BUILDING INTERNATIONAL BUSINESS COMPETENCIES, HUMAN CAPITAL, AND SERVICE CAPABILITIES: A STUDY OF EMERGING MARKET PROFESSIONAL SERVICE SMALL-AND-MEDIUM-SIZED ENTERPRISES

NICHOLAS S. MATHEW

Bachelor of Business Administration
Cleveland State University
May 2009

Master of Business Administration
Cleveland State University
December 2012

submitted in partial fulfillment of requirements for the degree DOCTOR OF BUSINESS ADMINISTRATION IN GLOBAL BUSINESS -MARKETING
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We hereby approve this dissertation
For

NICHOLAS S. MATHEW

Candidate for the Doctor of Business Administration degree

for the Department of Marketing

And

CLEVELAND STATE UNIVERSITY'S
College of Graduate Studies by

_____
Chairperson of the Committee, Ashutosh Dixit, Ph.D.

Marketing; December 14, 2018
Department & Date

_____
Chairperson of the Committee, Rajshekhar (Raj) Javalgi, Ph.D

Walsh University; December 14, 2018
Department & Date

_____
Signature of Committee Member, Andrew Gross, Ph.D.

Marketing; December 14, 2018
Department & Date

_____
Signature of Committee Member, Yuping Wu, Ph.D.

Mathematics; December 14, 2018
Department & Date

December 14, 2018
Student's Date of Defense

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ABSTRACT

Prior research has shown that a firm's intangible resources are an important source of sustainable competitive advantage. This dissertation focuses on the intangible resources of Professional Service Firms that are Small and Medium-sized Enterprises (PSF SMEs) from an emerging market (namely India). PSF SMEs from emerging markets (such as India) are expanding globally and are attempting to compete with developed country market firms. This research study examines the factors that allow these PSF SMEs to compete successfully in the global marketplace. Examining these factors will enable developed country market firms as well as other emerging market firms to better understand the ways in which they can successfully compete globally.

Professional service involves an organization or profession that offers customized, knowledge-based services to clients; examples are legal, engineering, accounting, architectural, financial, and software services. SMEs are generally defined as firms that have fewer than 500 employees or less than $25 million in revenues. The global professional services market is worth trillions of dollars and growing. PSFs (especially those that are also SMEs) from emerging markets are becoming quite successful in developed economies (such as the U.S. or U.K.) and in other emerging economies.

This dissertation examines the intangible factors that contribute to the competitive advantages and superior performance of emerging market PSF SMEs. Specifically, this

research documents the relationships among a PSF's international business competencies (IBCs), human capital, service capabilities, competitive advantages, and financial performance.

The study involves a 2018 survey of 251 senior managers or owners of PSF SMEs from India that have operations in various foreign markets. Structural equation modeling is used in the analysis of the study's data. The results of the study show the positive impacts of the PSF SME's IBCs, human capital, and service capabilities on the firm's competitive advantages and performance. A detailed discussion of the theoretical, methodological, and managerial contributions and implications of the study are provided.

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CHAPTER I
INTRODUCTION

Research on professional service firms (PSFs) has provided a range of findings regarding their international expansion and the factors that pave the way to their success in the global marketplace (Skjølsvik, Pemer, & Løwendahl, 2017). Professional services involve an individual, organization, or profession that offers customized, knowledge-based services to clients. For example, legal, accounting, architectural, and financial and software services. Literature has examined a number of firm-specific characteristics that enable PSF success. These characteristics include strong human capital resources of a highly educated and professional workforce that creates and delivers intangible services, high levels of organizational and social capital, the top management's entrepreneurial abilities, and high levels of innovation capabilities (Fischer, 2011; Amonini et al., 2010). However, much of this research does not take into account the specific context of PSFs that are also small medium-sized enterprises (SMEs) from emerging markets (such as India). PSF SMEs from such markets have specific qualities that need to be considered when examining their capacity to achieve competitive advantages and superior firm performance.

It is important for researchers and industry practitioners to understand emerging market PSFs, their characteristics, and the ways in which they achieve success. These firms have been expanding globally for the last two decades and have experienced much success. PSFs from India—a crucial emerging market—have been particularly successful (KPMG, 2016). For example, Indian service firms such as Wipro, Infosys, and Zinnov have successfully served clients in sectors such as software, telecom and networking, consumer electronics, storage, healthcare, banking, financial services, and retail in the U.S., Europe, Japan, and their home country of India (PRNewswire, 2016). Small or medium-sized Indian PSFs such as those in the legal and accounting sectors are also making a mark globally. For example, Indian law firms Singhania & Co. and Kochhar & Co. have successfully served clients from around the world and have offices in places such as the U.S., U.K., U.A.E., and Singapore (Vyas, 2013).

India also has a large and growing SME sector (FranchiseIndia, 2013) and thus, Indian PSF SMEs can be expected to grow in number in the coming years. Indian PSFs have been successful due to their ability to provide good quality services at affordable prices and because they possess strong technical skill sets (KPMG, 2016). Skills related to cultural understanding (including the knowledge of the English language—a global lingua franca) have also been important for the success of Indian PSFs. On the other hand, Indian PSFs are challenged by their limited marketing and promotional capabilities and by their inability to adequately acquire foreign market data (KPMG, 2016). Indian firms acknowledge that operating foreign offices needs long-term commitment, money, and resources (Vyas, 2013). Nevertheless, the continued growth of Indian PSFs should be of interest to other firms from both developing and developed markets. These other firms

should be able to understand the competencies and capabilities that help Indian PSFs become successful. Such understanding will help these firms to better compete against Indian (and potentially other emerging market) PSFs.

Large Western nation accounting PSFs such as KPMG, Ernst and Young, and Deloitte have been successfully expanding into emerging markets such as India, South Africa, and Brazil for the last several years. However, they face strong competition from emerging market accounting firms, both in emerging markets and increasingly in their own home countries. Thus, it is necessary to learn more about these emerging market PSFs and study their competencies and capabilities. Hence, this study aims to shed light on those competencies and capabilities that help emerging market PSFs achieve global marketplace success.

In general, we need to learn more about the capabilities and competencies that can help the emerging market PSF SMEs succeed in global markets (Freeman & Sandwell, 2008). This dissertation addresses the above need by recommending a framework that integrates and incorporates research developments from multiple research streams. From the international business (IB) research stream, this study proposes four international business competencies (IBCs) that will help the firm develop competitive advantages and strong service capabilities, which in turn can help the firm achieve superior financial performance. From the management and human resources research stream, this study proposes that human capital will help in the development of the firm's IBCs and service capabilities. Finally, from the management and marketing research streams, this study will present the competitive advantages and service capabilities the firm will need to be successful and achieve superior financial performance.

This research study will test the framework model of PSFs among a sample of India-based SMEs. Grounded upon a literature review encompassing different disciplines, a coordinated and integrative framework has been developed to describe the impact of IBCs and human capital on a PSF's service capabilities, competitive advantages, and performance.

1.1 Purpose of Research

This dissertation explores gaps in the literature from the disciplines of marketing, international business, management, and cross-cultural studies by studying the factors contributing to the competitive advantages and superior firm performance of PSFs in India. This research contributes to and extends the above literature streams by testing relationships among the international business competencies, service capabilities, human capital, competitive advantages, and firm performance of professional service SMEs in India.

The identification of competencies and capabilities required for accomplishing tasks in a specific context or for a specific purpose, and the corresponding performance and competitive position outcomes, have become the subject of sizeable empirical research over the last decade. Some of these studies include Du Chatenier's (2010) identifying competencies for professionals in open innovation teams; Karbasioun et al.'s (2007) work on competency profile for agricultural extension instructors; Awuah's (2007) case study on the competence development of Swedish professional services firms; Birru's (2016) study on the competencies necessary for the success of Ethiopian export ventures; and Knight and Kim's (2009) conceptualization and analyses of IBCs in the context of SME manufacturing firms. However, research on *certain* competencies and capabilities within the specific context of emerging market international—focused PSF

SMEs is lacking. These *certain* competencies and capabilities are explored in this study as the firm's IBCs, human capital, and service capabilities.

With the growth of professional services and emerging market PSFs worldwide (especially with the growth in outsourcing), it has become necessary for researchers and practitioners to understand those competencies and capabilities that enable PSFs to achieve international success. This study focuses on an important and dynamic emerging economy—India. This choice stems from the fact that India has greatly benefitted from the expansion of professional services globally. As an emerging market, the country's PSFs have characteristics that are quite distinct from developed country PSFs (Bello et al., 2016). Given these characteristics, it is necessary for researchers to examine those competencies and capabilities that help these firms achieve competitive advantages and superior performance.

Similar to many emerging market firms, Indian firms face some challenges in that processes for encouraging experimentation, promotion, and environmental scanning are not widespread (Aswathy, 2015; KPMG, 2016). Such processes will be crucial for firms to achieve marketplace success. PSFs are known to operate in dynamic and competitive environments. To meet these challenges, PSFs must create and assimilate new knowledge at an increasing pace, encourage innovation, and learn to compete in new ways (Aswathy, 2015; Singh, 2010). Thus, this study will explore the competencies and capabilities that PSFs can use to create and assimilate new knowledge, innovate, and compete effectively in the marketplace. Given their inherent limitations, this study argues that emerging market PSFs with certain competencies and capabilities will be particularly well placed to achieve global marketplace success. Understanding these competencies

and capabilities will also be useful for PSFs from the U.S. and other countries. These PSFs are facing increasing competition from Indian and other emerging market PSFs. Understanding the competencies/capabilities that propel Indian PSFs towards success can help American PSFs, for example, to more effectively compete against emerging market PSFs.

With changing customer demands and increasing competition, service firms must possess certain competencies and capabilities that will allow them to remain competitive in domestic markets as well as in foreign markets. Additionally, in foreign markets, the firm must be adept at navigating complex environments, and hence must possess strong human capital capabilities. Given the paucity of research on what the competencies and capabilities should be in the context of emerging market PSFs, the purpose of this dissertation is to develop a model of competencies and capabilities for PSFs within the setting of a major developing economy and emerging market, India.

1.2 Problem Statement

Research Gap and Questions

This dissertation provides an interdisciplinary approach to research to help fill literature gaps across multiple research disciplines.

First, over the last decade, increasing attention has been given to the identification and assessment of international business competencies or IBCs (Cavusgil & Knight, 2015; Knight & Kim, 2009). However, there is a lack of research studies that look at a set of IBCs in combination with each other within the context of emerging market PSFs. In addition, research is lacking on how these IBCs will affect firm outcomes such as a firm's competitive advantages and performance.

Prior research has understudied the synergistic effects of strategic orientations such as market and entrepreneurial orientations. There has been a call to analyze how multiple strategic orientations in complex foreign environments are valuable and useful for firms' international success (Cadogan, 2012). Prior research has recognized that a bundling of orientations has the potential of leveraging multiple forms of market-focused learning to create new and effective business strategies and operation processes (Gnizy, Baker, & Grinstein, 2014; Sørensen & Madsen, 2012). This study bundles orientations such as market and entrepreneurial orientations with firm competencies such as marketing skills and innovativeness. The literature review found that the research on the bundling of these orientations and competencies is limited. Such bundling has the potential to deliver firm success, especially in the context of PSFs (Gnizy et al., 2014; Amonini et al., 2010; Brock & Alon, 2009). Thus, this study fills an important research gap on PSF international marketplace success.

In summary, there is a need for research concerning PSFs in the international arena. Recent literature has suggested that since many PSFs have an international presence and work with international and global clients, a better understanding of how they manage and organize (e.g. cross-cultural teams and client collaborations), as well as share knowledge and resources across geographical and cultural distances, would be both practically and theoretically important (Skjølsvik et al., 2017). Furthermore, emerging market PSFs are expanding globally and competing effectively with other PSFs, making it necessary to understand the competencies and capabilities that propel these emerging market PSFs forward.

The specific research questions and potential answers in this study are as follows:

- What factors are salient to emerging market PSF SMEs?
    - Environmental factors, Organizational factors, Human Resource factors.
- What competencies and capabilities will help emerging market SME PSFs achieve global success?
    - Organizational competencies and capabilities related to human capital resources, innovation, service delivery, management vision, market research and marketing.
- What kind of performance outcomes can these PSFs hope to achieve?
    - Increased sales revenue growth compared to competitors, increased ability to build relationships with customers, increased ability to offer differentiated services

1.3 Classification of Services

As this study focuses on PSFs, the following provides an overview of the services sector. Services are generally described as being invisible, intangible, non-fungible, ephemeral, and non-storable, with a high fixed-to-variable cost ratio. They are also characterized by simultaneous production-consumption that requires close interactions between producer and user (Hauknes, 2001; Segal-Horn & Dean, 2007; Brock & Alon, 2009). Managerial responses to characteristics like invisibility and intangibility include investing in branding and promoting a reputation, whereas characteristics like non-storability and higher fixed-to-variable cost ratios imply relatively high pressures to sell (Porter, 1980). Consequently, services are highly dynamic and competitive industries, where intangible resources are the most likely to contribute to successful competition and value creation (Hitt, Bierman, Uhlenbruck & Shimizu, 2006; Brock & Alon, 2009). International professional services, such as accounting, consulting,

and law, are particularly difficult to manage because they embody additional knowledge capital requirements, problems in transferring know-how across organizational and national boundaries, and operations across distinctive institutional and legal systems for which local knowledge is needed (Brock & Alon, 2009).

1.3.1 Professional Service Firm Characteristics

A professional service is qualified, advisory and resourceful, even though it may encompass some routine work for clients. The professionals involved have a common identity, like physicians, lawyers, accountants or engineers, and are regulated by traditions and codes of ethics. The service offered, if accepted, involves the professional in taking on assignments for the client and those assignments are themselves the limit of the professional's involvement. Such assignments are not undertaken merely to sell hardware or other services (Amonini et al., 2010).

Professional services are "one of the fastest growth sectors in economies worldwide, achieving double-digit growth rates" (Amonini et al., 2010) and are now a primary source of growth for both developed and developing countries. Day (2006) suggests that service-centric firms compete based on relationships, performance (service quality), and price (value). Since, by definition, professional services are service-centric, the value of superior employee skills (in particular) such as human capital will be particularly salient; these skills will be especially useful in helping the firm build relationships and offer superior service quality. PSFs operating abroad will particularly benefit from superior human capital as they are often required to navigate diverse social, political, and cultural contexts.

Prior research has shown that PSFs believe that a strong relationship, service quality, value, and/or a strong reputation were important to their clients, largely due to

the intangibility and people-intensive nature of the services provided (Amonini et al., 2010). Professional services require a high level of client trust and credibility (e.g. legal advice, financial risk, large engineering consulting projects) and, by association, require PSFs to develop a strong brand (particularly one that reflects service quality) that helps reduce client risk (Amonini et al., 2010). Establishing a position that stresses long-term relationships, service quality, value, and a strong brand can help attract and retain customers, grow the business through referrals, and protect the business by preventing negative word of mouth, particularly for those PSFs operating in international markets. This study suggests that human capital and IBCs will be particularly useful to internationally-focused PSFs as they attempt to gain competitive advantages and superior performance. PSFs may also aim to compete based on multiple competitive positions rather than relying on only one (Amonini et al., 2010). These positions may also be interconnected with one enhancing the other. Thus, strong IBCs can lead to strong organizational service capabilities, which in turn may lead to increased efficiencies and superior performance; and superior human capital can lead to superior IBCs and service capabilities for the firm.

For many internationally focused PSFs—such as those operating in emerging markets in Asia and elsewhere—the key barriers to being successful include the cost of face-to-face communication, cultural work practices, language (more specifically communication practices), and finally the regulatory environment (Freeman & Sandwell, 2008). Verbal and non-verbal communication barriers are prevalent for PSFs operating abroad. Since professional services are inherently relational (Sweeney, Soutar, & McColl-Kennedy, 2011), PSFs may employ considerable resources and time to ensure

that accurate meaning is conveyed in communications with their stakeholders in the foreign market (Freeman & Sandwell, 2008). Research has suggested that PSFs also use networks and relationships to enter foreign markets and thus must work to avoid any adverse communication issues (Freeman & Sandwell, 2008).

Prior research has shown that cultural barriers, such as communication style, had a significant influence on service delivery and firm performance (Lai et al., 1992; Ghosh et al., 1994; Chan & Ellis, 1998). Studies have argued that cultural barriers might hinder the quality of service delivered to external customers. Communication of ideas and concepts is culturally bound and difficult to achieve without non-verbal cues, which remain hidden in some forms of communication, such as e-mail transaction (Freeman & Sandwell, 2008). The traditional notion of the language barrier is extended, arguing that spoken language (verbal), written language, and electronic communication (e-commerce) provide a range of meanings required in the delivery of services with much defined technical understanding, as in some professional services, such as law, media consulting, and finance (Freeman & Sandwell, 2008). Given these communication and cultural barriers, it becomes essential for professional service firms to have employees with superior education and skills when operating abroad. Employees with superior education and skills constitute the firm's human capital. This study argues that superior human capital can help the PSF to overcome cultural and other barriers in foreign operations, enabling the firm to achieve more success in foreign markets.

Prior research has also suggested that service firms can gain a competitive advantage and ensure superior performance by leveraging combinations and encouraging interactions between market-focused, human, relationship, and other capabilities (Yang,

2012; Ravichandran & Lertwongsatien, 2005). The interactions or combinations of these capabilities will be beneficial to firm performance in highly competitive or turbulent market environments (Yang, 2012). In the context of this study, the market-focused, human, and relationship capabilities can be related to the IBCs and human capital concepts. The study suggests that the IBCs will have a positive impact on the firm's competitive position and performance; and human capital will have a positive impact on the firm's IBCs and service capabilities. The literature review, found that prior research has not fully explored these interactions or combinations in the context of emerging market PSFs. Thus, the impact of these competencies and capabilities and their combinations in emerging market PSFs will be explored and studied in this research.

In an address to MIT's graduates, Carly Fiorina, former CEO of Hewlett-Packard, emphasized this point: "...the most magical and tangible and ultimately the most important ingredient in the transformed landscape is people" (Fiorina, 2000; Hitt et al., 2001).

The above quote emphasizes the importance of individuals—specifically the importance of qualified employees in firms. PSFs, like other service firms, need to place even more emphasis on people and interpersonal relations. This study focuses on competencies and capabilities that highlight the importance of people. The intangible competencies and capabilities (i.e. the IBCs, human capital, and service capabilities) examined in this study all revolve around the interactions between and among people in a firm.

Another characteristic of PSFs is that they can be found in markets of which they have no experience and limited knowledge, presenting the potential for additional transaction costs arising from doing business in an unfamiliar institutional domain

(Demirbag et al., 2016; Johanson & Vahlne, 2009; Zaheer, 1995). Given this characteristic of PSFs, there is more of a need for them to possess competencies and capabilities that will help them in the marketplace. In fact, research has already identified the need for PSFs to increase their market orientation (MO) (e.g. Macintosh, 2009; Webster & Sundaram, 2009), with MO being an important component of IBCs. This study argues that in addition to MO, other IBCs need to be considered, especially in conjunction with human capital. These additional competencies, skills, and capabilities will make the PSF more adept at overcoming the uncertainties and costs associated with doing business in an unfamiliar institutional domain.

1.4 Small and Medium-Sized Enterprises (SMEs)

Small- and medium-sized enterprises (SMEs) play an important and strategic role in the economic development of a country. SMEs, constituting as much as 90 % of enterprises in many countries around the globe, represent the driving force behind innovations and entrepreneurial investments and contribute greatly to the national economies of their nations through job creation, international trade, and new product and service developments (Javalgi et al., 2011).

In India, SMEs exist in a variety of industries, including chemicals and pharmaceuticals, medical and surgical equipment, bioengineering, management consulting, information technology, and computer software. The post-liberalization era in the Indian economy has paved the way for unprecedented opportunities and challenges for SMEs, especially in the service sectors (Todd & Javalgi, 2007). In the global economy, where there is significant demand for knowledge-based services, several factors may work in favor of Indian SMEs. These include competitiveness in the domestic and export markets, operational flexibility, location flexibility, significant

export earnings, capacity to develop technology-oriented industries, and building expertise in the information technology area at the global level—in addition to English language fluency for professional services where English is the lingua franca (Javalgi et al., 2011). However, SMEs in India, like other developing economies, are confronted with formidable challenges. Some of these challenges can be broadly classified as managerial (e.g. lack of managerial skills, especially at the international level), financial (lack of financial support and incentives), and technological (technological obsolescence and isolation from technology hubs) (Javalgi et al., 2011). Thus, an Indian SME's possession of IBCs, human capital, and service capabilities may allow it to overcome these challenges and give it a competitive advantage in the international marketplace.

Differences between small and large firms have long been recognized, and firm size is seen as a key factor in the literature (Shuman & Seeger, 1986). SMEs tend to be less rigid in their processes (Mintzberg, 1973) and more flexible and willing to embrace strategic change (Hannan & Freeman 1984). However, SMEs have limited financial and managerial resources (Hoskisson, Johnson, & Moesel, 1994), which may impede growth and foreign expansion. Although there is no generally accepted definition of a SME, international business literature most commonly uses the definition provided by the U.S. Small Business Administration (SBA) (Knight & Kim, 2009; Oviatt & McDougall, 1994). The SBA defines SMEs as independent enterprises with less than 500 employees. Prior research has also used firms with fewer than 500 employees as a classification for SMEs (Leonidou, Kaminarides, & Hadjimarcou, 2004; Lu & Beamish, 2001).

1.5 India: A Rising Market in International Business

India: A Profile of a Developing Market

The research context of this dissertation is PSF SMEs in India, and thus an overview of India's demographics and economy is provided in this section of the paper.

Economic Status and Demography

India's population is around 1.3 billion people as of 2017, making it the second most populous country in the world. Within a few years, India's population is estimated to exceed China's, making it the most populous country in the world. India's GDP (PPP) per capita is $7,153 (IMF, 2017), and it has the third largest economy in the world (in terms of PPP). Around 21% of the population is estimated to be below the generally accepted poverty level (World Bank, 2017). India's age structure is comprised of around 45% of the population falling between the age range of 0-24 years, around 48% between 25-64 years of age, and 6 % of people aged 65 years and over (CIA, 2017).

Gross Domestic Product (GDP)

India's reported GDP (PPP) in U.S. currency was around $10 trillion as of 2017. The country also has one of the fastest growing economies in the world (CIA, 2017). According to the WTO, India is ranked 20th in merchandise exports, 14th in merchandise imports, 8th in commercial services exports, and 10th in commercial services imports in 2016. India's commercial services exports totaled $161,250 million for the year 2016 and imports totaled $133,032 million (WTO, 2017).

India's growth in GDP has averaged 6.8% in 2016 and was over 7% in the preceding few years (CIA, 2017), outpacing the global GDP average growth rate of 3.5% in 2016. India's GDP growth rate is above the average rate of 4.5% for emerging and developing market countries and 2% for advanced economies (IMF, 2017). Services are

the major source of economic growth, accounting for nearly two-thirds of India's output (CIA, 2017). By 2014, the contribution of services to the Indian GDP grew to 57% from around 33% in 1950 (Statisticstimes, 2017).

Professional Services in India

The Indian service sector is the fastest growing service sector in the world. It contributes more than 60% to India's economy and accounts for 28% of employment. Indian services have witnessed good revenue growth from sectors such as information technology, professional services, telecom, healthcare, space, education etc. (CII, 2017). The Indian professional services sector in particular lends support to businesses across the world by offering a variety of services, including auditing and accounting, management consulting, architectural, engineering and legal services (Deloitte, 2017; IBEF, 2018).

The domestic professional services market has become a rapidly emerging sector with the market size reaching US$14.4 billion in 2016. A significant share of the professional services market is dominated by management consulting, which is expected to be worth US$5.4 billion by 2018. At present, there are 10,330 management institutes spread across the country with 700,000 faculties and an enrollment of 2 million, making it a significant contributor to the global management consultancy space (Deloitte, 2017).

The Indian professional services export market recorded an impressive growth rate of 9.4% in the first half of 2015-16. Management consulting exports occupy a significant share of the Indian services exports market and are worth around US$28.4 billion. The U.S. and Europe represent 47% and 29% of the global management consulting market share and are the major players for the Indian consulting services

sector. In other words, a good amount of Indian professional service exports goes to the U.S. and Europe. A skilled talent pool, proficiency in English, a growing export market for audit and consulting, technology driven professional services, and popular R & D hubs are some of the major demand drivers of the professional services sector for India (Deloitte, 2017; IBEF, 2018).

Various initiatives by the Indian government such as *Make in India* (an initiative that encourages businesses to make goods/services in India), liberalization of FDI and trade policies, and the government's push to ease the process of doing business, as well as a large domestic market with a growing number of start-ups, have given a significant push to the PSF sector. These initiatives have attracted numerous foreign investors to start businesses in India, which in turn create a huge demand for consulting and other professional services. The Indian professional services sector has an immense potential to expand globally, especially with respect to its audit and accounting, management consulting, and architectural and engineering services. The US and UK are the major export destinations for audit and accounting services, and the US and Europe for management consulting, while the UK, France, Germany, Italy, South Korea, and Australia account for much of the architecture and engineering services. Rapid urbanization and industrialization, new technology-based business models, and ease of doing business in the country are some of the major reasons behind the rapid growth of these sectors (Deloitte, 2017).

While IT and other professional services contribute heavily to India's service exports, there are other services that are also present (Deloitte, 2017; KPMG, 2016). The chart below breaks down India's service exports:

Figure 1

Source: Economic Survey 2016-17, https://www.ibef.org/uploads/industry/services1-sep-2017.jpg?1506651541711, Indian Brand Equity Foundation

As the above chart indicates, India's service exports in all categories are more than its imports. Professional services, such as software and business, also have more exports than imports. Thus, with Indian service firms expanding globally and exporting now more than ever before, this research is even more pertinent. This research will assist in identifying the competencies and capabilities that Indian PSFs need to become even more successful globally. Research has shown that Indian service firms have low access to global market data. Such firms will have to invest in research on the global market to gain market knowledge and be open to sharing information through affiliates and subsidiaries to understand the market (Deloitte, 2017; KPMG, 2016). This study will

highlight the competencies and capabilities that can potentially help firms on issues such as gaining market knowledge and the sharing of information.

1.6 Potential Contribution of the Study

This dissertation contributes to literature by addressing the need for the development of an integrated, interdisciplinary approach to understanding how PSFs are managed and function internationally (Skjølsvik et al., 2017). This research will test newly hypothesized, multi-disciplinary relationships to provide insight into factors that affect emerging market *professional service firms*, specifically their competitive advantages and financial performance. This area of research has not been adequately addressed in the literature so far.

The potential contributions of the study include:

1. A conceptual and an empirically validated inter-disciplinary framework that integrates and extends the literature from the fields of marketing and management in international business.
2. Research-based evidence of the effect of a set of international business competencies on a firm's competitive advantages, performance, and service capabilities.
3. The crucial role of human capital resources in driving the firm's international business competencies, performance, competitive advantages, and service capabilities.
4. An integrated research framework extending our understanding of the resource-based view, knowledge-based view, upper echelons, competitive advantage, and human capital theories.

5. The use of emerging market PSF SMEs as a research context to increase our understanding of service firms that are quite distinct from the more well-known service firms originating from developed markets.

International professional services, such as accounting, consulting, and legal work, are particularly difficult to manage because they embody additional knowledge capital requirements, problems in transferring know-how across organizational and national boundaries, and operations across distinctive institutional and legal systems for which local knowledge is needed (Brock & Alon, 2009). In addition, professional services that originate in emerging markets face several limitations. Thus, it is necessary to know the resources, capabilities, and competencies that will allow the PSF to overcome challenging global markets and their own limitations. By discussing the potential impacts of the IBCs and human capital on PSF outcomes, this study makes important contributions to our understanding of how emerging market PSFs operate in the global marketplace.

1.7 Overview of the Thesis

This dissertation offers six chapters that address relevant literature, model and hypothesis development, research design and methodology, and the presentation of results, followed by a discussion of findings.

Chapter 1 introduces the research topic and a background of the emerging market context, which is the research setting for this study.

Chapter 2 provides a literature review of the capabilities and competencies of professional service firms, international business competencies (IBCs), human capital, service capabilities, competitive advantages, and firm performance.

Chapter 3 presents the conceptual model and the hypothesized relationships among the constructs. The chapter examines (1) the antecedent effects of the IBCs on competitive advantages and service capabilities, (2) the antecedent effects of service capabilities and competitive advantages on firm performance, and (3) the antecedent effects of human capital on IBCs, competitive advantages, and service capabilities.

Chapter 4 provides a review of the research design and methodology, describes the pretest survey, sample selection, data collection procedures, questionnaire/survey items, and measurement scales.

Chapter 5 presents the research findings and includes a discussion of the results of the tested structural relationships, and an analysis of mediating relationships.

Chapter 6 discusses the research findings, managerial implications, theoretical contributions, research limitations, and potential future research avenues.

The remaining contents of this paper include a bibliography section, and an appendix that includes tables, figures, statistical output, and a copy of the survey used to gather data.

CHAPTER II
LITERATURE REVIEW

2.1 Theoretical Perspective

From a theoretical point of view, the resource-based view (RBV), knowledge-based view (KBV), competitive advantage, the upper echelons, and human capital theories can be used to explain this study's research framework. These theories have been used in prior international marketing and business research to describe the constructs of interest used in this study's conceptual and empirical framework (Atuahene-Gima & Wei, 2011; Heirati et al., 2016; Moon, 2010; Ramsey et al., 2016; Tan & Sousa, 2015). Thus, these theories can be used to describe the framework proposed in this research.

