

INTERNATIONALIZATION OF KNOWLEDGE-INTENSIVE BUSINESS SERVICE FRANCHISE TO GREAT BRITAIN

Case study: Finnish Company Acquisitions Ltd

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ABSTRACT

Innovation is an important driver for growth in today's business world. Knowledge is a vital part of innovation and thus it has created a niche market of knowledge-intensive business services. Internationalization is a global trend in many business branches and especially internationalization of services has become more common. Thus internationalization of knowledge-intensive business services is a relatively new area of study and it has not been studied much.

The aim of this research is to find out the potential methods of how a KIBS franchise company could expand its operations overseas. The main research problem is:

How to internationalize knowledge-intensive business service franchise to the Great Britain market?

The sub-problems supporting the main research problem are:

How to franchise knowledge-intensive business services?

How to internationalize knowledge-intensive business services?

How to find partners from Great Britain?

This research is approached with internationalization process of a case study company that is a knowledge-intensive business service provider and operating in a franchise mode. The case study data was collected by theme interviews. There were two interviews made, an industry expert of knowledge-intensive business service who has experience from Great Britain's market and the CEO of the case study company. In the case study there is an internationalizations strategy developed for the case study company. That includes internal analysis giving a thick description about the company and its service offering, and it also explains the knowledge management and motivation behind internationalization of the case study company. And the internationalization strategy includes also external analysis explaining the reasons of the target country choice, relevant business environments, and actors in the industry. Based on the case study findings suitable suggestions for internationalization approach and methods for the case study company are given.

The case study company is a business consultant in mergers and acquisitions industry. The company used to be pioneer in its business in Finland, is currently the largest operator,

and has created the widest market place for company sellers and buyers. The services are including, for example, company value determinations, efficiency and profitability analysis, industry analysis, contract consultation, tax consultation, seeking the potential buyers and sellers, legal consultation, marketing and advertising, sales negotiations, establishments, shut-downs and after sale services.

The basic steps in internationalization are the market knowledge about the foreign market that will help the management to make the commitment decisions to the market thus the commitment activities creates the market commitment of the company. Knowledge-intensive business services use multitude of modes to internationalize. There are several indicators for the decision of where to go and market knowledge is one of the strongest ones.

Traditionally companies internationalize to countries with shorter psychic distance. The target country in this research is Great Britain. For the case study company there exist earlier experiences of other Finnish companies at the market, franchising tradition in Great Britain and common language of English. The case study company has small activities with the neighboring countries and within its industry there are several contacts around the world.

In Uppsala internationalization model Johanson and Vahlne (1977) introduce four stages of internationalization process. The stages are developed mainly due to the lack of knowledge at the beginning. The knowledge is increased via time and experience and thus the level of internationalization increases. The international activity could be for example contractual transfer such as licensing or franchising, joint venture such as partnership, consortium or affiliate, or wholly owned operation such as subsidiary, office, branch, or representative.

One of the major motives for knowledge-intensive business services companies to internationalize is to seek growth. Thus, many KIBS companies are born global and the ones, which are not are seeking for growth by going overseas. There is various kind of market and environment related push and pull motives for KIBS to internationalize such as government regulations, potential customer mass, language differences, cultural differences and similarities, industry specific factors, technology available, and costs. The motives of the case study company were larger markets and large potential customer mass.

The internationalization focus of the case study company is to create similar franchising chain and network to Great Britain in order to reach central Europe better. Franchising itself is an issue of challenge with knowledge-intensive business service company. Knowledge management has a high priority in this kind of business. The core knowledge inside the company is formed from explicit knowledge, tacit knowledge and organizational values. The environment of knowledge-intensive business services is complex and therefore knowledge management is an important factor in the success of the company.

The special characteristics of KIBS companies are the knowledge-workers that they possess. They are the critical asset of the company and primary means of production of the service.

In order to create such network the case study company must seek partners from Great Britain. Partnering framework in this research consists of the market features, partnering motivation, partnering process and then outcomes of the partnership. The partnering process consists of five phases that are preliminary phase, where the target country and aims of partnership are identified, identifying potential partners, screening and selecting, and then establishing the relationship, and finally evaluating the relationship. Screen and select is one of the most critical phases in this process. In Great Britain suitable ways to identify potential partners are industry specific meetings, conferences and fair trades. Various companies and government projects also help and give out databases where to find partner. Great Britain is generally known as a franchise friendly country.

Knowledge management was found to be a high priority in knowledge-intensive business services, in franchising, in the internationalization process and in partnering. Knowledge management is a large part of the service formation in knowledge-intensive business services, since knowledge center is one of the core resources of the company. That knowledge needs to be protected and still safely distributed and shared inside the company. That can be done, for example, by passwords and contracts. Thus the information can easily and cheaply be distributed, when it is in electronic form and located online.

The theoretical gap has been covered by thick description of the case study, which presents how KIBS can be franchised, how a KIBS company could internationalize and how to find partners in Great Britain. The case study company represents well how KIBS is successfully franchised. There is evidence that KIBS could be internationalized by franchising. In order to do that knowledge management must be carefully planned and handled, which in this research already existed in the case study company. Thus, knowledge management is important also in partnering which is the first step in franchising.

The managerial implications of the research are concentrated on knowledge management and partnering in the process of internationalization. The suggestion for the case study company managers is to find out and take part to industry related trade fairs and conferences held in Great Britain. In those events the company should start to network with potential partners and to start contacting with the suitable ones in order to find mutual motives and aims to the partnership relationship. When a suitable contact exists the case study company could start to move the system to the Great Britain market.

Managerial implications for other KIBS companies, would be the idea of the knowledge-management system of the case study company and based on that how to

franchise KIBS. Other companies could also take the model of seeking partners in Great Britain. And thus, to see what are the motivations to go international and what affects to the decision of the target country choice.

Further research of this study could be about the success factors of the internationalization. The main research problem being: *How to evaluate the internationalization process and performance of knowledge-intensive business service.*