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Internationalization strategies in the service industry

A Case Study of Profirst International

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Abstract

English

This dissertation explores the internationalization of a service company. It also observes the different internationalization theories with an emphasis on the network perspective. The main goal of this research is to understand why networks can help small and medium enterprises when they are internationalizing.

First, the study is built on data collected from four in-depth interviews and participant observation of a Belgian company, Profirst International. We also collected internal documentation to use secondary data.

The results of this dissertation demonstrate that networks are used to access new resources and identify opportunities. Additionally, some types of company need to have an extensive network for their corporate identity. Finally, network relationships related to social capital are essential to expand internationally. Overall, the findings reflect that networks are one attribute that international companies must possess.

Portuguese

Esta dissertação explora a internacionalização de uma empresa de serviços. Igualmente observa a perspectiva da rede e como se relaciona às oportunidades da internacionalização. O objectivo principal desta pesquisa é perceber como é que estas redes podem ajudar pequenas e médias empresas aquando da internacionalização.

Primeiramente, o estudo é baseado na recolha de dados de quatro extensivas entrevistas e uma observação participativa de uma empresa Belga, Profirst International. Também recolhemos documentação interna para utilizar como segundo plano.

Os resultados desta dissertação demonstram que as redes são usadas para aceder a novos recursos e oportunidades. Ainda, algumas destas empresas necessitam de uma extensiva rede para a sua identidade corporativa. Finalmente, redes relacionais relacionadas com o capital social são essenciais para a expansão internacional. No fundo, esta pesquisa revelou que estas redes são um atributo fulcral que todas as empresas internacionais devem ter

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1 Introduction

The globalization, the evolution of technologies and communication tools are the origin of the internationalization phenomenon. Internationalization can be defined as “the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries” (Beamish, 1990, cited in Coviello & Munro, 1997, p.362)

While globalization consists in a threat for increasingly competitive enterprises, it also creates opportunities for companies to adapt to an ever-changing environment. Distance is no longer an obstacle and the company can, through internationalization process, have access to skills, talents and production costs that were not accessible in the past.

Buckley and Ghauri (2004) suggest that globalization in many industries offers new opportunities and challenges to companies regarding their international development. Indeed, internationalization processes and strategies became ubiquitous in business research topics also due to important outsourcing trends in the value chain of many industries. (Pla-Barber & Ghauri, 2012). Through internationalization, companies will be asked to gain a more sophisticated decision making process but that will also to fine-tune their activities. This mainly occurs when they take advantage of their location but also focus on what there are best at, their competitive advantage.

Globalization and internationalization are terms of the corporate world but does not concern only corporation. Surely it does have impacts on small and medium enterprises (SMEs). Such enterprises can relate to all sectors if they do not surpass a particular size. The European Commission (2008) determines companies being a SME under the following conditions:

- 1) Micro enterprises having a staff below 10 people and a turnover below €2 million

- 2) Small enterprises having a staff below 50 people and a turnover below €10 million
- 3) Medium enterprises having a staff below 250 people and a turnover below €50 million

SMEs and large corporations are now both concerned about internationalization and experience the same issues while having different core characteristics. Indeed, SMEs are characterized by flexibility and limited budget while MNEs have access to knowledge and resources but a traditional structure.

In a globally competitive world, SMEs striving for an international presence are piling up new challenges to existing ones (Zain & Ng, 2006). They are entering new markets where they lack knowledge and are constrained on resources access. However, facing such difficulties, SMEs can be helped and can engage in networks with customers, distributors, suppliers, and competitors to develop trust and commitment in the new markets (Tang, 2001; Ojala, 2009). The internationalization of SMEs has already been investigated in previous research (Coviello & Munro, 1997; Johanson & Vahlne, 1992; Ojala, 2009; Zain & Ng, 2006) and one can conclude that SMEs can suffer from a lack of resources or credibility compared to multinationals. Nevertheless, Lu & Beamish (2001) show that internationalizing from a network perspective can seriously reduce these problems.

A network in a business context represents the exchanges between all the stakeholders of a company creating relationships and the internationalization possible (Zain & Ng, 2006). Such networks replacing traditional strategies (Andersson & Helander, 2009) could offer the firms a facilitated market-entry.

According to Tang (2001), the relationships' strength influences the network perspective and will therefore impact the firms' potential to discover opportunities and facilitate the business development. In this context, relationships can either be related to business activities (formal) or to personal contacts such as family and friends (informal) (Ojala, 2009)

As mentioned above, the influence of networks on SMEs' internationalization has already been analyzed but we are interested to focus on the service industry and the

importance of the interaction between these relationships. Ojala (2009), Zain & Ng (2006), Coviello & Munro (1997) that also studied the subject focused only on a specific industry and called to investigate on a different one.

Surely, this thesis seeks to deepen existing literatures on networks and internationalization by studying why SMEs in the service industry engage in networks when internationalizing.

Our analysis will be guided by the following research question:

Why do SMEs in the service industry engage in networks during their internationalization?

This research tries to enhance what is known about internationalization of the service industry through networks because there is a gap in the literature. Indeed, many researches have focused on networks and internationalization (Coviello & Munro, 1997; Tang, 2011; Zain & Ng, 2006; Ojala, 2009) while others focused more on service firms and internationalization (Buckley et al., 1992; Saeed, 1999; Miozzo & Soete, 2001; Ball et al., 2008; Boehe, 2015; Meyer et al., 2015; Gronroos, 2016). In this thesis, we will link service firms, internationalization and the network perspective all together in one research to observe the inter dependence between these factors.

The service sector catches our attention for two reasons. First, the growing importance of the service industry has generated interests over the past decades (Naipaul & Parsa, 2000; Sundbo et al., 2001; Heshmati, 2003). Indeed, service industry has been increasingly important in the European regions and is now outweighing the manufacturing industry in several European countries. Secondly, in regard to globalization the economy tend to be more focused on information and “service” goods rather than production goods (Meyer & Kirby, 2012).

This thesis will have four different parts concerning internationalization strategies and the service industry.

The first part concerns the literature review needed to have the necessary background to establish our research. This consists mainly of services' characteristics and the network perspective. The first goal of the literature review is to define a service and its characteristics. Next, we analyze different concepts in relation to internationalization. Finally, we will further analyze the network perspective, as this approach will help us to answer our research question.

The next part consists of the research methodology used to develop this study and answer the research questions. The goal is to find a methodology that will offer additional information to existing studies but also explain the origin of the findings.

The following part consists of a case study about Profirst International. An event company based in Brussels, Paris and London but present in many other cities of the world. This part will allow us to connect the literature to a real life example but also to adapt some research to the service industry.

The final part includes the findings from the interviews conducted with different employees of the company. Next to our findings, we found it important to discuss our findings with the existing literature on the thesis subject. Additionally, we touched upon some topics that could be used for future research. This document will be closed by the limitations of the study and an overall conclusion covering the different part of the research.

2 Literature Review

As explained in the introduction, this research focuses on the internationalization of a service company. The goal of the literature review is to clear up important concepts of this dissertation and also identify the gap in the literature explained above that we are willing to fulfill. First, we analyze the concept of a service and introduce it in the context of internationalization. Next, we explore how networks are an important perspective when a firm internationalize. Finally, we summarize the literature review and interpret the initial gap observed in the literature.

2.1 The service and its characteristics

Before starting to investigate about the service industry, it is important to point out a key difference for this research: the difference between goods and services.

Goods are products, which have to be manufactured, stored, transported, marketed and sold. The difference that stands out between goods and services is their tangibility. Goods are normally tangible in nature whereas services are intangible. (Bouncken, Schuessler & Kraus, 2015)

On the other hand, services are outputs of people in an organization and they can either be a collective or individualistic performance or action by an individual. For instance, a hairdresser's focus is giving individual services. Private ships, on the other hand, can qualify to be categorized as both goods and services. Indeed, the actual ship is a good, but travelling on board of the ship is a service (Slack, 2015).

According to Blut et al. (2014), we can define a service based on four characteristics:

1) Intangibility

Tangibility emanates from the word "touch". Therefore, services cannot be touched, held or seen before the decision of purchase. This means that they should be made tangible to a certain extent.

2) Inconsistency

The term of inconsistency is the fact that the action cannot be repeated the same way several times. In this context, this means that the quality of a service can be inconsistent and vary from one to another. This is because there is variation in performance everyday from one person to another especially when they have different capabilities. Inconsistency in quality of service can be reduced by mechanization, training and standardization.

3) Inseparability

Production of services and its consumption are simultaneous. Therefore, the provider of the service cannot be separated from the service itself. The service provider and customer interaction varies based on physical presence of the consumer to receive the service.

4) Inventory

Inventory relates to raw materials or stock, meaning that services cannot be stored. Due to the intangibility of services, there is no maintenance of inventory for services. A service is thus the delivery of activity that cannot be saved (Sundbo et al., 2010).

