



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

TO FOLLOW OR TO SEEK?

*A NETWORK APPROACH TO THE INTERNATIONALIZATION
PROCESS OF PROFESSIONAL SERVICE FIRMS*

Department of Business Administration
International Business
Bachelor Thesis
Spring 2013

Authors:
Brunedal, Johan 880516
Tjernström, Elin 880915

Tutor:
Anna Jonsson

Abstract

Problem

The world economy today is becoming increasingly globalized. China is at the forefront of this development and the professional service firms are also riding the wave of progress. This development combined with the focus on manufacturing firms in the traditional internationalization process theory gives a need for a more comprehensive understanding. Moreover, it has been suggested that further research is needed on the client focus in the internationalization process. Thus, a gap in the research of the internationalization process of professional service firms has been identified.

Purpose

The purpose of this study is to get a deeper understanding of a Swedish professional service firm's internationalization process and the factors that influence this process.

Research questions

- (1) How a professional service firm within the law industry internationalize to China?
- (2) How network relationships with clients and other firms influence the law firms' choice of having activities in China?

Research design

The research is based upon a qualitative case study on a Swedish law firm's international activities in China. The findings have thereafter been analyzed through models of the internationalization process, networks, the impact of clients and reputation in order to increase the understanding of professional service firms and their international activities.

Findings

In our research we have found that the professional service firm's network relations imply a progress in internationalization process into China. While the client following maintains as a motive for internationalization, client seeking implies a larger commitment and a further process of internationalization. Moreover, a new stage in the internationalization process has been identified; internationalize to China in order to attract Chinese clients to the domestic market.

Suggested research agenda

More research in the field area is needed in order to be able to draw general conclusions. Also, future research on other markets or larger professional service firms could contribute to a wider picture.

Key words

Professional service firms, law firms, internationalization process

Acknowledgements

We would like to thank our supervisor *Anna Jonsson*, who has been very helpful in replying our mails and arranging for extra supervisor meetings. We are more than grateful for the feedback given and you sharing the great knowledge and expertise you possess within the field of services throughout the whole process. Your interesting remarks and opinions have helped us structure and organize our thesis and contributed to a more interesting study.

Furthermore, our gratitude goes to Mr. Johan Hallén, partner at Setterwalls law firm, and Ms. Junli Shu, lawyer at Setterwalls law firm, for participating in our interviews and agreeing to do follow-ups. This helped our case study tremendously and allowed us to gain access to primary high quality research data, which contributed to a more credible thesis and helped us actualize the purpose of our study. Without Mr. Hallén and Ms. Shu this thesis would not have been possible to accomplish.

Thank you!

Johan Brunedal

Elin Tjernström

Table of Contents

Abstract.....	ii
Acknowledgements.....	iii
Table of Contents	iv
List of Tables and Figures	v
List of Abbreviations	v
1. Introduction.....	1
1.1 Research Questions and Purpose	3
2. Previous Research	4
2.1 The Internationalization Process of a Firm	4
2.1.1 The Uppsala Model	5
2.1.2 From Incremental Internationalization to Networks and Relations	6
2.1.3 Network Relations.....	7
2.1.4 A Business Network Model of the Internationalization Process.....	7
2.2 Professional Service Firms	10
2.2.1 Networks in Professional Service Firms	12
2.2.2 Special Characteristics of the internationalization Process of Professional Service Firms..	12
2.2.2.1 Expatriates in the Internationalization Process of a Professional Service Firm.....	13
2.2.2.2 Internationalization of Professional Service Firms- The Impact of Clients.....	13
2.2.2.3 From Reactive Client Following to Proactive Client Seeking.....	14
2.4 Conceptual Framework.....	15
3. Methodology	18
3.1 Research Design	18
3.2 Qualitative study.....	19
3.2.1 Case study	20
3.2.2 Choice of Research Object- Case Company	21
3.3 Data Collection	22
3.4 Analysis	25
3.5 Reliability and Validity	25
3.6 Limitations.....	27
4. Contextual background.....	29
4.1 The history of Law in China	29
4.2 Barriers for Foreign Law firms to Enter China	30
4.3 Swedish Law Firms in China	31
5. Setterwalls entry into China.....	32
5.1 Setterwalls.....	32
5.2 Setterwalls's International Presence	33
5.3 The internationalization of Setterwalls into China.....	35
5.3.1 Setterwalls's Network Activities in China.....	36
5.3.2 Setterwalls's Relations to Local Law Firms in China	37
5.3.3 Setterwalls's Swedish Competitors on the Chinese Market.....	38
6. Analysis	39
6.1 Relationship Commitment Decisions.....	39
6.1.1 Protection of Existing Networks	40
6.1.1.1 Client Following.....	41
6.1.2 Commitment to New Networks.....	42

6.1.2.1 Client Seeking	42
6.2 Learning, Creating & Trust-Building	44
6.2.1 Transcending Global Reputation	44
6.3 The Internationalization Process	45
7. Conclusions and Suggested Future Research	48
7.1 Research Conclusion	48
7.2 Limitations of the study and Suggested Future Research	49
7.3 Managerial Practice Implications	50
8. References	51
9. Appendix	55
9.1 Interview Guide	55

List of Tables and Figures

Figure 1.	<i>The basic mechanism of internationalization: state and change aspects</i>	5
Figure 2.	<i>The business network internationalization process model (the 2009 version)</i>	8
Table 1.	<i>Concluded theories regarding the internationalization process of a PSF</i>	16
Figure 3.	<i>The Internationalization Process of a Professional Service firm in the Legal Market</i>	17

List of Abbreviations

- **BRIC** Brazil, Russia, India and China
- **FDI** Foreign Direct Investment
- **MSA** Mannheimer Swartling
- **M&A** Merger and Acquisition
- **NPC** National People's Congress
- **PRL** Provisional Regulations on Lawyers
- **PSF** Professional Service Firm
- **SCB** Statistiska Centralbyrån
- **WTO** World Trade Organization

1. Introduction

It is familiar that the business environment of today is characterized by a steady globalization. Companies choose to go abroad in order to meet investors' expectations of growth and higher performance (Hitt et. al., 2006). This internationalization process of the firm has occupied researchers and practitioners for a long time. In 1977, Johanson & Vahlne presented their first model, focusing on the behavior of firms in the process of internationalization, the importance of knowledge of the market and the incremental stages approach to the process. With time, several researchers criticized their results, referring to the changing business environment and the new important parameters influencing the internationalization, giving a more complex and less structured process (Benito & Welch, 1994, Coviello & Munro, 1997). Johanson & Vahlne adapted their study, leading into the "*Business Network model of the internationalization process*" in 2009. The new study revised the importance of physical distance. Instead, it assumed that the process of internationalization is sought in a relationship, concentrating on how relations and networks influence the process of internationalization. In this perspective, the commitment to existing networks or the search for new networks were the driving forces for internationalization.

The new focus in the model was partly made due to the changing business environment, where services have increased in importance and represent a larger and larger share of the world's total GDP (The World Bank, 2013). Service firms are generally more network dependent, since a service requires more contact between the deliverer and receiver (Løwendahl, 2000). It is also crucial to possess a good position and reputation, much due to the difficulties in measuring the quality of the service. The PSFs are probably the type of service firm most reliant on good relations. These firms have been able to ride the wave of progress (Hitt et al., 2006), with the growing interrelationship between national economies and financial markets. As a result of the importance of good relations and the growing interrelationship, PSFs going global are becoming increasingly frequent.

Among the PSFs we find law firms, which experience a shift to a more global market. As a consequence, many law firms have made the decision to follow their big clients into the

international market (Hitt et al., 2006). The *client following* has also been the traditional explanation for law firms' internationalization process among researchers (Vandermerwe & Chadwick, 1989; Bryson, 2001; Roberts, 1999). This type of commitment decision to follow their clients may be connected to the theories by Johanson & Vahlne (2009). However, in a conceptual study by Netland & Alfnes (2007), the authors point out that a change is seen in PSFs internationalization process, where the role of customer focus will be more important and PSFs tend to seek clients instead of following them.

One market where the law firms have increased activities is in China (Lui, 2008), which is a natural result of the country's steady growth toward becoming the world's largest economy (Greenaway et. al., 2010). Multinational law firms are dominating the Chinese legal market. (Heller, 2003). Still, also a large number of smaller law firms are active on the market and among these we find the two Swedish law firms Vinge and Mannheimer & Swartling. Both of the firms have established offices in the country and are explaining their choice as client driven, as their clients wanted to bring their law firms with them to China (Hotopp, 2008). This is a choice that is well aligned with the traditional theories regarding the client's role in the internationalization process. Yet, not all Swedish law firms have made the decision to establish an office in China. Among these we find *Setterwalls*, which so far has chosen to enter China with another strategy. As stated above, a new pattern of proactive client seeking is identified, something that may be further illustrated with the case of *Setterwalls*.

Furthermore, Netland & Alfnes (2007) suggest that more research is needed on the customer focus in the internationalization process. Even if the model by Johanson & Vahlne (2009) is discussing the network perspective of the internationalization process where also these aspects could be included, their study is made on traditional manufacturing companies. As a result, the model addresses the "midpoint" in the network, not the PSF perspective as a supplier of a service. Furthermore, with exemption from the Johanson & Vahlne model, there has been a lack of qualitative research within the field of international business. According to Doz (2011), the knowledge of the growing multinationals' "globalization" of today is not nearly as extensive as it was in the 1970s, creating a gap in the research. Also, according to a study by Netland & Alfnes (2007), only 3 out of 31 articles discussing the internationalization

of professional services were made based upon a qualitative study and only 1 out of 28 articles based upon an empirical or conceptual methodology had the perspective of *“customer focus in the internationalization process”*.

1.1 Research Questions and Purpose

The lack of research in the field combined with the changing business climate for the firms have intrigued us to deepen our comprehension of the subject. Based upon the following questions, the research seeks to understand:

- (1) How a professional service firm within the law industry internationalize to China.
- (2) How network relationships with clients and other firms influence the law firms' choice of having activities in China.

By answering these questions, the purpose of this study is to get a deeper understanding of a Swedish professional service firm's internationalization process and the factors that influence this process. By fulfilling this purpose, a contribution will be made to the existing theories regarding the internationalization process, in the aspect of networks relationship importance for PSFs. Moreover, the research will be carried out in the perspective of a service supplier. This gives a further contribution since as far as our knowledge extends the perspective is rather uninvestigated.

2. Previous Research

In this chapter we discuss different theoretical approaches to the purpose of our thesis. By starting with a brief description of the traditional Uppsala model by Johanson & Vahlne we give a background to the new updated model from 2009, the model that will serve as a frame for our analysis. We will continue with defining the context where the chosen case companies are operating, namely the professional service industry. The theories will continuously be treated from the perspective of smaller service firms investing in emerging markets. This will lead us to a final theoretical synthesis and a framework to use in our empirical analysis.

2.1 The Internationalization Process of a Firm

As touched upon in the introduction, the internationalization process of the firm has occupied researchers and practitioners for a long time (Clark et. al. 1997). Researchers have approached the area from different angles; some researchers suggest the static approach while others point it out as an incremental and cumulative development. What seems to be agreed on is that a process is a sequence of linked procedures (stages), which stepwise convert different kinds of resources into an output, in order to achieve an end goal or result. This combined with the term internationalize, gives the process of how a firm incrementally goes international. Internationalization does not however have to signify a traditional establishment abroad or exportation to other foreign markets. For example Roberts (1999) suggests that a company is international if it serves foreign clients in the domestic market. This is supported by Bryson (2001) who argues that the term internationalization has not been enough conceptualized and conclude that one of the few definitions one can ensure is that internationalization means economic activity that occurs between a limited number of countries or/and companies.

2.1.1 The Uppsala Model

In the mid-1970s, the existing international business literature pointed towards that a firm choose the optimal mode of entry by analyzing its risks and costs based on the characteristics of the market while taking their own resources in consideration. Researchers at Uppsala University however conducted a study of Swedish firms' internationalization pattern and came to another conclusion, which became known as the *Uppsala model* (Johanson & Vahlne, 2009).

