

International professional service firms: how do they affect government policy?

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Abstract

Professional services firms (PSFs) engaged in international operations present a unique challenge for governments. They directly and indirectly affect governmental policies and the agencies that enforce these policies through policy development, problem solving, and implementation. Yet, governments that seek to advance rational, forward thinking public policy have little, if any, regulatory control over the input and influence of these professional experts. International professional service firms face an increasingly competitive marketplace and complex challenges that demand skill sets that are markedly different from those characteristically required of consumer service companies. This study identifies the qualities of the best performing PSFs that engage clients worldwide. Implications are discussed for governments to ensure the greater public good.

Keywords: service firms; international business; government policy; professional services; B2B

Article:

Introduction

International professional services firms (PSFs) whose clients are predominantly businesses, industrial organisations, and governmental entities operate in a uniquely challenging environment. Managing these firms demands skills, vision, and talents quite different from those typically required of managers in goods-producing industries or consumer services companies. These managers are experiencing that the traditional hierarchical business models are inadequate for the increasingly competitive international marketplace. They are employing creative approaches to organisation, reward systems, and client relations. Additionally, the multi-faceted environment in which these firms operate presents special challenges for the host countries of these firms and the governments that engage them.

International PSFs accumulate their capital through the '...knowledge, skills, practice and trustworthiness of fee-earning staff' (Beaverstock, 2004, p. 157) throughout dispersed locations, but they function interdependently. Coordination and knowledge management are critical for the successful international PSF (Beaverstock, 2004). The market environments in which international PSFs operate may be quite different from office to office; they are dynamic; and they are often characterised by complex relationships.

How do these PSF managers organise and lead their firms to sustain their competitive advantage and maintain the satisfaction of their stakeholders? Ghoshal and Gratton (2002) suggest these international organisations are sustained by their value system - a set of core values that permeates every operating, functional, business, and geographic unit of the firm. It is suggested in this article that international PSFs also need relatively flat, dynamic organisations composed of many units that are each highly market oriented, entrepreneurially vibrant, capable of continuous learning, and linked to each other through timely, thorough knowledge diffusion.

Under these conditions, can PSFs represent the public good that has traditionally been required of their professions? Governments use these legal, accounting, engineering, and architectural experts to inform the public on public policy matters as well as to implement public policy changes. If a consultant's advice was based solely on hard technical evidence, perhaps any concern on the part of a government entity would be unwarranted. But, as Martin (2000, p. 25) observed, advice provided by consultants '...is based on both values and facts'. But, are the 'values' the client's values or those of the consultant?

This should be a concern for governments that have an unambiguous obligation to protect and preserve the public good. Martin (2000) refers to these engagements as *policy consultancy*. Their success is highly dependent upon their ability to build and manage engaging relationships. But government has virtually no control over these relationships, especially when they are between two or more private entities that impact public policy. To be sure, conflicts may arise between professional standards and client demands (Campbell & Henneberry, 2005).

Hypotheses

As a consequence of these observations and assumptions, two hypotheses were identified. The first of these seeks to understand the current nature of international PSFs:

H1: International PSFs providing services predominantly to businesses, industrial organisations, and governmental entities will perform best when organised in relatively flat structures composed of entrepreneurial, market-oriented units that are linked to all other business, functional, geographic, and operating units of the firm through a pervasive set of core values.

The second hypothesis responds to the concerns governments might have with respect to protecting the public good:

H2: Firms whose core values match closely with relevant government policy will produce outcomes that effectively balance client demands (market orientation) and professional requirements associated with supporting policy.

Background

Services are a significant contributor to the world's economic engine. The service sector employed 76% of all workers in the United States in 2006, up from 72% in 1996, and projected to climb to 78.3% by 2016 (Employment Projections, 2007). The proliferation of technology and the resulting reduction in cross-border communication costs have made it possible for developing countries to skip the agricultural and industrial phases of the development cycle to move directly into a wide range of services offerings (Zeithaml & Bitner, 2003). Service companies are growing faster than goods-producing companies with international revenue growth from services sales expected to be almost double the growth of international sales of goods (Collins, 2004). Pilarski (1995) observed that this emerging globalisation trend presented dramatically new realities, both economic and political, with profound impacts on individuals, companies, and countries.

