

MARKET ENTRY STRATEGIES BY INDUSTRIAL SERVICES FIRMS

Master thesis
Business Administration
International Management

by
N.J.B. Striekwold

University of Twente
Enschede, The Netherlands

May 2009

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Graduation committee:

Supervisor: Drs. P. Blik

Second supervisor: Ir. S.J. Maathuis

Preface

This graduation thesis was written for the Master of Business Administration, track International Management at the University of Twente. The assignment started on the basis of a request by SPIT elektromechanica, an industrial services firm that wants to internationalize its current activities. This report gives an insight into the important factors of internationalization as perceived by two industrial services firms. It gives SPIT elektromechanica an insight into how other industrial services firms have tried to internationalize and the way these firms are succeeding internationally. Furthermore through this thesis a contribution is made to scientific knowledge, by placing the focus on the importance of the nature of the buyer-client interaction within the internationalization process of industrial services firms.

It has been a great pleasure writing this thesis. It enabled me to gain experience in the field of research, with specific regard to internationalization theories and models. It gave me the opportunity to learn more about myself and to apply knowledge gained during the master of Business administration. It was a long process in which I have learned a lot.

I would like to thank the employees of SPIT elektromechanica, for their practical advice and support during my thesis, and in particular Mr. Ent for providing the opportunity to perform my thesis assignment at his company. I would also like to thank Mr. Blik, Mr. Ruel and Mr. Maathuis for supervising my thesis and guiding me through this assignment. Furthermore I could not have finished my thesis without the help of my family and friends. It has been a tough period and their motivating words and support kept me on track and ensured that I continued writing my thesis.

I hope this report will provide the reader with additional knowledge and insights into the internationalization of industrial services firms.

N.J.B. Striekwold

Almelo, 15th of May 2009

Executive summary

The industrial services firm SPIT elektromechanica wants to expand its activities to the international market. Prior to international market entry, it is important to take a look at whether the industrial services firm even has the resources and capabilities necessary for international market entry, and whether the external environment of that foreign market is sufficiently attractive. Because the internationalization of industrial services firms has been given little attention in international management literature, a foreign market entry strategy model for this type of firm is proposed here. The research problem of this research is defined as follows: *What factors are important for the internationalization of industrial services firms?* The answer to the research problem was obtained through interviews held with industrial services firms already active on the international market. Research of international management literature was done and two industrial services firms were interviewed. This research concluded that the two dependent variables “industrial services characteristics” and the “nature of the supplier-client interaction” have an influence on the two independent variables “entry mode choice” and “services marketing plan”. For one firm this is portrayed in the transfer of employees, while the other firm prefers to cooperate with local agents and representatives, or establish a foreign service workshop (either through a joint venture or a sole ownership). The industrial services characteristics require the firm to be closely situated to the foreign client. Both industrial services firms became internationally active through home country clients’ requests to follow them overseas, to perform assignments in foreign markets for them.

The advice for SPIT elektromechanica is to focus on the relationship with its home country clients. Through these clients it will be able to obtain assignments in the foreign market. An easier foreign market entry might also be done through the use of an agent and representative, who knows the local language and culture. Opening up a service workshop might also be a good idea, enabling the firm to respond quickly to customers’ demands.

This paper gives industrial services firms an idea what factors should be taken into account before international market entry. It stresses the importance of the nature of supplier-client interaction as an important factor to analyze. For international management research purposes this questions the relevance of general foreign market entry strategy models for industrial services firms and adds reasons that it requires the analysis of additional factors to be included. It shows that an additional entry mode should be added: the transfer of employees to foreign countries.

Limitations of this research are that it is based on two case studies only. Future research should therefore include more industrial services firms that have international experience.

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1. Introduction

1.1 Background and objective

This thesis started by request of the industrial services firm SPIT elektromechanica. This firm gave notice of its intentions to start a services branch in Germany. It appeared that no specific internationalization theory exists for this type of services firm. Entry strategies for foreign markets have been broadly dealt with in the literature, but most theories are aimed at manufacturing and service companies. Hardly any focus is placed on the different types of both companies. Especially few theories and models have been developed in the area of services firm internationalization (Javalgi and Martin, 2007). This is also the case for industrial services firms. These days industrial services are becoming more and more important. Industrial firms are becoming, next to manufacturing products, more dedicated to the provision of services. It is not sufficient anymore to improve profitability through just selling products, but it has to come from providing customers with maintenance and spare parts (Johansson and Olhager, 2004). Machinery is also becoming more and more complex, increasing the demand for maintenance and support and making industrial services more important every day (Nobs et al, 2007).

This research serves two purposes: 1) to provide a contribution to current international management literature by the development of a foreign market entry strategy model for industrial services firms; and 2) to provide SPIT elektromechanica with a framework that it can use for foreign market entry.

1.2 Research problem

Based upon the background of the research and the formulated objective the problem formulation is defined. The following aspects are considered here:

- This research was an initiative of the industrial services firm, SPIT elektromechanica, which means that theories and models developed here, are of relevance to this firm. Therefore focus is placed on the internationalization of industrial services firms.
- Because of the limited availability of entry strategy models for industrial services firms, existing entry strategy models for services firms and manufacturing firms were reviewed, as well as specific characteristics of the industrial market.
- In this research focus is placed on the influence of the industrial service characteristics and the nature of the supplier-client interaction on the entry mode choice and services marketing plan. Motivation behind this can be found in the literature review. This means that other internal and external factors are only described briefly.

Based on the above statements and the formulated background and objective, the problem formulation is defined as follows: *Which factors are important for the internationalization of industrial services firms?*

The output of this research is a market entry strategy model for industrial services firms based on a literature review and interviews done held with industrial services firms that already developed activities in foreign markets.

1.3 Research questions

This research is focused on the development of an entry mode choice model for industrial services firms that want to expand their activities to a foreign country. Before entering a foreign market, it should be identified whether the organization even has the resources and capabilities to do this. The more resources and capabilities available, the more entry mode options are available and the more resource commitment is possible (Coviello and Martin, 1999; Grönroos, 1999; Javalgi and Martin, 2007; Root, 1994). The competitive advantage the industrial services firm is able to derive from its resources and capabilities, results into advantages in the foreign market. This enables the firm to obtain greater profits than otherwise would be attainable. It results into superior marketplace performance and financial performance for the firm (Grönroos, 1999; Javalgi and Martin, 2007). Prior to international market entry, it is important to analyze the characteristics of the foreign market. Without knowledge about that foreign market, it is not clear whether even a demand exists for the firm's products and

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services (Javalgi and Martin, 2007; Root, 1994; Grönroos, 1999; Ekeledo and Sivakumar, 1998). Both the firm's resources and capabilities and the characteristics of the foreign market help to define the foreign market entry strategy the industrial services firm has to pursue.

The following research questions have been formulated to help get an answer to the research problem :

- 1. Which are the important factors for the internationalization of industrial services firms that can be derived from international management literature?*
- 2. What factors determine the internationalization of industrial services firms in practice?*
- 3. How can the identified important factors for internationalization be adapted, given the conclusions drawn from the internationalization of industrial services firms in practice?*
- 4. What advice can be given to SPIT elektromechanica, based on the factors identified?*

To give an answer to these research questions, a review of theories and models about entry strategies was done. First a conceptual entry strategy framework for industrial services firms was drawn up, that was later compared with industrial services firms that already execute assignments internationally. A further explanation of the research approach and methodology used, can be found in chapter 3 "Method".

1.4. Purpose

The purpose of this research is a proposal for a theoretical framework for internationalization of industrial services firms and an investigation of these findings in the context of a few industrial services firms. This thesis tries to contribute to current scientific knowledge by the identification of a foreign market entry strategy model for industrial services firms. It also provides SPIT elektromechanica's management with an entry strategy model specifically adjusted to their type of firm. This entry strategy model will help SPIT elektromechanica in identifying the foreign market opportunities, its own competitive advantage and how it should organize foreign market entry activities.

1.5. Delimitations

Because of limited time and availability of resources, there are a few boundaries to this research scope. First of all, this research focuses on the influence of the industrial service characteristics and nature of the client-supplier interaction on the entry mode choice and services marketing plan. This does not imply that other factors are not considered important for international market entry. Second of all, the investigated companies in this research are competitors of SPIT elektromechanica to give the firm an idea these industrial services firms entered foreign markets. Industrial services firms that offer a different kind of products or service were not included. This scope limited this research to only two situations in practice.

1.6. The case company: SPIT elektromechanica

SPIT elektromechanica is an engineering services company offering industrial clients electrical and mechanical solutions. It sets out to help its customers find the most cost-efficient and efficient use of their automated production means and provide them with the levels of service that they require. It's product range consists of drives, motors, servo's, reducers and nootua. SPIT elektromechanica's main supplier for motors and drives is ABB, SPIT being its 'Drives alliance partner'. SPIT has three branches, located in Almelo, Apeldoorn and Breda. It is a small sized company with approximately 50 employees. SPIT has customers in the following industries: pulp-and paper industry, energy generation and distribution, plastics- and rubber industry, (petro)chemical industry, shipping industry, (semi) government and food industry. These customers are mostly situated in the Netherlands. SPIT has not placed a specific focus on either one of these industries, but uses the same approach for all of its customers.

Internationalization: SPIT's desire is to expand into new markets outside the Netherlands. According to this firm, Germany is geographically seen much more interesting than North- or South Holland, because it is situated only 15 kilometers from the German border. It also believes that there are market opportunities for the replacement of motors and drives, revision, technical malfunctions and

ad-hoc service. Another reason is that SPIT's main supplier ABB is currently having problems serving the German wind energy market. It believes SPIT would be the ideal partner to do this for them, through the combination of providing motors and drives and performing maintenance and repairs. SPIT's initial plan is to enter the German market through establishing a SPIT-branch in the 'Technologiehof' in Münster. This branch would be focussed on providing high-quality service to the windmill users. It's reasons for choosing Münster are: the strategic situation with regard to the strongly industrialized Ruhrgebiet and the University of Münster which has a 'renewable energy' department, focused on wind energy.

The added value this thesis will bring is to provide a plan that helps the firm analyze factors necessary for internationalization, both factors in the industrial services firm and external factors of the foreign market. It also gives SPIT an idea how other industrial services firms entered the foreign market, which factors they perceived as being important for internationalization, which type of entry mode they used and how they established their businesses in foreign countries.

1.7 Structure of the research

To present an overview of the research done, it's research structure is presented below (figure 1.).

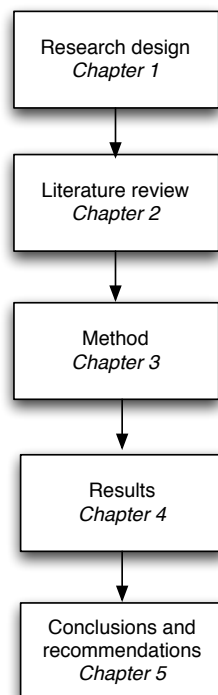


Figure 1: Research structure

2. Literature review

2.1 Introduction

Industrial services are becoming more and more important for manufacturers of industrial goods. Machinery complexity is increasing, resulting into rising demands for support and maintenance services, making industrial services far more profitable than the sales from its core products. Industrial services also provide a differentiation potential and competitive advantage, as services are harder to copy. The close cooperation and involvement with the customers supplies these manufacturers with market information, such as customer's demands. Enabling the firm to seize on the new market developments and improve their own products and services (Nobs et al., 2007). Technological advances are becoming more and more complicated, which requires more design, production, promotion and maintenance services. These services are more and more being contracted out, as production firms tend to focus more on their core business. Furthermore due to specialization by service providers, they are able to provide functions at a lower cost and better performance than can be provided by the user firms themselves (Gross et al, 1993). It is not sufficient anymore to just sell the product, but *"the real impact on profitability comes from exploiting downstream opportunities, by providing customers with products, such as financing, maintenance, spare parts and consumables"* (Johansson and Olhager, 2003). Since this industry is growing so rapidly, more and more interest is being paid to the internationalization of these industrial services. But internationalization theories for these types of services are still lacking. Therefore an entry strategy model for industrial services firm was developed here. This required an examination of several theories and models, to be able to identify the unique aspects of industrial services firms and their influence on the internationalization process of the firm.

2.2 Theory consideration

2.2.1 Variety of entry mode choice models

The selection of an appropriate foreign market entry mode is very important because of the possible large consequences for the industrial services firm's performance and survival on that market. An inadequate choice might lead to financial losses, block opportunities and limit the number of strategy options available to the firm. Ekeledo and Sivakumar (2004) state that *"to facilitate the adoption of an appropriate entry mode, it is necessary to have conceptual models that are rooted in sound theories"*. Literature about entry mode choice models is widely available, including theories such as the TCA-theory, RA theory, strategic behavior theory, eclectic theory and the stages theory (Malhotra et al, 2003). While manufacturing firms have already been on the research agenda for over 50 years, the internationalization of services has received little attention and is still lagging behind (Javalgi et al, 2003; Netland and Alfness, 2005). Theoretical developments did not keep up with worldwide developments and globalization of services. Internationalization literature shows different opinions about the applicability of international entry mode strategies of manufacturing firms on service companies (Ekeledo and Sivakumar, 1998; Grönroos, 1999). Therefore a closer look was taken at the specific characteristics of the industrial market, services and industrial services in particular. This is described in larger detail in Appendix 1: Industrial market and services. These were taken into account for the choice of an appropriate entry strategy model for services and the development of a conceptual entry strategy framework for industrial services firms.

2.2.2 Choice of entry strategy model

Hardly any model for service firms' internationalization could be found. That might be considered odd, because the industrial services firms' internationalization is perceived to be a lot more difficult than the expansion and sales of a product. A product can be gradually placed on the foreign market, whereas services must be immediately introduced. The industrial services provider has to immediately produce its services in that foreign market and deal with its customers and their needs, requiring the immediate organization of on-site procedures, controls and processes. For successful foreign market entry a business services firm should pay special attention to the design of its services and quality control (Hutt and Speh, 1998).

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The extended theory consideration lead to the choice of three entry strategy models, developed by Ekeledo and Sivakumar (1998, 2004), Javalgi and Martin (2007) and O'Farrell and Wood (1994, 1998). These most clearly explained the important factors for foreign market entry, for services firms in general. These models are explained below.

Entry strategy model Javalgi and Martin (2007)

These authors developed an internationalization model that provides a useful insight into the internationalization of services in general. This model dictates that for services firms' internationalization the following should be analyzed: firm level resources, management characteristics, firm characteristics, competitive advantage, international advantage, the degree of involvement/risk and host country factors (Javalgi and Martin 2007). These are shown below in Figure 5. This models' weakness is a poor explanation of these factors. The authors state that a different model might need to be developed, such as the unique service characteristics, market characteristics and level of the firm's involvement in the internationalization process. Therefore a second model was reviewed: a foreign market entry mode strategy model developed by Ekeledo and Sivakumar (1998, 2004).

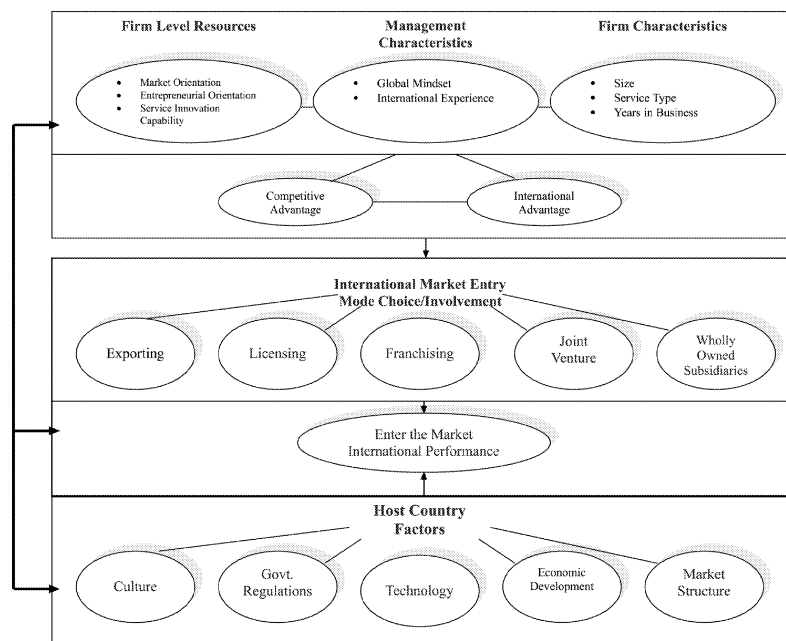


Figure 5: Internationalization of services (Javalgi & Martin, 2007)

Entry strategy model Ekeledo and Sivakumar (1998, 2004)

This model was chosen because it makes a distinction in types of services and their specific characteristics (Figure 6A). A product is first classified into either goods or services (and further into either a hard or soft service), after which the internal (product factors, corporate goals & objectives, corporate strengths & weaknesses) and external environment (host country market factors, political & sociocultural factors, economic infrastructure, trade barriers, home country factors) are considered. This model was later extended, as shown in Figure 6B. Here the external environment consists of host country factors and home country factors. The internal environment has been replaced by firm-specific resources. The appropriate entry mode is displayed as *“as a function of the interplay of firm-specific resources, home country factors, host country factors, nature of the product and degree of control sought by the firm”* (Ekeledo and Sivakumar, 2004).

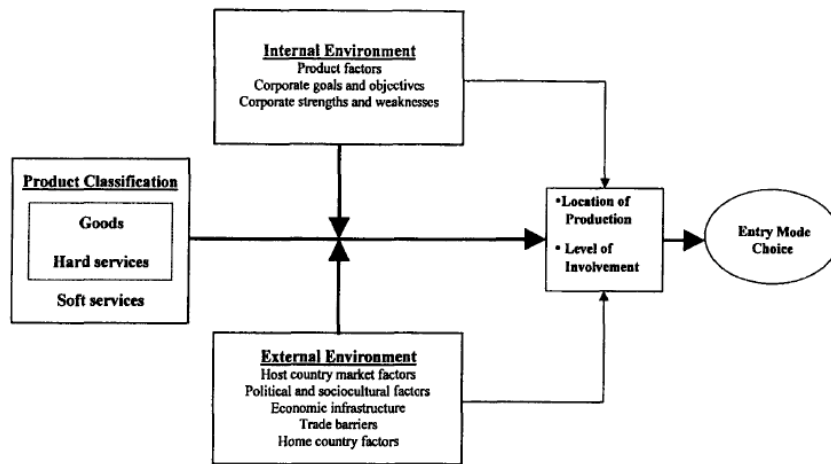


Figure 6A: A model of foreign market entry mode strategies for service firms: a contingency view (Ekeledo and Sivakumar, 1998)

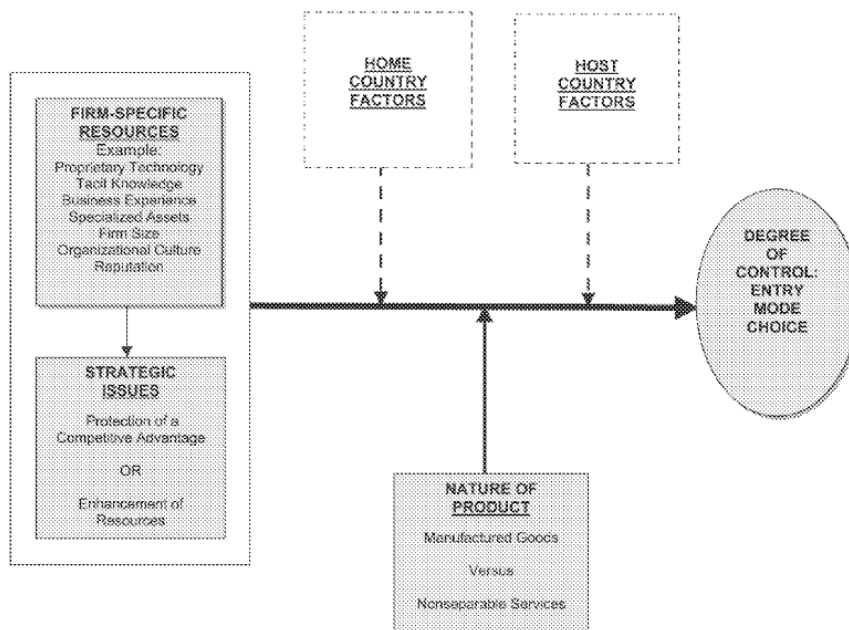


Figure 6B: A model of resource based view of a firm's entry strategies (Ekeledo and Sivakumar, 2004)

This entry strategy model is focused on both products and services firms. According to these two authors, most companies do not focus on either the provision of services or goods, but it mostly involves a combination of the two (Ekeledo and Sivakumar, 1998). This model is considered of large importance within the research. But this model is not specifically designed for industrial services nor have the

identified factors been tested thoroughly through representative samples, which is due to a failure of securing these samples. These two models are perceived as incomplete, because of their focus on services firms in general. Therefore specific characteristics of industrial services firms that influence their internationalization have been added, resulting into a conceptual entry strategy model for industrial services firms.

Both entry strategy models mention that for the firm to be able to make a decision about the foreign market entry mode it is important to analyze its internal and external environment (Ekeledo and Sivakumar, 1998, 2004; Javalgi and Martin, 2007). Both are resource based theories stating that a services firm adopts a strategy that it's resources can support and competes well in a setting with a fit between external opportunities and the firm's resources (Ekeledo and Sivakumar, 2004). The entry strategy model for services firms should be a function of the interplay between the services firms' resources and characteristics, foreign country factors and the degree of control sought by the firm (Ekeledo and Sivakumar, 2004).

Another theory that was perceived important is the internationalization theory by O'Farrell and Wood (1994, 1998). Their paper reviews major determinants of international market selection, referring to market size, geographic proximity, cultural distance, market similarity, government regulations, firm's international experience, servicing home country clients, oligopolistic reaction and international location choice. It was attempted to make a contribution to internationalization theories for business

services, by “(1) *arguing that the nature, depth, types of modes of interaction between supplier and client will influence foreign market choice*; (2) *by examining change in the organizational form of the investing company and foreign country market selection*” (O’Farrell and Wood, 1998). These authors came to the conclusion that conceptual frameworks for manufacturing firms’ internationalization require modification when being applied to services firms, and that export behavior should be both focused on market entry and foreign market development.

Next to the internationalization theories for services firms, theories based on manufacturing firms were reviewed, which lead to the following conclusions: The focus of entry mode choice models for manufacturing firms models is on product manufacturing and selection of the right production location (Root, 1994; Brouthers and Brouthers, 2003). These theories are constrained by, for example, capital investment requirements (O’Farrell et al, 1998). Service firms tend to need lower levels of financial investment than manufacturing firms. It’s production and delivery actually occur simultaneously and require more investments in “people” (Brouthers and Brouthers, 2003; Erramilli and Souza, 1993). This means that entering a foreign market does not occur in a step-by-step way, a service firm has to immediately face problems (Grönroos, 1999). Another reason is that value creating assets in service firms are more focused on the human capital aspect, instead of the physical infrastructure (Bouquet et al, 2004; Sanchez-Peinado et al, 2007). Because of these aspects this research proposes a different internationalization approach for industrial services firms. It is believed that industrial services require a different entry mode strategy because of these characteristics. Some of the underlying principles might be applicable, but some need to be altered by the specific characteristics of services firms (Sanchez-Peinado and Barber, 2007(b)).

These identified models all have relevant aspects concerning the internationalization of services. But each model has limitations which will have been taken into account. Ekeledo and Sivakumar’s (1998) foreign market entry mode strategy model proposes a product/service classification involving the same kind of internal and external factors to be analyzed. This entry strategy model takes all services firms into account, and is not focused on one type of service firm. It allows for the firm itself to define its services and apply it to the type of services the firm provides, Therefore this model will be considered of large importance within the research. However it is not a model that is specifically designed for industrial services and the factors identified have not been tested thoroughly through representative samples, due to a failure of securing these samples. The model developed by Javalgi and Martin (2007) has been poorly explained by these authors. Furthermore the authors themselves notion the need for a different model, including the unique characteristics of the services, market characteristics, the extent of the firm’s involvement in the internationalization process and other items. The theory by O’Farrell and Wood (1994, 1998) did not result into a specific model for business services, but merely indicates an adaptation of existing models and provides suggestions without giving a decisive answer about the relevant factors for foreign market entry. These authors only conclude that conceptual frameworks need to be modified when applied to the service sector, but do not provide a decisive answer as to what factors should be considered here.

2.3. Industrial services firm analysis

2.3.1 Introduction

An international entry mode decision is influenced by several factors, depending on its internal and external environment. How a firm responds to external forces, depends on internal factors of the industrial services firm, that the industrial service firm is able to use for foreign market entry. It also shows whether the firm is even capable to start activities internationally. Internal environment analysis has been given considerable attention in both entry strategies for services and manufacturing organizations. Industrial market theories also identified that a firm’s resources are very important for the marketing or internationalization of a product or service, because sales personnel and engineers have a close relationship with (potential) clients. It is considered one of the determinants for success in the foreign market (Reeder et al, 1991).

Javalgi and Martin (2007) divided the internal environment of services firms into the following parts: firm level resources, management characteristics and firm characteristics. The weakness of this model is that only examples of firm resources are given and no exact defining resources that important to analyze. Since their importance has been stressed in internationalization literature and a clear overview

is given of these factors, these are included here. Ekeledo and Sivakumar (1998) divided the internal factors into product factors, corporate goals and objectives and corporate strengths and weaknesses. This models' weakness is the consideration of only two items, size and international experience. The second model developed by Ekeledo and Sivakumar (2004) does pay more attention to these resources, which are called "firm-specific resources". This models' weakness is that these resources are only considered examples of firm-specific resources.