This internationalization theory shows two patterns concerning internationalization. The first, and most significant, is the *establishment chain*, which describes the different stages in the internationalization process and indicates stretched commitment to the market due to greater experience and knowledge (Bell, 1995). The initial stage of this internationalization model is ad hoc exporting. Then it will develop to market entries through deals with agents and other intermediaries who represent the firms in foreign markets. As companies enjoy increased sales they will continue by replacing their agents with internal sales organizations. With continued sales, the firms start their own manufacturing in the foreign market to overcome the trade barriers being found in the post-World War 2 era (Johanson & Vahlne, 1977).

The second pattern identified is *psychic distance*. According to this, internationalization begins by targeting neighboring countries with similarities in cultural, economic and political terms but also in relation to their geographical closeness (Bell, 1995). Subsequently, the firms expand to other foreign markets further away.

The underlying assumptions of this model are bounded rationality and uncertainty. The model also includes two variable aspects; state and change, two aspects that explain the basic mechanism of an internationalization process, where further steps occur between the state and change (Figure 1) (Johanson & Vahlne, 1977). The different steps and states in the model will be explained in detail when discussing the updated model from 2009.

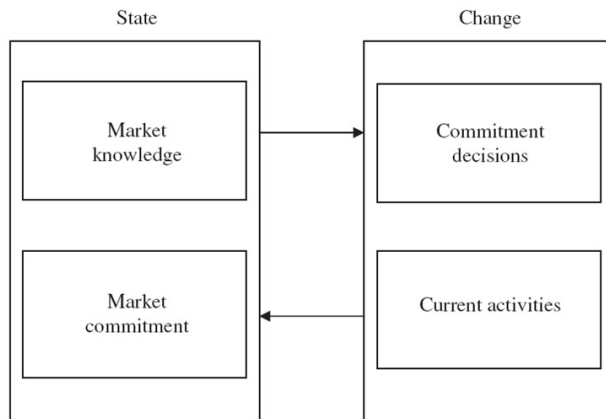


Figure 1. The basic mechanism of internationalization: state and change aspects (Johanson & Vahlne, 1977: 26)

2.1.2 From Incremental Internationalization to Networks and Relations

Since the release of the classic Uppsala model it has been heavily criticized due to the changing regulatory and economic climate and company behavior. Nowadays, the business environment is considered a web of networks and relations rather than neoclassical market, including independent customers and suppliers (Johanson & Vahlne, 2009). Some criticism against the original model is that psychic distance has become less relevant as a result of improvement in global transportation and communication infrastructure and as markets become more homogenous. Also, some researchers argue that existing internationalization theories are not applicable on service-intensive sectors (Coviello & Munro, 1997).

The more network-oriented approach stretches beyond the traditional models of incremental internationalization and it suggests a variety of network relationships, influenced by a certain pattern of behavior, results in a firm's strategy (Coviello & Munro, 1997). *"The sometimes erratic character of internationalization for individual firms appears to be related to the seeming randomness with which opportunities and threats relevant to international activity arise in a company's external environment"* (Benito & Welch, 1994). If in a relationship network, external opportunities and threats can be presented to the firm. Therefore, these external contacts or relationships may facilitate, drive or inhibit a firm's international market. A firm's choice of foreign market and entry mode could also be influenced by such relationship (Coviello & Munro, 1997).

As a response to the criticism from other researchers and the changing business climate the original Uppsala Model has been revised. The latest model is based upon a conceptual study that will be presented in section 2.1.4 and is called “*A business network model of the internationalization process*” (Johanson & Vahlne, 2009).

2.1.3 Network Relations

A network involves “*sets of two or more connected exchange relationships*” (Coviello & Munro, 1997). From this, markets are seen as systems of social and industrial relationships among for example competitors, suppliers, customers, family and friends. The network perspective indicates that the nature of relationships established between parties will influence strategic decisions. The network also includes resource exchange between the members. The members of a network value relationship rather than discrete transactions. Therefore, opportunistic behavior is controlled and minimized (Coviello & Munro, 1997).

Looking at the general properties of the network approach of B-to-B, a distinction is made between three types of connections, which together form a relationship between buyers and sellers. The first is activity links, which embrace activities of technical, administrative and marketing character. Secondly, *resource ties*, which includes exchange and sharing resources, both tangible, such as machines, and intangible, such as knowledge. The last connection is *actor bonds*, which are created by people who interact, exert influence and form opinions about each other (Gummesson, 2002).

2.1.4 A Business Network Model of the Internationalization Process

As already mentioned, Johanson & Vahlne presented their revised model in 2009. The network context of this model is given by the fact that networks are borderless and thus the distinction between entry and expansion into a foreign market is less relevant. Also, the traditional view of entry, which means overcoming different barriers is becoming less important as well, compared to a firm’s goal to strengthen their position in a network when internationalizing. Therefore, the impact on a particular geographical

market a firm decides to enter and which mode of entry to use is connected to existing business relationships, due to its possibility to identify and exploit opportunities. This is also consistent with the business network view, where dependence on existing relations is a key factor.

The new business network model still has the basic structure of the original model from 1977. It still consists of the variables state and change, which are important to both sides in a relationship (figure 2). The variables have a close connection and have great effect on each other. Thus, this model depicts a cumulative, dynamic process of learning and trust and commitment building.

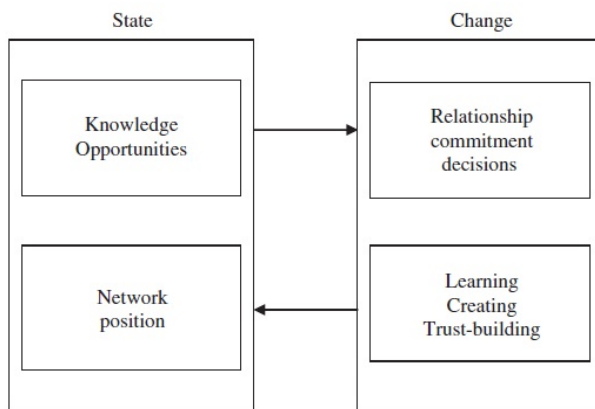


Figure 2. The business network internationalization process model (the 2009 version)

Still, some changes have been made concerning the two sets of variables as seen in figure 2. Starting with the upper left box, *recognition of opportunities* has been added to the knowledge concept. This was added to indicate opportunities to be a more thriving and important element of the process regarding knowledge. Capabilities, needs, strategies and networks with direct or indirect relation to firms in their institutional contexts are all important parts of knowledge as well. Also, some type of knowledge is limited to network insiders and thus a strong commitment to partners allows firms to increase their width of knowledge, which makes it possible for them to create and/or discover opportunities.

Moving on with the lower left box in figure 2, the state variable has been changed from market commitment to *network position*. The assumption today is that the process of internationalization is sought in a relationship. Specific levels of knowledge, commitment and trust characterize relationships and being unevenly distributed among the different members of the network is not unusual. Hence, there might be a difference in how successful internationalization is promoted. If a process however can be seen as potentially rewarding, an eligible outcome of learning, commitment and trust building results in the firm enjoying a network position and partnership.

Looking at the change variables and the lower right box in figure 2, current activities were replaced with *creating, trust-building and learning*. The previous model focused on regular daily activities and its importance that eventually will end up in increased trust, knowledge and commitment. Trust building and its affective dimension are in the new model more distinctly defined due to its status identified today. Opportunities creation, or the knowledge-producing dimension, is also highlighted because it is believed that the development of opportunities is a critical part of a relationship. Also, a high level of knowledge, commitment and trust in relations and networks has a more efficient creation process as an outcome. Experiential learning is still the most important type of learning but now more types of learning have been identified.

Lastly, *relationship* has been added to the upper right box consisting *commitment decisions*. This was added to elucidate the connection between commitment and relationships or to networks of relationships. A firm is implied to choose an increase or decrease of its level of commitment to one or several different relationships within the same network. This could either strengthen or weaken relationships within a network. Looking through the glasses of networks, there are two different types of decisions concerning commitment and relationships. Firstly, developing new business relations and building bridges to new networks or to fill structural holes are two examples of this. Secondly, it could also be to protect or support a firm's existing, strategic network of relationships.

The up-to-date model of the internationalization process has implied two major outcomes. Firstly, internationalization depends on relationships and networks. The firm

is expected to go abroad due to important relationships and great commitments. The firm's partners can be found both on the domestic or foreign market. If having an important and valuable network position in different foreign markets, the firm is also likely to follow its partner. Such foreign expansion has two possible reasons. Finding business opportunities is one reason. An interrelation between partner bases of knowledge can be seen and thus are interrelated with other members of the business network. If relying on a related knowledge base a firm therefore may join networks abroad where the chance of identifying and exploiting opportunities is given. A second reason for foreign expansion is the existing or planned international activities identified with a firm and their request of a law firm following them. Commitment to the relationship is demonstrated if following your partner (Johanson & Vahlne, 2009).

What should be kept in mind is that network theories not necessarily disclaim the earlier mentioned concept of psychic distance or the views concerning traditional internationalization models. These theories however suggest the internationalization process to be more complex and less structured than explained by traditional theories (Johanson & Vahlne, 2009).

2.2 Professional Service Firms

In order to fully understand the behavior, motives and process of our particular firms, knowledge of the context of service firms is important. Five distinct features of services have been identified; intangibility, inseparability, heterogeneity, perishability and ownership (Cowell, 1988). Yet, not all service firms possess the same characteristics and should be classified into subgroups. One discussion has been whether all knowledge intensive service firms also could be classified as PSFs. The word professional is often connected with legitimacy and reputation, giving many service firms the tendency to classify themselves as professionals

(Løwendahl, 2000). Due to this, researchers have identified the following characteristics of a PSF (Løwendahl, 2000; Silvestro et al, 1992):

- *The firms have high-knowledge intensity.* Both the input and the output of the service consist of professional knowledge and create a cornerstone in the value-adding process. Furthermore, professional organization or authorities often give a certification of the knowledge.
- *The people are crucial.* The service is most often delivered by experts and the “production” of the service demands high people interaction, often face-to-face between the provider and client. This gives a high level of perishability and inseparability. Moreover, the PSFs’ partners have high responsibility and can be held legally for any liability claim.
- *The professional service is highly customized.* The clients’ needs are the driving factors for the final properties of the service, making standardization difficult.
- *The service is rather a process than a product.* Given by the above characteristics with the high customization and the interaction between the firm and client, the service is evolved over time and the final outcome is not yet defined until the deliver phase.
- *The number of customers is relatively low.* With the need for high customization and interaction, the PSF cannot serve as many customers as other service or manufacturing firms. Due to this, each client is of higher importance for the firm.
- *The client needs may be more important than profit.* Since the firms are bounded to professional norms of conduct, the limits of professional expertise have to be respected and the principal focus is always on the client.

R&D services, financial services, engineering, legal services, architectural and design services, IT services, auditing and accounting services, advertising and marketing services, management consultancy, personnel recruitment service can all be classified as professional business services (Netland & Alfnes, 2007). Still, given this definition of PSFs, banks and other high knowledge service firms that are not providing specialized services for customers should not be considered as professional. On the contrary, firms like management consultants can be classified as professional due to the often very specialized offered services, even though no authorization of the employees has been made (Løwendahl, 2000).

2.2.1 Networks in Professional Service Firms

The special characteristics of PSFs, for example the process of producing a service where an interaction between the firm and the client is needed, give the PSF special network relations. Looking back to the previously mentioned literature, the first model by Johanson & Vahlne was based upon empirical findings on the internationalization process of Swedish manufacturing firms (1977). The following was conducted in a conceptual manner (Johanson & Vahlne, 2009) and did not concentrate on either service firms or PSFs. Hence, the special network relations of a PSF have to be taken into consideration when analyzing through the model.