The consequences of these 'new realities' present challenges for public and private sector managers that are different from those posed by predominantly goods-producing industries. Unlike goods, services cannot be inventoried or held at the border for inspection, and they are consumed immediately upon production. Of course, this also means that service-providing companies do not have the problems associated with physically moving goods through the distribution channel (Gronroos, 1988; Gummesson, 1979). Though the distribution channel for services is characteristically short, it still spans multiple country boundaries, encompasses cultures

of varying degrees of similarity and dissimilarity, encounters unfamiliar business practices, and faces the complex legal and regulatory issues of multi-country trade agreements (Folsom, 2004).

What is a *professional* services provider? Campbell (2002) says a professional service provider is one that is trusted by the client to provide expert advice in a discipline of study. These services are usually highly specialised, i.e. tailored to each problem. Often, the relationship between service provider and client extends over a long period of time, is considered mutually beneficial, and enjoys a high level of interaction (Ojasalo, 2001). Most professional services have a self-policing body, a code of ethics, licensing requirements, and require a minimum of a 4-year degree with some requisite experience. It should be noted, however, that the definition of 'professional service' is not always clear.

Many professional services were deregulated in the United States and subsequently in other parts of the developed world in the late 1970s and early 1980s. As a result, the distinction between professional and non-professional became somewhat blurred. So, others might extend their definition of professional services to include management, marketing and advertising consultants, executive recruiters, commercial insurance brokers, bond traders, and others (Marr, Sherrard, & Prendergast, 1996).

Since this article draws attention to the role professional service providers play in policy development, we focus on those that work for business, industrial, and government clients, which are typically referred to as business-to-business/government (B2B/G) client relationships. As such, the primary focus of this analysis is on engineering, architecture, accounting, and legal services providers that do most of their business in the B2B/G markets, rather than with individual consumers. Winch (2008) has noted that even with the surge in services in recent years, the literature is somewhat sparse on the management of international service firms and the marketing of their offerings and this is particularly true for B2B/G PSFs, i.e. firms that are not generally engaged by individual consumers such as dentistry, divorce law, and cosmetic surgery.

Organisational structure

Once a company decides to move into the international marketplace, the demands placed on its organisational structure are significantly more complicated than when it operates in a sole domestic market. It has been characteristic of companies to move through a series of stages in the evolution of their structure as they expand internationally and this process typically starts with a centralised hub of control in the home country. As the company becomes more multinational, the need to decentralise into somewhat autonomous regionally functioning operations often occurs. Eventually, companies move to more centrally managed regional entities in order to realise global-scale efficiencies. At this stage, it is common for international service firms to employ some variation on a matrix structure. However, reporting through multiple chains of command in a matrix structure has the potential of leading to conflict and confusion (Bartlett, Ghoshal, & Birkinshaw, 2004).

In some ways, the organisational structure of service providers may be more of a challenge than it is for goods providers. Structures used by manufacturing companies from the industrial era are too inflexible and detached from the buyer for professional services where '...there is no transfer of goods *per se*. It is the transfer of the service utilizing the supplier's service assets and staff' (Ellram, Tate, & Billington, 2004, p. 24). Furthermore, since there is no 'service inventory', demand management becomes critical. For these reasons, '...services are not typically procured and managed centrally' (Ellram et al., 2004, p. 30). Thus, professional service firms tend to require relatively flat organisational structures that put the service provider close to the client.

This is best demonstrated in the legal profession where law firms typically expatriate attorneys with specialised experience, project knowledge, and/or managerial capabilities to offices in close proximity to the firm's clients to supplement the talent of local in-country attorneys who are knowledgeable in host country laws, regulations, and procedures (Beaverstock, 2004). Increasingly sophisticated clients in the professional marketplace put more emphasis on client service at the local level (Ellis & Watterson, 2001).