Internationalization literature on manufacturing and services firms stated that the analysis of product and/ or service characteristics forms an important part of the internal analysis (Cavusgil and Zou, 1994; Coviello and Martin, 1999; Driscoll and Paliwoda, 1997; Ekeledo and Sivakumar, 1998; Javalgi and Martin, 2007; Theodosiou and Leonidou, 2003; Root, 1994). These were also considered important by Javalgi and Martin (2007), but make up only a small part of the firm characteristics. Ekeledo and Sivakumar (1998, 2004) on the other hand pay more attention to the importance of these product factors. Their study focused on the moderating effects of the type of product on entry mode selection: manufactured good versus non-separable service. But these only underline the differences between goods and services without recognizing the differences between the types of services (Ekeledo and Sivakumar, 2004).

Therefore the internal analysis of the industrial services firm is divided as follows: Industrial service characteristics (2.3.2), Firm level resources (2.3.3), Firm characteristics (2.3.4), Management characteristics (2.3.5) and Competitive advantage (2.3.6). An overview of the internal factors can be found at the end of this chapter (2.3.7).

2.3.2 Industrial service characteristics

Studies focused on the development of entry mode strategies for services firms concluded that it is important to include the specific nature of services to develop an entry mode strategy (Sanchez-Peinado & Barber, 2007; Ekeledo and Sivakumar, 2004; Cloninger and Oviatt, 2007). A few authors have tried to define the impact of these individual characteristics on the entry mode choice. Ekeledo and Sivakumar (1998) believe that the proprietary nature of a firm's assets influences the market entry strategies pursued by firms, but the only characteristics they take into account is the technological content of the product/service. Industrial services also have other characteristics. Jackson and Cooper (1988) identified the following characteristics: intangibility, perishability, heterogeneity, inseparability, specialization and technology. Several authors are of the opinion that these characteristics have an influence on the entry mode choice by services firms (Bouquet et al, 2004; Erramilli and Rao, 1993; Javalgi and White, 2002; Zeithaml et al., 1985), but little research has been done so far on this impact (Johansson, 2008; Cloninger and Oviatt, 2007).

These specific characteristics of the industrial service have an influence on the entry mode choice. Examining these different features of the industrial service forces the firm to take a closer look at its services and unique aspects, and how these aspects influence the firms' competitive and international advantage. A more detailed explanation of these characteristics and their impact on the entry mode choice can be found in the Appendix 2. An overview of the industrial services characteristics is placed below.



Figure 2.2: Industrial services characteristics

2.3.3. Firm level resources

The second part of the industrial services firm analysis consist of firm level resources (Javalgi and Martin, 2007). The authors divided those into market orientation, entrepreneurial orientation and service innovation capability. The weakness here is that it is not mentioned what kind of influence these resources have on the entry mode, what defines a market oriented firm or what elements within the firm ensure a market orientation, entrepreneurial orientation and service innovation capability.

Therefore other authors have been considered for this part and several identified the need for an analysis of the firm's resources (Root, 1994; Koch, 2001; Hooley and Saunders, 2004; Reeder et al, 2001; Driscoll and Paliwoda, 1997; Javalgi et al, 2007; Coviello and Martin, 1999; Kotler and Bloom 1984, etc.). Several authors discussed these resources, such as Barney (1991), Grant (1991), Carmeli and Tisher (2004), Bitran (1993). Authors focussed on both service and manufacturing firms, stress the importance of the human resources and in specific human capital (*"the skills, talent, and knowledge of a firm's employees that are not easily transferred to a different organizational or social contexts"*) (Bouquet et al, 2004), physical resources, organizational resources and reputation. As mentioned in Appendix 1, the emphasis within industrial marketing is placed on the importance of personal selling and service support, it is of the essence to analyze the human capital of the firm that realizes this. Services, such as maintenance differ from the production and sales of goods, due to the large involvement of people within the service process (Kok, 2000). Technological resources are also considered of importance here, as technology plays an important part within the industrial market (Sarathy, 1994). These firm level resources generate a competitive advantage and thereby an above normal rate of return (Javalgi and Martin, 2007). The level of availability of these resources within a firm, gives a preference for a certain type of entry mode. If a firm has only limited resources, exporting or licensing is often preferred, while if a firm has substantial resources, often foreign direct investment is a more likely choice (Root, 1994). The more abundant a firm's resources, the more numerous its entry mode options. The firm level resources are summed up below.

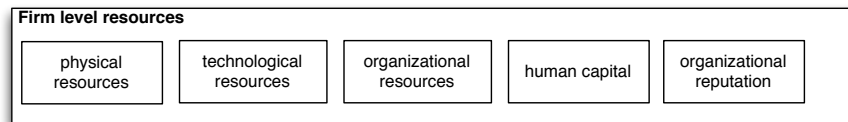


Figure 2.3: Firm level resources

2.3.4 Firm characteristics

Another part of the industrial services firm analysis consist of the firms' characteristics. According to Javalgi and Martin (2007) these are: the size of the firm, service type and years in business/ international experience. The weaknesses of this model is the categorization of these items. On the one hand international experience is part of the management characteristics, while on the other hand it is considered part of the firm characteristics. Here it is believed that international experience is dependent of the industrial firms' management, which is why it is discussed in the management characteristics part, as explained later on. The service type has already been discussed in the industrial service characteristics part. Ekeledo and Sivakumar (1998) mentioned another important firm characteristic: corporate goals and objectives. Therefore focus is placed on the following firm characteristics:

Size: The size of the firm determines which entry mode is chosen. *"The larger the firm, the more likely service firms will adopt sole ownership or a joint venture in a foreign market"* (Ekeledo and Sivakumar, 1998). This is because when a firm wants to enter a foreign market through foreign direct investment it needs considerable human and financial resources. Larger firms have these more widely available, which makes the step towards FDI a lot easier. These firms are less afraid to be exploited by a local partner. The smaller the firm, the less financial, managerial and political resources are available, implying the need to engage in entry modes on the basis of risk and commitment minimization (Sanchez-Peinado et al, 2007). Furthermore, smaller firms are often more involved with their client, have longer-term and more responsive company-client relationships, with experts having a deep understanding of customers needs and problems (Jackson and Cooper, 1988; Brentani, 1995). This also gives an indication of the speed ability to react upon market changes and the firm's ability to absorb costs of foreign investment (Ekeledo and Sivakumar, 1998)

Corporate goals and objectives: Firms with limited goals and objectives often tend to favor entry modes with a small resource commitment. Firms with aggressive goals and objectives on the other hand mostly choose entry mode involving a larger amount of resource commitment and control (Ekeledo and Sivakumar, 1998).

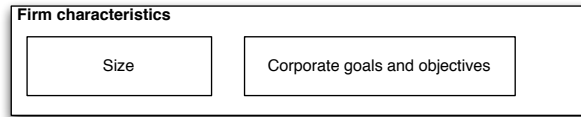


Figure 2.4: Firm characteristics

2.3.5 Management characteristics

The management characteristics reveal the degree of commitment of the industrial services firm to the international business (Root, 1994; Bradley, 1995; Javalgi et al, 2003). These influence the firm's orientation towards internationalization (Javalgi and Martin, 2007) and the ability of management to adapt to the local market. It identifies the level of global mindset and international experience of a services firm (Javalgi et al, 2004; Javalgi and Martin, 2007). For internationalization, considerable importance is being placed on having in-house professionals with international experience and increased management experience (Coviello and Martin, 1999; O'Farrell and Wood, 1994; Sarathy, 2004; Ekeledo and Sivakumar, 1998 ; Driscoll and Paliwoda, 1997). A different model was used here, as Ekeledo and Sivakumar (1998, 2004) only highlighted one item (the level of international experience), and Javalgi and Martin (2007) did not give a clear explanation of the management characteristics. According to Manolova (2002) personal factors determine the level of internationalization focus. These personal factors consist of the following dimensions: **(1) International business skills:** measured by the perception of international work experience, personal networks and relationships abroad, marketing expertise, international business education, and expertise in technology and communication; **(2) International orientation:** measured by the extent of travel, time lived, studies and employment abroad; **(3) Perceptions of the environment:** measured by the: perceived domestic business environment (costs of producing internationally, international competition in domestic markets, domestic competition and speed of technological change) and perceived international business environment (cost of producing internationally, availability of market information, demand abroad and acceptance of Dutch businessmen abroad) and regulation (domestic regulation, trade policies in foreign markets, Dutch trade policies); and **(4) Demographic characteristics:** such as age and gender.

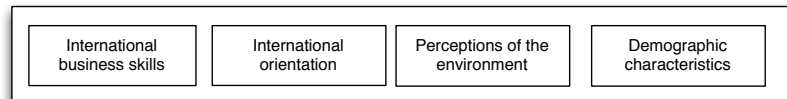


Figure 2.5: Management characteristics

2.3.6 Competitive advantage

The resources and capabilities of the services firm (it's firm level resources, firm characteristics, management characteristics and industrial services firm characteristics) can lead to a competitive advantage based on customer value and/ or lower costs. This competitive advantage could result into superior performance in the foreign market (Javalgi and Martin, 2007). If the industrial services firm is aware of the competitive advantage it's services or organization provides, it will be able to highlight these aspects when going abroad. This increases the level of success in that foreign market. Combining it's unique internal resources with a changing environment, will give the industrial services firm an international advantage over its competitors (Javalgi and Martin, 2007).

2.3.7. Overview internal factors

The above identified factors the industrial services firm analysis are placed in the first part of the model below. Before the industrial services firm enters the foreign market, it should first analyze it's industrial service characteristics, firm level resources, firm characteristics and management characteristics.

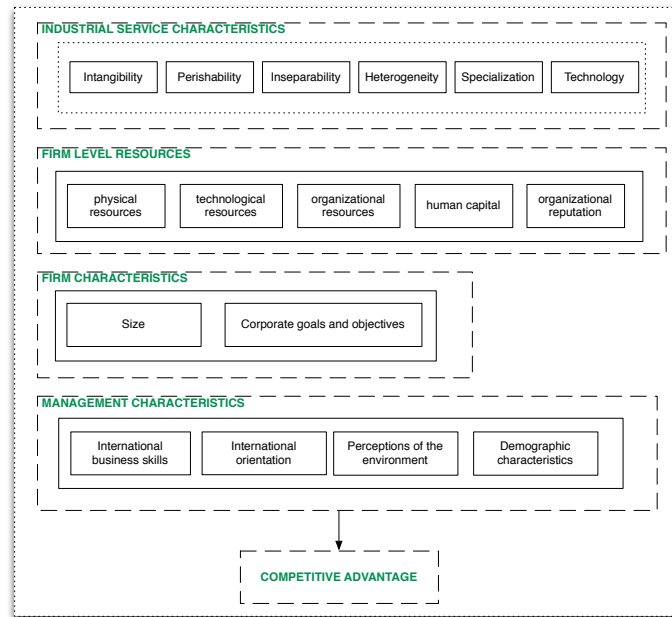


Figure 2.6: Internal factors entry strategy model

2.4. External analysis

2.4.1 Introduction

Characteristics of the external environment have an impact on the services' firm's commitment to internationalization and the type of entry mode decision that is chosen (Javalgi and Martin, 2007; Ekeledo and Sivakumar, 1998). For services firms, the service delivery within a foreign country is not only dictated by *"the nature of the services, but also by customer preferences, the attitudes of the host government, and the degree of control over operations"* (Javalgi and White, 2002). The internationalization of services also requires *"guarantees of access and payments across borders, freedom of establishment and investment and equal treatment for service suppliers in host countries"* (O'Farrell and Wood, 1998). The external environmental aspects in a foreign country might therefore cause the need for a different approach in the service delivery for the services firm (O'Farrell and Wood, 1994; Sarathy, 1994; Coviello and Martin, 1999; Ekeledo and Sivakumar, 1994, 1998; Javalgi and Martin, 2007, and many others). If a service provider ignores these aspects the delivery of a good quality service has a large chance of failing.

The internationalization of services model developed by Javalgi and Martin (2007) mentioned the analysis of several host country factors. The shortcoming of these host country factors is that their influence on the entry mode choice is not discussed and the only market factor mentioned as relevant, is the market structure. Other market factors have also been considered as important, such as the market potential. Ekeledo and Sivakumar's internationalization model (1998, 2004) on the other hand, did explain this. Therefore their theory is used here. One thing that is missing in the model developed by Ekeledo and Sivakumar (1998, 2004) but is included in the internationalization model by Javalgi and Martin (2007), is the importance of technology. The industrial marketing environment is not only influenced by political, socio-cultural, economic forces (Ekles, 1990), but also by the technological forces (technical state-of-the art engineering) (Bradley, 1995, Eckles, 1999). To give a more clear overview, the environmental factors mentioned within the model developed Ekeledo and Sivakumar (1998, 2004) will be put under the header "environmental factors". Therefore the external market analysis consists of the following items: Environmental factors (2.4.2.), Market factors (2.4.3.) and Home country factors (2.4.4.)

2.4.2 Environmental factors

Political and sociocultural factors

Political stability: The political system in a foreign market might be either stable or unstable. Political stability means having a stable government and opportunities for continuity and growth for firms. This kind of environment stimulates FDI. Political instability on the other hand discourages FDI, being

reflected by insurrections, frequent government changes and strikes by employees against national authority (Ekeledo and Sivakumar, 1998).

Cultural distance: An important item here is the cultural distance between the home and host country (O'Farrell and Wood, 1994; Ekeledo and Sivakumar, 1998; Driscoll and Paliwoda, 1997; Sarathy, 2004). Whether services will be accepted and adopted depends on the elements of culture, such as language, education, family, work ethic, structure, religious beliefs and so on (Javalgi and White, 2002; Ekeledo and Sivakumar, 1998). Furthermore, for a service firm to develop a trusting relationship with its customer, it should be aware that interactions with business people from other cultures might be quite different from what they are used to, because of differences in body movement, eye contact and body touch. If this is not clearly understood, it might cause problems and unwanted results (Javalgi and White, 2002). It also influences the way of doing business, because of differences in attitudes to work and leisure and lifestyle (Carpenter and Sanders, 2007). It results into a preference for high resource commitment modes when the cultural gap between the domestic and foreign market is minimal and low resource commitment modes are preferred in the case of a large cultural distance (Ekeledo and Sivakumar, 1998).

Economic infrastructure

The economic structure or infrastructure of a foreign market is a major determinant for the choice of entry mode (Reeder et al, 1991; Ball et al, 2006; Hooley and Saunders, 2004; Ekeledo and Sivakumar, 1998). There are many differences in the levels of domestic and foreign economic development and the structure of economic systems (Reeder et al, 1991). When a host country has a good economic performance it attracts foreign direct investment (FDI), while in the case of a poor physical infrastructure, a high inflation rate and a low technological capability, FDI is actually being discouraged (Ekeledo and Sivakumar, 1998). A poor economic infrastructure also discourages sole ownership ventures. Instead mostly joint ventures, exporting, management contracts or franchising are chosen. Entry modes with a high resource commitment are chosen in the case of: *"adequate currency resources, low foreign debt percentage, favorable balance of payment trend, easy currency convertibility and a positive capital inflow trend"* (Ekeledo and Sivakumar, 1998).

Trade barriers

Service marketers encounter more problems with the host government, than product manufacturers (Carman and Langeard, 1980; O'Farrell and Wood, 1994). This is because there is *"little capital inflow into the country, little or no technological transfer, and services firms usually do little to upgrade the training of workers."* (O'Farrell and Wood, 1994). Host governments often believe that services firms contribute to inflation (O'Farrell and Wood, 1994). Local governments and institutions might often resist foreign services firms and hinder them from entering their market with their services. The amount of resistance and restrictions encountered by the local government might even differ per industry and entry situation, placing different constraints on foreign ownership (Erramilli, 1992), and creating risks that might be worth analyzing (Ekeledo and Sivakumar, 1998). The resistance might result into trade discrimination, giving domestic firms a preferential treatment. For a services firm to be successful in a foreign country, it needs access across borders (i.e. movement of labour) and the ability to establish an operation within that country and be given an equally treatment (O'Farrell and Wood, 1994).

Therefore it is important to take a look at trade barriers as these appear to be more numerous for services than goods. First of all, because several international trade agreements between countries have been drawn up for the trade in goods, and secondly because of the close cultural link between a society and the services offered. These trade barriers include tariff (import taxes) and non-tariff barriers (product regulations, laws favoring the purchase of local products, exchange control, direct government competition). Tariff barriers increase the price of imported services, making them more expensive than those sold in the country itself, encouraging local production. Non-tariff barriers on the other hand encourage contractual agreements, due to the fact that the firm might be forced into partnerships with local providers (Ekeledo and Sivakumar, 1998).

Technology

The demand of industrial services and goods is mostly influenced by technical factors (Reeder et al, 1991). This concerns technical changes and developments that take place in the industrial services firm' industry. Technology also has an influence on the internationalization process (Ball et al, 2006, Hooley

and Saunders, 2004; Carpenter and Sanders, 2007; Javalgi and Martin, 2007).

For industrial marketers to be able to “*adapt their marketing strategy with sufficient speed and accuracy to make the most of scientific breakthroughs*”, they must monitor technological changes (Reed et al, 1991).

Within business markets, there is a high concern for excellence in product quality, technology and engineering. Technical-State-of-the-Art engineering is an important force of the macroenvironment of the business firm. For a business firm to be successful, formal training, technical experience and technical aptitude are a precondition. Although often firms still make the mistake of placing technical people in a marketing position without any knowledge of marketing, which often causes lost sales, customer complaints or the end of a customer-buyer relationship (Eckles, 1990). This is also mentioned in Appendix 1.

Technological factors can determine barriers to entry, minimize efficient production levels and influence outsourcing decisions. Important technological factors, consist of items, such as governments spending on research, focus on technological support, new discoveries and developments, speed of technology transfer and rates of obsolescence (Carpenter and Sanders, 2007). What kind of effect these technological factors have on the choice of entry mode could not be found in literature. It seems logical that a favorable technological environment encourages foreign direct investment, and that a non-favorable technological environment discourages it. This would require additional research, which is out of the scope of this research. The technological environment has several times before been stated as an important environmental aspect. Therefore more attention is focused on those aspects that have not or only on a minor basis been a focus in the internationalization research. To gain a deeper understanding of the impact of the technological environment, a broader study will need to be done. The environmental factors are displayed below.

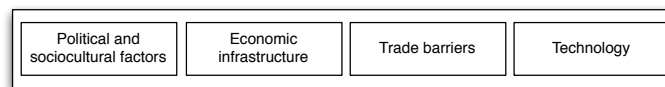


Figure 2.7.: Environmental factors

2.4.3 Host country market factors

According to Ekeledo and Sivakumar (1998) the following market factors have an influence on the entry mode decision: market potential, market structure, marketing infrastructure and resistance by local business.

Market potential: A large market potential attracts foreign direct investment. Firms do not like to commit a large amount of their resources to a foreign market with a high demand uncertainty or with a low potential. In those situations, firms prefer entry modes that actually require a low amount of involvement, such as licensing/franchising, management contract, and exporting.

Market structure: The market structure influences the business conduct, which ultimately influences performance. The market structure of a foreign market might either be competitive, oligopolistic or monopolistic. In the case of a competitive market, firms should not be involved in operations that demand a large amount of resource commitment, because a market like that is often less profitable. This type of market structure therefore attracts entry modes as exporting and licensing. On the other hand, when it concerns an oligopolistic or monopolistic market, sole ownership is required for the firm to be able to compete in an adequate way against the dominant firms already established in that market. Analysis of competition and competitive conditions receives a considerable amount of attention in manufacturing entry strategies. Most entry strategies for services firms seem to be paying more attention to the relationships with customers and suppliers, focusing more on the development of networks. Although a few authors do seem to find this worth analyzing (Kotler and Bloom, 1984; O’Farrell and Wood, 1994; Sarathy, 1994). According to O’Farrell and Wood (1994), intensity of the competition increases or decreases probability of market entry. A high intensity of competition for example often means a less profitable market.

Marketing infrastructure: The marketing infrastructure in the foreign market might be quite different from the home market. There might be a lack of good local agents which forces the firm to export to the foreign market. On the other hand, if the commercial and financial infrastructure within

that country is organized in a good way, the firm will be able to focus more on its marketing task. A weak marketing infrastructure mostly results into a preference for entry modes with a greater distance from the foreign market, involving low resource commitment.

Resistance by local business: The industrial services firm might encounter resistance from either local firms or industrial organization in foreign markets. This might be in the form of restrictive membership requirements or professional accreditation bodies. Or a zero tolerance against outsiders, not tolerating the firm to establish a wholly owned subsidiary, limiting it to entry modes as licensing, franchising, management contract or joint ventures. (Ekeledo and Sivakumar, 1998).

A factor that is added here is the nature of the supplier-client interaction.

Nature of the client-supplier interaction

Another important factor the industrial services firms' internationalization, is the interaction with its clients. In industrial markets a "a company's customers are often its greatest assets" and long term relationships are often the key to the industrial services success (Campbell and Cunningham, 1983). For these firms it is often very hard to obtain new customers and supplier often develop new technologies to keep providing their customers with the services they need. It requires a close cooperation between suppliers and customers (Campbell and Cunningham, 1983). It is important because *"the performance and quality of a service depends upon the interaction between the service provider and the client. Even though the quality can be controlled after the sales of service products, most important competitive advantage is through quality and customer focus"* (Netland and Alfnes, 2005). For a correct service delivery, an interaction of both the supplying and buying firm (services firm and its customers) is required, as the service includes not just one activity, but is part of a process.

Before an industrial services firm starts foreign activities it is important to understand the way business is done within that foreign country, referring to how relationships with customers are formed and maintained. The industrial services firm's close interaction with the client stipulates the way in which the firm should establish itself onto that foreign market. If for example the potential client prefers its service provider to be located closely, it might indicate the preference for FDI. Or if it appears the customers prefer to only cooperate with employees with the same nationality, export would be out of the question. For example, do clients expect the firm to perform regular checkups divided over several months, or stop by once or twice a year and do a complete checkup, does it mean working with service contracts or on an ad hoc basis. It identifies how "business is being done" to provide an industrial service.

The importance of understanding the supplier-client interaction has been identified by O'Farrell and Wood (1994). These authors are of the opinion that an entry strategy model for business services in general should include an understanding of this interaction and the relationships established between clients and suppliers. They suggest that the type and mode of interaction influences the foreign market entry mode choice. The output of the service is a joint product, requiring the input of the client, as both buyer and seller actually come together to "produce the service" (O'Farrell and Wood, 1998). *"The way in which these forms of collaboration are sustained in foreign markets are fundamental to the development of international business service markets."* (O'Farrell and Wood, 1998). These collaborations are often first developed in the home market. Therefore foreign market entry strategies of clients influence the policies of business services firms to a large extent (O'Farrell and Wood, 1994). Business services firms are often pulled abroad through their globalizing clients. Cooperation between the firm and the client needs to be closer than in home markets, to *"overcome problems of distance and unfamiliarity of procedures"* (O'Farrell and Wood, 1998). Working with established clients in overseas markets reduces the uncertainty in the beginning stage of internationalization. *"After establishing a foreign presence on the strength of their relationship with home country clients, many service companies begin to extend their services to the local and other foreign firms in the host market"* (O'Farrell and Wood, 1994). Thus the type of entry mode decision made, whether through export, sole ownership or through contractual arrangements, depends on *"which solution most effectively supports joint production with clients compared with indigenous or other competing suppliers."* (O'Farrell and Wood, 1998).

The above mentioned host country market factors are summarized below.

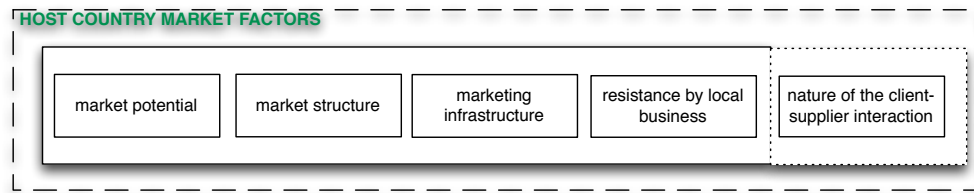


Figure 2.8.: Host country market factors

2.4.4 Home country factors

Ekeledo and Sivakumar (1998) identified two home country factors important for internationalization: market size and oligopolistic reaction.

Market size: A large home market size is often an important source of competitive advantage. Firms that have established themselves in large and demanding market are often more competitive and innovative. This also helps “firms in international business to be relatively larger than their competitors from other countries in terms of financial resources, technology, management skills, production capacity and marketing expertise” (Root, 1994). Firms in large markets have often gained more experience and are more willing to take risks. Therefore a large home market mostly gives a preference for equity investment/ production (locating production facilities in the host country). Service firms in small markets have a disadvantage there and might encounter problems in the development of the kind of organization capabilities that a large market promotes. To be able to develop those capabilities to make the foreign market operation a success, service firms mostly engage in joint ventures or exporting (Ekeledo and Sivakumar, 1998; Root, 1994; Coviello and Martin, 1999).