2.2 The types of services and their internationalization

In this second part of this literature review we will analyze the service industry in the context of the internationalization. Service companies possess different characteristics from non-service-based companies, affecting their process of internationalization. Therefore, it is important to point out the differences between service and product internationalization.

As explained above (cfr. 2.1 the service and its characteristics), a service is intangible, nonstorable and untransportable, which reduces the options for distribution and export (Menzies and Orr, 2013). The difference in nature of a services compared to a

product is that services integrates its context, process and outcomes (Sundbo et al., 2010). Therefore, the internationalization of a service is an undeniable challenge for the concerned companies.

2.2.1 Hard and soft services

While Blut et al. (2014) generally describe a service by four main characteristics, we can distinguish the services in two distinct categories namely the hard services and the soft services. The hard services will differ from the 4 I's mentioned above because the production of hard services can be separated from its consumption. This enables independence between the consumer and the producer. We focus on the definition of Ball et al. (2014) since the service industry is very broad and their classification allows being more precise.

Hard services such as documents, recordable media, blueprints are comparable to manufactured products (Ball et al. 2008). Indeed, architecture, engineering or computer softwares are services but the tangible part of the service such as the software or the hard document categorize that service as "separated" (Menziez and Orr, 2013). We analyzed a contradiction between two researches and will accept the classification of Ball et al. (2014).

Soft services require a close interaction between the producer and the consumer as creation and consumption happens simultaneously. It includes hotels, events and banking or retails distribution (Ball et al. 2008). Soft services are similar to the initial description of Blut et al. (2014).

The distinction between hard and soft services is a particularly important aspect of service organization internationalization. Hard services are exportable whereas soft services must be provided in the location where they are consumed (Menziez and Orr, 2013). Concerning the soft services, exporting is not a viable entry mode while partnerships or joint ventures are workable options (Menziez and Orr, 2013) Indeed, soft service companies are restricted to internationalizing through some market entry modes as they require substantial resource commitment, such as wholly owned

subsidiaries and equity based joint ventures (Ball et al., 2008). Indeed, firms producing soft services cannot separate the production and the consumption of their services. Therefore, the firms need to physically control the service abroad by being geographically present at the service location.

Nevertheless, a company can still produce certain services in the home country and export them in a foreign location while the other services can directly be produced in the foreign location. Nowadays, information technologies enhance the transportability of services and reduce the geographical constraint usually present in the industry (Miozzo & Soete, 2001). This is a trend that also happened in the manufacturing industry on a smaller scale. Indeed, the fragmentation of services proceeds further and faster by influencing a large scope of services activities.

We can conclude that internationalization of a service is possible for both kinds of services. However, the strategy used will differ from one to another.

2.2.2 Lovelock and Yip's classification

Here below, Lovelock and Yip (1996) propose a different type of classification. This classification will help us to identify the services concerned in the case study but also analyze its possibility of internationalization.

Lovelock and Yip (1996) do not analyze services on a industry-by-industry basis but instead classify services by three different types following their operational processes and their nature: (1) people-processing services, (2) possession-processing services and (3) information-based services. It presents categories that are not mutually exclusive and exhaustive depending on the main motivations of those services.

1) *People-processing services*: involve intangible actions to the consumer himself and require him to be part of the production process. In a restaurant, a hotel or a hospital, it is required for the customer to stay there during the service delivery. A relationship or an exchange is created between both parties. In such cases, it is important that the company keeps a local geographic presence.

2) *Possession-processing services*: involve tangible actions to products in order to increase the value of these products to the customers. While the product is of course involved in the process, the customer does not take part of it. Car repairs or laundry are services for which its consumption follows its production. “A local geographic presence is required when the supplier needs to provide service to physical objects in specific location on a repeated basis”. (Lovelock & Yip, 1996). Although, modern technology now makes it possible for some processes to be executed from distance.

3) *Information-based services*: create value by collecting, manipulating and interpreting data. Banking, consulting or legal services are services that require only minimal customer involvement. Nowadays, technology makes it possible to deliver information-based services anywhere from a single location.

This research will mainly focus on people-processing services since it is the services category treated in the following case study. As we have observed such services require being locally present on the geographic market the firm is willing to enter.

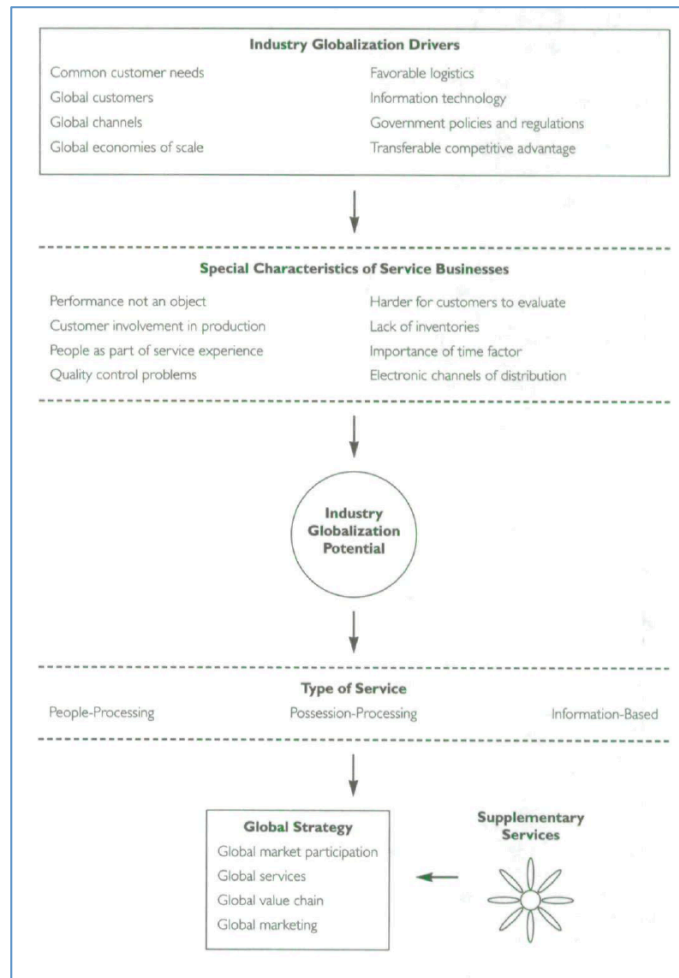


Figure 1: Globalization Framework for Service Businesses (Lovelock and Yip, 1996; p.67)

2.2.3 The Supplementary Services

The framework developed by Lovelock and Yip (1996) also introduces the concept of supplementary services that can be applied for both hard and soft services.

All businesses, whatever industry, offer a package including a core product with diverse additional elements to their customers. Such supplementary elements adding value to the core product – a meal at a restaurant, a haircut or a plane ticket – especially help companies to differentiate but also offer opportunities for firms to think about internationalization strategies. As Lovelock and Yip (1996) suggest, services include a package of core and supplementary services, which can be easily globalized and localized. For example, “McDonald’s plans to open restaurants in India that, in deference to Hindu reverence for cows, will not serve hamburgers at all. But

as service-based business, the other core and supplementary elements can make up for the lack of beef” (Lovelock & Yip, 1996). There exist different types of supplementary services surrounding the core product that we can conceptualize as a corona of petals.

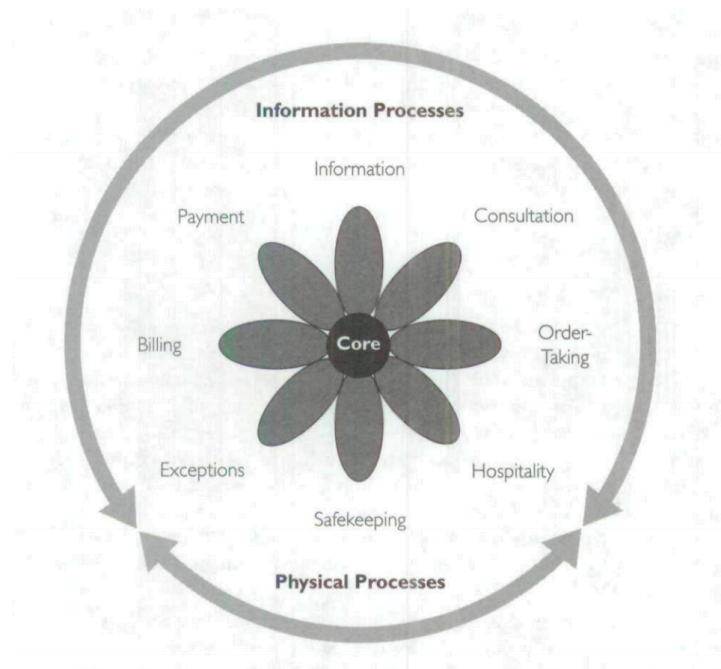


Figure 2 Supplementary Service (Lovelock & Yip, 1996; p.70)

Even though Lovelock & Yip (1996) conceptualize a core product containing eight potential supplementary services, not every product is enveloped by that many additional elements. Indeed, the essence of the core product, the customer expectations and the competitive environment allow to figure out which supplementary services have to be granted in order to boost the company’s value and create trustworthy relationships with the clients (Naipaul & Parsa, 2008).