There can be little doubt that the organisational structure of firms affects the way they act and react. For PSFs where there is a necessity to stay ahead of current trends in their discipline and the marketplace as well as continually integrate new technologies, the structure is critical. The service firm's performance and profitability are affected by its ability to rapidly adopt innovations that will improve productivity, by the value of the firm's human capital via their placement in the firm, by the firm's internal and external communication mechanisms, and by the overall connectedness of the firm's many operating units (DeCanio, Dibble, & Amir-Atefi, 2000). As a result, the organisation structure used by international PSFs presents challenges for host countries and the governments that engage them.

Entrepreneurship

If structure is important for the international PSF, so is the entrepreneurial spirit, which is marked by innovativeness and creativity. Definitely, '...skilled and motivated people are central to the operations of any company that wishes to flourish in the new age...' of information, knowledge, and services (Bartlett & Ghoshal, 2002a, p. 35), and this is especially true in the people-based business of professional services. In the multi-unit PSF where offices are dispersed throughout the firm's service area, each office must demonstrate a sense of excitement and a desire to take action - there must be an entrepreneurial energy that permeates the organisation.

Even though these firms may not issue detailed directives from headquarters, it is important to note a recent study found that firms that exhibit alignment between their structures and top management decision making styles tend to have positive strategic reactivity with entrepreneurial orientation (Green, Covin, & Slevin, 2008). The necessary energy can be fuelled by positive and negative emotions unleashed and channelled by senior managers at all levels of the firm, and generally, these emotions are the product of one of two strategies, according to Bruch and Ghoshal (2003). One of these is '...the "slaying the dragon" strategy (moving into the aggression zone by focusing people's attention, emotions and effort on a threat)', and the other is '...the "winning the princess" strategy (moving into the passion zone by building enthusiasm for an exciting vision)' (Bruch & Ghoshal, 2003, p. 48). The strategic choice is influenced by the manager's style, the current situation of the firm, and its history. For example, an engineering firm that is continuously on the leading edge of design developments will more likely be successful striving for the next exciting vision, but the hard-charging litigant law firm might be more successful focusing on the next threat.

These strategic directions will be negatively influenced if there is a lack of individual initiative, unyielding bureaucracies or fear of failure. Instead, the internationally functioning PSF should encourage a spirit of entrepreneurship and manage it in such a way that the firm can realise and seize local market opportunities, take risks, experiment and innovate, reinvigorate old systems, create new ones, and grow, according to Koiranen (2003). Moving to a culture of innovation and entrepreneurship will be a longer process for more established, traditional firms and the leadership will play a major role in this change in culture. But, it is no less important for them than it is for the newly formed global enterprise. Whether a new firm or one with a long history of professional service, the successful PSF needs to be entrepreneurial, with a culture of creativity and innovation, while sustaining valuable and supporting linkages with its other offices, whether functional, operating, regional, or country-based.

Interdependence

The offices of PSFs tend to develop unique specialties, characteristics, and styles that evolve from the people who work there, the clients they serve, and the environment in which they function. Operational diversity can be a valuable asset for the firm. However, when poorly managed, this diversity can also cause inter-office conflicts, power plays resulting in inefficiency, ineffectual communication, and substandard client service.

By integrating the operating, functional, and geographic units of the firm, it is more likely to gain from the diverse '...source of ideas, skills, capabilities, and knowledge that can be harnessed for the benefit of the total organisation' (Koiranen, 2003, p. 347). Particularly creative offices might be designated to assist in formulating growth strategies for the firm; those that have developed exceptionally efficient production operations might perform these tasks for other offices; and those that are especially innovative may be designated as *centres of excellence* to assist other offices in developing new service offerings (Bartlett et al., 2004).