In traditional models buyers and suppliers normally structure a network. In this network perspective, the service firm is a supplier, delivering a supporting activity to the core-point buyer. Naturally, the PSF may also have suppliers, for example when the firm needs services outside the area of expertise, such as marketing, or when the intrinsic knowledge is insufficient. Still, the fact that the PSFs “product” normally is a value-adding service to another firm’s business activities strengthens the PSFs reliance on clients. Later in this chapter we will see how this affects the internationalization process of a PSF.

2.2.2 Special Characteristics of the internationalization Process of Professional Service Firms

The different opportunities of internationalization for PSFs are limited by its special characteristics, especially when compared to manufacturing firms (Løwendahl, 2000). Furthermore, Porter (1986) stresses that service markets, compared to those of manufacturing, are less global giving different opportunities. As an example, a management consulting firm may create a demand for a global service, while the auditing, or nevertheless law services, always are demanded since those are statutory. Still, the consistent demand may not be global, since law services are among those constrained by local laws and client preferences. Hence, Porter suggests the law market to be intrinsically “multi-domestic”.

Another highlighted part is importance of reputation in PSF industry (Løwendahl, 2000). If choosing to go abroad, reputation may be enhanced by the possibility to sell a credible promise. It may also help the firm to increase knowledge, giving a broader experience record and, if successful, a better reputation. Contrariwise, good reputation may drag a firm global since the reputation has been transcended internationally. These aspects differ from Porter's (1986) traditional theories regarding reputation and knowledge in manufacturing firms, where he suggests that reputation is local in nature.

2.2.2.1 Expatriates in the Internationalization Process of a Professional Service Firm

Exporting professional services is not an easy task, due to the need for interaction between the firm and the client. Furthermore, with people as the most valuable asset, the value of the service may be lost in the export. Hence, the special characteristics of the professional service firm will have a high impact of the internationalization process.

One frequently used method for internationalization among professional service firms is expatriation. An expatriate is a person having a citizenship in one country but is living in another country. With the main objectives to serve clients and increase market share and profitability, using expatriates is a strategy PSFs execute to develop, manage and spread knowledge from the central parts of the firms to its subsidiaries and between all the members in a network (Beaverstock, 2004). By using expatriates the value of people are more easily created, making it a common strategy professional business firms.

2.2.2.2 Internationalization of Professional Service Firms- The Impact of Clients

In addition to the special characteristics of professional service firms that were discussed earlier, researchers have identified differences also in the internationalization motivators for the firms. These theories treat the client impact of the internationalization. Several researchers have identified the patterns of client following (Bell, 1995; Vandermerwe & Chadwick, 1989; Bryson, 2001; Roberts, 1999) where the clients are the main motivators for firms to start their international activities. Also Dunning (1993) states "*service firms go abroad to service their clients who have preceded them abroad*". Even if this area is not treating the process of internationalization, it is important to consider these factors since the process starts with the motives. However, an aspect that has to be considered is the type of clients.

The client of a professional service firm is a business, not a consumer. Although this is not limited to service firms only, it creates a clear distinction to other services which have consumers as clients, since a consumer must be located somewhere while a business can operate all over the world. Hence, the clients can be divided into three groups: global clients, local clients with “global problems”, and local clients with “local problems” (Løwendahl, 2000). Every kind of client creates different meaning for the firm and its choice to operate abroad. If the client is global in its nature, may require the PSF to give them international services. Furthermore, if the client demands services on a frequent basis, it may require the PSF to follow them completely abroad. Also local clients may have “global problems”, such as a government or a municipality that needs to invest in infrastructure, environment or public building and requires professional help regarding architecture solutions, environmental consulting etc. In the other case, when local clients have “local problems”, it may seem unnecessary for firms to internationalize. Despite this, research has shown that professional services choose to invest in other countries. The reason can be found in the ambition to achieve credibility as well as in learning and thereby enhance the professional capabilities. By doing this competitive advantage is gained, and the added knowledge may be more valuable than the loss in profits locally.

2.2.2.3 From Reactive Client Following to Proactive Client Seeking

The earlier mentioned impact of clients has been focusing on existing clients’ demand of international services. Even so, a new pattern has been identified regarding the clients’ importance in the internationalization process. According to Netland & Alfnes (2007), the PSFs are shifting into a client seeking strategy, searching for new clients in new markets. Also Dunning (1993) states “*service firms go abroad to enter foreign markets to supply new foreign (or foreign and domestic) clients*”. However, Dunning’s research is not based upon PSFs nor made in the perspective of networking and relationships. Not much research has been made on this area and no models are available to further explain the phenomena. Still, we aim to include this parameter in the conceptual framework since it is an important aspect to consider in the analysis of data.

2.4 Conceptual Framework

After discussing previous research on the internationalization process of a PSF, the following table concludes the important parameters from the theories and their relation to each other.

Business network model of the internationalization process Johanson & Vahlne (2009)	Network Gummesson (2002)	Reputation Løwendahl (2005)	Clients (Løwendahl, 2000; Vandermerwe & Chadwick, 1989; Bryson, 2001; Roberts, 1999; Dunning 1993; Netland & Alfnes, 2007)
Knowledge opportunities	Resource ties Actor bonds		
Relationship commitment decisions	Protecting existing networks Commitment to new networks		→ Client following → Client seeking
Learning, creating, trustbuilding		→ Transcending global reputation	
Network position	Resource ties Actor bonds		

Table 1. Concluded theories regarding the internationalization process of a PSF

Derived from the table a model has been created, incorporating all parameters into one single framework. The model is called “The internationalization process of a PSF in the legal market” and seen in figure 3.

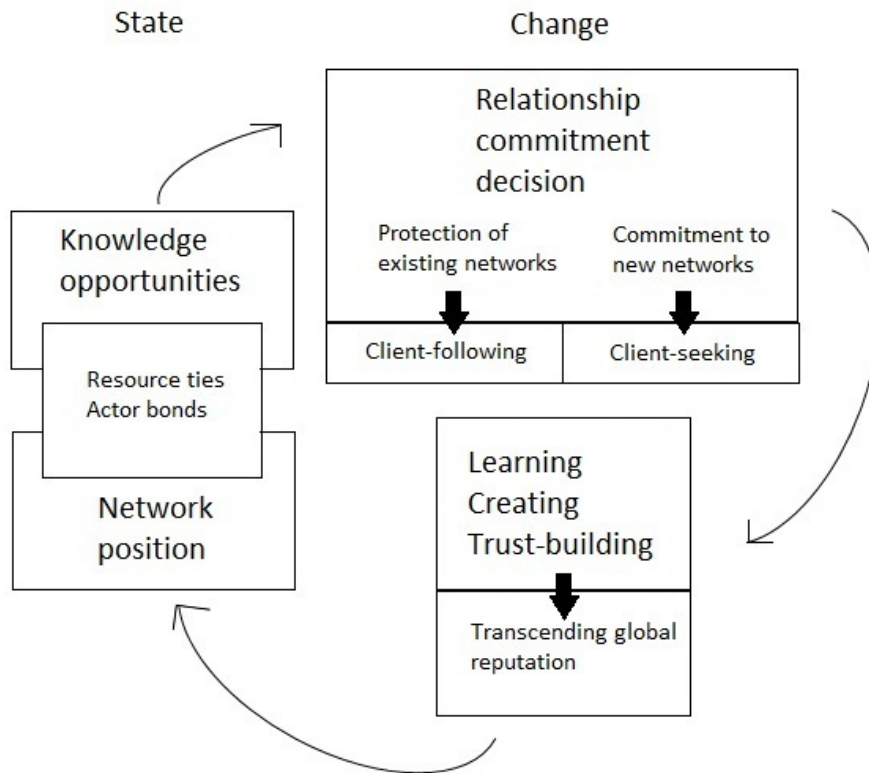


Figure 3. "The Internationalization Process of a Professional Service Firm in the Legal Market (Authors' revised model)"

The model has its origin in the "business network model of the internationalization process", (Johanson & Vahlne, 2009) with the aspects of state, change and a process with increased relationship commitments and learning, creating and trust building. Also the two state aspects, where a firm sees knowledge opportunities that lead to changes, which finally result in a new network position, remain in the model.

In line with the theories by Johanson & Vahlne (2009), the network aspects resource ties and actor bonds (Gummesson, 2002) are emphasized in the new model. This refers to the knowledge shared between the firm and its network relations and how the interactions between them influence the reputation of the law firm. The third aspect, activity links, will not be put emphasis on in the model as it comprises a "midpoint" relationship to service deliverers, while a PSF is this deliverer and thus investigated in a different perspective.

Following the network aspects, it is important to consider the reputation of the firm. As stated by Løwendahl (2005), PSFs may, unlike manufacturing firms, transcend global

reputation, which can affect the internationalization of the firm. Hence, the reputation is a part of learning, creating and trust building in international networks.

Lastly, it is important to put emphasis on the client impact due to its conclusiveness for PSFs (Løwendahl, 2000). The client-following motive (Bell, 1995; Vandermerwe & Chadwick, 1989; Bryson, 2001; Roberts, 1999) is important in relation to protection of existing networks, while the client-seeking (Netland & Alfnes, 2007) is important in relation to commitment to new networks.

3. Methodology

In the following chapter we aim to outline and justify our reasons for the choice of methodology. The chapter will start with a research design discussion, followed by the research approach, which contains both the qualitative study aspects and the choice of conducting a case study. It will also be motivations regarding the choice of case. Aligned with this choice, the considerations for the collection of data and chosen theories will be discussed, followed by analysis considerations. The chapter will end with a discussion regarding the quality of the study. By presenting all aspects of the methodology considerations, we hope to provide a transparent framework of how we have reached our results.

3.1 Research Design

A research design is generally described as how a research study has been conducted in order to answer the research question (Merriam, 2009). It contains the types of questions and the methods best suitable to answer this type of questions. It is often seen as a process of planning and organizing the research to ensure a result as transparent as possible by eliminating bias when evaluating theories and empirical data.

The research design for this study has been developed over time, since the knowledge and understanding for the area of study has increased. By starting with investigating earlier theories regarding the subject, a platform for the empirical collection was made. Still, as mentioned earlier, the chosen area of study lacks relevant research and this combined with the empirical data and the improved understanding gave an evolving theoretical framework for our theory. This kind of research design is called *abductive*, and explained as an approach influenced by both induction and deduction, thus the both perspectives, the theoretical and the empirical, have been developed simultaneously. (Dubois & Gadde, 2002). The authors mean that this kind of research design of going back and forth gives the researcher a deeper understanding for both the theoretical and the empirical perspective of the study.

3.2 Qualitative study

In the introduction of this study, we reach two research questions that will guide us in our study. Both of the questions seek to understand how the internationalization process is shaped, regarding different aspects. Hence, the study becomes an interpretation of the phenomenon that these particular firms hold, which are special characteristics that influence their internationalization. These features of the study make a *qualitative study* the most appropriate choice (Yin, 2008). Moreover, Doz (2011) explains that by asking questions such as how, the black box of the organizational process could be opened, which will result in a deeper understanding. Also, he argues that despite the rich field of study concerning International Business, the qualitative research within this field has been relatively small. Van Maanen (1979) defined qualitative research as;

“an umbrella term covering an array of interpretive techniques which seeks to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world.”

Several other researchers consider the *understanding* the most distinctive feature of qualitative studies (Merriam, 2009; Yin, 2008; Ghauri & Grønhaug, 2005). Furthermore, Merriam (2009) suggests the following four characteristics of a qualitative study;

- *Focus on meaning and understanding*- Most often, the outcome or the product is not the aim of research, but the delineation of the process. Also, a qualitative study is best suitable when the insider’s perspective, the *emic*, is of interest. The meaning of networks for the firms is not something that can be explained by numbers, supporting our choice of conducting a qualitative study.
- *Researchers as primary instrument*- The researcher is the one collecting and analyzing data, giving more room for personal communication and checks of accuracy in the results. Unfortunately, there are also negative aspects of these characteristics, since the researcher may have an impact on the result. Later on in this chapter it will be discussed how effort has been put into the identification of potential subjectivities and how these have been monitored.