Oligopolistic reaction: If a services firm encounters oligopolistic competition in the home market, it’s foreign investment behavior might result into it’s domestic rivals doing exactly the same. Foreign investment enables the services firm to grow larger and this might threaten the competitive balance at home, which is why rival firms tend to follow their rival firms to restore that balance. This is even more the case when the market consists of a limited number of global players. Services firms often invest in foreign countries where their rivals have already invested before them. According to Ekeledo and Sivakumar (1998): “the greater a service firm’s domestic market is characterized by oligopolistic competition, the more likely service firms are to adopt sole ownership or a joint venture.” An oligopolistic market encourages foreign direct investment, which is why services firms that are in an oligopolistic industry in the home market often tend to favor FDI options as sole ownership and joint venture (Ekeledo and Sivakumar, 1998; Root, 1994).

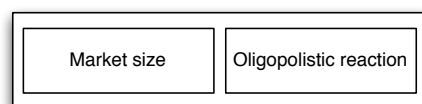


Figure 2.9: Home country factors

2.4.5 Overview external factors

On the next page the important external factors of the conceptual entry strategy model can be found.

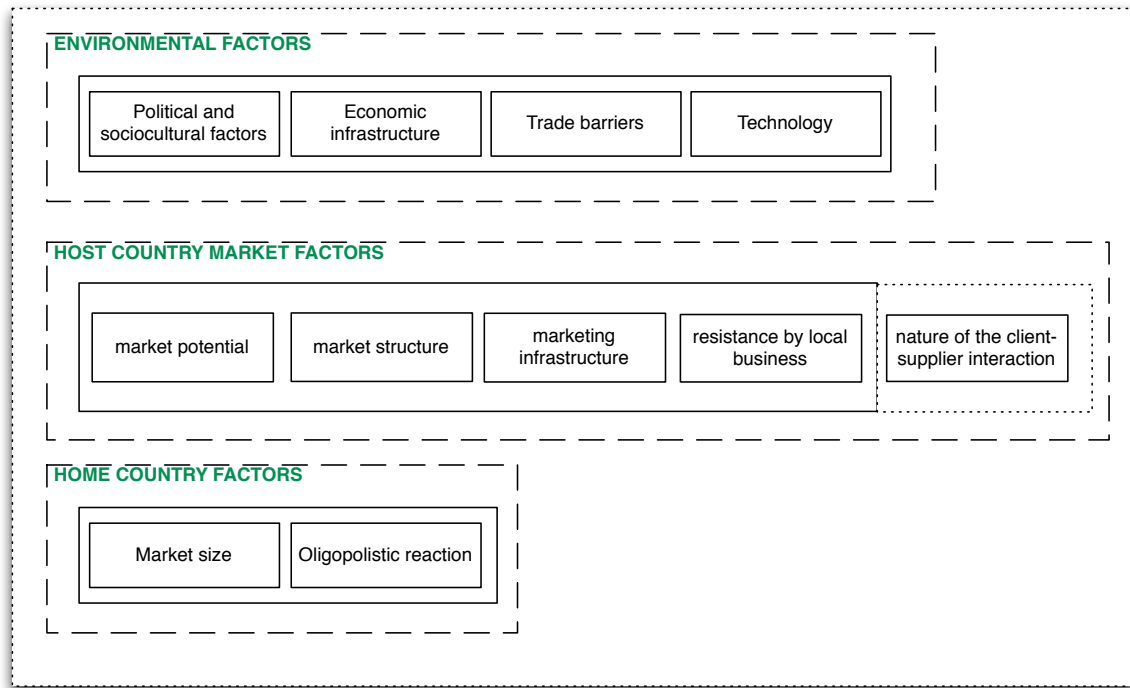


Figure 2.10: External factors entry strategy model

2.5. Service entry modes and services marketing

2.5.1 Introduction

After the identification of the relevant internal and external factors, follows the entry mode choice and implementation. This is divided into an identification of entry mode choices available (2.5.2.) and the marketing plan (2.5.3). This chapter ends with the conceptual foreign market entry strategy model for industrial services firms (2.5.4).

2.5.2 Services firms' entry mode choice

The internationalization strategy is riskier for service firms than manufacturers of goods (Grönroos, 1999). This is because the producer and the production facilities are part of the service, requiring the firm to have greater control of its resources. Manufacturing firms are able to gradually adopt themselves to the foreign market, by first using export channels and gradually change them to more direct channels. The actual production of the business service takes place in the foreign country, requiring the employment of client and local staff skills and personnel (O'Farrell and Wood, 1998). With business services, trade often occurs as a result because of one of the following activities: *"(1) movement of providers to clients abroad; (2) the movement of clients to providers, for example where training is involved, 3) the movement of both consumers and providers, as when specialist construction or engineering services are subcontracted to a project, and (4) no movement by either providers or consumers, where communications follow"* (O'Farrell and Wood, 1998). It requires an entry mode that helps the services firms to cope with this situation as well as possible. Javalgi and Martin (2007) discussed the entry mode choice only briefly. Ekeledo and Sivakumar (1998) on the other hand clearly explained this. The authors are of the opinion that the selection of the entry mode requires two decisions: first, the determination of the location of the production facilities, and second, the level of involvement or control the firm wants to have. This level of involvement or control is used to evaluate each entry mode. Control refers to the influence the firm has over the activities or operations of the foreign branch, and level of involvement refers to *"the level of market-specific managerial or financial resources committed to a foreign subsidiary by a firm"* (Ekeledo and Sivakumar, 1998). The larger the involvement of the firm in this foreign branch, the higher participated in, or closed the firm is to that foreign market (Ekeledo and Sivakumar, 1998). The degree of control "

Market entry strategies by industrial services firms

determines risks and returns, the degree of interaction between customers providers, the degree of intangibility of services type and ultimately the performance of the firm in a foreign market". (Javalgi and Martin, 2007).

Ekeledo and Sivakumar (1998) identified five entry mode options for services: exporting, joint venture, licensing/franchising, management contracts, and sole ownership. The factors identified within the industrial services firm analysis and the foreign market analysis, have an influence on the type of entry mode chosen (Javalgi and Martin, 2007). The entry mode options are mentioned below (Figure 2.11).

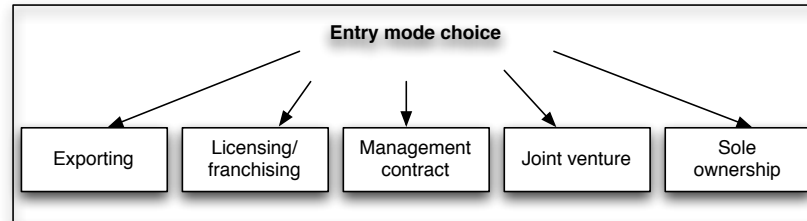


Figure 2.11: Entry mode choice (Ekeledo and Sivakumar, 1998)

2.5.3 Services marketing plan

The services marketing plan defines the implementation of the entry mode choice and foreign market approach. The foreign marketing plan is intimately related to the entry mode choice, as the entry mode determines the level of control over the services marketing plan in that foreign country (Root, 1994). Regardless what type of entry mode is chosen, the firm should think about the marketing plan for the foreign country. This means that *"even when its product is marketed under the direction of independent outside firms, a company's profits will depend on the performance of those firms"* (Root, 1994). Root (1994) described the marketing plan, following the entry mode choice, by using the 4 p's marketing mix, but this is based on manufacturing firms. Services firms require a different approach towards their market.

Services marketing

There are several characteristics that make the marketing of industrial services and products quite different and often a lot more complex than consumer products, as mentioned in Appendix I: long-term relationships, technical complexity of the products, large involvement of people and procedures in the process (consumer interaction not only with sales and marketing department, but also with engineering, R&D, inventory control and manufacturing departments), cooperation between buyer and seller during service design and specifications, uniqueness of product/service to the customer's organization and the different evaluation of service quality (Cooper and Jackson, 1988; Jackson and Cooper, 1998). It often requires customers to visit the service provider's facilities and even more often the service provider has to visit the customer's firm (Jackson and Cooper, 1998). Therefore an engineer or mechanic should have both the right technical and social skills. Not the service itself is of importance, but also the process towards it, such as the communication with customer personnel and production of the service. Therefore training personnel in how to interact with customers is an important part of the service process (Jackson and Cooper, 1988). Within services marketing, situations depends more heavily on managing the "process" or "act" of the service production then does marketing in other situations. Because of the involvement of people in the service performance, who are not always consistent, standardization and quality are extremely difficult to control. Therefore the effectiveness of a services marketing operation will depend on the quality of the management of people and personal encounters, such as customer staff interaction in all areas of marketing activity (Gilmore and Carson, 1996). This means that the marketing plan should take the whole service process into account. Each individual part of the marketing plan cannot be seen as something that stands on its own, but that involves the whole organization. Within the 4p's marketing mix, these aspects are hardly discussed. It was shown that the 4p's framework is too simplistic and misleading (Rafiq & Ahmed, 1995). Therefore an extension of the services marketing plan was required, which was done by Booms and Bitner (Rafiq and Ahmed, 1995), Three items were added: participants, physical evidence and procedures. Within the framework, particular attention is being drawn to the quality of the employees and the monitoring of their performance, as personnel influences a great deal the customer's perceptions of quality. No research has been done towards the specific marketing plan for industrial

Market entry strategies by industrial services firms

services, which is why the services marketing plan by Booms and Bitner (Rafiq and Ahmed, 1995) is used here. It is considered out of the scope of this research to develop a whole new marketing plan for industrial services firms. This would require a further analysis of industrial marketing theory. Therefore the marketing mix consists of the following items as mentioned in Table 2.1. below.

Product	Price	Place	Promotion	Participants	Physical evidence	Process
Quality	Level	Location	Advertising	Personnel:	Environment:	Policies
Brand name	Discounts and	Accessibility	Personal selling	Training	Furnishings	Procedures
Service line	allowances	Distribution	Sales	Discretion	Colour	Mechanization
Warranty	Payment terms	channels	promotion	Commitment	Layout	Employee
Capabilities	Customer's	Distribution	Publicity	Incentives	Noise level	discretion
Facilitating	own	coverage	Personnel	Appearance	Facilitating	Customer
goods	perceived		Physical	Interpersonal	goods	involvement
Tangible clues	value		environment	behaviour	Tangible clues	Customer
Price	Quality/price		Facilitating	Attitudes		direction
Personnel	interaction		goods	Other customers':		Flow of
Physical	Differentiation		Tangible clues	Behaviour		activities
environment			Process of	Degree of		
Process of			service	involvement,		
service			delivery	Customer/		
delivery				customer		
				contact		

Table 2.1: Modified and expanded marketing mix for services (Rafiq & Ahmed, 1995)

2.5.4 Foreign market entry strategy model

The theories and models identified for the industrial services firm analysis, foreign market analysis and entry mode choice and marketing are combined into an foreign market entry strategy model for industrial services firms. This model can be found on the next page: Figure 2.12: Industrial services firm's entry strategy model.

Market entry strategies by industrial services firms

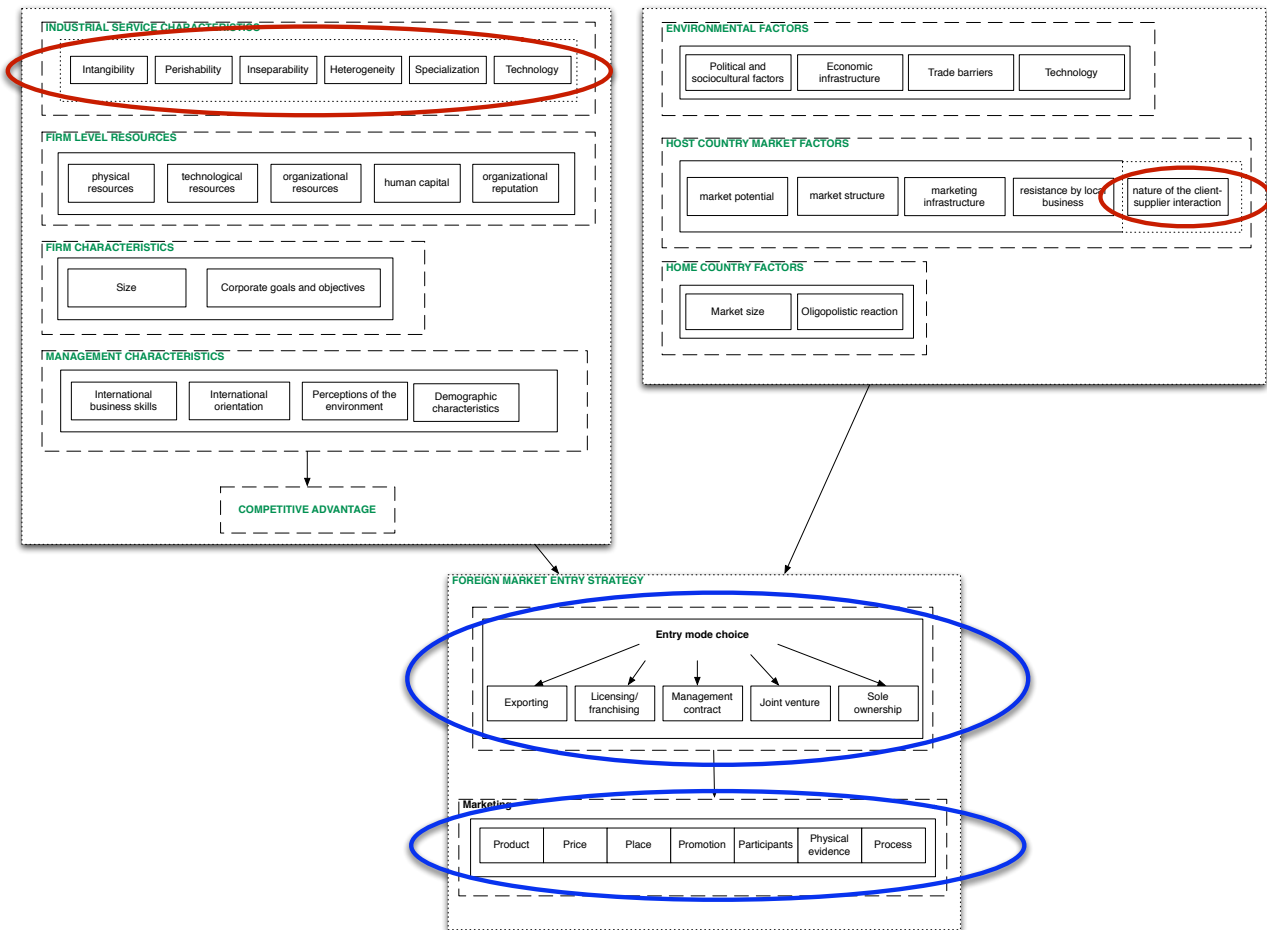


Figure 2.12: Industrial services firm's entry strategy model

Emphasis within this research

As shown above there are several aspects that deserve attention before an industrial services firm starts to internationalize and makes a decision about the entry mode best suitable for that foreign market. Here focus is placed on the effect of the two dependent variables highlighted in red “industrial service characteristics” and “the nature of the supplier-client interaction” on the two independent variables highlighted in blue “entry mode choice” and “services marketing plan”. It means that extra attention should be focused on the kind of service the firm provides, and the nature of the supplier-client interaction, and their influence on the final entry mode choice and the services marketing plan. Here it is believed that these two aspects have a large influence on the entry mode choice and the implementation of the entry mode choice, or services marketing plan. These two were not included in the foreign market entry models by Ekeledo and Sivakumar (1994,1998) and Javalgi and Martin (2007), but were perceived important for industrial services firms. A more detailed explanation for this focus is described below:

- The impact of the firm resources, firm characteristics, management characteristics, environmental factors, home country factors and the rest of the market factors have already been analyzed in greater detail within internationalization literature (Javalgi and Martin, 2007; Ekeledo and Sivakumar, 2004; Root, 1994; Terpstra and Sarathy, 1994; Coviello and Martin, 1999; O’Farrell and Wood, 1994, 1998 and many others). These were therefore considered taken as a given and perceived as items that have already been proven to be of relevance for an industrial services firm that wants to enter to internationalize its activities.
- **Industrial service characteristics**, or the nature of the service, has been identified as an important influence on the entry mode choice. The type of service supplied to the foreign country has an influence on the level of support needed for that service in the foreign market. As

hardly any literature could be found on the impact of the type of service content on the internationalization process, a focus was placed here.

- Environmental and market factors have also been perceived as important determinants for the entry mode choice in the internationalization literature. A specific focus is placed here on the external factor: **nature of the client-supplier interaction**. From internationalization literature on services it appears that the client plays an important role within the decision making process (O'Farrell and Wood, 1994 & 1998). From industrial market literature (Appendix 1) could be concluded that there is mostly a close and stable relationship between the buying and selling organization, including a large involvement of the customer as purchases are done on customer's specifications. Therefore it is believed that the influence of this relationship should be taken a closer look at. O'Farrell and Wood did analyze the influence of this aspect on the internationalization process of the firm, but focused their research more on business services in general. Their relevance for industrial services has not been proven yet and therefore an attempt has been made here.
- The industrial services characteristics and the nature of the supplier-client interaction have an influence on the **entry mode choice** and the **services marketing plan**. This means looking at the identified entry mode choices as perceived by Ekeledo and Sivakumar (1998, 2004) and the way these are actually portrayed in the actual situation. Determining whether these types of entry modes are even used by industrial services firms already established onto the foreign market. This entry mode choice is implemented through the marketing plan and includes three additional aspects: participants, physical evidence and process. This means that the implementation of the entry mode choice, should take these additional elements into account.

From this specific focus it is expected to provide added value for SPIT elektromechanica. It gives an overview of two industrial services' firms foreign market experiences so far. This does not only provide an overview of the internationalization strategies of industrial services firms, but also a detailed insight into factors that have been perceived important by both international management literature, as well as those interviewed industrial services firms. In the next chapter the way these factors have been analyzed are described.

3. Method

3.1. Research approach

To be able to solve the research problem, there are two different kinds of research approaches: the inductive approach and the deductive approach. Here a deductive approach is used, which is a *“research approach involving the testing of a theoretical proposition by the employment of a research strategy specifically designed for the purpose of its testing”* (Saunders et al, 2007). Here it involved the development of a theoretical framework for the internationalization of industrial services firms, because it appeared to no entry strategy model for industrial services firms existed yet. This theoretical framework was tested, outcomes of the inquiry were examined and theory modified in the light of the research findings. The theory was analyzed through explanation building, which is a *“deductive process for analyzing qualitative data that involves the iterative examination of a number of strategically selected cases to select a theoretical proposition.”* Detailed information about the data analysis follows later on.

3.2. Research strategy

The purpose of my research is exploratory. An exploratory study is *‘a valuable means of finding out ‘what is happening; to seek new insights; to ask questions and to assess phenomena in a new light’* (Saunders et al, 2007). It allows for my research to be flexible and adaptable to change and involves both the combination of literature search and interviews. There are several strategies that can be used to conduct research, such as through an experiment, survey, case study or grounded theory (Saunders et al, 2007). Because of a lack of time and availability of firms willing to participate in this research, the strategy that has been chosen for this research is through case studies. A case study is *“a research strategy that involves the empirical investigation of a particular contemporary phenomenon within its real-life context, using multiple sources of evidence”* (Saunders et al, 2007). This gives a broad understanding of the research context and processes that are taking place. Because of a lack of case studies available, the focus has been placed on two case studies. Several types of case studies, such as interviews, observation, documentary analysis and questionnaires could be performed, but the type that gives the most in-depth and detailed information about the entry strategies of industrial services firms, are interviews. (Saunders et al, 2007). This is further explained in the “Data collection” part.

3.3. Research population and sampling

To select the samples, a non-probability sampling technique was used. Non-probability sampling is *“the selection of sampling techniques in which the chance or probability of each case being selected is not known”*. (Saunders et al, 2007). This is the technique most often used with case studies as a research strategy. There are several sampling techniques available, here is purposive sampling was chosen, which is a *“non-probability sampling procedure in which the judgement of the researcher is used to select the cases that make up the sample. This can be done on the bases of extreme cases, heterogeneity (maximum variation), homogeneity (maximum similarity), critical cases, or typical cases”* (Saunders et al, 2007). The cases were selected on the amount of comparability with the industrial services firm for which this research has been done. This meant an identification of the competitors of SPIT elektromechanica, as perceived by the sales manager. It is believed that valuable information can be obtained from companies that are dealing with the same kind of markets, customers and that provide the same kind of services, but already international activities. To gain sufficient understanding of the level of internationalization and the process towards it, either the international manager or the person in charge of the provision of the services within the foreign market was questioned. This was done to review the current internationalization of these services firms.

A limitation here is that the definition of “competitor” is was determined by the sales manager of SPIT. Therefore potential other competitors might be excluded from this research. A recommendation for further research would therefore be to look at potential other competitors of the firm.

3.4. Data collection

The type of data collection method used here is a mono-method research and involves a qualitative data collection technique. A non-standardized, semi-structured of interview is used, also referred to as a qualitative research interview. A semi-structured interview is “*wide-ranging category of interview in which the interviewer commences with a set of interview themes but is prepared to vary the order of the questions asked and to ask new questions in the context of the research question*” (Saunders et al, 2007). The reason for choosing this type of data collection is to gain an overall understanding of the internationalization of industrial services firms and the factors it considers important for foreign market entry. Interview as a form of data collection is an important source for obtaining qualitative information. It allows for the interviewee to directly ask follow up questions, to pick up any non-verbal communication and to obtain broad and rich information per respondent. A disadvantage here is that this way a small sample is taken at random (Feijen and Trietsch, 2007). Interviews held were limited to only one person within the company.

Questions in a semi-structured interview can be asked in different ways. The types that were used here are open and probing questions. Open questions were chosen because of the following reasons: a) participants are allowed to define and describe a situation or event, b) the respondent can respond as they wish and the way they find suitable, c) respondents are able to form their own answer, as extensive as they wish, d) it reveals attitudes towards certain situations that might not be revealed with closed questions, and e) facts are obtained specific for the respondents situation (Saunders et al, 2007). This way answers were obtained the way that industrial services firm sees its internationalization mode, without forcing them into a certain direction. Probing questions were also used, which are questions that “*can be used to explore responses that are of significance to the research topic and may be worded like open-questions, but request a particular focus or direction, explanation, refutation or used as a supplementary questions*” (Saunders et al 2007). These were asked to get a clear idea of certain activities, such as for example to define the type of entry mode used by the company, or at what level the service characteristics have an influence on the entry mode chosen.

The interview questions were written down on paper and handed over to the interviewee. To record the whole interview a voice recorder was used, to prevent answers from being omitted, unheard, or the exclusion of information left out due to non-remembering the exact answers of the interviewee by the interviewer. It enables the interviewer to replay the whole conversation afterwards and pick up on certain types of answers that might have stayed unnoticed beforehand or gave an answer to a different kind of question. It also serves as a checklist and proof of statements made by the interviewee.

3.5. Quality of research design

Reliability

With respect to the reliability (which refers to “*the extent to which the data collection techniques or analysis procedures will yield constant findings.*” (Saunders et al, 2007)), the following was taken into account. To obtain the same results on other occasions, questions used within the interview were kept the same during both interviews. To obtain the most reliable information managers in charge of the internationalization within the industrial services firm were questioned. In the case questions were not clear, or could not be answered by the interviewee, these were further explained. Findings from this non-standardized method used do not need to be repeatable, because these findings reflect reality at the time they were collected. Its flexibility is the strength of this type of research, because this way more in-depth, and underlying information can be obtained. If this was tried to be replicated, this would “*would not be realistic or feasible without undermining the strength of this type of research*” (Saunders et al, 2007). Therefore it might well be that if a different manager within the industrial services firm was interviewed, a different kind of response could have been obtained. To support the interview questions, notes were made relating to the research design. In the case of questions asked by the interviewee, these were used explain the items mentioned within the interview in a better way.

Validity

Another way of measuring the quality of the research design is through the validity, which refers to the “(1) *the extent to which data collection method or methods accurately measure what they were intended to measure.* (2) *The extent to which research findings are really about what they profess to be about*” (Saunders et al, 2007)).

The strength of the interview as data collection method is that it enables an interaction that is both quite flexible and responsive and enables topics to be covered from different angles. This way the interviewer is able to clear up any questions involving the proposed theoretical model. During the interview it was made clear that in the case of questions afterwards, these could be sent by email. During the interview itself, questions were asked in the case of unclear answers given by the interviewee. This was also done in the case of misinterpretations of the theoretical model.

Generalizability

The quality of the research design can also be controlled through the level of generalizability. This refers to *“the extent to which the findings of a research study are applicable to other settings”* (Saunders et al 2007). The purpose of this research is not to generalize these findings, but it is tried to explain what is happening in a certain research setting. Whether the findings can be generalized could be something to be researched in an additional study. The sample used here is too small and unrepresentative to state that conclusions found can be applied to all other industrial services firms. There might also be differences between the several types of industrial services firms. Here it concerns industrial services firms that provides the combination of supplying products and spare parts, with electrical and mechanical engineering services. This means that the focused is placed on industrial services firms that are able to provide a total solution of combining the supply of products and spare parts, with maintenance, repair and revision and engineering to all electrical and mechanical rotating machines. More information about the types of firms interviewed can be found in the next part.