The market positioning strategy is therefore directly linked to the theory of supplementary services – “My strategy is offering a standardized 100% product” or “We are differentiating by offering 120% of our product”. This is the bottom-line of standardization and differentiation strategies but the service industry can afford additional flexibility in terms of positioning than its manufacturing counterpart. Next to that, the company expanding internationally must make sure to know which supplementary elements are consistent in its global markets and further, which one

can be customized to meet and surpass expectations. Therefore, the competitive advantage of any service company can be created from differentiation or cost advantages (Naipaul & Parsa, 2008).

We just discussed the differentiation possibility through supplementary services and we will examine carefully differentiation based on private knowledge afterwards with the case of Profirst International.

2.3 The network theory

After defining the different kind of services and their possibilities of internationalization, we can now further develop it in relation to the network perspective.

2.3.1 Networks

In a business context, “a network is the relationships between a firm’s management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities.” (Zain & Ng, 2006, p.184)

As the definition tells us, networks consist of different types of ties such as social ties and professional ties. In a business network,

- Social ties represent commercial transactions taking place thanks to networks of relations that will conduct business dealings (Uzzi, 1999).
- Professional ties are links starting in business situations (Uzzi, 1999).

Figure 3 shows the composition of a network in a business environment. It starts with a focal firm having either social (light line) or professional ties (bold line) in regards to another set of firm.

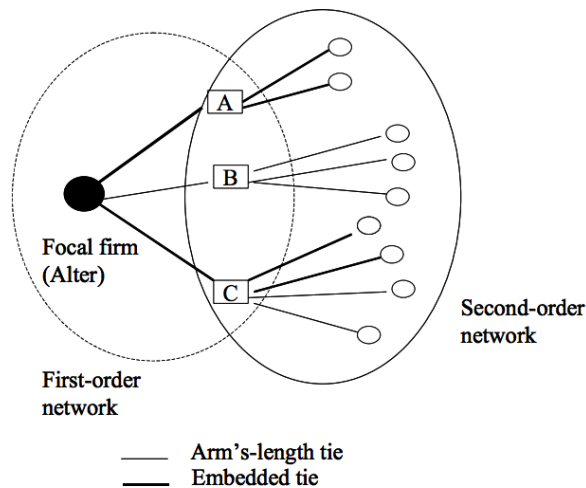


Figure 3: Network Composition (Arenius & Jones, 2003; p.10)

Each network has three essential properties: (1) degree, (2) closeness and (3) betweenness. The first property indicates the scope of the firm's relationships. Indeed, the more ties, the more opportunities and the less dependent it is on a specific supplier or client. Closeness is an indicator of the extent to which an actor can reach another one quickly and therefore has a preferred situation. The third measure is betweenness and refers to the preferred position of being in between firms. Betweenness is the source of social capital, expressing the character of social relationships different actors. This term will be addressed in a section below (Arenius & Jones, 2003).

Now that we have defined what is a network, we will relate it to the internationalization process.

2.3.2 Network perspective in internationalization

First of all, internationalization refers to a process by which companies enlarge their international involvement (Arenius & Jones, 2003). Also, firms are more likely to internationalize with countries of similar culture, language, educational systems and political similarities. (Khojastehpour & Johns, 2014).

The internationalization theory can be studied from several perspectives being behavioral, economic, born-global and network. In order to answer our research question, we will only investigate the network perspective in this research. Indeed, SME's networking activities have been related to strength and competitive advantage (Lechner and Dowling, 2003), trust, reputation and value creation (Gulati, 1995). That makes two reasons to further consider the network perspective for our research.

In the network perspective, the unit of analysis is mutual inter organizational relationships between firms and clients (Johanson & Mattsson, 1988). The network perspective takes into account interdependencies in the development of international markets. The basic assumption about organizations' behavior is that several ties keep networks together, which are: technical, legal, economic and personal ties (Johanson & Mattsson, 1987). Personnel and managers influence on relationships in the early stages and later on, the process routines and systems become more important (Onetti et al, 2016).

The network perspective is based on the resource-dependence theory stating that companies are dependent on resources regulated by others (Arenius & Jones, 2003). In other words, the firms need to build relationships in order to produce and sell good but also gain access to resources This perspective is more based on the idea that each company can benefit from others actors. Indeed, by benefiting from the others (e.g. outsourcing part of the production), the company will be able to concentrate on what it does the best. Those business networks are very likely to emerge in a changing environment where companies are pushed and motivated to adapt and be responsive (Coviello, 2006).

Inter-organizational relationships establishment already demand time and effort but changing partners afterwards is an even bigger constraint. Additionally, inter organizational processes' coordination need a clear structure since they are made through interaction between the firms and not by following an organizational hierarchy (Arenius & Jones, 2003). Accordingly, the stability of networks depends on the coordination of processes.

2.4 The use of networks for internationalization

According to Coviello (2006), the main objective of internationalization is to provide a sound environment for firms to network and depend on each other in the operating environment. Indeed, the goals of internationalization include creating and strengthening the international corporation network within the international market. Therefore, creating an environment for business relationships that will improve the involvement of the company to its international business opportunities.

Indeed, it is considered that business relationships and networks play a role in the international behaviors of enterprises (Coviello, 2006), especially concerning decisions about foreign market entry mode (Coviello & Munro, 1997).

Ibeh & Kasem (2011) distinguish four different dimensions of networks, which are hard business networks (formal relationships including five or more enterprises; exchange networks (firms with which the enterprise has commercial transactions); social networks (personal network such as family or friendship); and symbolic network (social links from shared values and norms).

Different studies have shown that networks play an important role in the internationalization development. It is common that SMEs' personal network overlap seriously with the decision maker's personal networks. Such a phenomenon can be observed for the reason that friends and acquaintances generally serve as references for expertise, resources and information (Ibeh & Kasem, 2011).

Likewise, Yli-Renko et al. (2002) and Wilson (2006) show the importance of business networks. They demonstrate that a network of management contacts, involved suppliers and customers positively affect the growth of international projects for several reasons:

1. Collect important information and contacts
2. Save on information retrieval
3. Acquire information earlier than competitors
4. Access to resources

When possessing such external ties in business networks, the firm possesses social capital that will enable it to benefit from the last-cited advantages.

2.5 Networks and Social Capital

“Social capital is defined as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet & Ghoshal 1998).

The transactions in such a form of capital are characterized by an exchange of trust and cooperation. It can bring advantages to both individuals and the society. Actually, a strong international network, part of a social capital is considered as an attribute for internationalization by Oviatt & McDougall (1995).

While past research focused mainly on the network structure and its ties, it is essential to consider the quality of these ties, as social capital represents the value of relationships (Baker, 1990). Depending on that quality, different opportunities will come out of the firm's social capital. Nevertheless, it is important to spread out the networks in many firms since diversity of information brings corporate social capital (Burt, 1992). Additionally, as Arenius & Jones (2003) mentions, social capital relates to opportunity. For example, managers or employees with social capital are well positioned to distinguish and analyze opportunities.

For companies that are willing to enter into foreign markets, social and business networks can be the success key. Considering that international entrepreneurship is “the process of creatively discovering and exploiting opportunities that lie outside a firm's domestic markets in the pursuit of competitive advantage” (Zahra & George, 2001), social capital will then

- Open the door for international opportunities (Arenius & Jones, 2003; Wilson, 2006)
- Make possible the accomplishment to an end that would not be conceivable without it (Coleman, 1990) and finally,

- Facilitate learning due to the better access to knowledge and its effect on knowledge transfer and knowledge disclosure (Nahapiet & Ghoshal, 1998; Wilson, 2006)

Moreover, having social capital can make internationalization easier by counteracting some foreign market's barriers such as the cultural distance, the lack of knowledge and the requirement of fast-moving reactions.

The first difficult erased here is the cultural distance. Cultural distance describes the differences between domestic and foreign environments making internationalization more difficult (Hutzschenreuter et al, 2011). It also represents the need for local knowledge, which can become an important barrier for internationalization (Luostarinen, 1979). While an organizational culture refers to the shared experiences, beliefs, norms and actions in an organization, it will vary between firms but also from one country to another. This culture can be a difficulty for a company who intend to reach foreign consumers or foreign companies. Also, this barrier can be even stronger in the specific case of services companies where the intangibility and inseparability of services make it even more diverse and difficult.

A second difficulty that we would like to emphasize is the necessity of strategic flexibility and development of the firm (Wilson, 2006). Indeed, the internationalization directly affects commitment decisions forcing managers to make those decisions while having a knowledge gap. Internationalization often requires important fast changes within the firm and in the firm's environment in order to succeed (Figueira-de-Lemos, Johanson and Vahlne, 2013).

