Title:

International Management Challenges of Professional Service Firms

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Abstract

This paper aims to provide a comprehensive overview of the international management challenges professional service firms (PSF) face and some clues on why they face these challenges. We analysed and coded 115 empirical articles on the international management of PSFs, and compiled a list of 13 international management challenges. Our findings, which highlight the fragmentation of the field and the heterogeneity of PSFs, lead us to propose an integrative framework. The framework includes five PSFs characteristics and is used to explain to whom each challenge might apply and why, allowing us to subsequently offer guidance to both future researchers and PSF managers.

Keywords

International management challenges, professional service firms

INTRODUCTION

Services account for 70% of GDP and employment in many Western economies, but the sector continues to face many challenges adapting to the global context, as its share of global trade (31%) demonstrates (European Union, 2017). Within this sector, professional service firms (PSFs) are becoming increasingly relevant players. Firstly due to their own international expansion, as trade in professional services has grown twice as fast as trade in goods in the past decade (McKinsey Global Institute, 2019), and secondly because they drive and support the internationalisation of other multinationals, and have considerable influence on economic and institutional actors (Suddaby, Cooper, & Greenwood, 2007).

PSFs face a myriad of managerial challenges when they operate in international markets. For example, PSFs may ask how to sell and deliver their professional services internationally and what difficulties they might face. Firms that are already internationalised can ask what is the best way to structure, coordinate and manage their dispersed resources across different geographies. Policy makers involved in supporting firm internationalisation also wonder how to design more effective policies, addressing the most relevant challenges.

When we turn to the academic literature to find answers to these questions, we find that research does not yet reflect the reality of service internationalisation (Rammal & Rose, 2014). While there is some research on PSF internationalisation, scholars warn us that there is such heterogeneity among PSFs that it is difficult to generalise findings from one PSF to another (Boussebaa & Morgan, 2015). We remain therefore unable to provide firms with sufficient answers regarding the challenges they may face in their internationalisation.

This paper aims to provide answers to the questions of what international management challenges PSFs may face, which challenges they are most likely to face and why. To do this, we coded and analysed 115 empirical studies on the international management of PSFs, focussing particularly on identifying the international management challenges that emerged in each study. Our findings indicate that the field is highly fragmented, and it is difficult to extract broad-ranging conclusions. In order to answer our research questions and provide guidance for future researchers, we propose an over-arching framework based on the characteristics of PSFs. These characteristics provide the common elements we need to compare PSFs and start to paint an integrated picture for researchers and managers.

Our work makes four contributions. First, by looking at the literature through the thematic lens of international management challenges, we offer a comprehensive list of challenges that PSFs were empirically found to face in their international expansion. Second, we propose a framework to integrate past and future research on the international management challenges of PSFs in order to provide answers to *which challenges* are most likely to be faced by different types of PSFs and *why*. Third, we provide researchers with a cohesive future research agenda on the international management challenges of PSFs and potential solutions to these challenges. Finally, our framework provides the foundations for a diagnostic tool that PSF managers could use to predict which challenges they may face if they internationalise.

RESEARCH METHOD

This literature review carried out to build our dataset followed a series of systematic steps and guidelines suggested in the literature (Tranfield, Denyer, & Smart, 2003). In the interest of reproducibility, these steps are described below.

Key concepts

This review focusses on the intersection of two research fields: professional services firms and international management. In order to set the boundaries of this study and the search carried out, we start by clarifying concepts used in our study.

No consensus exists on a generally accepted definition of PSF, and it is common to substitute such a definition with a list of examples (i.e. law, advertising or accounting) (Malhotra & Morris, 2009; Von Nordenflycht, 2010). For our search, we follow the judgement of the papers' authors and included articles where they themselves used the term "professional service firm". We acknowledge that this may have led to omitting studies on PSFs without using the term explicitly, but we concluded this was an indication that the PSF lens wasn't central to their analysis and omitting them would not significantly change the major trends identified. Our proposed framework does, however, provide further clarity on how PSFs should be defined in future research on international management of PSFs.

In this study, we use the term "international" to cover all cross-border activities, from exporting to managing multinational subsidiaries. We follow the editorial guidelines of premier international business journals, by including within our scope the cross-border activities of firms; the impact of the international environment on these firms; and the international dimension of business processes, organisational behaviour and organisational forms (Tung & Van Witteloostuijn, 2008). Finally, we do not consider single country studies as international, unless the global impact of conclusions was discussed (Tung & Van Witteloostuijn, 2008; Tallman & Pedersen, 2015).

Data collection

In order to carry out the search for relevant articles, we first defined the inclusion criteria. We included empirical articles only, as we were interested to review what challenges PSFs actually face, rather than what the literature theorises about. These articles needed to focus on any aspect of the internationalisation of PSFs and be published in peer-reviewed journals, in particular journals included in the Chartered Association of Business Schools (ABS) ranking. We did not set any time limit on the publication date, as we wanted to gather all the knowledge on the topic from its origin.

To run our search, we chose Scopus and Web of Science as two of the leading academic databases that include journals from 250 disciplines and follow a rigorous selection of indexed sources. We searched these databases with the search string "professional service firm" AND "international*" OR "global" OR "transnational" (as these terms are often used interchangeably, despite being conceptually different (Bartlett & Ghoshal, 1989)). Our 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. All 181 abstracts were analysed, and where further clarification was necessary, articles were read in full.