3.6. Interviews

3.6.1. Interviewed industrial services firms

As mentioned in the research population and sampling, the types of companies chosen for these interviews are competitors of the SPIT. The reasons why competitors have been chosen to be interviewed are: (1) to get a good understanding of the opportunities to be found within the foreign market for industrial services firms like SPIT; and (2) to gain an insight into how two companies like SPIT entered foreign markets, referring to the kind of strategy it used. This way it is tried to give to SPIT a clear idea and a better advice of how firms like them have established international operations and how they formed relationships with their clients. This is done to provide SPIT with an overview of possibilities, without stating that this is the exact and correct way SPIT should start up activities internationally. It only provides an insight into how competitors are dealing with the foreign market. The three competitors (as perceived by the sales manager of SPIT) are Bakker Sliedrecht, Benning and Maintenance Partners. According to sales manager these are only few competitors active within the international market. Because of this reason no specific focus is placed on competitors in SPIT's intended focus industry in the foreign market: wind industry. The interviewed firms were selected on the basis of their importance as competitors to the firm. Only Bakker Sliedrecht and Maintenance Partners were interested in an interview. To define the level of application of the findings from the interview, below the differences between SPIT and these two competitors are described.

Bakker Sliedrecht: This industrial services firm provides the same kind of services as SPIT, but this firm is more focused on the dredging and marine industry. The company is larger than SPIT, it has 400 employees, while SPIT has only 50. It provides the same kind of products and services, but is more focused on the maritime and offshore world. This company is already active in the international market for quite some time. Because it is focused mainly on the dredging and marine industry, its activities are mainly concentrated on clients that are situated alongside the shore, or at sea. This biases their choice of location to clients situated in those areas. This might mean that it is less influenced by certain environmental factors and that the type of entry mode is largely influenced by opportunities found at countries' shores. Because its clients can be found all over the world it sees the whole world as a potential market and is less bound to borders. Their clients are spread all over the world.

Maintenance Partners: This company is situated in Belgium and has the same kind of approach towards the (international) market. It appears to have a directed and proactive approach towards the international market, which has made it grow rapidly from a smaller company to a large international company with 7 workshops in the Benelux and two in foreign countries, with a third one coming up. It is about the same size as Bakker Sliedrecht, about 350 employees. The firm provides the same kind of

products and services, also directs itself at the total market and does not make a definite segment choice. This company most probably provides the best example for SPIT because of these reasons. The results obtained from the internationalization of this industrial services firm, might be of most relevance to SPIT. It shows how a company that provides the same kind of services and with the same focus towards its markets, is able to grow fast in the international market.

Both companies provide a good example of industrial services firms that are active on the international market. Although Bakker Sliedrecht only operates internationally through sending its employees abroad, which does not really give an idea of other potential entry mode options. An idea was provided by the interview with Maintenance Partners as this firm already has two international workshops. But these workshops have only been opened recently and not much experience was gained there yet. What seems to be lacking here is a company that is already engaged in international activities for quite a few years and that has branches in several foreign countries. But these are hard to find when taking industrial services firms like SPIT into consideration. Further research could perhaps be focused on a different kind of industrial services firms or firms that are not considered SPIT's competitors to gain a deeper insight into the internationalization of industrial services firms.

3.6.2. From theory to practice

The process from theory to practice went as follows. Questions were based on two levels: information SPIT wanted to obtain from its competitors and information needed to test the conceptual foreign market entry strategy model for industrial services firms. First of all, the sales manager of SPIT was approached to define the information he wanted to obtain from its competitors. This was done through a short conversation with the sales manager in which questions were defined that he wanted to be answered. Secondly, questions were drawn up to test the theoretical model. The interview has been drawn up as follows (interview is added as Appendix 3). First of all questions of a more general nature were asked, to get a general idea of the company. These were defined "Background questions". The second part consisted of general questions relating to the internationalization of the industrial services firm, to get an insight into the level of internationalization the firm already has and what its future plans are, labeled as "Internationalization and entry mode". These were drawn up to look at the type of entry mode (first independent variable) these industrial services firms choose, and reasons behind these choices. The third and fourth part consisted of questions focused on the two dependent variables: "industrial service characteristics" (A-part), "nature of the client-supplier interaction" (B-part); and the second independent variable "services marketing plan" (C-part). The last part (D-part) contained questions concerning "Other factors as identified within the internationalization literature..

A-part: Questions within the *A-part* were related to the industrial service characteristics. It was tried to provide an overview of the way these characteristics were shown within the firm and their impact on the firms' internationalization. Answers given were merely perceived and analyzed as being descriptive. It was not tried to define the level of importance of these characteristics, but to give an idea of the service provided internationally and how that specific type of service and its characteristics has an effect on the internationalization of the industrial services firm.

B-part: The questions tried to define the importance of the client-supplier interaction within the internationalization process of the firm. It was tried to obtain a general idea of the importance of the buyer-client relationship and the items that industrial services firm considered important within the relationship with its clients and what the firms think their client consider important about this supplier-client interaction.

C-part: General questions were drawn up, to get a general idea of the use of a services marketing plan within those firms. No detailed questions were asked, as this would take up too much time to identify the importance of all the factors within the services marketing plan (product, price, place, promotion, participants, physical evidence and process).

D-part: The last part concerned questions regarding other important factors during internationalization. When there was sufficient time left, some additional questions regarding the rest of the factors within the internationalization model were asked. These were merely asked to gain an understanding of the importance of these factors for the industrial services firms, and were not taken into account to test the model defined, but were used as supplementary information. It is stressed here

that interview questions were drawn up to merely obtain a general idea of the internationalization of the industrial services firms and how important the identified factors were for them.

3.6.3. The data analysis

The type of data analyzed here is qualitative data. Qualitative data is “*based on meanings expressed through words*” (Saunders et al, 2007). These result into non-standardized data, which required a classification into categories. To analyze the gathered data there are several tools available: summaries, self-memos and a researcher diary. The tool used here is through summaries of the interviews held. This meant summarizing the key points that emerge from undertaken this interview. It helped to identify apparent relationships between themes (Saunders et al, 2007). Before the data was summarized, it was prepared for analysis. First the interviews held were transcribed or “*reproduced as a written account using the actual words*” (Saunders et al, 2007). This meant writing the whole interview on paper. From these written and summarized interviews, the data was classified into categories. These categories are: Introduction, Core business and strategy, History and size, Segments, International activities, Entry mode, Success factors in foreign countries, Product/service, relationship with the client, Marketing and Other factors of relevance (Appendix 4). Each of these categories contain consist of units of data gathered from these interviews. From these different categories, information was obtained surrounding the four highlighted items here: industrial services characteristics, nature of the supplier-client interaction, entry mode choice and the services marketing plan. The results of the interviews are described in the next chapter: “Results”.

4. Results

4.1. Introduction

Results on the dependent variables *industrial services characteristics* and *nature of the client-supplier interaction*, and the independent variables *entry mode choice* and *services marketing plan*, are described in this chapter. More detailed information about information gathered from the interview and a detailed description of both industrial services firms can be found in the Appendix 4: Information interviewed companies. This chapter is divided results about the internal and external factor analysis (4.2.), and the conclusions that can be drawn from these situations in practice (4.3.)

4.2. Internal and external factor analysis

Below the results from the internal and external factor analysis are summarized. This gives a clear overview of factors analyzed and their perceived importance by two industrial services firms. A more detailed description of the results mentioned in the table below, can be found in Appendix 5: Results specified per variable.

Internal/external factors	Bakker Slidrecht	Maintenance Partners
1) Industrial services characteristics		
a) Heterogeneity	<ul style="list-style-type: none"> -Variable service, depending on type of service provision and knowledge client's maintenance technicians -Controlled through personal contacts between supplier and clients -Provides tailor-made solutions -Adapts service to clients' problem 	<ul style="list-style-type: none"> -Service differs per country, client and situation -Provides the service the client asks for -Controlled through employee education
b) Inseparability	<ul style="list-style-type: none"> -Level of participation depended on smartness clients' maintenance technicians -Transfer of employees for service provision 	<ul style="list-style-type: none"> -Local service centre reduces costs: quicker response to demand. -Service provision according to customer's wishes, and cooperation with client
c) Perishability	<ul style="list-style-type: none"> -Importance of flexibility and adaptation towards customers -Satisfy demand as fast as possible -More reason for foreign establishment in case of large demand -Satisfy demand through flexibility in traveling abroad, -hard to predict when maintenance should take place: anywhere from 6 to 8 months, dependent on production of ship. -Parts availability: always give a client a helping hand -24-hour service 	<ul style="list-style-type: none"> -Importance of flexibility and adaptation towards the customers -Satisfy demand as fast as possible -More reason for foreign establishment in case of large demand -Necessary to establish a local foreign service centre to meet clients' wishes. -Local person that knows demand, habits and way of doing business. -Local workshop: ability to respond quickly to clients' problem.
d) Intangibility	<ul style="list-style-type: none"> -Always help a client out; service availability, flexibility -Good reputation based on quality, safety and environmental conditions -24 hour service 	<ul style="list-style-type: none"> -Qualified service provision: machine requirements -Reference lists

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Internal/external factors	Bakker Slidrecht	Maintenance Partners
<p>e) Specialization</p> <p>f) Technology</p>	<p>-Focus on high technical quality and specialization</p> <p>-Tailor-made solutions that meet clients' expectations</p> <p>-Specialized in large electrical installations.</p> <p>-Requires employees with technical knowledge and ability of transferring that knowledge to the client</p> <p>-Technology on board and technical knowledge maintenance personnel</p> <p>-New development maintenance management system</p>	<p>-More work increases contacts and level of specialization</p> <p>-Success in foreign countries through effective specialization in rotating machines</p> <p>-Providing a total service package</p> <p>-Requires employees with technical knowledge and ability of transferring that knowledge to the client</p> <p>-Increasing machine value and prolongation of clients' production process.</p> <p>-Cheaper provision of components, with same quality and guarantee</p>
2) Nature of the supplier-client interaction	<p>-Regular visits to (potential) clients in countries of interest</p> <p>-Relationship maintenance through fairs</p> <p>-Visits to clients once every 3 months</p> <p>-Social contacts (dinners/drinks with clients)</p> <p>-Home country clients provide entry into branches overseas</p> <p>-Dependent on amount of repairs taking place</p> <p>-These days less emphasis on relationship with long term assignments, larger emphasis on financial costs</p> <p>-Short term assignments reliance on relationship</p> <p>-Participation by client in service delivery</p> <p>-“Ons-kent-ons” culture</p>	<p>-Client acquisition through relationship ex-employees ABB with clients</p> <p>-Home country clients provide entry into branches overseas</p> <p>-Word-of-mouth marketing foreign clients</p> <p>-Services provided in cooperation with the customers</p> <p>-Clients are visited minimum 2 times a year, up to once every 3 months, or ten times per year depending on amount of work done</p> <p>-Visits paid by local agents and representatives to understand what happens at a clients organization and build a relationship</p> <p>-Level of contact influences need to open up a workshop</p> <p>-Networking is extremely important</p> <p>-Establishment relationship beforehand depends on volume and profit</p> <p>-Relationship important in the whole service process</p> <p>-“Ons-kent-ons”-culture</p>
3) Entry mode choice	<p>-Transfer of employees overseas</p> <p>-Preference for earning money in the Netherlands</p> <p>-Prefers working with it's own people</p> <p>-In the future: service centre China</p>	<p>-Local agents and/or representatives</p> <p>-Service workshops</p> <p>-Partnerships with local companies/ joint ventures</p> <p>-Cooperation with large OEM's</p>
4) Services marketing plan	<p>-No use of a marketing plan</p> <p>-No adjustment of services: 80% of service is standard</p> <p>-Follows mass crowd</p> <p>-Use of marketing tools: advertising, publicity, visits to fairs focused on dredging and marine industry</p>	<p>-No use of a marketing plan</p> <p>-Participation in fairs, but on a minor basis, to obtain brand awareness</p> <p>-Receives good response from fairs</p> <p>-Organizes information evenings</p> <p>-Holds market review meetings</p> <p>-Performs small market research before market entry</p> <p>-Use of reference lists</p> <p>-Adaptation of prices to local situation</p>

Table 4.1.: Summary of analytical findings

4.3. Conclusions from practice

4.3.1. General conclusions

From these situations in practice, the following general conclusions can be drawn:

1. The internationalization does not proceed in a gradual, specific nor pre-planned manner. Neither of the two industrial services firms use a straightly lined out strategy to enter foreign markets, nor did these firms appear to have much experience with such an entry strategy model. People in charge of international entry are mostly technicians, that started international activities on the basis of their relationship with home country clients and followed them abroad;
2. Foreign markets are mostly entered because of home country clients' requests. Both firms proclaimed following their clients abroad, whether they have to travel either 1 or 24 hours, as long as the turnover is sufficiently large. Both firms started international activities because of these home country clients, through their already relationship with these clients. Their home country clients asked them to tag along and initial assignments in those foreign countries were obtained because of these clients. This implies that the relationship these firms have with home country clients is very important for their internationalization. It is through these clients that these industrial services firms either travel abroad or establish a foreign service workshop;
3. Corporate goals and objectives appear to have a large influence on the strategy pursued internationally. Especially the vision of the company's director has a large influence on how business is done;
4. The availability of human capital in the firm appears to be important. Because employees in the home country already have such a large workload, both firms are forced to attract employees in foreign countries through either cooperating with local companies or the establishment of a local service workshop.
5. The way the firm internationalizes has everything to do with the industrial service it provides. Because this service cannot just be send abroad these firms are required to either send the employees abroad or contact its local workshop.

4.3.2. Conclusions dependent and independent variables

Conclusions concerning the dependent and independent variables can also be drawn:

Industrial service characteristics:

Perishability: Both Bakker Sliedrecht and Maintenance Partners showed that flexibility and adaptation towards customers is important. Either way both companies tried to satisfy demand as fast as possible. A large demand encourages foreign investment. Although Bakker Sliedrecht believes that it is able to satisfy demand through being flexible in traveling abroad, while Maintenance Partners believes it is necessary to establish a local service centre in the foreign market to satisfy their clients wishes.

Inseparability: With both firms, the service is provided in cooperation with the client. For Bakker Sliedrecht it means the transfer of employees abroad and for Maintenance Partners it is either that or the establishment of a local service workshop as it prefers to be locally situated.

Heterogeneity: This results into Bakker Sliedrecht sending the same people over to solve a clients problem, while Maintenance Partners educates its foreign employees in such a way that everyone works according to the same mentality, state of mind and education.

Intangibility: Both firms seem to focus on the additional value their service creates for their clients. This is shown through 24-hour service and the employment of knowledgeable employees. Both firms provide service availability to their clients, which is their way of showing the quality their service provides. This service availability means that both firms are ready to transfer their employees abroad or establish a foreign workshop to meet their clients expectations the best way they can.

Specialization: Industrial services are always specialized according to client's needs. The more work needs to be done, the more contacts take place, the more specialized its services are.

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Technology: Because it involves a lot of technological knowledge, employees are needed that do not only have the knowledge, but who are also able to transfer that knowledge to the customer. How much of this technology is required depends on external factors in the market.

Nature of the supplier-client interaction: Both industrial services firms considered the supplier-client interaction to be very important for internationalization. International activities were started by following their clients abroad. Their clients asked them to perform certain services for them in foreign markets. The level of cooperation with this client in that foreign market determines the way the industrial services firm established itself onto that market. With Bakker Slidrecht clients can be found all over the world, as ships sail away and might be in a different country, varying from one day to another. It requires its employees to be transferred to different foreign countries from one day to another, which might be the reason why the company has not established itself into either one of the foreign countries yet. In Maintenance Partners it also depends on how it most effectively cooperates with its (potential) clients. If it appears that the client is able to offer them a large assignment, and this continues for a large period afterwards, the choice of establishing a joint venture or a sole ownership becomes a whole lot larger for the industrial services firm. This means that the stronger the relationship established with that foreign client, the more likely it will choose an entry mode that requires a higher level of involvement and control. The following can be concluded: The entry mode choice is for a large part determined by the international activities of its clients, and thus if it has a close relationship with that firm in the home market, it influences the way it established itself internationally. A close cooperation with the client in the home market results into a close cooperation in the foreign market. It is dependent on a “ons-kent-ons” principle. Assignments are mostly obtained because one knows each other.

Entry mode choice:

1. *Two different kind of entry modes:* Both types of industrial services firms make use of a different kind of entry mode for the foreign market. Bakker Slidrecht rather chooses to send people abroad, because it's management prefers money to be earned in the Netherlands, and it is afraid that if foreign employees are contracted, they in the end start their own business there with knowledge gained from Bakker Slidrecht. Although the company does realize that due to the workload it is able to obtain in those countries, it might have to switch it's ideas, which is already done by thinking about the establishment of a service branch in China. Maintenance Partners on the other hand prefers the establishment of a foreign service workshop, either through partnerships or joint ventures and works with agents and representatives;
2. *No gradual foreign market entry:* Foreign market entry does not proceed in the way as described in the foreign market entry model. Franchising seems to be out of the question. Licensing does happen sometimes, such software licenses developed by the industrial services firms. Export hardly takes place, as services are difficult to export. These mostly only concern products supplied with the service;
3. *Differences between entry modes might be explained by the focus on a type of segment.* Because with Bakker Slidrecht ships can be found all over the world, the establishment of a service workshop might not be of relevance, as a ship sails away after a while. This means that every time it is situated somewhere else. Bakker Slidrecht is therefore bound to companies that can be found offshore or alongside the shore. Maintenance Partners on the other hand focuses itself on the total market (several segments) and is bound to docking stations like Bakker Slidrecht.

Services marketing plan: Neither one of the industrial services firm interviewed seemed to have a marketing plan for the foreign market, nor for its home market. Both firms state that they treat their clients the same as they would do in the Netherlands. Marketing activities are initiated but on a minor basis, such as fairs.

5. Discussion

Here the conceptual entry strategy model is compared to situations in practice and discusses potential adjustments to the proposed conceptual entry strategy framework.

5.1. Theory vs practice

Theory:

The conceptual entry strategy model that has been drawn up identified that there are several factors that need to be taken into account before international market entry. These consist of internal factors (firm level resources, firm characteristics and management characteristics), which results into the identification of the competitive advantage the firm is able to derive from these resources, and external factors (environmental factors, host country market factors and home country factors). It was concluded that a deeper focus should be placed on two factors in the internal and external analysis: the industrial service characteristics, and the nature of the supplier-client interaction. The relevance of the nature of the service content has been described in international management literature, but a specific focus on the industrial service characteristics seemed to be lacking. From literature it appeared that one of the mayor defining factors for an industrial services firm before entering a foreign market is the relationship it has with its clients. Therefore it seemed logical that the foreign market entry model should also include an analysis of the relationship with the client and its influence on the entry mode choice. Both the industrial service characteristics and nature of the supplier-client interaction define the way the industrial services firm developed and is developing international activities. The dependent variables industrial services characteristics and the nature of the supplier-client interaction have an influence on the independent variables entry mode choice and services marketing plan. It was not implied here that both factors have an exclusive impact on the internationalization of industrial services firms.

Practice:

From the interviews with the two industrial services firms both the industrial service characteristics and the nature of the supplier-client interaction appeared to be important for the internationalization of those firms. The industrial service characteristics seemed apparently present in and intertwined with the service. It also appeared that the nature of the supplier-client interaction is important for the internationalization of the industrial services firms. Both firms mentioned that they started their international activities abroad because their home country clients asked them to.

5.2. Adjustments

From the situations in practice the following adjustments might need to be done (taking the limitations of this research into account). These are described per variable.

Industrial services characteristics: The characteristics of the industrial service do appear to have an influence on the way the industrial services firm positions itself onto the foreign market. Because the service provided is heterogenous, inseparable, perishable, intangible, specialized and involves technology, the motive to choose a entry mode that involves a higher level of control and involvement is a lot higher. It is therefore important for the industrial services firm to be aware of these characteristics. Although it is questioned whether the inclusion of these industrial service characteristics does not make this foreign market entry strategy model a little bit too complicated. Merely listing these characteristics makes this model more difficult to understand. The analysis of the industrial service might need to be done or at least described on a different basis. It should be a foreign market entry model easy to understand for anyone who tries to enter a foreign market, including these characteristics. It also appeared that it is more than evident that these characteristics are rooted in the industrial service. On the superficial level these service characteristics appeared to influence internationalization, but these characteristics were not really tested here, questioning the exact influence on the entry mode decision. A real cause-effect relationship could not be identified here. Perhaps a focus should be placed on the type of industrial service provided: repair and maintenance, spare parts delivery.

Nature of the supplier-client interaction: The nature of the client-supplier interaction is important

for the internationalization of the industrial services firm. Here it is questioned though whether this item has been correctly placed in this model. Both industrial services firms mentioned that their clients in their home market were one of the reasons why they started activities in the foreign market. Therefore it is questioned whether the company should first analyze the relationship it has in the home market and see how these can be sustained within the foreign market. Implying that this factor should not become part of the host country market factors, but part of the home market factors. It therefore entails a dual question: how is the current relationship with its clients in the home market and how can these be sustained in the international market? And on what basis does that nature of the supplier-client interaction take place the foreign market?

Entry mode choice: It appeared that a certain type of entry mode seemed to be lacking. One industrial services firm called it the “temporarily export” of people, which obviously is not the correct term for it, as it expects its employees to return to the home country after having performed the service. The other industrial services firm called it the transfer of employees, which seems to be a better term for it. This can be concerned an additional option to the entry mode choices provided in the foreign market entry strategy model and an adaptation of the proposed model. This new entry mode option cannot be placed under either of the options mentioned in the foreign market entry strategy model: export, licensing/franchising, management contract, joint venture or sole ownership). It cannot be called export, because employees are merely send abroad to perform a job and return to the home country later on. It was mentioned that another kind of entry mode should be included by one of the industrial services firms, a service workshop. But here it is merely perceived as a label for a type of entry mode, because this service workshop is either established on the basis of a joint venture or sole ownership. In the entry mode options in the proposed foreign market entry strategy model is not stated whether the joint venture or sole ownership includes a production company or a workshop where services are provided, meaning that the division does not need to be made either.

Services marketing plan: Although both industrial services firms stated that they do not use a service marketing plan, it does not mean that it might not be required for both the home and foreign market. Marketing still seems to be an under-appreciated item in both industrial services firms. Both firms are established by technicians who often do not recognize how important marketing is as an effective method for doing business and obtaining clients. Although it does not mean that as services marketing plan might not be used in other industrial services firms. Additional research would be required to make a clear statement about this. Because these firms acknowledged that the adaptation of services internationally is not done, it does not mean that it might not be required by clients. Future research should focus on the effect it would have if this would be adapted to the local market and if the firms would obtain even more assignments. The attitudes of both firms are that they know best what kind of service would be best for the clients firm. But it is questioned here whether letting go of this principle would result in even more client requests. It is believed that drawing up a marketing plan not only makes the firm realize what type of services it provides, but also how it should effectively enter a foreign market and the tools that are necessary for it. For example the adaptation of the service price, or how its service workshop should be designed.

6. Conclusions and recommendations

6.1 Conclusions

This research has tried to identify the important internal and external factors for international market entry of industrial services firm. This research gives an answer to the following research problem: “*What factors are important for the internationalization of industrial services firms?*”. From internationalization literature several internal and external factors were identified, resulting into the development of a conceptual entry strategy model for industrial services firms.

The important factors for internationalization of industrial services firms consist of internal and external factors. Several factors were identified from international management literature, such as the firm characteristics, firm resources, management characteristics, environmental factors, host country factors and home country factors. Focus was placed on the industrial service characteristics and the nature of the supplier-client interaction and their influence on the entry mode choice and the services marketing plan (implementation entry mode choice).

From the interview with two industrial services firms, these also appeared to be important for industrial services firms’ internationalization. What seemed to define the entry mode choice was the relationship the firm has with its home country clients. The nature of this interaction ensures these firms to either transfer its employees abroad, or establish a local service workshop. Both firms started international activities because their home country clients asked them to provide their services abroad.

The following advice can be given to the industrial services firm, SPIT elektromechanica. For foreign market entry it should:

1. build on relationships with home country clients to get access to a foreign market. Both competitors of the firm initiated international activities through either the cooperation with home country clients or by just following them abroad;
2. ensure that it cooperates with large OEM supplier, because of their potential clients in foreign market (easier market access);
3. establish contacts with local agent and representatives who initiate client acquisition for this industrial services firm;
4. after which it should start searching for opportunities to cooperate with local firms that either might do the (first) part of the job or that are able to provide SPIT services;
5. consider the possibility of opening up a local service workshop. This not only results in a quick response to customers demands, but clients problems might also be solved quicker if local employees are hired that understand the local language and culture.
6. start using this foreign market entry strategy model as the basis for foreign market entry. This model will guide the industrial services firm through the process of internationalization.

The international market entry model drawn up in this research can be used by SPIT before it starts to develop activities internationally. It gives them an idea of what factors it should take into account before international market entry. It is recommended that the company first takes a look at the competitive advantage it already has in the Netherlands, and collect information about the foreign market before international market entry. This competitive advantage and an analysis of foreign market, the nature of the supplier-client interaction in specific, should give the industrial services firms an idea with which what services it needs to enter the foreign market and what external factors should be considered, to define what choice of entry mode it should make. This entry strategy model gives SPIT a guideline for foreign market entry.