The study is based on theories and concepts rooted in the international business and marketing literature. The conceptual model of this study presents emerging market PSFs competing on competencies and capabilities for which they are not traditionally known (Oshri, Kotlarsky, & Willcocks, 2011). Human capital, service capabilities, relationship and co-creation value, and IBCs are all competencies and capabilities presented in this study – competencies and capabilities that can help emerging market PSFs succeed globally. Emerging market PSFs are known to face serious challenges in the marketing and delivery of their service offerings within international markets; they

are also known for their low-cost and basic services (Bello et al., 2016; Oshri et al., 2011). However, this study presents a model that highlights competencies and capabilities on which emerging market PSFs can compete effectively. Although emerging market PSFs have not been known historically for these competencies and capabilities, the results of this study show that these firms can compete well when they possess these particular competencies and capabilities. The conceptualization of these competencies and capabilities are based on widely-used international business and marketing theories and concepts (Barney, 1991; Grant, 1996; Ramsey et al., 2016; Coleman, 1998; Day, 1994).

The IBCs are composed of innovativeness, marketing skills, entrepreneurial orientation, and market orientation. Prior international business and marketing literature has shown that these IBCs can position a firm for global success (Knight & Kim, 2009; Johnson et al., 2006; Santos-Vijande, Gonzalez-Mieres, & Lopez-Sanchez, 2013). Human capital, service capabilities, relationship and co-creation value have also been shown in international business and marketing literature to impact firm success (Cater & Cater, 2009; O'Cass & Sok, 2013; Fu, Ma, Bosak, & Flood, 2016).

From an international marketing and business viewpoint, firms with highly skilled and educated employees (i.e. high levels of human capital) can craft effective marketing strategies for international markets; they will have the knowledge and skill-level to understand the requirements of the markets in which the firm operates. Superior service capabilities will allow the firm to signal to the customers a positive image and the high levels of IBCs will allow the firm to develop the organizational processes necessary for

marketing and financial successes (Cruz-Ros & Gonzalez-Cruz, 2015; Knight & Kim, 2009).

Researchers have argued that international marketing must address challenges and opportunities arising from operating abroad, especially among emerging market firms (Koschate-Fischer, Diamantopoulos, & Oldenkotte, 2012; Kaufmann & Roesch, 2012). As firms expand internationally, they often adjust their core marketing strategies in an attempt to enhance their probability of success in new markets (Cort, Griffith, & White, 2007, Roberts, 1999). For PSFs, marketing is an area that they often neglect (Amonini et al., 2010). But, this study argues from international marketing and business perspectives, that marketing and other related organizational competencies are needed for the emerging market PSF SME to craft a strategy for market success.

In the international business and marketing literatures, business competencies and capabilities including innovation, human capital, and service capabilities have been central research themes regarding firm strategy and performance (e.g., Cruz-Ros & Gonzalez-Cruz, 2015; Knight & Kim, 2009; Knight & Cavusgil, 2004; Prahalad & Hamel, 1990). This study builds on these research themes, presents a unified model of competencies and capabilities that a) extends international business and marketing theoretical concepts and b) improves our understanding of how emerging market firms operate abroad.

2.1.1 Resource-Based View (RBV)

The *resource-based view* (RBV) (Barney, 1991; Wernerfelt, 1984) helps explain how knowledge and resultant organizational competencies and capabilities are developed and leveraged within firms. Wernerfelt (1984: 172) defined resources as ‘‘those (tangible

and intangible) assets which are tied semi-permanently to the firm.'' Resources that support firm performance include such assets as in-house knowledge, employment of skilled personnel, superior strategies, and efficient procedures (Hunt, 2000; Wernerfelt, 1984). In the context of this study, these resources can be related to the IBCs (i.e. market orientation, entrepreneurial orientation, innovation orientation, and marketing skills) of the firm.

The RBV identifies inimitability and immobility among the characteristics of firm resources that support firm outcomes such as a sustainable competitive advantage (Barney, 1991). Fahy (2002) found that a firm's intangible resources are important for competitive advantage in international business. As a bundle of business cultures and processes, IBCs are expected to serve as a source of competitive advantages because they are difficult for competitors to replicate (Knight & Kim, 2009; Fahy, 2002). They are embedded in organizational processes, and thus are difficult for outsiders to observe (Knight & Kim, 2009; Barney, 1991). Furthermore, IBCs are intangible and less likely to be perfectly mobile across organizations. They are developed over time within the firm and are not usually available for purchase in the market. Therefore, consistent with the RBV, IBCs are expected to offer the owning firm an important source of sustainable competitive advantage in international markets (Knight & Kim, 2009; Fahy, 2002).

The RBV can also explain the impact of service capabilities on firm outcomes, such as competitive advantages and firm performance. The RBV explains that capabilities (the skills to create, nurture, and deploy assets) (Mahoney, 1995) are resources that can help the firm achieve a sustained competitive advantage (i.e. superior performance). According to RBV, these capabilities may not be easily developed within

the firm or acquired from outside the firm and thus may offer a source of competitive advantage (Atuahene-Gima & Wei, 2011). The IBCs and service capabilities can have important effects on firm outcomes, and the RBV serves as a theoretical foundation to explain these effects. For instance, the RBV supports the claim that human capital leads to superior unit or organizational performance, because human capital can be valuable, rare, inimitable, and non-substitutable (Wright, Dunford & Snell., 2001; Ramsey et al., 2016).

2.1.2 Knowledge-Based View (KBV)

In professional service firms, knowledge-based resources are often applied directly to serve the client. However, these resources must be integrated and managed to create value (Galunic & Rodan, 1998; Hitt et al., 2001). In PSFs, knowledge is a crucial asset, as these firms are highly knowledge intensive. PSFs' primary value-added activity is knowledge, which is both an input and an output (Heirati et al., 2016). Professional service firms rely heavily on tacit knowledge embodied in their employees as well as on codified knowledge (Consoli & Elche, 2012).

In knowledge-intensive sectors such as PSFs, organizational knowledge is often tacit based on academic knowledge or extensive experience and causally ambiguous (Bettencourt et al., 2002; Hansen, Nohria, & Tierney, 1999). Some PSFs require specialized knowledge of and connections in the local environment (Amonini et al., 2010), and here the presence of a firm's human capital will be especially useful. This study suggests that the firm's human capital, along with the IBCs, will form an important knowledge base for the PSF. The PSF will have to integrate its human capital resources with its IBCs to create value for the firm. In this context, we can also discuss the

knowledge-based view (KBV) of the firm. The view draws attention to the importance of tacit knowledge for competitive advantage, as well as the firm's capability for integrating knowledge for successful organizational activities (Grant, 1996). According to this view, IBCs are likely to serve as a source of competitive advantage since it concerns the firm's tacit aspects—culture, processes, routines, and knowledge—that are difficult for competitors to replicate (Johnson, Lenartowicz, & Apud, 2006). Routinizing a range of knowledge-based managerial skills and competencies (including IBCs and human capital) within global operating units creates firm-specific routines that are different and tacit (Moon, 2010). These knowledge-based differential and tacit routines can then help the firm gain superior service capabilities and competitive positional advantages. The KBV helps to explain these differential and tacit routines and their impact on the firm.

2.1.3 Upper Echelon Theory

According to the "upper echelon theory" (Hambrick & Mason, 1984), organizational outcomes, including strategic choices and performance levels, are partially predicted by managerial background characteristics (Moon, 2010). Human capital is one of the elements that can constitute these background characteristics. The importance of human capital elements impacting organizational outcomes in international contexts has been underscored for large companies, especially their top management teams (TMT) and chief executive officers (CEOs) (Ramsey et al., 2016; Subramaniam & Youndt, 2005). The central logic of upper echelons theory is that executives perceive situations and alternatives through individualized lenses shaped by their personal attributes, including both observable (such as professional experiences and demography) and unobservable characteristics (such as values and personalities) (Hambrick, 2007; Hambrick, Humphrey,

& Gupta, 2015). Top managers' skills, views, and networks (i.e. their human capital) may create value when they can be applied to the efficient running of a firm or to the management of its external environment (Carpenter, Sanders, & Gregersen, 2001).

Apart from TMT and CEOs, human capital among other employees of the firm is also important to consider. This study will extend the upper echelon theory by studying the impact of human capital in PSF SMEs in an emerging market.

2.1.4 Human Capital Theory

Human capital theory suggests that firms with a higher degree of human capital developed through access to employees with higher education and expansive personal experience achieve higher performance (Barney, 1991). Human capital is an important source of competitive advantage (Coleman, 1998). Prior research has suggested that the different elements making up human capital can help the firm achieve marketplace success (Javalgi & Todd, 2011). Originating from economics, human capital theory emphasizes values, costs, and transferability of human capital across all the aggregated levels of an organization (Ramsey et al., 2016). This transfer begins with the individual. A central argument of the human capital theory is that both general and unit-specific human capital contribute simultaneously to the individual and unit effectiveness (Becker, 1964; Ramsey et al., 2016). Thus, the presence of strong human capital resources in the firm will ultimately lead to firm-level effectiveness.

For emerging market PSF SMEs, the presence of high levels of human capital resources will be very valuable. Employees and managers with the right amount of skills and experiences will help the firm navigate complex foreign markets and better target customers. They can win trust and confidence for the firm among members of the target

market, thus overcoming any liabilities associated with the firm's emerging market status.

2.1.5 Theory of Competitive Advantage

Another theory that can be applied to the study's model is the *theory of competitive advantage*. According to this theory, positional competitive advantages, such as low-cost advantage and differentiation advantage, are key determinants of performance (Barney, 1991; Hunt & Morgan, 1995; Porter, 1980; Tan & Sousa, 2015). In the context of PSFs, competitive advantages can be gained through a) the establishment of close and firm relationships with clients/customers and b) the creation of value for customers by involving them in the service development and delivery process (Amonini et al., 2010; Day 2006). The establishment of solid relationships and the creation of value for customers can help the PSF to differentiate itself and gain a differentiation advantage in the marketplace.

The theory of competitive advantage holds that it is essential to use a firm's capabilities and competencies to gain positional competitive advantages in the marketplace (Day, 1994; Porter, 1980; Tan & Sousa, 2015). Based on this theory, it can be argued that the firm's IBCs, human capital, and service capabilities can be used to gain competitive advantages for the firm. Services tend to be highly dynamic and competitive industries, where intangible resources are the most likely factor to contribute to success in competition and value creation (Brock & Alon, 2009; Hitt, et al., 2006). Thus, intangible resources such as the IBCs, human capital, and service capabilities can be used by PSFs to establish solid customer relationships and create value for customers, thereby allowing the PSF to gain a competitive advantage in the marketplace.

In summary, learning about the RBV, KBV, upper echelon, human capital, and competitive advantage theories can give us a theoretical understanding of firm success in the marketplace. Many successful PSFs—for example, successful service firms from emerging markets such as India—are already operating based on the principles outlined in these theories. They have been able to integrate these theoretical principles and develop operational processes that allow for financial and competitive successes in the marketplace.

2.2 Capabilities and Competencies in the context of PSFs

PSFs make an important contribution to macroeconomic growth via the growth of their sector, their internal innovation, and their highly challenging work environments (Fischer, 2011; Muller & Zenker, 2001). Over time, many PSFs have shifted from loosely controlled consortiums of independent partners into more "business-like" organizations (Pinnington & Morris, 2003). This development is accompanied by practitioners' need and demand for either new management practices or a better understanding of organically grown practices (Fischer, 2011). This study argues that PSF management's adoption and embrace of competencies and capabilities such as the IBCs, human capital, and superior service capabilities will help the PSF to develop practices that will position itself for marketplace success.

The firm's processes and positions collectively encompass its competencies and capabilities (Teece, Pisano, & Shuen, 1997). The competencies and capabilities, and the routines upon which they rest, are normally rather difficult to replicate (Teece et al., 1997). The key for firms is to develop and deploy a wide range of specific capabilities and competencies that assist in the creation of superior value for customers. Literature

has used the terms competencies and capabilities both distinctly and interchangeably (O'Driscoll, Carson, & Gilmore, 2000; Mariadoss, Tansuhaj, & Mouri, 2011; Theodosiou, Kehagias, & Katsikea, 2012). In this study, competencies refer to the IBCs, while human capital and service capability are referred to as capabilities. Prior literature has also referred to human capital as a resource (Ramsey et al., 2016; Subramaniam & Youndt, 2005); thus, in addition to being referred to as a capability, this study will view human capital as a resource.

In the context of PSFs, prior literature has shown that certain competencies and capabilities (and resources) are essential for international success (Bello et al., 2016; Amonini et al., 2010; Von Nordenflycht, 2010). International marketing and business literature have shown that a firm's market-based learning/market orientation, marketing skills, entrepreneurial orientation, innovation, managerial competence, and human, social, and organizational capital (Fu, Ma, Bosak, & Flood, 2016; Amonini et al., 2010; Awuah, 2007; Javalgi et al., 2011; Cort et al., 2007) can serve as important competencies and capabilities for PSFs seeking a competitive advantage and/or international success. For PSFs, reputation is the most important value driver (Breunig, Kva˚lshaugen & Hydle, 2014). The PSF's service deliveries are often provided in close cooperation with clients/customers, as their goal is to solve specific client problems (Breunig et al., 2014). Thus, the PSFs will need to build a strong reputation value for good quality services with their customer base and beyond. To build and maintain this reputation, PSFs will have to deploy a variety of competencies and capabilities. Prior research has also suggested that PSFs need global capabilities specific to expanding into and operating in foreign markets, such as market selection, managing cross-cultural operations, and political/legal

integration (Brock, 2012). Based on a literature review on PSFs, this study argues that the IBCs, human capital, and superior service capability will be the competencies and capabilities deployed by the PSF to achieve competitive advantages and superior performance in global markets.

In regard to emerging market PSFs, many emerging market firms offer traditional professional services as they shift to higher-value offerings, attracted by the promise of higher profits and greater revenue. Many of these professional service firms find it challenging to be profitable, as they confront resource and image problems associated with their emerging market origins (Bello et al., 2016; Javalgi & White, 2002). Emerging market firms face a financial dilemma as they move up the services value chain: PSFs encounter a rising cost structure because they intensively utilize higher-wage labor, yet their emerging market status weakens their pricing power to foreign clients who often are unfamiliar with and resist procuring professional services from emerging markets (Bello et al., 2016; Oshri et al., 2015). Rising wage levels at home and price resistance from foreign clients who continue to associate India and other emerging markets with low-cost outsourcing threaten PSF profitability (Bello et al., 2016; Milberg & Winkler, 2013).

Research has suggested that emerging market PSFs will need a range of capabilities and competencies to be successful in the international marketplace (Skjølsvik et al., 2017). For example, research on PSFs from India found that firms with entrepreneurial management and human capital skills can offer high-quality innovative services which in turn will engender superior firm financial performance (Bello et al., 2016). In this dissertation, prior research on PSFs from India will be expanded, whereby

a set of IBCs, service capabilities, and human capital resources will be proposed as helping the firm achieve competitive advantages and superior firm performance.

2.3 International Business Competencies (IBCs)

Several intangible capabilities will be salient to firms as they expand globally. This study focuses on those capabilities that will be especially helpful to small medium-sized enterprises (SMEs) that are also PSFs. These capabilities will be identified as international business competencies (IBCs) in this study. The IBCs will be viewed as intangible, overarching firm resources that can engender superior international performance in the international focused PSF SMEs. SMEs are defined as firms with 500 or fewer employees (Coviello & McAuley, 1999; Knight, 2000). Over the last three decades, the number of internationally active SMEs has increased dramatically. In addition, business and professional services are achieving very high growth rates in economies worldwide, including emerging markets such as India. Thus, we will benefit from the study of professional services that are also SMEs. Professional service SMEs may differ from larger firms in their managerial style, independence, ownership, and scale/scope of operations. They are also likely to be limited in financial, managerial, human, and information resources (Coviello & Martin, 1999). Therefore, it will be beneficial to examine those competencies and capabilities that will allow internationally focused Indian professional service SMEs to achieve competitive advantages and superior performance.

In the international marketing and business literature, business competencies (such as innovation) have been central research themes regarding organizational strategy and performance (e.g., Dev, Erramilli, & Agarwal, 2002; Hurley & Hult, 1998; Knight &

Cavusgil, 2004; Prahalad & Hamel, 1990). In the context of international business, competencies are understood as an organization's fundamental capabilities that account for international business success and competitive advantages in the marketplace (Knight & Kim, 2009; Autio et al., 2000; Birru, 2016). From an evolutionary economic viewpoint (Nelson & Winter, 1982), firms have an ability to develop organizational capabilities consisting of critical competencies. The evolutionary economics view highlights the importance of internal capabilities. According to this view, the superior ability of certain firms to create new knowledge leads to the development of organizational capabilities (Wu et al., 2007), consisting of critical competencies and embedded routines (Knight & Kim, 2009). Knight and Kim (2009) suggest that successful internationally-focused SMEs adopt a global mindset, wherein management views the world as the firm's marketplace, implanting a culture of international business. Given differences between SMEs and larger firms, especially regarding the level of tangible resources, the pattern of business competencies internal to the contemporary PSF SME is likely to be distinctive and specific for achieving international success (Knight & Kim, 2009). In this study, we extend this research on SMEs to the specific context of internationally-focused emerging market PSFs.

Firm competence is defined in multiple ways in the literature. Based on the definition of Teece et al. (1997) and Day (1994), business competence is viewed as "well-defined routines that are combined with firm-specific assets to enable distinctive functions to be carried out." Prahalad and Hamel (1990) argued that a firm's effective interaction with markets is a core company competence (Johnson et al., 2006). In the context of this study, the IBCs are conceptualized as a multidimensional concept that

reflect the extent to which PSF SMEs adopt a bundle of international business competencies to carry out international business activities and interact with the international marketplace in an effective way (Knight & Kim, 2009). IBCs emphasize the firm's possession of intangible, orientation-based and marketing/sales-based competencies and processes that account for the firm's international business success. The IBCs reflect competencies in multiple areas, including learning about international environments and innovation and adapting the entire organization to new environments through interactions with foreign markets (Knight & Kim, 2009). In the context of emerging market PSF SMEs, these IBCs will be particularly important as these firms are relatively limited in their resources and capabilities (Freeman & Sandwell, 2008). These PSFs can gain a competitive edge by possessing and effectively utilizing their IBCs.

This study's conceptualization of IBCs is based on Knight and Kim's (2009) IBC framework, which is based on a comprehensive analysis of the most important organizational attributes in contemporary internationally focused manufacturing SMEs. These attributes are international orientation, marketing skills, innovation orientation, and market orientation. Their analysis suggests that these attributes are particularly important for firm outcomes related to SMEs in the manufacturing sector. This study aims to expand the utility of the IBC framework by applying it to the services sector. Given that our research context is emerging market PSFs, this study will adapt the IBC framework to suit the circumstances of emerging market PSF SMEs.

Prior research has suggested that PSFs from emerging markets will be limited in some of the resources or skills that relate to the competencies of the IBC framework (Javalgi et al., 2011; Amonini et al., 2010). For example, these PSFs have limitations

related to market sensing, innovation, and marketing abilities. The market orientation, marketing skills, and innovation are components of the IBCs that will make up for the limited abilities of the emerging market PSFs; these IBCs will be particularly useful to the emerging market PSF SMEs, given their resource limitations. In addition, this research is proposing that entrepreneurial orientation be the fourth IBC component (in place of international orientation). Entrepreneurial orientation (EO) is conceptually similar to the international orientation (IO) component of the original IBC framework as proposed by Knight and Kim (2009). However, when compared to IO, EO provides more of an emphasis on targeting and developing business opportunities. This emphasis will be particularly useful in the emerging market PSF SME context. EO is characterized as the willingness of the firm to proactively engage in exploring and exploiting business opportunities, including high-risk business projects (Covin & Miller, 2014). For emerging market PSFs, their emerging market status will make competing in foreign markets challenging. However, if the PSF tends to actively engage in the exploration and development of business opportunities (including a willingness to accept risk), then the PSF will be in a better position to compete (Radulovich, Javalgi, & Scherer, 2018; Bello et al., 2016). Thus, for the emerging market PSF context, EO will be useful to consider as part of the IBC framework.

The IBC framework has not yet been used in the context of PSFs and, particularly, emerging market PSFs. The framework, or parts of the framework, have largely been used in the context of manufacturing or exporting firms (Sørensen & Madsen, 2012; Lengler, et al., 2016; Birru, 2016). Moreover, the IBC framework has, so far, not been used in an integrated conceptual and empirical framework that involves the

PSF's human capital resources and service capabilities. Thus, this study aims to test the IBCs in the emerging market PSF context and integrate them into a framework of firm resources and capabilities.

Next, we discuss the specific dimensions of IBC.

2.3.1 Innovation Orientation

Innovation orientation, in the IBC framework, has been conceptualized as the capacity to develop and introduce new processes, products, services, or ideas to international markets (Knight & Kim, 2009; Kandemir & Hult, 2005). Zaltman, Duncan, and Holbek (1973) suggested that one of the stages of the innovativeness process is initiation and ‘‘openness to the innovation’’ (Calantone, Kim, Schmidt, & Cavusgil, 2006; Kandemir & Hult, 2005). Openness hinges on the degree to which members of an organization are willing to consider the adoption of an innovation or whether they are resistant to it. Van de Ven (1986) refers to this as the management of the organization's cultural attention to recognize the need for new ideas and action within the organization. Innovation results from two major sources: (1) internal R&D that draws on the firm's accumulated knowledge; and (2) market intelligence, including the innovations of other firms (Lewin & Massini, 2004; Nelson & Winter, 1982). Because an internationalizing firm's learning can rely heavily on local sources of information, the role of market intelligence appears to be crucial for introducing innovations into foreign markets (Autio et al., 2000).

Innovation orientation is a crucial dimension for success in the international marketplace (Yang, 2012; Fischer, 2011; Knight & Cavusgil, 2004). In the expanded international market, technological leadership improves the competitiveness of firms that

face local or regional firms as well as better-resourced larger firms. Coupled with other competencies such as a strong entrepreneurial orientation, innovation orientation can serve as a source of processes, products, and services that fit targeted international markets better (Lumpkin & Dess, 1996; Covin & Miller, 2014). Therefore, it can be argued that innovation orientation will help the firm develop processes and capabilities (such as service capabilities) that appropriately fit international markets; and, innovativeness can also help the firm gain important positional advantages in the global marketplace.

Innovation can be especially important to PSFs to achieve a competitive advantage and develop key capabilities (Amonini et al., 2010). Prior literature has suggested that business competencies such as innovativeness can give rise to capabilities such as the ability to deliver quality service and achieve positions of competitive advantage (Day, 1994; Van Riel, Lemmink & Ouwersloot, 2004). The extant services literature on service innovation affirms that service providers who innovate will better meet the needs of their customers while pre-empting the competition. Adopting various service innovations has become strategically important for service providers to differentiate themselves from their competitors (Lee, Ginn, & Naylor, 2009). Lee et al. (2009) recognize that innovativeness of a service is crucial. Since innovation tends to enhance financial performance by differentiating offerings, it better satisfies user requirements through novel, high-value service solutions (Lowendahl, 2000; Bello et al., 2016). PSFs gain competitive advantage primarily by exploring and exploiting their intangible knowledge assets such as a firm's innovative capacity (Fischer, 2011).

2.3.2 Marketing Skills

Marketing skills, in the IBC framework, have been conceptualized as the firm's ability to create value for foreign customers through effective segmentation and targeting, and through integrated international marketing activities by planning, controlling, and evaluating how marketing tools are organized to differentiate offerings from those of competitors (Knight & Kim, 2009; Johnson et al., 2006; Knight & Cavusgil, 2004). Marketing-related activities are known to engender superior firm outcomes (e.g., Kotabe, Duhan, Smith, & Wilson, 1991). Within their markets, firms with good marketing skills attempt to offer products whose value buyers perceive as exceeding the expected value of alternative offerings. The urge to provide superior buyer value drives the firm to create and maintain a business culture that fosters the requisite business behaviors (Knight & Kim, 2009).

The professional service sector is distinct from other services because it encompasses unique characteristics and confronts unique marketing challenges (Amonini et al., 2010). For example, professional service firms (PSFs) generally face short deadlines and constant demands, have limited marketing knowledge (particularly if they are smaller firms), and often view time spent marketing as time deducted from billable hours (Herbig & Milewicz, 1993; Kotler, Hayes & Bloom, 2002). Furthermore, PSFs have been slow to adopt formal marketing strategies, and reveal mixed attitudes towards marketing (Barr & McNeilly, 2003; Yavas & Riecken, 2001). Although PSFs have slowly started to adopt marketing strategies (Skjølsvik et al., 2017), evidence suggests that these pressures as well as external pressures - including the increasingly complex

marketplace, competition, demands of customers and the continuing need to conform to ethical and professional standards (Simon, 2005; Reid, 2008) - present some challenges to this important market segment (Sweeney et al., 2011). Thus, those PSFs with competencies in marketing will be well placed - particularly vis-a-vis other PSFs - to succeed in the international marketplace.

There can be situations where SMEs (including PSFs) may possess superior products, services, and technology that meet the preferences of international customers, but they are less likely to reach foreign customers effectively without strong marketing skills (Knight & Kim, 2009). As a result of globalization, consumers today are better organized, have more information, and are generally more demanding (Knight & Cavusgil, 2004). Superior marketing skills assist companies to operate more effectively in such competitive international marketplaces. These skills provide the foundation through which the firm interacts with diverse foreign markets (Cavusgil & Zou, 1994; Zou & Cavusgil, 2002), enabling managers to create specific marketing-related strategies aimed at overcoming these challenges, and to adapt their various marketing strategies – such as market positioning, forming partnerships, and locating distributors and retailers – to local business environments more effectively (Knight & Kim, 2009). In sum, marketing skills help the international PSF SMEs reach and serve international customers more effectively.

2.3.3 Market Orientation

Market orientation has been conceptualized as the extent to which the firm's business activities are oriented toward customers and competitors, and the extent to which these activities are coordinated across functional areas in the firm (Knight & Kim,

2009; Narver & Slater, 1990; Slater & Narver, 1994). A systematic process of acquiring, analyzing, and disseminating information that uncovers both the expressed and latent needs of customers (Slater & Narver, 1998) is needed for firms to stay competitive. Greater understanding of customers enables appropriate product or service adjustments that satisfy their specific needs and preferences and results in superior perceived value (Theodosiou et al., 2012). Essential for market orientation will be the organization-wide collection and dissemination of information about current and future customer needs and how the entire organization responds to the information. For example, a market orientation will help the emerging market PSF to learn more about its target customers, thereby helping the PSF to better serve customers.

Market orientation is a critical concept in the marketing and management literature streams (Racela, Chaikittisilpa, & Thoumrungroje, 2007). The positive effect of market orientation on firm outcomes is well documented in domestic business settings (e.g., Pelham & Wilson, 1996; Slater & Narver, 1992) as well as in international settings, where the nature of customers and competitors is likely to vary substantially cross-nationally (Cadogan, Diamantopoulos & De Mortanges, 1999; Calantone & Knight, 2000; Wren, Souder, & Berkowitz, 2000). For example, Cadogan, Diamantopoulos, and Siguaw (2002) found that firms with a market orientation tend to achieve superior international performance. In the context of internationalizing emerging market PSF SMEs, it will be extremely critical for them to understand customers, competitors, and other market forces, and to disseminate information about these entities within the organization (e.g., Cadogan et al., 2002; Calantone & Knight, 2000; Racela et al., 2007). In this process, market intelligence will play a crucial role since the nature of buyers and

competitors abroad differs substantially from the domestic market; firms that rely on market intelligence to understand and serve customers abroad should experience superior firm outcomes in the form of competitive positional advantage and improved service capabilities.

Prior research has shown that in firms with a strong market orientation the knowledge obtained from market intelligence and the effective dissemination of this intelligence within the organization should also allow the firm to develop strong organizational capabilities and competitive positional advantages (O'Cass & Ngo, 2012; Hult & Ketchen, 2001). Market-oriented (MO) firms place the highest priority on creating superior customer value (Slater & Narver, 1998). MO acting as the market-sensing capability will allow the firm to better recognize market opportunities and more closely link the firm to its markets. This market-sensing capability will be particularly useful in the context of an internationalizing emerging market PSF. PSFs often need to build close and strong relationships with customers and their service may have to be customized as per client requirements (Amonini et al., 2010). Firms must be adept at learning about their customers' needs, which will allow firms to effectively integrate business functions (such as marketing, sales, finance) to better serve the market.

2.3.4 Entrepreneurial Orientation

Entrepreneurial Orientation has been defined as ''the processes, practices, and decision-making activities'' of management that support new initiatives (Lumpkin and Dess, 1996). Firms with a strong entrepreneurial orientation tend to possess distinctive competencies and outlook (Covin & Miller 2014; McDougall, Shane, & Oviatt, 1994; Weerawardena & Mort, 2006). They tend to be characterized by managerial vision and

proactive organizational culture for developing specific resources aimed at achieving company goals in target markets (Knight & Kim, 2009; Knight & Cavusgil, 2004). Possessing an entrepreneurial orientation implies active exploration of new business opportunities internationally. Firms with limited tangible resources that are inclined to pursue foreign markets will need a strong entrepreneurial posture to take the initiative to pursue new opportunities in complex markets, typically fraught with uncertainty and risk (Knight & Kim, 2009; Weerawardena & Mort, 2006). An entrepreneurial orientation may give rise to certain processes, practices, and decision-making activities associated with targeting new markets abroad (Covin & Miller, 2014; Weerawardena & Mort, 2006) and thus can contribute to positive firm outcomes (Knight & Kim, 2009).