In our subsequent screening of articles we excluded studies that, while empirically set in international or global PSFs, did not investigate international or cross-border issues. The resulting dataset of articles for the analysis included 115 empirical articles on the international management of PSFs.

Data analysis

We used content analysis to structure the content and themes identified (Gaur & Kumar,

2018). We started by defining a coding scheme based on our aims. Our main objective was to identify international management challenges PSFs face, but in order to interpret these challenges, we also needed to understand the context in which these challenges were identified (country, firm size, industry) and how (empirical methods). Therefore, we differentiated between two types of codes. The first were attribute codes with standardised values, i.e. descriptive information about the study and its dataset (Saldaña, 2013): PSF size and industry, country where the study was carried out and methodology of the study. The first author of this paper coded the attribute codes for all the articles in the dataset, and to ensure coding validity, all doubts, however minor, were discussed with other co-authors.

The second type of coding was open, and with our research questions in mind we performed thematic coding (international management challenges that PSFs face) and taxonomic coding (PSF definition and characteristics used in study) (Saldaña, 2013). In this second phase, various cycles of coding, recoding and classification were carried out (Miles, Huberman, & Saldana, 2013). Second order themes and dimensions were generated through joint discussions between the three authors and several rounds of recodification (Gioia, Corley, & Hamilton, 2012). All coding was done using the NVivo software for qualitative research.

FINDINGS

Setting the context: profile of the studies reviewed

Our dataset covers the last three decades, and the number of articles published has doubled each decade, showing the growth of the field. The 115 articles we reviewed are widely dispersed across 56 journals from a broad variety of thematic fields (see Appendix 1 for details).

Firm size. Our dataset focusses mainly on large PSFs. We found very few studies (only 9)

set in the context of small or medium-sized firms (SMEs). Existing literature suggests that SMEs face different challenges and often choose different international strategies (Paul, Parthasarathy, & Gupta, 2017). Considering the majority of firms are SMEs, and public policy efforts supporting their internationalisation, we believe that by shifting focus SMEs important social impact and stimulating academic insights can be achieved.

Geography. Our coding revealed the strong geographical bias in our dataset. We calculated the frequency with which data samples were located in the different countries; and as shown in Appendix 2 the 115 articles generated 241 country references (as many studies covered more than one country). Data samples from United Kingdom (UK), United States (US), Canada, Australia and New Zealand, which we could call Anglo-Saxon block, together reach close to half the total (44%). On the one hand, this reflects the historical origins and international development of various PSF industries (Spar, 1997; Grabher, 2001; Morgan & Quack, 2005). On the other, critical scholars contend that this reflects the imperialist mind-set adopted in global PSFs that largely ignores peripheral offices (Boussebaa, Morgan, & Sturdy, 2012; Boussebaa, 2015). If we add Western economies, we reach 76% of our sample, indicating a need for future research to focus on non-Anglo-Saxon and non-Western firms, which is aligned with a similar call in the general IB literature (Stoian, Rialp, Rialp, & Jarvis, 2016).

PSF Industries. 85% of the articles in our sample focus on a single industry. Law, engineering and accounting have received most attention, followed by advertising, management consulting and architecture (see appendix 3). Advertising (Turnbull & Doherty-Wilson, 1990; Leslie, 1995) seems to have lost traction, while architectural firms have gained attention more recently (Winch, 2008, 2014; Faulconbridge, 2009). Some themes are explored across various industries, such as the importance of managing people (Boxall & Steeneveld, 1999; Spence et

al., 2016; Spence, Sturdy, & Carter, 2018) or knowledge (Malhotra, 2003; Hydle, Kvålshaugen, & Breunig, 2014), but mostly the analysis and findings are context and industry specific.

Methodological profile. The overwhelming majority of the articles (three-quarters) are qualitative studies. These results could well bring solace to IB scholars who have been calling for more context-rich, qualitative research (C. Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). The contextual detail regarding the historical development of each PSF industry, institutional factors, managerial challenges and internal organisation of PSFs – all identified as forgotten opportunities in IB – is quite enlightening. However, qualitative research is often criticised for its lack of generalisability, and most authors themselves state that their conclusions are not generalisable to other PSFs.

International Management Challenges PSFs face

To identify what kind of international management challenges PSFs face, we identified and coded all the challenges discussed or resulting from the empirical data in each article. We excluded challenges derived from conceptual theorising, to focus exclusively on the empirical challenges researchers identified in their fieldwork. During the several rounds of coding and discussions, themes emerged and were grouped, following which we finally arrived at a list of 13 challenges. We grouped these into employee-driven, client-driven and organisation-related challenges, based on the main source of the challenge and provide key references in table 1.

Organisation-related challenges

Challenge 1: Integration for consistent service delivery and quality. There is increasing pressure on PSFs to provide their global clients with consistent service and quality around the

world (Segal-Horn & Dean, 2009; Greenwood, Morris, Fairclough, & Boussebaa, 2010). To achieve this, PSFs try to achieve global integration of their processes, resources and management structures, and our dataset confirms this as various studies focus on the implementation of global practices (Jones, 2005; Barrett, Cooper, & Jamal, 2005; Segal-Horn & Dean, 2007; Brock & Yaffe, 2008; Segal-Horn & Dean, 2009; Greenwood et al., 2010).

Challenge 2: Resource allocation and management. A recurring theme across our dataset is resource allocation and the conflicting forces that come into play in decision-making regarding allocation of professionals to projects or teams. Global firms strive to generate mixed teams to better serve the needs of global clients, while maintaining the competitive profit centre system that hinders collaboration (Jones, 2005; Greenwood et al., 2010; Hydle et al., 2014). In fact, global resource management systems are often undermined by professionals and partners alike and parallel unofficial resource practices arise (Boussebaa, 2009).