Undoubtedly, executive managers of international PSFs face the major challenge in finding the balance between autonomy and empowerment of the units and firm-wide cohesion. Accomplishing this balance requires subtlety, sophistication, and flexibility to achieve some workable degree of centralisation, formalisation, and socialisation across the firm without diminishing the individual units' uniqueness, drive and energy to pursue and perform (Bartlett et al., 2004). How is this accomplished?

An organisation of diverse units can be unified through vertical and horizontal integration of the individual units to improve overall firm-wide cohesion and business performance. It is important to recognise that international firms today accomplish this differently than firms just a few years ago. Many companies with a long history of international operations coordinated multiple business units through middle managers and the networks they nurtured and sustained. However, with the flattening of organisational structures, the numbers of these middle managers have been dramatically shrinking, resulting in today's integration being accomplished largely through the use of technology. Information technology systems are especially vital, according to Ghoshal and Gratton (2002), for operational integration and intellectual integration, and they suggest, '...the focus of operational integration has shifted to support functions such as finance, human resources, planning and service' (Ghoshal & Gratton, 2002, p. 33). Also, companies are extending this technology network to their clients to integrate the marketing and sales functions to build the trust and confidence so important between the company and its clients in sustaining long-term relationships.

Thus, autonomous operating units that are linked to each other and to the firm's geographical and functional units will be able to '...exhibit a high level of differentiation in the marketplace, [and] have a high commitment to quality when delivering a service...' (Ghoshal & Gratton, 2002, p. 44). However, this is only possible when all elements of the firm take pride in their unique ability to satisfy clients' needs with the help of every other unit in the firm when needed. When done right, this integration and interdependence places them at a high level of competitiveness (Edgett & Egan, 1995). Operational integration produces efficiency, and intellectual integration produces knowledge. Together, they ensure actions taken are based on the sound judgement so critical to PSFs.

But, achieving interdependence is a far more complex undertaking than might be implied from the connection of business units or by assisting to satisfy clients' needs. Real interdependence is the result of social and emotional ties. Social integration is peer-to-peer contact designed to improve performance across business units and should be inspired by group performance and reward systems. Emotional integration comes from commitment to a common purpose and forms a common identity. Reward systems, shared achievements, and trusting relationships are the antecedents of emotional integration. The firm demonstrates interdependence with social and emotional integration (Ghoshal & Gratton, 2002). When this integration is accomplished, those in the firm see it as a whole rather than a collection of haphazardly connected offices. Now the firm has a common culture that evolves its core values - its ethics, level of transparency, respect for others, and client-focus. Governments should note this bonding force when engaging, studying, and regulating international PSFs.

Continuous learning and knowledge diffusion

Successful international PSFs recognise that they exist today in a continually changing environment. Some of the changes are slow and almost imperceptible, such as cultural shifts and business-place attitudes. Others, such as natural disasters, man-induced conflicts, taxation policies, intellectual property infringement, and cross-

border trade restrictions, can be relatively swift and have high impact in the short-run. As a result, international firms find the need to be continually alert and to have the capacity to quickly diffuse information throughout the firm.

According to Mitchell and Coles (2003), top performing companies never stop learning and improving; they are '...frequently making fundamental improvements in several dimensions (the 'who', 'what', 'when', 'why', 'where', 'how' and 'how much' of delivering value to customers and getting paid for it) of the business models at once for serving their customers, end users and other important stakeholders' (Mitchell & Coles, 2003, pp. 15-16). They create and sustain their competitive advantage by being innovators, and they get paid substantially more as a result. They recognise that competitors can easily copy product/service innovations, so they are agile, continual learners.

These firms place a great deal of emphasis on monitoring and supporting innovation because it is critical to their success, even though they know change can be difficult, even destabilising when not managed properly. Therefore, organisations must be structured to encourage acceptance of change and vigorously pursue its adoption. But, the success of an innovation is dependent upon many factors - factors that often have complex and interdependent relationships (Frambach, 1993), and successful innovations must result in a payoff in the form of a competitive advantage, improved shareholder returns, or cash (Andrew & Sirkin, 2004).