An entrepreneurial firm is one that engages in innovative activities, undertakes risk and is proactive in its approach to competition and seizing opportunities. Often, an entrepreneurial firm will tolerate resource commitments to projects that possess uncertain outcomes or high failure costs; such firms will also be more willing to break away from 'tried-and-true' paths (Lumpkin & Dess, 1996). Entrepreneurial firms tend to support and embrace creativity, experimentation, novelty, technological development and deviance from established practice. In addition, entrepreneurial firms' forward-looking outlook will allow them to actively seek out and exploit opportunities to introduce new products/services, anticipate change and generate first-mover advantages (Lumpkin & Dess, 1996).

Taking EO to the international level is the concept of international entrepreneurship, which has been defined by McDougall and Oviatt (2000) as "a combination of innovating, proactive, and risk seeker conduct, that crosses the local

borders and tries to create value in the organizations." Prior research has suggested that an EO can enable international-focused PSFs to implement plans creatively by diligently scanning the environment and responding to market challenges and new opportunities in novel ways (Bello et al., 2016; Jantunen et al., 2005). This research argues that an EO can potentially help the emerging market PSF to develop service capabilities and competitive positional advantages to better target customers and seize new opportunities in the international marketplace.

2.4 Human Capital

Human capital, viewed as a knowledge repository, is the intelligence, skill, knowledge, and expertise of human labor in the organization (Bello et al. 2016). In the unique context of emerging markets, PSFs that invest in the highest-quality human capital face a rising cost structure due to a growing demand for ‘‘best in class’’ professional workers as well as the general rise in wage levels in developing countries (Contractor & Mudambi, 2008). In India, for example, not only are wages rising quickly, but there is also high turnover among professionals, increasing constraints on the supply of talent (Farrell, Kaka, & Sturze, 2005). Emerging market PSFs that support a differentiated service by hiring high-skilled experts are engaging in a high-cost implementation of their service strategy. Further, as noted, such emerging market firms are often unable to charge premium prices since foreign clients may resist high prices due to the continuing association of emerging markets with low-cost outsourcing (Oshri et al., 2015). Thus, the high-cost of expert professional labor can squeeze the financial payoffs for emerging market PSFs, particularly given the price concerns of foreign clients that limit revenues. However, compared to selling basic services, expert human capital will be

needed for marketing highly innovative or differentiated professional services (Aryee et al., 2016).

Emerging market PSFs will benefit from having highly skilled, creative employees because they can offset the hesitation of foreign buyers to purchase services from emerging market service providers. While such buyers readily accept low-cost basic services from emerging market providers, they may be skeptical of procuring highly innovative professional services from emerging markets due to doubts regarding reliability, quality, and other desired service attributes (Ueltschy, Laroche, Eggert, & Bindl, 2007). Thus, the skill and capabilities of expert employees from emerging markets will allay concerns regarding service quality since employee expertise signals high quality services (Quader, 2007). Skilled, creative employees also tend to introduce cost efficiencies into the marketing and service delivery process, increasing the financial payoff when bringing innovative services to foreign markets (Xu & van der Heijden, 2005).

2.5 Service Capabilities

When studying service capabilities, it will be useful to look more generally at the concept of capabilities. Capabilities are commonly defined as the glue that brings organizational assets together and deploys them advantageously (Zhou et al., 2008). They differ from assets in that they are not observable, are difficult to quantify, and cannot be given a monetary value, as can tangible plant and equipment (Day, 1994). Moreover, capabilities are so deeply embedded in the organizational routines and practices that they cannot be traded or imitated. Thus, they are the most likely source of competitive advantage. Service capabilities are conceptualized in this study as the firm's ability to

meet customer needs by customizing and ensuring high-quality products/services (Yang, 2012). Service capabilities are related to service quality and its set of associated processes that enable rapid, reliable, secure service provision (Ponsignon, Smart, & Maull, 2011) and after-sales processes (Silvestro, 1999; Cruz- Ros & Gonzalez-Cruz, 2015).

Organizational capabilities (such as service capabilities) are thought to engender competitive advantages for the firm, and service capabilities have been shown to have a positive impact on customer satisfaction, business performance and strategy implementation (Cruz- Ros & Gonzalez-Cruz, 2015; Yang, 2012; Theodosiou et al., 2012). Strong service capabilities are particularly important for PSFs as service (or product) quality and/or value (price) are key ways to differentiate a firm's position (Amonini et al., 2010). Superior service capabilities entail the delivery of quality services at good value. Several researchers suggest that service quality and value strategies become particularly important in competitive markets wherein customers demand high levels of customization, additional value-added services, and better responsiveness (Theoharakis & Hooley, 2003; Amonini et al., 2010). The concept of value incorporates a variety of 'give' components, or what the customer inputs to the service (e.g. fees), and 'get' components, or what the customer receives from the service (e.g. quality output) (Sweeney & Soutar, 2001; Amonini et al., 2010). Strong service capabilities can ensure that customers are offered good service quality and receive good value for what they give.

2.6. Competitive Advantages

Competitive or positional advantages (the terms have been used interchangeably or together in the literature) (O'Donnell et al., 2002; Martin & Javalgi, 2016) can be

conceptualized as a superior marketplace position that captures the provision of superior customer value and/or the achievement of lower relative costs. According to the theory of competitive advantage, at the broadest level, firms can adopt cost leadership strategy and/or differentiation strategy to achieve marketplace competitive advantages (Day, 1994; Day & Wensley, 1988; Porter, 1980). Low-cost advantage is proposed to directly result in increased market share and profitability (Day & Wensley, 1988). Specifically, low-cost advantage allows a firm to charge a lower price for the same product/service, which is likely to generate more market share.

A differentiation advantage is proposed to directly result in higher performance such as increased market share and profitability, because it creates more defensible customer value than competitors (Murray, Gao, & Kotabe, 2011; Tan and Sousa, 2015). In this case, more customers are willing to purchase a higher quantity and/or purchase at a higher price (Day & Wensley, 1988; Tan & Sousa, 2015). Day and Wensley (1988) theorize that the creation and sustenance of positional advantage are outcomes of a cyclical, long-term feedback process that occurs among competitive strategy, its continuous refinement, and the iterative redeployment of resources. In the context of emerging market PSFs, a differentiation strategy will be useful to overcome internal weaknesses and environmental threats (Wei-Ming & Kang-Wei, 2007; Amonini et al., 2010; Bello et al., 2016). Given the importance of relationship building and customer value creation in the professional services sector, the PSF can differentiate itself by a) focusing on building solid relationships with its client base and b) establishing customer value by involving customers in the service creation and delivery process (referred to as co-creation).

Day (2006) suggested that service-centric firms can compete based on relationships, service quality, and value rather than on the '4P' strategies emphasized in the goods-dominant logic paradigm. Developing and maintaining customer relationships is a key differentiator among service firms (Amonini et al., 2010; Gro¨nroos, 2000). Empirical evidence indicates the relevance of close relationships for business services (Amonini et al., 2010; Matear, Gray, & Garrett., 2004); for example, Kalafatis et al. (2000) find relationship-building factors (e.g. personal contact) provided a dominant positioning strategy in services related to the timber trade sector (Amonini et al., 2010). Additionally, this study argues that co-creation value will help the PSF differentiate itself in the marketplace. Co-creation is the involving of customers in the creation and delivery of services (Ngo & Cass, 2012). By involving customers, the PSF can tailor services that best suit customer needs, which will help the PSF to create value for customers (Sweeney et al., 2011; Ngo & Cass, 2012). Thus, in this study, competitive advantages focus on the ability of the PSFs to build customer/client relationships and develop co-creation value for customers.

2.7. Firm Performance

In this study, firm performance will be the firm's financial outcomes related to indicators such as overall average net profit, average return on investment, and international sales growth compared to competitors. These financial indicators have been used in prior research involving PSFs (Bello et al., 2016; Radulovich et al., 2018) and thus, their use is deemed acceptable in the measurement of a PSF's financial outcomes.

Firm performance can be enhanced by the way in which firms use resources in the development and implementation of their strategies (Wright et al., 2001). In the

context of emerging market PSFs, knowledge-based resources can be especially important (Hitt et al., 2001) because they are used to transform other inputs. In PSFs knowledge-based resources are often applied directly to serve the client. However, these resources must be integrated and managed to create value (Galunic & Rodan, 1998; Hitt et al., 2001), which in turn can create superior financial performance outcomes (O'Cass & Ngo, 2012).

In this study, small and medium-sized PSFs will be analyzed. In the context of these smaller firms, there may be some additional challenges to performance measurement (Radulovich, 2008). In studies on smaller firms, researchers often choose a subjective performance measure since financial information on SMEs (especially privately-owned ones) is not publicly available and private owners may be unwilling to divulge their firm's financial data. An accepted practice that overcomes disclosure of private financial information is the use of a subjective self-report measure of the firm's performance relative to a firm's principal competitor (Bello et al., 2016; Radulovich, 2008). Subjective self-report measures have been deemed reliable in the literature (Pearce, Robbins, & Robinson, 1987; Bello et al., 2016). In this study, subjective self-reports are used to assess the firms' financial outcomes.

2.8. Literature Review Overview and Conceptual Development

This study builds a model wherein a firm's IBCs directly influence the firm's service capabilities and competitive positional advantages, and indirectly influence the firm's performance. Furthermore, human capital will play a crucial role in driving the firm's IBCs and service capabilities. The firm's ability to develop competencies and capabilities to navigate the complex foreign marketplace will also be important. Hence,

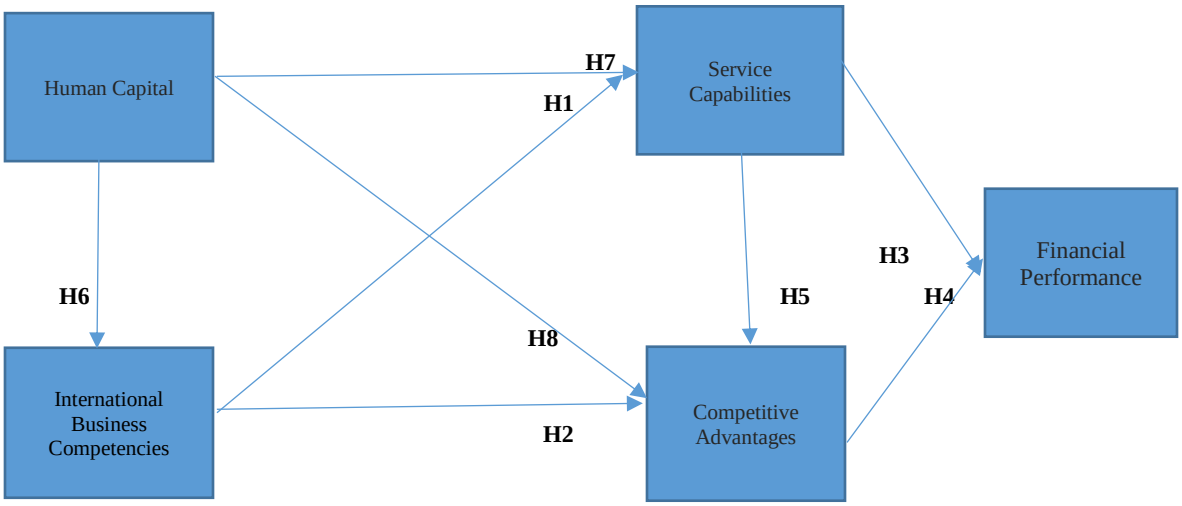
human capital resources and professional service competencies and capabilities (such as the IBCs and service capabilities) will play a key role in PSF SME performance and financial outcomes. In this research study, a model of PSF SME competencies, capabilities, and performance outcomes will be developed and analyzed.

CHAPTER III
HYPOTHESES DEVELOPMENT

3.1 Introduction and Purpose of the Study

The study focuses on the examination of relationships among the international business competencies, human capital, service capabilities, competitive advantages and performance of professional service firms. The conceptual model shown in Figure 2 showcases these relationships. The IBCs are a higher order construct consisting of important intangible competencies such as market orientation, innovativeness, marketing skills, and entrepreneurial orientation. The literature has noted the potential benefit of examining these competencies in the context of PSFs. Second, the role of human capital resources has not been examined in conjunction with the IBCs especially in the context of emerging market PSFs. Third, a model which integrates these competencies, capabilities, and resources within a framework involving a firm's service capabilities, competitive advantages, and performance will increase our understanding of how emerging market PSFs operate and succeed globally. For a glossary of terms, see the appendix.

3.2 Conceptual model of the study's integrated research framework - Figure 2



3.3 Contribution

The conceptual model postulates that international business competencies (IBCs) of a professional service firm (PSF) will positively impact the firm's service capabilities and competitive advantages which in turn will positively impact firm performance. In addition, service capabilities will have a positive impact on firm performance and competitive advantages. And then, human capital will drive the development of the IBCs and service capabilities.

The proposed conceptual model will provide contributions to the literature by developing an integrated, multidisciplinary empirical framework to better understand how emerging market PSFs can manage, organize, and leverage their knowledge and resources across geographical and cultural boundaries. This study tests newly hypothesized, multi-disciplinary relationships to shed some light on to the factors affecting emerging market PSF outcomes. Potential key contributions of this study include: 1) the development and testing of an integrated multidisciplinary empirical framework of PSF outcomes that extends the fields of marketing, management, strategy,

and international business, 2) empirical evidence of the effect of a set of IBCs on a firm's competitive advantages and service capabilities, and 3) the role of human capital in driving the firm's IBCs and service capabilities.

3.4 Hypothesis Development

3.4.1 International Business Competencies (IBC) and Service Capabilities

IBCs emphasize the firm's possession of intangible, cultural orientations as well as processes that enable the firm to function effectively in foreign markets. IBCs reflect competencies in multiple areas such as learning about international environments and adapting the entire firm to new and complex environments through foreign market interactions. The firm's possession of IBCs leads to the development of certain organizational capabilities. More specifically, the organizational capabilities analyzed in this study are service capabilities, conceptualized as the firm's ability to meet customer needs by customizing and providing high-quality services (Yang, 2012; Cruz-Ros & Gonzalez-Cruz, 2015). The resource-based view implies that service firms that possess capabilities in producing the core service will have an advantage over competitors (Skaggs & Snow, 2004).

Prior research has suggested that market orientation - a component of the IBC – is an antecedent to many important organizational outcomes (Kirca, Jayachandran, & Bearden, 2005). These outcomes include increased service innovativeness, better products/services and organizational performance, and improved customer service capabilities. A market-oriented firm develops capabilities of market sensing and customer linking that lead to a superior ability to satisfy and retain customers, and ensure new

service success (Matear et al., 2004; Day 1998; Posselt, & Förstl, 2011; Van Riel et al., 2004).

While market orientation has been associated with many positive outcomes for the firm (Kirca et al., 2005), there are some challenging or negative aspects of market orientation that firms need to consider. Market orientation is a state that the firm arrives at after passing through several phases that represent different levels of adaptation to the market. This phased process can be risky because it may entail significant efforts at reallocation of resources and power within the firm while the results of the efforts can only be evaluated after the process is completed (Avlonitis & Gounaris, 1999). Emerging market PSFs possess limited resources to begin with; thus, the process of adopting a market orientation can be challenging for the firm and the outcome uncertain. Some studies show that market orientation can even have a non-significant or negative association with organizational outcomes in certain contexts (Murray, Gao, & Kotabe, 2011; Kirca et al., 2005). Thus, with the literature providing mixed findings and suggestions on market orientation, it becomes necessary to clarify the role of market orientation as part of the IBC framework within the context of emerging market PSFs.

Though the literature provides mixed findings, many studies do support the positive impact of market orientation (Kirca et al., 2005; Kaufmann & Roesch, 2012; Posselt & Förstl, 2011). This study argues that market orientation along with the other IBCs will allow the emerging market PSF to develop resources and capabilities (for e.g. service capabilities) necessary for market success. Market orientation along with the other IBC components will have a positive impact on the development of the firm's service capabilities.

The innovation component of IBC has also been recognized as an important factor in new service development success and openness to new ideas. This openness to new ideas has the potential to help the firm develop new capabilities (Froehle et al, 2000). Zahra, Sapienza, and Davidsson (2006) stated that innovative firms develop and apply different capabilities in the face of changes in the environment. They reshape their basic resources, changing invalid or unusable resources (Sirmon & Hitt, 2003), or recombine resources in an innovative way to develop new substantive capabilities in present or new markets (Sirmon, Hitt, & Ireland, 2007; Ripolles, Blesa, & Roig Dobón, 2010).

However, possessing an innovation orientation does not always result in positive outcomes for the organization (Laursen & Salter, 2006). The presence of innovation orientation can result in situations where there are increased costs for organization, the firm's stakeholders do not buy into the innovation, and the firm gets caught up in having a strong focus on technological advancement and innovation while not paying attention to key details (Simpson, Siguaw, & Enz, 2006). Too much innovativeness can also result in service or product failures (Han, Kim, & Kim, 2001) and may put the firm at a disadvantage in the marketplace. Thus, with the literature showing innovativeness resulting in mixed organizational outcomes, it becomes necessary to clarify the impact of innovation as part of the IBC framework in the context of emerging market PSFs.

The IBC component of entrepreneurial orientation/EO can also serve a positive role in the development of superior services. Entrepreneurial firms will be willing to explore ways to develop superior services to help them gain advantages in the marketplace (Lumpkin & Dess, 2001). EO can also reflect the management's motivation

and ability to actively explore opportunities, their ability to communicate the firm's mission, and effectively develop the firm's resources to achieve business success (Sorensen & Madsen, 2012). The direct involvement of top management can encourage employees to actively explore possibilities in foreign markets. Entrepreneurially oriented firms will stress organizational agility and adaptability and will make appropriate resource allocations to ensure firm success (Sorensen & Madsen, 2012; Lumpkin & Dess, 2001).

While entrepreneurially oriented firms have been shown to enjoy positive organizational outcomes, the literature has suggested that there could be a negative aspect to entrepreneurial orientation. For example, it is possible that an aggressive "undo the competitor" strategic stance, that is associated with EO, is perceived as positive by important organization stakeholders and rewarded in some cultures but negative and punished in others; this difference in perceptions suggests that the influence of EO on organizational outcomes (for e.g. service capabilities or performance) may vary from country to country or a function of cultural norms (Rauch, Wiklund, Lumpkin, & Frese, 2009; Knight, 1997; Thomas & Mueller, 2000). Thus, EO does not always have to result in positive outcomes and the potentially negative outcomes of EO suggests that further research is warranted in the area of entrepreneurially oriented firms to get a clearer understanding of the impact of EO. Hence, this research intends to study and clarify the impact of EO as part of the IBC framework within the context of emerging market PSFs.

Marketing skills will allow the service firm to offer services whose value buyers perceive as exceeding the expected value of alternative offerings (Theodosiou et al., 2012). The urge to provide superior buyer value drives the firm to create and maintain a

business culture that fosters the requisite service behaviors. Thus, superior marketing skills can engender superior service capabilities in the service firm. The literature has suggested that emerging market firms do not invest in marketing skills and consider marketing a cost to the organization that they should avoid (Amonini et al., 2010). Marketing skills, if not managed and implemented properly, can also be detrimental to the firm (Kaufmann & Roesch, 2012). However, marketing skills can be particularly useful for emerging market firms as they promote and develop their services and attempt to overcome their liability of foreignness (Kaufmann & Roesch, 2012).

In summary, this study argues that the IBCs in combination will lead to the development of service capabilities. IBCs involve managerial and organizational competencies that can have an important role to play in the service offer (Cruz-Ros & Cruz, 2015). These competencies will enable the firm to acquire valuable resources and new capabilities inexpensively and ahead of competitors. These competencies support key functional elements of the service offer such as new service development and organizational capabilities (Cruz-Ros & Cruz, 2015). Prior research has also shown that organizational competencies (such as those that make up the IBCs) will have a stronger impact on firm outcomes such as competitive advantages and firm performance via organizational capabilities (such as service or marketing capabilities) (Theodosiou, Kehagias, & Katsikea, 2012; O'Cass & Ngo, 2012; Cruz-Ros & Gonzalez-Cruz, 2015). Thus,

Hypothesis 1: International business competencies are positively related to the firm's service capabilities

3.4.2 International Business Competencies and Competitive advantages

In the context of this study, a competitive advantage can be conceptualized as a superior marketplace position that captures the provision of superior customer value and the achievement of a differentiation advantage (Day & Wensley, 1988). Firms sustain a competitive advantage if rivals are unable to acquire and deploy a similar or substitute mix of resources and capabilities (Mahoney and Pandian, 1992). A competitive advantage can be established by the firm through customer value creation and the development of strong customer relationships (O'Cass & Ngo, 2011).

IBCs are proposed to provide a competitive advantage (Kim and Knight, 2009). The competitive advantage that the IBCs provide can be rare, valuable, and difficult to imitate (Kim & Knight, 2009; Covin & Miles, 1999; Lumpkin & Dess, 2001). Research has suggested that IBCs may be relatively distinctive (Kim & Knight, 2009). The specialized approaches inherent in IBC may be held by individual managers or embedded within the successful firm or both. Given the complex structure and embedded nature of IBCs, it may be relatively more difficult for competitors to replicate them. This study argues that these IBCs can also allow the firm to achieve competitive advantages. Studies suggest that IBCs do not constitute unique resources independently, but rather that they can collectively contribute to the creation of a unique resource (Day, 1994). A variety of IBCs are each necessary but are not individually sufficient for creating what Day and Wensley (1988) consider a "competitive advantage." Prior research suggests that each element is adequate to offer strengths, but together they can help a firm be uniquely competitive (Hult & Ketchen, 2001). Research has also shown some components of the IBC (such as market orientation and innovativeness) indirectly impacting firm performance through competitive positional advantages (Hult & Ketchen, 2001).

While many research studies have supported the positive impact of the IBCs on competitive advantage, some studies have shown non-significant and/or negative relationships involving the different components of the IBCs and firm outcomes such as competitive advantage and performance; oftentimes, these relationships also seem to be dependent on the context of the research study (Laursen & Salter, 2006; Simpson, Siguaw, & Enz, 2006; Murray, Gao, & Kotabe, 2011; Kirca et al., 2005; Zhou, Brown & Dev, 2009). Research has also shown that some IBC components such as market orientation and entrepreneurial orientation have a stronger impact on competitive advantage when considered in concert with other firm competencies (Hult & Ketchen, 200; Hurley & Hult, 1998; Knight & Kim, 2009). Research on the set of IBCs (as conceptualized in this study) is lacking within the context of emerging market PSF SMEs. Thus, it becomes necessary to clarify and study the relationship between the IBCs and competitive advantage within the context of emerging market PSFs. Prior research has shown that the management of organizational strategies can positively help the emerging market firm create a more enduring competitive advantage (Kaufmann & Roesch, 2012). Thus, this study argues that organizational strategies, such as what the IBCs represent, can position the firm for competitive success.

Emerging market PSFs often focus their limited resources on the most promising service segments, employing a differentiation strategy to stimulate customer loyalty and effectively meeting the needs of the service marketplace (Cavusgil & Knight, 2009). Organization capabilities and competencies such as those related to innovation (an important component of IBC) can support a differentiation strategy (Bello et al., 2016). A

differentiation strategy in terms of relationship or co-creation value can constitute a competitive advantage for the PSF (Amonini et al., 2010). Thus,

Hypothesis 2: International business competencies are positively related to the firm's competitive advantages

3.4.3 Service Capabilities and Performance

Service capabilities are the result of a firm's ability to understand changes taking place in its markets, enabling it to operate more effectively and successfully in the marketplace (Day,1994). Service capabilities are also the result of an integration process designed to meet the market-related needs of the firm (Vorhies & Morgan 2005; Martin, Javalgi & Cavusgil, 2017). These capabilities could end up being rare, valuable, non-substitutable, and inimitable sources of advantage leading to superior firm performance (Morgan, Vorhies, & Mason, 2009; Dutta, Zbaracki & Bergen, 2003). As knowledge-based processes become embedded over time, such capabilities may be difficult for competitors to imitate (Teece et al., 1997). Prior research has found the positive impact of organization capabilities (such as service capabilities) on performance (Yang, 2012; Morgan et al., 2009; Cruz-Ros and Gonzalez-Cruz, 2015) in different firm contexts.

While many research studies have shown a positive link between service capabilities and performance, some studies have provided mixed evidence with negative, non-significant and/or non-linear relationships in a variety of service contexts (Kohtamäki, et al., 2013; Gebauer et al., 2012; Jacob & Ulaga, 2008). Studies have also reported that organizational capabilities (such as service capabilities) can turn into core rigidities (Leonard-Barton, 1992; Martin et al., 2017) and result in a negative influence on some aspects of firm performance (Haas & Hansen, 2005). Given the mixed findings involving service capabilities and performance in different service contexts, it becomes

necessary to clarify and study the true nature of the relationship between service capabilities and performance within the emerging market PSF context. The emerging market PSF context is an area that is lacking in research related to service capability outcomes; the present study aims to fill this gap in research.

Studies have suggested that a firm's response to service requests or failures act either to strengthen and reinforce customer relationships or to intensify their negative effects (Grove, Fisk, & John, 2000; Oliveira & Roth, 2012). Studies have also shown that customers who have a service failure resolved quickly and fairly, in contrast to those who never experience a service failure, are apt to exhibit greater loyalty and repurchase behaviors (Miller, Karawan, & Craighead. 2000; Oliveira & Roth, 2012). In this study, the conceptualization of service capabilities includes the firm's ability to effectively manage post-sales services. Post-sales services may involve the firm's ability to resolve certain customer requests or manage service failures. This study argues that an emerging market PSF will achieve financial success when it has the capability to effectively manage post-sales services and efficiently deliver high quality, reliable services to the client.

Service capabilities will be particularly relevant in service-oriented businesses such as professional services. In professional services, the ability to deliver services efficiently and effectively can help the firm to differentiate itself and achieve superior performance outcomes in the marketplace. Performance outcomes related to higher financial returns including sales growth can be achieved (Radulovich et al., 2018) if the PSF is able to deliver superior services. Superior service capabilities should not only involve reliable and punctual delivery of services but also successful follow up and post

sales services. PSFs with superior service capabilities can solidify their position in the marketplace and develop a strong customer base; and, they can offer superior value to customers (Yang, 2012). The ability to offer superior value will enhance the PSF's credibility and reputation in the marketplace and allow it to gain new customers, expand sales, and improve its finances.

Prior research has established linkages between superior service capabilities, customer satisfaction, and firms' long-term profitability (Cruz-Ros & Gonzalez-Cruz, 2015; Miu, 2006). The ability of the PSF to provide superior services will allow it to generate customer satisfaction and a loyal client following. A strong and satisfied customer base will position the PSF for financial success in terms of improved profitability and increased sales growth. Thus,

Hypothesis 3: The firm's service capabilities are positively related to the firm's performance.

3.4.4 Competitive Advantages and Performance

Competitive advantages drive effective performance in terms of various firm growth metrics and higher returns on investments that are indicative of strong firm performance (Menguc, Auh, & Shih., 2007; Martin et al., 2017). Competitive advantages can involve relationship building with customers and customer value creation while maintaining desirable profit margins (Langerak, 2003). Hunt and Morgan (1995) stated that firms' competitive advantages engender superior firm performance. Superior performance requires the achievement of a competitive advantage through the continuous creation of superior value for customers (O'Cass & Sok, 2013). Competitive advantages in the form of customer relationship building and adding value to customers can be

complex and hard to replicate, giving the firm a competitive advantage over rivals. Greater the degree of complexity, the more difficult it will be for other firms to duplicate, resulting in competitive advantages and potentially superior performance (Atuahene-Gima, & Wei, 2011; Hult & Ketchen, 2001).

The relationship between competitive advantage and performance can be complex. There can be situations where the firm does not need to secure a competitive advantage in order to gain superior financial outcomes (Newbert, 2008). A competitive advantage may be a sufficient condition for improved performance but its presence may often be unnecessary (Durand, 2002) to achieve that improved performance. In some contexts, the costs associated with gaining a competitive advantage may be greater than the benefits (Peteraf &Barney, 2003). In such contexts, firms must be very prudent about the investments in resources they make to secure a competitive advantage in the marketplace. While there may be costs associated with competitive advantage, research has shown that the competitive advantages a firm achieves are certainly an important antecedent of financial success (Newbert, 2008; Martin et al., 2017).

In the context of services, the ability to develop strong interpersonal relationships with customers can help the PSF to achieve superior performance outcomes (Yang, 2012). Developing solid long-term relationships with clients will give the firm an opportunity to create trust among the clients (Morgan & Hunt, 1994). Through these relationships, clients will also perceive a sense of commitment from the firm towards them.

Relationships help create value for customers and the creation of superior value translates to superior performance outcomes (O'Cass & Ngo, 2012). This study argues

that establishing relationship and co-creation value will help the PSF to achieve competitive advantage. Co-creation value requires a shift to a customer-centric business model, through which customer preferences can be expressed in real time and offerings customized accordingly (O'Cass & Ngo, 2012; Morgan & Hunt, 1994). The personal interface between the customer and the firm represents a critical component of the service delivery process in which the customer has direct input into the production and design of the final service offering (O'Cass & Ngo, 2012). Together with co-creation is relationship value which is the establishment of solid continuing relationships with customers. Establishing strong customer relationships will allow the service firm to effectively compete in the marketplace (Ngo & O'Cass, 2013), and prior research has shown that investing in relationships can help the firm to achieve desired performance outcomes (Alejandro et al., 2011; Palmatier, Dant, & Grewal, 2007). Thus,

Hypothesis 4: The firm's competitive advantages are positively related to the firm's performance.

3.4.5 Service Capabilities and Competitive Advantages

A firm's unique resources and capabilities engender competitive advantages in the marketplace. Understanding customer expectations and transforming such expectations into bundles of value deliverables is the underpinning of generating a competitive advantage (Ngo & Cass, 2010). Organizational capabilities (such as service capabilities) can be structural drivers of competitive advantages in a firm (Zou, Fang, & Zhao, 2003). For example, the capability to coordinate sales and effectively serve customers helps a firm establish a differentiation competitive advantage (Day &

Wensley, 1988); a differentiation advantage in terms of building strong relationships with customers and creating value for them.