Finally, the last barrier that we have already enounced in this literature is the lack of knowledge of external market (Nahapiet & Ghoshal, 1998) that could also lead to a failure of the internationalization of a company (Johanson & Vahlne, 1977; Meyer et al., 2015).

Those three difficulties can be counteracted thanks to the use of international networks. Indeed, international networks are a solution to control and adjust the

approach in order to fit the local culture (Hutzschenreuter et al. 2011). Network ties will enable the network members to interact and share knowledge about the local market and its cultural differences. In this way, the company who would like to enter a new market can, thanks to the use of those networks, gain knowledge on the market, decrease the cultural distance and be able to move faster than expected.

Briefly, we can observe that social networks and the constitution of a social capital can be a relevant success factor during the early stage of the internationalization process of SMEs. Networks can be a true variable controlling the markets that a firm can or will enter and does consequently shapes the internationalization of that firm.

While we are now achieving the end of this literature review, there is a last concept that we would like to define. This concept is the “word-of-mouth” phenomenon

Word-of-mouth networking, as the word depicts, refers to an exchange through verbal medium between several parties. In a business environment, such a network is characterized by the exchange of information about a company or a brand between customers.

Campbell (2013) notes that verbal communication leads to one of the most important modes of networks because people tend to believe in what they have been told, especially, if they have no previous experiences. It is crucial for firms to care about their word-of-mouth network that happens through their reputation. That can relatively control customers’ perceptions and enlarge the scope of their customer base.

Overall, we could analyze throughout the literature review the relationship between the service industry and its internationalization as well as the use of networks to internationalize in our globalized world.

To summarize, services can be distinguished between hard and soft services (Ball et al. 2008). While hard services can be easily internationalized, soft services are different since they still need a geographical presence of the firm and the client. Both types of services can be differentiated from competitors by supplementary services

(Lovelock & Yip, 1996). In order to ensure such services, companies can be involved in networks to benefit from business relationships and exploit opportunities (Tang, 2001; Yli-Renko et al., 2002; Ibeh & Kasem, 2011).

The service industry is particularly interesting around this subject because it conceptually involves relationships and human contacts. Nevertheless, few researches were able to relate the three factors together. Therefore, we are filling this gap with this thesis by providing a case study about a service SME that internationalize through networks.

3 Methodology & Research Proposition

The third part of this thesis consists of the methodology we used to undertake our research. Therefore, we will justify our choice to use a qualitative research in the following section. Also, we will go through the data collected for research purposes and observe how we analyzed it.

3.1 Research Design

In this study, we used a qualitative research approach to explore the roles and the importance of networks in the service industry. This is the most appropriate method to analyze the linkages and mechanisms creating networks in order to distill the complexity of the phenomenon into more manageable parts. We used the approach to elaborate on existing theories while having for goal to generate new theories that could be used for future researches (Patvardhan et al., 2015). Qualitative researches are used to understand the interactions, the strengths and nature of variables (Black, 1994). Such a method allows us to interpret observations and events in order to address different causes to our research involving a new variable within the internationalization of SMEs through networks.

Creswell (2012) presented qualitative researches following different characteristics, which are:

- a) Natural setting: data are collected in the field
- b) Researcher as key instrument: the data is collected by the researchers themselves
- c) Multiple sources of data: interviews, observations, documents
- d) Participant's meaning: focus on the participants' thoughts about the phenomenon
- e) Emergent design: the phases can change when researchers start collecting data
- f) Interpretive inquiry: researchers need to interpret what they see, hear and understand

Those characteristics fit well with the approach used in this research, as we are especially interested in interpreting events as experienced by employees and from their own perspective.

This research will discuss only one of the different types of qualitative research, which is the case study. This method consists of a researcher exploring a case or cases over time using data collection that involves various sources of information. The researcher also reports a case description (Cypress, 2015). Also, Yin (2009) allows us to categorize each method following three conditions being (a) the research question itself, (b) the need to control behavioral events and (c) the importance of contemporary events compared to historical events. Using Yin (2009) table, we can categorize this research as follow:

- a) Why-question
- b) Does not require control of behavioral events
- c) Focus on contemporary events

Therefore, the choice of a case study method is the best option for this research since it will deal with operational links observed over time.

The discussion of the case study concerns an event and communication agency based in Brussels, Paris and London. Profirst's international exposure explained by its three offices and global presence is undeniably an excellent case for this thesis.

3.2 Data Collection

Primary and secondary data are the two types of data collected for the purpose of this research. Primary data refers to the data collected by the researcher him/her-self for the specific purpose of the thesis. On the other hand, secondary data are the one collected by a third party for a different initial purpose.

As we chose the most appropriate method for this qualitative research being the case study, we gathered primary data using two core methods: participant observation and interviews.

First, participant observation is a method of collecting data involving closeness with a group of individuals being in this case, Profirst International employees.

Indeed, we assisted an account manager at Profirst for a period of three months, which was a unique opportunity to observe how the company operated locally in Belgium and internationally. Indeed, we were on the field assuming different roles that provided us with an overall overview of the firm's processes by accessing different kinds of events.

Second, interviews can occur in two different forms: formal and informal. When conducting formal interviews, it is possible to follow either an unstructured plan characterized by a free dialogue about a specific subject. On the other hand, semi-structured interviews consist of a conversation in which the interviewer has several main questions but will guide the structure depending on the interviewee's answers. Informal interviews occurs in a spontaneous manner and do not have a particular structure or planned outcomes.

As mentioned earlier, we conducted four interviews to collect primary data. We conducted (a) semi-structured interviews with employees from different levels in the company to have the most complete overview over the phenomenon. Interviews included:

- 1) Amandine Demaret (Account manager)
- 2) Pierre Colaiacovo (Chief Operating Officer)
- 3) Bruno Pani (Chief Executive Officer)
- 4) Jean-Philippe Maes (Partner)

Type of source	Date of the evidence	Brief description	Observations
Interview 1	18/11/16	Account manager	Role on projects,
Interview 2	23/11/16	COO	Company internationalization, project analysis
Interview 3	1/12/16	Partner	Company Overview & history, Internationalization
Interview 4	2/11/16	CEO	Company Overview & history, Internationalization

Table 1: Interviews Table (Author)

During the two first interviews we discussed about the process used for every project and how the company works with its suppliers. These interviews were mainly about network systems and permitted us to have good first insights about the company. Additionally, multiple questions emerged from the interviewee's answers. We make sure to answer them with the two in-depth interviews. Indeed, the two following interviews were with the founding partner and his associate. Therefore, we discussed about the foundation and complete history of the company but also about the implementation of the company abroad. This concerned both the foreign offices and the process used for international projects.

Having access to the company's intranet, we were able to use (b) internal data that helped us investigate more in depth. Additionally we were able to (c) attend key events in Belgium and abroad such as weddings or brand launches in Italy and Spain. Then, we had to opportunity to include (d) participant observation in our research as an intern at Profirst.

While we conducted several formal interviews as mentioned above, we also conducted informal interviews maintained in a diary of field notes.

3.3 Data Analysis

As soon as we gathered all the data required for the research, we analyzed them using a coding method. The approach we used consists of selecting several codes to which the data collected refers in order to assemble them in a better theoretical manner. At first, we reviewed the interviews transcripts to identify "thought units" – words, lines, or passages representing an essential idea. (Patvardhan et al, 2015). Afterwards, we classified each quote per code and asked to four other students to do the same in order to ensure a relative consistency in the results.

The different codes we came up with were the following:

- 1) Relationships
- 2) Company Identity
- 3) Word-of Mouth
- 4) Suppliers attributes
- 5) Politics
- 6) Opportunities
- 7) Market Characteristics

Then, we made a table in order to clearly analyze which codes were standing out and therefore what direction our findings would take. Having the most important codes would allow us to answer our main research question being *“Why do SMEs in the service industry engage in networks during their internationalization?”*

Of course, the notes taken during the internship also helped us to figure out which codes were most appropriate to answer our question.