- *An inductive process*- when there is a lack of explanations for certain phenomenon, qualitative researchers use an inductive approach to build new concepts or models. Nevertheless, this study is performed in an abductive manner, since it gives a frame for the study, without the risk of getting false results even if the evidences are true, which could be the case in deductive studies (Taylor et al., 2002).
- *Rich description*- In qualitative studies, the use of words is more important than the use of numbers. Thus, the context for the phenomenon is usually widely described. Due to this, this study will contain an explanatory chapter discussing the Chinese business law market and other Swedish law firm participants in China, giving a wider picture of the subject and a more transparent result.

3.2.1 Case study

One way of conducting a qualitative study is to perform a case study. This type of study shares the same four characteristics as above yet it also provides an in-depth description and analysis of a bounded system. Yin (2008) explains it as follows; “*A case study is an empirical inquiry which investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.*” Even if this is a methodological choice, it is more a choice of a unit to study within the topic of investigation, giving us the unit Setterwalls as a part of Swedish law firms in China.

In relation to other research methods, the primary advantage of conducting a case study is that it allows for a thorough investigation of a case within a context of reality. In addition, as previously mentioned, we were in the need of qualitative, and not quantitative, data to be able to answer our research question. Also, as discussed earlier, the existing theories are mostly based upon a quantitative approach, creating a knowledge gap regarding the internationalization process of a professional service firm (Netland & Alfnes, 2007). Still, we are well aware of the potential negative aspects that a case study may enclose. Some researchers argue that case studies are to situation specific and do not offer any generalizations (Yin, 2008; Weick, 1979). As the aim if this study is to achieve a greater understanding of a phenomena, this issue is not of our

biggest concern. Moreover, one of the researchers himself found that case studies were more useful than he first thought (Weick, 1979). Hence, we are of the belief that a qualitative case study is the well suitable method for our study.

3.2.2 Choice of Research Object- Case Company

As mentioned before, our research design has evolved over time as a process of increased knowledge. In the beginning it was looked into several professional service firms with activities in China. We concluded that there was much information available regarding two of the chosen case company's competitors with established offices in China. Most of this information emphasized the client following perspective of the firms' internationalization, something that will be discussed later on in the contextual chapter. Yet, we could not find much information about the new patterns of client seeking, identified by Netland & Alfnes (2007). Even if this study is not based upon a deductive approach by testing a hypothesis, our aim has been to look deeper into this pattern. Hence, we had the choice to look deeper into the two frequently described firms, or choose another actor. Naturally, the final choice of case company has not been affected by if these new patterns were visible or not. Instead, other search criteria have influenced our choice and these criteria will now be discussed.

First of all, as stated in the purpose, *one criterion was that the firm should be a professional service firm with activities China*. Going back to the theoretical chapter, professional business firms involves R&D services, financial services, engineering, legal services, architectural and design services, IT services, auditing and accounting services, advertising and marketing services, management consultancy, personnel recruitment services and so on (Netland & Alfnes, 2007), as long as they fulfill the characteristics by Løwendahl (2000). The second criterion was; the *possibility to perform face-to-face interviews with the firm*, and the reasons for this will be treated under the heading "data collection". Even if travels both inside and outside Sweden were possible, the short time frame limited this opportunity. Therefore, we searched for a company with key persons in Gothenburg, making interviews and follow-ups easier. Still, we want to underline that we did not find any firm with a more interesting or information-giving internationalization than the chosen case firm. Thus, no firm was deselected due to limited face-to-face interview possibilities.

With the criteria in mind we found the law firm Setterwalls, which we consider suitable for our research. In addition to the two search criteria's, Setterwalls was found interesting due to its international expansion and to the newly established China Desk. What the China Desk entails will be discussed in the forthcoming empirical chapter, but easily explained it is a group composed of lawyers with different expertise working together with business involving China (Mr. Hallén, Setterwalls). Moreover, since we already found information on the internationalization process of the two firms with offices in China, we consider it a major contribution to investigate a new firm with, what it seems, a different strategy. Merriam, (2009, pp. 77) strengthens this reasoning:

“The most appropriate sampling strategy is non-probabilistic- the most common form of which is called purposive or purposeful. Purposeful sampling is based on the assumption that the investigator wants to discover, understand, and gain insight and therefore must select a sample from which the most can be learned. ”

Moreover, Patton (2002) means that the most information-rich sample should be chosen in an in-depth case study, something that is further supported by Dyer and Wilkins (1991), whom discuss the ultimate goal with a case study. They argue that a rich description should be provided concerning the social scene, to reveal the deep structure of social behavior and to describe the context in which events occur.

3.3 Data Collection

In this study the data has been collected in different forms. Denzin & Lincoln (2003) mean that by combining different data collection methods, such as interviews, observations and document reading the researcher may find a way to interpret a phenomenon in a new way, while Silverman (2006) notes that a variety of methods increase the reliability of the study. As pointed out several times, this research has been a process of increased knowledge and understanding of the research topic and the context has been considered carefully in order to understand the full scenario. Hence, the research started with investigating academic articles, companies' web pages, business journals and so on. Even if researchers conducting a qualitative study cannot

capture the truth or reality, there are several different strategies that can be used to increase the credibility of the study. Triangulation is according to Merriam (2009) one of the most well-known strategies and Denzin (1978) offers the best-known discussion of triangulation. Denzin proposes four types of triangulation where three will be used in this study. These are the use of multiple sources of data, multiple theories and multiple investigators.

The other collection data method has been in depth interviews with partners and employees at Setterwalls. When choosing Setterwalls as the case company the first sampling was made, while choosing who to interview within the case is a further sampling decision. Also for this sampling, a purposeful sampling is the most appropriate way to do the selection (Merriam, 2009). In order to get as much in-depth information as possible, we have chosen to have another criterion for the sample within the case. In order to get as much understanding as possible, the interviewees' had to *have experience of working with activities in China and have an external function in the firm, having contact with clients and other external relations.*

With these two criteria, interviews were made with Mr. Johan Hallén (hereinafter referred to as Mr. Hallén) and Ms. Junli Shu (hereinafter referred to as Ms. Shu). Mr. Hallén is a lawyer and partner at Setterwalls, responsible for the Commercial team. Since Setterwalls has existed in various formations over the years, he has been involved in the firm's affair for a long time but his official start took place in 2008. A large part of his assignments have an international character and he founded the Setterwalls China Desk in 2012.

Ms. Shu was headhunted to Setterwalls in 2012, when she finished her Swedish law degree. Ms. Shu is originally Chinese and has a Chinese law degree and experience with international law from international competitions and internships. Together with Mr. Hallén she started the China Desk. Both interviewees have their base in Gothenburg, making the access and follow-ups easier. Moreover, according to Mr. Hallén they have the most experience and contact with the Chinese market and Ms. Shu even has a Chinese heritage and a Chinese law degree, making the knowledge even deeper. What ought to be clarified is that we had the opportunity to conduct interviews with other

employees at Setterwalls as well. However, when finished the two interviews and summarizing or empirical findings, we concluded that enough material was collected for our analysis.

The interviews were conducted at Setterwalls office in Gothenburg, giving us the opportunity to conducting face-to-face interviews. This made it possible for us to get a wider picture of the answers, as we were able to take into account non-verbal reactions such as gesticulations and other body expressions. Both of them had duration of approximately 60-90 minutes and were performed through a semi-constructed interview guide (appendix). Also, the interviews were carried out in the presence of both authors.

The interview guide was formulated based upon our purpose, research questions and theoretical framework in the extent that was possible. This was important for us in order to achieve information that could be easily associated to our research, to make the results as transparent as possible. Still, we aimed to keep a high level of conversation, since the goal was to get as much understanding and emic information as possible. Due to this, we found the prior investigation useful, being able to skip the overall easily accessed information and trying to reach the in-depth knowledge. In addition, the interviews were conducted in Swedish in order to keep a fruitful discussion, avoiding that language problems would limit the interviewees' ability to express themselves.

After transcribing the interviews, we concluded a summary and sent it to the interviewees. At the same time, follow up questions were made and asked to them in a short interview over telephone. This was made since the processing of the collected data opened up for new questions, at the same time as we wanted to make sure that our interpretations of the interviewees were made correctly. Also, the interviewees controlled that the citations had been translated correctly. All this measures, such as the face-to-face interviews, the follow ups, the semi-structure interview guide, the presence of two authors etc. were taken in order to achieve a higher reliability, as suggested by for example Silverman (2006) and Merriam (2009).

3.4 Analysis

According to Merriam (2009), data analysis is the process of making meaning out of the data, which involves consolidating, reducing and interpreting what interviewees have said and what have been read. She also states that it is a process of moving back and forth between data and concepts, inductive and deductive approach and description and interpretation. Having this in mind, analyzing is a complex task with a large risk of ambiguities and complexity (Merriam, 2009). Therefore, we have from the beginning aimed to narrow down the collection of data, trying to concentrate on the purpose. Moreover, by choosing to analyze only one single case, we follow Yin's (2008) suggestions for novice researchers of keeping away from cross-case analysis and concentrate on one individual case.

In the previous chapter we presented a theoretical framework. As the term suggest, it will serve as a frame for analyzing the empirical data. After conducting the interviews, the material was transcribed. Then, the transcribed material was divided into categories and subjects trying to use the *pattern-matching* method by Yin (2008), where the patterns of this case were matched to the mentioned framework. By doing this, we matched the observed pattern, the case, with the expected pattern, the framework. Even if this could be seen as a deductive approach and a hypothesis testing, our belief is that it rather will provide us an organized structure for the data analysis.

3.5 Reliability and Validity

The two terms reliability and validity are frequently used in order to measure the quality of a study (Yin, 2008). The first one, reliability, deals with the trustworthiness of the study and describes the study's replicability. The second one, validity, is used to comprehend if the study measures what it seeks to measure. In other words, it measures if the study is explained with the right causes, if it is carried out with objectivity, if the results can be generalized and if answers to the purpose of the thesis.

According to Firestone (1987) quantitative and qualitative paradigms use different rhetoric to persuade consumers of their reliability and validity. While a quantitative approach has little concrete description of what anyone does and therefore must

convince the reader that the procedure has been followed faithfully, a qualitative approach has to provide the reader with enough details in description to show that the writers conclusion “makes sense”. Furthermore, Merriam (2009) explains how reliability and validity can be achieved in a qualitative study;

“Regardless of the type of research, validity and reliability are concerns that can be approached through careful attention to a study’s conceptualization and the way in which data are collected, analyzed and interpreted, and the way in which the findings are presented”.

Having this in mind, we have throughout the process constantly dealt with the two terms in order to create a high quality study. The validity has been considered in three aspects; construct, internal and external validity. The first one, construct validity, deals with the subjectivity of the study. The case study in this report is based on interviews with employees in the specialized China Desk established as a bridge to China. By doing so, we have aimed to obtain the most credible information concerning Setterwalls and its Chinese activities. Even though, we have been aware that there is a risk of subjectivity in the choice of research method. In order to validity, our data chosen and collected are carefully collected and all the choices in this study have been carefully weighted. For every answer, we have questioned if the answer had any risk of being biased, in order to achieve a result as true as possible. Also, as mentioned earlier, the interviewees had the possibility to review our empirical findings, making our collected data more correct. As a last point and also mentioned earlier, triangulation can be used to increase the credibility of the research (Denzin, 1978) and this approach has been applied in order to reach a more credible and thus valid result. We are aware of that other interviewees, such as clients or external partners in for example China, could have reduced the subjectivity of the study. Yet, with the limited time frame and the importance of delimitate the research to our purpose, we instead tried to monitor any subjectivity.

The next aspect is the internal validity, dealing with the researcher’s ability to make warrant conclusions. If a study has a high level of internal validity, then the risk of confounds in the results is low (Yin, 2009). As our study does not seek to understand

questions such as why but rather how, the internal validity is not of the highest concerns for this study. Instead, the construct and the external validity have been dealt during the process.