Challenge 3: Managing knowledge across distributed locations. Knowledge is a core asset for PSFs, and it follows that managing this knowledge across borders is a key internationalisation challenge. Global knowledge transfer in PSFs is often seen as the transfer of best practices or processes (i.e. explicit, managerial knowledge) (Boussebaa, Sturdy, & Morgan, 2014). However, PSFs also often encourage social interaction and the creation of shared learning spaces, so that professionals can identify colleagues with relevant experiences and tacit knowledge on which they can build in their future projects (Faulconbridge, 2006). There are, however, many barriers to such initiatives, such as the resistance to share knowledge (Hsiao, 2008), distance (Scott-Kennel & von Batenburg, 2012; Suseno & Pinnington, 2017) and high cost of travel between offices (Faulconbridge, 2007; Breunig, 2016).

Challenge 4: Imperialist mind-set in relations between core and peripheral offices. A number of studies discuss the existence of cultural hierarchies within international PSFs and how an imperialist mind-set can be a major barrier to integration and knowledge sharing. Core offices (usually in US, UK or EU) are seen as possessing core knowledge that must be transferred to peripheral units that have "useless knowledge" and lower level skills (Beaverstock, 2004; Boussebaa, 2009; Boussebaa et al., 2014).

Challenge 5: Partnership ownership structure. PSFs traditionally adopt a professional partnership (P²) form (Greenwood, Hinings, & Brown, 1990) and this structure both affects and is affected by internationalisation (Smets, Morris, von Nordenflycht, & Brock, 2017). As owners, partners play an important role in strategic decisions on scope and scale of the company (Suddaby et al., 2007; Jewell, Flanagan, & Lu, 2014), and may be reluctant to invest internationally (Nachum, 1998). Furthermore, firms may hesitate between incorporating international partners, which could lead to dilution of power (Jones, 2005; Belal, Spence, Carter, & Zhu, 2017), or the creation of non-equity partnership roles, which could generate frustrations in local partners (Brock & Yaffe, 2008).

Challenge 6: Lack of flexibility of the cost structure. The lack of non-human assets in PSFs means the cost structure is mainly composed of the cost of human capital. Consequently, firms need flexibility in hiring and firing professionals (often limited by legislation), or to implement other alternatives such as freelance professionals (Boxall & Steeneveld, 1999), which are even more complex to manage in the international context.

Employee-driven challenges

Challenge 7: National varieties of professionalism. The term "national varieties of professionalism" refers to the fact that professionals from the same profession may not share the same professional values across different jurisdictions (Faulconbridge & Muzio, 2007; Alon & Dwyer, 2012). Firms must understand the different contexts and adapt their practices (Faulconbridge, Muzio, & Cook, 2012; Belal et al., 2017), as national varieties of professionalism can hinder integration, and even international performance, when firms do not succeed in managing these differences (Faulconbridge & Muzio, 2007; Muzio & Faulconbridge, 2013).

Challenge 8: Cat-herding: Recruiting, managing and retaining qualified professionals. Human capital is the central asset of PSFs, and this fact in itself leads to a number of challenges, often described as "herding wild cats" (Løwendahl, 2005). Human capital becomes all the more important in the internationalisation process (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006), and our dataset highlights such issues. Talent acquisition and retention are challenging for both headquarters and local offices around the world, so PSFs need to devise strong human resources strategies that are also locally embedded (Suseno & Pinnington, 2017). Performance evaluation systems are often contradictory, as they are used to stimulate performance but also aspire to resources and knowledge sharing among offices (Suseno & Pinnington, 2017). Finally, managing the cultural and language differences of professionals within the firm is often mentioned in our dataset but scholars have yet to focus on this issue (Ferner, Edwards, & Sisson, 1995; Poulfelt, Smith, & Christiansen, 2014).

Challenge 9: Tensions between professional identity and the need for coordination. The values and aspirations of professionals can provoke tensions when international firms attempt to implement greater coordination or integrated management systems. Our dataset clearly

identifies these tensions and scholars have explored issues such as resistance to managerial integration (Klimkeit & Reihlen, 2015); and proposed organisational responses such as organisational professionalism, e.g. special adapted systems (Faulconbridge & Muzio, 2008).

Client-driven challenges

Challenge 10: Adaption of services to local context. Many professional services need adaptation to local environment and context, taking language and cultural differences into account (Nachum, 1998; Skaates, Tikkanen, & Alajoutsijärvi, 2003). Examples include adapting advertising campaigns to local tastes (Leslie, 1995; Boojihawon, Dimitratos, & Young, 2007), engineering to local regulations (Jewell et al., 2014) or architecture to local design styles (Faulconbridge, 2009). Many managers see localisation as a barrier to internationalisation (Leo & Phillippe, 2001; Cort, Griffith, & Steven White, 2007), as adaptation requires knowledge of the local context, that the team from the home-market may not possess (Radulovich, Javalgi, & Scherer, 2018).

Challenge 11: Building local networks for business development and to access local knowledge. The environment between PSFs and clients has often been referred to as "clubby" and difficult to enter (Spar, 1997; Beaverstock, 2004), thus PSFs need to build local networks to access these environments (Glückler, 2006). Local networks are used by PSFs as a means to find partners (Freeman, Cray, & Sandwell, 2007; Winch, 2008, 2014), in particular by SMEs (Boojihawon, 2007) and exploited as a source of knowledge and experience of foreign markets (de Prijcker, Manigart, Wright, & De Maeseneire, 2012).