Firms possessing more sophisticated capabilities can achieve competitive advantages in their continuous joint creation of superior value for and with customers (Zhang et al., 2015; Day & Wensley, 1988). An individual organization's value creation, that is, the set of value activities it controls and carries out as an actor in the value system, is based on its collection of capabilities (Zhang et al., 2015). In that regard, the capability of the firm to deliver superior services including punctual, reliable services and post-sale services will allow the firm to create competitive advantages in terms of co-creation value and customer relationships (Zhang et al., 2015).

Managers should be aware that neglecting service capabilities can prevent the firm from creating value for customers and gaining competitive advantages in the marketplace (Salomonson, Åberg, & Allwood, 2012). Research has also shown that firms without superior organizational capabilities (such as service capabilities) do not enjoy positive outcomes in the marketplace (Vorhies & Morgan, 2005). The ability to secure competitive advantages is a positive outcome that firms would like to have in the marketplace. PSFs, by their very nature, need to focus on superior service delivery if they are to gain advantages in the marketplace. Hence, this study argues that PSFs with superior service capabilities will enjoy competitive advantages in the marketplace.

Co-creation value requires close customer interactions that represent a high-bandwidth mode of communication, facilitating the transfer of complex, ambiguous and novel information (Salomo, Steinhoff, & Trommsdorff, 2003; Zhang et al., 2015). Such specialized, fine-grained information and knowledge from customers can be particularly

valuable to ensure that the firm delivers value in line with customer preferences better than competitors do (Svendsen, et al., 2011; Zhang et al., 2015). And, customers' perception of value depends heavily on the firms' value offering. The firm's possession of superior service capabilities will help the firm to offer superior value to customers (Cruz-Ros & Gonzalez-Cruz, 2015); these capabilities will allow the service firm to facilitate value creation among customers. Punctual, reliable, and effective post-sale services can greatly help clients form better customer value expectations, which will in turn improve customers' willingness and confidence to cooperate and participate in value co-creation activities (Salomonson et al., 2012; Zhang et al., 2015). Simultaneously, the service firm will be able to build closer and continuing relationships with customers. Thus, this study argues that superior service capabilities will lead to competitive advantages for PSFs.

Hypotheses 5: The firm's service capabilities are positively related to the firm's competitive advantages

3.4.6 Human Capital and International Business Competencies

Prior research has found the positive impact of human capital on some of the components that make up the IBCs (Damanpour, 1991; Edelman, Brush, & Manolava, 2005) For instance, Edelman et al., (2005) found that high levels of human capital allowed the firm to recognize and exploit opportunities in the marketplace and create innovative solutions to solve customer problems. Recognizing opportunities and exploiting them can be related to the market and entrepreneurial orientation components of the IBCs. The creation of innovative solutions to solve customer problems can be related to the IBC components of marketing skills and innovation orientation. Zhou (2007) found that human capital had a significant positive effect on innovation in the firm

and suggested that it can also impact the firm's ability to develop new competencies related to IBC components such as entrepreneurial orientation, market orientation, and marketing skills (Calantone et al, 2004).

For smaller firms, the role of human capital will be particularly salient (Edelman et al., 2005). Thus, for PSF SMEs, human capital can play an important role. The human capital embodied in the firm's employees including its top managers will help the firm to develop distinctive organizational competencies (Edelman et al., 2005). Superior human capital resources will allow the firm to develop competencies that will help it to better understand and serve customers (Mosakowski, 1993; Edelman et al., 2005). Superior human capital in the form of the knowledge, skills, and abilities of the employees can contribute to the development of superior organizational competencies that will allow the firm to be more innovative and to compete more effectively in the marketplace (Alpkan et al., 2010). Prior research has shown that superior human capital resources also encourage the development of entrepreneurship (Marvel, Davis, & Sproul, 2016) and thus, we can argue that human capital will have a positive impact on the entrepreneurial orientation aspect of the IBCs.

While human capital may be more important in some contexts versus others (Cook et al., 2011), prior research has agreed that human capital resources can lead to organizational effectiveness by creating a supportive organizational climate (Ferris et al., 1998), facilitating innovation, and shaping employee behavior and attitudes (Whitener, 2001; Nasution et al., 2011). Although the positive outcomes of human capital are well documented in the literature (Alpkan et al., 2010; Nasution et al., 2011), uncertainty remains over the magnitude and circumstances of relationships involving human capital

and organizational outcomes and competencies such as the IBCs (Unger et al., 2011; Ramsey et al., 2016). This study extends our understanding of human capital outcomes by studying the relationship between firm/organizational competencies and human capital in the context of/and circumstances involving emerging market PSF SMEs. Thus, this study clarifies the extent of the impact of human capital on the PSF SME's ability to develop IBCs.

Human capital represents tacit knowledge embedded in the minds of the employees. Human capital can serve as the foundational source of innovation and strategic renewal for a firm; human capital can help the firm realize and create value in the knowledge-based economy (Chen, Zhu & Xie, 2004). For knowledge-based firms such as PSFs, superior human capital resources will be particularly salient. These resources will facilitate the development of firm-level competencies that will position the service firm for success in the global marketplace. Thus,

Hypothesis 6: The firm's human capital is positively related to the firm's international business competencies.

3.4.7 Human Capital and Service Capabilities

Prior research has suggested that human capital has a positive impact on the firm's ability to provide high-quality services (Edelman, Brush, & Manolova, 2002; Aryee et al., 2016). In today's knowledge-based and service-focused economy, the value of high levels of human capital in the firm cannot be understated (Aryee et al., 2016). Highly skilled employees will be in a better position to diagnose problems, think creatively, and properly understand and develop novel solutions to the unique needs of customers (Skaggs & Youndt, 2004). In SMEs especially, the role of human capital will

be of critical importance (Edelman et al., 2005). The SME owners and top managers often play a direct role in their firm's success. Thus, if they possess the necessary skills, knowledge, and capabilities (all aspects of human capital) to serve customers, then the firm will benefit greatly.

Human capital resources can also become embedded in the firm; this embedding of employee skills and knowledge can give the firm a competitive edge in the marketplace (Grant, 1991). These embedded resources represent an intangible asset for the firm which can use these resources to design and deliver services to meet the specific needs of its customers. While the outcomes of superior human capital possession by the firm have been shown as largely positive (Snell & Morris, 2014), research is still lacking on the effects (whether positive, negative or non-significant) of human capital on service capabilities within the context of emerging market PSFs. Hence, this study aims to shed light on the impact of human capital on the PSF's ability to deliver superior high-quality services.

A service encounter generally involves responding to customer needs, handling special requests, and performing under adverse conditions (Aryee et al., 2016). In contrast to a typical manufacturing context, service delivery entails employees' direct interaction with customers and coordination or co-production with colleagues in a team environment (Schneider & Bowen, 1985). Given that customers have unique needs and/or problems, employees must adapt the service provision to meet each customer's needs and/or problems (Aryee et al., 2016). This requires that employees have the knowledge, skills, and abilities not only to form accurate perceptions of the needs of customers, but also to satisfy these needs (Aryee et al., 2016). Thus, employees must

acquire and possess knowledge about their products/services in addition to how these products/services can help to satisfy the needs of customers (Homburg, Wieseke, & Bornemann, 2009; Aryee et al., 2016). For a PSF, the knowledge, skills, and abilities of its employees will be important in allowing it to develop superior service capabilities. These capabilities will have to be designed to cater to the needs of the firm's clients/customers. To effectively design and develop these service capabilities, the PSF's employees will need to first have knowledge of customers' needs and requirements. A PSF will benefit from having managers and employees who possess the knowledge, skill, and ability to develop and design service capabilities that fulfill customers' needs. In other words, high levels of high capital resources in the PSF will help it to develop superior service capabilities to better serve customers. Thus,

Hypothesis 7: The firm's human capital is positively related to the firm's service capabilities.

3.4.8 Human Capital and Competitive Advantages

Human capital theory suggests that firms with high levels of human capital achieve better firm outcomes (Barney, 1991). Human capital has been suggested as an important source of competitive advantage (Coleman, 1998) because it may be costly to imitate as it is often firm-specific. Competitive advantage realized through human capital may be sustained, even if some of the knowledge is imitable, because human capital provides continuing superiority in the rate knowledge creation and cost reduction over the life of a product/service and across multiple generations of products/services (Hatch & Dyer, 2004). Human capital embodied in the partners/owners/staff/senior managers of a professional service firm will be a very important resource for the firm (Hitt et al., 2001).

Their experience builds valuable industry-specific and firm-specific knowledge, which is often tacit. Such knowledge is the least imitable form of knowledge (Hitt et al., 2001). An important responsibility of the firm's partners is obtaining and maintaining clients. Partners build relationships with current and potential clients and, over time, develop social capital through their client networks (Nahapiet & Ghoshal, 1998). Therefore, the experience a professional gain as a partner contributes to the PSFs competitive advantage (Hitt et al., 2001; Harris & Helfat, 1997).

When human capital accumulations are high, a company is likely to profit from firm-specific skills, knowledge, and abilities to sustain competitive advantage (Shaw, Park, & Kim, 2013). However, there will be a point where human capital losses in the form of a high employee turnover rate can hurt the firm. Path dependencies and/or social complexities associated with the highly skilled or long-tenured workforce are erased; competitors can then more easily imitate the remaining resources and eliminate any competitive advantages (Shaw et al., 2013). When human capital losses reach high levels, the firm's workforce is distracted from task accomplishment and is focused primarily on constantly replacing lower quality human capital (Price, 1977; Shaw et al., 2013). While past literature has described the benefits of human capital, we also need to consider the possibility that human capital or the accumulation of human capital over time in a firm can result in negative outcomes. This accumulation will result in a situation where knowledge is ossified and routinized in the firm to the point that it becomes difficult to alter (Berman, Down, & Hill, 2002). This situation will result in negative outcomes (e.g. loss of competitive advantage) for the firm. Firms should guard against such situations and they should protect themselves against the loss of human capital.

Firms with higher levels of human capital will have employees that possess the requisite knowledge, skills, and ability to better understand and serve customers. In this study, competitive advantage is conceptualized in terms of co-creation value and relationship value. Firms with employees with superior knowledge of the target market and of the product/service will be in a better position to involve clients in the service creation and delivery process (Zhang & Chen, 2008). Co-creation with customers can be a systematic process and may contain important co-creation activities that can possibly turn customer efforts, skills and knowledge into unique competitive advantages (Zhang & Chen, 2006) for the firm. It becomes important, then, for the firm to have employees that can manage and lead these co-creation activities for and with customers. When employees have the knowledge, skill and ability to understand a firm's customers and their needs, they can also establish solid and continuing relationships with customers. In other words, a firm with high levels of human capital will be in a good position to understand and better serve its target market. Thus,

Hypothesis 8: The firm's human capital is positively related to the firm's competitive advantages

CHAPTER IV
RESEARCH DESIGN AND METHODOLOGY

4.1. Overview

This chapter presents the study's research design and methodology. In particular, the chapter provides a discussion of the study's design and sampling criteria, data collection procedures, and survey instrument. The various scales used in the survey instrument are described in terms of their measurement and operationalization. The statistical procedures and methodologies to assess the survey instrument and the study's hypothesized relationships are also described.

4.2 Study Design

Data was collected from India-based PSF SMEs in two stages: *a sample pretest and a full-scale sample study*. A pretest sample of 50 survey responses was acquired via an online survey sent out by email to senior managers/officials/owners of globally focused PSFs based in India. The purpose of the pretest was to verify the scales that were to be used in the full-scale study. Pretest sampling covered knowledge and service-intensive industries/sectors such as information technology and legal, financial and other professional services. The pretest sampling was successfully completed within a week.

Since SMEs are the focus of this research, firms employing less than 500 people were targeted. The study's sampling frame requirements were provided to the U.S.-based research firm Qualtrics. Qualtrics then collected data based on these sampling frame requirements. As per the frame requirements, Qualtrics contacted senior managers/officials or owners of global-focused PSFs based in India. They were contacted via email and the survey was sent as a weblink in the email.

The second phase which was the full-scale study was conducted in a similar manner as the pretest. A full sample of 251 survey responses was collected as part of the full-scale study. This sample size (i.e. 251) was chosen as it meets and exceeds the minimum required for (structural equation modeling) SEM analysis. SEM will be the type of analysis used in this study and it has an ideal minimum sample size requirement of 200 cases (Hair et al., 2010).

Since data collection was done online for this study, Qualtrics used online panels to collect the survey responses. These panels were made up of senior managers or owners of India-based PSFs. Online panels are increasingly recognized as representative of more upwardly mobile members of the population and, hence, are an appropriate sample frame for a study of professional service providers (Sweeney et al., 2011; Deutskens, De Ruyter, & Wetzels, 2006; Wyner, 2006). Online panels are increasingly used in quantitative studies (Sweeney et al, 2011; Burke, 2002; Meuter et al., 2000; MacDonald & Uncles, 2007) and the response quality of the data is well established (Deutskens et al., 2006).

4.2.1. Description of the Target Population and Sampling Criteria.

The study examined international professional service SMEs originally based in India, all of which needed to meet the following criteria:

1. Small to medium-sized enterprises (SMEs) which are firms employing less than 500 employees.
2. Professional service firms chosen from nine highly skilled industries. These industries are: Computer/information, Management or Consulting, Financial Services or Banking, Health Services, Legal, Advertising, Accounting/Payroll/Taxes, Architects, and Engineers.
3. Firms that participated in international business service activities in at least one country other than India.
4. The firm's contact respondent being the owner, chief executive officer (CEO), managing director, or other senior management.

4.2.2 Sample Type and Size

A total of 251 responses including a pretest sample of 50 survey responses was collected from owners, CEOs, or senior level managing directors of India-based SME PSFs. Responses were limited to one per service firm. Data was collected among a database of PSF SMEs with no geographic limitation inside of the target country-India.

The sample size was determined based upon the structural equation modeling (SEM) analysis requirements. SEM analytical technique establishes that the sample size should be a minimum of 200 respondents/data points (Hair et al., 2010). With 251 responses, the sample size for this study exceeded the minimum requirement for SEM.

The research project involved two stages. These were:

Stage 1: Survey pretest - completion of a pretest sample of 50 responses from PSF SMEs in India. The pretest was conducted in early February 2018.

Stage 2: Full-scale survey data collection -completion of a full-scale study of 251 survey responses from PSF SMEs in India. The full-scale study was completed in late February 2018. A copy of the survey is found in the appendix.

4.3 Data Collection Procedure

The data collection was done by the U.S.-based market research firm Qualtrics. Potential respondents were contacted by Qualtrics. An email with the survey link was sent to potential respondents across India. Qualtrics offered cash-based incentives to potential respondents to complete the survey. The response rate was 42%. Qualtrics targeted respondents based on the sampling criteria that the researcher had provided. Only fully complete surveys were used in the study. The survey took 15-20 minutes to complete. The survey did not collect any personal identifying information on the respondent.

Upon the completion of the data collection, the researcher reviewed the data for any errors including missing data. The researcher entered the data into SPSS and conducted preliminary analyses including an exploratory factor analysis of the measurement items.

4.4 Questionnaire Design

Overview

The survey questionnaire used in this study is comprised of scales which have proven to be valid and reliable in prior empirical research (see Table 1 for citations). The scales were obtained from established empirical research in the fields of management,

international business, and marketing. English is one of the official languages of India and is used widely by Indian businesses and the Government of India (CIA, 2017). Thus, the survey was administered to the targeted sample in English. All the scales in this study have been used in prior international-focused business research (Bello et al., 2016; Cruz-Ros, & Gonzalez-Cruz, 2015; Morgan, Katsikeas, & Vorhies, 2012; Martin et al., 2017; Sørensen, & Madsen, 2012). Thus, these scales are applicable to international business research. Furthermore, firms engaging in international business activities were chosen for this study, ensuring that the scales assessed those organizations that also served international customers.

Table 1 Survey scales for the key constructs and literature support

Scale	**Literature Support**
International Business Competencies ***Dimensions*** 1) Market Orientation 2) Marketing Skills 3) Entrepreneurial Orientation 4) Innovation Orientation	Knight and Kim, 2009; O'Cass and Sok, 2013; Kohli and Jawroski, 1993; Narver and Slater, 1990; Sørensen, & Madsen, 2012; Knight and Cavusgil, 2004; Bello et al., 2016; Cahen, Jr, M. D. & Borini, 2017; Oura, Zilber, & Lopes, 2016. Behyan, 2014; Hult, Hurley, and Knight, 2004.
Service Capabilities	Zeithaml, Parasuraman, and Berry, 1990; Gudergan, Beatson, & Lings, 2008; Cruz-Ros, & Gonzalez-Cruz, 2015; Morgan, N. A., Katsikeas, C. S., & Vorhies, D. W. 2012; Katsikeas, Paparoidamis, & Katsikea, 2004; Zou, Fang, & Zhao, 2003.
Human Capital	Subramaniam and Youndt, 2005; Bello et al., 2016
Competitive Advantages	O'Cass and Ngo, 2012; Ngo and O'Cass, 2009; Hughes et al., 2010; Martin et al., 2017
Firm Performance	Cruz-Ros and Gonzalez-Cruz, 2015; Bello et al., 2016

4.4.1 International Business Competencies Scales

The IBCs, in this study, are operationalized as a higher order construct composed of market orientation, marketing skills, innovation orientation, and entrepreneurial orientation. The IBCs reflect competencies in multiple areas, including learning about international environments and adapting the entire organization to new environments through interactions with foreign markets (Knight & Kim, 2009). The unit of analysis is the professional service firm. The scale for international entrepreneurial orientation was adapted from Bello et al. (2016) and Radulovich, Javalgi, and Scherer (2018). These items capture the pro-activeness and risk-taking inclination of the firm in regard to exploring and exploiting business opportunities. The scale for international marketing skills was based on the conceptualization of McKee, Conant, Varadarajan, and Mokwa (1992). These items capture the firm's abilities related to its marketing planning process, marketing segmentation, and marketing tools.

The scale for international innovation is based on the work of Ngo and O'Cass (2013), Calantone, Cavusgil, and Zhao (2002), Hurley and Hult (1998) and Salavou, Baltas, and Lioukas (2004). These items closely capture the service firm's ability to undertake specific routines and processes related to new service development via avenues such as exploiting the most-up-to-date technology available, developing new services, extending the firm's service range, improving existing service quality and improving service flexibility. The scale for international market orientation was adopted from Narver and Slater (1990) and it captures the firm's customer orientation (i.e. its ability to

understand customer needs), competitor orientation (i.e. its ability to understand competition), and inter-functional orientation (i.e. its ability to coordinate across business functions).

The response format requires that the respondent select a response on a Likert scale ranging from 1 to 7. For international entrepreneurial orientation the response format was 1= “strongly disagree” and 7 = “strongly agree.” For international marketing skills, the response format was: “in international markets, one’s own firm rating relative to main competitors 1 = “much worse than main competitors” and 7= “much better than main competitors.” For international innovation orientation, the response format was on a 7-point scale 1= “not at all” and 7= “to an extreme extent.” For international market orientation, the response format was 1= “not at all” and 7 = “to an extreme extent.” The construct validity and reliability of these scales have been established in prior studies (see references in Table 1).

4.4.2 Service Capabilities

Service capabilities were operationalized as four items related to the ability of the firm to provide high-quality services rapidly, reliably, and punctually. The unit of analysis is the firm. The scale was based on the work of Zeithaml, Parasuraman, and Berry (1990) and Cruz-Ros and Gonzalez-Cruz (2015). The response format is on a seven-point Likert-type scale (1 = much worse; 4=normal, on a par with the competition; 7=much better). The construct validity and reliability of these scales have been established.

4.4.3 Human Capital

Human capital measured in this study is a subjective measurement

of the skill, knowledge, and the ability of employees of the firm (Subramaniam & Youndt, 2005; Radulovich, 2008). The human capital scale used in this study has been established in prior research (Youndt, Subramaniam, & Snell, 2004; Subramaniam & Youndt, 2005). The scale was developed from human capital and strategic human resource management literature streams (Subramaniam & Youndt, 2005). The scale has been tested in several industries and was found to be valid and reliable. The scale consists of 5 items with a response format ranging from 1 to 7, where 1 indicates that the respondent strongly disagrees with the statement and 7 indicates strong agreement with the statement.

4.4.4 Competitive Advantage

Competitive advantage was operationalized with items that are especially important in the context of PSFs. The unit of analysis is the firm. The competitive advantage construct is based on the work of O'Cass and Ngo (2012), Ngo and O'Cass (2009), Morgan, Kaleka, and Katsikeas (2004), and Hughes et al., (2010). The items that make up this construct relate to concepts such as relationship value and co-creation value – both concepts can be linked to the differentiation advantage that PSFs can hope to achieve in the marketplace (Amonini et al., 2010). The scale for measuring competitive advantage was based on the work by Ngo and O'Cass (2009) and Ngo and O'Cass (2012). The scale consists of items with a response format ranging from 1 to 7, where 1 indicates that the respondent strongly disagrees with the statement and 7 indicates strong agreement with the statement.

4.4.5 Firm Performance

Firm performance is operationalized as a subjective self-report measure. Subjective self-report measures are deemed reliable (Pearce, Robbins, & Robinson, 1987; Radulovich, 2008) and both direct and indirect measures of performance are strongly correlated (Venkatraman & Ramanujam, 1986). Consistent with prior research on PSFs, three items are used to measure financial performance which asks owners or key firm executives to assess the profitability of their firm relative to their principal competitor over the past three years on return on investment, return on assets, and foreign sales revenue growth (Bello et al., 2016; Contractor, Kumar, & Kundu, 2007; Lu & Beamish, 2001; Mcdougall & Oviatt, 1996).

4.5 Control Variables

The control variables in the survey included firm size and age, industry type, and international experience. These variables were controlled because they might have an impact on the firm outcomes (financial performance and competitive advantages) measured in this study (Bello et al., 2016; Knight & Kim, 2009; O'Cass & Ngo, 2012).

4.5.1. Firm Size and Age

Size, in many forms, has been a long-term element of study in organizations (e.g., Kimberly 1976) and has been used as a proxy for complexity, formalization, and/or centralization. In this study, the size of a firm is conceptualized as the number of personnel employed by the firm. Prior research has suggested that larger firms can perform better financially (Von Nordenflycht, 2007) because they interact with clients on a more formal basis, such as through company newsletters and annual functions. Smaller firms tend not to engage in such formal activities, mainly due to the time, human

resources, and costs involved (Amonini et al., 2010). Larger firms can have far more resources and potential capabilities than smaller firms. To control for firm size, this study examines the number of employees in line with prior research (Hitt et al., 2001; Von Nordenflycht, 2007). Although firm size has already been limited to a great degree through its focus on SMEs in this study, the researcher will attempt to gain a finer analysis by determining if an increased number of employees (within the SME group) could make an impact on firm outcomes (irrespective of the firms' competencies and capabilities).

Along with size, firm age will be considered to control for extra resources and capabilities that older firms might possess (Hultman, Katsikeas, & Robson, 2011).

4.5.2. Industry Type

Prior research has indicated that PSFs from different industries will have some distinct characteristics (Amonini et al., 2010). For example, lawyers, accountants, and marketing management consultants find it difficult to be innovative in their processes and outputs because of the conservatism of their industries and the nature of their work (Amonini et al., 2010). By contrast, consultant engineers could adopt innovative technologies for projects. Differences in industry can also have an impact on the firm's performance outcomes (Bello et al., 2016; Knight & Kim, 2009). Thus, industry type will be used as a control variable in this study.

4.5.3. International Experience

This study also controls for international experiences because PSF SMEs with higher levels of international experience may have greater resources, which would affect

performance and the firm's ability to build relationships with customers (Brock & Alon, 2009, Amonini et al., 2010).

4.6 Statistical Analysis

This study's hypothesized relationships were tested using structural equation modeling (SEM). SEM is distinguished by three characteristics: (1) assessment of multiple and interrelated dependent relationships simultaneously, (2) an ability to represent unobserved concepts in these relationships and account for measurement error in the estimation process, and (3) define a model to explain the entire set of relationships (Hair et al., 2010). In SEM, the researcher first specifies a model with data, which is then analyzed to determine if the hypothesized relationships in the study are true. The process of SEM analysis involves two model estimations. First, the conceptual model is developed into a measurement model wherein all the constructs are freely allowed to correlate with each other. Second, the measurement model is converted into a structural model to test the model's fit to the data (Hair et al., 2010; Anderson & Gerbing, 1988).

In this study, the main constructs are latent or unobserved variables which influence the manifest variables, i.e., observed variables. The dependent variable - referred to as endogenous constructs - is depicted by an arrow pointing towards it in the model. Independent variables – referred to as exogenous variables - are depicted by arrows pointing away from them toward the dependent variable (O'Rourke & Hatcher, 2013; Radulovich, 2008).

Before the structural model is specified, the measurement model (a confirmatory factor analysis) must be built for the examination of reliability and validity. The measured variables in the measurement model are known as indicators. Once the

measurement model is deemed to possess adequate fit, a structural model is created whereby relationships between the constructs in the model are specified.

4.6.1 Conditions

SEM's procedures are based on certain conditions. Normality of data, linearity of relationships, and lack of multicollinearity are some of these conditions (O'Rourke & Hatcher, 2013; Anderson & Gerbing, 1988). Normality, skewness, and kurtosis can contaminate results. Thus, normality will be assessed using the Kolmogorov-Smirnov test. Next, the condition of linearity is addressed by examination of the data scatterplots or outliers. An examination of scatterplots of one of the dependent and independent variables in the model indicates that there is no curvilinear relationship involving the data points; a lack of a curvilinear relationship implies that the condition of linearity is likely not violated (Hair et al., 2010). Multicollinearity will be elaborated and discussed in subsequent sections of the paper.

The constructs in this research study will be measured using multiple indicators. Data analysis was performed using SEM with AMOS (Analysis of Moment Structures) (Arbuckle, 1999; Radulovich, 2008; Bello et al., 2016) and SPSS. SEM is useful for this study as it allows us to simultaneously explore several direct and indirect relationships (Hair et al., 2010). In other words, SEM permits simultaneous exploration of several separate multiple regression equations. This study's research model hypothesizes several direct and indirect relationships and requires multiple regression equations to be analyzed simultaneously. Thus, SEM is well-suited for this study (Hair et al., 2010). SEM procedures utilized in this study involve a two-step process as specified by Anderson and Gerbing (1988). First, dimensionality of the constructs, reliability, and validity of the

measures will be tested using a measurement model. The measurement model is tested using confirmatory factor analysis (CFA) procedures. Construct validity of the measurement scales used in the model will also be established. Construct validity is established by assessing convergent and discriminant validities. The measurement model is followed by the structural model. In the structural model, the study's hypothesized relationships will be assessed for good fit by using several well-established fit criteria and statistical guidelines (O'Rourke & Hatcher, 2013; Anderson & Gerbing, 1988).

Reliability is usually assessed by the coefficient alpha value. The coefficient alpha value for each construct in the model will be reviewed. Coefficient alpha reliability scores of 0.70 are considered an acceptable conservative threshold (O'Rourke & Hatcher, 2013; Shook et al., 2004).

In terms of validity, convergent validity - a measure of construct validity - is the degree to which multiple attempts to measure the same concept are in agreement (Bagozzi & Yi, 1988). Convergent validity is evaluated by a review of item factor loadings. Convergent validity is established when item loadings on their respective constructs are significant, thus indicating the degree to which measurement items which are intended to measure the same construct correlate (Churchill, 1979; O'Rourke & Hatcher, 2013).

Another measure of construct validity, discriminant validity, is the degree to which measures of different concepts are distinct (Bagozzi, 1981; Hair et al., 2010). Two constructs possess discriminant validity if their between-construct correlations are lower than their within-construct correlations. Discriminant validity is also established when the

square of the correlations between two constructs are lesser than the average variance extracted of the two constructs (Hair et al., 2010).

When using SEM to assess validity, the measurement model is deemed to provide evidence of convergent and discriminant validity if it has significant factor loadings of ≥ 0.60 and fit indices of ≥ 0.90 (O'Rourke & Hatcher, 2013).

Assessing a hypothesized model using SEM involves causal analysis wherein a model is evaluated against relationship patterns among collected data. The hypothesized model in this study depicts multiple dependent and independent variables; the intent is to determine how much of the variation in the dependent variables is accounted for by the independent variables (Radulovich, 2008; O'Rourke & Hatcher, 2013).

4.6.2 Estimation of Model

Maximum likelihood estimation is the estimation method used in SEM in this study. MLE is a widely used SEM estimation method (Hair et al., 2010; Bello et al., 2016). MLE is a flexible approach to parameter estimation in which the "most likely" parameter values to achieve the best model fit are found. MLE has also proven to be robust to violations of the data normality conditions (Hair et al., 2010; Ouellet, 2007).

4.6.3 Significance Test and Fit Indicators

The model's fit indicators will be assessed based on the procedures recommended by Hair et al., (2010); different goodness of fit measures will be used to assess the model. Typically, using around three fit indices provides evidence of model fit (Hair et al., 2010). Reporting the chi-square value and degrees of freedom, the comparative fit index (CFI) or the incremental fit index (IFI), and the root mean square error of approximation (RMSEA) will usually provide sufficient unique information to evaluate a model. In

addition to these fit indices, this study will provide other indices such as the standardized root mean square residual (SRMR) to assess model fit.

The chi-square statistic indicates if the matrices between the hypothesized model and the actual data are statistically different at a designated significance level. The researcher's objective is to have the hypothesized model fit the actual data and ensure that there is no significant difference (Radulovich, 2008; Hair et al., 2010).