Relationships (10)	<p>“It happened many times indeed.”</p> <p>“I believe we are recommended by our suppliers when clients are looking for high-end events”</p> <p>“The network is important in our job, you can easily be recommended by others thanks to futilities”</p> <p>“I am confident that this would develop importantly our network”</p> <p>“We opened in England because it is easier to work for the USA, the Middle East and Asia from London than Paris or Brussels”</p> <p>“This premium position is possible because of the unique relationships we have both with our suppliers and our customers.”</p> <p>“Yes, there is a network. We believe we are working with the best suppliers in order to answer customer needs as best as possible. We have a premium position. “</p> <p>“We were managing golf competition with the top managers of each brand for which we had to make a positive impact.”</p> <p>“From March to October I was on Golf pitches to work on events and manage people”</p>
Company Identity (12)	<p>“We have networks that aligns to Profirst’s standard and this is important in our business, to respect our standards”</p> <p>“We want the client to forget about the commercial bond”</p> <p>“Nevertheless, we help each other as a network and share information when needed”</p> <p>“They helped finding furniture and made themselves available for the French team”</p> <p>“Both offices are helping each other”</p> <p>“Profirst, through Armani’s job, got more specialized in luxury events”</p> <p>“Profirst is a 3-door agency with Brussels, Paris and London”</p> <p>“At Profirst, we seek for long term relationships in order to</p>

	<p>ensure the quality of what we offer”</p> <p>“This is why the client relationship is crucial”</p> <p>“We try to keep the first idea being that Profirst is a 3-doors agency with Brussels, Paris and London. Even if the model is the same – client directors, account managers and operations managers – the client profiles are different.”</p> <p>“The 3-doors positioning allows having different strategic positions and enlarging our network while having a local touch”</p> <p>“If we sell 100%, the minimum is to deliver 120% but if we can deliver 150% that is even better for us”</p>
Word-of-Mouth (10)	<p>“He talks about Profirst around him and brings additional clients.”</p> <p>“Fred got a pitch for a wedding in Nice, France through a florist with whom Profirst already worked for in the past”</p> <p>“Especially Profirst. Even more for private events as it mainly works with such networks”</p> <p>“Something specific about Profirst is that we really try to work constantly with the same suppliers in order to build a relationship”</p> <p>“We definitely rely on the word of mouth from clients or suppliers in whom the future clients trust”</p> <p>“People were talking about Profirst in Paris”</p> <p>“We also use social media such as Instagram to develop the awareness of the company. This is a must nowadays.”</p> <p>“Just to be honest, we do not have a commercial team which could be an important weakness of the company. This is because that job is mainly done by Bruno and I but especially because we work through word of mouth.”</p> <p>“So yes, we have a word-of mouth network because I did a wedding in September thanks to a client I worked for in the past.”</p> <p>“The golf was the magic ball that made us rebound in so many companies and sectors”</p>
Suppliers’ attributes (8)	<p>“In practice, we uses suppliers that we know but we might have specific demands from our clients that force uses to find different options”</p> <p>→ <i>Agency meeting</i></p> <p>“Are we going to uses this supplier again or not?”</p> <p>“How was his job done?”</p> <p>“What was his price range?”</p> <p>“What was his details level?”</p> <p>“Is it great to work with him?”</p> <p>“We will consider him next time?”</p>

	<p>“Nevertheless, these suppliers do not especially recommend us because they are in their job and clients do not really come to them to have an idea of what agency they should take.”</p> <p>“We choose suppliers with the answers they can offer us to our projects. “</p> <p>“The answer depends on different criteria’s:</p> <ul style="list-style-type: none"> • Quality • Quality/price ratio • Requirement level” <p>“Also, we tend to work with the same suppliers because they will know our requirements level and we will save time.”</p> <p>“This will enhance our performance.”</p> <p>“There is a mix between working with old suppliers and trying new ones.”</p>
Politics (1)	<p>“That event got cancelled for political reasons such as:</p> <ul style="list-style-type: none"> - How can some Belgians come in France to organize such events and take it to French companies - Emporio had bad relationships with the current mayor”
Opportunities (18)	<p>“The internationalization of Profirst started with an important opportunity that opened a sort of network as well”</p> <p>“After successful events, he was asked to show himself in Milan”</p> <p>“Giorgio Armani was opening new shops and Bruno seized the opportunity to tell how he should do it”</p> <p>“This was the opportunity for Bruno to make several openings everywhere in the world”</p> <p>“Paris office also has important and international clients”</p> <p>“London started the same way as the office in Paris with an opportunity that allowed them to open doors in London”</p> <p>“We save time and money as well”</p> <p>“We can see a difference in the results”</p> <p>“We can negotiate prices and deadlines”</p> <p>“In 1996, we had a big project in Brussels for Giorgio Armani that he really liked. “</p> <p>“After that, we started to work for him at an international level and he referenced us to “LOreal” having a licence to produce Giorgio Armani’s product.</p> <p>“This also forced us to have an office in Paris.”</p> <p>“We sent email with that address, people begun to be interested because we needed such an address in the luxury</p>

	<p>world.</p> <p>“Armani was having an event in Brussels and after finally getting the pitch we won the project”</p> <p>“Armani took us internationally”</p> <p>“After, Delvaux knew about us and had their 175 Anniversary to celebrate”</p> <p>“Then Cartier”</p> <p>“The whole story of internationalization of Profirst is around Armani”</p>
Market Characteristics (9)	<p>“The company started to develop and the Belgian market relatively small”</p> <p>“There is a heterogeneous side of Belgium where you have Wallonia, Brussels and Flanders”</p> <p>“Paris is close to Brussels”</p> <p>“Paris’ market was even more adapted to Profirst’s target”</p> <p>“Quickly, we identified that the Belgium market would be segmented between the Walloon market and the Flemish market just because when you are in experiential communication, you would have 2 distinct mentalities.”</p> <p>“The Thalys quickly allowed us to travel in a country having the same language and culture than us, France.”</p> <p>“It was hosting the 3 leaders in luxury which are: LVMH, Richmond (Cartier) and Kering. It allowed us to develop quickly because the decision centers are in Paris.”</p> <p>“We are in a world of hyper information and so people know the price of everything.”</p> <p>“Additionally to the last quote, we could observe through participant observation how the company’s network operates “</p>

Table 2 Codes Analysis (Author)

4 Case Study

4.1 Introduction

Profirst is a private owned company headquartered in Brussels. The following case study will be divided in several parts. First we will have a company overview to start on the same line. Next, we will analyze how the company takes care of its projects. Then, the internationalization process of the company will be explained in details.

4.2 Profirst International

Profirst is an experiential communication agency founded in 1989 by its current CEO, Bruno Pani. The company has known several enlargements in its business model from its single activity of event production to a coaching and design of every kind of project. Profirst aims at using psychological levers to reach different targets required by a specific brand.

The company is active in two main sectors:

- **Corporate**

The main sector of Profirst concerns events held by firms having for goal to improve their communication to external parties. Most events are held for luxurious brand as Profirst position itself as a premium service provider.

The corporate segment of the company is managed mainly by Jean-Philippe Maes who joined the company in 1994. Jean-Philippe is a partner at Profirst and takes up the position of client director.

- **Private**

The private sector of the company refers to exclusive events principally handled by Bruno Pani who is the CEO but also the artistic director.

The expansion of Profirst since its foundation can be gathered in 3 major steps:

1989-1998

- At first, the success of the company was made by the production of events in which they were used to surprise their customers by offering more than what was expected. Profirst called it the concept of 120%. The concept was characterized by the

over realization of the event by surpassing the expectations. During this phase, Profirst was only focusing on its 120% concept being a traditional event company

1998-2008

- The second step consisted of adding an emotional layer to the events thanks to a genuine scenography that generated unique emotions to the guests and created brand value. Here, the company started to differentiate itself from its former and less developed strategy.

2008-Present

- The third and most recent phase is when Profirst became a real consultant in strategy of brand activation. This repositioning is due to a shift in the industry where people value consultancy as a crucial service for their brand. Brand activation has for goal to generate interest of the consumers by allowing them to manipulate a product or in this case experience a service. It allows the company to make a connection with the clients and offer them a strong impression of the brand

Profirst is currently in the third phase and describes its activity with two key concepts:

- **Consultant agency:** meaning that way before organizing events or communication projects, Profirst is primarily interested in the brand itself.
- **Brand activation:** Profirst job consists of activating brand through experiential marketing, whether it is a specific event, a product launch, an inauguration.

Profirst is a 3-door international company that possesses offices in Paris, London and Brussels. Nevertheless, it is acting all over the world, from Beijing to Milano via New York, Saint Petersburg and Berlin, which involves an important international network of partners and suppliers.

This positioning allows offering a local sensibility while advising clients on the management of international and intercultural projects. The working methods and

the company's culture are totally shared by the 3 offices. Indeed, Profirst's culture rests on 3 values: Creativity, professionalism and client satisfaction.

Profirst is essentially a Business-to-Business Agency even though the company also has a team for private events. The targets are MNEs with a communication that is both global and local such as the renowned Giorgio Armani who played a crucial role in the internationalization of Profirst. Indeed, he was the first one to give opportunities for international projects and started to recommend Profirst in his network such as L'Oréal Professionnel. Other main clients of Profirst are Renault, Cartier, BNP Paribas, Natan, Land Rover and others.

We just analyzed the corporate identity of Profirst and will now explain how the company works and manage its projects.

Profirst is a matrix organization, which means that it is divided both horizontally and vertically. Employees report on day-to-day performance to the account manager who has horizontal authority. They also communicate their overall performance to the head of their department, which is Bruno Pani in this case. Bruno Pani has vertical authority.