Challenge 12: Need for physical presence with the client. Many professional services

require face-to-face communication and close proximity to the client (Beaverstock, Taylor, & Smith, 1999; Freeman & Sandwell, 2008). Firstly, because production and consumption of the service (or parts thereof) may be inseparable (Deprey, Lloyd-Reason, & Ibeh, 2012). Secondly, because trust is a key element of the relationship between PSFs and their clients, and this trust is built differently in different countries (Taminiau, Boussebaa, & Berghman, 2012). The need for this face-to-face communication with international clients entails higher costs (Freeman & Sandwell, 2008; Deprey et al., 2012; Taminiau et al., 2012) and additional competences for those on the front line with clients (Beaverstock, 2004; Hitt et al., 2006).

Challenge 13: Building a reputation abroad. PSFs need to build a reputation because of what is known as opaqueness of quality, i.e. it is difficult for clients to judge the quality of a service before, and sometimes even afterwards (Løwendahl, 2005). This difficulty increases when transferred into the international context (Post, Wilderom, & Douma, 1998), and is especially relevant for SMEs (McQuillan, Sharkey Scott, & Mangematin, 2018). PSF reputation has been portrayed as a prism of multiple reputations, which vary across stakeholders and geographies (Harvey, Tourky, Knight, & Kitchen, 2017). For some PSFs (e.g., in headhunting), there is a link between the reputation of individuals ("stars") and the firm's reputation (Hall, Beaverstock, Faulconbridge, & Hewitson, 2009; Beaverstock, Faulconbridge, & Hall, 2010), which makes employee retention a key factor (Greenwood et al., 2010; Poulfelt et al., 2014) and links to challenges 8 and 9 above.

This list of challenges is very diverse and it is not evident, which of these should be prioritised. Interested in understanding which challenges were most relevant or frequent, we differentiated between occurrences when challenges were simply mentioned and those where the challenge was a relevant issue discussed the study. The frequency of mention or focus of

each challenge is reported in Table 1. We acknowledge that the subjective nature of this differentiation could be subject to debate, but our intention is to offer a measure of relative comparison. Indeed, table 1 gave us insight into the considerable attention certain challenges have received (challenges 1, 3 7 and 8) and those which have not, despite being frequently mentioned in the literature (challenges 2 and 8 to 13).

TABLE 1

<u>Summary of the findings</u>

Our review led to two main conclusions. First, emerging from the mapping of contextual variables, the fragmentation of the field. The field has been studied by scholars from a wide variety of disciplines as evidenced by the broad scope of journals. The research carried out was mostly exploratory and context-specific, either to the PSF industry or research setting in which it was carried out (large Anglo-Saxon firms), leaving little opportunity for a broader generalisation of findings. Our findings call for an integrative framework that could facilitate the generalisation of existing findings to broader contexts, as well as contribute to generating a more cohesive body of knowledge in the future.

Second, we compiled a long and diverse list of challenges, but did not find sufficient evidence to explain which firms might be more prone to each challenge and why. Therefore, future research on the international management challenges of PSFs would benefit from a guiding framework to integrate findings as well as explain to whom they are relevant and why they occur – and as a result offer potential solutions to these challenges.

MOVING FORWARD: FUTURE RESEARCH AGENDA ON

INTERNATIONALISATION CHALLENGES OF PSFS

Building a cohesive framework for research on international management challenges of PSFs

To find a relevant framework that would suit our purposes, we turned first to the field of international business (IB). We found, however, that prominent scholars claim that traditional IB theory does not fully explain the internationalisation of PSFs because their nature is different, in particular certain characteristics generate additional challenges in the international context (Aharoni, 1993; Boussebaa & Morgan, 2015). For this reason, we propose that our framework should build on these distinctive PSF characteristics, expanding their application to the international context. We then turned to the PSF literature and found that the characteristic-based framework proposed by von Nordenflycht (2010) is the most widely recognised.

Von Nordenflycht proposes that PSFs are defined in terms of combination of several firm characteristics: knowledge-intensity, low capital-intensity and professionalisation of the workforce (Von Nordenflycht, 2010, 2011). Our contention is that von Nordenflycht's framework is particularly relevant for our purposes for several reasons. First, focusing on characteristics that PSFs share can serve as a unifying framework despite specific firm and industry contexts. Second, this framework is based on the idea that firms may possess these characteristics to varying degrees, e.g. some firms will have a higher degree of professionalisation (law, accounting) than others (consulting, headhunting); and this variation along a common continuum provides a basis for comparison of different types of PSFs. Third, the framework offers an opportunity to identify managerial implications for firms, which is particularly relevant to our context of international management challenges of PSFs.

Finally, these characteristics are very relevant and applicable to the international context, as they figure very prominently in the empirical studies we reviewed. The professional nature of the workforce in PSFs appears in 54% of our papers, followed by knowledge-intensity (47%) and low capital-intensity (15%). The analysis of our dataset highlighted further two characteristics that appear particularly relevant: The high degree of customisation of professional services (Løwendahl, 2005) appeared in 30% of articles, and the project-based nature of many professional services in 6% of articles.