As a last point, a researcher has to deal with the external validity, meaning the generalizability of the study. As pointed out before, our study does not aim to show any general patterns. Moreover, we had already found information of how other firms internationalized to China (Hotopp, 2008; Vinge, 2013, Mannheimer & Swartling, 2013) and did not sought to confirm earlier knowledge, but to contribute to the newly seen patterns. Even though, we have tried to achieve as high generalizability as possible by conducting our study from a well-grounded theoretical perspective, giving our results anchorages in earlier researchers' findings.

Several of the aspects regarding the reliability have already been discussed earlier in this methodological chapter, all of them in line with Silverman's suggestions (2006). These include the use of multiple interviewers and transcribers, the use of different data fortifying the empirical findings and the ability for the interviewees to correct their answers. Something that could have increased the reliability of the study would be a higher number of interviews. However, as said earlier, we have the opinion that enough information was provided in the already conducted interviews and that more interviews rather would restrict us with regards to the time frame.

3.6 Limitations

When summarizing the reliability, validity and thus the quality of our research, we can conclude that there are gaps that limit our ability to draw general conclusions or provide full validity. As mentioned above however we have monitored the validity through the whole process and in addition we have not aimed to provide a study that gives generalizations.

Even though, the choice to conduct a study on a Swedish law firm's internationalization process limits our conclusions to a specific context. First of all, as seen in the theoretical chapter, the law firm industry possesses specific characteristics. This may signify that

the result from the study is not applicable on other PSFs. Moreover, the study is all through treated in the context of the Chinese market since it is interesting to analyze further the country's significance for the internationalization process of a PSF. Hence, the results may be limited by this market, not applicable on internationalization processes and network relations to other countries. As a last point, by conduction a study in a Swedish firm's perspective, the results may not be applicable on PSFs with other domestic markets.

4. Contextual background

In this chapter we present the contextual background that we find interesting in order to fully understand a PSF's internationalization process into China. Even if the study does not have any intention to investigate market barriers or China as a market, it is necessary to understand the background in order to get accurate results. The background will to some extent also function as empirical evidence and together with the next chapter serve as the base for our analysis. The chapter will start with a brief description of the historical setting, continue on with today's situation and end with a description of the two Swedish law firms with established offices in China.

4.1 The history of Law in China

From the Cultural Revolution to 1978, when Deng Xiaoping became the chairman of the Communist Party, all the law schools were closed and the remaining professors at the law departments changed their professions or discounted their teaching and research (Heller, 2003). As a result, at the end of the 1970s only a few thousand lawyers remained in communist China. When Deng entered in 1978 he recognized the need for more lawyers and sent out a request to all provinces and cities to reopen their university and college law departments in order to meet the high-expected demand. Another action was to set up training programs in order to develop specialized legal talent and to train cadres. At the same time, the National People's Congress (NPC) approved the Provisional Regulations on Lawyers (PRL).

After the reforms, the law school enrollment has increased significantly (Lewis, 2008) and the number of lawyers traveling abroad for law studies has risen. As a result, a lot of these lawyers are bilingual and have foreign law firms as employers. Hence, in the market for FDI- regulated legal services concerning foreign clients in China, these lawyers have become competitive in relation to the foreign law firms.

These Chinese lawyers however are still not competitive in a number of different areas (Heller, 2003). Firstly, under the PRL, one could apply to be a lawyer if having love for China, minimal formal education or on-the-job training, eligibility to vote or stand for

election and if supporting the socialistic system. This continued after the implementation of the national bar examination in 1986 and ten years later, only one fifth of the lawyers had law degrees from Universities, affecting the quality of the law services.

4.2 Barriers for Foreign Law firms to Enter China

As mentioned before, the focus of this study will not be on the barriers of entry against foreign law firms identified in China, nor how it affects the individual firms. It will however be a context in our study, because we believe it is interesting to look further into the choice of entry and the impact of networks and relationships, and how these overcome the potential administrative and economic burden to enter the Chinese market.

Despite the Chinese accession to WTO in 2001 (WTO, 2013), little market access liberalization offered to foreign law firms could be found (Cohen, 2012). Even if WTOs member countries try to encourage China to liberalize its legal services market, little progress has been made and several barriers against the activities and establishment of foreign law firms can still be found.

Firstly, foreign law firms are not allowed to hire or be owned by qualified Chinese lawyers with active law licenses in China. For this to be possible, a licensed Chinese lawyer must suspend his or her license and are not allowed to practice Chinese law while working at a foreign law firm. Also, the foreign lawyers are not allowed to practice Chinese law (Cohen, 2012; Stolley Persky, 2011). Secondly, there is a restriction against foreign lawyers concerning appearances before Chinese government agencies. When accessing WTO, China was required to allow foreign lawyers to provide information concerning the legal environment in China. This requirement is not being followed however and foreign lawyers are often not allowed to participate in certain government agency meetings, even when with a local counsel (Cohen, 2012). Thirdly, foreign law firms experience burdensome representative office registration requirements and the need of representative office establishment must be justified. There is also a waiting time of three years before another representative office is allowed to be open (Heller,

2003). Lastly, discriminatory tax treatment against foreign law firms can be found. These firms risk facing double taxation on profits while the Chinese domestic firms only experience one level of taxation at a lower rate (Cohen, 2012).

4.3 Swedish Law Firms in China

Despite the entry barriers described in the previous section, several law firms are active on the Chinese market and some have made the choice to open up an office. Regarding Swedish law firms, two firms have established offices in China; Vinge Advokatbyrå (hereinafter Vinge) and Mannheimer Swartling (hereinafter MSA) (Hotopp, 2008).

In 1985, Vinge opened the first representative office in China, or more precisely in Hong Kong, and in 1999 the firm was the first Nordic country to open an office in Shanghai (Vinge, 2013). According to the firm, the establishments are a result of the increased trade between Sweden and China. The China practice group consists of both Chinese and Swedish lawyers stationed in Hong Kong, Shanghai and Sweden.

MSA established offices in Hong Kong and Shanghai in 2007 and recruited at the same time lawyers with a lot experience of the Chinese market. (Mannheimer Swartling, 2013) The major reason for establishing an office was to follow clients in order to provide them the same high standard in counseling as MSA was used to in their home market. According to the firm, the advantage of being present in China is the increased ability to contribute with experience and know-how concerning the Chinese market and its regulations. Furthermore, MSA has complete insight in the wishes and needs of Swedish and other Nordic clients.

5. Setterwalls entry into China

In this chapter we present the empirical findings from the case of Setterwalls. The chapter will start with a general description of Setterwalls, followed by the firm's internationalization. This leads to how Setterwalls's internationalization into China actually has been realized.

5.1 Setterwalls

Setterwalls is the oldest law firm in Sweden and its roots can be traced back to 1878, when Nils Setterwall and Oscar von Koch became owners of "Advokatföreningen, Juridisk Affärsbyrå" (Setterwalls, 2010) In 1885 Oscar von Koch left the firm and the name was changed to "Nils Setterwalls Advokatbyrå, a name that was kept until the year 2000 when it got shortened to "Setterwalls Advokatbyrå".

Today, Setterwalls is one of the fastest growing business law firms in Sweden and has approximately 260 employees where 190 of them are lawyers. The firm has offices in Sweden's three largest cities Stockholm, Gothenburg and Malmö. Setterwalls has solid experience from most sectors and is specialized within all different areas of business law.

According to Setterwalls's (Setterwalls, 2010), the firm's strategy is to focus on high quality services and good relations to clients. The core values at Setterwalls, being the foundation of its corporate culture, are courage, commitment, results and responsibility, permeate the employees' behavior both in internal operations and when working with clients.

In the past, Setterwalls's clients were very loyal and the general norm was to have a "house lawyer". Today the firm still has some loyal clients but there has been a shift towards an increased tendency to change law firm depending on which area of expertise needed. Regardless of the type of client Setterwalls always strive to achieve long-term relations with its clients. The firm seeks to create tight bonds with its clients, which according to Setterwalls will result in being a more flexible business partner with the

possibility to offer high quality counseling that will contribute to the clients' long-term strategies.

Setterwalls strives to have good reputation in order to attract new clients and to hold on to the old ones. They state that good reputation is a result of high quality on the services provided, together with personal chemistry and the possibility to provide expertise knowledge. The goal of Setterwalls is to become top three of mind rather than top three of size or profits. That is, when a potential client asks which three law firms most suited for an assignment, Setterwalls is mentioned as one of three. Regardless if the client is regular or new, Setterwalls always has strong commitment when accepting a client and if the knowledge needed cannot be found at Setterwalls they help find the law firm with the right knowledge.

Setterwalls also stresses the importance of having a high ranking on rating institutes in order to get a good reputation. Examples of these are Legal 500 and Practical Law Company, where top law firms and lawyers are rated with regards to their special expertise. The rating institutes are global and contain firms all over the world, making them important also for Setterwalls's international activities.

5.2 Setterwalls's International Presence

When Setterwalls was established in the late 19th century, the focus was on maritime law, logistics, transport and freight. These kinds of activities are in nature international, since all of them include trade and traffic between countries. Hence, Setterwalls has been active on the international market since the foundation of the firm.

Today, Setterwalls assist clients in approximately 50 countries around the world. The prioritized countries are England, Germany and the US whom are Sweden's main trade partners (SCB, 2013). Setterwalls also conduct many international affairs with the neighboring countries Norway and Denmark. The BRIC countries, which are Brazil, Russia, India and China, are increasingly important markets for the firm. Setterwalls's international activities have increased over the years and the explanation to the increase

is according to Setterwalls a more globalized world where clients require more international assistance.

Setterwalls divides the international network-building into two dimensions. The first dimension focuses on building informal networks with law firms in other countries. The given reason for this is the special characteristics of the law market, where law services are statutory but also constrained by local law. Given by these conditions, Setterwalls only advises on local law. Thus the informal networks with local law firms are important for Setterwalls when working on the international market, making contact and correspondence easier. By growing the informal networks the firm also aims to receive affairs and clients in return. Setterwalls tries to have this relation with a large number of local firms worldwide in order to stay independent.

The second dimension concerns relationship building in more formal networks.

Setterwalls is a member of two different formal networks; World Law Group and the International Bar Association. World Law Group is an exclusive network with only one member from each country, where the members have gone through a “quality-check” before getting approved to enter. Yet, the network does not involve any obligations in relation to the other firms. The International Bar Association is open for every lawyer and Setterwalls means that for this network the meetings with other lawyers are in focus. The association arranges gatherings, very similar to trade fairs, which include meetings with potential collaborators, lectures and so on. Regarding this kind of network, Setterwalls states that a lot of resources are spent on determining whom to meet and how to make “the right” contacts.

Despite having relations with approximate 50 countries as mentioned above, Setterwalls has not established any offices abroad. The choice is strategic and Setterwalls gives the following reasons to support their behavior. As a first point, Setterwalls has seen other law firms attempting to open offices abroad with an unsuccessful result. Due to this, the firm concludes that it is a decision full of risks. Furthermore, providing high quality counseling, especially in BRIC countries, requires a lot of time and resources. To spend these resources may be unnecessary when local partners have the possibility to give the same, or higher, level of counseling quality. In summary, Setterwalls cannot see the

value of opening offices in foreign countries due to the resource demanding and time consuming process of having this approach.

In the business plan of Setterwalls a clear goal is set, which as mentioned earlier is to work with Swedish law and only. Yet, this does not mean not working internationally and it is an international strategy itself. Therefore, the strategy of Setterwalls is to establish different desks placed in Sweden with focus on different markets. Today, Setterwalls has a German and China Desk and is in the discussion of opening a Russian and French Desk as well. The Desks have two major functions. The first is to help Swedish firms when establishing abroad, while the second one aims to attract foreign investors wanting to do business in Sweden. According to Setterwalls, the second one has become increasingly important and the Desks enable the firm to show that Setterwalls is a good option when doing business in Sweden.