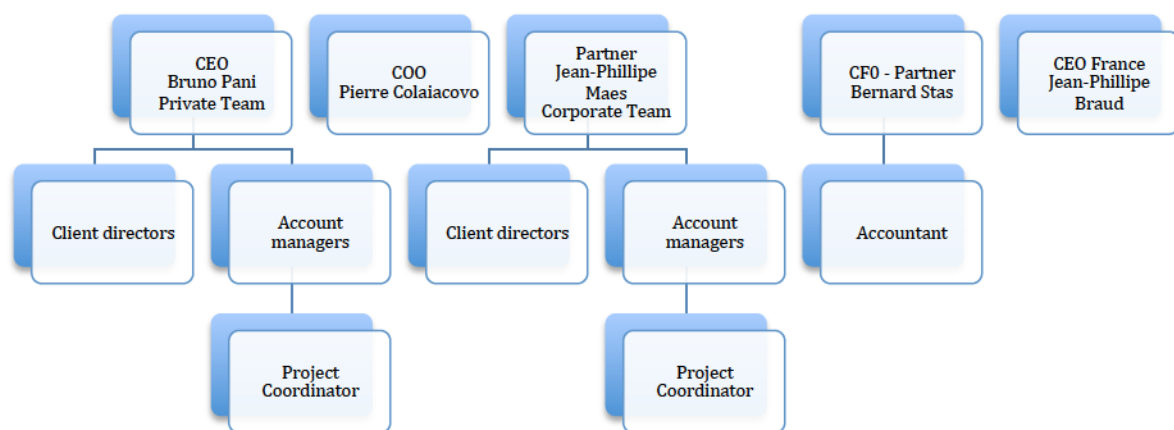


Figure 4: Profirst organigram (Author)

The above organigram shows the structure of the office in Brussels in order to visualize best the information flows of the company.

- Horizontal flow representing the exchange of information flowing from one department to another during the whole duration of a project. These are the top

management department, the financial department, and account managers department.

- Vertical flow: teams having always the same structure as follow; one client director working on a project with an account manager and a project coordinator.
 - Account Manager: main responsible of the project he is managing for the company
 - Project Coordinator: specialist in purchasing, client relations and price negotiations. He also manage the production of events.

Some departments are working simultaneously for all the teams just as the financial department or the interior designer who realizes 3D plans for the events. The chief operating officer in charge of human resources and communication among employees also works with different teams at the same time.

In terms of revenues and profits, we can observe on Table 3 that Profirst is currently stepping up from a quite bad year in 2013. Their profit that was 8,5% of their revenue in 2012 while it decreased to 0,6% last year. The profits at Profirst can impressively vary from one year to another depending on the magnitude of their projects. Moreover, in 2013, the company had legal issues with three important projects and it made a big impact on their profits. Additionally, Profirst restructured the company's structure in 2014 as they used to be 42 employees and are at this time no more than 23 employees working at "The Carpentry", their office in Brussels.

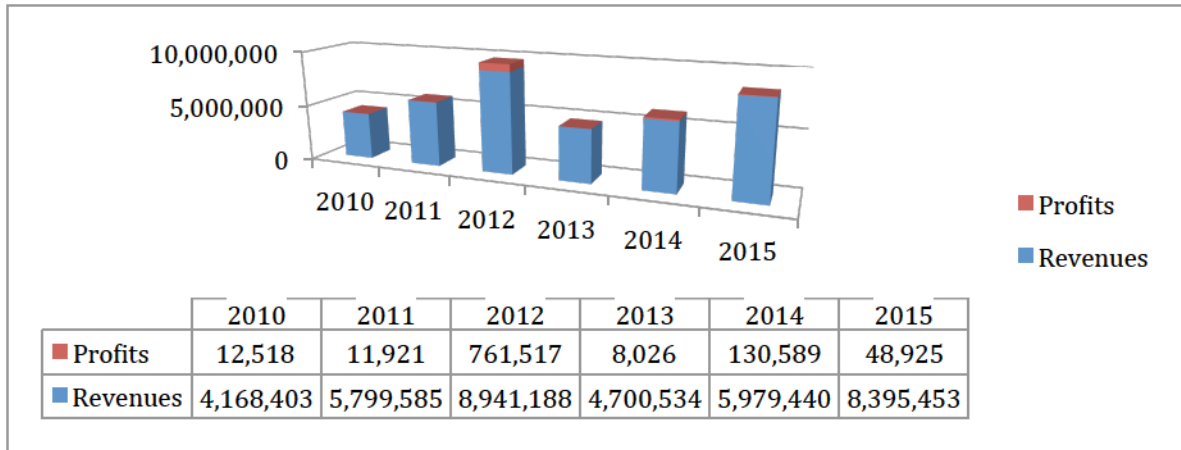


Table 3: Profits and revenues over the last 4 years (in euros) Source: Author

“The Carpentry” is a creative co-working space located in the south of Brussels where Profirst is sharing offices mainly with “Team Experiences” company, a design agency and a Real Estate company.

All companies are totally independent but the co-working option makes it possible for each firm to take advantage of information sharing and any synergies that offer the large office in Brussels. (See Appendix)

4.3 The service of Profirst

While the advertising & communication world has changed over the past 20 years, experiential (experience through events) communication started to be a crucial approach in a valuable marketing mix. One of its major goals is to produce emotion and memories of the brand to every customer.

Profirst finds itself in the service industry as a communication consultant or experiential agency and therefore manages clients’ projects from start to finish in order to ensure the best message to the clients. At Profirst, every project is divided into different phases, which allows following the progression of each one of them.



Figure 5: Profirst service analysis (Author)

Each phase consists of different steps that need to be taken care of in order to progress in the project and start the next phase. Nevertheless, some of the phases can be done from distance except the whole production and part of the pre-production where the company needs to be at the same geographic location than the client. The following table summarizes the general steps included in a complete project.

PHASES	STEPS
COMMERCIAL	Project hunting
CREATIVE CONCEPT	Briefing with the client
	Creative brainstorm
	Strategic recommendations
	Estimated detailed budget
	Clients Request & Approval
	Project Signature
PRE- PRODUCTION	Launch
	Purchases
	Project Preparation
PRODUCTION	Set up
	Event
	Disassembly
POST- PRODUCTION	Budget Closing
	Feedback

Table 4 Phases and steps of a project at Profirst (Author)

4.4 The Internationalization Process at Profirst

Profirst considers its position of premium services as an important standard. As the Belgian market was divided into both part of Belgium, the Flemish and the Walloon part while keeping Brussels apart, the company knew the Belgian market was too segmented for a viable growth. Indeed, this was the most interesting part of Belgium for high-end communication projects. Therefore, the market size was around two millions inhabitants instead of eleven at the start (Jean-Philippe Maes, Partner).

Profirst had no choice to have projects abroad and the process of internationalization at Profirst started in 1996 when Bruno met Giorgio Armani. The famous fashion designer had an important project in Brussels and chose to work with Profirst. Quickly, Armani decided to have Profirst working for him abroad and especially in Milan where he was opened new stores. Additionally, Armani had licenses with “L’Oréal Professionnel” for his fragrances and he referenced Profirst to the French company.

Quickly, Profirst opened an office in Paris and took advantage of the city’s evolution in the luxury sector having three leaders such as LVMH, Richmond and Kering. They had their first event outside Europe in 2001, in New York. As they were having an important number of international projects, they opened an office in London in 2010. The opportunity behind the British office is the ease to work with the U.S., the Middle East and Asia.

The managers are fully satisfied with the internationalization of the company as every office allows them to have an additional door for projects. The French office allowed them to be present where their sector is the most advanced and being close to luxury leaders. In London, the office does not require much local employees but has been profitable since 2011.

Additionally, the international aspect of every project that is undertaken abroad is an opportunity for the company to learn and experience from different perspectives. It is key to the company’s business to always know the trends and what customers like in every part of the world. Therefore, the internationalization of the company is a “must-have” in the experiential industry.

5 Findings

The following section will present the reasons why SMEs in the service industry engage in networks.

In this part, we will try to summary the most important findings retrieved from the interviews. Based on the interviews with the employees of Profirst International, we could observe three assertions:

- a) Networks allows to overcome financial barriers and build a reputation
- b) Networks are a competitive advantage by the quality of the relationships.
- c) Networks create opportunities and can ease their development

5.1 Build relationships and a reputation

Profirst is a SME and therefore has a limited marketing budget compared to traditional corporations. Additionally to a restrained marketing budget, Profirst do not have a commercial department, which make it even more difficult to develop and reinforce their business but also enlarge their scope. In this context, networks tend to be a necessary perspective used by the company willing to increase its exposure while respecting a limited marketing budget.

Profirst started their activities early in the sport sector and especially in golf. Quickly, the company started to build a network for premium events through word-of-mouth in the community. According to Jean-Philippe Maes, partner and client director at Profirst International, this was the starting strategy of the company: use networks and relationships to build a reputation throughout the word of mouth.