Our framework expands von Nordenflycht's (2010) work and includes five PSF characteristics: professionalisation of the workforce, knowledge-intensity, low capital-intensity, customisation and project-based work. In the next sections, we will show how this framework can be used to guide future research on international management challenges of PSFs. We will conceptually define each characteristic and explain its relevance in the context of international management. We will then provide examples of how characteristics may provide greater understanding of particular challenges and more specifically which firms may be more prone to facing them and why. Due to space limitations we could not expand on all these links, nevertheless, Table 2 includes a comprehensive list of links between characteristics and challenges and how they might be explored in future research.

Professionalisation of the workforce

The professionalisation of the workforce is a combination of the degree of professional closure (boundaries established to exclude others from that area of work) and permeability of jurisdictional boundaries (strength of jurisdictional control) (Malhotra & Morris, 2009). Law firms have traditionally been considered highly professionalised, as professional closure is high (lawyers require both qualification and authorisation to practice) and international jurisdictional

boundaries are not easily permeable (knowledge of local law is necessary). Engineers may face less professional closure as a broader variety of engineering backgrounds exist; and although local authorisations might be required, much of their knowledge is applicable across geographic boundaries. The degree of professionalisation of a PSF's workforce is particularly relevant in the international context because the institutions that define these boundaries vary from country to country and may generate barriers to the international activities of some firms.

We found evidence in our dataset to suggest that the characteristic degree of professionalisation may affect a firm's ability to follow a global integration strategy (challenge 1). Law firms, for example, are susceptible to the influence of local institutions such as regulators, professional associations, clients and universities in the host countries, in particular to the pressure of conforming to the local context (Faulconbridge & Muzio, 2016). These institutional pressures constrain a firm's ability to pursue a "one-firm" strategy based on standardisation and replication of home country best practices (Faulconbridge et al., 2012; Muzio & Faulconbridge, 2013). The extent of these pressures will not, however, be felt so strongly by PSFs with a lower degree of professionalisation, where firms are not bound by institutional regulation or norms. We suggest that scholars could analyse the relationship between a firm's degree of professionalisation and its capacity to pursue a global integration strategy further, for example:

- Do firms with a higher degree of professionalisation face greater difficulties in pursuing a global integration strategy?

- In what way does the high degree of professionalisation inhibit a PSF's ability to pursue a global integration strategy?

- What can highly professionalised firms do to increase their ability to pursue a global integration strategy?

Knowledge-intensity

Von Nordenflycht defines knowledge-intensity as a situation whereby "production of a firm's output relies on a substantial body of complex knowledge" (Von Nordenflycht, 2010, p.159). Exploring the knowledge-intensity of PSFs, both Von Nordenflycht (2010) and Løwendahl (2005) limited it to the knowledge that is embedded in qualified professionals. However, the knowledge management literature has acknowledged that knowledge can also be embedded in the firm's structures, policies, processes or databases (e.g. Argote & Ingram, 2000). These different types of knowledge assets have been identified in PSFs as well (Swart & Kinnie, 2010; Smets et al., 2017), and they can be expected to play a bigger role in the future as PSFs develop technology products based on big data and artificial intelligence. We know from the substantial body of research (e.g., Michailova & Mustaffa, 2012; Minbaeva et al., 2014) that managing knowledge flows is both important and challenging for multinational firms, especially if they are knowledge-intensive. The large number of challenges that have been linked to knowledge-intensity in our dataset shows that this issue is relevant for internationalising PSFs as well.

The challenge of managing knowledge across distributed locations in international PSFs (challenge 3) is naturally linked to the firm characteristic of knowledge-intensity. Most of the studies in our dataset seem to assume that knowledge is embedded in its professionals, although studies on management consulting also acknowledge the creation of knowledge assets for internal use and their storage in knowledge management systems (Werr & Stjernberg, 2003; Boussebaa et al., 2014). It follows, therefore, that our dataset highlights initiatives of knowledge sharing among professionals such as creation of expatriate and corporate relational networks (Faulconbridge, 2007; Richardson & McKenna, 2014) and communities of learning (Hydle et

al., 2014). Nevertheless, such initiatives are not without their limitations, as travel costs are high (Scott-Kennel & von Batenburg, 2012), professionals might be reluctant to share their knowledge (Hsiao, 2008) and the knowledge from different cultural contexts may not be deemed relevant (Faulconbridge, 2007; Boussebaa et al., 2014). In such a context, the codification of knowledge is considered a support mechanism for the dissemination of experiential knowledge among professionals (Werr & Stjernberg, 2003; Scott-Kennel & von Batenburg, 2012): client cases and internal social media tools can help professionals identify who, across the whole firm, has knowledge and experience relevant to their project or clients (Faulconbridge, 2006; Breunig, 2016). However, there is evidence allowing us to question whether these investments in firm-wide knowledge repositories always lead to greater overall firm performance (Levine & Prietula, 2012). We suggest, therefore, that the link between the core type of knowledge in PSFs and impactful knowledge management initiatives is researched further. For example:

- Do knowledge assets (methodologies, cases, social media etc.) reinforce knowledge sharing initiatives among professionals in an international PSF? How?

- In light of the increase in generation and use of "hard knowledge assets" by PSFs (e.g. based on big data and artificial intelligence), what knowledge management strategies are relevant to international PSFs that rely on such knowledge assets?

