

# Contents

<i>Figures and tables</i>	<b>ix</b>
<i>Preface</i>	<b>xiii</b>
<i>Acknowledgements</i>	<b>xv</b>
<b>1 Introduction</b>	<b>1</b>
1.1 Introduction	1
1.2 Aims and objectives	3
1.3 Method	4
1.4 The structure of the book	6
<b>2 Internationalisation of services: conceptual issues and evidence</b>	<b>8</b>
2.1 Introduction	8
2.2 Defining services	8
2.3 International service transactions	16
2.4 The extent of service and business service internationalisation	21
2.5 The value and significance of business services	30
2.6 Conclusion	32
<b>3 International trade and foreign direct investment theories: application to services</b>	<b>34</b>
3.1 Introduction	34
3.2 International trade theory and service trade	34

3.3 Foreign direct investment theory and service multinational enterprises	48
3.4 Foreign direct investment and intra-firm trade in services	65
3.5 Conclusion	66
<b>4 Organisational theory of the firm and the international structure and strategy of service firms</b>	<b>69</b>
4.1 Introduction	69
4.2 The organisation of the service firm	69
4.3 Strategy and structure in the development of service firms	75
4.4 The organisation of international service firms	82
4.5 Strategy and structure in the development of international service firms	84
4.6 Conclusion	89
<b>5 The international business service firm: the evolution of an internationalisation framework</b>	<b>92</b>
5.1 Introduction	92
5.2 Why does internationalisation occur?	93
5.3 How does internationalisation occur?	94
5.4 What factors influence the organisational structure of international service firms?	99
5.5 A framework for the internationalisation of service firms	102
<b>6 Internationalisation of business services: an overview of advertising, accountancy and computer services</b>	<b>105</b>
6.1 Introduction	105
6.2 Internationalisation of advertising services	105
6.3 Internationalisation of accountancy services	120
6.4 Internationalisation of computer services	132
6.5 Conclusion	141
<b>7 The UK business services sector: survey framework</b>	<b>144</b>
7.1 Introduction	144
7.2 The UK business services sector	144
7.3 Research aims and hypotheses	149
7.4 Framework of the postal questionnaire	155
7.5 Characteristics of the sample	156

7.6 Conclusion	161
<b>8 The internationalisation of the UK business services sector: survey results</b>	<b>163</b>
8.1 Introduction	163
8.2 Diversification and internationalisation	163
8.3 An evolutionary approach to internationalisation?	173
8.4 International clients - international business service firms?	184
8.5 Location and internationalisation	187
8.6 Ownership and autonomy of overseas establishments	187
8.7 Business service sector FDI: market-oriented or resource- oriented	194
8.9 Conclusion	196
<b>9 Multinational structures and strategies in the business services sector</b>	<b>199</b>
9.1 Introduction	199
9.2 Advertising firms	200
9.3 Accountancy firms	212
9.4 Computer service firms	228
9.5 Multinational structures and strategies in the UK business services sector	240
9.6 Conclusion	243
<b>10 A model for business service firm multinationalisation</b>	<b>245</b>
10.1 Introduction	245
10.2 An evolutionary approach to business service firm internationalisation	246
10.3 Explaining trade and FDI in business services	255
10.4 The role of intra-firm trade in the multinationalisation of business service firms	259
10.5 Multinational organisational structures in the business services sector	261
10.6 Conclusion	265
<b>11 Conclusion</b>	<b>268</b>
11.1 Introduction	268
11.2 The international competitiveness of the UK business services sector	269

11.3 The development of a theory for the internationalisation of service activity	271
11.4 Policy implications	274
11.5 Final conclusions	276
<b>Appendices</b>	<b>277</b>
Appendix 1: Research techniques and data analysis	277
Appendix 2: International Standard Industrial Classification: classification of business services	283
<b>Bibliography</b>	<b>284</b>

# Figures and tables

Figure 4.1	Organisational structures	76
Figure 5.1	The internationalisation of service firms: a framework	103
Figure 9.1	Cordiant Plc. organisational structure	204
Figure 9.2	Gold Greenlees Trott Plc. organisational structure	210
Figure 9.3	Price Waterhouse UK national structure	215
Figure 9.4	The worldwide Price Waterhouse organisation	216
Figure 9.5	BDO Binder Hamlyn national structure	224
Figure 9.6	BDO international organisation	225
Figure 9.7	Sema Group Plc. organisational structure	233
Figure 9.8	Logica Plc. organisational structure	236
Figure 10.1	Internationalisation of business service firms	249
Figure 10.2	Paths of development in the evolution of a multinational business service firm	252
Figure 10.3	A framework for the multinational development of business service firms	267
Table 1.1	Research strategy	6
Table 2.1	Definitions of services: a classification	12