“Just to be honest, we do not have a commercial team which could be an important weakness of the company. This is because that job is mainly done by Bruno and I but especially because we work through word of mouth.”

Pierre Colaiacovo, COO

5.2 Gain a competitive advantage

As we already said earlier, globalization and fast-moving environments characterize today's economic context. In such fast-moving environments, companies need to be pro-active. In the case of SMEs and more specifically Profirst International, networks are essential to overcome unplanned situations and go beyond the expected outcome.

Interviews with the employees of Profirst demonstrated how seriously the firm takes the quality of their networks and gives a specific attention to their relationships with clients, suppliers and partners offices. Indeed, according to Bruno Pani, CEO of Profirst International, the firm has a premium position in terms of the services offered thanks to the unique relationships they have with every stakeholders of the company. These relationships are a considerable competitive advantage for the company that enables them to outperform competitors.

Bruno Pani and Jean-Philippe Maes are the two partners creating the firm's identity. According to them, Profirst engages in networks because it is part of the company's identity and core values to build relationships with both their suppliers and their clients. Profirst mission is to surpass customers' expectations by transforming experiential messages in a genuine communication.

In order to provide a service of quality to its client, Profirst differentiates itself from other companies with the two following points.

First of all, the firm requires the consumer to be part of the production process. This way, it makes sure that the client is satisfied and that its expectations are totally fulfilled by the services offered.

Secondly, the company offers supplementary services in order to make the distinction with its competitors. Their supplementary services are the network available that profits to every event but especially the company's over-realization in the projects¹.

¹ I was personally asked to enhance a project with additional aspects that were not on the contract.

Amandine Demaret, account manager at Profirst International, demonstrates the consumer focus of the company with the following quote: *“We want the client to forget about the commercial bond that links us and we want him to feel well”*. Moreover, Jean-Philippe Maes illustrates the principle of supplementary services by adding the following remark: *“If we sell 100%, the minimum is to deliver 120% but if we can deliver 150% that is even better for us”*.

In order to fulfill its mission, Profirst International started to develop networks by incorporating particular relationships in their business model. The goal is to enable the company to differentiate itself from competitors by benefiting from unique treatments from their suppliers. According to Amandine Demaret and Pierre Colaiacovo, COO at Profirst, the company chooses networks that align to Profirst's standard. By choosing their suppliers and entertaining a good relationship, they can save money and time. Indeed, they have more power to negotiate prices and deadline. Bruno Pani adds the following remark: *“Additionally, having suppliers working with us on a regular basis is another way for us to have additional challenges and learning opportunities.”*

In a nutshell, Profirst is making the difference by according a high importance to the relationships with their customers and suppliers. In the following part, we will see how Profirst entered into an internationalization process.

5.3 Create and accelerate opportunities

Per discussion with the employees of Profirst International, their internationalization was possible thanks to three factors: their reputation, the opportunities arising from networks and the opening of new offices.

As already developed in the previous section, Profirst is known for the quality of their services and their social capital. These factors started as word-of-mouth in Europe thanks to their events but also to several decisive opportunities. According to Bruno Pani, internationalization was possible due to the reputation build step by step but especially thanks to the opportunities that arose from networks. Indeed, in 1996, the

meeting between Bruno and Giorgio Armani started the internationalization of the company throughout the world. Along the way, Profirst's became known over the world thanks to their reputation and the word-of-mouth.

Another factor promoting their internationalization was the opening of new offices in foreign capitals. In 1998, Profirst started to have international offices and at the same time, the company started to have a much more credible international identity (Jean-Philippe Maes, partner). The luxury sector needs to have different pillars such as an office in the luxury capital to make people want to work with them. As mentioned by Bruno Pani during an informal meeting, the location of offices was also a crucial factor for the business. Indeed, Paris office only started to work well when they rented an office on "Place Vendôme" in Paris. The opening of the office in London also permitted the company to reinforce its international identity by being in three important capitals.

"Profirst is a 3-door agency with Brussels, Paris and London"

Pierre Colaiacovo

Profirst's network position in three business capitals allows them to overcome the barrier of cultural distance. Indeed, a project has to be differently finalized depending on the country norms. According to Bruno Pani, *"the 3-doors positioning allows having different strategic positions and enlarging our network while having a local touch"*. Bruno Pani took the example of England. According to him, they opened an office in England because it was easier to work with the USA, the Middle East and Asia from London than from Paris or Brussels. Indeed, the cultural distance tends to be less important between those countries.

By engaging in networks, SMEs are creating opportunities for their business to grow. When you build a relationship with a third party, you are opening doors to shared information. According to Amandine Demaret, the different independent offices of Profirst cooperate as a network and share knowledge and resources. From a practical point of view, employees from the different offices help each other when they need knowledge such as information on clients and suppliers or furniture, places, and

activities. Fast changing environments as the event sector always need such cooperation to come up with new ideas and create value for the company. Partnerships between Profirst Belgium, Paris and London make it possible for the three companies to reach that goal.

Throughout the different findings, we could observe that networks are playing a key role in the expansion and internationalization of a SME such as Profirst International. We noted the importance of the quality of the relationships in these networks between a company and its customers, suppliers and partners. Indeed, it helped Profirst to offer a service of quality, to build a reputation and to be known over the world.

6 Discussion

Through this following section, we will confront the theory developed in the literature review with the findings retrieved from the specific case of Profirst International. Indeed, having such detailed interviews permitted us to reinforce the literature reviewed earlier.

6.1 Build relationships and a reputation

For companies that are willing to enter into foreign markets, social and business networks can be the success key.

Indeed, networks and social capital:

1. Open the doors for international opportunities (Arenius & Jones, 2003; Wilson, 2006)
2. Make possible the accomplishment to an end that would not be conceivable without it (Coleman, 1990) and finally,
3. Facilitate learning due to the better access to knowledge and its effect on knowledge transfer and knowledge disclosure (Nahapiet & Ghoshal, 1998; Wilson, 2006)

In other words, networks and social capital can make internationalization easier by creating opportunities but also by counteracting some foreign market barriers such as cultural distance and lack of knowledge.

6.1.1 International opportunities

Networks and social capital open the doors for international opportunities.

(Arenius & Jones, 2003; Wilson, 2006)

In the literature review, we mentioned Campbell (2013) and its observation about how verbal communication leads to one of the most important modes of networks. This observation can be applied to the specific case of Profirst. Indeed, as Profirst started their activities early in the sport sector and especially in golf, the company

quickly started to build a network for premium events through word-of-mouth in that community. At the beginning, Profirst could not afford to develop expensive marketing strategies to promote the company. Consequently, Bruno Pani and Jean-Philippe Maes essentially relied on word-of-mouth and relationships. They consider verbal communication one of their most essential marketing tools. Additionally, Profirst engages in networks in order to benefit from word-of-mouth and increase their exposure while respecting a limited marketing budget. Hence, our results confirm what we mentioned about Campbell (2013) in the literature review.

According to Oviatt & McDougall (1995) social capital is a crucial attribute for internationalization. Bruno Pani and Jean-Philippe Maes are the two partners creating the firm's identity. Nowadays, these partners have a strong business network that they built up since the early years of their activities in the golf sector.

Their reputation brought through word-of-mouth but also through their stratified customers (such as Giorgio Armani) opened many doors to the foreign markets.

"The internationalization of Profirst started with an important opportunity that opened a sort of network as well"

Pierre Colaiacovo, COO

The results gathered from the interviews at Profirst support Oviatt & McDougall (1995) in the sense that the social capital of the partners at Profirst was a crucial element for the internationalization of the company.

6.1.2 Project accomplishment

Networks make possible the accomplishment to an end that would not be conceivable without it. (Coleman, 1990)

The above statement says that a network of relationships makes possible the accomplishment of projects that would not be possible without it.

We understand this quote by the following manner: networks allow SMEs to build relationships and to be able to create projects with the help of third parties.

As explained in the findings developed here above, Profirst mission is to surpass customers' expectations and Profirst positioning as "premium" requires the best customer service. Accordingly, Profirst developed networks by incorporating particular relationships in their business model. They built close relationships with customers but especially with suppliers. The goal is to enable the company to differentiate itself from competitors by benefiting from unique treatments from their suppliers. By giving such an importance to their relationship with suppliers, they can have the possibility to negotiate prices and deadlines and to offer minutely what the client is waiting for.

Our results state that Profirst networks enable the company to outperform competitors and to always answer the client needs. This is in line with Coleman (1990) research and confirms his claims.

6.1.3 Learning advantage

"Networks and social capital facilitate learning due to the better access to knowledge and its effect on knowledge transfer and knowledge disclosure.