6.3. Limitations and recommendations

6.3.1 Limitations of this research

This research has a few limitations, that are described below:

- Limited availability of industrial service firms with international experience
- Information important internal and external factors remains on a superficial level. Through the interview general information was obtained about the internationalization of industrial services firms. Results from the interview only give an overview of the internationalization activities of the industrial services firms interviewed. Information about internal and external factors remains on a superficial level without actually testing the industrial services characteristics and the nature of the supplier-client interaction.
- Interview questions appeared to be too detailed and scientific, making these difficult to understand by the industrial services firms interviewed. This made it also difficult to identify the internal and external factors relevant in their internationalization process.
- The use of two case studies poses questions as to whether the conclusions drawn can be generalized and whether the adaptability of the foreign entry strategy model only concerns these two companies, or are also applicable for other industrial services firms. This requires an additional research that includes a larger amount of industrial services firms. This research includes two competitors, as perceived by SPIT's sales manager, meaning that perhaps there are other (potential) competitors, with more international experience, that have not been identified by this manager yet.

6.3.2 Recommendations for future research

- Future research should take a closer look at the influence of the industrial service characteristics and the nature of the supplier-client interaction on the entry mode choice and the services marketing plan. Here only a general idea of the importance of these factors has been given. Additional research should focus on testing these.
- Future research should take a closer look at what the exact important factors of the nature of the supplier-client interaction are. This refers to the way this should be established beforehand and what kind of impact this has on the entry mode choice.
- Additional research also needs to take a look at the amount of influence the supplier-client relationship has on the internationalization strategy of industrial services firms. It appears that the relationship with home country clients is the most important reason for internationalization of these industrial services firms. This might require an adaptation of this entry strategy model and perhaps a complete focus on this relationship, leaving out the other external factors. The analysis of the internationalization gives no sufficient proof to draw up a different kind of entry strategy model.
- Emphasis should be placed on the other important factors in the internationalization process of industrial services firms, to test whether these are actually important in that process. These items were taken as a given because of the large identified relevance in internationalization literature, but future research should identify whether this is indeed the case.
- A closer look should be taken at other types of industrial services firms. Here a focus was placed on competitors of SPIT elektromechanica, which limited the number of cases available for analysis. The research concentrated on industrial services firms that provide repair and maintenance services for industrial machines, combined with the provision of spare parts, components and products, such as motors and drives. Future research needs to focus on other types of industrial services firms that provide services such as office cleaning, transportation or insurance.
- More industrial services firms should be interviewed that have a large international experience, such as firms that already have foreign branches for quite some time.

6.4. Contribution to scientific knowledge

This research has tried to contribute to scientific knowledge concerning internationalization models. Here an attempt was made to develop an internationalization model for industrial services firms, which has not been developed before. Several general models focused on manufacturing firms already exist and to a minor extent a few on services firms could be identified. It was shown that the industrial

Market entry strategies by industrial services firms

services firm do require a specific approach for foreign market entry. One of the mayor issues, not the least to say the most important issue within the internationalization process, is the nature of the client-supplier interaction. The international market entry of the industrial services firms interviewed is very much characterized by it's clients relationship. These companies started their internationalization because their clients asked these firms to follow them abroad. Their home country clients often also have branches in foreign countries.

For internationalization it is therefore of large importance to built on their relationship with these home country clients to gain an entry into the foreign market. It might even require the development of an entry strategy model based on this supplier-client relationship.

Summarized, this research contributes in the following way to scientific knowledge:

1) a focus on the development of a specific foreign market entry strategy model for industrial services firm, instead of using a general entry strategy model; 2) The inclusion of the nature of the supplier-client interaction in the foreign market entry strategy model; 3) A focus on the characteristics of the industrial service within the foreign market entry strategy model; 4) proposes the inclusion of a different kind of entry mode choice: the transfer of employees to foreign countries.

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MARKET ENTRY STRATEGIES BY INDUSTRIAL SERVICES FIRMS

Master thesis
Business Administration
International Management

by
N.J.B. Striekwold

University of Twente
Enschede, The Netherlands

May 2009

Appendices

Graduation committee:

Supervisor: Drs. P. Blik

Second supervisor: Ir. S.J. Maathuis

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Appendix 1: Industrial market and services

Several different opinions exist whether the factors that influence the entry mode choice are the same for both manufacturing and service industries or that services require a specific approach. One group of studies indicate that factors for both industries are thus generalizable. Another group claims that the *“basic process of entering foreign markets is the same for service firms as for manufacturers, whereas the implementation of this process differs between those types of firms”* (Grönroos, 1999). And a third group of studies claims that these are not generalizable and should be adapted to service firms (Ekeledo and Sivajumar, 1998; Grönroos, 1999; Javalgi et al, 2003; O’Farrell and Wood, 1998), claiming that services are unique and require their own type of entry strategy (Javalgi et al, 2003).

Because of these different opinions both theories were reviewed here, the characteristics of the industrial market were analyzed here and a closer look was taken at the specific characteristics of services. Characteristics of the industrial market were taken into consideration because the structure, activities and dynamics of industrial markets is quite different from those of consumer markets (Arinze and Burton, 1992). International industrial marketing is far more complex than consumer marketing because the organizational buyer behavior involves a more intricate network of influences. The technological nature of products and services makes it even more complex. The size of the purchase is often a lot larger and the buying relationship more complex and long term (Bradley, 1995). Here it is believed that the industrial market characteristics might have an influence on the entry strategy for the foreign market (Reeder et al, 1991, Bradley, 1995).

Differences between goods and services were considered, because entry mode options cannot be transferred to services due to the several differences between goods and services (Sanchez-Peinado et al, 2007). These features also make the marketing of these services quite challenging (Javalgi and Martin, 2007).

1. Differences goods and services

Services are quite different from goods because of several features (Javalgi and Martin, 2007; Sarathy, 2004; Zeithaml et al, 1985). Summed up these features are as follows: (1) intangibility: making it very difficult for representatives to market their services because these services cannot be touched or transported. Not being able to show the services makes it harder to actually sell the service, due to language barriers and cultural differences; (2) inseparability (or simultaneous production and consumption): services are often inseparable from the ones that use them. Local presence and maintenance often becomes a necessity, which enables the firms to respond quickly to local demands. Being physically close also brings service providers and customers together. *“It serves to leverage the importance of interpersonal skills which may be challenging in international settings where sharp differences may exist between service providers and customers in terms of language, cultural background, experience with service, and so on.”* (Javalgi and Martin, 2007); (3) perishability: services cannot be inventoried. Because of cultural norms, demographics and competitive dynamics and other factors, supply and demand are hard to balance and manage; (4) heterogenous: services vary per service provider, location and moment. Because of this, there is often increased variation in labor and finally the output. This has an impact on the expectations of the customers, who often have different outcome perceptions, leading to different customer valuations and different ways of customer satisfaction (Javalgi and Martin, 2007; Gilmore and Carson, 1996; Bowen and Ford, 2002; Bitran, 1993; Patterson et al., 2005; Sarathy, 2004; Bouquet et al, 2004; Cooper and Jackson, 1988; Zeithaml et al, 1995).

The unique characteristics of the services are often magnified in the international context and have an influence on, the foreign market entry strategy and how the services organization can be analyzed (Javalgi and Martin, 2007).

Industrial services

One of the obstacles encountered was finding a good definition of industrial services. Professional, business and industrial services were often interchangeably used. Homburg and Garbe (1999) drew up a

model, classifying these services as shown by the model (Figure 1) below.

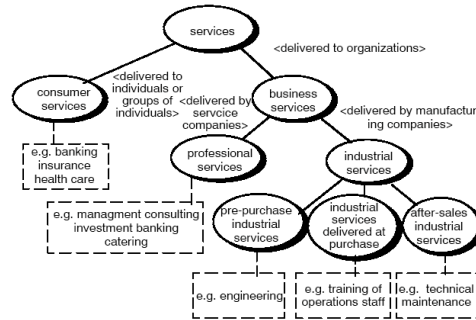


Figure 1.: Taxonomy of services (Homburg and Garbe, 1999)

The following definition for industrial services was identified: “*Industrial service is the supply of after-sales services (e.g. installing, training, repairing, upgrading and disposing) including tangibles such as spare parts and consumables related to the maintenance of industrial goods*” (Nobs et al., 2007). The classification and definition gives a clearer idea of what industrial services are and their differences with services. This classification relates to the industrial services firm considered here. The firm provides the maintenance and repair of motors and drives, combined with engineering of software and supply of spare parts.

Characteristics

The industrial market does not only have to overcome the problems because of the four characteristics mentioned before (intangibility, perishability, heterogeneity and inseparability), but two more characteristics, specialization and technology, are important here (Jackson and Cooper, 1988; Gross et al, 1993). Specialization because “*industrial services can be best characterized by their customization to their customer’s needs*” and Technology because “*industry is concerned with the use of technology not only because it opens new doors but it assists production efficiencies*”. Industrial services firms should be aware of this “technology culture” (Cooper et al. 1988). These characteristics of industrial services have several influences. Inseparability means that the mechanics often work together with the customer’s firm. Not only the way the mechanic dresses is important, but also the way he communicates with the customer. Personal skills are often very important (Jackson and Cooper, 1988). Specialization means that services will have to be specifically adjusted to the customers needs, including the machines needs and the production location. These industrial services characteristics make it difficult to evaluate the firm’s quality of service rendered. Due to the simultaneous production and consumption of the service the quality of service problems are even more increased (Eckles, 1990).

2. Industrial market

The market can be divided into the consumer market and industrial or business market. Specific characteristics of the industrial market might be of influence on the foreign market entry strategy. In the industrial market the buyer-seller interaction is much more based on a relationship, instead of based on an transaction; emphasis is placed on personal selling instead of mass advertising; it involves a strong instead of weak buying power by clients and large purchase involvement instead of small; and it involves much more pre and post transactional services instead of a few point-of purchase services (Gross et al, 1993). These differences show that business marketing requires a different approach from consumer marketing (Reeder et al.,1991; Arinze and Burton, 1991; Bradley, 1995; Gross et al, 1993). The business firm is influenced by several environmental factors. The Business Marketing Environment model developed by Eckles (1990) displays the macro- and micro-environment this firm faces (Figure 2.3.).

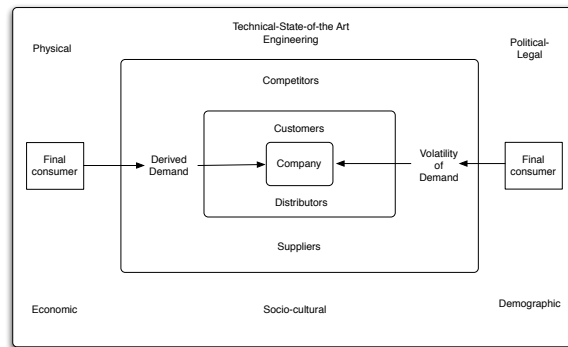


Figure 3: The Business Marketing Environment (Eckles, 1990)

The macro environment consists of the political-legal, socio-cultural, economic, physical, technical-state of the art engineering, and demographic forces. The business firm is influenced by the **‘Environmental forces’** (Political-Legal, Physical, Economic, Demographic, Socio-Cultural). These forces can restrict a firm’s operations in the foreign market through actions such as trade barriers or political bureaucracy (Eckles, 1990). The demand for industrial goods is merely influenced by technical factors, but cultural factors also play a strong role (Reeder et al, 1991). It has an impact on product specifications and features and usage patterns (Bradley, 1995). **‘Technical-State-of-the-Art Engineering’** shows that there is a large concern for product quality, technology and engineering. Product quality includes both the physical product and it’s services. Due to differences in use patterns and standards per country, superior quality is often perceived differently (Bradley, 1995). Technology refers to the technical complexity of the product/service. There is greater concern with the technical aspects of products, and purchases are often controlled by the use of customer generated specifications (Reeder et al, 1991). This results into the need for business marketing people with great personal skills and in-depth technical knowledge of the products they are selling (Möller and Rajala, 1999; Reeder et al, 1991). Here experience with technology and technical training are preconditions for success. Often companies make the mistake of putting engineering trained personnel in marketing positions, without having the knowledge of marketing, which often causes *“lost sales, customer complaints and the end of a customer’s relationship with the company”* (Eckles, 1990). Industrial firms often have separate units for customer service and maintenance purposes. These do not only serve a post-sales purpose, but also act as pre-sale support helping customers in their purchasing decision (Möller and Rajala, 1999). The **‘Customer’** is an important part of business marketing. A close and stable relationship exists between the buying and selling organization, especially between those that make face-to-face contact. It is important for the whole firm to be market oriented, which is why personnel in finance, operations and engineering is largely involved (Eckles, 1990; Arinze and Burton, 1991). It is a long term relationship, suppliers are barely switched, because costs of products that do not meet demands or satisfy requirements can become quite high. Furthermore customer are largely involved. Purchases are based on customer’s specifications and can often take up to several months, because of the risks concerning the purchase and the technical complexity of the product. These often have to comply with cost-effectiveness and specifications and are dependent of supply. (Reeder et al, 1991). An additional characteristic is that the industrial product is part of a total process, which is why buyers value service, dependability, quality, performance and cost. The output of their own organization is largely dependent of the inputs that are being used (Reeder et al, 1991; Bradley, 1995).

Appendix 2: Industrial service characteristics

The industrial service characteristics are explained in larger detail. A services firm may portray these characteristics to a varying degree, and it is not necessary for them to have these in an equal degree (Groninger and Oviatt, 2007).

Heterogeneity

Heterogeneity means that services are difficult to standardize and with every business activity, the process and customer experience might be different. A high variability in the services' performance is produced by the important role of personnel in the service provision. Services vary from one individual to another. One individual customer might deal with many different employees, creating a consistency behavior problem. Services also vary according to the level of client involvement in the service production, making the quality, output and essence of the service difficult to control. This is even more complicated if people from different cultures are hired and the firm still wants to instill the same corporate ideas and value into the foreign firm from a distance. The cultural distance might affect the nature of the workforce employed and level of standardization possible during service delivery. Requiring service personnel to be trained in providing the same level of service. Achieving success with a new performance is also difficult, as performances within the past may not be a valid indicator of future success (Sanchez-Peinado and Barber, 2007; Sarathy, 1994; Gross et al, 1991, Zeithaml et al, 1983). According to Gross et al (1991): *The degree to which the service organization designs the service delivery system to control variability will influence the heterogeneity (or quality) of the service experienced by the customer.* If the industrial services firm wants to reduce customer uncertainty, it may do so by offering their customer to mechanize, customize, standardize and rationalize available options. Heterogeneity might be required by clients who prefer a customized service instead of a standard approach that is less optimal for their individual situation (i.e. engineering, or lay out design) (Gross et al, 1991). A high level of customer involvement actually is the significant reason for variability in services (Korpi, 2008).

Inseparability

Inseparability refers to the simultaneous production and consumption of the service. The customer is an active participant instead of merely a receiver of the service. This requires the service firm to be locally present in the foreign market, because of direct client involvement and high levels of customization to meet the expectations and needs of local clients (Winsted and Patterson, 1998; Sanchez-Peinado and Barber, 2007; Cloninger and Oviatt, 2007; Buckley et al, 1992). This also makes it impossible to test the market by exporting from a distance. According to Cloninger and Oviatt (2006) inseparability *"influences the ability of international firms to be responsive to local customer demands and to leverage centralized innovations"*. It might be required for the customer to participate for the for the firm to be successful in the foreign market (Cloninger and Oviatt, 2006). According to Buckley et al (1992): *"in the case of simultaneous production and consumption, it is necessary of the firm to locate activities abroad, either through contractual arrangements with host country suppliers or through foreign direct investment"*. A higher degree of inseparability requires a higher degree of interaction between producer and customer. This customer interaction and participation often requires substantial communication and adaptation. This must be supported by the venture within the foreign market. Due to language and culture differences customers might not be willing to participate (Cloninger and Oviatt, 2007). Inseparable services need to be located in the production facilities in the foreign market, to facilitate access for local consumers to these service offerings (Erramilli and Rao, 1993) *"Furthermore, key technologies in service offerings tend to be embodied in the service firm's trade secrets instead of in a patent or copyright protection."* (Ekeledo and Sivakumar, 2004). The establishment of staff with local knowledge is required, provided through training or in cooperation with an associate company (O'Farrell and Wood, 1994). Most internationalization of business services first takes place through staff being mobilized to meet clients face-to-face and to establish a relationship of trust. And often entails the semi-permanent migration of some staff as a *"intermediate stage between exporting and possible FDI"* (O'Farrell and Wood, 1994).

Perishability

Services are perishable as these cannot be stored for use after production nor inventoried (Cloninger and Oviatt, 2007; Sanchez-Peinado and Barber, 2007(b)). This characteristic is an important variable for success for the services firm. It refers to the ability to meet customer requirements on time and meet

their demands (Cloninger and Oviatt, 2006). It implies the need for direct contact with the customer and presents challenges for balancing supply and demand. This might be hard to achieve in a foreign country where high demand fluctuates significantly and is often unpredictable, forcing services firms to operate with excess capacity on the international market (Winsted and Patterson, 1998; Sanchez-Peinado and Barber, 2007). Perishability increases difficulty of deploying resources, attaining a competitive position and is therefore often considered a potential loss of value (Cloninger and Oviatt, 2007). Services firms whose outputs are more perishable will choose higher control entry modes than the service firms whose outputs are less perishable (Cloninger, 2004).

Intangibility

Intangibility means that services are performances that cannot be touched, lifted, seen nor transported (Winsted and Patterson, 1998; Sanchez-Peinado and Barber, 2007; Cloninger and Oviatt, 2007). It involves the purchase of a service process with no transfer of ownership (Sanchez-Peinado, 2007). When going abroad, this poses challenges for any firm wanting to sell its services internationally. Intangibility increases the difficulty of assessing service quality as opposed to manufactured goods (Winsted and Patterson, 1998; Sanchez-Peinado and Barber, 2007). This subjective nature of service quality might even require an adaptation of the service process if it wants to attract clients in that foreign market (Sanchez-Peinado and Barber, 2007; Sarathy, 1994). The trade-ability of the service is determined by the extent to which the service is embodied in physical goods. It is possible for the services firm to invest, license or export the product to the foreign market, if it can be embodied in a tangible product (Buckley et al, 1992). But if it appears that service provision is depended on people, it is required for the firm to be closely situated to the client, or it might require trips to that client (Buckley et al, 1992). According to Cloninger and Oviatt (2006) if a firms has intangible, knowledge based assets, it tends to decrease internationalization risks, because *“the skills embodies by professional technical consultants can easily be moved to other markets”* (Cloninger and Oviatt, 2006). It also appears to increase the need for legitimacy and importance of reputation (Cloninger and Oviatt, 2006). Services firms whose outputs are more intangible will choose higher control entry modes than the service firms whose outputs are less intangible (Cloninger, 2004).

Specialization

Another important characteristic is the specialized nature of the industrial service. With services, the client is an active participant in the production process. Supplier and client jointly produce the service, while consumed at the same time by the customer. This means that service quality is stipulated by the client itself. This results into the production of a service specialized to customers requirements and needs (Kok, 2000). *“Industrial services can be best characterized by their customization to their customer’s needs, especially considering production services which are often specialized on a per job basis”* (Jackson and Cooper, 1988). Often problems are considered unique to a client’s situation and need to be identified first, before recommending any unique solution (Gross et al, 1993). The more work needs to be done, the more contacts take place, the more specialized its services are. Here it is believed that the more specialized the service of the industrial services firm is, the more committed it will be need to be to the foreign market, resulting into a preference for a higher control entry mode. Less specialized services on other hand involve entry modes that requires less control.

Customization is an important variable for a firm’s success within the foreign market (Cloninger and Oviatt, 2006).

Technology

Maintenance is a field which is largely influenced by technological developments. Through computer technology application, installations, equipment and machines are increasingly being electronically monitored. The use of the device is being registered by the installation itself, and a signal about its status is transmitted to the service provider, if and when it is necessary (Kok, 2000). Because of the large involvement of technological knowledge not only employees are required who have that kind of knowledge, but who are also able to transfer that knowledge to the client.

According to Jackson and Cooper (1988), industrial marketing is either cursed or blessed with the technological nature it prevails. The amount of technology that involves the product/service has an influence on the entry mode choice (Root, 1994). Here this could, for example, be the amount of components provided with the service or the technological knowledge required. A high technological

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content mostly entails a preference for entry modes that involve complete control and ownership of foreign affiliates. It gives the company strength and both market and bargaining power, meaning that local partnership is not necessary anymore. Here it is believed that this is also the case with industrial services. The larger the involvement of technology in the industrial service, the larger the preference for a high control entry mode. While a smaller involvement of technology, gives a preference for a lower control of entry mode.

Appendix 3: Interview questions

The interview consist of the questions listed below. First some general questions regarding the company , it's history and the internationalization process will be asked, followed by questions on the two dependent variables "industrial services characteristics" and the "nature of the client-supplier interaction", and the two independent variables "entry mode choice" and "services marketing plan". This is followed by questions about other internal and external factors identified in the internationalization literature.

Purpose of this interview: To find out exactly what factors the industrial services firm took into account during the internationalization process. Specific focus is placed on the influence of the industrial service characteristics and the nature of the supplier-client interaction on the entry mode choice and the services marketing plan.

Time: max. 60 minutes

Relevancy: *for the interviewer:* This interview will enable the interviewer to get a better understanding of the important factors in the internationalization process of industrial services firms. Furthermore it is hoped that through this interview the influence of both independent variables is shown.

for the interviewee: Propose a different and expanded view on internationalization and factors that appear to be of importance within this process according to literature studied. It also offers an "action plan" before international market entry. Serves as a way of analyzing the current entry strategies of industrial services firm and gives an advice how it might need to be done or changed in the future.

Before getting into specific questions about the internationalization process of the firm, first some general questions regarding the firm's business will be asked, to get an idea of what the company stands for and exactly what type of business it is in.

I. Background questions

1. Could you briefly describe who you are, what your function is and for what activities in the firm you are responsible? And at what level you are concerned with the firms' international activities?
2. Who founded the company and when?
3. What is the firm's estimated annual turnover/sales? And how much of this is international (per %)?
4. What is the size and structure of the organization?
5. What is the company's core business and strategy?
6. What are the products/ services the firm is offering?
7. What market segments is the organization currently serving?

Now some general questions will be asked regarding the internationalization of the firm. A specific focus on certain items will be placed later on.

II. Internationalization and entry mode

8. When and why did the industrial services firm choose to become international?
9. How did the organization start to internationalize?
10. To which countries did the internationalization start and in which countries is the industrial services firm represented today internationally?
11. What markets and market segments is the organization currently serving internationally and what is it targeting at?
12. What kind of international market entry modes has the industrial services firm used to enter international market?
 - a) Export, b) Licenses, c) Franchising, d) Management contract, e) Joint venture, f) Sole ownership?
13. Does the firm use different entry modes in different markets?
14. What strategy does the company follow when entering a new international market?
15. How are the service activities divided internationally? On what aspects of the activities is the focus being placed?
16. Are the international assignments mostly provided by Dutch or foreign firms?
17. How important is internationalization for the firm?

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18. What are the reasons the firm was and is successful in international market entry? (I.e. Reputation, country-of-origin effect, local presence, long term commitment, consistent/superior service quality, product uniqueness, relationships/ networking, value pricing, cultural sensitive staff, staff with high technical skills.)
19. Where does the industrial services firm wish to expand business in the future and what are its future goals?

III. Factors taken into account within the internationalization process

20. What kind of internal and external factors influence the industrial services firm's choice of international markets and market entry mode?

IV. Theoretical model

From theoretical literature, the model mentioned below has been drawn up. As you can see from this theoretical model, there are several factors that need to be taken into account, before an industrial services firm starts to internationalize. You already suggested some factors that your company took into account during internationalization. Here a specific focus is placed on the two circled factors: industrial service characteristics and nature of the client-supplier interaction.