The chi-square statistic is sensitive to sample size; hence, additional measures of overall fit will be used (Hair et al, 2010; Kenny, 2014). Therefore, the CFI, SRMR, and RMSEA will be examined. CFI is an incremental fit index with values ranging from 0 to 1 with higher values indicating better fit. Lower SRMR values represent better fit; a rule of thumb is that an SRMR over .1 suggests a problem with fit. RMSEA values of 0.08 or less are generally acceptable (Hair et al., 2010; Hu & Bentler, 1999).

Other indices used in the study to measure model fit may include the Tucker-Lewis Index (TLI) and the Incremental Fit Index (IFI). TLI and IFI values above 0.90 are recommended (Tabachnick & Fidell, 2007; Hair et al., 2010).

4.7 SEM: issues to consider

Structural Equation Modeling (SEM) is a popular technique used in business research including in international business, marketing, and management. SEM is a technique that allows for the analysis of several variables and provides reliability and validity estimates of the constructs used in the study (Bollen & Long, 1992). In this section, we will delve deeper into SEM and provide an in-depth understanding of the technique. SEM is a technique that is developed from fields such as econometrics and psychometrics and is now being used extensively in business research. SEM's popularity in business research is because it allows for the analysis of more measurement models

than other analytic techniques such as factor analysis or multiple regressions (Bollen & Long, 1992).

To begin with, we need to understand some of the basic terms used in SEM. The measurement model is the confirmatory factor analysis (CFA) model; this model is developed before the researcher builds the structural model. In the measurement model, directional relationships between constructs are not specified. Instead, the constructs are allowed to freely covary with each other. When the measurement model achieves adequate fit, the researcher goes on to build the structural model where directional relationships between constructs are specified.

In addition to the measurement and structural terms, two other commonly used SEM terms are exogenous and endogenous. Exogenous is similar to independent variables and endogenous is similar to dependent or outcome variables (Schreiber et al., 2006). Depending on the model being tested, exogenous and endogenous variables can be either observed (manifest – directly measured) or unobserved (latent – indirectly measured). In SEM, exogenous variables are those constructs that exert an influence on other constructs under study and are not influenced by other constructs in the model (Schreiber et al., 2006). Endogenous constructs, on the other hand, are affected by exogenous and other endogenous constructs in the model (Schreiber et al., 2006). In terms of sample size, SEM relies on large samples (in excess of 200 or 250) and as models become more complex with multiple constructs and different types of data, then the need for larger samples only increases (Schreiber et al., 2006; Bollen & Long, 1992).

There are different steps to the SEM process. First, there is model specification, followed by identification, estimation, testing fit, and respecification (Bollen & Long,

1992). In the model specification stage, the researcher develops a model based on theory. The importance of sound theory for the development of SEMs cannot be understated. In fact, theory is important at every stage of the SEM process. For example, if a model has to be respecified (final stage), then this respecification should be based on proper theory (Schreiber et al., 2006; Bollen & Long, 1992). The researcher may analyze several theoretical models as part of the SEM process and may finally choose the model that provides the best results. At times, there are models that provide good results but are not based on proper theory or do not make sense theoretically. Thus, the researcher will need to be aware of such models and not choose them (Bollen & Long, 1992).

In regard to model identification, the researcher attempts to find unique values for the parameters of the specified model (Bollen & Long, 1992). At this stage of the SEM process, the researcher needs to consider issues such as overidentification or underidentification. An underidentified model has more parameters to be estimated than unique indicator variable variances and covariances in the observed variance/covariance matrix. An overidentified model has more unique covariance and variance terms than parameters to be estimated (Hair et al., 2012). The researcher can increase the number of measured items in the model to achieve an overidentified model. In fact, the objective of the researcher when applying CFA and SEM is to have an overidentified model and constructs (Hair et al., 2010).

Following the identification stage, the researcher has to choose an estimation method for the analysis. There are many estimation methods the researcher can choose; the choice of method is based on the distribution properties of the variables being analyzed. In particular, estimation methods are impacted by factors such as sample size,

normality, and the dependence of errors (Ullman, 2001; Schreiber et al., 2006). Maximum Likelihood Estimation (MLE) is the estimation method that is commonly used in SEM analysis. MLE has proven to be robust when the data is both normally and non-normally distributed (Hair et al., 2010). For researchers, it is usually difficult to acquire data that is normally distributed; hence, MLE is a technique that is being widely used in SEM. MLE is also popular because it can handle missing data (Arbuckle, 1994–1999; Muthén & Muthén, 1998; Schreiber et al., 2006). Once the estimation method is decided upon, the researcher can move to the next SEM stage which involves testing the fit of the data to the structural equation model.

The testing of the fit stage has been discussed extensively by several researchers over the years (Bollen & Long, 1992; Schreiber et al., 2006; Fornell, & Larcker, 1981; Hair et al., 2010; Bello et al., 2016). There are several indicators that researchers can use to assess the fit of the structural equation model. The chi-square test statistic is one of the most common indicators researchers use to assess model fit. Other fit measures include the Goodness of Fit Index (GFI) and Adjusted GFI (AGFI), Comparative Fit Index (CFI), Tucker-Lewis Index (TLI) and the Incremental Fit Index (IFI), Root Mean Square Error of Approximation (RMSEA), and the Standardized Root Mean Square Residual (SRMR).

In regard to the chi-square test statistic indicator, a significant test statistic would indicate problems with the model (Bollen & Long, 1992). Thus, researchers strive for a non-significant test statistic whereby there are no significant differences between the hypothesized model and the actual data. However, there are some issues concerning the chi-square statistic that the researchers should consider. The chi-square test may indicate a good fit between the hypothesized model and the observed or actual data even though

both the measures and the theory are inadequate (Fornell & Larcker, 1981). In fact, fit may improve even as measurement properties and/or the theoretical relationships between the model's constructs decline (Fornell & Larcker, 1981). These chi-square issues have important implications for theory testing as it may lead to the acceptance of a model in which the constructs have no real theoretical relationship (Fornell & Larcker, 1981).

Regarding the chi-square statistic, Joreskog (1969) found that in large samples of data, even small deviations of the model from the actual data could be detected and lead to a rejection of the null hypothesis that there are no significant differences (Bollen & Long, 1992; Fornell, & Larcker, 1981). This rejection is an outcome that researchers would like to avoid. Furthermore, as the sample size increases, the chi-square value increases and becomes significant (an outcome researchers would generally like to avoid). Nevertheless, in research involving relatively large samples (200 data points or above), the chi-square is expected to be significant; but, the researcher should not come to the conclusion that their model does not fit well. Instead, research has suggested that alternative measures of fit be used to assess the model (Hair et al., 2010; Bollen & Long 1992). These alternative measures of fit can be the CFI, RMSEA, and SRMR.

In addition to using alternative fit measures, the researcher will need to understand other guidelines in regard to model fit. First, model fit should rest on strong and substantive theory. Without a sound theoretical basis, there is simply no value or meaning in assessing model fit. Second, no single measure of overall fit should be used by the researcher (Bollen & Long, 1992). Multiple measures of overall of fit should be used instead. For instance, Hair et al., (2010) suggested that using around three fit indices

at the very least will be helpful in assessing model fit. Furthermore, Bollen and Long (1992) suggest that the fit components of a model can also be taken into account; for example, the R-squares of equations and the coefficient estimate magnitudes. Research has also suggested that, when possible, multiple alternative models can be assessed. Assessing multiple models can help the researcher to choose the best model fit among alternatives (Bollen & Long, 1992; Schreiber et al., 2006).

Bollen and Long (1992) raise several important questions in regard to the discussion on fit. Researchers often have to confront these questions as they try to assess fit. First, should a fit index's sampling distribution means be unrelated to sample size? Second, what cutoff values in a fit index should be used to distinguish a good fit from a poor fit? Third, should normed (measures falling between 0 and 1) be used or can nonnormed be used? Fourth, how should fit measures be treated during model respecification? (Bollen & Long, 1992).

Following the testing of the fit stage, the researcher may need to undertake respecification. Generally, respecification is undertaken to improve model fit. Any respecification should be based on a sound theory (Anderson & Gerbing, 1988); respecifications that are purely data-driven might produce fit measures that are adequate by conventional standards, but the resulting model will not add to our understanding of the issues under study (Bollen & Long, 1992). Researchers have argued that when an initial model fits well, it is generally unwise to respecify/modify it to achieve even better fit because respecifications or modifications may simply be fitting small idiosyncratic characteristics of the sample (Schreiber et al., 2006; MacCallum et al., 1996). Some researchers have stated that respecification changes should not only be theoretically

justified, but also validated with a new sample (Shook et al., 2004; Chin, 1998 and Kelloway, 1995). Brannick (1995) argues that respecifications should not be done at all (Shook et al., 2004). Shook et al., (2004) argue that if theoretical justification for modifications exists, then alternative models should be proposed a priori rather than making posteriori changes. If modifications or respecifications of the model are undertaken, then the authors will have to properly explain from both a theoretical and statistical standpoint why the respecification was undertaken (Stage, 1990; Schreiber et al., 2006).

Since the topic of this dissertation is grounded in international business research, certain IB related SEM-specific issues need to be discussed here. Measurement equivalence is an important IB research issue as IB research often involves cross-country/cultural studies and the researcher must ensure that surveys carry the same meaning across cultural settings. SEM can handle well the assessment of measurement equivalence (Hult et al., 2006); in fact, SEM is well suited to multiple-sample analysis because it allows for the testing of equivalence of measurement models across groups (including cross-country/cultural groups) (Bollen, 1989; Hult et al., 2006). Hult et al., (2006), also states that SEM may be used by researchers to test for common method bias since a good part of IB research is survey-based.

SEM's applicative versatility makes it well-suited for both domestic and global research. While SEM mainly focuses on estimating relationships between hypothesized latent constructs, structural modeling can also be used to test experimental data which involves the manipulation of one or more variables (Schreiber et al., 2010). Thus, SEM can be used in both firm-level and individual or consumer-level research where

manipulation of variables is not uncommon. Overall, SEM is a very useful technique with multiple uses in fields such as international business, marketing, and management.

4.8 Analytical Approach

The study's data collection and analysis were completed in two phases: a pretest sample of 50 responses followed by a full-scale study of 251 responses.

The pretest involved collection of data from PSF SMEs based in India with global operations. Upon the completion of data collection, tests were undertaken to ensure the scales used in the study were valid and reliable. An exploratory factor analysis was conducted. Convergent and discriminant validities were estimated as were Cronbach's alpha, composite reliability, and average variance extracted. All scales were shown to be valid and reliable. Upon the completion of the pretest data analysis, the full-scale study was undertaken using the same procedures as in the pretest. The sampling and target respondent criteria for the pretest and full-scale study were the same. Upon the completion of the full-scale study, the reliability and validity of the scales were once again tested and found to be satisfactory. After the researcher conducted a confirmatory factor analysis, a structural model was built as part of the final analysis for the study.

CHAPTER V
RESEARCH RESULTS

5.1 Overview

This chapter provides a description of the two phases of the study: the pretest and the full-scale study. The data collection and analytical procedures for both phases of the study are described. Each of the hypotheses in the study is tested and corresponding results are presented. In addition to hypothesis testing, mediation analyses were undertaken to provide a clearer understanding of the study's results.

5.2 Pretest

5.2.1 Instrument Pretest

Before the full-scale study's survey administration, the survey instrument was reviewed by the market research firm, Qualtrics, and a sample of 50 responses was acquired. These 50 respondents matched all the parameters of the sampling criteria/ target population of the study. The results of the pretest were satisfactory with all scales showing good reliability and validity. Given the satisfactory results, the full-scale study was undertaken and a total of 251 responses were gathered.

5.2.2. Data Collection Procedure

The target population profile characteristics were provided to Qualtrics which then proceeded to contact respondents who fit the target profile. Cash-based incentives were provided to the respondents to complete the survey. The respondents on average took 15-20 minutes to complete the survey. To allow all respondents to complete the survey online, Qualtrics sent out the survey via an email weblink.

5.2.3 Results of the Pretest

The results of the pretest showed acceptable levels of reliability and validity. The factor loadings, composite reliability, coefficient/Cronbach's alpha scale reliability of all the scales used in the study exceeded the recommended .70 (O'Rourke & Hatcher, 2013; Hair et al., 2010). The average variance extracted for the scales were all .50 or above which is the minimum recommended threshold (O'Rourke & Hatcher, 2013).

In the pretest, construct validity including convergent and discriminant validities were achieved. The high item factor loadings and scale reliabilities indicated convergent validity. Discriminant validity is achieved when the square of the correlation between any two scales is lower than the average variance extracted for each of those two scales. Tables VI and VII in the appendix show the composite reliability (CR), coefficient reliability alpha, average variance extracted (AVE), and pretest exploratory correlations for the scales used in this study.

5.2.4 Data Review of the Pretest

In addition to reviewing the AVE, CR, and reliability values, it is important to examine the correlations of all the key factors/constructs in the study (Hair et al., 2010).

Correlations exceeding .90 may be considered too high (Hair et al, 2010; Grewal, Cote, & Baumgartner, 2004). An examination of the pretest correlations in Table VII showed that none of the correlations in the pretest were above .90. To further assess the robustness of the data, a test for multicollinearity was conducted. Multicollinearity is the extent to which a variable can be explained by the other variables in the analysis (Hair et al., 2010). It is desirable not to have multicollinearity in the data (O'Rourke & Hatcher, 2013). Multicollinearity is indicated by large variance inflation factor (VIF) values. A VIF that equals 1.0 indicates a lack of multicollinearity while VIF values higher than 5.0 indicate multicollinearity. In the pretest, the VIF of all factors were less than 5.0. Thus, multicollinearity was not a concern.

A test for factorability and sample adequacy was also conducted. This test is the Kaiser Meyer Olkin (KMO) measure of partial correlations among variables. Values above .6 on this measure are required for good factor analysis and reliability between pairs of variables (Tabachnick & Fidell, 2007; Radulovich, 2008). The KMO for all variable items used in this study is .92 indicating appropriate correlation of variables for factor analysis.

With the pretest results showing acceptable levels of reliability and validity and with acceptable correlation levels and factorability, the researcher proceeded to the full-scale study.

5.3 Full-Scale Study

The full-scale study was implemented in the same manner as the pretest. The target population, survey instrument and data collection procedures remained the same. The details of the full-scale study are discussed next.

5.3.1 Data Collection Procedure

A sample of 251 responses was obtained to complete the full-scale study. As in the pretest, the market research firm Qualtrics contacted potential respondents based on the sampling criteria that the researcher had provided. The same procedures followed in the pretest to contact respondents was used in the full-scale study. Data was collected among a database of PSF SMEs with no geographic limitation inside of the target country-India. The response rate was 42%.

5.3.2 Sample Descriptive Statistics

An examination of the key full-scale descriptive study shows that a large majority of the PSF SMEs are more than five years of age (81% of firms) and have five or more years of international business (58% of firms) experience. Around 65% of firms belong to the software services and engineering consultancy sectors. A majority of firms (56%) have 75 or more employees and 79% of firms have operations in up to three foreign markets. These descriptive statistics are tabulated in Tables VIII through X in the appendix. Additional descriptives including mean, median, and standard deviation of the main constructs of the study are in Table XIII in the appendix.

5.3.3 Data Normality

Examination of the data suggested a left/negatively skewed non-normal distribution with respondents tending to score high on the 7-point Likert scales. The Kolmogorov–Smirnov and Shapiro-Wilk normality tests were both significant suggesting

non-normality. In addition to the negatively skewed distribution, the kurtosis values were all mostly positive – once again suggesting a non-normal distribution.

As per guidelines suggested by earlier researchers, a maximum likelihood estimation technique was employed for structural equation modeling (SEM) to compensate for the lack of normal data (Hair et al. 2010; Byrne, 2013).

5.3.4 Outliers Analysis

An analysis of outliers was conducted using Mahalanobis distance which is a multivariate assessment of each observation across a set of variables. This assessment measures each observation's distance in a multidimensional space from the mean center of all observations, providing a single value for each observation no matter how many variables are considered (Hair et al., 2010). The outlier analysis was conducted to increase the robustness of the study (Hair et al., 2010; Sohn, Farrar, Hunter, and Worden, 2001). Examination of the Mahalanobis distance of data points indicated that 17 data points were significantly different from the mean center. Thus, measurement model results were computed using the full database and compared to results with outliers removed. Model fit indices were examined to determine if the fit of the model to the data significantly improved when outliers were removed. There was no significant improvement. Therefore, it is concluded that the inclusion of outliers does not negatively affect the hypothesized model's predictive ability.

5.3.5 Response Bias Analysis

Tests were also conducted for late-response bias to find out if there were any differences between early and late respondents. To estimate potential late-response bias,

the researcher compared early and late respondents with respect to various characteristics including firm's international experience, firm age, number of foreign markets in which the firm has regular operations, and some of the study's main construct measures (Martin et al., 2017; Hughes et al., 2010). There was no late-response bias.

5.3.6 Common method and self-reporting biases

As suggested in the analytic literature (Podsakoff & Organ,1986), certain procedures were employed to examine the potential for common method bias and also self-report bias. Since the research study relies largely on self-reported data, procedures are needed to correct for self-report bias. Self-report bias is a weakness for studies that rely on self-reported survey data. Self-report bias arises when research participants respond in a way that makes them look as good as possible. Hence, they tend to under-report behaviors deemed inappropriate by researchers or other observers, and over-report behaviors viewed as appropriate (Donaldson & Grant-Vallone, 2002; Podsakoff & Organ, 1986). Common method is a problem associated with self-report bias and also needs to be taken into account in this research (Campbell & Fiske 1959; Podsakoff & Organ, 1986). The problem of self-report bias is compounded when all variables in a research study are based on one measurement method (for e.g. self-report surveys as in the current research) and subsequent research findings are likely to be contaminated by shared method variance which is the common method bias (Donaldson & Grant-Vallone, 2002; Podsakoff & Organ, 1986).

To correct for these biases, three methods were employed as provided in the literature (Bello et al., 2016; Podsakoff, Mackenzie, Jeong-Yeon, & Podsakoff, 2003). First, the wordings of the items were improved to ensure their clear meanings to the survey respondents. Improved wording of the items can prevent respondents from

drawing conclusions about the study and thus, bias their responses to survey items. Second, the data were examined for common method bias using the Harman Single-Factor Test (Harman, 1967; Podsakoff et al., 2003). All variables were loaded onto a single factor and then compared to the confirmatory factor analysis. The chi-squared difference test showed that the confirmatory factor model had superior fit ($\Delta\chi^2$= 1670.6, df = 83, p = 0.00), indicating that common method bias may not be of serious concern. Third, another test for common method bias is the marker variable technique (Lindell & Whitney, 2001). As a proxy for common method bias, a variable that was theoretically unrelated to the scales in the study was utilized in a correlation analysis involving the main constructs of the study. This variable is commonly called the marker variable. The marker variable used in this study was the number of foreign markets in which the firm has regular operations. The correlations and statistical significance of the zero-order correlations were adjusted downward by the lowest positive correlation (r = 0.003) between the marker variable and other variables (Lindell & Whitney, 2001; Sheng, Zhou, & Li, 2011). As seen in the off-diagonal of Table XIV, none of the significant correlations between the constructs became non-significant when the marker variable was taken into account, indicating that common method bias is not a serious concern (Lindell & Whitney, 2001; Sheng et al., 2011; Bello et al., 2016). The zero-order correlations are below the diagonal in Table XIV.

To further control for bias (in particular, self-report bias), participants were assured that their responses were confidential, and they would not be identified in the results in any way (Alexandra, V. 2018). Furthermore, they were assured that their responses would be kept in a secure location and only summary (and not

personal/individual) responses would be published. Such assurances and procedures should reduce people's response apprehension and make them less likely to edit their responses to be more socially desirable, lenient, acquiescent, and consistent with how they think the researcher wants them to respond (Podsakoff et al., 2003).

Another procedure to control for self-report bias is the ordering of the measured construct items in the survey. Researchers have suggested that reordering the items on a questionnaire/survey to allow for dependent variable construct items to follow the independent variable construct items can help to reduce the effects of consistency bias - this bias refers to the respondent's urge to maintain a consistent line in their responses to questionnaire items (Salancik & Pfeffer, 1977; Podsakoff & Organ, 1986; Podsakoff et el., 2003). Self-administered surveys (such as the survey used in this study) are less susceptible to social desirability bias (which is a form of self-report bias) than face-to-face interviews (Kreuter, Presser, & Tourangeau, 2008). Furthermore, the items being surveyed are about firms and not individuals, making social desirability less of an issue (Organ & Podsakoff, 1986). This study's use of web-based self-administered surveys can further help in the reduction of bias as web-based surveys have been found to elicit more accurate responses when compared to other types of surveys (Kreuter et al., 2008).

5.3.7 Multicollinearity

The full-scale study data was examined for multicollinearity which is the extent to which a variable can be explained by the other variables in the analysis (Hair et al., 2010). Since a causal inference is supported when we can show that some third construct does not affect the relationship between cause and effect, a lack of multicollinearity

among the predictors is desirable. The correlation values between the factors were examined to determine if any of the values exceeded .90, indicating possible multicollinearity (Hair et al., 2010). An examination of the full-scale study correlations table shows that none of the correlations exceed .90. Please refer to Table XIV in the appendix for the exploratory analysis correlations.

Multicollinearity is also indicated by large variance inflation factor (VIF) values and low tolerance values. A VIF that equals 1.0 indicates a lack of multicollinearity while VIF values higher than 5.0 indicate multicollinearity. In the full-scale study, the VIF of all factors were less than 5.0. In addition to the VIF, tolerance values can be used as a direct measure of multicollinearity. The tolerance value should be high (higher than .19) to indicate a lack of multicollinearity (Hair et al., 2010). All tolerance values were higher than the minimum threshold of .19. Thus, multicollinearity is not a concern for the full-scale study. Refer to Table XV in the appendix for each construct's VIF and tolerance values.

5.3.8 Full-Scale Study Reliability and Validity Assessment

As in the pretest, all measures used in the full-scale study were subjected to dimensionality, validity, and reliability assessments via an exploratory factor analysis and scale reliability analysis. Reliability and dimensionality were reviewed by examining the Cronbach's alpha values, composite reliability, and item factor loadings. To review factor loadings, an exploratory factor analysis with principal components was undertaken with extraction of factors using the criteria of eigenvalues ≥ 1 or proportion of variance. In addition, varimax rotation was undertaken to rotate the factors. Most of the items loaded cleanly on their respective factors. However, there were some items that cross-loaded

and/or had relatively low factor loadings. Based on theoretical considerations and in line with suggestions from prior research, some of these items were dropped from/or retained in the analysis (O'Rourke & Hatcher, 2013; Hair et al., 2010).

Overall, the factor analysis results confirmed unidimensionality of all scales which is an important criterion to proceed with the study's analysis. Tables XVI (a-h) in the appendix provide the factor loadings for each survey measurement item. The loadings of each item on the factor (construct) are above the recommended threshold of .60 (O'Rourke & Hatcher, 2013). Reliability is established for all construct scales as the Cronbach's alpha values (as assessed through the scale reliability analysis) and composite reliability values for each construct are above the recommended .70. In terms of validity, the high factor loadings (i.e. above .60) and scale reliability alpha values indicate convergent validity (O'Rourke & Hatcher, 2013; Hair et al., 2013). The discriminant validity of each construct scale is also established as the AVEs of each construct is higher than the square of the correlations between each of the constructs. Please refer to Table XVII in the appendix for the composite reliability, AVE, and Cronbach's alpha values. Thus, as in the pretest, the reliability and validity of all the measures used in the study were established through exploratory factor analysis and scale reliability analysis.

5.3.9 Confirmatory Factor Analysis Procedures

With the establishment of reliability and validity of the scales used in the study, the next step is to do a confirmatory factor analysis (CFA). The CFA is the measurement model aspect of SEM. In the CFA, all factors/ constructs in the model are freely allowed to correlate with each other. The purpose of the CFA is to provide a confirmatory test of the theory behind the study. The CFA is a tool that enables us to confirm or reject our

preconceived theory. This theory is called the measurement theory. A measurement theory specifies how measured variables logically and systematically represent constructs involved in a theoretical model (Hair et al., 2010). The measurement theory specifies a series of relationships that suggest how measured variables represent a latent construct that is not measured directly (Hair et al., 2010).

The SEM involves a two-stage process for analysis. The first stage is the measurement model where the CFA procedures are conducted. The second stage is the structural model or SEM where a set of regression analyses are conducted simultaneously. Both stages of analysis were undertaken using the AMOS v25 software program. The AMOS program is widely used in SEM testing and provides an effective method to conduct CFA and structural model procedures (Hair et al., 2010; Bello et al., 2016).

As part of CFA procedures, validity and reliability are assessed again to confirm and validate the results of the exploratory factor analysis. Standardized factor loadings on each construct and correlations between constructs are analyzed. Items that cross-loaded and/or that had low loadings in the exploratory factor analysis were also part of the analysis. The researcher found that these items continued to perform poorly in the CFA. The CFA results (including model fit which will be discussed later) improved once these items were dropped. Items dropped included five items from the competitive advantage construct, one item from the service capability construct, three from the market orientation construct, and one item from entrepreneurial orientation construct. It also must be noted here that each of the constructs has a composite reliability exceeding .80 which indicates an acceptable level of reliability (O'Rourke & Hatcher, 2013); see Table

II. All the constructs also demonstrated adequate validity. Thus, the dropping of items did not diminish the reliability or validity of the constructs. Prior studies have also used the reduced-item versions of some of these constructs in their research (Knight & Kim, 2009; Bello et al., 2016). The factor loadings of the final list of items are provided in Table XVIII in the appendix.

Reliability was assessed by studying the standardized factor loadings and computing the composite reliability. The Composite Reliability (CR) is similar to the Cronbach's/coefficient alpha and reflects the internal consistency of indicators measuring a given factor/construct. CR values above .70 indicate good reliability (O'Rourke & Hatcher, 2013). CR values generated through the CFA approach are provided in Table II. The standardized factor loadings are also assessed to ensure reliability. These loadings represent the correlation between a latent factor/construct and its respective indicators/items. The squares of these correlations represent the reliability of an indicator. Here, reliability is estimated by the percent of variation in the indicator explained by the factor that it is supposed to measure. The squares of these correlations are ideally expected to be above .39 (O'Rourke & Hatcher, 2013). Table XVIII provides the values that are the squares of these correlations (i.e. squares of the standardized loadings). All values are above .39.

Validity was assessed by reviewing the standardized factor loadings (i.e. loadings of the indicator variables on their respective constructs) and the t-tests for the loadings. If all factor loadings for the indicators measuring the same construct are statistically significant (greater than twice their standard errors), it suggests convergent validity of those indicators. The finding that t values are significant for all loadings/path coefficients

(i.e. paths from the indicator variables to their respective constructs) suggests that indicators effectively measure the same construct. Tables XVIII (a-i) in the appendix shows the standardized factor loadings and the significant t values of the loadings. The tables show that the t values range from 8.74 to 19.45 and they were all statistically significant (at the .001 and .01 levels). These values support convergent validity of the constructs measured in the model. Discriminant validity can be assessed in different ways. The most conservative approach is the variance extracted test (Hair et al., 2010). In this test, the average variance extracted (AVE) is reviewed between the factors/constructs and compared to the square of the correlations between factors. Discriminant validity is demonstrated if the AVEs for the factors are greater than the squared correlation of the factors. Values in Table II show the AVEs and the square of correlations between constructs. All the AVE values were greater than the squares of the correlations.

Table II – Composite Reliability and Average Variance Extracted (AVE) and Square of the Correlations between constructs

	Composite Reliability	HC	SC	CA	EO	MO	IN	MS	FP
HC	.91	**.67**							
SC	.90	.58	**.65**						
CA	.93	.31	.37	**.71**					
EO	.88	.45	.48	.26	**.65**				
MO	.89	.45	.49	.20	.49	**.63**			
IN	.81	.38	.33	.22	.46	.33	**.59**		
MS	.90	.50	.52	.19	.39	.34	.41	**.71**	
FP	.82	.28	.31	.12	.38	.25	.33	.30	**.61**

Note: *Bold diagonal values are the AVEs. The square of the correlations between the constructs is below the diagonal.*
Key: *HC – Human Capital, SC – Service Capabilities, CA – Competitive Advantage, EO – Entrepreneurial Orientation, MO – Market Orientation, IN – Innovation, MS – Marketing Skills, FP – Financial Performance.*

With reliability and convergent and discriminant validities confirmed through the CFA, it is also necessary to assess the fit of the CFA/measurement model. A number of procedures as specified by Anderson and Gerbing (1988) and Hair et al., (2010) were undertaken to ensure good or adequate model fit. The model's modification indices were checked for high values. Values greater than 4.0 suggest that the fit could be improved significantly by freeing the corresponding path (between indicators or constructs) to be estimated. Standardized residual covariances were also checked for values greater than the absolute value of 2.5 and corresponding paths were freed to be estimated.

The fit of the measurement model can be assessed through goodness of fit indices such as the CFI, the standardized root mean square residual (SRMR), and root mean square error of approximation (RMSEA) values. The CFI for the measurement model in this study is .93, SRMR is .052, and RMSEA is .062. These values indicate adequate fit (O'Rourke & Hatcher; Hair et al., 2012; Hu & Bentler, 1999). The chi – sq value was significant at 934. Chi sq values are normally significant when there are a large number of indicator variables (i.e. 30 items or more) and/ or when sample sizes are large (greater than 250) (Hair et al., 2010; MacCallum et al., 2006).