5.3 The internationalization of Setterwalls into China

According to Setterwalls, there has always been a good relation between Sweden and China, much due to Sweden being the first country to acknowledge the People's Republic of China. Also Geely's acquisition of Volvo has put Sweden on the map in China. Moreover, Setterwalls points out that China has a focus on incrementing outward FDI in the latest five year plan, further contributing to Setterwalls belief that more future Chinese investments in Sweden will become a reality. A quotation by Mr. Hallén further illustrates this; *"It will always exist business relations between Swedish and Chinese companies. Seen in this perspective, Swedish firms cannot avoid Chinese affairs, but Chinese companies can avoid Sweden"*.

As a result, Setterwalls made the choice to open up a China Desk in 2012. The Desk consists of a number of employees with different areas of expertise, working together within the Desk. The areas of expertise stretch all over the firm; Merger & Acquisitions, Real Estate, Taxes etc. in order to provide a broad spectrum of services for both Swedish and Chinese clients. The Desk has its basis in Gothenburg but consists of key persons from all Setterwalls's offices. When putting together a team of people within the Desk, language skills and cultural knowledge are the two things Setterwalls highlights as

most important. The Desk has one team leader, who also is the face of the Desk and shows a united front towards clients.

In 2012, Setterwalls hired Ms. Shu, a lawyer with degrees from both China and Sweden. Ms. Shu also speaks Chinese, Swedish and English fluently. At Setterwalls Ms. Shu works in the Commercial expertise group and is, together with Mr. Hallén, responsible for the China Desk. After the recruitment of Ms. Shu many initiatives regarding China have been taken. Today, almost all published material from Setterwalls is available in a Chinese edition and other initiatives will be discussed later in this chapter. Setterwalls mean that Ms. Shu gives the firm a competitive advantage regarding China for several reasons. Most of all, Ms. Shu possesses knowledge about the Chinese culture and customs that are hard to acquire for a foreigner. Moreover Setterwalls mean that the client relations to Chinese clients may be improved since they can talk to each other in Chinese. Ms. Shu also makes it easier for Setterwalls to set meetings with key collaborators in China since she has an extensive network in the country.

5.3.1 Setterwalls's Network Activities in China

Setterwalls points out that the China Desk involves different activities with regards to the relational activities in China. One is to perform "Road Shows", meaning to let representatives from the Desk go to China meeting primarily local law firms, but also to some extent meet existing and/or potential clients. Setterwalls says that this is a way to make them visible and to grow long-term relationships. So far, the meetings have been concentrated on mergers and acquisitions and dispute expertise, since the expertise of the accompanying lawyers have been on these areas. On the latest road show in China Setterwalls visited a large Chinese telecom company that had been assisted earlier. Mr. Hallén stated that the reason for this visit was *"to build relationships with them by meeting their Chief Legal Counsels and other Executives. This builds our networks and helps us create a closer bond between us existing and potential new clients"*.

A second activity with the China Desk is to hold external seminars, in order to open up for a dialogue with Swedish and Chinese clients. Lastly, internal seminars are also used, focusing on the employees at Setterwalls, to be able to increase the firm's knowledge of China, such as the Chinese culture and language.

5.3.2 Setterwalls's Relations to Local Law Firms in China

Setterwalls sees a large potential in the relationships they are trying to build with the local law firms. When the quality and knowledge of these firms increase, Setterwalls mean that the Chinese firms will drop the intermediaries, in this case the multinational firms, and go directly to a firm that can help them in the case. Mr. Hallén argues that the underlying reasoning for this is the high costs that the multinationals are charging, and also that the Chinese firms believe that they have become as proficient as the multinationals. Setterwalls mean however that it is difficult to distinguish who to contact and a statement by Mr. Hallén strengthen this; *"the major challenge is to find the right Chinese contacts"*. Still, Setterwalls has experienced some minor cases where the Chinese company has turned directly to them, but in large affairs this progress has not been seen yet.

Setterwalls mentions an example of a process that could have been reduced, where a Chinese investor had affairs with a large Swedish manufacturing company. The procedure was as follows;

1. The Chinese investor contacted a Chinese law firm.
2. The Chinese law firm contacted a Multinational law firm.
3. The multinational law firm contacted its local office in Germany.
4. The local office contacted Setterwalls, who in the end took care of the case.

According to Setterwalls, this process is not efficient enough, making both Setterwalls and its Chinese counterparts increasingly seeking to remove steps where the multinational law firms usually can be found. Setterwalls however still aims to have good relations with the multinational law firms, especially in Europe. When giants are

asked to help a client in Sweden, they will still contact their local offices in Europe rather than contacting Setterwalls directly, making these relationships remaining important.

5.3.3 Setterwalls's Swedish Competitors on the Chinese Market

As mentioned earlier, the purpose of the Desk is not to establish offices in China. Today, two Swedish law firms have physical presence in China and Setterwalls does not see any advantage in competing with them despite China's large market. The choice is partly made due to the earlier mentioned large investments needed and risks, partly due to the other firms' natural advantage of already being present in China. Instead, Setterwalls sees opportunities in attracting Chinese clients to choose them when investing in Sweden.

Setterwalls not only tries to build networks with Chinese or other foreign companies in China, but also with the two Swedish law firms with offices in China. Instead of competing, Setterwalls tries to improve its relationship with them in order to receive the clients these law firms do not have time to help or when the customer requires counseling in areas these do not focus on.

6. Analysis

In this chapter the collected data will be analyzed through the conceptual framework, namely figure 3, which also follows below. By starting with analyzing every parameter separately, a discussion of the internationalization process in its entirety will follow in the end.

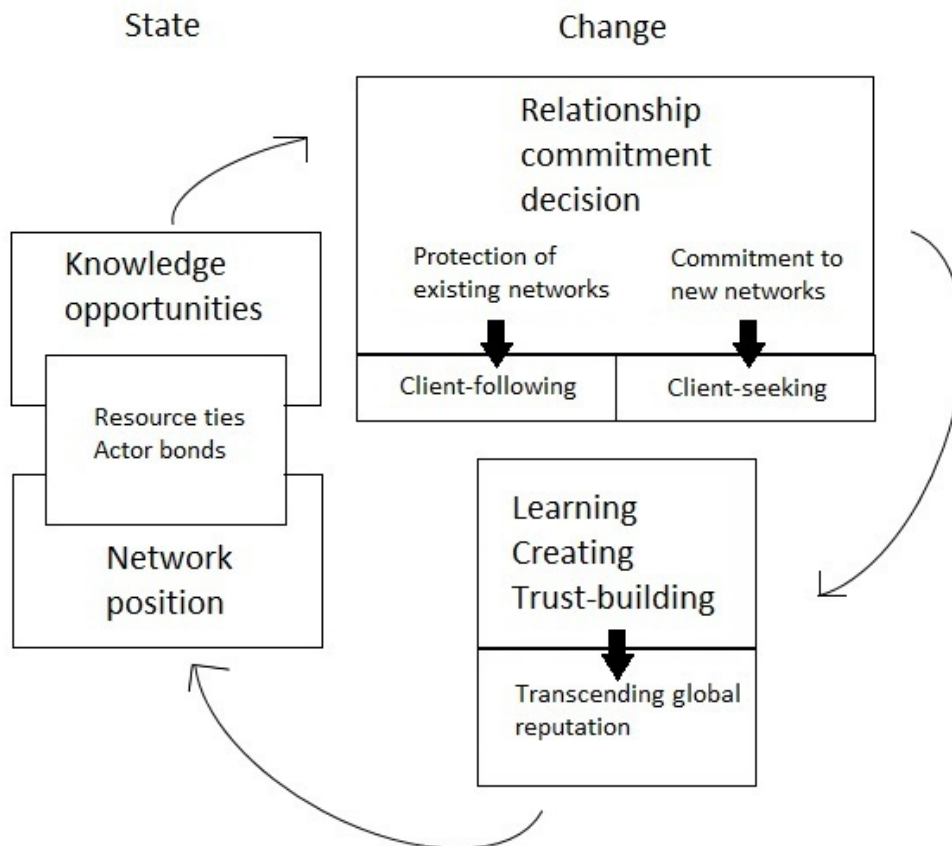


Figure 3. "The Internationalization Process of a Professional Service Firm in the Legal Market" (authors' revised model)

6.1 Relationship Commitment Decisions

As defined in the conceptual framework, a decision to commit to networks may implicate a change in the internationalization process of a PSF (Johanson & Vahlne, 2009). This commitment and how it interferes the process will now be analyzed through the protection of existing networks and commitment to new networks aspects.

6.1.1 Protection of Existing Networks

Setterwalls takes part both in official and unofficial networks, the first including other lawyers while the other consists of relations to clients, authorities and so on. Even if Setterwalls does not have explicit strategies to protect these existing networks, when breaking it down to smaller parts, several indications of this can be seen. The question is however whether the protection leads to further internationalization.

Regarding the official networks, Setterwalls is in the state of a network position, as referred to in the lower-left square in the model by Johanson & Vahlne (2009). According to the researchers, the position is a result of changes including commitment decisions and increased learning, trust building etc. Setterwalls explains that one of the networks involves a quality-check and that only one firm per country is allowed. In order to be chosen for the network, it is very likely that the firm needs to be trusted and have a good reputation. Hence, the membership in the network has implied all four steps in the process in the model. Setterwalls saw opportunities of contact making and knowledge in the network, they made a commitment decision, they learned, created trust etc. and in the end they had a new network position. This strengthens the importance of networks in the internationalization process of a PSF, since Setterwalls achieves more clients by being recommended by other network members. Yet no signs can be found that this network implies any or further process of internationalization today.

The other network is not as restricted; however it implies that Setterwalls is involved in the encounters by holding seminars, active searching for new contacts etc. This can be interpreted as an actor bond behavior, where Setterwalls makes sure to interact with the others in order to achieve a closer network relationship. Still, it cannot be concluded that this network commitment indicates any stage or further internationalization for Setterwalls.

6. 1.1.1 Client Following

Among Setterwalls's unofficial networks, we find relations to their clients. These relations may also be needed to be protected, a protection that may imply internationalization. From our study we have observed that Setterwalls has assisted clients in other markets for a long time, an assisting that not only includes advice on Swedish law but also help in contacting banks, authorities and other law firms. Setterwalls states that its aim is to assist the client in every issue being requested, which also regards clients wishing to invest in China. If there is a lack of experience in this particular kind of issue, Setterwalls make sure to acquire the knowledge needed. As Mr. Hallén states; *"the entire sale of Setterwalls is built on trust, and this trust cannot be abused"*. It can be concluded that this has implied a further internationalization since Setterwalls make sure to maintain the clients' trust to them by following them abroad. This is strengthened by the theories by Johanson & Vahlne (2009), where a protection of existing networks is an extended commitment that leads to a change in the process.

Furthermore, Setterwalls tells that the before loyal clients, nowadays are more prone to change law advisor. Thus they state that it is even more important to be able to assist the client in every need, using their special knowledge of the existing client in order to create a competitive advantage. They also argue that abusing the client's trust may affect the relation negatively. These thoughts are supported by the theories of Gummesson (2002) discussing of how network relations and thereby network position and knowledge opportunities are created. By using the resource ties in the relationship, such as the shared knowledge, and the actor bonds, such as the interaction, Setterwalls maintain the network position.

Still, as pointed out by Setterwalls, this kind of following clients no longer represent the largest share of Setterwalls's international affairs. Nor, each affair does not mean that Setterwalls go further in their internationalization process, but an increased number of affairs can mean extended commitments. Whether this will happen is questionable, taking into account the strengthened competition from the Chinese firms commented in the contextual chapter (Lewis, 2008). What is important to stress however is this kind of international affairs implication of having a further learning of the Chinese market, a

creation of new relations and a deeper trust in China, making Setterwalls able to take new steps in their internationalization, strengthened by the theories by Johanson & Vahlne (2009) and their learning, creating and trust building changing aspects.