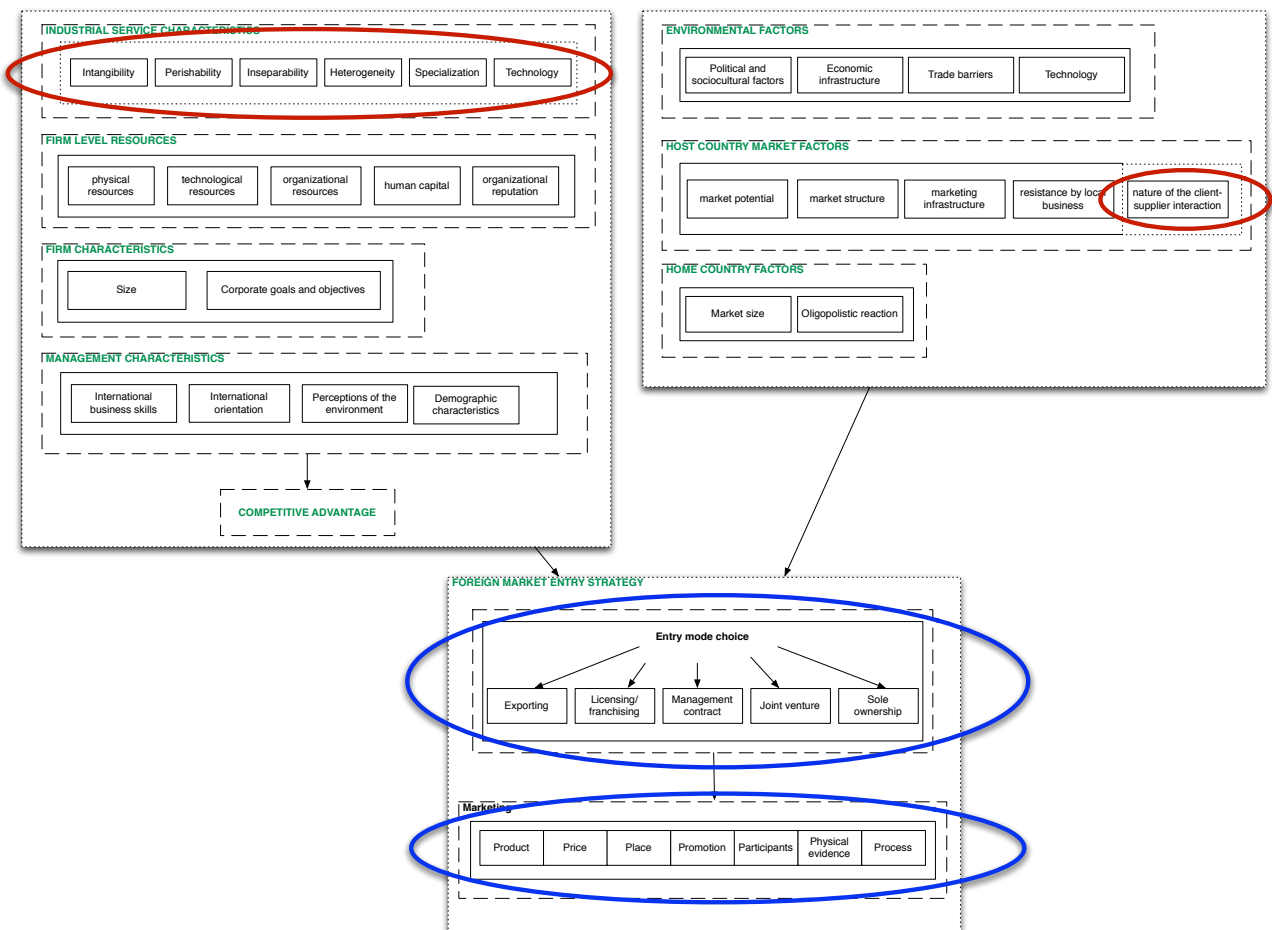


Figure 5.3: Industrial services firm's entry strategy model

A. Type of service (*Industrial service characteristics*)

The unique aspect of my internationalization model for industrial services firms, is the inclusion of the specific nature of the industrial services provided. According to literature an industrial service has the following characteristics: intangibility, perishability, inseparability, heterogeneity, specialization and technology.

21. What type of service are you providing internationally and what exactly are its characteristics? And

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in what way did these have an influence on the foreign market entry mode choice?

22. How variable is the service provided and what influence does it have on the foreign market choice? (**Heterogeneity**: refers to the difficulty to standardize the service, as it varies from one individual to another, and its high variability in the performance of the service?)

23. How far is the customer an active participant instead of merely a receiver of the service? And what influence does and did it have on internationalization?

(**Inseparability**: refers to the simultaneous production and consumption of the service)

24. How is the demand for the service being fulfilled as there is no ability to keep stock? And how does this have an influence internationally?

(**Perishability**: refers to the fact that services cannot be stored or inventoried; and the ability to meet customer requirements on time and market demand)

25. In what way can the service be touched or seen by the customer, either through the simultaneous provision of goods? And how is this of influence on international operations?

(**Intangibility**: refers to the fact that services are performances that cannot be lifted, transported or touched; and involves purchase of a service process with no transfer of ownership; it increases the difficulty of assessing service quality as opposed to manufactured goods; repair and maintenance to industrial installations is difficult to “show” to a foreign client, the quality of the service is therefore difficult to be determined, neither by the firm nor the customer).

26. How specialized is the service and what was the influence of this on the internationalization of the firm? (**Specialization**)

27. What is the level of technology provided with the service and in what way does this have an influence on foreign market entry? (**Technology**)

B. Nature of the client-supplier interaction

The second factor that has been shown of relevance in the internationalization process, is the nature of the client-supplier interaction. Before foreign market entry, it is considered important to analyze the relationship the industrial services firm has with the (potential) client. Due to the fact that the service delivery depends on a large part on the direct interaction with the customer.

28. How did and does the firm acquire clients in foreign markets?

29. How did and does the company establish a relationship with its clients in the international market?

30. How important is the establishment of a client relationship for international market entry?

C. Services marketing plan

Product	Price	Place	Promotion	Participants	Physical evidence	Process
Quality	Level	Location	Advertising	Personnel:	Environment:	Policies
Brand name	Discounts and	Accessibility	Personal selling	Training	Furnishings	Procedures
Service line	allowances	Distribution	Sales	Discretion	Colour	Mechanization
Warranty	Payment terms	channels	promotion	Commitment	Layout	Employee
Capabilities	Customer's	Distribution	Publicity	Incentives	Noise level	discretion
Facilitating	own	coverage	Personnel	Appearance	Facilitating	Customer
goods	perceived		Physical	Interpersonal	goods	involvement
Tangible clues	value		environment	behaviour	Tangible clues	Customer
Price	Quality/price		Facilitating	Attitudes		direction
Personnel	interaction		goods	Other customers':		Flow of
Physical	Differentiation		Tangible clues	Behaviour		activities
environment			Process of	Degree of		
Process of			service	involvement,		
service			delivery	Customer/		
delivery				customer		
				contact		

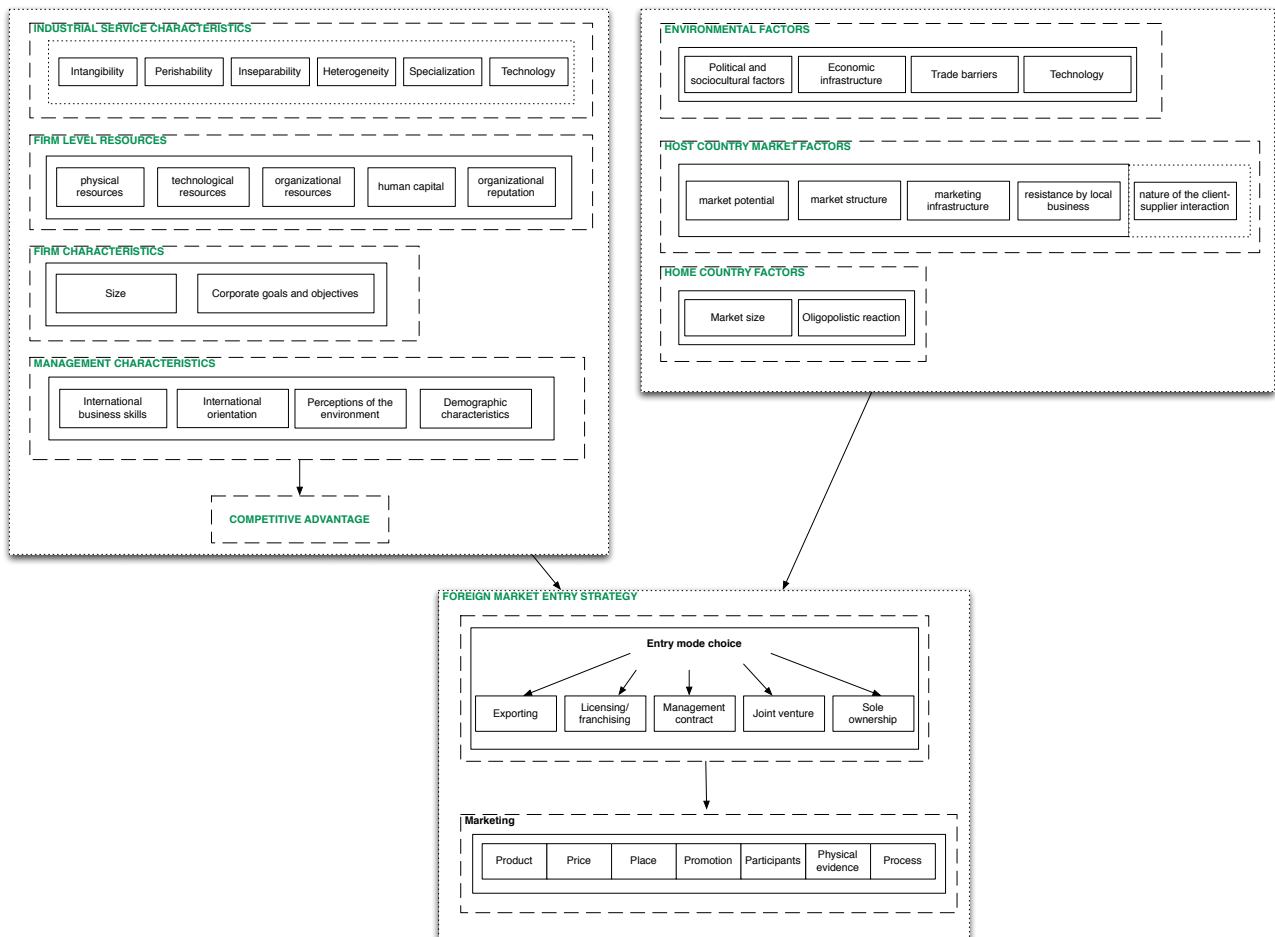
This concerns the implementation of the entry mode. One speaks often of taking the 4p's into account (product, price, place and promotion). Here it is assumed that one should also take three other items into account, namely participants, physical evidence and process. The questions here are as follows:

31. Was a specific marketing plan designed for the foreign market? If so how did it differ from the home market?
32. Was any specific focus placed on the 7 p's? If so in what way?
 - a. Product
 - b. Price
 - c. Place
 - d. Promotion
 - e. Participants
 - f. Physical evidence
 - g. Process

4. Other factors as identified in the internationalization literature

Other factors have been identified as important for foreign market entry. If you take a look at the understanding internationalization model, what other factors do you consider of importance before the international market is entered?/

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What other factors defined your entry mode for the international market? Choose either one of them, or more factors and explain why these were found to be of importance.

A. Industrial services firm characteristics

- 1. Firm characteristics:**
 - a) *Size of the firm*
 - b) *Corporate goals and objectives*

2. Firm level resources:

3. Management characteristics: level of international business skills, international orientation and perception of the environment

4. The competitive advantage

B. Foreign market characteristics

1. Environmental factors:

- a. Political stability
- b. Cultural distance
- c. Economic infrastructure
- d. Trade barriers
- e. Technological environment

2. Host country market factors:

- a. Market potential
- b. Market structure
- c. Marketing infrastructure
- d. Resistance by local business

3. Home country factors:

- a. Market size

- b. Oligopolistic reaction
- c. Government policy

5. Conditions

- 44. Will you allow me to make use of this information for my thesis and is it possible for me to put your name in my thesis report?
- 45. In the case of additional questions, is it possible to question them per email?

Appendix 4: Information interviewed companies

A. Bakker Sliedrecht

Introduction

On the 3th of February 2009, an interview took place with Mr. Heiblom, manager of Baler Sliedrechts' service department. Mr. Heiblom is responsible for the service, maintenance, repair, warranty and commissioning, after sales tasks and he manages the following people: his service coordinator, repair coordinator, project manager repair and maintenance project managers. This person was chosen because he is responsible for the service delivery in the firm. The department "Service" coordinates all activities in the area of commissioning, maintenance and technical failures. These assignments are all placed with service technicians, on the basis of their personal qualities and specialties, for both local and international activities.

Core business and strategy

Bakker Sliedrecht is searches for tailor-made solutions which meet expectations using it's in house production of: drive & control systems, automation systems, switchboards, MCC's, consoles, custom-built electric machines and representations of products and systems from Spain, Italy, Germany, Denmark, Finland and Switzerland. It builds high-quality electro-technical installations, from drives to power generators and anything that these involve. It is focused on the dredging and offshore industry and ensures building, commissioning and service of anything electrical on board of a ship nationally and internationally. For example, if anything brakes down in a ship and it is situated in Singapore at that moment, the company flies its personnel over to help solve it's clients' problems. Their core activities are: Consultancy, engineering, drive & control systems, automation, installation, after-sales service, maintenance and repair. It provides a 24-hour service a day, worldwide. It's slogan is: no ocean too deep, no country too far.

The companies' core business is serving the maritime and offshore world, and a focus on providing maintenance and service. It believes its maritime clients are its most sacred purpose. 20 years ago the company decided to expand its activities and focus more on the industrial sector, which is how it started providing services bridges, drains (locks), factories and more. But this focus only takes place win the Netherlands. All activities and competences provided are related to the dredging (maritime world). Knowledge is based on the dredging industry, but appears relevant for other industries also.

The company prefers working with its own people. This is part of the vision of Bakker Sliedrechts' director. He does not want money to be gained in a foreign country. Part of it is due to fear of teaching other people their way of working. That those employees will eventually open up their own business in that foreign country and that Bakker Sliedrecht will not be neeeded anymore. It did have the opportunity to open up a machine repair company in Dubai, because of a large presence of clients. Several people within the firm thought it could be a potential opportunity, but the director was against it, which is why the whole idea was cancelled.

For future activities no concrete plans are drawn up. Management does have a certain goal for the company, but this is not thoroughly followed. If anything more brighter and shiner comes along, the company focuses itself on something else. About 7 years ago the dredging industry was in a slop, so Bakker Sliedrecht started to largely focus itself on maintenance, especially in foreign countries. But currently hardly any work is done in that area in foreign countries. A lot of work is available, but it does not have the man power to execute those kind of assignments. Most activities are focused on new-build installations.

History and size

The company was actually born out of a necessity, because of ships' demand on the Bakker Sliedrechts' shore. It started with central heating installations, and grew into the company it is right now through adding additional tasks. At a certain moment the central heating part was left out and it completely focused on electricity. Currently the company employs 400 people, divided by 4 different companies: Bakker Sliedrecht, Bakker Repair, Verhoef Elektrotechniek and Elektrotechnisch installatiebureau van Oorschot (Breda). In total it has a turnover of about 60 million euros: Bakker Sliedrecht 50 million, Bakker Repair 12 million, Verhoef Elektrotechniek 6 million, and Van Oorschot about 1 million euros.

Van Oorschot is the latest addition and is mostly focused on the installation of high voltages. This company was added, because of potential growth opportunities, and that companies' specialized knowledge. More and more work is being done, which increases the level of bureaucracy. This is why a separate service department was created, which currently employs over 35 people.

The department within Bakker Sliedrecht that is responsible for the repair of electric motors and drives is Bakker Repair. Their market is mostly concentrated in the Netherlands, with 10% focused on the foreign market. Machines need be transported, something that costs a lot of money. It is often better to repair something in the foreign country itself, instead of transporting it all the way back to the Netherlands. This is also the case for dredging ships. Sometimes supervision is provided to a local repair company, wherever in the world, South-Africa, Singapore or Dubai.

The company has a matrix-organization, project-driven. A matrix organization is actually an organization in which people with similar skills are pooled for work assignments. It means that engineers in an engineering department report to their engineering managers, but might at the same time be assigned to several different projects, and have to report to the project manager of that project. To get their job done, engineers often work under several managers (Wikipedia, 2009).

The organization has several departments, such as the production, service and commissioning, engineering and assembly. These are all in charge of projects, that are divided per project leader. For every assignment a project is set up, with a project leader. If it concerns a service call, the service coordinator becomes the project leader. The project leader is responsible for the execution, completion and financial aspect of the project. This could be a project for a day, or one that lasts for years. The service-coordinator ensures the division of people over the several projects. These assignments involve anything from one to sometimes over 30 employees.

Segments

World-wide Bakker Sliedrecht is active in the following industries: dredging, offshore, fishing, merchant shipping, inland shipping, navy, ferries, yacht building and government projects. The offshore and dredging or maritime industry include the largest segment: 80%, and the other 20% belongs to the rest of the industries. Internationally the company is focused on the ship building and dredging industry. The company used to be largely involved in the fishing industry, but this is a decreasing segment. In the earlier days every fishing boat had a Bakker Sliedrecht winch on board (100%). This is different these days because more is being done hydraulically. In the dredging industry, the contractors/clients are mostly Dutch and Belgium companies (50-50) and in the offshore it involves English, Norwegian and other nationalities (including Dutch). Offshore are companies such as pipe layers, cable ships and large lifting ramps, such as Heerema (a Dutch client), in the Gulf of Mexico or at the coast of Angola. The company considers the whole coast line in the world to be a potential.

Most of the company's contractors are either Belgian or Dutch, only 2 to 3% entail foreign contractors. This is because in the dredging industry Dutch and Belgian companies are world leaders (Van Oort, Boskalis). This excludes the US, because firms there provide everything for themselves.

Specialization and focus

Bakker Sliedrecht believes it is often requested by its clients is because of their large knowledge of technique on board of ships, which is also due to tagging along with specialized ship yards. Anything that's nautical and/or related to the shipbuilding industry or dredging industry, is Bakker Sliedrecht's specialty. The company is specialized in large electrotechnical installations and does not focus itself on small installations. But in case factories require special equipment or the generation of special power, the company does not turn down the offer. Like it did with Nedstaal and Corus in IJmuiden, which has large rollers in its factory that need to be driven through electrical engineering. The company is interested in large drives construction, but does deliver additional tasks if it is part of the package. A large part of the organization is focused on automation, more engineers can be found in the firm, than outside.

The company tries to attract more clients by focusing on its high technical quality and specialization. For example, when it comes to sub marine motors, the company says that it has more specialized knowledge than the Spanish firm that produced them. That is the additional value it believes it provides. In the international market it ensures that it is always available for the client. In the

Market entry strategies by industrial services firms

Netherlands this is less the case, because it says that it is not afraid that clients will not approach them, because they always do.

Special attention is paid to quality, safety and environmental conditions. It believes that these qualities are the foundation of its reputation, which is something all its employees strive for. Therefore the company employs personnel with a wide range of knowledge and ability.

Focus is also placed on a quick response (1), or service availability as it likes to call it and (2) quality of the engineering/ solution. For a long time another focus item was parts availability. But this is becoming more difficult every day. This is because of the cost aspect (stocks cannot be kept up to date anymore, because of the increased market demand), and a change in parts availability policy. Bakker Slidrecht no longer wants to keep a large amount of stock. Part of the service availability is always giving a client a helping hand, meaning that the company also provides parts when necessary. Providing the client what and it wants at any given time. Once turning down an offer results into a year long complaints. One of the strengths of the company is its flexibility towards the client, which it believes is of large importance for responding to assignments. This is also shown with the brands it sells. It does not sell a brand that it does not know, but will provide a good lookalike. In the case the client asks for a certain product or service, the company thinks of solution in cooperation with that client.

Current developments

Currently there is a discussion going on whether ships will place a maintenance management system on board or not, to define the level of the maintenance required. Most small repairs are already being done by clients themselves, as it is hard to visit a client if it is situated somewhere at sea. Large repairs are performed by Bakker Slidrecht during docking, once every 6 to 8 months. This depends on the production, but the company mostly has an idea when this will take place. The technical service on board of the ship is just as dependent of the production, as is Bakker Slidrecht.

International activities

Bakker Slidrecht is an international company, which has spread its activities all over the world. It focuses its core business on the dredging industry and offshore, but most activities take place in the dredging industry. The company became international, because these dredging companies can be found all over the world and it actually followed them overseas. The amount of clients has not grown significantly in the dredging and navigation (maritime), because it has still the same clients. In the offshore on the other hand it was able to add additional clients in the last couple of years. The company is mostly active in the Middle East and the Gulf of Mexico. It can also be found in Singapore, China, Brazil, Africa. International activities (flying over personnel to foreign countries to perform services there), actually take place all over the world. Other areas include countries surrounding the North Sea (Great Britain, Norway and Sweden), Russia, Romania, Ukraine, Kazakhstan, Malaysia, Indonesia, Australia sometimes and New Zealand. The last couple of years several activities took place in Dubai, due to the islands produced there. Internationalization most probably started in the Middle-East (Abu Dhabi, Sharjah, Qatar, Bahrain) or Nigeria. Belgium is not being considered a foreign market, and no foreign residence allowance can be obtained there.

Entry mode

The only entry mode Bakker Slidrecht uses is the transfer of employees to foreign countries. Employees are situated in the Netherlands and travel all over the world (called the "temporary export of people" by Mr. Heibloom). This might vary from one employee, up to teams of 50 to 60 employees. At the moment a large team of 30 people is working in Singapore and Miami. Employees often travel alone and need to solve problems on their own. This requires a large amount of independence by the employee. The company prefers working with its own people. The director believes that money should be earned by the people that are situated in Slidrecht. It is feared that if other people are taught the Bakker Slidrecht way, they will start their own business in that foreign country. Once it was tried to open up a machine repair company in Dubai, because several of its clients could be found there. Several people within the firm thought it could be a potential opportunity, but the director was against it. Although it is not the ambition of the firm, Bakker Slidrecht is currently busy creating a service centre in China. This is created out of necessity, because of the level of work it is able to obtain there. The director of the company was first wary of the decision, but is becoming more open minded, because of

the collaboration with Huisman, which is a supplier of cranes on board of offshore platforms, with already a factory situated in China. The assignment in China consists of 12 ships, which could probably amount to some 40 ships. This load of work cannot be fulfilled by the amount of employees it has right now in the Netherlands. The company will contract Chinese employees, who will be educated here in Holland.

Success factors in foreign countries

Bakker Sliedrecht' success factors in foreign countries are: long term commitment, reputation, consistent/superior service quality, relationships, value pricing and staff with high technical skills, and that is broadly useful.

Product/service

The company provides services for all parts sold and maintenance of infrastructure, such as for example the Brienoordbrug in Rotterdam, and all other large bridges in Zuid-Holland. This is one part of the service. It also supplies motors and generators that are bought in foreign countries. It also includes maintenance and repair, for which the company Bakker Repair was started.

Bakker Sliedrecht believes that it knows what is best for the client, not the client itself. In the dredging industry, offshore and especially in navigation, companies have already been thinking for several years about how to do maintenance themselves but they seem to be apathetic of anything electrical. They rather want Bakker Sliedrecht to stipulate for a great deal what needs to be done. Clients are dependent of this company, which is also the way clients present themselves. This is being increased even more as less electrotechnical knowledge is brought on board of a ship. Maintenance technicians are removed from ships, and maintenance is contracted out.

To maintain this additional value the company provides, it tries to minimize the amount of information provided to the client. Clients do participate in the process, stating what should and should not be done; and want to have an influence on how the service is provided. The level of client participation depends on how smart maintenance technicians on board of the ship are. The client does need to be self-supporting, because Bakker Sliedrecht is not always able to step aboard .

In the dredging industry, demand is not predicted by maintenance curves (product curves). It means that in the beginning several repair and maintenance activities need to take place, this sequence is later reduced and later on increased as the amount of wear and tear increases. But dredging companies do not think in terms of Lifecycle-cost. Once every several months a ship needs to dock, because of a large amount of wear and tear. But real preventive maintenance does not take place. It is something they do seem to be thinking about, but few plans are actually made. In the industry this does take place, but also on a minor basis. In the past ships used to be maintained by a steady amount of personnel on board. These days maintenance is being outsourced more and more and personnel on board of the ship has no knowledge of the maintenance on board of a ship.

The service the companies provides is quite variable. It believes that its specialism gives them the right to the international market.

Relationship with the client

Client acquisition

One person is in charge of client acquisition, market research and market definition. This means that if for example a Chinese dredging firm decides to buy a boat in holland, he ensures the ship contains electrical installations from Bakker. Clients acquisition sometimes takes place through visiting fairs. The company is also a member of the Holland Marine Equipment, which is an organization for marine-related companies. Whenever a marine trade show takes place within a foreign country (such as China, or Hamburg) it ensures that tags along with that organization. This is because of cost wise reasons and the ease of making contacts. International clients are only contacted through these trade shows. Focus is placed on dredging companies, such as the dredging trade show in Dubai, or an offshore trade show in Miami.

Client relationship maintenance

The main purpose of visiting fairs is not to gain clients, but to maintain the current client network. The relationship is also maintained through visits by the one in charge of the acquisition. Every salesman

Market entry strategies by industrial services firms

also has its own accounts. Every person, whether from sales, service, acquisition, also has its own contacts. The service part of the organization takes care of its own acquisition and sales. Once every 3 months visits are paid to foreign countries such as Dubai, Singapore and China. In Holland this amount is even higher. Clients are contacted daily by phone and invited over for dinners. Contacts are quite personal, a familiar relationship exists between the firms and its customers. In foreign countries this is even more the case. The whole service process is actually based on the relationship with these clients. Employees that have been working within the field, often become head project leader of repair, because of their already developed relationship with their clients. The client perceives this employee to be reliable and capable of performing the job and providing a good result.

Products and engineering the firms sells, are sold because of potential repair activities in the future. Engineering costs a lot of money and not much is gained there, because of a focus on new software and new construction, which is often sold at cost price. Money comes from the repair activities executed. If the company would be able to concentrate itself on repair activities solely it would.

The company tries to help its clients as much as it can, to ensure follow up orders. It starts as an assignment, that is followed by repair activities and supplies, slowly developing a relationship. It is all about “ons kent ons”. It believes that the amount of clients grows through the quality and knowledge it provides.

Currently this supplier-client relationship seems to become less important. In the past once a relationship with a client was established, it ensured a returning demand. These days it requires returning consult of financial aspects. But in the case of an urgent need, clients still prefer to rely on the relationship with their service providers.

Attitudes towards the client

The company believes that it knows what is best for the client, not the client itself. This is also the way clients present themselves, as clients are aware that they are dependent of Bakker Sliedrecht. This is even becoming more the case as less electrotechnical knowledge is brought on board of a ship and maintenance is contracted out.