Low capital-intensity

Low capital-intensity "indicates that a firm's production does not involve significant amounts of non-human assets, such as inventory, factories and equipment, and even intangible nonhuman assets like patents and copyrights" (Von Nordenflycht, 2010, p.162). Typically, the studies in our dataset assume that PSFs are "asset-light" and that this fact plays to a PSF's

advantage because it means they can follow clients to international markets (Bunz, Casulli, Jones, & Bausch, 2017) and expand internationally without heavy investments (Sharma & Johanson, 1987; Suseno & Pinnington, 2017). However, low-capital intensity can also generate challenges for PSFs as we will explain below.

PSFs are faced with a lack of flexibility in their cost structure (challenge 6), and this is linked to the low capital-intensity, resulting in even higher dependency on human capital. Indeed, unable to seek cost efficiencies from fixed assets, international PSFs are limited to hiring professionals when they grow and laying them off when revenues fall (Boxall & Steeneveld, 1999). Some possible ways to overcome this challenge have been hinted at in our dataset. For example, in cost-sensitive industries (e.g. auditing) some firms are trying to move some operations to low-cost countries (Breunig & Hydle, 2013). Furthermore, some research from emerging economy PSFs suggests that operant capabilities, such as managerial and front-line capabilities, can contribute to increased productivity and profitability in international markets. Nevertheless, further solutions to this challenge remain under researched. Possible avenues for future research include:

- What mechanisms are available to international PSFs to overcome the rigid human capital-based cost structure?

- What role do freelance professionals play in international growth and contraction of PSFs? When can international PSFs grow by subcontracting freelance professionals?

Customisation

Professional service customisation is the delivery of bespoke solutions for unique client problems (Løwendahl, Revang, & Fosstenløkken, 2001). Depending on their clients and their value creating strategy, PSFs offer varying degrees of customised or standardised services.

Architectural services, for example, are more customised than accounting services, based on international accounting standards, and quality assurance services are generally standardised. Von Nordenflycht recognises customisation as a characteristic of PSFs but does not place include it in his framework, on the grounds that it does not generate additional managerial implications for PSFs (Von Nordenflycht, 2011). This is not the case in the context of international management, because customisation to each client in the international context will require additional skills and knowledge, which the current team may not possess. As such, some managers believe that the need for customisation is a barrier to internationalisation (Cort et al., 2007).

Evidence from advertising (Leslie, 1995; Boojihawon et al., 2007) or engineering (Jewell et al., 2014) suggests that a high degree of customisation of services will require high levels of local adaptation to cultural preferences and expectations (challenge 10). But professionals will also require language skills and intercultural understanding in order to communicate successfully with the client during the phases of high client involvement, and this aspect of localisation challenges has not been addressed in the literature. Additionally, the most standardised services our dataset covers is auditing, and there is evidence to illustrate how they too require localisation: standardisation of audit methodology and procedures needs to take into account, at least language and regulation issues (Barrett et al., 2005; Mennicken, 2008). However, this localisation will occur on a one-off or periodic basis (methodologies and procedures adapted and translated) for all services delivered from then on. This link between the degree of customisation and the need for adaptation to the local context, has not, to the best of our knowledge, been tested empirically. We suggest future research could analyse for example:

- Does a high degree of customisation entail a greater need to localise professional services to the local context?

- How do PSFs manage customisation and standardisation in the international context?

- What skills do professionals need to be able to customise and localise professional services?

<u>Project-based work</u>

International projects are defined as "temporary organisation governed by contractual requirements, and formed to deliver a service to an external client" (Welch, Welch, & Tahvanainen, 2008). These international projects are temporary and often large and complex, and their demand typically discontinuous (Welch, Benito, & Petersen, 2018). Most professional services are prone to a certain degree of project-based organisation of work, for example architecture (Faulconbridge, 2009), advertising (Grabher, 2001), engineering (Sharma & Johanson, 1987), although the size, complexity and duration of projects may vary. Additionally, the discontinuous nature of demand in some industries such as engineering or architecture may be greater than in others with a more regular or cyclical demand, such as law or auditing. The fact that international projects are temporary, large and complex, and that demand for projects is discontinuous generates several challenges for international PSFs.

Our dataset revealed potential human resource (or cat-herding) challenges (challenge 8) that are linked to the discontinuous demand for projects. Research on architectural projects suggests that professionals are now cosmopolitan, constantly mobile and travelling to project sites, which leads to HR challenges such as finding talent willing to become global professionals (Faulconbridge, 2009). Evidence from accounting firms, however, suggests that professionals are not as global and mobile as we tend to assume. In fact, professionals tend to mostly serve

their local clients and they face important mobility barriers (Spence et al., 2018). A possible explanation for these differences could be found in project demand: demand for architectural projects in a particular market is often discontinuous requiring architects to be brought in from around the world, whereas demand for accounting services may be predictable enough to develop local teams. Overall, the mobility of professionals has been under researched, and the link with the project-based nature of international PSFs could be a fruitful avenue for further research. Examples of future research questions could include:

- How does the project-based nature, in particular discontinuous demand, affect mobility of professionals?

- What other specific international human resource challenges are generated by the project nature of PSF work?

TABLE 2

FINAL CONCLUSIONS

Limitations. We have attempted to paint a picture of the international management challenges PSFs face in their international expansion. Like any picture, this study is a reflection of reality, but only to a certain limit. First, our choice of search words, inclusion and exclusion criteria may have led to the exclusion of articles with interesting insights into our focal question. However, taking into account the criteria set by ABS journals, we are confident that our dataset accurately represents major trends in this field. Second, like with all qualitative coding techniques, it is difficult to fully eliminate subjectivity in the analysis process. In order to surface possible biases and avoid over interpretation of data, we discussed and contrasted our coding and emerging themes between three co-authors of different backgrounds, experience and perspectives. Third, by choosing the thematic focus on challenges, we have left aside other themes that may be of interest for PSFs in their international management.