5.4. Structural Equation Model

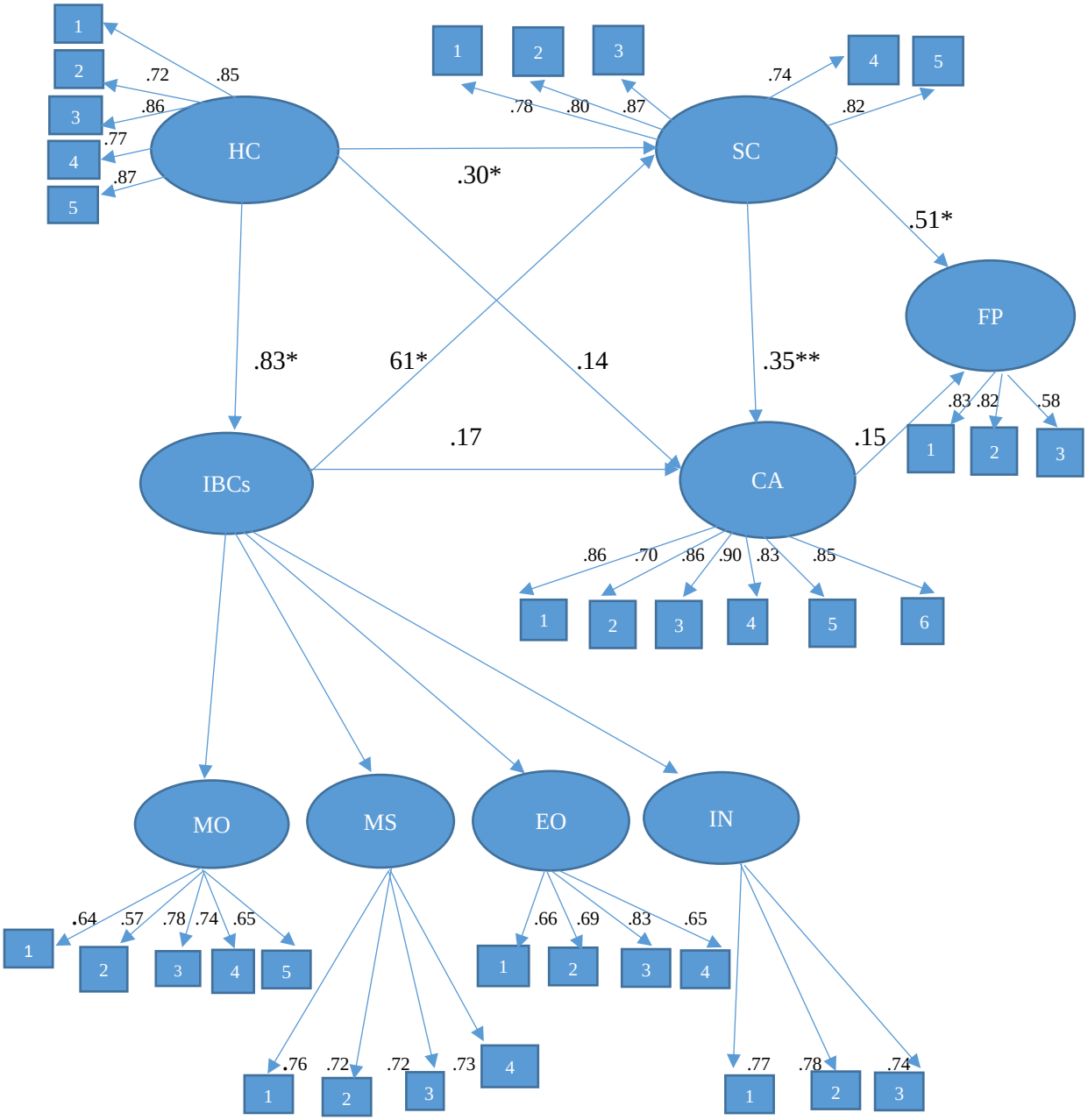
Upon developing a measurement model with adequate fit, the next step is to develop a structural model or SEM (Anderson & Gerbing, 1988). In the structural model, directional relationships between latent constructs are specified. Specifying these directional relationships can help us test the hypotheses developed in this study. The maximum likelihood method of estimation (MLE) is used for the SEM in this study. MLE is the most widely used estimation approach for the SEM and it has proved to be

fairly robust to violations of data normality assumptions (Hair et al., 2010). The structural model also involves specifying the indicator variables/items for each construct. Specification involves loading each item on its respective construct. In the structural model, the strength of the directional relationships between constructs is assessed by analyzing the path coefficients of the directional paths between the constructs. In addition, the overall fit of the structural model is assessed.

The structural model provided an adequate fit overall (Hair et al., 2010). The CFI is .92, RMSEA is .057 and SRMR is .065. Prior researchers have suggested that when reporting model fit, it is sufficient to report the CFI, RMSEA, and SRMR values of the model (Hair et al., 2010; O'Rourke & Hatcher, 2013). To further confirm the adequate fit of the structural model, a chi sq difference test between the measurement CFA model and structural model was undertaken. The Chi sq value of the measurement model was 934 and degrees of freedom (df) was 477. The Chi sq value of the structural model was 1144 and df was 632. The difference between these chi sq values was 210 and the difference between their dfs was 155. With 155 df, the critical value of chi sq (from the chi sq distribution table) is 215.15 at the $p < .001$ level. This critical value is larger than the difference in chi sq values between the CFA and structural models ($215 > 210$). Since the critical value is larger, there is no significant difference between the fit provided by the structural and CFA models. Given the lack of a significant difference, the structural model is of adequate fit (Hair et al.,2010; O'Rourke & Hatcher, 2013).

Below is the structural model (Figure 3) including measurement items that was analyzed using the AMOS tool.

Figure 3 - Structural Equation Model with Measurement Items



** p ≤ .05; *p ≤ .01

Note: The numbers 1 through 5 (i.e. the rectangles) are the measurement items/manifest variables of each of the latent constructs (which are oval shaped).

HC – Human Capital, SC – Service Capabilities, CA – Competitive Advantage, EO – Entrepreneurial Orientation, MO – Market Orientation, IN – Innovation, MS – Marketing Skills, FP – Financial Performance.

5.4.1 Hypotheses Testing

As part of the SEM, the researcher undertook a testing of the hypotheses outlined in the study. Testing involved assessing the coefficients of the directional paths between the constructs in the model. The following is the summary of the hypothesized results:

Table III - Summary of Hypotheses

Hypothesis	**Relationship**	**Supported/Not Supported**
Hypothesis 1	*International business competencies are positively related to the firm's service capabilities.*	Supported
Hypothesis 2	*International business competencies are positively related to the firm's competitive advantages*	Not Supported
Hypothesis 3	*The firm's service capabilities are positively related to the firm's performance*	Supported
Hypothesis 4	*The firm's competitive advantages are positively related to the firm's performance*	Not Supported
Hypothesis 5	*The firm's service capabilities are positively related to the firm's competitive advantages*	Supported
Hypothesis 6	*The firm's human capital is positively related to the firm's international business competencies*	Supported
Hypothesis 7	*The firm's human capital is positively related to the firm's service capabilities*	Supported
Hypothesis 8	*The firm's human capital is positively related to the firm's competitive advantages*	Not Supported

Five hypotheses are supported in the model. The supported hypotheses confirm: a) the positive effect of the firm's IBCs on the firm's capability to provide superior services, b) the ability of the firm to translate superior service capabilities into superior performance, c) the ability of the firm to use its superior service capabilities to achieve competitive advantages in the marketplace – advantages related to the establishment of

relationship and co-creation value for customers, and d) the positive effects of the firm's human capital resources on the firm's IBCs and service capabilities.

Control variable effects: In the structural model, certain variables were analyzed to control for the effects of the firms' industry/sector association, size, international experience, and age. In line with prior research, industry association, firm size, international experience, and firm age were all regressed on the financial performance construct while firm size and international experience were regressed on the competitive advantage construct (Bello et al., 2016; O'Cass & Ngo, 2012; Knight & Kim, 2009). Both international experience and firm size had no significant effects on competitive advantage. In regard to financial performance, firm size had a small significant effect (b = .12, p <.05).

Table IV a - Path Coefficients of the Hypotheses/ Structural Relationships

Hypothesized Structural Relationships	Coefficient Estimate	t value	P Value
H1: International Business Competencies → Service Capabilities	.61	5.91	.000*
H2: International Business Competencies → Competitive Advantages	.17	1.01	.315
H3: Service Capabilities → Firm Performance	.51	4.72	.000*
H4: Competitive Advantages →Firm Performance	.15	1.15	.250
H5: Service Capabilities → Competitive Advantages	.35	2.44	.015**
H6: Human Capital → International Business Competencies	.83	11.11	.000*
H7: Human Capital →Service Capabilities	.30	3.25	.001*
H8: Human Capital → Competitive Advantages	.14	1.09	.272

** $p \leq .05$; *$p \leq .01$

Goodness-of-Fit Statistics:

χ^2 (df) = 1144 (632), p <.000, CFI = .92, IFI =.92 RMSEA = .057, SRMR = .065.

Table IV b- Control Variables:

Control Variable Structural Relationships	**Coefficient Estimate**	**t value**	**P Value**
Firm Size → Financial Performance	.12	1.97	.048**
Industry Category → Financial Performance	-.04	-.730	.466
Firm's international experience → Financial Performance	.11	1.338	.181
Firm Age → Financial Performance	.08	1.109	.267
Firm Size → Competitive Advantage	.04	.748	.454
Firm's international experience → Competitive Advantage	.08	1.525	.127

** $p \leq .05$

The path coefficient estimates in Table IV indicate the strength of the hypothesized relationships in this study. The strongest direct relationship is between the PSF's human capital resources and IBCs (hypothesis 6); this relationship has a coefficient estimate of .83. Three hypotheses were not supported. But, given the complexity of the model (i.e. multiple pathways in the model), it becomes necessary to test all possible relationships that might exist in the model. There are a number of potential mediating effects in the model that have to be tested.

5.4.2 Mediation Analysis

Mediation was tested using the AMOS v25 bootstrapping feature. Bootstrapping involves treating the original sample as if it were a population and simulating the sampling process assumed to have led to the original sample. An arbitrarily large number B of bootstrap samples of size n are selected with replacement from the original sample of size. Each of these B "resamples" is used to compute the statistic of interest, resulting in B bootstrap estimates of the statistic (Preacher & Kelly, 2011). The 'n' number of bootstrap samples chosen for the study is 5000; samples of 5000 have been widely chosen for bootstrapping by researchers (Khan, Shenkar & Lew, 2015; Reiche, Harzing, & Pudelko, 2015; Preacher & Hayes, 2004). The bootstrapping technique is an effective

method to test for mediation - more effective than some traditional methods such as those suggested by Barron and Kenny (1986) and the Sobel test – especially under circumstances such as data nonnormality (Preacher & Hayes, 2004; Reiche, et al., 2015). Testing for mediation revealed a number of significant mediating (or indirect) effects. The following table reveals the significant mediating effects in the study:

Table V – Mediating Effects

Indirect Path Relationships	**Estimate**	**Standard Error**	**P value**
Human Capital → Service Capabilities	.50	.17	.002*
Human Capital → Competitive Advantages	.42	.34	.041**
International Business Competencies → Competitive Advantages	.21	.22	.047**
Human Capital → Financial Performance	.49	.07	.000*
International Business Competencies → Financial Performance	.37	.19	.012**

** $p \leq .05$; *$p \leq .01$

Note: Key for Table V and the subsequent discussion: *HC – Human Capital, SC – Service Capabilities, CA – Competitive Advantage, IBCs – International Business Competencies, FP – Financial Performance.*

Given the multiple pathways linking the constructs in the model, it is necessary to examine the specific pathways linking the indirect effects. Thus, additional testing was done by developing structural models in which paths were left free to be estimated and/or constrained.

The following indirect paths had multiple pathways linking them: HC to CA, HC to FP, and IBC to FP. Thus, the specific significant pathways linking these indirect paths are as follows:

For Human Capital to Competitive Advantage, the separate indirect paths linking them are via the following constructs: a) IBCs and SC, b) IBCs, c) SC. The estimates of these paths are as follows:

a) Via IBCs and SC: The indirect effect of HC on CA through IBC and SC is significant at b=.47, p <0.01 when the direct path from HC to CA is dropped. When the direct path from HC to CA is added to the model, then the indirect effect of HC on CA remains significant at b=.33, p <0.01 while the direct effect of HC on CA is statistically significant at b=.22, p <0.05.
b) Via IBCs: The indirect effect of HC on CA through the IBCs is significant at b=.36, p <0.05 when the direct path from HC to CA is dropped. When the direct path from HC to CA is added to the model, then the indirect effect of HC on CA becomes insignificant at b=.25, p>0.05 while the direct effect of HC on CA is also insignificant at b=.16, p >0.05.
c) Via SC: The indirect effect of HC on CA through SC is significant at b=.19, p<0.05 when the direct path from HC to CA is dropped. When the direct path from HC to CA is added to the model, then the indirect effect of HC on CA remains significant at b=.15, p <0.05 while the direct effect of HC on CA is insignificant at b=.14, p >0.05

In summary, when all the mediating paths from HC to CA are removed, the direct effect of HC on CA is positive and significant at b=.18, p <.05. When all the indirect paths are added, the direct effect of HC on CA is no longer significant, suggesting full mediation

(i.e. the direct relationship between HC and CA is fully mediated by the indirect paths between them).

For Human Capital to Firm Performance, the indirect paths linking them are via the following constructs: a) SC, b) CA c) IBCs, SC, and CA, d) IBCs and CA, e) SC and CA. The estimates of these paths are as follows:

a) Via SC: The indirect effect of HC on FP through SC is significant at b=.19, p <0.01 when the direct path from HC to FP is dropped. When the direct path from HC to FP is added to the model, then the indirect effect of HC on FP remains significant at b=.16, p <0.01 while the direct effect of HC on FP is statistically insignificant at b=.12, p >0.05. There is very little change in the indirect effect of HC on FP with or without the presence of the direct path from HC to FP.
b) Via CA: The indirect effect of HC on FP through CA is insignificant at b= .04, p >.05 when the direct path from HC to FP is dropped. When the direct path from HC to FP is added to the model, then the indirect effect of HC on FP remains insignificant at b=.04, p >0.05 while the direct effect of HC on FP is also statistically insignificant at b=.11, p >0.05. Thus, there is no mediation in the HC – FP relationship via CA.
c) Via IBCs, SC, and CA: The indirect effect of HC on FP through the IBCs, SC, and CA is significant at b= .35, p <0.01 when the direct path from HC to FP is dropped. When the direct path from HC to FP is added to the model, then the indirect effect of HC on FP becomes insignificant at b=.13, p >0.05 while the direct effect of HC on FP is significant at b=.44, p <0.05.

d) Via IBCs and CA: The indirect effect of HC on FP through the IBCs and CA is significant at b= .24, p <0.01 when the direct path from HC to FP is dropped. When the direct path from HC to FP is added to the model, then the indirect effect of HC on FP becomes insignificant at b=.08, p >0.05 while the direct effect of HC on FP is significant at b=.36, p <0.01.
e) Via SC and CA: The indirect effect of HC on FP through SC and CA is significant at b= .25, p <0.01 when the direct path from HC to FP is dropped. When the direct path from HC to FP is added to the model, then the indirect effect of HC on FP is significant at b=.13, p <0.05 while the direct effect of HC on FP is also significant at b=.38, p <0.01.

In summary, the mediation in the HC-FP relationship occurs through the SC, IBC-SC-CA, IBC-CA, and SC-CA pathways. When the mediating paths from HC to FP are all removed, the direct effect of HC on FP is significant at b=.19, p <.05. When the indirect paths are added, the direct effect of HC on FP is no longer significant, suggesting full mediation (i.e. the direct relationship between HC and FP is fully mediated by the indirect paths between them).

For International Business Competencies to Financial Performance, the indirect paths linking them are via the following constructs: a) SC b) CA c) SC and CA. The estimates of these paths are as follows:

a) Via SC: The indirect effect of IBC on FP through SC is significant at b= .32, p <0.01 when the direct path from IBC to FP is dropped. When the direct path from IBC to FP is added to the model, then the indirect effect of IBC on FP becomes

insignificant at b=.04, p >0.05 while the direct effect of IBC on FP is significant at b=.62, p <0.01.

b) Via CA: The indirect effect of IBC on FP through CA is insignificant at b= .05, p >0.05 when the direct path from IBC to FP is dropped. When the direct path from IBC to FP is added to the model, then the indirect effect of IBC on FP remains insignificant at b=.00, p >0.05 while the direct effect of IBC on FP is significant at b=.62, p <0.05. Thus, there is no mediation in the IBC-FP relationship via CA.

c) Via SC and CA: The indirect effect of IBC on FP through SC and CA is significant at b= .21, p <0.01 when the direct path from IBC to FP is dropped. When the direct path from IBC to FP is added to the model, then the indirect effect of IBC on FP becomes insignificant at b=.00, p >0.05 while the direct effect of IBC on FP is significant at b=.67, p <0.01.

In summary, the mediation in the IBC-FP relationship primarily occurs through the SC and SC-CA paths. In the full model with all the indirect paths added, the direct IBC-FP relationship is significant at b=.63, p <.05. In fact, the indirect effects of IBC on FP all become insignificant when the direct relationship from IBC to FP is added to the model.

Two other indirect effects that have been outlined in Table V also need our attention; they are the IBC- CA and HC- SC relationships. The IBC – CA indirect effect is mediated only through SC. As seen in hypothesis 2, the IBC – CA direct relationship is non-significant. However, this direct relationship becomes significant when the mediating relationships in the model are removed. This direct relationship is significant at b=.55 p < .01. When SC is introduced to the model, the direct effect of IBC on CA becomes non-significant; thus, the IBCs impact the firm's competitive advantages

through the mediating influence of the firm's service capabilities. In regard to the HC – SC indirect relationship, the IBCs mediate this relationship. However, the direct effect of HC on SC remains statistically significant in the presence of the mediating influence of the IBCs. In other words, the direct effect of HC on SC is significant even with the mediating influence of the IBCs; this direct effect is significant at b=.30 p <.01.

Summary of the mediation analyses

The mediation analysis offers some interesting insights into the model's hypothesized relationships. We can see that the level of human capital in an emerging market PSF does have a direct positive impact on the PSF's ability to gain competitive advantages in terms of establishing relationship value and co-creation value for clients. In other words, highly skilled employees in the PSF will drive the firm to develop solid relationships with clients. In addition, these employees will enable the firm to involve clients in service creation and delivery. This involvement can help the firm create value (i.e. co-creation value) for clients. When other variables enter the equation, the effect of human capital on competitive advantage gets diluted (i.e.) the presence of service capabilities and international business competencies dilutes or lessens the direct impact of human capital on competitive advantage. In other words, the positive impact of human capital on competitive advantage is mainly channeled through the IBCs and service capabilities.

Human capital has the potential to have a direct positive effect on the PSFs' financial performance. In other words, a PSF with highly skilled employees will likely perform well financially. However, the firm's possession of the IBCs, superior service capabilities, and competitive advantages lessens the direct impact of human capital on

performance. Much of the impact of human capital on performance ends up being transmitted through the IBCs, service capabilities, and competitive advantages of the PSF. Unlike the case of the human capital – performance direct relationship, the IBCs' direct relationship with financial performance remains strong and significant even in the presence of other variables.

Another interesting insight involves the impact of the IBCs on the firm's ability to gain competitive advantages in the marketplace. There is no direct effect of the IBCs on competitive advantages. Instead, the IBCs influence competitive advantage only via the mediating variable – service capabilities. The international business competencies outlined in this study help the PSF to develop superior service capabilities which in turn helps the PSF to gain superior competitive advantages in the marketplace.

Human capital also appears to have a direct positive relationship with service capabilities. Even in the presence of the firm's IBCs, this direct relationship remains significant; the positive impact of human capital on service capabilities are also channeled through the PSF's international business competencies. In other words, highly skilled employees can help the firm develop competencies (such as the IBCs) and these competencies, in turn, will help the firm develop superior service capabilities.

The mediation analyses reveal several important relationships. Some of the hypothesized direct effects in the model were non-significant due to the presence of mediating variables. The hypothesized direct relationship between human capital and competitive advantages was fully mediated by the presence of other variables. Meanwhile, international business competencies impacted the PSF's competitive advantages only through a mediating variable (i.e. service capabilities). These mediation

analyses results have important conceptual and practical implications. The analyses reveal that PSFs with superior human capital resources and strong international business competencies will experience multiple beneficial outcomes. Superior human capital will enable the PSF to develop superior organizational competencies (i.e. the IBCs) which in turn will help the firm to develop or gain superior service capabilities, marketplace competitive advantages, and strong financial performance outcomes. The IBCs will enable the PSF to develop superior service capabilities which in turn will help the firm to develop superior marketplace competitive advantages. The IBCs also have positive direct and indirect effects on the PSF's financial success. Overall, the mediation analyses confirm the importance of human capital resources and international business competencies in the context of an emerging market PSF SME.

Additional analysis

To demonstrate performance variation in the data and to provide more insights, additional analysis was conducted to compare groups among the service firms surveyed. The data was split along the lines of those firms that performed above and below average financially. The average financial performance was at 5.52 (out of 7.0). The analysis found that there were 135 firms that had an above-average financial performance. And, 116 firms were at below-average financial performance. Firms with above-average performance also possessed levels of innovation, marketing skills, entrepreneurial orientation, market orientation, human capital, service capabilities, and competitive advantage that are higher than those found in the firms with below- average financial performance.

There were significant differences in the levels possessed by above and below average performing firms. Thus, the analysis showed that firms which performed well financially (i.e. above-average performance) also possessed high levels of IBCs, were able to provide high quality services, had well-educated and highly skilled employees, and had the ability to build solid relationships with and create value for clients. Table XIX provides the mean levels for each construct for the above and below-average performance groups, standard deviation from the mean, and the t-values indicating significant differences between the two groups for each construct.

As shown in Table XIX, above-average performing firms had a mean entrepreneurial orientation level of 6.13 which was statistically higher than the mean level of below-average performing firms at 5.24. Similarly, the other IBCs, human capital, service capabilities, and competitive advantage all have mean levels that are statistically higher in above-average than in below-average performing firms.

We also conducted analysis involving competitive advantage as an outcome variable. The data was split along the lines of those firms that enjoyed above and below - average competitive advantage in the marketplace. For the purposes of our analysis, we can state that firms with above-average levels of competitive advantage are able to achieve greater levels of relationship and co-creation value among clients when compared to firms with below-average levels of competitive advantage. The average level of competitive advantage was at 6.02 (out of 7.0). The analysis found that there were 153 firms that had an above-average level of competitive advantage. And, 98 firms were at below-average levels of competitive advantage. In other words, just over 60% of the firms in the sample had above-average levels of competitive advantage while nearly

40% of the firms in the sample had below-average levels of competitive advantage. Firms with above-average competitive advantage levels also possessed levels of innovation, marketing skills, entrepreneurial orientation, market orientation, human capital, service capabilities, and competitive advantage that were higher than those found in the firms with below- average competitive advantage levels.

The analysis showed that firms which had above-average competitive advantage levels also possessed high levels of IBCs, were able to provide high quality services, and had well-educated and highly skilled employees. Table XX provides the mean levels for each construct for the above and below-average competitive advantage groups, standard deviation from the mean, and the t-values indicating significant differences between the two groups for each construct.

As shown in Table XX, firms with above-average levels of competitive advantage had a mean entrepreneurial orientation level of 6.06 which was statistically higher than the mean level of below-average performing firms at 5.19. Similarly, the other IBCs, human capital, service capabilities, and competitive advantage all have mean levels that are statistically higher in firms with above-average than in below-average levels of competitive advantage.

CHAPTER VI
DISCUSSION AND IMPLICATIONS

The research study examines the factors that enable professional service SMEs from an emerging market to achieve foreign marketplace success. This study addresses several variables that have not been considered hitherto in the context of emerging market PSFs. Emerging market PSF SMEs face several challenges; their limited resources and assets make it difficult for them to effectively compete in the foreign marketplace. Some of these challenges can be broadly classified as managerial (e.g. lack of managerial skills, especially at the international level), financial (lack of financial support and incentives), and technological (technological obsolescence and isolation from technology hubs) (Javalgi et al., 2011; Amonini et al., 2010). This study attempts to uncover those competencies, capabilities, and resources that will help the emerging market PSF overcome some of its challenges. The competencies analyzed are the international business competencies or IBCs and the resources and capabilities examined are human capital and service capabilities respectively. This study has argued that the IBCs and human capital will be especially important for emerging market PSF SMEs as they expand globally.

In terms of the IBCs, they are an intangible firm resource that can help the firm achieve superior marketplace positions. In the literature, it is agreed that the different components of the IBC can separately drive firm success. But, their joint implementation can bring firms even more positive outcomes. These IBCs are especially important for the emerging market PSF for several reasons. For example, the entrepreneurial orientation or EO component of the IBC can influence the boundaries of a firm's international opportunities in the way it configures its operations, the way it selects the scale and scope of its operations, and the way it assembles and allocates its various tangible and intangible resources in international markets; consequently, adding to a firm's performance advantage (Zahra et al., 2006; Covin & Miller, 2014). In addition, prior research has shown that for successful internationalizing firms, it is important that the firm's managers adopt an entrepreneurial mind-set characterized by pro-activeness and a risk-taking attitude (Zhang, Tansuhaj, McCullough, 2009; Nummela, Saarenketo, & Puumalainen, 2004).

Along with EO, the firm's market orientation or MO will be essential for success. A strong MO will allow the firm to gather crucial customer information and disseminate that information throughout the organization. Such dissemination can allow for more effective coordination between the firm's functional areas and this coordination will help the firm to better serve its customers. Along with EO and MO, the emerging market PSF – given its various resource limitations – will be especially helped by the presence of strong marketing skills and innovativeness. Strong marketing skills will allow the firm to effectively differentiate itself in competitive foreign markets and innovativeness will equip the firm to offer services that are at the cutting edge of technology, quality, and

convenience. The four IBCs together will position the emerging market PSF to overcome its inherent challenges and help it achieve foreign financial and market success.

The results of the analysis show the importance and impact of the IBCs in the emerging market PSF SME context. The IBCs have a strong and direct positive impact on the PSF's financial performance. This impact remains strong even in the presence of other variables in the model. The IBCs also have a direct positive impact on the PSF's ability to deliver superior services while the positive impact of the IBCs on competitive advantage is indirect (i.e.) via the firm's ability to deliver superior services. In the presence of mediating variables, the IBCs do not have a significant direct positive impact on competitive advantage. The non-significant impact means that the IBCs only indirectly allow the PSF SME to establish relationship and co-creation value. Although the impact is non-significant, the direction of the IBC-competitive relationship is positive as hypothesized. While the direct relationship is non-significant, we can see that the PSF's service capabilities indirectly channel the positive impact of the IBCs on competitive advantage. Without the presence of the mediating variable (i.e. service capabilities), the direct impact of the IBCs on service capabilities is positive. Therefore, service capabilities fully mediate the direct effect of the IBCs on service capabilities.

Human capital can be valuable, rare, inimitable and non-substitutable (Subramaniam & Youndt, 2005) and thus, can be used by the PSF to secure competitive advantages in the marketplace and to develop superior firm strategies and service capabilities. In a service context, human capital will be especially important. If emerging market PSFs have high levels of human capital, they will be able to compete well against other firms. The results of the analysis confirm the importance of human capital in the

emerging market PSF SME context. Human capital has a direct and positive impact on competitive advantage (when mediating channels are removed) and impacts competitive advantage indirectly via the IBCs and service capabilities. The hypothesized direct relationship between human capital and competitive advantages was fully mediated by the presence of other variables. This full mediation suggests that the hypothesized direct human capital – competitive advantage relationship is not supported. The direct relationship is supported, however, when the mediating relationships in the model are removed. The full mediation suggests that the direct effect of human capital on the PSF's ability to create competitive advantage is significantly diminished by the presence of the firm's IBCs and superior service capabilities. In other words, the direct impact of human capital resources on competitive advantage declines when the firm possesses high levels of IBCs and superior service capabilities.

The PSF's human capital also impacts its ability to develop IBCs. Higher skilled employees will be more likely to develop a more market-oriented, entrepreneurial-oriented, and innovation-oriented firm. In addition, they will be able to develop strong marketing skills for the firm – skills which an emerging market PSF SME will need to be successful (Amonini et al., 2010; Bello et al., 2016). Human capital also appears to have an important role in the PSF's financial performance and its ability to develop superior services. Human capital impacts performance directly and indirectly via service capabilities, competitive advantage, and international business competencies. The presence of highly skilled employees in the PSF will allow the firm to develop superior services, strong IBCs, and superior marketplace competitive advantages and, in turn, positively impact firm financial performance.

The mediation analysis revealed some interesting insights involving human capital and service capabilities. The indirect effect of human capital on service capabilities via the IBCs was stronger than the direct effect of human capital on service capabilities. This strength suggests that human capital had a greater impact on service capabilities when it is channeled through the firm's IBCs. A firm with superior human capital resources is able to develop superior IBCs which in turn helps the firm to develop superior service capabilities.

While the positive role of superior service capabilities in directly impacting firm performance was confirmed, the study's findings have not provided a clear understanding of the direct relationship between competitive advantages and firm performance. The relationship was non-significant but positive. In this study, competitive advantage was operationalized and conceptualized as the firm's ability to build solid relationships with customers and establish co-creation value for customers. Literature has suggested that service firms with the ability to build strong relationships with clients and create value for clients should reap financial benefits. However, the study's findings did not support or confirm this prior literature. Although the relationship between competitive advantage and performance was non-significant, the direction of this relationship was positive as hypothesized. The analysis reveals that the relationships between service capabilities, human capital, the IBCs and financial performance are all significant; each of these constructs had direct positive relations with financial performance. Competitive advantage alone did not have a significant relationship with performance.

