. In effect, professional institutions exert considerable authority on individual professionals, influencing their values, behaviours and the way they practice their profession (Spence *et al.*, 2015, 2016). Insofar as institutions differ across markets, so can the practices of professionals within the same profession, leading *national varieties of professionalism* to arise (Faulconbridge and Muzio, 2007). Thirdly, our study expands the literature by pointing to the fact PSFs may not all face the challenge of institutional complexity to the same extent. In effect, our evidence shows a significant association between institutional complexity and a high degree of professionalisation, suggesting that firms with a higher degree of professionalisation (e.g. law, accounting, engineering) are more likely to face institutional complexity than firms with a lower degree of professionalisation (e.g. consulting, head-hunting). Case studies in our data set provide comprehensive analyses of how this challenge plays out for law firms (Muzio and Faulconbridge, 2013) and how certain international strategies (e.g. one-firm model) require adaptation because of conflicting institutional contexts (Faulconbridge and Muzio, 2016; Quack, 2012). This is a promising start to understanding this relationship further, although the extent to which their findings apply to other highly professionalised PSFs remains unclear.

Finally, predictions regarding the challenges PSFs are like to face made by the other theories reviewed in the theoretical background seem to hold in our data. However, based on our data set these challenges to seem to apply to all PSFs and our ability to differentiate which PSFs are more likely to face each challenge is limited. Therefore, in the case of our particular data set, it seems that institutional theory and the Integration-Responsiveness framework seem to provide richer explanatory power regarding why PSFs face certain challenges.

With these findings, our study makes three contributions to the field of PSFs internationalisation. Firstly, by compiling a comprehensive set of international management challenges PSFs may face and identifying potential causes, our findings contribute to expanding existing knowledge on what hinders the process and why. Secondly, our findings point to relationships between PSF international management challenges and causes, that can be tested in future research. Thirdly, our analysis of the characteristics of PSFs as potential causes of these challenges highlights how useful this lens can be.

Indeed, characteristics not only help to distinguish PSFs from other firms but can also enable comparisons across different PSF types and industries. Together, these findings provide a greater understanding of what is holding international PSFs back and point towards a pathway for further research on the international management of PSFs, namely, a focus on their distinctive characteristics.

We contribute to the IB literature more broadly, by demonstrating that distinctive characteristics of the firm may predict the international management challenges the firm will face and in doing so contribute to expanding the knowledge on one of IB's fundamental

questions, namely, what are the causes the success and failures of international firms (Peng, 2004)

5.2 Limitations and future research

Like most, this study has its limitations. The use of secondary data (published academic work on international management of PSFs) carries a potential risk for subjectivity in the coding and analysis process. To counter this, codes and findings were discussed and contrasted amongst the three co-authors. Moreover, our data by its nature already contained a layer of researcher interpretation and it was not possible to contrast the codes with the original researchers or firms. Nevertheless, the data set was considered sufficiently broad to overcome individual biases. Future research may seek to contrast the findings with managers or experts and to collect primary data to test these challenges and measure their impact.

In addition, the fact that all PSFs are knowledge-intensive, and therefore all papers in our quantitative data set were coded the same, limited our ability to explore the association of knowledge-intensity characteristic with the challenges. Future research could approach knowledge-intensity in a more nuanced way, distinguishing between the different types of knowledge PSFs may have (Malhotra and Morris, 2009; Von Nordenflycht *et al.*, 2015). Such an approach could allow for differentiation between PSFs according to their different types of knowledge-intensity and for a more nuanced exploration of how these types might lead to different internationalisation challenges. Similarly, future studies might purposefully include PSFs that are capital-intensive, to study the effects of low capital-intensity on these challenges (Von Nordenflycht, 2010).

Furthermore, our study answers the call for more research to focus on the heterogeneity amongst PSFs (Boussebaa and Morgan, 2015), however, our conclusions regarding which PSFs might be more likely to face particular international management challenges are based on a comparison of findings from existing studies and such comparison may be limited by differences in these studies. Comparative studies that directly and explicitly explore the extent to which different PSFs face these challenges and the different types of solutions implemented to overcome them, appear to be a promising avenue for future research.

5.3 Managerial implications

This study offers managers several relevant insights. Firstly, it provides managers with a comprehensive set of international challenges their firm may face, thus helping them to prepare better for the internationalisation process. Secondly, this study provides managers with some indication of what may be causing these challenges. In particular, it highlights how the characteristics of their firm, such as the degree of professionalisation of their workforce or the degree of the required customisation of services, may make their firm particularly vulnerable to specific problems. With this, our study provides the starting point for the development of a diagnostic tool for managers to identify which challenges may be particularly relevant given the characteristics of their firm.

6. Conclusions

Building on the need to help PSFs identify the challenges they may face in their internationalisation, we reviewed the predictions of existing IB theories on the matter and explored the extant empirical literature to extract the challenges researchers had found and potential causes for these challenges. Our findings allowed us to confirm that PSFs do face the challenges predicted by IB theory, but to offer managers a more fine-grained understanding of how these challenges play out in the PSF context, more nuanced analysis

is necessary. We thereby also provided support for the claim that the distinctive characteristics of PSFs can provide more subtle insights into the international management of PSF. In doing so, we contribute both to the literature on the internationalisation of PSFs, in particular by adding to our understanding of the difficulties these firms face and why and the broader field of IB by pointing towards PSF characteristics as a lens for fine-tuning of theories in this context.

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