Marketing

A marketing plan is not drawn up. Market research does take place: looking at potential future activities in the international market. The company sees the whole world as its client, because dredging and offshore companies can be found all over the world. It also follows the mass crowd, if it appears that China is the future, the company will go there.

The service it provides is not specifically adjusted to the foreign market. It sells its services just the way these are, and the same way as they would do in the Netherlands. 80% dependent on the standard product/service the firm provides. What service it provides and how depends on the client, not on the type of country. The service provision is always done through one way, the “Bakker way”. It is their market, and they know best how to provide that service. The only thing the company does take into account are political problems and trade barriers, such as taxes or the import of goods. Marketing is mostly done through word-of-mouth advertising. Sometimes trade fairs are visited, such as the dredging trade show in Dubai and the offshore trade show in Miami. It is also a member of the Holland Marine Equipment with which it tags along to foreign fairs (focused on the marine industry).

Other relevant factors

There are a few other factors that influence the firms’ internationalization. First of all it concerns the *political stability* in a country. Hardly any business is done in areas that are politically unstable, such as Nigeria and Iraq. The second factor is *ecology*. For example if a storm has hit the Gulf of Mexico it notices an increase in the amount of potential work. The economy is also of influence. An oil price decrease often results into a decrease in the amount of work. Currently it even means that all Dubai projects have come to a stop. The company used to visit its customers there once every three months for check ups, but most of its clients left Dubai. It says that is also influenced by *cultural differences*. The way these have an impact on the entry mode choice, was not clear. The *economic infrastructure* also seems to be important. That always brings inconveniences for the company. If the economic circumstances in the foreign country are bad, the import of goods is always a problem. In certain countries, products that are worth a lot of money, are simply placed alongside the shore. *Trade barriers* are hardly a problem,

because these mostly have already been covered by their clients. A certain level of *technological environment* should be present in a foreign country, but is not that important for foreign market entry. If a client calls in a foreign country where nothing is available, the company will go there, because the client is situated there. A low level of technological environment is even preferred, because Bakker Sliedrecht will be able to provide knowledge and technology that is not available in that country. For the operation of machines, qualified people are required, which is why a certain level of technology is required. Another important item is the *market potential*. The company is situated where its clients are. It provides a product/service specialized on the dredging and offshore industry and it does not matter where that client is situated, whether being in China, Pakistan or India. It does not seem to be influenced by the *competitive structure* of a foreign country. Even if it appears that a competitor's product is installed on a ship, and the competitor does not want to provide the service, Bakker Sliedrecht will provide it for the client.

B. Maintenance Partners B.V.

Introduction

On the 16th of February, an interview took place with Mr. Schelfhaut, part owner of Maintenance Partners (Belgium). Maintenance Partners has 7 workshops in the Benelux, one in Turkey and another in Abu Dhabi. Mr. Schelfhaut is responsible for anything operational in these branches, referring to technology, quality, safety, job returns and knowledge of the company's business. Knowledge of the business refers to the knowledge involved in the overhaul and repair of rotating machines, referring to anything that rotates within an industry, varying from small motors, pumps, gear boxes to large industrial machines. Mr. Schelfhaut ensures that the right people are combined to do a certain job, either through recruiting additional employees, closing partnerships with companies to cooperate with, or through combining the right people in the company to make a certain project a success. For example, wind turbines, with which the company has just started and has hardly any knowledge of. His job is to ensure that knowledge is obtained concerning these wind turbines. For wind turbines a partner was found in America and one in Spain to educate Maintenance Partners' employees, and provide them with technical documentation. 40 to 50% of his time he is busy traveling the world, finding technical solutions for large projects. In Belgium personnel is responsible for its own branches because these are relatively easy to control. Branches in Turkey and Abu Dhabi have only recently been added, therefore the part owner spends a lot of time there.

Core business and strategy

Its strategy for the upcoming 5 years is to achieve a 100 million turnover. In every large area, referring to Europe, Middle East and North-Africa, it wants to establish one central workshop. It also wants to open up satellite workshops in every petrochemical hub in those areas. The same as it already has in the Benelux. The credo of Maintenance Partners is an optimum availability of the rotating machine park, at the lowest cost possible. Therefore predictive maintenance activities are a large part of its business. The core business of the company is the provision of a full service formaintenance, repair and revision of rotating machines, both on site and in one of its workshops in the Benelux. It is specialized in mechanical maintenance, electric maintenance, motor components, diagnostic measurements and field service. The company states that for every aspects it disposes of the necessary expertise and equipment, enabling them to offer the client the most efficient solution to all his maintenance questions. Its mission (statement) is as follows: Enlighten your maintenance. The company not only wants to enlighten the clients maintenance through the cooperation with Maintenance Partners, but it also wants to shed a different light on maintenance and what service stands for.

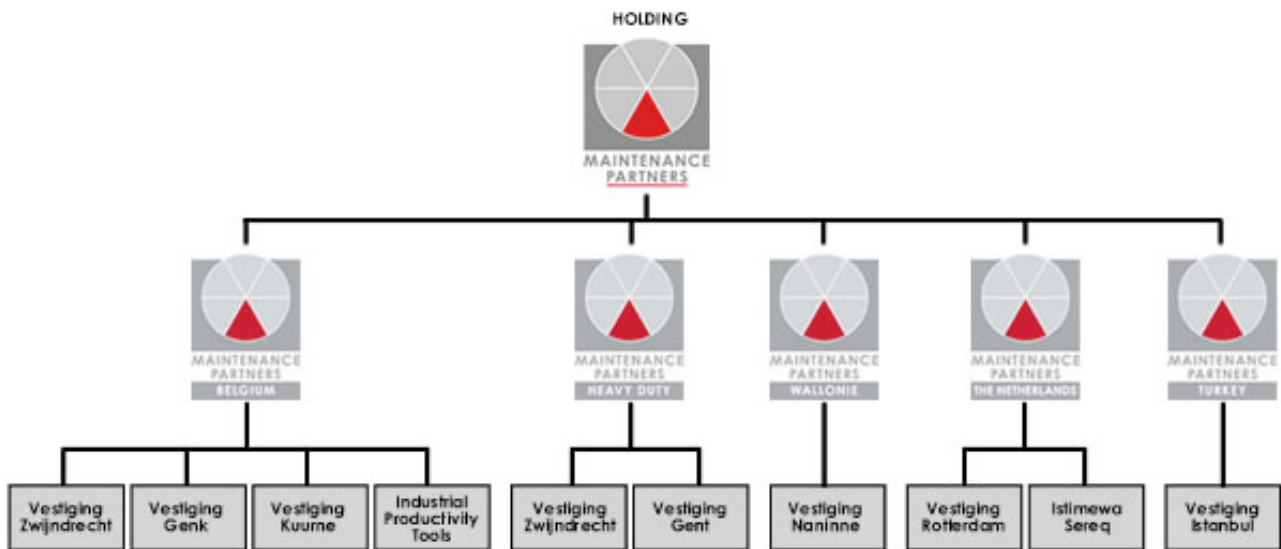
History and size

History: Mr. Schelfhaut worked for 11 years for an international company called Dresser, after which he started his own company. After 5 years ABB bought the company and recruited Mr. Schelfhaut for 3 years. After these 3 years ABB decided to change its course and opted for a Management by Out, which meant the establishment of Maintenance Partners, about 8 years ago. From day 1 it started with rotating machines, electrical and mechanical, large and small as its goal. *Size:* In 2001 the company started with about 250 people, mostly ex-ABB employees. Currently it has 350 employees working in its

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branches in the Benelux, Turkey and Abu Dhabi. It has cooperates with several companies all over Europe. The firm has grown from a turnover of about 25 million euros, to almost 54 million last year. Its strategy is to grown internationally, through expanding the current business it already has in the Benelux and surrounding countries, to Turkey, East-Europe and the Middle East.

Structure: Maintenance Partners is a de-central organization, that is controlled centrally with clear directives. It choose decentralization, because it believes that this way each unit is allowed to perform at its best, performing the job in the shortest of terms, on site or in one of its workshops. Their structure is displayed below. The holding takes care of human resource management, safety, quality, book keeping, insurances and financial policy of the firm. Mr. Schelfhaut has two staff functions: one for the heavy duty strategy and one for duty. These two people are responsible for introducing the duty strategy and heavy duty strategy within the several companies. The individual companies act as independent entities and are able to stipulate anything that is operational. The reason why the operational activities are decided upon by the entities themselves is because the “way of doing business” is different from Antwerp, Rotterdam or any other area. The company considers the advantage of these branches to be that these are an extension of a client’s maintenance. Most of it’s employees are technical employees who are not only able to make work preparations and quotations, but also visit clients and direct work shops.



Segments

Maintenance Partners is active in the following segments: chemistry, petrochemistry, automotive, steel, paper, food, pharmacy, power, garbage and cement. A specific choice for a certain market is not made, because it believes that “*in the end a pump is a pump, and a motor a motor, whether it is placed in a petrochemical company or in power*” (Mr. Schelfhaut). The petrochemical industry (such as refineries, chemical companies and fertilizer plants) is the largest segment, responsible for 60% of the turnover. In the food industry not much business is done, neither in the garbage industry because clients consist of only a few, nor the automotive because the company’s services are too expensive. In certain sectors, such as the agriculture and horticulture the company is not represented, because it believes that not much turnover can be gained here. The types of clients it has are not just Belgian or Dutch contractors, but clients from all over Europe. Few are real Belgian or Dutch clients. It’s largest customers are the Axels, BP’s, Shell’s, BI7’s etc which are large companies that do have locations in the Netherlands and Belgium, but are actually foreign. The demand comes from all types of clients anywhere in the world.

Specialization and focus

The company tries to provide a total package. This means that the company is able to provide a total service from the dismantling at the client’s location, to the overhaul in the company’s workshop, assembly and finally the restart at the client’s location. It provides condition monitoring, to guard the condition of the machine at all times and to ensure optimum returns. The company provides much

more than just the overhaul of machines, but strives for machine liability. Unlike some of its competitors it refuses to manufacture parts or instrumentations, but stick to rotating machines. One of its other specialties is that it is able to provide a quick service wherever in the world. To give an example, where a local Tunesian company took 11 months to solve the problem, for the same price, Maintenance Partners only needed 2 months.

The company believes it is successful in foreign countries, because of their effective specialization in rotating machines, a niche market.

International activities

Start internationalization: In the past the company was not allowed to work outside the Benelux, because of limitations placed by its main supplier ABB. Several years ago the company recruited ex employees from ABB who brought their own clients with them. These clients were not just situated in the Netherlands, but in several other countries. Now 40 to 50 % of the work done comes from outside Belgium. Maintenance Partners was able to grow this fast, due to the non-availability of their unique services in foreign countries. For example, in Germany it has a large client, KW, from which it annually receives 2 million euros. The company focuses is on these large projects. In foreign countries, there are several large companies that are interested in working with the company. Currently it expects orders from Pakistan, Libya, Saudi-Arabia, Kuwait, Czech Republic and Austria. The internationalization started through the network it has with it's clients in Belgium, and mostly concern existing clients. These help to expand the business.

International activities in: Maintenance Partners focuses its business on countries in Europe, the Middle East and North-Africa. It has 7 workshops within the Benelux, one workshop in Turkey and one workshop in Abu Dhabi. Furthermore it has cooperations with several companies all over Europe. It wants to establish one central workshop in every large area referring to Europe, the Middle East and North Africa. And it wants to open up satellite workshops in every petrochemical hub in those areas. The same as it already has in the Benelux. The next focus is Eastern-Europe, such as Rumania, Poland, Ukraine.

Reason internationalization: The company became international because their clients asked them to. International activities are executed because of clients requests and opportunities found in the market. It is often born out of necessity. A workshop is not started just because they spotted a demand, which results into the employment of people, machine installation and contracting clients. There is a demand, work is done, but it actually costs too much to continuously travel abroad to perform the service.

Entry mode

There are several ways in which Maintenance Partners enters a foreign market. First of all, several companies in the Benelux currently start activities in the Middle East, that ask Maintenance Partners to tag along. And secondly, there are several companies spread all over Europe searching for a partner, that has branches in several countries. Another way is through client acquisition. In the area between the Benelux, Turkey and the Middle East it wants to establish satellite workshops, either through own satellite workshops in the case of sufficient clients (as was the case in Turkey and Abu Dhabi), or through partners. These are companies that are already have several clients in that foreign market, but do not provide the same service as Maintenance Partners does. Employees in partners locations are educated in such a way that they are able to first assist the client in case of emergencies. For example, in Germany it has a partner which effectively provides first assistance to clients, after which within 24 hours someone of Maintenance Partners is available. This way it has one central point of contact in whole Europe. It also cooperates with large international OEM's, such as ABB, Mitsubishi and ManTurbo, that do not provide that kind of service in Europe and ask Maintenance Partners to do it for them. As a consequence it already has clients in several countries, because of machines placed by these OEM's. In almost every country it also has its own agent, who visits clients. Once every 3 or 6 months an employee of Maintenance partners visits this agent to jointly pay visits to clients and make quotations. Sometimes the company also has its own representatives (i.e. Germany) who searches for assignments, creates brand awareness and evaluates the possibility of opening up a service centre. The company never chooses to establish itself where the competitor is active. It rather cooperates with that competitor and replenish it with services the competitor is not able to provide. This enables the company to grow without too many large investments and still provide a client a service that others are

not able to provide.

Below these types of entry modes are described in larger detail.

- **AGENT/REPRESENTATIVE:** The company mostly obtains its clients through their local agent, who visits (potential) clients. A local agent is preferred because he/she speaks the local language and knows the culture. It is also cheaper than a service centre or flying employees over. The company does prefer having its own personnel in foreign countries, because these are much easier to be guided and directed. The kind of agent the company contracts are people that have knowledge about and sell new machines. These are not always the right kind of people for the job, as selling a product is quite different from selling a service. These often concerns case-to-case jobs. The company does sometimes negotiate without the interference of a local agent or representative but this does not happen often.
- **SERVICE WORKSHOP**

The motivation to open up a workshop is a lot larger if the company starts to obtain a lot of work. But if a partner has a good workshop this is not initiated. The decision to open up a workshop is related to the amount of volume it is able to obtain and whether cost wise it is still useful to operate that market from their service point in Belgium. Two years ago a company was bought in Maastricht, because of a large demand in Belgium and the Netherlands. It was a lot cheaper to open up a branch, than to service their clients from other branches in the Netherlands and Belgium. For the foreign service workshop, the part owner does not believe in drawing up business plans that do not yield a profit in the first three years. The responsible person should initiate a workshop and recruit employees on the basis of work available. Immediate action is required in this line of business something.

Turkey: Maintenance Partners is constantly increasing its action radius. Through expansion to new markets and increases in the amount of clients, a necessity was created for a larger production unit of spools for high voltage motors and generators. This opportunity was found in Turkey, through the formation of a joint venture with two existing companies: Tekcan and Sarcam. Tekcan is a Turkish trader for copper and Sarcam is a producer of isolated copper-wire. This expansion enabled the company to double the company's production capacity of copper-wire. Another reason for this cooperation is that the branch in Zwijndrecht and Turkey will together produce spools at attractive prices, that meet the highest quality norms and give them an advantageous market position. Maintenance Partners believes that it is now more than ever prepared to produce, within the shortest amount of time, the most suitable components to perform repairs. For this expansion, Turkey was a deliberate choice. Turkish companies are known for their high productivity and have technically well educated employees at their disposal due to the availability of technical schools with good reputations. The company perceives Turkey to be the gateway to the Middle East, a bridge between two cultures, the operating base for further internationalization of activities. Other reasons are the large amount of potential work, and the potential replacement of certain spare parts to Turkey and the production of certain spare parts that is currently being done in Belgium but are too costly. It is the combination between a workshop focused on rotating machines and a cheaper production of spare parts. The company searches for a base load for the workshop which enables the company to make its own money with its own people.

Abu Dhabi: A few large internationally operating European customers gave notice that they would appreciate the presence of a maintenance partner in the Middle East. In 2007 an extensive market research was done, whether even business could be done there. The positive results of this research gave green light. About two years ago their branch in Abu Dhabi was opened by request of one client, Boralis. Maintenance Partners had a load of work that could not be finished by just sending employees over there. The choice for the gateway to the Middle East were the United Arab Emirates, especially Abu Dhabi. The United Arab Emirates are easily accessible and offer a favorable work environment for foreign companies. The new workshop of Maintenance Partners is designed the same way as its satellite workshops in the Benelux: with equipment for, amongst other things, turning, milling and all mechanical revisions and balancing. In other words the company is completely equipped for field activities and offers the same services as those in the Benelux. It is focused on heavy duty or so called large jobs. Currently the company has so much heavy duty work that no time and resources are left for small jobs. This is because margins are higher and easier to obtain. This means that it actually searches for projects the same way as done in the Benelux. It does require a different approach in doing business. In Europe an assignment is obtained, quotations are made and service is performed. In Abu Dhabi you should first be pre-classified.

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Maintenance Partners believes that without an experienced guide you are nothing in foreign countries. It has 3 local partners and sponsors. Their experience in the area is important to respond quickly to customers demands. Also it's general manager Mr. Buftea, has a lot of experience with operations in the Middle East. The manager Operations is a Dutch guy and the administration manager is a Belgian guy. On the shop floor there are 10 employees, all internationally oriented, which receive an education that is permanently updated to warrant the same quality as in Europe. A contract has been signed for 5 years for the maintenance and provision of parts for 3 gas turbines in cooperation with Mitsubishi (and its partner from Kuwait KCC. Total worth between 7 and 10 million) and several other important projects are planned. This already requires in the amount of employees in their branch in Abu Dhabi. The firms' open philosophy and readiness to share knowhow in strategic collaboration are also of great help here. Together with its partners, such as Burckhardt, Man Turbo, ABB, Torisihima, Philadelphia Gear, Mitusibishi and many others, it expects a bright future in the Middle East.

- **PARTNERSHIPS:** The company forms partnerships with local companies, that receive an additional education. This way the supervisor or specialist has its own team and enables them to work with the same people, or at least with the same mentality, state of mind, education and level of knowledge. Maintenance Partners wants to increase the amount of own people, spread all over the area, in order to be able to compose their own teams.
- **EMPLOYEES TRAVELING ABROAD:** Maintenance Partners' employees travel a lot. This is not their preferred way of working, because it creates several problems. The company has a group of people specialized in certain types of machines, who travel all over the world and who need to cooperate with local people. This does not only create language problems, but often involves cooperating with people with no knowledge about the machines to be repaired and never worked with those machines before. Mr. Schelfhaut also pays visits to clients, but only after the local man visited the client a couple of times. It is believed that this way is does not appear as if he is a salesperson, but a specialist that offers a quotation for a service. The part owner does not adapt himself to the local market, because he would make a clean breast of it. According to him, a local person is a hundred times more efficient and projects are obtained a whole lot faster. Many changes take place at a customers location, requiring rapid follow ups of visits, which is something the part owner is not able to do.

Reason for doing business this way: It is part of way of doing business in this type of industry. It is a "ons-kent-ons" culture. Through (social) networking both employees and clients are obtained. The company rather works with it's own people or with partners, is to decrease the level of knowledge that is being copied by local people. With its partners it has made several agreement, including that they are not able to recruit Maintenance Partners' employees. The company also ensures that its own employees do not even want to work for a different (local) company.

Future internationalization plans

The company is already searching for opportunities to buy a company in Rumania, but this seems to be quite difficult as it hard to define what it actually is that you are buying. Maintenance Partners wants to open up service centre that enables the firm to recruit people, that it will be able to send all over Europe. The company already has a shortage of employees, especially ones that like to travel a lot. This gap will be filled this way. In its Belgian and Dutch branches its people are already overloaded with work. In Rumania the firm already has its agent and currently two Rumanians are already working within Maintenance partners. Rumania will also become a base load, from which employees can be send all over Europe. The same thing goes for Poland. In Rumania it has already obtained several assignments, but it encounters language and mentality problems. The service workshop should provide more than just a services, because little work can be obtained. In almost every corner a workshop can be found that repairs pumps and motors and assignments are rather given to Rumanians than Belgians.

Success factors foreign countries

The company believes it is successful in foreign countries, because of the quality and type of service it provides and the companies' mentality to meet customers demands and its adaptation to its clients wishes. Compared to an OEM, Maintenance Partners is a whole lot flexible and easier.

Its success also comes from the partnerships it has with local companies. Companies see the firm as an extension piece of the original supplier. Another reason is the agents and commercial network it has in those foreign countries. First contact is on a case-to-case basis to determine whether the agent is even has the right capabilities.

Product/service

Maintenance partners has separated its activities into a two areas: duty and heavy duty. Duties are small machines, up to 2000 kilo, and heavy duty are large machines up to 2000 kilo. The firms' products and service are mostly focused on the heavy duty. Too many foreign firms are already focused on duty. With heavy duty it is easier to gain access to a client. Duty requires the firm to be closely situated to the customer. It requires people who are constantly present and the company cannot afford to open up a branch for small work that is so variable, it is simply too expensive. The only way it could be active on this market is through a local workshop. In the beginning the firms is always focused on heavy duty. The locations in Abu Dhabi and Turkey are therefore both focused on heavy duty.

The service is always provided in cooperation with the client. If the company notices in any way that something is wrong it will leave. It only provides a service for a certain price, because lowering its prices would reduce the quality of its service. If the firm cannot supply their standards of quality it will leave.

Internationally this is a whole lot easier, because it does not necessarily need to have activities in Austria for example, because the company already has sufficient assignments here. Due to a large load of work, the company is able to choose the countries it is active in.

The service provided to the customer is different per country. For example, in Germany the client only wants to obtain a price and responsibility is left in the hands of Maintenance Partners. And they like to work with bonuses and fines. But it also depends on the client, i.e. whether the client has its own service department .

It is important to understand local concerns and local language. It is important to have a local person present that knows clients' demand, local habits and way of doing business.

The company tries to be the extension piece of the client. The company provides the service the client asks for.

Risk policies are dependent on the country and the client. It depends whether the company is able to ensure itself against certain situations, when this is not the case, or when quality requirements have not been laid down, or when employees have to work in unsafe conditions it stops providing the service/ job. For example, in Pakistan, everything is paid beforehand. Customers wishes should meet the companies' philosophy. When a customer has an excess on requirements often a job is refused.

The company will not provide the service if it is too risky, when it is not able to ensure itself against certain situations, when quality requirements have not been written down or when employees have to work in unsafe conditions.

The reason why the company is successful in foreign countries, is because of their specialization in rotating machines. Technology provided with the service is important for service provision and the way it acts in foreign countries. The company works with special machines, that normally could onl be repaired by the original OEM (or supplier). Machine parts that need to be replaced and often cost a fortune if bought with an original supplier. Maintenance partners is able to provide components at a lower price, but with the same quality and guarantee and through faster delivery. Furthermore the firm provides added value. It is tried to increase the value of the machine, to improve and prolong the production process and make it more efficient. The company provides a service from a to z.

The components and parts supplied of part of the service are mostly purchased, not produced. The company does do the engineering, re-engineering and make designs. It does not approach the local market to purchase the components. For example when it has to overhaul a Siemens machine in Germany, it does not purchase a Siemens component in Germany, and not even with a Siemens in the Benelux either. It will use their own suppliers. If components cannot be bought in the market, it will do the re-engineering, designs and fabrication by itself. This results into fast delivery, better quality and a lower price.

Relationship with the client

Client acquisition

Clients are acquired through local agents or clients saw their work at their colleagues locations. And if a Maintenance Partners provided their services in the client's branch in the Netherlands, it is most likely to obtain an assignment in the clients' foreign branches. Another way is through word-of-mouth marketing by their clients. For example, at their client's location in Saudi Arabia there was a minor problem, for which the company did not even send a bill. The company solved the problem and it resulted into requests from other organizations. Clients are also acquired through fairs or advertisement. But these are hardly visited, once or twice a year in foreign countries. In the Netherlands and Belgium this amount is even fewer. The reason why it attends a fair, because of a new product introduction, when they are being asked to by clients or partners or to obtain brand awareness. Foreign fairs are quite effective. It often receives a good response, from companies that have not seen them before. But attending a fair also costs a lot of money.

Client relationship maintenance

A customer is contacted through a minimum of twice visits a year. In case of a large assignment this amount is larger. In the beginning the client contact is quite intensive, but this varies per client. Some companies are visited once every 3 months, smaller companies might be visited only once a year. For the agent and representative it is important to know what happens in the clients' organization, referring to standstills and when large assignments are contracted out. It is also important for the client to understand who the company is and what it does. The motivation to open up a workshop is larger when a client needs to be visited ten times a year.

The importance of the establishment of a client relationship beforehand, depends on how much volume there is, whether they are even able to deliver the services from the other branches, and if it is sufficiently profitable. Networking is extremely important. First they search for somebody of their own or a local person. In Khatar, the agent supplied 40 clients. It is not only important during the negotiation of a contract but also during the execution of its terms and the final evaluation.

Attitude towards the client

The company tries to offer a total solution, a total package. When the client asks for a job from a to c, and Maintenance Partners believes that it requires a service for a till z, it will offer a service for a to z and refuse the assignment in case of disagreement. If a client cooperates with a certain company, Maintenance Partners will also start to cooperate with the firm.