Managerial Relevance. One of the motivations for this literature review was to search the academic literature for insights to offer managers of international PSFs. To this end, we identified a list of challenges that PSFs face when they internationalise and explained their essence. Furthermore, the table 2, which links each challenge to specific PSF characteristics, can be of interest to managers: having identified which characteristics best describe their firm, they can reflect on which challenges they may face. Our explanations as to why PSFs with different degrees of intensity of each characteristic may be more (or less) susceptible to these challenges can also help managers to generate better solutions to these challenges. Altogether, these can help PSF managers better prepare for the international journey.

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TABLES

Table 1. International Management Challenges PSFs face

Nº	Challenge	Frequency		Representative References
		Mentioned	*Discussed*	
Organisation-related challenges				
1	Integration for consistent service delivery and quality	40	24	(Ferner et al., 1995; Grabher, 2001; Jones, 2005; Barrett et al., 2005; Faulconbridge, 2006; Segal-Horn & Dean, 2007; Faulconbridge, 2008; Brock & Yaffe, 2008; Segal-Horn & Dean, 2009; Greenwood et al., 2010; Segal-Horn & Dean, 2011; Breunig & Hydle, 2013; Hydle et al., 2014; Breunig, Kvålshaugen, & Hydle, 2014; Boussebaa, 2015; Klimkeit & Reihlen, 2015; Brock & Hydle, 2018)
2	Resource allocation and management	20	5	(Boussebaa, 2009; Boussebaa et al., 2012; Klimkeit, 2013; Hydle et al., 2014; Spence et al., 2018)
3	Managing knowledge across distributed locations	19	13	(Werr & Stjernberg, 2003; Faulconbridge, 2007; Hsiao, 2008; Boussebaa, 2009; de Prijcker et al., 2012; Levine & Prietula, 2012; Scott-Kennel & von Batenburg, 2012; Hydle & Breunig, 2013; Boussebaa et al., 2014; Richardson & McKenna, 2014; Breunig, 2016; Suseno & Pinnington, 2017)
4	Imperialist mind-set in relations between core and peripheral offices	9	6	(Cooper, Greenwood, Hinings, & Brown, 1998; Faulconbridge, 2007; Boussebaa, 2009; Boussebaa et al., 2012; Spence, Dambrin, Carter, Husillos, & Archel, 2015; Belal et al., 2017)
5	Partnership ownership structure	6	2	(Suddaby et al., 2007; Jewell et al., 2014)
6	Lack of flexibility of the cost structure	6	1	(Boxall & Steeneveld, 1999)
Employee-driven challenges				
7	National varieties of professionalism	28	13	(Barrett et al., 2005; Faulconbridge & Muzio, 2007; Faulconbridge, 2008; Mennicken, 2008; Quack, 2012; Faulconbridge et al., 2012; Smets & Jarzabkowski, 2013; Muzio &

				Faulconbridge, 2013; Faulconbridge & Muzio, 2015, 2016; Spence et al., 2016; Spence, Zhu, Endo, & Matsubara, 2017; Belal et al., 2017)
8	Cat-herding: Recruiting, managing and retaining qualified professionals	28	11	(Faulconbridge, 2008; Faulconbridge & Muzio, 2008; Boussebaa, 2009; Pinnington & Sandberg, 2014; Suseno & Pinnington, 2017)
9	Tensions between professional identity and the need for coordination	13	2	(Faulconbridge & Muzio, 2008; Klimkeit & Reihlen, 2015)
Client-driven challenges				
10	Adapting service to local context	18	2	(Faulconbridge, 2009; Jewell et al., 2014)
11	Building local networks	16	7	(Boojihawon, 2007; Freeman et al., 2007; Winch, 2008, 2014; Faulconbridge, 2009; de Prijcker et al., 2012)
12	Need for physical presence with the client	14	6	(Beaverstock et al., 1999; Hitt et al., 2006; Freeman & Sandwell, 2008; Faulconbridge, 2009; Hall et al., 2009; Taminiau et al., 2012)
13	Building reputation abroad	13	3	(Harvey et al., 2017; Suseno & Pinnington, 2017; McQuillan et al., 2018)

Table 2. Summary of future research agenda, linking PSF characteristics and international management challenges

Nº	Challenge	PSF Characteristics					Topics for further research
		Professionalisation	*Knowledge-intensive*	*Low capital-intensive*	*Customisation*	*Project-based work*	
Organisation-related challenges							
1	Integration for consistent service delivery and quality	X	X		X		• High degree of professionalisation and global integration • Types of core knowledge and global integration • Customisation and global integration • High degree of project-based work and resource management • Types of core knowledge and resource management • Types of core knowledge and knowledge management • Types of core knowledge and value and geopolitical factors • Adaption of partnership structures to internationalisation • Flexibility in the cost structure: freelance professionals and different types of capital intensity (financial, technological) <ins>Potential new organisation-related challenges</ins> • Challenges of small and medium-sized PSFs with high degree of professionalisation • Customisation, types of core knowledge and business models • Entry/operation mode implications for project-based work
2	Resource allocation and management		X			X	
3	Managing knowledge across distributed locations		X		X		
4	Imperialist mind-set in relations between core and peripheral offices		X				
5	Partnership ownership structure	X					
6	Lack of flexibility of the cost structure			X			
Employee-driven challenges							
7	National varieties of professionalism	X					• Impact of professional values and national varieties of professionalism in highly professionalised PSFs • International HR challenges specific to professional workforce
8	Cat-herding: Recruiting, managing and retaining qualified	X	X	X		X	