The way firms gather information and diffuse knowledge throughout the organisation can be critical for their marketplace viability, according to Porter and Stern (2001). For PSFs, the gathering and use of knowledge is of special importance given that client satisfaction is determined by the client's expectations for the service encounter, the difficulty in evaluating service offerings, the intricacy of the client-firm relationship in multi-project B2B service encounters, and the problems resulting from service failures (Barr & McNeilly, 2003; Best, 2000; Cronin & Taylor, 1992; Parasuraman, 1987; Patterson, Johnson, & Spreng, 1997).

Consequently, executive managers of PSFs recognise that the strategic initiative has shifted internationally from the allocation of capital to the distribution of knowledge. When successfully disseminated, this contemporary knowledge permeates all levels of the firm and is '...embedded in the relationships of work groups - those closest to customers, competitors, and technology' (Bartlett & Ghoshal, 2002b, p. 8). It must support decisions made at every level and unit of the firm, so the service providers can solve problems, avoid political quagmires, comply with a multitude of laws and regulations, and rapidly integrate technology without consideration for national boundaries. In this multi-faceted, dynamic environment, firms will rely more heavily on their transnational management support systems to better understand and respond to the markets in which they operate (Eom, 1994).

Market orientation

The dissemination and use of knowledge closely parallels market orientation, which Jaworski and Kohli (1993, p. 54) define as having '...three sets of activities: (1) organisation-wide *generation* of market intelligence pertaining to current and future customer needs, (2) *dissemination* of the intelligence across departments, and (3) organisation-wide *responsiveness* to it'. Market orientation is a significant determinant of an organisation's performance, irrespective of the intensity of the competition, changes in the marketplace, or the influence of technology.

A firm's market orientation depends on the emphasis that its managers place on it, and their willingness to accept some level of market risk. However, a firm can only be responsive when it is close to its clients and the reward systems are market-based (Jaworski & Kohli, 1993). But, market orientation in and of itself is not the only determinant for improved firm performance. Market orientation leads to client satisfaction, and client satisfaction leads to performance. Therefore, '...superior customer value is the intermediate construct that connects market orientation and performance' (Guo, 2002, p. 1156). The value of a PSF's client relationships is

closely linked to client satisfaction, which is a multi-faceted set of issues that are highly dependent upon the client's expectations.

As a result, PSFs must understand more than the objectives of their clients on a specific project or the motivations of the often numerous players that make up the client's buying group in a B2B relationship. They must also be able to anticipate and manage the client's expectations of the service outcome, because expectations and satisfaction are positively correlated. Szymanski and Henard (2001) demonstrated that organisations should strive to exceed their clients' expectations, i.e. delight clients, because simply meeting expectations may result in only satisfactory results and falling short of clients' expectations can reduce the probability of future purchases.

The success of a firm's client orientation extends beyond its intelligence gathering. The PSF must be in a position to act on this information, and the first step is the dissemination of knowledge throughout the firm. Then, the units of the firm must work together cooperatively to satisfy the client. The integration of the firm's various units has been found to facilitate market orientation, while conflict will likely reduce it (Jaworski & Kohli, 1993).

PSFs are typically organised around functional units, such as engineering companies around engineering disciplines or legal firms around the various types of legal service provided. A market-oriented PSF will be organised around clients and the processes necessary to satisfy their unique needs, but country laws may in effect preclude such an organisational structure. For example, the US's Sarbanes-Oxley legislation effectively prevents accounting firms from linking various services performed by the firm for a particular client. Firms with a functional organisation need to coach employees in client communications, outpacing the firm's competitors, and learning how to make and act on decisions based on client information (Day, 1999a). But, this is no easy undertaking for international PSFs that have followed the traditional functional approach versus a client-centred approach.