Table 2.2	Business services included in proposed reference list of industries	15
Table 2.3	International service transactions: a classification	20
Table 2.4	Growth in the value of world exports by major product group 1985-93	24
Table 2.5	Leading exporters and importers of world trade in commercial services 1993	25
Table 2.6	Industrial distribution of outward direct capital stock for selected countries in the late 1980s	26
Table 3.1	The nature of trade by sector	47
Table 3.2	The basis for trade: selected service industries	49
Table 3.3	The advantages and disadvantages of internalisation	57
Table 3.4	Illustrations of ownership, locational and internalisation advantages relevant to the activities of selected business service industries	62
Table 6.1	The top 30 UK advertising agencies in 1994	108
Table 6.2	The top UK advertising agency groups in 1993	109
Table 6.3	The world's top 30 advertising organisations in 1994	111
Table 6.4	The world's largest accountancy firms 1990-1	123
Table 6.5	Top 20 UK accountancy firms in 1994	124
Table 6.6	The UK's largest computer services suppliers 1994	135
Table 6.7	The world's top computer services firms 1993	136
Table 7.1	Numbers employed in the business services sector 1985 and 1994	145
Table 7.2	Geographical distribution of employment March 1995: a comparison between the distribution of all employment, service sector employment and business services sector employment	147
Table 7.3	Employment in selected business service sub-sectors 1985-1994 as a percentage of employment in the business services sector	148
Table 7.4	Foreign earnings in selected business services	148

Table 7.5	Estimated patterns of national competitive advantage in international business service industries	150
Table 7.6	UK business service sub-sectors surveyed and response rates	157
Table 7.7	Date of establishment	158
Table 7.8	UK and overseas employment for business service firms 1989	159
Table 7.9	UK and overseas turnover for business service firms 1989	159
Table 7.10	Company type	160
Table 8.1	Number of services provided by all firms	165
Table 8.2	Number of services provided by firms with an overseas turnover	165
Table 8.3	Business services firms: diversification by overseas turnover	166
Table 8.4	Accountancy firms: diversification by overseas turnover	166
Table 8.5	Number of firms delivering numbers of services to clients	169
Table 8.6	Number of firms with an overseas turnover in 1989 delivering numbers of services to clients	169
Table 8.7	Number of services provided by firms established before 1981	170
Table 8.8	Factors influencing diversification	171
Table 8.9	Age and size, domestic and international: correlation coefficients	175
Table 8.10	UK size and internationalisation: correlation coefficients	175
Table 8.11	How services are exported	178
Table 8.12	How services are exported by export only firms	178
Table 8.13	Overseas turnover and methods of exportation: correlation coefficients	179
Table 8.14	Overseas turnover and methods of exportation for firms with an overseas turnover of £5 million or less: correlation coefficients	180
Table 8.15	Factors as a source of competitive advantage	181

Table 8.16	Merger and acquisition activity in the past 5-10 years	183
Table 8.17	Purpose of merger and acquisition activity	183
Table 8.18	Source of revenue: all firms	185
Table 8.19	Source of revenue: firms with an overseas turnover	185
Table 8.20	Revenue from MNEs and overseas turnover	186
Table 8.21	Location by internationalisation	188
Table 8.22	Domestic geographical spread and internationalisation	188
Table 8.23	Number of types of overseas presences	190
Table 8.24	Overseas turnover and the number of different types of overseas presences: correlation coefficients	190
Table 8.25	Overseas turnover and the international geographical spread of overseas presences: correlation coefficients	191
Table 8.26	Factors determining the form of ownership which an overseas presence takes	192
Table 8.27	Factors which determine the location of an overseas presence	195
Table 9.1	Price Waterhouse worldwide network locations 1985-1993	221
Table 9.2	Turnover by market sector: Sema Group Plc. and Logica Plc.	230
Table 10.1	Stages in the internationalisation of the firm	247
Table 10.2	A classification of international activities conducted by business service firms	251
Table 10.3	Conceptual framework: factors influencing the development of multinational business service firms	254
Table 10.4	Factors influencing the choice of organisational structure among business service firms	265