One of these steps is to also protect existing Chinese clients, which can be illustrated by the time when they visited a former Chinese client at their last road show. By meeting the company's Chief Legal Counsels and other Executives, Setterwalls points out that they aim to create closer bonds to these companies in order to create a larger international network. By continuing keeping contact, the interaction is greater and the relations get tighter, supported by the actor bond factor in the theories by Gummesson (2002). Even if this does not illustrate a typical case of client following, at least Setterwalls choose to seek the client where it is in order to protect the existing relation. This can be seen as a continuing striving to achieve larger trust and to, in the end, get a better network position, referring to the model by Johanson & Vahlne (2009).

6.1.2 Commitment to New Networks

The other commitment change aspect is to new networks. With regard to official networks, Setterwalls does not mention any plans on trying to become a member of a new network due to the satisfaction with what is derived from existing official networks. This does not however mean that Setterwalls is not looking for new unofficial network relations, something that will be discussed in the following section.

6.1.2.1 Client Seeking

In the empirical chapter Setterwalls points out that Chinese clients investing in Sweden are an increasingly important market opportunity for the firm, and that this type of client represents a major share of the firm's international affairs. Setterwalls also states that a lot of effort is put on attracting these clients when investing in Sweden supported by the quote by Mr. Hallén *"It will always exist business relations between Swedish and Chinese firms. Seen in this perspective, Swedish firms cannot avoid Chinese affairs, but Chinese firms can avoid Sweden"*. The effort of attracting Chinese clients can be interpreted as client seeking

(Netland & Alfnes, 2007), yet there are some aspects of this strategy that are interesting to investigate further.

Setterwalls mentions that when doing road shows in China, it is only at exceptional cases the meetings are with the direct clients. If it would be the case, it would be with a former client that Setterwalls wishes to continue cooperating with, something that rather illustrates protecting existing networks. Instead, the focus is on searching for law firms that could be potential collaborators. By deciding to meet these firms, they may open up their eyes to Setterwalls and their special specialized competence in both Swedish and Chinese law and culture. Setterwalls sees increased opportunities in this since Ms. Shu already has a deeper understanding of how the relations should be handled. Hence, in the perspective of “The Internationalization Process of a Professional Law firm in the Legal Market” in figure 3 all squares can be identified in the firm’s process. Setterwalls have been in the state of identifying opportunities within a network and have decided to increase the commitment to new networks. With increased contacts and the knowledge Ms. Shu, they create a greater trust and learn more, which lead to a network position where Setterwalls may be the within the three top of mind.

By looking at the China Desk from this perspective, it is easier to distinguish the different components and how these implicate the process. With the final motive of client seeking, different relations are established. What is interesting to stress is however that Setterwalls, regarding China, is more concerned of creating good relations to other law firms than to the actual clients. As an example, they state that “*the major challenge is to find the right Chinese contacts*” (Mr. Hallén), the ones that would bring the best collaboration and thereby send them the most cases. Seen in the network perspective, these would be the firms with the highest potential of close actor bonds to, referring to the theories by Gummesson (2002). The search for a collaborator probably is due to problems in finding the actual potential client. With today’s extensive chain of relations before reaching the actual law firm that will be handling the case, Setterwalls’s strategy is to cut at least one of these links in the chain.

6.2 Learning, Creating & Trust-Building

As the internationalization of Setterwalls is a continuing process and the learning, creating and trust-building is a part of it, it is problematic to delimit these aspects when discussing the other ones. The firm continuously works on creating tight bonds to their clients by interacting with them and using their knowledge, resource ties, to maintain a situation where they are the firm being able to provide the best service. Hence, we have already seen that the aspects have been crucial in the firm's development of new networks and thereby further internationalization. Still, there are some other perspectives that have to be discussed in order to understand the entire picture.

One factor that creates trust is to achieve good reputation, and vice versa. Setterwalls states that a lot of effort is put into improving the reputation among clients in Sweden by having a strategy of always providing the best quality service, arranging follow up seminars after a finished affair and small things like always keeping deadlines, always being on time etc. Moreover, Setterwalls's strategy of adding industry-specific expertise to the law-knowledge may increase the perceived knowledge and thus the reputation. What is questionable is however whether Setterwalls's strive of creating a good reputation and relations can be transmitted internationally and affect the internationalization process.

6.2.1 Transcending Global Reputation

According to Løwendahl (2005), PSFs unlike manufacturing companies, may transcend their reputation globally. Whether this regards Setterwalls is problematic to determine since reputation is rather subjective and the study does not include any investigation of how clients perceive the firm. Still, it is obvious that Setterwalls put a lot of effort into improving reputation and that this is made in order to transcend it internationally.

Setterwalls stresses the importance of having good reputation as it gives a higher ranking at the rating institutes, which often serves as a quality check for potential clients or collaborators and a tool to choose which firm to engage. Also membership in official networks where only one firm per country is accepted gives a good reputation and a

greater opportunity to be chosen. Hence, it can be concluded that the reputation within the law firm industry indeed is global, strengthening Løwendahl's (2005) theories.

Furthermore, Setterwalls states its wishes to "*exist in the Chinese clients' minds*" (Mr. Hallén) and be the top three of mind when thinking of Swedish law firms. By cooperating with Chinese law firms they build up trust and actor bonds that lead to a "*global reputation*" (Mr. Hallén) and help Setterwalls to attract Chinese clients in Sweden. By hiring Ms. Shu and creating the China Desk Setterwalls point out that they achieve greater trust than before, fortifying that the learning, creating and trust building combined with the reputation may enhance the process of internationalization, seen in figure 3. In addition, to have reputation abroad may also help the PSF to be competitive in the home market, which also can be seen as a stage in the internationalization.

To conclude, the competitive law firm market of today together with the difficulties in determining the best law firm makes the persons and relations of highest importance according to Setterwalls. Based on this, it is easy to understand that the process of continually creating trust and stronger relationships improves the reputation, both on local and international levels. With a higher level of these aspects, the commitments get stronger and Setterwalls may improve their international network position.

6.3 The Internationalization Process

Reflecting back to the theoretical framework, the stage approach is not of importance in the model by Johanson & Vahlne (2009), nor in the revised model in figure 3. The stage approach however is connected to the process, since a process implies procedures, which at every stage consume more and more resources in order to create more outputs out of the inputs.

Having this in mind, the first questions needed to ask after analyzing the different parameters is whether Setterwalls's internationalization can be divided into different steps in the process. As Setterwalls was involved in international affairs already from the beginning since it is aligned with the firm's business idea, no shift from domestic to

international firm can be drawn. Neither does the firm declare any important dates or turning points that implied another step into becoming more international. The only visible distinct stages that involve more resources put into the international activities are the establishments of the Desks. Yet, the firm declares that the international activities have increased over the years and that the firm is continuously more dependent on international clients. As suggested by Johanson & Vahlne (2009), networks are borderless and thus the distinction between entry and expansion into a foreign market is less relevant. Hence, the non-dividable process of Setterwalls may be natural and do not have to imply that the firm is not in a process of internationalization. Furthermore, Setterwalls is the deliverer of a service; it is not the “core-point” in a traditional network. As the theories by Johanson & Vahlne (2009) are conducted on these kinds of companies, they do not possess the same internationalization drivers as PSFs. Thus, this may also be a reason for the non-stepwise internationalization.

Even if a clear distinguished stage process in Setterwalls’s internationalization cannot be identified, the international presence has increased and it is interesting to further investigate why Setterwalls has not taken the step to establish an office in China. As seen in the context there is already two Swedish law firms with physical presence in China. The strong competition from these two in combination with a time-consuming and high-cost establishment process due to the identified barriers to enter the Chinese market probably contribute to the decision. Furthermore, as stated in the contextual background, the Chinese firms are becoming increasingly competitive and do much of the earlier outsourced work by themselves, giving less space on the market for foreign law firms. In addition, strengthened by Porter (1986), the multi-domestic characteristics of the law firm industry influence the choice of not opening an office in China. Hence, the characteristics of the PSF industry, the market and the competitors induce Setterwalls to choose another strategy to become more international.

Yet, when looking deeper into the reasons to internationalize to China, a new step in the process can be defined. According to Setterwalls, today the main objective is to put resources into their activities in China in order to attract Chinese clients when investing in Sweden. As far as our knowledge extends, no research has been made on this kind of

backward internationalization in the Johanson & Vahlne models (1977, 2009) where one stage in the internationalization process would be to be more international in order to increase the activities in the home market. Today, the firm can be located in the phase of identifying opportunities in Chinese clients in Sweden, referring to the characteristics of the industry in combination with China's increasing importance in the world economy. They have started to increase the commitment and are creating more trust by offering services specially adapted to the Chinese clients, with the final goal of being more competitive in the Swedish market. The process is strengthened by Johanson & Vahlne (2009), with the only exemption that the stage involves more domestic activities rather than a new office abroad.

7. Conclusions and Suggested Future Research

This last chapter starts with the very purpose of our study and continues with the final conclusions that we have drawn out of the analysis. This is followed by the limitations of the study and thus the suggested future research agenda. The chapter ends with some final practice implications for PSFs.

7.1 Research Conclusion

The purpose of this research was to get a deeper understanding of a Swedish professional service firm's internationalization process and the factors that influence this process. After analyzing the internationalization process of a chosen law firm into China by using the conceptual framework, we see that there are some factors that influence the firms more than others.

From our study, and as an answer to our first research question, we can conclude that internationalization to China do not have to imply the establishment of an office. Instead, the network relations help the law firm to be able to operate in the market without being constantly present. Also, the increased competition from Chinese law firms and the two already existing Swedish law firms influence how a Swedish law firm internationalizes to China.

With regards to the second research question, we can draw the conclusion that network relations are of highest importance for the internationalization. We have observed that client following is a determining factor for a law firm to go abroad. This due to the importance of clients and the actor bonds between the firm and the client. Still, it does not necessarily mean that it creates further steps in the internationalization process since it do not have to implicate any further commitments for the firm. Only if the client following entails further commitments, for example that the firm devotes more resources than before and this leads to a new network position, it affects the process of internationalization.

Instead, we have found that client seeking has meant progress in internationalization for the law firm into China, where the China Desk has signified a greater commitment to new relations and a desired new network position. However, even if client seeking has been the motive for deeper internationalization, it has not characterized the process. Instead, the process has consisted of commitments to new networks with other law firms, where Setterwalls has seen opportunities in the expanding and improving market for Chinese law firms. Hence, we have observed that the network aspects with regard to other firm's rather than clients influence the PSF's internationalization process.

Further, we have discovered that reputation and trust are closely linked for the Swedish PSF in the legal sector, where trust is the most important component for further business relations and a good reputation creates trust for new clients. Hence, trust created in Sweden may be transmitted to China and be a drive for further internationalization.

To conclude, this research contributes with a deeper understanding of how a PSF uses networks in internationalization processes, taking into consideration the earlier rather uninvestigated client seeking parameter and its effect on the process. This aspect has proven to be important to understand the behavior of the PSFs, especially as a high level of client focus characterizes these firms' strategies. Moreover, the study contributes with more research on the Chinese market's role for PSFs, where the firms adapt their strategies in order to meet the new market's special characteristics. This aspect is important to understand due to China's increasing importance in the world market.

7.2 Limitations of the study and Suggested Future Research

The choice of conducting a case study based upon a Swedish law firm investing in China was made in order to give an information-rich, fruitful picture of how an internationalization process is configured for a PSF. As a consequence, the study does not aim to provide any general patterns and may not be applicable on every other PSF internationalizing to China.

In addition, as seen in the study, the law firm industry possesses special characteristics, that may not be applicable on other PSFs. Especially the "multi-domestic" characteristics

of the law firm industry give this type of firm other prerequisites than other PSFs. To be able to make more general conclusions on PSFs internationalization process to China, more research on other types of PSFs is needed.

Moreover, this study is conducted both in the perspective of a smaller PSF and only in accordance to China. Both these aspects bound the conclusions to a specific setting, making it questionable whether the same conclusions can be drawn on larger PSFs and to other markets. Given this, future research on other markets or on larger firms could contribute to a wider picture of the internationalization process.