(Nahapiet & Ghoshal, 1998; Wilson, 2006)

Nahapiet & Ghoshal (1998) and Wilson (2006) tried to emphasize the importance of networks and social capital in the context of internationalization. Indeed, we believe that networks and social capital provide the company the opportunity to enter into a foreign market without facing important difficulties such as the lack of knowledge and the cultural distance. This statement that we observed in the case of Profirst as well confirms Hutzschenreuter et al. (2011) who mentioned how networks are a method to deal with the difference in culture between the company's home country and the local culture of the current project. Undeniably, this theory can be applied to the specific case of Profirst.

Profirst started to have international offices in 1998. The opening of the offices in Paris then London allowed the company to reinforce its international identity by being in three important capitals. Indeed, the opening of London's office enabled to enhance the communication with the USA, Middle East and Asia. In such a way, Profirst decreased the cultural distance with those countries and increased its knowledge of these new markets.

"We opened in England because it is easier to work for the USA, the Middle East and Asia from London than Paris or Brussels"

Bruno Pani

Regarding the relationships with Profirst's international offices, Arenius & Jones (2003) developed this matter in the network perspective. Partnerships between Profirst Belgium, Paris and London enable the partner companies to share resources mutually.

By engaging in networks, SMEs are creating opportunities for their business to grow. When you build a relationship with a third party, you are opening doors to shared information. SMEs involvement in any international network allows the company to be more stable and rely on a bigger resource base.

"Nevertheless, we help each other as a network and share information when needed"

"Both offices are helping each other"

"They (employees) helped finding furniture and made themselves available for the French team"

Amandine, Account Manager

Such quotes from the account manager at Profirst support Nahapiet & Ghoshal (1998) and Wilson (2006) affirming that networks facilitate learning due to a better access to knowledge. Indeed, international offices enable Profirst to enjoy a larger knowledge base.

6.2 Gain a competitive advantage

A second issue that we would like to discuss in this part is the competitive advantage that networks can bring to companies. We believe that this plays important role in the service industry and in the specific case of Profirst. Consequently, we would like to link this finding with the theoretical concepts developed in the literature review.

As Gulati (1995) mentioned in his research, networking activities are related to trust and reputation. We believe this statement to be totally relevant as one goal of Profirst by engaging in network activities is to enhance and represent its international reputation. Additionally, Profirst started to grow as result of business relationships, which played an important role in the international behavior of the firm such as the opening of international offices. Undeniably, these activities generate trust to the suppliers and the clients. Therefore, we can confirm Gulati (1995) with our results.

As Lovelock and Yip (1996) categorize the people-processing services, one can say that Profirst's activity falls in that category. Indeed, Profirst involves intangible actions to the consumer and requires him to be part of the production process. As we have discovered so far, a relationship or an exchange is created between both parties. In this case, the first party is Profirst and the second can be the client.

The relationship with the client plays an important role in the internationalization process of Profirst. We were able to note on behalf of participant observations² how important are the relationships between the different stakeholders just to ensure a valuable company's identity. A direct competitor who do not pay enough attention to its identity and processes is clearly less considered than Profirst in the industry. Indeed, Profirst can clearly make the distinction by meeting expectations of the client but also offer supplementary services.

As explained in the literature review, Lovelock and Yip (1996) studied the concept of supplementary services. According to them, supplementary services help companies

² Profirst is very often giving feedbacks and offering follow-up presents to their long lasting suppliers and clients.

to differentiate but also offer opportunities for firms to think about internationalization strategies. Networks allow Profirst to offer supplementary services helping to over-realize the projects³. As Jean-Philippe Maes said: *“If we sell 100%, the minimum is to deliver 120% but if we can deliver 150% that is even better for us”*.

The concept of supplementary services is a classification confirmed in our results.

A key aspect that we would like to emphasize here is that developing networks and relationships is not enough to internationalize. Through this case study, we could measure the importance of the quality of the relationships. Being in a network is not enough to enjoy all the benefits and to ensure internationalization. What makes the internationalization possible is the fact that a company can legitimately rely on third parties and on long-term relationships. This is what makes the biggest difference between the network and the social capital.

As defined in our literature review, “Social capital is defined as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet & Ghoshal 1998).

According to us, the objective pursued by SMEs in the service industry engaging in networks in order to internationalize is the establishment of a corporate social capital. This social capital will be even more important in the service industry where the relationships with third parties (and more specially customers) play a decisive role. The constitution of a social capital will clearly facilitate the internationalization of a service SME.

³ I was personally asked to enhance a project with additional aspects that were not on the contract.

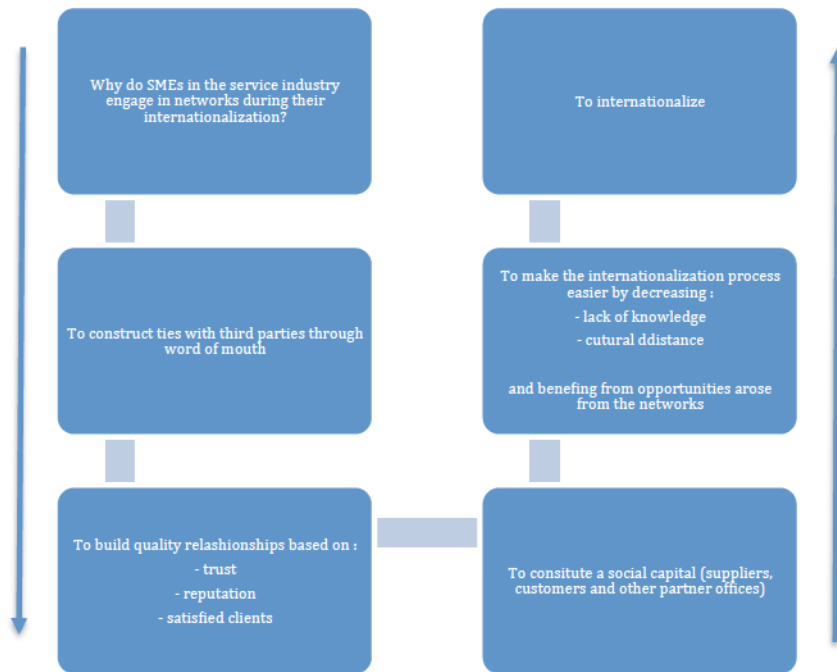


Figure 6: Research question answer

7 Conclusion

The objective of this research was to enhance the literature about the internationalization strategies in the service industry and more specifically, internationalization through networks.

In order to do so, we investigated the case of Profirst International and collected data from several sources to ensure consistency in our research. The company is characterized by the use of networks and social capital in its business model.

Our findings permitted us to answer our initial research question being:

Why do SMEs in the service industry engage in networks during their internationalization?

While all companies have to maintain business relationships, SMEs in the service industry will engage in networks in result of these business relationships they have been maintaining for their the business to grow. The positive quality of the business ties will be generate a word-of-mouth network and enhance the reputation of a firm and increase the trust towards the business.

Actually, we can observe that networks are at the same time the objective pursued by internationalization but also the mean to achieve internationalization. Indeed, companies can use networks to internationalize themselves while they also want to internationalize in order to benefit from those networks.

Nowadays, social capital is a success key in the business world as people are more and more interconnected. It is crucial to build serious inter-organizational relationships to ensure the growth of a company and to reach out to every opportunity that arises. We have seen through the case study that the internationalization of a company can start from several favorable circumstances and finish by the creation and development of an extensive network.

We can conclude by saying that it is essential for small and medium-enterprises to manage networks as part of their business strategy in order to make resources

available and meet their international development needs. Additionally, networks diversity improves the companies' market commitment and has a positive impact on their reputation. It also creates corporate social capital that will be essential for the internationalization of the company.

7.1 Future Research

This research was mainly focused on internationalization through networks and social capital. We could explore the internationalization from another perspective. Indeed, we conducted a project at the end of our internship where the company has important opportunities of growth to consider. This project was about developing international project through a commercial department. It would be interesting to compare the internationalization of a service SME through a different process than networks.

7.2 Limitations

The diversity of service firms makes it inappropriate to generalize too widely results from any research. Indeed, this research concerns a niche target in the service industry and other conclusions could be found when analyzing a different type of service. Also, the internship at Profirst International could have brought some subjectivity in the research. Finally, we focused on how networks can help service firms to internationalize without considering other means that could contribute to the process.

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9 Appendixes

Type of source	Date of the evidence	Brief description	Observations
Interview 1	18/11/16	Account manager	Role on projects,
Interview 2	23/11/16	COO	Company internationalization, project analysis
Interview 3	1/12/16	Partner	Company Overview & history, Internationalization
Interview 4	2/11/16	CEO	Company Overview & history, Internationalization
Internal documentation	2016	Analyse du contenu	Competitors Analysis & Profirst Premium Position
Internal documentation	2016	BigProfirst	Company's Intranet
Internal documentation	2016	"How we work"	Company's description to clients
External Documentation	2016	National Bank of Belgium	Revenues of Profirst from 2010 to 2015

Table 5 Case Study Data Base



Figure 7 The Carpentry Office Space (Author)