To better understand the lack of a significant relationship between competitive advantage and performance, the researcher conducted further tests. The model was

slightly modified by removing the direct path from service capabilities to performance. Upon removing this direct path, the relationship between competitive advantage and performance turned out to be significant and positive (b=.69, t-value=7.28, p-value <.001). This result can be interpreted and understood to mean that the firm's ability to provide superior services makes the direct relationship between competitive advantage and performance non-significant. In other words, when the firm can provide superior services, the direct financial effect of the firm's ability to build customer relationships and create customer value declines. Providing superior services directly to the customers becomes more important than/or takes precedence over building a relationship and co-creation value with the customers (i.e. competitive advantage) when it comes to financial impact; while relationship and co-creation value are important for the service firm, they become less important or significant when the firm can directly provide the superior services that customers seek. Nevertheless, additional research is needed to investigate the true nature of the relationship between competitive advantage (as conceptualized in this study) and the professional service firm's financial performance.

The analysis also revealed that firms with higher levels of the IBCs, human capital, and service capabilities enjoyed above-average levels of competitive advantage and financial performance when compared to firms with lower levels of the IBCs, human capital, and service capabilities. Thus, firms with high levels of the IBCs, human capital, and service capabilities are able to create more relationship and co-creation value for their clients; and, they are able to make substantial financial gains in the marketplace.

In summary, the IBCs, human capital, and service capabilities will help the emerging market PSF SME to develop competitive marketplace advantages and achieve

superior performance in foreign markets. Competitive advantages in terms of reputation and co-creation value can be achieved. And, superior performance in terms of meeting financial targets can also be achieved. The IBCs and human capital will also strengthen the firm's service capabilities, enabling the firm to provide reliable and high-quality services. Thus, the presence of superior IBCs and human capital along with high levels of service capabilities will be important for the success of emerging market PSF SMEs. Next, the study outlines theoretical, methodological/empirical, and managerial contributions and implications.

6.1 Theoretical and Conceptual Contributions

The study's central theoretical research question asks how managerial and organizational competencies, capabilities, and resources allow emerging market PSFs to achieve desirable performance outcomes. The RBV, KBV, upper echelon, human capital, and competitive advantage theories all help answer this question. These theories have been used widely in the management, international business, and marketing literature streams. This research extends our understanding of these theories; more specifically it helps us understand how these theories work in the context of emerging market PSF SMEs. In addition, the studying of IBCs as a higher order construct will help us understand how firm-level resources – as explained by the RBV and KBV - contribute to PSF success when they are combined.

Of note in this study is the use of the human capital and upper echelon theories in the context of emerging market PSFs. Using these theories to explain the workings of emerging market PSFs enhances our understanding of these theories. These theories are tested in a context that is still relatively under-researched. The findings of this study show

that these theories can be used and applied to explain firm performance outcomes in the emerging market PSF SME context. Specifically, the findings contribute to the confirmation of the human capital and upper echelon theories by highlighting the crucial role of superior human capital resources in the professional services context. As predicted by these two theories, the findings of the study provide evidence for the role played by highly skilled employees directly and indirectly impacting organizational outcomes such as competitive advantages and profitability (including sales) in the emerging market PSF SME context.

The findings of the study also contribute to the competitive advantage theory by showing that human capital, the IBCs, and service capabilities can all contribute to the firm's ability to build solid relationships with and create value for customers. The findings confirm the notion that in the services context – in particular, professional services – the role of relationship building and customer involvement in service delivery/creation are important. By studying the role of human capital, the IBCs, and service capabilities, the study highlights the organizational and strategic drivers of competitive advantage in the emerging market PSF SME context.

The findings of this study also contribute to the RBV and KBV by showing the role resources and knowledge-based assets such as human capital and the IBCs can have in helping emerging market PSF SMEs achieve global competitive and financial success. The findings show how PSF SMEs leverage human capital resources, strategic orientations (such as market and entrepreneurial), marketing skills, and innovation to achieve marketplace success and higher profitability.

The findings of the study also contribute to the services marketing literature by highlighting the role of market orientation and marketing skills in contributing to the PSF's ability to deliver superior services and gain competitive advantages through customer relationship building and the establishment of customer co-creation value. The study shows how market orientation and marketing skills can be bundled with entrepreneurial orientation and innovation to create a set of organizational competencies (namely the IBCs) to achieve global success. The concept of the higher-order IBCs integrates the services marketing literature and entrepreneurship literature streams as it is composed of constructs that have been widely used in both the literature streams. Furthermore, both these literature streams are integrated with concepts from the management and strategy literature. Concepts such as human capital and competitive advantage have been used in prior research to explain managerial and strategic drivers and outcomes (Aryee et al., 2016; Contractor & Mudambi, 2008). In this study, these management and strategy concepts have been integrated with marketing and entrepreneurship concepts to explain emerging market PSF SME success.

6.2 Methodological Contributions

The study makes several methodological contributions. First, we conceptualize and empirically test competitive advantage in terms of relationship and co-creation value. To the best of our knowledge, this is the first study to do so within the context of emerging market PSFs. Through a series of t-tests, the study empirically demonstrated that firms with higher mean levels of IBCs, human capital resources, and service capabilities enjoy above-average levels of competitive advantage in the marketplace; these firms can essentially create more relationship and co-creation value for their clients. The analysis also demonstrated that firms with higher mean levels of IBCs, human capital

resources, and service capabilities enjoy above-average levels of financial performance in the marketplace. These competencies, resources, and capabilities allow the firm to gain financial advantages in the marketplace. The t-tests were conducted by splitting the dataset into firms that performed above-average financially and firms that enjoyed above-average levels of competitive advantage. This splitting of the data provided us with insights on the importance and value of firm competencies and capabilities in helping the firm achieve superior positions in the marketplace.

Second, our data provide robust insights into the antecedents of a) a collection of firm competencies which we refer to as IBCs, b) competitive advantage in terms of relationship and co-creation value, and c) services capabilities of emerging market PSFs. The data also provide insights into the consequences of a) the IBCs, b) human capital resources of emerging market PSFs, and c) service capabilities of emerging market PSFs. The antecedents and consequences were tested as part of a unified framework of firm competencies and capabilities. This unified framework has not been empirically tested before within the context of emerging market PSFs.

The data also highlights key mediating relationships via the bootstrapping procedure. These mediating relationships involve firm competencies, capabilities, and outcomes such as the IBCs, service capabilities, and competitive advantage. For example, the firm's human capital resources are channeled through the firm's IBCs to positively impact the firm's ability to deliver superior services to clients. In fact, the mediation analysis showed that human capital's impact on service capabilities is stronger when channeled via the firm's IBCs – stronger than the direct impact of human capital on service capabilities.

On the other hand, the direct effect of the IBCs on competitive advantage is stronger than any indirect effect between the two factors; the mediating variables lessen the impact of the IBCs on competitive advantage. Methodologically, the analysis shows that mediating variables can strengthen (or possibly weaken) the impact of key firm factors such as human capital and the IBCs on firm outcomes such as competitive advantage and financial performance.

Another methodological contribution is the use of the multi-dimensional IBC construct in the services context. Strategic orientations that have been found in prior literature to positively impact firm outcomes (Sorensen & Madsen, 2012; Hult & Ketchen, 2002) were combined with key organizational skills (Knight & Kim, 2009; Froehle et al., 2000) to form the IBC construct. To the best of our knowledge, the IBC higher-order construct as conceptualized and operationalized in this study has not been tested before in the emerging market PSF context. The IBCs were tested as an antecedent, outcome, and mediator in this study, thus contributing to our understanding of a key multi-dimensional construct.

6.3 Managerial Implications

This study's findings will be of use to managers and industry practitioners. The study provides managers with a way to more effectively assess their firm's competence in international markets. Managers can examine how multiple factors simultaneously form firms' IBCs. Given the complex structure of IBC, it is relatively more difficult for competitors to replicate (Knight & Kim, 2009). Managers can use the IBCs to develop strategic visions and to shape their firm's culture as well as impact firm-level capabilities and reach financial goals (Knight & Kim, 2009). For example, they can use the IBCs to

develop their firm's service capabilities, which will allow the firm to establish relationship and co-creation value and positively impact its financial performance. The empirical analysis also reveals that managers can develop the human capital resources of their firm to ensure the development of superior service capabilities and IBCs.

On a practical level, in the context of service firms, there is a recognition that certain competencies are needed to achieve success. For instance, Indian service firms such as Wipro, Infosys, and Zinnov are investing substantially in innovativeness (an important IBC component) to achieve marketplace success (Rai, 2014). They are making innovativeness a company-wide strategy and process. For example, Wipro has a Business Outcome Services team that works on solutions based on emerging technologies and incubates process innovations and scales them across the organization and to customers. It runs several initiatives to promote innovation such as its Ideathon, a program that crowd-sources employee ideas. This example shows elements of market orientation (i.e. scaling across the organization and to customers) mixed in with innovation. This study's conceptualization of IBCs is based on the notion that such elements/processes and initiatives by service firms should be taken to the international level for the firm to achieve global marketplace success.

In the knowledge-based economy, firms that possess critical information about customers and business environments exhibit stronger performance (Dunning, 2000). In this regard, human capital can serve as an asset to facilitate the development of a firm's learning capabilities, considered a prerequisite for critical knowledge creation (Sirmon et al., 2007). Firms can hire or train employees in certain functional areas of the business to help them develop important skill sets. Programs can be designed to help employees

develop specific skills required for the foreign market. Then, the firm will be in a stronger position to compete in the global marketplace.

The findings of this study show the importance of human resources for the professional service firm. PSFs should be able to hire the right employees for the job and/or they will need to invest resources in developing human capital. PSFs can invest time and resources in offering professional development or training sessions for their employees before entering a foreign market. As the study's findings show, superior employee skills and knowledge can help the PSF develop strategic orientations such as market and entrepreneurial. In addition, they can help the PSF to develop superior marketing skills and a reputation for being innovative in terms of technological advances and operating approaches. Experienced and knowledgeable employees will also help the PSF to develop relationship value and co-creation value for clients. Given their knowledge of clients in the market, these employees will be able to better understand client requirements. This better understanding will help them to develop solid relationships and to establish co-creation value for clients. A better understanding of client requirements will also allow the firm to design and deliver high-quality services. This study shows that firms with experienced and knowledgeable employees can eventually develop superior service capabilities. Thus, the ability of the firm to design and deliver superior services will be enhanced by the presence of high-quality employees in the firm. Findings also show that firms with knowledgeable and experienced employees can lead the firm to better financial performance.

The mediation analysis revealed some interesting insights about human capital and service capabilities. The indirect effect of human capital on service capabilities via

the IBCs was stronger than the direct effect of human capital on service capabilities. This strength suggests that human capital had a greater impact on service capabilities when it is channeled through the firm's IBCs. Thus, firms are better served when they utilize their superior human capital to develop the IBCs and then service capabilities. Managers of PSFs can focus on utilizing their human capital resources to develop superior IBCs. These superior IBCs will then give the firm the ability to develop superior services for its clients.

In the services context such as in professional services, the role of the employee is very important. The level of interaction with clients will be high and thus, it will be key for the firm to develop superior human capital resources and capabilities. Findings show the importance of human capital in terms of the ability of the firm to develop superior strategies and capabilities. Thus, the PSF will need to hire employees who have knowledge of foreign markets or train employees to develop skill sets that will allow them to succeed in foreign markets. Encouraging employees to learn a foreign language and offering them cultural knowledge or sensitivity training can help the firm to better navigate or compete in foreign markets.

The study's findings also show the importance of marketing skills and market orientation in helping the PSF succeed in terms of developing superior services and establishing marketplace competitive advantages. Marketing activity is an area that has long been neglected by professional services (Amonini et al., 2010). This study's findings show that PSF managers must recognize the need to be proactive in marketing their professional services in foreign markets (and all markets in general). They need to engage

foreign clients to recognize and accept high-quality professional service offerings from emerging market service providers (Bello et al., 2016).

This study's findings also provide implications for SMEs. SMEs can differentiate themselves from larger firms through their service offerings. They can develop solid relationships with their clients and gain competitive advantages in the marketplace. Their superior service capabilities can help them establish relationship value and co-creation value with clients. In other words, the SME's ability to establish long-term relationships and interact with customers to create services will serve them well in the marketplace. In fact, when compared to larger firms, smaller firms may have a better ability to establish close connections and strong relationships with customers. Thus, SME managers can capitalize and build on the opportunities that their small-size firms might provide. Furthermore, smaller firms can be more agile and thus, more efficient in their ability to reach out to customers and develop lasting relationships.

Managers of SMEs can use the IBCs to develop superior service capabilities; effective use of the IBCs can allow the SME to differentiate itself in the marketplace through the development of superior service capabilities. These capabilities, in turn, will help the SME manager to develop superior competitive advantages and achieve superior financial results in the global marketplace. The ability to offer superior services can be a strong differentiator in the global marketplace. Since services are intangible and often difficult to replicate, the SME can also gain a sustained competitive advantage in the marketplace through their service differentiation. Managers of the SMEs should focus on developing services through customer feedback and interaction. Customer involvement in service creation can give the SME a sustained competitive advantage. For the emerging

market SME, this sustained competitive advantage will allow it to compete more effectively against larger and more well-established firms globally.

Additional analysis involving the splitting of the dataset into above and below-average performing firms reveals some interesting insights. Table XIX presents the mean levels of IBCs, human capital, service capabilities, and competitive advantages possessed by firms that are above and below-average in terms of financial performance. There are statistically significant differences between the above and below-average performing firms as indicated by the t-values in the table. Those firms that perform well (i.e. above-average) financially possess significantly higher mean levels of entrepreneurial orientation, market orientation, innovation orientation, marketing skills, human capital, service capabilities, and competitive advantages.

Based on the results presented in Table XIX, we can argue that emerging market PSFs perform well financially when they: a) possess higher levels of IBCs, b) are able to deliver high quality, reliable, and efficient services and post-sales services, c) possess human capital resources in the form of highly skilled and creative employees who are subject experts, and d) are able to develop long-term continuing relationships with customers and involve them in the service-creation and delivery process.

Since the IBCs are composed of four different components, it is useful to further break-down the interpretation of our analysis in terms of these components. Firms that perform well financially are more likely to: a) be adept at planning their marketing programs and activities, b) better target and segment their markets, c) better understand their customers' needs, d) integrate their business functions of marketing/sales, finance, etc., e) be proactive in introducing innovations and advanced technology in their markets,

f) be entrepreneurial in their actions and proactive in their strategic plans vis-à-vis their competitors. The analysis results allow us to argue that firms investing more in the different IBC components can achieve above-average financial outcomes. In other words, managers of emerging market PSFs can invest more resources in developing their firms' IBCs with the aim of achieving marketplace success.

Our analysis also split data along the lines of firms with below-average and above-average levels of competitive advantage. Firms with above-average levels of competitive advantage achieve greater levels of relationship and co-creation value among clients when compared to firms with below-average levels of competitive advantage. As shown in Table XX, the analysis revealed that firms with significantly higher levels of the IBCs, human capital, and service capabilities also enjoyed above-average levels of competitive advantage. Thus, firms that make significant investments in organizational competencies, resources, and capabilities (such as the IBCs, service capabilities, and human capital) are expected to achieve high levels of relationship and co-creation value among clients. They are in a position where they can build solid long-term relationships with clients and involve them more closely in the service delivery and creation process. Firms with lower levels of the IBCs, human capital resources, and service capabilities do not achieve the same levels of relationship and co-creation value as firms with higher levels of the IBCs, human capital resources, and service capabilities.

The study's results provide evidence of the benefits of investing in certain competencies and capabilities to ensure firm success. Many PSFs from emerging markets such as India have realized the benefits of such investments. There are examples of PSFs that have recognized the need to invest in the competencies, capabilities, and resources

outlined in this study to achieve marketplace success. For example, India-based I-exceed technology has focused on competencies and resources such as innovation and human capital to strengthen their service capabilities and achieve competitive advantage in the marketplace.

Competencies such as innovation, market and entrepreneurial orientations, and marketing skills along with superior human capital resources, and high levels of service capabilities will allow emerging market PSFs to overcome any liability of foreignness associated with their developing country origins. They can build trust among clients by developing a reputation for reliable and high-quality service creation and delivery. On a broader note, successful PSFs understand the value of involving their clients in the service delivery and creation process. They understand the value in working closely with their customers to design an optimal service experience. Successful PSFs utilize their employees' skills and expertise to develop and design efficient organizational processes that are responsive to the needs of the market. They are open to new ideas and are proactive in their approach to dealing with changing customer needs.

6.4 Directions for Future Research

The current research highlights the ways emerging market PSFs can capitalize on firm- level resources, competencies, and capabilities to achieve competitive and financial marketplace success. In addition to the specific resources, competencies, and capabilities outlined in this study, there may be other resources, competencies, and capabilities that we will need to consider. Future research can consider other factors such as the firm's ability to provide differentiated service offerings and to develop intercultural competence

skills in helping the PSF to achieve global success. In the global marketplace, the role of cultural differences will be important to consider. These differences may impact the firm's ability to deliver quality services, build relationships with customers, and involve customers in the service creation process (i.e. co-creation). The PSF may have to alter its strategic thinking considering the cultural differences in foreign markets. In some foreign markets, clients may not expect or desire to be involved in co-creation due to cultural factors. In such markets, PSFs will not be able to achieve competitive advantage through co-creation. Instead, the firm will have to take another approach.

Cultural factors can impact the firm's ability to gather client information (i.e. market orientation), its ability to implement marketing programs (i.e. marketing skills), its entrepreneurial behaviors (i.e. entrepreneurial orientation), and its ability to implement innovative strategies (i.e. innovation orientation) (Hitt et al., 2006; Parasuraman, Zeithaml, & Malhotra, 2005; Engle & Crowne, 2014). Thus, the PSF's IBCs can be impacted by the presence of cultural variables in the foreign market. Hence, it will be useful to incorporate cultural factors into this study's model as part of future research.

Cost can be another factor to include in the study of emerging market PSF SME success. Historically, for emerging market service firms, their ability to deliver services at lower costs has allowed them to compete in global markets. Thus, cost leadership has been a strategy service firms have adopted to achieve marketplace success. Hence, it would be useful to consider a cost leadership approach in conjunction with some of the resources, competencies, and capabilities outlined in this study. Thus, as part of future research, it may be beneficial to integrate cost factors into this study's model.

In addition to cost and cultural factors, it will be useful to consider institutional factors when assessing emerging market PSF SME success in global markets. There are institutional differences across emerging markets and these differences could impact the way firms from these markets achieve global success (Hoskisson, Eden, Lau, & Wright, 2000; Bello et al., 2016). For example, there are important differences in the institutional environments of India, China, Russia, Brazil, and South Africa and these differences will impact service firms originating from these markets. In addition, institutional factors can also impact firm success in the host foreign market. Regulatory regimes, business practices, infrastructure issues, government policies, and subsidies are among the many country-specific conditions potentially impacting the ability of a firm to use its capabilities and competencies to achieve marketplace success (Brouthers, 2013; Bello et al., 2016). Thus, several institutional factors can be incorporated into the study's model as part of future research.

Finally, this research is cross-sectional in nature in that it does not take into account changes over time in PSFs (Zikmund, 2003). A longitudinal study will consider these changes, allowing firms to be studied over time. Studying firms over time may give us a clearer picture of the causal effects of resources, competencies, and capabilities on the PSF's competitive and financial successes.

6.5 Limitations

There are limitations to the conceptual scope of the research that may limit generalizability to other research domains and contexts. Since the focus is only on one emerging market context – namely India -- the results of the study may not be completely generalizable to other emerging markets. Nevertheless, there are some common

characteristics that PSF SMEs from emerging markets share and in that respect this study will be generalizable. These characteristics relate to the many resource constraints that emerging market PSFs face – constraints linked to the firm's financial, managerial, and organizational capacities. There may also be limitations regarding the conceptualizations and definitions of the constructs used in this study. Different conceptualizations and definitions may have revealed different relationships and outcomes. However, the conceptualizations and definitions used in this study are grounded firmly in prior research or literature and, thus, provide a reasonable basis for the hypothesized relationships described in this study (Bello et al., 2016; Knight & Kim, 2009).

In terms of the empirical analysis, the use of cross-sectional, self-report data, convenience sampling, and subjective performance measures may limit the conclusions that can be drawn relative to other research designs and methods. Since the scope of this research is bounded by different conceptual and empirical limitations, some caution should be exercised regarding the findings (Bello et al., 2016).

6.6 Conclusion

This research contributes to our understanding of how emerging market PSF SMEs can use internal firm resources, competencies, and capabilities to achieve competitive and financial success. For the emerging market PSF SME to compete against more established developed market firms, a set of intangible resources, competencies, and capabilities will need to be developed. The intangible resources, competencies, and capabilities discussed in this study can potentially help emerging market PSF SMEs to challenge the more resource-rich firms of developed countries. While developed market firms may have many of the resources, competencies, and capabilities outlined in this

study, the possession of these by emerging market firms can allow these firms to effectively compete against the developed market firms. As smaller firms, PSF SMEs will need to carve a niche for themselves in the marketplace. A focus on building close long-term relationships with clients can potentially help these firms to differentiate themselves in the marketplace. In addition, the firm's ability to design and deliver superior services can help with differentiation. Differentiation can then help emerging market PSF SMEs to compete effectively in the global arena and face competitive challenges from developed market service firms.

The ability to differentiate is particularly important in the services sector where competition for clients can be strong; with established firms possessing a loyal client base, newer entrants need to find a way to attract customers and build a solid client base. For emerging market firms, their emerging market status will make it more difficult for them to attract customers. Hence to compete successfully, they need to exceed and not just match the capabilities of the established firms in the markets they are trying to enter. They need to be able to build trust among potential customers and lay emphasis on greater customer contact. The firms will need to tailor their capabilities depending on the type of industry they are in; engineering service clients will have needs different from health service clients. The ability of the firm to understand and act on these different needs can help the firm realize marketplace success. The IBCs and human capital, as outlined in this study, can help the firm to understand and act on these differing needs of target customers.

Emerging market PSF SMEs will need to overcome the liability of foreignness associated with their emerging market status. To overcome this liability, these firms can

develop the set of international business competencies outlined in this study and invest heavily in developing human capital resources. Intangible competencies and resources such as the IBCs and superior human capital will be difficult to duplicate as they can become deeply embedded in the routines and processes of the firm (Moon, 2010). Over time these competencies and resources can help the emerging market PSF SME gain superior financial and competitive advantages in the global marketplace.

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APPENDIX

APPENDIX A

Review of literature concerning competencies and capabilities in the context of service firms or SMEs (partial list of papers reviewed)

Year/Author/Title	Competencies and Capabilities used (as Independent variables or Moderators)	Sample	Key Findings
Amonini, C., McColl-Kennedy, J. R., Soutar, G. N., & Sweeney, J. C. (2010). How professional service firms compete in the market: an exploratory study. Journal of Marketing Management, 26(1-2), 28-55.	Long-term relationships, service quality, brand reputation, marketing activities	Thirty-seven depth interviews with senior management from a range of PSFs	Results indicate that firms seek to differentiate themselves by developing long-term relationships, providing better service quality and greater value, and developing brands with strong reputations.
Aryee, S., Walumbwa, F. O., Seidu, E. Y., & Otaye, L. E. (2016).	High Performance Work Systems (HPWS), Aggregated service orientation, Collective Human Capital	329 senior frontline employees of two retail banks in Ghana.	Results of hierarchical linear modeling (HLM) revealed that High Performance Work Systems (HPWS) related to collective human capital and aggregated service orientation, which in turn related to individual-level service quality.
Awasthy, R. (2015).	Continuous learning, inquiry and dialogue, collaboration and team learning, systems to capture learning, empower people, connect the organization, provide strategic leadership.	A single Indian consulting firm operating in the rural management sector. In-depth interviews conducted with 17 firm employees. Questionnaire data were collected from 30 employees.	This case study unravels the characteristics and the challenges faced by a small professional service firm (PSF) in becoming a learning organization (LO).
Awuah, G. B. (2007).		Two PSFs in Sweden – two in-depth case studies.	It was found that working and interacting with customers is important. This suggests that relationships and co-creation will be important for PSFs. An emphasis is also given on the importance of learning for the PSF.
Breunig, K. J., Kvålshaugen, R., & Hydle, K. M. (2014).	Characteristics of observed business	122 interviews conducted in 7 countries; engineering service firms.	This conceptual study identifies the content, structure, and

	models in the international PSFs: Transaction content, Governance of Transactions, and Transaction Structure		governance transactions of three business model with the purpose of determining when to pursue headquarters-initiated global integration and when to choose strategies that ensure local responsiveness and subsidiary competitiveness in local markets.
Cahen, F. R., Jr, M. D. M. O., & Borini, F. M. (2017).	Innovation capability, International Orientation, International Marketing Skills, Entrepreneur's international management skills, international experience	214 High technology firms in Brazil.	High tech firms with international management skills, are more likely to have an accelerated internationalization
Hitt, M. A., Bierman, L., Uhlenbruck, K., & Shimizu, K. (2006). The importance of resources in the internationalization of professional service firms: The good, the bad, and the ugly. Academy of Management Journal, 49(6), 1137-1157.	human capital relational capital	72 U.S.-based law firms	Results show that human and relational capital generally had a positive effect on internationalization
Oura, M. M., Zilber, S. N., & Lopes, E. L. (2016).	Innovation capacity, International experience	112 industrial SMEs in Brazil.	International experience has a greater impact on export performance than innovation capacity.
Cruz-Ros, S., & Gonzalez-Cruz, T. F. (2015).	Marketing Capabilities, Managerial Capabilities, Organizational capabilities, Service quality capabilities	116 medium and large Spanish service firms in the following sectors: hotels, restaurants, finance, insurance, trans- port, and other services.	Results show that managerial and organizational ca-pabilities strengthen service quality and marketing capabilities. In addition, service quality and marketing capabilities significantly and directly affect firm performance.
Bello, D. C., Radulovich, L. P., Javalgi, R. R. G., Scherer, R. F., & Taylor, J. (2016).	Entrepreneurial orientation, service innovation	201 Indian PSFs.	EO drives service innovation which, in turn, accounts for financial performance. Further, EO positively moderates the innovative service–

			performance relationship.
O'Cass, A., & Sok, P. (2013)	Service innovation capability, service marketing capability	250 service firms in Cambodia.	The service firm's innovation capability has a positive effect on the firm's value offering (VO), the VO has a positive relationship with customer perceived value-in use (PVI), and PVI has a positive relationship with firm performance.
Theodosiou, M., Kehagias, J., & Katsikea, E. (2012).	Strategic orientations (customer, competitor, cost, innovation), marketing capabilities	316 Bank branch managers in Greece.	Competitor and innovation orientations contribute significantly to the development of marketing capabilities. In turn, marketing capabilities have a positive impact on firm performance.
Čater, T., & Čater, B. (2009).	Physical, Financial, Human Capital, Structural Capital, Customer Capital (includes capabilities)	182 Slovenian companies including many service firms.	The results show that the firms' positional advantages are positively affected by financial resources, customer capital, human, and structural capital. In addition, positional advantages positively influence a company's performance.
Fu, N., Ma, Q., Bosak, J., & Flood, P. (2016).	Human, social, organizational capital, organizational ambidexterity capability	Data were collected from 112 Chinese (cross-sectional design) and 93 Irish accounting firms (time-lagged design).	Results provide support for the linkage of intellectual capital to organizational ambidexterity and firm performance. Interestingly, findings are mixed regarding the impact of the three types of capital resources on organizational ambidexterity across both countries.
Sweeney, J. C., Soutar, G. N., & McColl-Kennedy, J. R. (2011).	Transaction, Database, Interactive, and Network marketing competencies	150 respondents from PSFs in Australia.	The usage of interactive marketing had a particular impact on firm performance.
Fu, N. (2015).	Relational coordination, relational routines, knowledge management capability, innovation	120 respondents from PSFs (accounting firms) in Ireland.	Relational routines facilitate relational coordination, which enhances knowledge management

			capability, leading to innovation.
Kim, A., & Lee, C. (2012).	legitimizing capability	46 management consulting firms in South Korea.	Legitimizing capability improves firm performance. Both legitimizing capability and firm performance are also found to be increased by (1) a sub-set of HR practices for SMCs' human capital and (2) a system of HR practices for their human capital and social capital.
Santos-Vijande, M. L., Gonalez-Mieres, C., & Lopez-Sanchez, J. A. (2013).	Innovation capacity/capability	154 Spanish knowledge intensive business services.	Customers' and front-line employees' participation in new service co-creation is strongly determined by the firm's innovative culture. Organizations with a greater predisposition to new service co-creation achieve higher innovation rates which lead to sustained performance.
Criscuolo, P., Salter, A., & Sheehan, T. (2007).	n/a	n/a	The study develops a new approach based on co-word and proximity analysis to map the various knowledge and skills of professional services firms. This study also explains how the knowledge and skills translate into organizational capabilities.
Pinnington, A. H., & Sandberg, J. (2014).	Four competency regimes: Technicians, project managers, competitive analysts, and global strategists	Examination over a 5-year period the careers of 29 lawyers working in a large corporate law firm.	Four competence regimes facilitate the PSF's strategy to internationalize its business and support high performing employees' social mobility goals to develop their professional competence and advance their career.
Von Nordenflycht, A. (2010). What is a professional service firm? Toward a theory and taxonomy of knowledge-intensive	Knowledge intensity, low capital intensity, and a professionalized workforce.	A conceptual study o 30 professional services firms from multiple industries	A theory of the distinctive characteristics of professional service firms is developed. The study identifies

firms. *Academy of management Review*, *35*(1), 155-174.			three distinctive service firm characteristics—knowledge intensity, low capital intensity, and a professionalized workforce. .