PSFs in the international marketplace that desire to improve their performance by implementing a market orientation depend on managers who have a diverse skill set, an intense client focus, and an ability to maintain cohesiveness - managers who are leaders, talent scouts, and firm-wide developers. The firm's business managers and service-sector managers should serve as strategists and coordinators responsible for competitive positioning and driving firm-wide scale economies. Functional managers should continually scan the environment and champion innovative ideas, best practices, and leading edge applications throughout the organisation. Finally, the country managers need a sense of local clients' needs and how to draw on the firm's resources to satisfying those needs, as they monitor the competition and position local service offerings. These are challenging yet exciting roles for the PSF's managers, particularly when they understand their role in the firm's success (Bartlett & Ghoshal, 2003).

However, PSFs will not be successful if they feel compelled to '...try to respond to whatever their customers say they want, without exercising any discipline' (Bartlett & Ghoshal, 2003, p. 5). A PSF must know its strengths and its target market; otherwise, it risks straying from a position of strength and leading-edge capability in the provision of its services to its clients. Firms fail to be market oriented when they are too product-centred, i.e. focused on their service offering. These firms believe they are so good that they know more than the client (Day, 1999b).

Methodology and results

This study included in-depth interviews with 12 seasoned, highly experienced professional service providers in engineering, architecture, and law. Twenty-six additional firms completed surveys, with surveys received from the earlier-mentioned professions and accounting. The written questionnaire was adopted from Neill and Rose

(2006) to measure the effect of organisational complexity on marketing strategy and from Chang and Chen (1998) to measure the effect of market orientation, service quality, and business profitability on organisational performance. The relationship between client satisfaction, firm performance, pricing, and professional conduct was assessed by the survey. The interviews provided additional interpretation of the results.

This study found that professional service firms that operate in the B2B/G marketplace are unique. For example, empathy is one of several factors consumers use to evaluate service quality (Parasuraman, Berry, & Zeithaml, 1990), but it is believed to be of little consequence in B2B/G client relationships. The results showed that it was not significant and it did not come up in the interviews. A significant difference between B2B/G and B2C (business-to-consumer) customer relationships is in the number of clients. PSFs have a relatively small number of clients compared with professional service firms that provide their services to consumers, such as dentists and optometrists. Therefore, extrapolating information gained from consumer service markets to business and government service markets is questionable.

The interviews conducted with professional services providers as well as the survey results showed that there is a high degree of emphasis on ethical, professional conduct, while struggling to find the means for gaining a competitive advantage and sustaining profitability. Table 1 shows that professional services providers believe that their experienced clients value ethical conduct, especially when the firm is hired as their advocate, which might usually be the case when governments hire firms to advance, advocate, or implement policy.

Table 1. Perceived importance of professional service firms' ethics to clients.

expc1: we exceed clients expectati ons	expc10: clients know our fee at the beginni ng	expc11: clients understa nd our processe s	expc2: expectati ons are realistic	expc3: employ ees know what clients want	expc4: clients know what they need	expc5: we expla in what we cann ot do	expc6: expectatio ns are fuzzy/uncl ear	expc7: expectati ons change	expc8: lot of time educati ng clients	expc9: clients see us as their advoc ate
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Note: Kruskal-Wallis test; Grouping variable: profo5: clients value our ethics.

Chi-square	2.235	0.234	4.551	4.616	3.288	6.139	0.089	2.052	0.085	1.445	4.640
df	1	1	1	1	1	1	1	1	1	1	1
Asymptotic significance	0.135	0.629	0.033	0.032	0.070	0.013	0.765	0.152	0.771	0.229	0.031

Results showed that PSFs perceive that their competitive advantage rests not only with their ability to conduct themselves ethically, but also with their technical expertise and unique knowledge base to advocate for their clients, as shown in Table 2.

Table 2. Perceived importance of professional service firms' advocacy and technical expertise to clients.

	expc1: we exceed clients expectations	expc10: clients know our fee at the beginning	expc11: clients understand our processes	expc2: expectations are realistic	expc3: employees know what clients want	expc4: clients know what they need	expc5: we explain what we cannot do	expc6: expectations are fuzzy/unclear	expc7: expectations change	expc8: lot of time educating clients	expc9: clients see us as their advocate
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Note: Kruskal-Wallis test; Grouping variable: prodo6: expertise is our competitive advantage.