	professionals						• Impact of low capital-intensity on cat-herding
9	Tensions between professional identity and the need for coordination	X					• International HR challenges specific to project-based work (mobility)
Client-driven challenges							
10	Adaption of services to local context		X		X		• High degree of customisation and adaptation to local context
11	Building local networks for business development and to access local knowledge		X			X	• High degree of customisation and local networks • Opaqueness of quality and (i) trust of international clients; (ii) international reputation
12	Need for physical presence with the client		X		X		• Types of core knowledge and adaptation to local context • Project size & complexity and need for local networks
13	Building a reputation abroad		X				

Appendix 1: Journals with articles on PSF internationalisation, included in this review

Journal	ABS Ranking	Number of Articles	% Articles
19 journals with more than one article		*78*	*68%*
The Service Industries Journal	*2*	13	
Journal of Economic Geography	*4*	7	
Organization Studies	*4*	6	
International Business Review	*3*	6	
Accounting, Organizations and Society	*4**	5	
International Marketing Review	*3*	5	
Journal of World Business	*4*	4	
International Journal of Human Resource Management	*3*	4	
Human Resource Management	*4*	3	
Human Relations	*4*	3	
Environment and Planning A	*4*	3	
Global Networks	*2*	3	
Geoforum	*2*	3	
Journal of Services Marketing	*2*	3	
Journal of Management Studies	*4*	2	
Work, Employment and Society	*4*	2	
Journal of International Marketing	*3*	2	
Construction Management and Economics	*2*	2	
Journal of Service Management (formerly IJSIM)	*2*	2	
37 journals with one article		*37*	*32%*
TOTAL: 56 journals		**115**	*100%*

Appendix 2: Location of data samples

Geography of Data Set	Frequency
US & Canada	**43**
Australia & NZ	**12**
UK	50
Germany	15
France	11
Spain	6
Italy	6
Denmark	2
Sweden	3
Norway	5
The Netherlands	3
Belgium	2
Ireland	2
Austria	2
Finland	3
Scandinavia (unspecified)	1
Romania	1
Croatia	1
Czech Republic	1
Hungary	1
Eastern European (unspecified)	4
European (unspecified)	9
Europe	**127**
China	14
Japan	7
India	4
Bangladesh	3
Thailand	2
Malaysia	2
Vietnam	2
Singapore	1
South Korea	1
Asia (unspecified)	2
Asia	**38**
Russia	3
Turkey	1
Argentina	1
Brazil	1

LATAM (unspecified)	1
Nigeria	1
South Africa	1
Africa (unspecified)	1
UAE	1
Middle East (unspecified)	1
Fiji	1
Commonwealth	1
Unspecified	1
Other	**15**
Global (as defined by authors without specifying countries)	**6**
TOTAL	**241**
Anglo Saxon	*107 (44%)*
Western economies	*182 (76%)*

Appendix 3: Industries of the data samples

PSF industry	Frequency	%	Representative references
Law	24	21%	(Beaverstock et al., 1999; Beaverstock, 2004; Morgan & Quack, 2005; Hitt et al., 2006; Brock & Yaffe, 2008; Faulconbridge, 2008; Segal-Horn & Dean, 2009; Muzio & Faulconbridge, 2013; Faulconbridge & Muzio, 2015, 2016)
Engineering	21	18%	(Sharma & Johanson, 1987; Rimmer, 1988; Boxall & Steeneveld, 1999; Malhotra, 2003; Breunig et al., 2014; Richardson & McKenna, 2014; Hydle, 2015; Brock & Hydle, 2018)
Accounting	17	15%	(Cooper et al., 1998; Suddaby et al., 2007; Kolk & Margineantu, 2009; Spence et al., 2015, 2017; Belal et al., 2017)
Consulting	14	12%	(Nachum, 1998; Glückler, 2006; Boussebaa, 2009, 2015; Kittler & Schuster, 2010; Boussebaa et al., 2012; Bunz et al., 2017)
Advertising	9	8%	(Samiee, 1999; Grabher, 2001; Boojihawon et al., 2007; Walters, Whitla, & Davies, 2008; Magnusson, Westjohn, & Boggs, 2009)
Architecture	5	4%	(Winch, 2008, 2014; Faulconbridge, 2009; McQuillan et al., 2018)
Other industries: head-hunting, financial services, technology related services	7	6%	(Beaverstock et al., 2010; de Prijcker et al., 2012; Sparrow, Farndale, & Scullion, 2013; Demirbag, McGuinness, Akin, Bayyurt, & Basti, 2016)
Multi-industry firms *(1) (2)*	6	5%	(Benson, Pérez-Nordtvedt, & Deepak, 2009; Klimkeit & Reihlen, 2015)
Multi-industry samples	12	10%	(Cort et al., 2007; Bello, Radulovich, Javalgi, Scherer, & Taylor, 2016; Radulovich et al., 2018)
TOTAL	**115**	**100%**	

Notes on appendix 3:

(1) Multi-industry: the same firm covers various different industries, e.g. law & accounting

(2) Big 4 firms classified as defined by authors of each paper: when study considered auditors (=Accounting) or various types of professional services (=Multi-industry firm).