Marketing

The company adjusts itself to the customer, but it does not have a straight lined out marketing strategy. Maintenance Partners does not adjust itself to a country or culture, but it rather depends on the client. It believes that it is very important to have a reference list to show its customers what assignments it has done and with what other clients. The company participates in fairs (Industrial Maintenance), does roadshows (opens its doors for people interested in the company) and organizes information evenings. Technical subjects are discussed combined with culinary or musical surprises.

Each year is started with a market review meeting (news letters website) and before a foreign country is entered a small market research is done.

Prices for the services provided are not the same for each branch. The company does not work with fixed prices. For example prices in Rotterdam are higher than Antwerp, and in Antwerp it is more expensive than in Gent etc. All branches have a different selling price, due to differences in workplace occupation and productivity.

Other relevant factors

Political stability is important for internationalization. Maintenance Partners does not visit risk countries, such as Iraq. The competitive structure of a foreign market is also important. The company does operate in a market where its competitor is established, unless the company already has clients there. It does cooperate with competitors, such as Bakker Repair, to make use of each others knowledge. The company is not afraid of its competitors, because these react the same way to (potential) clients' requests.

Appendix 5: Results specified per variable

1. Industrial services characteristics

In the industrial services firms “Bakker Sliedrecht” and “Maintenance Partners” the following results about the importance of these service characteristics could be obtained. The industrial service characteristics and their influence on the firms’ internationalization are specified per industrial services firm.

BAKKER SLIEDRECHT

Heterogeneity: The service the company provides is quite variable, depending not only on the type of service it provides, but also on the level of knowledge of maintenance technicians on board of the ship. If these have a large knowledge of their systems, less time is required on board. The variability of the service provided is controlled through personal contacts between the firm and its clients. Employees that have been working in the field, often become the head project leader of repair. because of the already developed relationship with clients. The client perceives that person to be reliable and is capable of performing the service and ensures success. The company provides tailor-made solutions that meet expectations using it’s in house production of systems, adapting the service to a client’s problem.

Inseparability: Clients participate in the service process by stating what should and should not be done. The level of client participation depends on how smart the maintenance technicians on board of the ship are. The client does need to be self-supporting, because the company is not always able step aboard. To solve a client’s problem, employees are flown over to wherever the client is situated. This happens in a team, or in case of a machine defect employees travel alone and need to solve the problem on their own. It requires a large amount of independence by it’s employees.

Perishability: Bakker Sliedrecht tries to meet requirements on time through it’s quick response or service availability. Parts availability also used to be part of this. But this is becoming difficult. Stocks cannot be kept up to date anymore, because of extending their market. The policy on parts availability has also changed. The company no longer wants to keep a lot of stock, not implying that it wants to completely erase its stock. Part of this service availability is to always give a client a helping hand, which also means that the company provides the parts when necessary. Providing the client what it wants, when it wants it. Once refusing an offer results into a year long complaints. The company has a 24-hour service a day, worldwide, requiring the firm to respond immediately to customer requests.

Just like any other product, industrial machines have maintenance curves (product curves). These are often checked through maintenance management systems, but it is not something that is being used in the dredging industry at the moment. If a ship needs to dock, it is because of a large amount of wear and tear and not because of preventive maintenance. This makes it hard to exactly predict when maintenance should take place. This can be anywhere from 6 to 8 months and are dependent on the production of the ship.

Intangibility: Their knowledge on board of ships is quite high, which is the reason why Bakker Sliedrecht believes it is often requested by clients. The company also tags along with specialized ship yards. It tries to keep clients by focusing on the services’ high technical quality and specialization. For example, with submarine motors, the company states that it has more specialized knowledge, than the Spanish firm that produced them. This is the additional value it provides. This intangibility is tied over by showing their service availability and flexibility in responding to assignments. It tries to build on its good reputation by focusing on the foundation of it: their attention paid to quality, safety and environmental conditions. These standards are maintained through recruiting personnel with a wide range of knowledge availability and through its 24-hour service.

Specialization: As mentioned above, the company specializes in certain types of motors and drives. It believes that it’s specialization gives them the right to the international market. The firm provides tailor-made solutions which meet clients expectations, using it’s in-house production of items such as drive and control systems. The company is specialized in large electrical installations and does not focus itself on small ones. It is interested in large drives construction, but does deliver additional tasks if it is part of the package.

Technology: The service the company provides involves selling products and spare parts. These are often sold to be able to provide repair and maintenance activities afterwards. The level of service

provided depends on the technology on board of the ship and technical knowledge of client's technicians. It also involves research and development of for example maintenance management systems on board of ships. Currently it is questioned whether these should be placed in ships, to be able define the level of maintenance required on board. This might result into different demands by clients, which the company will have to respond to.

MAINTENANCE PARTNERS

Heterogeneity: The service provided to the customer differs per country, client and situation and is therefore quite heterogeneous. To give an example, in Germany a client only wants to obtain a price and responsibility for repair and maintenance of machines is left in the hands of Maintenance Partners. The service also depends on the client, it has its own service department and personnel with knowledge of repair and maintenance tasks. Are they able to guide employees of Maintenance Partners in repairing that machine or should these solve problem on their own. These things change the service that is provided every time and make the service different every time.

The company provides the service that the client asks for. But adjusting to clients wishes is mostly done in the Benelux. Internationally the firm tends to be more selective. Clients' wishes should meet the companies' philosophy.

Heterogeneity is controlled through education of employees in both the Benelux and their other foreign branches. This is regularly updated to warrant the same quality in both Benelux, Abu Dhabi and Turkey. New workshops are designed the same way as workshops in the Benelux, to provide the same kind of services in all of its branches. The company also searches for foreign projects the same way it does in the Benelux. When partnerships are formed with local companies, the company gives these employees additional education. This way the firm is able to work with people that have the same mentality, state of mind, education and knowledge.

Inseparability: The service is quite inseparable. Service provision not only takes place according to customer's wishes but also in cooperation with the client. The inseparability is reflected through the on-site culture: working with a steady amount of employees that cooperate with the client. This is also the reason why the company believes its employees still travel too much. Traveling to a customer's location creates language problems. This is why it prefers having either a local service workshop or local agents/representatives, because solutions to problems are easier found. A large assignment is often far too costly for employees to travel back and forth. Having a local service centre reduces costs and results in a quicker response to demand.

Perishability: The company mostly receives a request to overhaul and repair a machine. After this a scope is drawn up, a price is agreed on, and a report is drawn up. It depends on these decisions when and how it can respond to the demand. Therefore it is important to understand local concerns, local language and local people. With assignments in French, German or English speaking countries it has no problem. But with Rumania for example this is different. Having a local agent that knows the demand, local habits and way of doing business, results in a quicker response to customer demands. One of the reasons why the company has a local workshop is because this way it is able to respond quickly when a client has a problem.

Intangibility: One way for the customer to check whether the company is providing a good, qualified service, is through the requirements. When a machine is started up, it has to comply with certain requirements. The level in which the firm complies to these requirements, gives the client a good overview of the service quality. When a customer has an excess on requirements often a job is refused. A different way of showing that it provides a good service, is the guarantee that the client is able to regain 10% of the price. The company asks for money in advance and the final amount of the payment by the customer is sometimes done in the form of a bank guarantee. This way Maintenance Partners has the guarantee that it will receive payment within a year, and the client a guarantee that he will be able to regain 10% of the price. The company also works with reference lists to show future clients where assignments were placed to show its capabilities, what assignments were done and with what kind of clients.

Specialization: The reason why the company is successful in foreign countries, is because of their effective specialization in rotating machines. They earn. The company tries to provide a total package. This means that the company is able to provide a total service from the dismantling at the client's location, to the overhaul in the company's workshop, assembly and finally the restart at the client's

location. It provides condition monitoring, to guard the condition of the machine at all times and to ensure optimum returns. The company provides much more than just the overhaul of machines, but strives for machine liability. It is focused on rotating machines and refuses to, unlike some of its competitors, manufacture parts or do the instrumentation. One of its other specialties is that it is able to provide a quick service wherever in the world. To give an example, where a local Tunesian company took 11 months to solve the problem, for the same price, Maintenance Partners only needed 2 months.

Technology: The technology provided is important for the service provision and the way it acts in foreign countries. The company works with machines often only the original supplier would be able to work on. Parts often need to be replaced and cost a fortune when bought at an original supplier. Maintenance Partners on the other hand provides components at lower prices, with the same quality, guarantee and an even faster delivery. This is why it believes clients ask them to do the job. The company also provides added value. Machines are not just opened up, but it is tried to increase the machines' value, to improve and prolong the production process and make it more efficient. The company provides a service from a to z. Most components are purchased, not produced. The company does do the engineering, re-engineering and make designs. It does not purchase components in the local market, but will use its own suppliers. If it cannot obtain the components within the market, it will do the re-engineering, designs and fabricate itself. This way the company is able to deliver faster, for a cheaper price and provide a better quality.

2. Nature of the client-supplier interaction

Another important aspect of the internationalization process for industrial services firms is the analysis of the nature of the client-supplier interaction. Below the results are described. How this relationship is commenced, maintained and in what way it appears to be important for the internationalization of the firm is described below, through "client acquisition", "maintenance of the client-relationship" "importance relationship with clients" and "attitude of the company towards the client" .

BAKKER SLIEDRECHT

Client acquisition: Client are acquired in the following ways. First of all, one person is in charge of client acquisition. That person is also responsible for market research and market segment definition (for example if a Chinese dredging firm decides to buy a boat in holland, he ensures the ship contains electrical installations from Bakker Sliedrecht). This person also pays regular visits to countries of interest (such as Dubai) to talk to potential clients. Second of all, certain fairs are visited. But the actual main purpose of such a visit is mostly not to gain clients, but to maintain the network it already has. Thirdly, the company is a member of Holland Marine Equipment, which is an association for marine-related companies. Whenever a marine trade show takes place in a foreign country (such as China, or Germany) Bakker Sliedrecht tags along with that association. This is cheaper and contacts are established easier. International clients are only contacted through these trade shows. Focus is placed on dredging companies, for example the dredging trade show in Dubai, or an offshore trade show in Miami. The interaction with the client mostly first occurs through an initial assignment, that is later followed by repair activities and supplies. If assignments are delivered on time and the client is satisfied, it often grows into a relationship. It is very much based on the: "ons kent ons" principle. The company believes that these clients are acquired through the quality and knowledge it provides.

Maintenance client relationship: The relationship is maintained through fairs and by visiting the clients. Every person, whether from sales, service, acquisition, has its own contacts. Every salesman has its own accounts. These also maintain their contacts with existing clients. The service part of the organization takes care of it's own acquisition and sales. Once every 3 months visits are paid to Dubai, Singapore, China and many other places. In Holland the amount of visits is even higher. Clients are daily contacted by telephone. The idea behind selling it's products and engineering is because of the potential future repair activities. Engineering costs a lot of money and not much is gained with it, because of a focus on new software and new construction, that is often sold against cost price. Money comes from the repair activities executed. If the company would be able to concentrate itself on repair activities only it would.

Another way of keeping in contact with their clients is through inviting them for dinners and other social invitations. Contacts with clients are quite personal, which is even more the case in foreign

countries. Clients often request a certain employee to perform a job. These employees are perceived reliable by the client and able to finish an assignment successfully. This is also shown by employees that have worked in the field, that become head project leader of repair activities because of their close relationship with the client. Everyone knows each other. The whole service process is actually based on the relationship with these clients.

Flexibility towards the client is very important and means providing service availability. Part of this service availability is always giving a client a helping hand, meaning that the company also provides parts when necessary. Providing the client what it wants, when it wants it. This service availability is even more stressed with the international market. It believes that this way it attracts more foreign clients.

Importance relationship with clients: The relationship with the client is an important issue in the internationalization process. Currently this relationship seems to become less important, in the case of long term assignments. In the past once a relationship with a client was established, it ensured a returning demand. These days it requires returning consults of financial costs for each assignment. In the case of an urgent problem, clients still prefer to rely on their relationship with the supplier. The relationship the firm has with its clients depends on the amount of repairs taking place. Small repairs are often done by clients themselves, because it is hard for Bakker Slidrecht to visit a client when it is situated somewhere at sea. Large repairs take place during docking. This is mostly every 6 to 8 months and are dependent on the production. The industrial services firm is quite good in predicting when this has to take place.

Attitude of the company towards the client: The company believes that it knows what is best for the client, not the client itself. In the dredging industry, offshore and especially in navigation, companies have already tried to start doing the maintenance by themselves, but for some reason or another they are apathetic of anything that is electrical. Therefore clients want Bakker Slidrecht to determine for a great deal what service is required. Client are dependent on this firm and that is also the way they present themselves. This is becoming even more the case, because less electrotechnical knowledge is brought on board of ships. Maintenance technicians are removed, and maintenance is contracted out. To maintain this additional value the company tries to minimize the amount of information it provides its clients.

MAINTENANCE PARTNERS

Client acquisition: First of all Maintenance Partners acquired new clients through the recruitment of ex ABB employees. In the past, the company was not allowed by its main supplier ABB, to work outside the Benelux. 8 years ago this changed and the company recruited several ex employees from ABB who brought with them their own clients. These were not only situated in the Benelux but also in other foreign countries. Secondly, several clients in the Benelux are currently starting activities in the Middle East that ask the company to tag along. After executing a few assignments in the Netherlands, certain client asked them to do the same in their foreign branches. Thirdly, the company uses local partners to obtain clients in those foreign countries. The most important way of acquiring clients is through its local agent in foreign countries. Through word-of-mouth marketing by their current clients other firms approach them. No matter how small the assignment in the foreign market, the company tries to solve the problem. Through actively showing that they are willing to help any customer out, it believes it receives demands from other organizations in that foreign market. In other words, this way the company shows its service availability.

Maintenance client relationship: The relationship with the client is very important for this firm. Their services are always provided in cooperation with the client. "Enlighten your maintenance" is the slogan of the company. The company provides its clients a total solution, a total package combining maintenance and repair activities, with the supply of spare parts.

This also means helping its clients out wherever it can and to think with them to solve their problem. This relationship is maintained through regular visits by this industrial services firm, a minimum of twice visits a year. A large assignment often requires even more visits, because repair and maintenance of large machines does not take place every week.

The part owner travels all over the world, is involved with its clients and helps to find technical solutions for large projects the company is involved in. The part owner does visit clients, but only after the local agent reviewed the machine 2 or 3 times. This way it is tried to portray a specialist image that offers a quotation for a service, rather than presenting himself as a salesman.

At the start of an assignment, client contact is quite intensive. The amount of visits paid varies per client. Some companies are visited once every 3 months, while other smaller companies might be visited only once a year, others ten times a year. The amount of contact influences the need to open up a workshop in that foreign country, which is larger when client needs to be visited ten times a year. Clients are visited, because it is important for the agent and representative to know what happens at the clients' organization (when standstills take place, large assignments are contracted out). And secondly, it is important for the client to understand who the company is and what it does, and that in the case of an urgent problem it will call Maintenance Partners instead of a competitor.

Importance client relationship: How important this client relationship is before foreign market entry, depends on how much volume there is, whether the firm is even able to deliver services from other branches, and if it is sufficiently profitable. The company believes networking is extremely important. The firm first searches for someone in its network or a local agent. In Qatar, the agent brought together 40 clients. The relationship with the client is not only important during the negotiation of a contract, but also during the execution of its terms and the final evaluation.

Attitude of the company towards the client: The company only provides a service for a certain price and will not lower this price, because it believes that it won't be able to provide a high quality service. If the firm cannot supply their standards of quality it will leave. Internationally this is a whole lot easier, because the firm does not require to have assignments in Austria for example, because the company already has sufficient assignments here. When the client asks for a job from a to c, and Maintenance Partners believes that it requires a service for a till z, then it will offer a service for a to z and will refuse the job if the client does not agree.

3. Entry mode choice

BAKKER SLIEDRECHT

Type of entry mode: Currently Bakker Sliedrecht only transfers its employees to foreign countries, who are situated in the Netherlands. This means that it's personnel travels a lot, all over the world. For example, if anything brakes down in a ship and it is situated in Singapore at that moment, the company flies its personnel flown over there to solve it's clients' problems. It was called the "the temporarily export of people" by the firm. It happens in a team, or in case of a machine defect, employees often need to solve problems on their own and requires a large amount of independence by the employee. Opportunities to start a foreign service centre are there, but this is not the ambition of Bakker Sliedrechts' management. Despite this vision Bakker Sliedrecht is currently considering the establishment of a small branch, a so called service centre, in China with Chinese employees. This is created out of necessity, because of a large level of assignments there, and is not part of an internationalization plan. Bakker Sliedrecht has an assignment consisting of 12 ships, which could probably amount to about 40 ships. This concerns such an amount of work that cannot be fulfilled by the amount of employees it has right now. It does not have sufficient man power here. The company wants to contract Chinese employees, who will be educated in the Netherlands. In China, the firm will cooperate with a supplier of cranes on board of offshore platforms, which has a factory situated in China.

Reason for entry mode choice: The company is wary of opening up foreign branches. This is not because it is afraid that foreign employees will not adapt the "Bakker Sliedrecht" philosophy, but it is related to the vision of the director. The director does not want money to be produced nor gained somewhere else, and prefers both to take place within the Netherlands. He believes that money should be earned by the people that are situated in Sliedrecht, it's "own" people, not with anyone else in the world. Therefore the company likes to work with it's own people. The service manager believes that this is due to fear that in the end that if people are taught their skills and way of working, they will start their own business in that foreign country. It already tried once before to open a branch in Dubai, a machine repair company to be exact, because of the large amount of clients to be found there. Several people in the firm considered it a potential opportunity, but the director was against it and it was blown off.

MAINTENANCE PARTNERS

Type of entry mode: Foreign market entry takes place in several ways: through agents and representatives, service workshops, cooperations with local partners, and large OEM's. These are described below.

- **AGENT/REPRESENTATIVE:**

In almost every country, the firm has its own agent that pays visits to clients. This agent is visited by one of the firm's employees once every 3 or 6 months to discuss quotations and to pay visits to clients. The company also has its own representatives (such as within Germany), who search for additional assignments, create brand awareness and evaluate the possibility of opening up a foreign service workshop. A local agent is preferred, because of his local language and culture knowledge. These agents are considered a hundred times more efficient and cheaper, and believe projects are obtained a whole lot faster. If done by either one of its employees, it would take up more time, limit the ability of follow up appointments and promises made, and make it difficult to keep track of changes at clients' locations. Having own personnel in those countries is preferred, because these are much easier guided and directed. Agents are mostly people that have knowledge of new machines. These are not always the right kind of people for the job, because selling services requires a different approach from selling products. Negotiations without the interference of a local agent or representative do take place, but this does not happen often.

- **WORKSHOP:** The company has 7 workshops in the Benelux, one in Turkey, and one in Abu Dhabi. In the Benelux, the workshops' own personnel is responsible for their own branches. The part owner does pay regular visits to the workshop in Abu Dhabi and Turkey, but this is because these have only recently been added. It is planning to open up even more workshops in the upcoming years, because it wants to have a central workshop in every large area, referring to Europe, the Middle East and North-Africa. It also plans to open up satellite workshops in every petrochemical hub in those areas. In the case of sufficient clients, workshops are mostly owned by the firm (as was also the case in Abu Dhabi and Turkey) or these are partly owned with local partners. These are mostly companies that already executed assignments at local clients' firms, but do not provide the kind of service Maintenance Partners is good at. Employees at those partners locations are educated in such a way, that they are able to first assist the client in case of emergencies. In Germany it already has a partner which effectively provides first assistance to clients, and where if necessary the firm is able to travel to within 24 hours. This way it believes it has one central point of contact in whole Europe. For the two opened up foreign workshops the company had the following reasons:

Abu Dhabi: The workshop in Abu Dhabi is designed the same way as its satellite workshops in the Benelux, is fully equipped for field activities and therefore able to offer the same services as those in the Benelux. It was opened because a client had a load of work that could not be finished by just sending employees over there. A few large internationally operating European customers appreciated the presence of a maintenance partner in the Middle East. The choice for the gateway to the Middle East were the United Arab Emirates, especially Abu Dhabi, which is situated quite centrally in this area. According to the firm, the United Arab Emirates are easily accessible and offer a favorable work environment for foreign companies. Maintenance Partners also believes that without an experienced guide you are nothing in foreign countries, which is why it also has three local partners and sponsors in this country. Their experience in that area is important for the firm to be able to respond quickly to customer demands.

Turkey: In Turkey a joint venture was formed with two existing companies. This workshop was opened, because of the large amount of potential assignments. The joint venture enables the firm to produce, within the shortest amount of time, the most suitable components to perform repairs. Another aim is to potentially replace certain spare parts and their production to their workshop in Turkey. It is the combination between a workshop focused on rotating machines and a cheaper production of spare parts. Another part of that motivation was a partner from which the company bought copper, that wanted to start a production there for the company. Turkey was chosen, because Turkish companies are known for their high productivity and have technically well educated employees at their disposal due to the availability of technical schools with a good reputation. Turkey is perceived to be the gateway to the Middle East, a bridge between two cultures, the operating base for further internationalization of activities.

- **PARTNERSHIPS:** cooperating with local partners, situated in for example America and Spain. According to the firm, several companies spread all over Europe are searching for a partner,

preferably one that has branches in several countries. The company has several reasons for forming partnerships with local companies. Several employees, that are specialized in certain types of machines, travel all over the world and need to cooperate with local people. This creates language problems and requires cooperating with people that have no knowledge of the machines that need to be repaired. Cooperating with local companies enables the firm to avoid those kind of problems.

This also enables the firm to work together with the same people, or at least with the same mentality, state of mind, education and knowledge. Maintenance Partners wants to increase it's amount of own people, spread all over the area, to be able to compose its own team at any time.

- **COOPERATING WITH OEM'S:** The firm also cooperates with large international OEM's, such as ABB, Mitsubishi and ManTurbo. These were already their supplier and partner in the Benelux and which do not provide services in Europe, and ask the firm to do it for them. As a consequence it already has clients in several countries, as machines are already placed with clients by these OEM's.
- **ANOTHER KIND OF ENTRY MODE:**

Rumania/Poland/ Ukraine: The future focus is placed on Eastern-Europe, referring to Rumania, Poland and Ukraine. In these countries it is planning to buy a firm and open up a service workshop, where it will be able to recruit people and send them all over Europe (act as a base load). This service workshop will become more than just a workshop, because the firm believes no sufficient assignments can be gained in these countries (especially Rumania). It is hard to compete there if in almost every corner a workshop can be found that repairs pumps and motors, and assignments are rather given to Rumanians than Belgians. The company has a shortage of employees, especially ones that like to travel a lot, and employees in the Benelux are already overloaded with work. In Rumania it has already obtained assignments, but is encountering language and mentality problems.

Reason for entry mode choice: The company became international through client requests, opportunities in the market, but most of all it is born out of a necessity. A workshop is not started just because they spotted a demand, which is followed by employee recruitment, machine installation and clients that are contracted. Assignments are already executed, but it costs too much to transfer those employees abroad. The company rather works with it's own people or with partners to decrease the level of knowledge that is being copied by local people. The decision to open up a workshop is more related to the amount of volume it is able to obtain and whether cost wise it is still useful to operate on that market from their service point in Belgium. Two years ago it bought a company in Maastricht, because it had a large amount of customers in Belgium and the Netherlands. It was a lot cheaper to open up a branch, than to service their clients from other branches in the Netherlands and Belgium.

4. Services marketing plan

BAKKER SLIEDRECHT

The company does not have a marketing plan. It does do market research, by looking at future opportunities in the international market, everywhere dredging and offshore companies can be found. The mass crowd is also followed. If, for example China appears to be the future, the company will go there. Its services are not specifically adjusted to the foreign market. It sells its services just the same as it would do in the Netherlands. What type of service it provides always depends on the client and its needs and requirements. It does not depend on the type of country. 80% of the service provided is standard. The company is believes that they know the best way to provide the service. The company only adjust to political problems and trade barriers, such as taxes or the import of goods. Hardly any use is made of marketing tools. Its mostly consist of advertisements. Publicity often takes place through word-of-mouth advertising. Trade fairs are sometimes visited, but mostly include fairs about the dredging and marine industry, such as the dredging trade show in Dubai and the offshore trade show in Miami. Bakker Sliedrecht is also a member of the Holland Marine Equipment, with which it tags along to foreign trade fairs.

MAINTENANCE PARTNERS

The company does not have a straight lined out marketing strategy. It does not adjust its service itself to a country or culture, but is rather influenced by its clients. Marketing activities initiated are not pre-planned. The company participates in fairs once or twice a year in foreign countries (Industrial Maintenance). In the Benelux this amount is even smaller. It believes that it is making large mistakes, if firms do not know their name there. Reasons for attending fairs is because of new product

Market entry strategies by industrial services firms

introductions, out of sympathy when asked by clients or partners or to create brand awareness. Fairs in foreign countries seem to be quite effective. It receives a good response from companies that have not seen them before. The company also organizes information evenings, which enables companies to get to know Maintenance Partners. Technical subjects are discussed combined with culinary or musical surprises. At the beginning of each year, a market review meeting is held. Participants include employees of the company, agents and representatives of partners. This meeting informs all parties of their plans of the future year and past activities. A tool that the company use to persuade its clients is through a reference list, that shows their past assignments with other clients names.

Before a new and /or foreign market is entered, a small market research is done. The company adapts its prices to a local situation. It does not work with fixed prices. Prices are higher for example in Rotterdam than in Antwerp, and in Antwerp these are higher than in Gent. All branches have a different selling price, due to differences in work place occupation and productivity.