Chi-square	3.111	0.715	1.553	2.292	3.194	0.898	0.140	2.319	0.008	1.783	6.116
df	1	1	1	1	1	1	1	1	1	1	1
Asymptotic significance	0.078	0.398	0.213	0.130	0.074	0.343	0.709	0.128	0.927	0.182	0.013

Furthermore, when correlating client-based performance factors with service quality factors, it was found that providers of professional services believe their clients view service quality, to some degree, in the context of being able to trust their professional's judgement (reliability). These PSFs perceive that their clients will continue to engage them when they show evidence of believing in their own judgement by demonstrating assuredness, as seen in Table 3.

Table 3. Perceived importance of professional service firms' reliability and assuredness to clients.

Cross-tabulated variables with chi-square <0.05	Contingency coefficient
sqf5: clients trust our judgement (reliable) *perf4: quality of service is client based	0.589
sqf6: we believe in ourselves (assured) *perf10: repeat business is client based	0.633

These results show that PSFs view expertise, professional judgement, and ethical conduct as having an effect on client relationships. These are more than likely reflected in the firm's core value - explicitly, implicitly, or both. Furthermore, it was found that PSFs hold a decidedly product orientation bias versus a client orientation. Professional service providers interviewed commonly used the term 'practice' when describing their method or way of doing business. They view themselves as experts and frequently expressed frustration with clients that do not understand 'what is best for them'. In interviews, professional services providers recognised that only their most astute clients are able to completely understand the full range of factors that must be considered when professionals are advising them, especially given the oftentimes esoteric and complex circumstances.

Conclusions and implications

PSFs functioning in these highly competitive international marketplaces have adapted a flat, entrepreneurial organisational structure that emphasises state-of-the art technology and communications. However, there is a reluctance and/or inability to be truly market-oriented. Some PSFs have difficulty effectively assessing and understanding their clients' expectations. This may prove to be a critical factor in their relationship with their clients, particularly government clients operating in the global marketplace. Results showed that PSFs do not have a balance between market orientation and product orientation.

It was found that PSF's core values match closely with government policy to produce satisfactory outcomes for their government clients. What are the implications of these findings? Rueda (2007, p. 28) states, 'Hiring outside consultants is a global trend that over the last few years has shown up more in federal, state and local governments'. However, there is little performance data compiled by governments engaging PSFs.

While this study did not distinguish between public (governmental) and private clients (business and industry), both sectors expect the PSF to be responsive, and the survey results bear this out. Understanding the core values of the PSFs could be helpful for governments in determining which PSFs best suit their needs in advocating and implementing public policy. This knowledge of core values puts pressure on the governments that engage them. At the same time, PSFs are confronted with the immense challenges of maintaining profitability, high levels of service quality, ethics, and professional standards. PSFs that understand this relationship can assist their clients in succeeding in the complex, competitive, and changing marketplace. With their expertise, solid client relationships, technical savvy, and knowledge support systems, an opportunity exists for PSFs to satisfy their clients. Professional service firms will perform best when they function as entrepreneurial, market-oriented enterprises that link all units of the firm through a pervasive set of core values. Their success will be measured by their ability to remain entrepreneurial and innovative. Governments that engage them will be more satisfied when their core values work in harmony with government policy.

Future research

The study could be expanded with an international sample of PSFs to explore if the results are generalisable. Additionally, a longitudinal study could be conducted that would provide particularly valuable information to academicians and practitioners. The results could have direct implications for human resource management strategies, marketing and sales programmes used by internationally expanding firms, and for service quality management in PSFs. Additionally, governments could find ways to better improve their selection and engagement of professional services providers. Differences in cultural and ethical considerations may emerge and be important for international business expansion and understanding.

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