Definitions of Key Concepts

Professional Service Firm (PSF): "A professional service is qualified, it is advisory and problem solving, even though it may encompass some routine work for clients. The professionals involved have a common identity, like physicians, lawyers, accountants or engineers and are regulated by traditions and codes of ethics. The service offered, if accepted, involves the professional in taking on assignments for the client and those assignments are themselves the limit of the professional's involvement. Such assignments are not undertaken to merely sell hardware or other services" (Amonini et al., 2010).

International Business Competence (IBC): IBCs emphasize the firm's possession of intangible, orientation-based and marketing/sales-based competencies and processes that account for the firm's international business success. The IBCs reflect competencies in multiple areas, including learning about international environments, innovating and adapting the entire organization to new environments through interactions with foreign markets (Knight & Kim, 2009). IBC is a higher order construct made up of innovation orientation, marketing skills, market orientation, and entrepreneurial orientation.

innovation orientation has been conceptualized as the capacity to develop and introduce new processes, products, services, or ideas to international markets (Knight & Kim, 2009; Kandemir & Hult, 2005). Refer to Table XVI e for the innovation orientation items.

marketing skills have been conceptualized as the firm's ability to create value for foreign customers through effective segmentation and targeting, and through integrated international marketing activities by planning, controlling, and evaluating how marketing tools are organized to differentiate offerings from those of competitors (Knight & Kim, 2009; Johnson et al., 2006; Knight & Cavusgil, 2004). Refer to Table XVI c for the marketing skills items.

market orientation has been conceptualized as the extent to which the firm's international business activities are oriented toward customers and competitors, and the extent to which these activities are coordinated across functional areas in the firm (Knight & Kim, 2009; Narver & Slater, 1990; Slater & Narver, 1994). Refer to Table XVI d for the market orientation items.

entrepreneurial orientation has been defined as ''the processes, practices, and decision-making activities'' of management that support new initiatives (Lumpkin and Dess, 1996). An entrepreneurial orientation is likely to give rise to certain processes, practices, and decision-making activities associated with targeting new markets abroad (Covin & Miller, 2014; Weerawardena & Mort, 2006). Refer to Table XVI g for the entrepreneurial orientation items.

Human Capital is viewed as a knowledge repository, in other words, the intelligence, skill, knowledge, and expertise of human labor in the organization (Bello et al. 2016). Refer to Table XVI b for the human capital items.

Service Capabilities are conceptualized in this study as the firm's ability to meet customer needs by customizing and ensuring higher quality products/services (Yang, 2012). Service capabilities can be related to service quality and its set of associated processes that enable rapid, reliable, secure service provision (Ponsignon et al., 2011) and after-sales processes (Silvestro, 1999; Cruz- Ros & Gonzalez-Cruz, 2015). Refer to Table XVI f for the service capabilities items.

Competitive (or Positional) advantages are conceptualized as a superior marketplace position that captures the provision of superior customer value and/or the achievement of lower relative costs. Refer to Table XVI a for the competitive advantage items.

Financial Performance: In the context of SMEs and PSFs specifically, a variety of measures have been used to measure performance. For example, international sales growth, international profitability (i.e. the time span in years it took for the firm to become as profitable in international markets as in the domestic market), ROI (return on investment), or ROA (return on assets) (Bello et al., 2016; Knight & Kim, 2009). Refer to Table XVI for the financial performance items.

APPENDIX B

Note: Tables 1 through V are in-text

Table VI. Pretest Reliability Statistics of the main constructs, n (sample size) = 50

Scale	Cronbach alpha reliability	Composite Reliability(CR)	Average Variance Extracted (AVE)
Competitive Advantage	.96	.97	.73
Service Capabilities	.93	.94	.74
Market Orientation	.89	.84	.50
Entrepreneurial Orientation	.86	.79	.55
Innovation Orientation	.88	.88	.64
Marketing Skills	.87	.87	.62
Human Capital	.92	.94	.76
Financial Performance	.82	.64	.60

Table VII. Pretest Correlations

	Constructs	1	2	3	4	5	6	7	8
1	Human Capital	-							
2	Market Orientation	.535*	-						
3	Entrepreneurial Orientation	.622*	.766*	-					
4	Innovation Orientation	393*	.368*	.634*	-				
5	Marketing Skills	.518*	.503*	.709*	.447*	-			
6	Service Capabilities	.544*	.526*	.702*	321*	.498*	-		
7	Competitive Advantages	.490*	.425*	.356*	320*	.396*	.510*	-	
8	Financial Performance.	.327*	.337*	.589*	.360*	.389*	348*	.526*	-

* $p \leq .01$

Full Study Analysis, Sample Size (N)=251

Table VIII. Firm Age and corresponding percentage

Up to 1 year	3.6%
2-4 years	15.1%
5-7 years	28.3%
8-10 years	24.7%
More than 10 years	28.3%

Table IX. Firm international experience (i.e. number of years' firm has had foreign operations)

up to 1 year	14.3%
2-4 years	27.1%
5-7 years	27.5%
8-10 years	14.7%
more than 10 years	16.3%

Table X. Industry category to which the firms belong

Computer/Information/Software	45%
Health Services	9.2%
Management Consulting	6.4%
Accounting/Payroll/Audit	3.6%
Engineering services	19.9%
Insurance	2%
Architecture	1.6%
Financial services/banking	9.6%
Legal/Law	2.8%

Table XI. Number of full-time employees in the firm and corresponding percentage

1-10	8%
11-24	9.2%
25-49	19.1%
50-74	7.2%
75-99	11.6%
100-249	25.9%
250-499	19.1

Table XII. Number of foreign markets in which firm has regular operations and corresponding percentage

1	17.9%
2	37.8%
3	24.3%
4	7.6%
5 or more	12.4%

Table XIII. Descriptives of the constructs (including control variables) used in the study

Descriptive Statistics			
	Mean	**Median**	**Std. Deviation**
Service Capabilities	6.03	6.20	0.97
Human Capital	5.99	6.20	1.00
Entrepreneurial Orientation	5.72	6.00	1.04
Market Orientation	5.91	6.00	0.88
Innovation Orientation	5.48	5.67	1.11
Marketing Skills	5.79	6.00	1.12
Competitive Advantage	6.03	6.33	1.21
Financial Performance	5.52	5.67	0.95
Firm Size	4.59	5.00	1.95
Industry Category	3.21	2.00	2.55
International Experience	2.91	3.00	1.28
Firm Age	3.58	4.00	1.15

Table XIV. Construct Correlations

	Constructs	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Service Capabilities		.728*	.648*	.690*	.472*	.690*	.573*	.497*
2	Human Capital	.731*		.633*	.683*	.539*	.687*	.537*	.499*
3	Entrepreneurial Orientation	.651*	.636*		.696*	.614*	.641*	.479*	.589*
4	Market Orientation	.693*	.686*	.699*		.548*	.630*	.454*	.492*
5	Innovation Orientation	.475*	.542*	.617*	.551*		.620*	.397*	.563*
6	Marketing Skills	.693*	.690*	.644*	.633*	.623*		.462*	.553*
7	Competitive Advantage	.576*	.540*	.482*	.457*	.400*	.465*		.295*
8	Financial Performance	.500*	.502*	.592*	.495*	.566*	.556*	.298*	-
	Marker Variable (#of foreign markets firm has regular operations)	.114	.112	.110	.128**	.121	.069	.003	.225*

*Note: *correlations significant at the .01 level, ** significant at .05 level*
Zero-order correlations are below the diagonal. Correlations adjusted for potential common methods variance are above the diagonal.

Table XV. Full-scale study variance inflation factors (VIFs) and tolerance values

Construct	**Tolerance**	**VIF**
Human Capital	.36	2.78
Service Capabilities	.33	3.03
Innovation Orientation	.48	2.08
Competitive Advantage	.59	1.69
Marketing Skills	.40	2.50

Market Orientation	.36	2.78
Entrepreneurial Orientation	.38	2.63
Financial Performance	.53	1.89

Table XVI. (a-h) Exploratory factor analysis loadings of the items and scales used in the final model of the study

Xvi a- Competitive Advantage

	Component
1.We have continuing relationships with customers	.880
2.We deliver add-on values (special offers, status recognition) to keep customers	.792
3.We maintain long term relationships with our customers.	.878
4.We interact with customers to serve them better	.914
5.We interact with customers to design offerings that meet their needs	.864
6.We provide customers with supporting systems to help them get more value.	.878

Xvi b- Human Capital

	Component
1.Our employees are highly skilled.	.882
2.Our employees are widely considered the best in our industry	.798
3.Our employees are creative and bright.	.886
4.Our employees are experts in their particular jobs and functions.	.827
5.Our employees develop new ideas and knowledge	.881

Xvi c- Marketing Skills

	Component
1.Marketing planning process	.828
2.Control and evaluation of marketing activities	.825
3.Skill to segment and target individual markets	.797
4.Ability to use marketing tools (design, pricing, advertising, etc.) to differentiate products/services	.791

Xvi d - Market Orientation

	Component
1.All our managers understand how everyone in our firm can contribute to creating value for the customers.	.730
2.If a competitor launched an intensive campaign targeted at our customers, we would implement a response immediately	.724
3. Our business functions (e.g., marketing/sales, operations, finance) are integrated in serving the needs of our target markets	.816

4. Our strategy for competitive advantage in target markets is based on our understanding of customer needs in those markets	.833
5.For us, success in target markets is driven by truly satisfying the needs of our customers in those markets.	.762

Xvi e - Innovation Orientation

	Component
1.Our firm is at the leading technological edge of our industry in international markets	.870
2.Compared with competitors, we're often first to introduce product/service innovations or new operating approaches in international markets	.854
3.Our firm is recognized in international markets for services that are technologically superior	.841

Xvi f - Service Capabilities

	Component
1.Ability to provide high quality service (above client expectations)	.815
2.Ability to provide service punctually	.835
3.Ability to provide service reliably as promised	.899
4.Ability to provide satisfactory post sales service	.806
5.Responding quickly to service requests	.867

Xvi g - Entrepreneurial Orientation

	Component
1. We believe that wide-ranging acts are necessary to achieve our objectives	.813
2.We initiate actions to which other organizations respond.	.864
3.We are fast to introduce new products/services to the marketplace	.808
4.We have a strong proclivity or tendency for high-risk projects	.781

Xvi h- Financial Performance

	Component
1.Average net profit	.885
2.Average Return on Investment (ROI)	.874
3.Please indicate your firm’s foreign sales revenue growth since the start of international activities comparable to competitors -	.767

Table XVII. Exploratory Factor Analysis Reliability and Average Variance Extracted (AVE)

Construct	Composite Reliability	AVE	Cronbach's Alpha
Service Capabilities	.90	.65	.90
Human Capital	.91	.67	.91
Market Orientation	.89	.63	.83
Entrepreneurial Orientation	.88	.65	.83
Innovation Orientation	.81	.59	.82
Marketing Skills	.90	.71	.83
Competitive Advantage	.93	.71	.93
Financial Performance	.82	.61	.80
IBCs	.94	.79	NA

Table XVIII. (a-i): Confirmatory Factor Analysis – Measurement Model - Standardized loadings, t values of the loadings, and goodness of fit

Goodness-of-Fit Statistics:

χ^2 (df) = 934 (477), p <.000, CFI = .93, IFI =.93 RMSEA = .062, SRMR = .052.

Xviii a -Competitive Advantage (CR= .93, AVE= .71)

	Standardized loadings	Square of the standardized loadings	t-values
1.We have continuing relationships with customers	.85	.72	19.12
2.We deliver add-on values (special offers, status recognition) to keep customers	.74	.55	14.84
3.We maintain long term relationships with our customers.	.85	.72	19.36
4.We interact with customers to serve them better	.91	.83	b
5.We interact with customers to design offerings that meet their needs	.84	.71	19.09
6.We provide customers with supporting systems to help them get more value.	.85	.72	19.45

Xviii b- Human Capital (CR=.91, AVE=.67)

	Standardized loadings	Square of the standardized loadings	t-values
1.Our employees are highly skilled.	.86	.74	b
2.Our employees are widely considered the best in our industry.	.73	.53	13.62
3.Our employees are creative and bright.	.85	.72	17.35
4.Our employees are experts in their particular jobs and functions.	.77	.59	14.76
5.Our employees develop new ideas and knowledge	.87	.76	17.90

Xviii c-Marketing Skills (CR =.90, AVE=.70)

	Standardized loadings	Square of the standardized loadings	t-values
1.Marketing planning process	.88	.77	10.88
2.Control and evaluation of marketing activities	.79	.62	10.96
3.Skill to segment and target individual markets	.87	.76	b
4.Ability to use marketing tools (design, pricing, advertising, etc.) to differentiate products/services	.82	.67	9.50

Xviii d-Market Orientation (CR=.89, AVE=.63)

	Standardized loadings	Square of the standardized loadings	t-values
1.All our managers understand how everyone in our firm can contribute to creating value for the customers.	.76	.58	8.86
2. If a competitor launched an intensive campaign targeted at our customers, we would implement a response immediately	.71	.50	8.90
3.Our business functions (e.g., marketing/sales, operations, finance) are integrated in serving the needs of our target markets	.91	.83	9.11
4.Our strategy for competitive advantage in target markets is based on our understanding of customer needs in those markets	.77	.59	9.86
5. For us, success in target markets is driven by truly satisfying the needs of our customers in those markets.	.81	.66	b

Xviii e-Innovation Orientation (CR=.81, AVE=.59)

	Standardized loadings	Square of the standardized loadings	t-values
1.Our firm is at the leading technological edge of our industry in international markets	.79	.62	b
2.Compared with competitors, we're often first to introduce product/service innovations or new operating approaches in international markets	.76	.58	12.34
3.Our firm is recognized in international markets for services that are technologically superior	.75	.56	11.94

Xviii f-Service Capabilities (CR=.90, AVE=.65)

	Standardized loadings	Square of the standardized loadings	t-values
1.Ability to provide high quality service (above client expectations)	.78	.61	15.11
2.Ability to provide service punctually	.80	.64	15.98
3.Ability to provide service reliably as promised	.87	.76	b
4.Ability to provide satisfactory post sales service	.74	.55	14.10
5.Responding quickly to service requests	.82	.67	16.19

Xviii g-Entrepreneurial Orientation (CR=.88, AVE=.64)

	Standardized loadings	Square of the standardized loadings	t-values
1.We believe that wide-ranging acts are necessary to achieve our objectives	.78	.61	13.08
2.We initiate actions to which other organizations respond.	.83	.69	b
3.We are fast to introduce new products/services to the marketplace	.92	.85	12.32
4.We have a strong proclivity or tendency for high-risk projects	.66	.44	10.48

Xviii h-Financial Performance (CR=.82, AVE=.61)

	Standardized loadings	Square of the standardized loadings	t-values
1.Average net profit	.89	.79	b
2.Average Return on Investment (ROI)	.78	.61	10.91
3.Please indicate your firm's foreign sales revenue growth since the start of international activities comparable to competitors	.64	.41	9.50

Xviii i International Business Competencies (Higher order construct) (CR=.93, AVE=.78)

	Standardized loadings	Square of the standardized loadings	t-values
Market Orientation	.93	.87	b
Innovation	.76	.58	9.28
Entrepreneurial Orientation	.92	.85	9.33
Marketing Skills	.91	.83	10.46

Note: CR = Composite Reliability, AVE = Average Variance Extracted

[b] Fixed to set the scales

Table XIX. Mean differences among above and below-average performance groups.

Financial Performance	Constructs	Mean levels of the constructs at above/below-average performance*	Standard Deviation (S.D.)	T-value **
Above-average	International Entrepreneurial Orientation	6.13	0.69	7.22
Below-average		5.24	1.17	
Above-average	International Market Orientation	6.20	0.61	5.92
Below-average		5.56	1.01	
Above-average	International Innovation Orientation	5.96	0.73	8.19
Below-average		4.91	1.21	
Above-average	International Marketing Skills	6.19	0.77	7.18
Below-average		5.35	1.04	
Above-average	Human Capital	6.33	0.76	5.99
Below-average		5.60	1.10	
Above-average	Service Capabilities	6.38	0.61	6.54
Below-average		5.61	1.13	
Above-average	Competitive Advantage	6.23	1.14	2.96
Below-average		5.78	1.24	

*the mean levels for each construct for the above/below-average performance groups are significantly different from each other at $p < .01$

**all significant values at $p < .01$

Above- average group n=135
Below-average group n=116

Table XX. Mean differences among above and below-average competitive advantage groups.

Competitive Advantage levels	Constructs	Mean values of the constructs at above/below-average competitive advantage levels*	Standard Deviation (S.D.)	T-value **
Above-average	International Entrepreneurial Orientation	6.06	0.78	6.39
Below-average		5.19	1.18	
Above-average	International Market Orientation	6.21	0.59	6.63
Below-average		5.44	1.04	
Above-average	International Innovation Orientation	5.80	0.93	6.09
Below-average		4.98	1.18	
Above-average	International Marketing Skills	6.17	0.71	7.53
Below-average		5.22	1.10	
Above-average	Human Capital	6.37	0.70	7.59
Below-average		5.41	1.11	
Above-average	Service Capabilities	6.45	0.55	8.79
Below-average		5.37	1.11	

*the mean values for each construct for the above/below-average competitive advantage groups are significantly different from each other at $p < .01$

**all significant values at $p < .01$

Above- average group n=153
Below-average group n=98

Survey

IRB Consent Form

My name is Nicholas Mathew. I am a doctoral student/ researcher at the Monte Ahuja College of Business at Cleveland State University (CSU). My adviser is Dr. Ashutosh Dixit. Dr. Dixit is a Professor Marketing at the Monte Ahuja College of Business. We are both affiliated with the department of Marketing at the Monte Ahuja College of Business. We are requesting your participation in a research study.

The study aims to understand the impact of firm competencies and capabilities on service capabilities and firm outcomes. If you decide to participate in this study, you will be asked to fill out a survey. Filling out the survey should take around 15 to 20 minutes.

The risks associated with participating in this study are minimal. Such risks are largely limited to compromised anonymity. These risks will not exceed the normal risks encountered in everyday life. To minimize such risks, all information will be kept on secure password protected computers. These computers will be accessible only to the researchers and will be kept at secure locations.

Participation is voluntary. You may choose not to answer a question. You may also choose to withdraw from the study at any time. Should you choose to withdraw from the study or not answer a question, your data collected will be deleted and not used in the analysis. There will be no negative consequences for not participating in or withdrawing from the study at any time. Personal identifying information will not be connected to the survey results. Only summary results may be published, presented or used for instruction. No personal identifiers will be included in such data. In terms of benefits, you may receive a cash-based incentive to complete this survey from the market research firm that is administering the survey on our behalf. Apart from this incentive, there is not likely to be any other direct and immediate benefit in responding to this survey.

If you need any further information on this research, you can contact either me or Dr. Ashutosh Dixit. You can contact Dr. Dixit at 216-687-4775 or via email at a.dixit1@csuohio.edu. And, you can contact me at (216) 687 4771 or via email at n.mathew@vikes.csuohio.edu.

Please read the following: “I understand that if I have any questions about my rights as a research subject, I can contact the Cleveland State University Institutional Review Board at (216) 687-3630.”
I am 18 years or older. I have read and understood this consent form. And, I agree to participate.

- ○ Yes (1)
- ○ No (2)

Skip To: End of Block If My name is Nicholas Mathew. I am a doctoral student/ researcher at the Monte Ahuja College of Bus... = No

Number of Full time employees in your firm . Please select one of the following:

- 1-10 (1)
- 11-24 (2)
- 25-49 (3)
- 50-74 (4)
- 75-99 (5)
- 100-249 (6)
- 250-499 (7)
- 500+ (8)

Skip To: End of Block If Number of Full time employees in your firm . Please select one of the following: = 500+

Where is your firm's headquarters?

- US (1)
- India (2)
- UK (3)
- Other (4)

Skip To: End of Block If Where is your firm's headquarters? = US

Skip To: End of Block If Where is your firm's headquarters? = UK

Skip To: End of Block If Where is your firm's headquarters? = Other

Please indicate the number of foreign markets in which your firm has regular operations

- 0 (1)
- 1 (2)
- 2 (3)
- 3 (4)
- 4 (5)
- 5 or more (6)

Skip To: End of Block If Please indicate the number of foreign markets in which your firm has regular operations = 0

Page Break

Please check the industry category that best describes your firm's primary area of business:

- Computer/Information/Software (1)
- Health Services (2)
- Management Consulting (3)
- Accounting/Payroll/Audit (4)
- Engineering services (5)
- Insurance (6)
- Architecture (7)
- Financial services/banking (8)
- Legal/Law (9)
- Other (10)

Skip To: End of Block If Please check the industry category that best describes your firm's primary area of business: = Other

Number of years your firm has had international operations/experience

- no international operations/experience (0)
- up to 1 year (1)
- 2-4 years (2)
- 5-7 years (3)
- 8-10 years (4)
- more than 10 years (5)

Skip To: End of Block If Number of years your firm has had international operations/experience = no international operations/experience

What is your role/position title in the company?

- ○ Staff / Individual Contributor (1)
- ○ Manager (2)
- ○ Senior Manager (3)
- ○ Director (4)
- ○ Vice President (5)
- ○ Chief Executive Officer (CEO)/President (6)
- ○ Owner (7)
- ○ Other management+ position (Please specify) (8)

_____

Skip To: End of Block If What is your role/position title in the company? = Staff / Individual Contributor

With regards to your company, please indicate if you 'strongly disagree' or 'strongly agree' with the following statements

	1=strongly disagree (1)	2 (2)	3 (3)	4=neither agree nor disagree (4)	5 (5)	6 (6)	7=strongly agree (7)
We ensure that customers have easy access to the business at any time	○	○	○	○	○	○	○
We ensure rapid response standards to deal with any customer enquiry.	○	○	○	○	○	○	○
We have continuing relationships with customers	○	○	○	○	○	○	○
We deliver add-on values (special offers, status recognition) to keep customers	○	○	○	○	○	○	○
We maintain long term relationships with our customers.	○	○	○	○	○	○	○

With regards to your company, please indicate if you ‘strongly disagree’ or ‘strongly agree’ with the following statements

	1=strongly disagree (1)	2 (2)	3 (3)	4=neither agree nor disagree (4)	5 (5)	6 (6)	7=strongly agree (7)
We interact with customers to serve them better	○	○	○	○	○	○	○
We work together with customers to produce offerings that mobilize them.	○	○	○	○	○	○	○
We interact with customers to design offerings that meet their needs	○	○	○	○	○	○	○
We provide products/services for and in conjunction with customers.	○	○	○	○	○	○	○
We co-opt customer involvement in providing products/services for them.	○	○	○	○	○	○	○
We provide customers with supporting systems to help them get more value.	○	○	○	○	○	○	○

Please rate your own firm relative to main competitors on the scale ranging from (1) ‘much worse than competitors’ to (7) ‘much better than competitors’ with a mid-point label of ‘(4) normal, on par with the competition.’

	1=much worse than competitors (1)	2 (2)	3 (3)	4=normal, on par with the competition (4)	5 (5)	6 (6)	7=much better than competitors (7)
Ability to provide high quality service (above client expectations)	○	○	○	○	○	○	○
Ability to provide service punctually	○	○	○	○	○	○	○
Ability to provide service reliably as promised	○	○	○	○	○	○	○
Ability to provide satisfactory post sales service	○	○	○	○	○	○	○
Responding quickly to service requests	○	○	○	○	○	○	○
Offering a wide range of after sales services	○	○	○	○	○	○	○

Please rate your own firm on the following statements relative to main competitors on the scale ranging from (1) ‘much worse than competitors’ to (7) ‘much better than competitors’ with a mid-point label of ‘about the same.’

	1=much worse than main competitors (1)	2 (2)	3 (3)	4=about the same as competitors (4)	5 (5)	6 (6)	7=much better than main competitors (7)
Marketing planning process	○	○	○	○	○	○	○
Control and evaluation of marketing activities	○	○	○	○	○	○	○
Skill to segment and target individual markets	○	○	○	○	○	○	○
Ability to use marketing tools (design, pricing,advertising, etc.) to differentiate products/services	○	○	○	○	○	○	○

To what extent do you agree with the following statements concerning your firm's employees (1 = strongly disagree; 7 = strongly agree).

	1=strongly disagree (1)	2 (2)	3 (3)	4=neither agree nor disagree (4)	5 (5)	6 (6)	7=strongly agree (7)
Our employees are highly skilled.	○	○	○	○	○	○	○
Our employees are widely considered the best in our industry.	○	○	○	○	○	○	○
Our employees are creative and bright.	○	○	○	○	○	○	○
Our employees are experts in their particular jobs and functions.	○	○	○	○	○	○	○
Our employees develop new ideas and knowledge	○	○	○	○	○	○	○

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Indicate your extent of agreement about how well the statements below describe the culture of innovation in your firm:

	1=strongly disagree (1)	2 (2)	3 (3)	4=neither agree nor disagree (4)	5 (5)	6 (6)	7=strongly agree (7)
Our firm is at the leading technological edge of our industry in international markets	○	○	○	○	○	○	○
Compared with competitors, we're often first to introduce product/service innovations or new operating approaches in international markets	○	○	○	○	○	○	○
Our firm is recognized in international markets for services that are technologically superior	○	○	○	○	○	○	○

With regard to your firm, please rate the following statements on a scale of 1 = “not at all” and 7 = “to an extreme extent”

	1=not at all (1)	2 (2)	3 (3)	4=neutral (4)	5 (5)	6 (6)	7=to an extreme extent (7)
All our managers understand how everyone in our firm can contribute to creating value for the customers.	○	○	○	○	○	○	○
Top management frequently discusses the strengths and weaknesses of our major competitor(s).	○	○	○	○	○	○	○
If a competitor launched an intensive campaign targeted at our customers, we would implement a response immediately	○	○	○	○	○	○	○
Our business functions (e.g., marketing/sales, operations,finance) are integrated in serving the needs of our target markets	○	○	○	○	○	○	○
Our strategy for competitive advantage in target markets is based on our understanding of customer needs in those markets	○	○	○	○	○	○	○
For us, success in target markets is driven by truly satisfying the needs of our customers in those markets.	○	○	○	○	○	○	○
We systematically assess customer satisfaction atleast once a year	○	○	○	○	○	○	○
Our firm responds quickly, throughout the organization, to negative customer satisfaction information.	○	○	○	○	○	○	○

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With regards to your company, please rate the following statements on a scale of 1 = “strongly disagree” and 7 = “strongly agree”

	1=strongly disagree (1)	2 (2)	3 (3)	4=neither agree nor disagree (4)	5 (5)	6 (6)	7=strongly agree (7)
We believe that wide-ranging acts are necessary to achieve our objectives	○	○	○	○	○	○	○
We initiate actions to which other organizations respond.	○	○	○	○	○	○	○
We are fast to introduce new products/services to the marketplace	○	○	○	○	○	○	○
We have a strong proclivity or tendency for high-risk projects	○	○	○	○	○	○	○
We are bold in our efforts to maximize the probability of exploiting opportunities	○	○	○	○	○	○	○

Please denote your firm’s performance relative to competitors, ranging from (1) ‘much worse than competitors’ to (7) ‘much better than competitors’ with a mid-point label of ‘about the same.’

	1=much worse than competitors (1)	2 (2)	3 (3)	4=about the same as competition (4)	5 (5)	6 (6)	7=much better than competitors (7)
Average net profit (1)	○	○	○	○	○	○	○
Average Return on Investment (ROI) (2)	○	○	○	○	○	○	○

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Please indicate your firm's foreign sales revenue growth since the start of international activities comparable to competitors

	1=much worse than competitors (1)	2 (2)	3 (3)	4=about the same as competitors (4)	5 (5)	6 (6)	7=much better than competitors (7)
=> (1)	○	○	○	○	○	○	○

Approximately what are your firm's estimated annual revenues in US dollars $ (estimated Indian Rupees-INR)?

- ○ under $50,000 (less than 30 lakhs INR) (1)
- ○ $50,000 - $99,999 (30 lakhs to 62 lakhs INR) (2)
- ○ $100,000 - $249,999 (62 lakhs to 1.5 crores INR) (3)
- ○ $250,000-$499,999 (1.5 crores to 3 crores INR) (4)
- ○ $500,000 - $999,999 (3 crores to 6.3 crores INR) (5)
- ○ $1 million to $9.9 million (6.4 crores - 63 crores INR) (6)
- ○ $10 million to $25 million (63.1 crores - 160 crores INR) (7)
- ○ 25.1 million to $50 million (160.1 crores - 320 crores INR) (8)
- ○ Over $50 million (Over 320 crores INR) (9)

Provide us an estimate of the percentage of your firm's total sales which are attributable to foreign sales:

- ○ Less than 5% (1)
- ○ 6% to 10% (2)
- ○ 11% to 15% (3)
- ○ 16% to 24% (4)
- ○ 25% to 49% (5)
- ○ 50% to 74% (6)
- ○ Over 75% (7)

Number of years your firm has existed

- up to 1 year (1)
- 2-4 years (2)
- 5-7 years (3)
- 8-10 years (4)
- more than 10 years (5)

Please indicate YOUR level of involvement in your firm's international operations or strategy?

- Highly involved (1)
- Moderately involved (2)
- Low level involvement (3)
- No involvement (4)

What is the main language of communication in your organization?

- English (1)
- Other (please specify) (2) _____

Which foreign markets does your firm serve?

- North America (USA & Canada) (1)
- European Union (France, Germany, Spain, Italy, etc.) (2)
- United Kingdom (3)
- Eastern Europe (Russia, Turkey, etc.) (4)
- Africa (5)
- South America (6)
- Australia & New Zealand (7)
- Middle East (10)
- South East and East Asia (11)
- Other (Please Specify) (8) _____