As determined in the analysis, when investigating the internationalization process of the PSF, no distinct process or distinguished stage approach could be found. Instead, it turned out that a lot came to be about the motivating factors for the internationalization, such as the clients' expectations or China's increasing importance. Hence, further research on the motives, for example based upon the OLI paradigm by Porter (1986), could deeper the understanding of the international activities of a PSF.

7.3 Managerial Practice Implications

Regarding the practice implications, some suggestions can be made. Even if the study is not conducted in the perspective of managing a PSF, the influencing factors may be interesting to highlight in order to understand the conditions of today's business environment for PSFs. First of all, PSFs should put emphasis on keeping good relations to their clients when internationalizing, since their reputation may be transcended also to their activities in their home market. Furthermore, good relations to other actors in the same industry is important since tight resource ties, such as sharing knowledge, and actor bonds, such as much interaction, gives a tighter network give large opportunities for attracting new clients.

8. References

Bell, J. (1995). *The internationalization of small computer software firms: A further challenge to 'stage' theories.*

European Journal of Marketing, Vol. 29 No. 8, (1995), pp. 60-75.

Beaverstock, J.V. (2004). *'Managing across borders': knowledge management and expatriation in professional service legal firms.*

Journal of Economic Geography Vol. 4, No. 2, (2004), pp. 157-179.

Benito, G. R. G. and Welch, L. S. (1994). *Foreign market servicing: beyond choice of entry mode.*

Journal of International Marketing Vol. 2, No.2, (1994), pp. 7-27.

Bryson, J.R. (2001). *Services and internationalization: Annual Report on the progress of research into service activities in Europe in 1998.*

The Service Industries Journal Vol. 21, No. 1, (2011), pp. 227-240

Clark, T. & Pugh, D.S. & Mallory, G. (1997). *The process of internationalization in the operating firm.*

International Business Review Vol. 6, No. 6, (1997), pp. 605-623

Cohen, M. A. (2012). *International law firms in China: Market access and ethical risks.*

Fordham Law Review Vol. 80, (2012), pp. 2569-2575

Coviello, N. & Munroe, H. (1997). *Network relationships and the internationalization process of small software firms.*

International Business Review Vol. 6, No. 4, (1997), pp. 361-386

Cowell, D.W. (1988). *New service development.*

Journal of Marketing Management, Vol. 3, No. 3, (1988), pp. 296-312

Denzin, N. K. & Lincoln, Y. S. (2003) *Collecting and interpreting qualitative materials.* (2nd edition)

Published by: Sage publications, Thousand Oaks

Doz, Yves (2011). *Qualitative research for international business.*

Journal of International Business Studies Vol. 42, (2011), pp. 582-590

Dubois, A. & Gadde, L-E. (2002) *Systematic combining: an abductive approach to case research*

Journal of Business Research Vol. 55, No. 7, (2002), pp. 553-560

Dunning, J. (1993). *The Globalization of Business: The Challenge of the 1990s*.
Published by: Routledge, London

Dyer, J. W.G B & Wilkins, A.L (1991). *Better stories, not better constructions, to generate better theory: A rejoinder to Eisenhardt*.
Academy of Management Review Vol. 16, No. 3, (1991), pp. 613-619

Firestone, W.A. (1987). *Meaning in method: The rhetoric of quantitative and qualitative research*.
Educational Researcher Vol. 16, No. 7, (1987), pp. 16-21.

Ghuri, P. & Grønhaug, K. (2005) *Research methods in business studies : a practical guide*.
Published by: Financial Times Prentice Hall, Harlow

Greenaway, D. & Milner, C. & Yao, S. (2010). *China and the world economy*.
Published by: Palgrave Macmillan, 2010. Houndmills, Basingstoke, Hampshire.

Gummesson, E. (2002). *Total relationship marketing*.
Published by: Butterworth-Heinemann. Oxford

Hallén, J. *Interview on Setterwalls international activities*. Conducted by Brunedal, J & Tjernström, E. on 2013-05-03 & 2013-05-16 at Setterwalls Office, Gothenburg Sweden, and via telephone.

Heller, J.J. (2003). *China's new law firm regulations: A step in the wrong direction*.
Pacific Rim Law & Policy Journal Vol. 12, No. 3, (2003), pp. 751-780

Hitt, M.A. & Bierman, L. & Uhlenbruck, K. & Shimizu, K. (2005). *The Importance of Resources in the Internationalization of Professional Service Firms: The Good, the Bad, and the Ugly*.
The Academy of Management Journal , Vol. 49, No. 6, (2006), pp. 1137-1157

Hotopp, U. (2008). *Affärsvärlden.se - Med hela världen som arbetsfält*.
<http://www.affarsvarlden.se/affarsjuridik/article2588356.ece>
(Accessed 2013-05-03)

Johanson, J. & Vahlne, J.E. (1977). *The internationalization process of the firm - a model of knowledge development and increasing foreign market commitment*.
Journal of International Business Studies Vol. 8, No.1, (1977), pp. 23-32

Johanson, J. & Vahlne, J-E. (2009). *The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership*.
Journal of International Business Studies vol. 40, (2009), pp. 1411-1431

Lewis, R. (2008). *How to Choose a China Lawyer - Foreign companies in China can now choose among many law firms - but that doesn't make the decision easy.*
China Business Review (2008), pp. 54-59

Lui, S. (2008). *Globalization as Boundary-Blurring: International and Local Law Firms in China's Corporate Law Market.*
Law & Society Review Vol. 42, No. 4, (2008), pp. 771-804

Løwendahl, B. R. (2000). *The globalization of professional business service firms.*
Globalization of Services (2000), pp. 142-162
Published by: Routledge, London

Løwendahl, B. R. (2005). *Strategic Management of Professional Service Firms - Figure 3 - Value creating process* (3rd edition). pp. 46.
Published by: Copenhagen Business School Press

Mannheimer Swartling (2013). *Mannheimerswartling.se - Om oss - Internationellt - Kina.*
<http://www.mannheimerswartling.se/sv/Om-oss/Internationell-narvaro/Kina/>
(Accessed 2013-05-02)

Merriam, S.B. (2009). *Qualitative Research - A Guide to Design and Implementation.*
Published by: Jossey-Bass, San Francisco.

Netland, T.H. & Alfnes, E. (2007). *Internationalisation of professional services – A 1999-2005 literature review.* College of Service Operations 2007 Conference, 12th-13th July 2007

Patton, M. Q. (2002). *Qualitative Research and Evaluation Methods* (3rd edition)
Published by: Sage Publications, Thousand Oaks.

Porter, M. E. (1986). *Competition in global industries.* pp. 15-60.
Published by: Harvard Business School Press, Boston

Roberts, J. (1999). *The internationalization of business service firms: A stage approach.*
The Service Industries Journal Vol. 19, No.4, (1999), pp. 66-88.

SCB (2013). *Scb.se - Foreign trade - exports and imports of goods.*
http://www.scb.se/Pages/TableAndChart_26638.aspx
(Accessed 2013-05-16)

Setterwalls (2010). *Setterwalls.se - Om oss.*
<http://www.setterwalls.se/sv/Om-oss/>
(Accessed 2013-05-05)

Shu, J.L. *Interview on Setterwalls international activities*. Conducted by Brunedal, J. & Tjernström, E. on 2013-05-03 at Setterwalls office, Gothenburg Sweden.

Silverman, D. (2006). *Interpreting Qualitative Data: Methods for Analysing Talk, Text and Interaction* (3d edition).

Published by: Sage, London

Silvestro, R. & Fitzgerald, L. & Johnston, R. & Voss, C. (1992). *Towards a classification of service processes*.

International Journal of Service Industry Management Vol. 3, No. 3, (1992)

Stolley Persky, S. A. (2011). *ABAJournal.com – Despite Globalization, Lawyers Find New Barriers to Practicing Abroad*.

http://www.abajournal.com/magazine/article/the_new_world_despite_globalization_lawyers_find_new_barriers_to_practicing/

(2013-06-03)

Taylor, S.S. & Fisher, D. & Dufresne, R.L. (2002). *The aesthetics of management storytelling: a key to organizational learning*.

Management Learning, Vol. 33, No. 3, (2002), pp. 313-30.

Vandermerwe, S. & Chadwick, M. (1989). *The internationalization of services*.

The Service Industries Journal Vol. 9, No. 1, (1989), pp. 79

Published by: Taylor & Francis Ltd.

Van Maanen, J. (1979). *Reclaiming Qualitative Methods for Organizational Research: A Preface*.

Administrative Science Quarterly Vol. 24, No. 4, (1979), pp. 520-526

Vinge (2013). *Vinge.se - Verksamhetsområden - Foreign desks - China practice group*.

<http://www.vinge.se/verksamhetsomraden/foreign-desks/china-desk/>

(Accessed 2013-05-02)

Weick, K.E. (1979) *The social psychology of organizing* (2nd edition).

Published by: Random House, New York (1979)

World Bank, The (2013). *Data.worldbank.org - Services, etc., value added (% of GDP)*.

<http://data.worldbank.org/indicator/NV.SRV.TETC.ZS/countries/1W?display=graph>

(Accessed 2013-05-09)

WTO (2013). *Member information - China and the WTO*.

http://www.wto.org/english/thewto_e/countries_e/china_e.htm

(Accessed 2013-04-23)

Yin (2008) *Case study research: Design and methods* (4th edition).

Published by: Sage publications, Thousand Oak

9. Appendix

9.1 Interview Guide

Semi-Structured Interview Guide – Partner Johan Hallén & Lawyer Junli Shu

Personal information

- Can you describe yourself and your role at Setterwalls?
- How committed are you internationally/towards China at Setterwalls?
- Can you describe a typical work day at Setterwalls?

Setterwalls foreign activities

- Tell us about Setterwalls foreign activities?
- In how many countries do you have activities?
- Do Setterwalls have any offices abroad?
- When did you start working with international business?
- Has your international activities increased over the years?
- How has your strategy concerning foreign business looked like?

Foreign networks and relations

- Tell us about your networks and relations abroad?
- Are you members of any international law firm networks such as Lex Mundi or World Service Group? *Why or why not?*
- Are you a member of any other type of networks, for example already established clients?

Setterwalls first China related business

- Tell us about your first time doing business related to China?
- When was it?
- Who was the client?
- How did you contribute?
- Were you physical present?
- Why did you do this? *Did you have a clear strategy from the beginning?*

Present activities in China

- Tell us about your present activities in China?
- What is China Desk?
- Who work with China Desk?
- What is your strategy with China Desk?
- What networks or other contacts do you have in China?

Possibilities in China

- Tell us about the possibilities you have identified in China?
- What is your competitive advantage?
- How do you believe your knowledge is set against other players in China?
Chinese people? Swedish people?

Clients in China

- Tell us about your clients in China?
- What country of origin do they have?
- How did you come in contact with them?
- What did you help them with?
- How often do you help your clients in China? *Occasional times or regular business?*
- Are you physical present when helping your clients?
- How are the Chinese clients different from the Swedish?
- Imagine a client who wants to establish in China, what do you do? *Do you follow? Why or why not? Is this individual?*
- How do you consider your commitment is to your clients?

Client relationships

- Tell us about your client relationships?
- What is trust according to Setterwalls?
- How high is the degree of trust between you and your clients?
- How do you work with creating trust from your clients? *Does this work mean commitments? If so, why?*
- You mentioned earlier that you are a member of different networks. Does this mean binding?
- Can you tell us how you work with keeping old clients?
- Can you tell us about the knowledge you have of your clients? *Can this knowledge create bonds between you?*

Reputation

- How do you work with reputation?
- Do you work with international reputation?
- Can the reputation you have in Sweden be transferred to China or vice versa?

Other

- What do you say is the ideal picture of your activities in China? *How does the reality match this ideal picture?*
- What challenges do you face in China?
- Did you learn anything the first times when doing business in China? For example have you switched Chinese law firms?
- Have you managed to skip the intermediaries concerning China, that is, a Chinese law firm has turned direct to you? *If so, tell us more about this.*
- Imagine a network built around a manufacturing company. What role do you play in this network?