CAPTURING AND MAINTAINING THE CLIENT'S REQUIREMENTS

Full Paper

FIRM SOCIAL, CULTURAL AND INTELLECTUAL CAPITAL: STRATEGIC INDICATORS OF INTERNATIONAL CLIENT SATISFACTION

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ABSTRACT

Despite the increasing significance of the construction industry as an emerging sector of the Australian economy, there is inadequate research performed on construction design firms in terms of theoretical and empirical foundations. Although past research has identified the barriers and success factors for firm market entry, evidence suggests that to date no research has explicitly explored the sustainability of construction design firms in international markets. SMEs and their approach to firm internationalisation differ significantly from large manufacturing firms and a vast majority of construction design firms operate as SMEs. This paper develops a sustainable business model for construction design SMEs, which rely upon the development of clear Client Following (CF) versus Market Seeking (MS) strategies to support internal firm strategic and operational management. The understanding of these strategies is vital as the application of either will shape the design management approach of firms, which would in turn impact on the sustainability of these firms in foreign markets. Long-term sustainability of firms in international markets relies heavily upon client satisfaction. Client and project team participants' communication during various design processes has often been problematic and the added difficulty of communicating across international boundaries further compounds the problem of capturing and maintaining client's requirements. Therefore this paper develops a model for economic sustainability of Australian construction design firms working in international markets by exploring factors that affect client satisfaction across international boundaries, through the development of business performance indicators. These include not only the critical financial capital but also other 'softer' indicators, namely: social, cultural and intellectual capital. These act as a firm's measure of success and the acquisition of this type of capital will provide significant advantages to firms' success, hence sustainability in international markets.

Keywords: **strategic design management, social, cultural and intellectual capital**

1.0 INTRODUCTION

The health and competitiveness of an industry is highly dependent upon its ability to actively export. A country's economic growth is reflected by its exporting activities through the various industries. According to Australian Federal Minister of Trade, the government aims to double the number of Australian exporters in the next five years by focussing on increasing the number of small exporting businesses (Anderson, 2003). Thus, the last decade has seen Australian governments actively seeking to improve the competitiveness of industries, including the construction industry through various programs and initiatives to support firms who export. A study by the Australian Industry Group in 2001 found that 'companies perform best where industries provide jobs, purchase raw materials and capital locally and look for markets both within Australia and overseas…industries that felt most optimistic about the future were those with more involvement in overseas markets' (AIG, 2001 as cited by Anderson, 2003).

The export of construction design services appears to be an important emerging sector for the economy. The export of construction design services in Australia has undergone a steady growth of 60% in the last five years from A$399 mil in 1999 to A$670 mil in 2003. At the same time the value of export services has decreased from 40% to 22% of the total export value (DFAT, 2003). This decrease in the export of services indicates the increasing significance of the internationalisation of architectural, engineering and construction design firms in Australia as a source of the country's export of services.

The economics of design is also fast becoming a significant growth area for countries. Creativity, innovation and design as a commodity and its ability to engender competitive advantage is appearing in a similar fashion as knowledge management and the commodification of knowledge did in the late 1990s. In this manner a fresh approach to what constitutes a design service in the construction and property industry is now considered. Rather than design being ascribed solely to architectural firms, the act of design is something that is found in a variety of firms. For the purposes of this paper construction design firms are categorised as follows:

- Those that provide a design service without a product and are primarily removed from the construction site; for example architectural, engineering, urban and landscape design consultants,
- Those that provide a design service associated with products that are not installed; for example, furniture systems, free standing fixtures such as lighting,
- Those that provide a design service associated with a product built off site which is installed; for example sanitary product manufacturers, product engineers and
- Those that provide a design service associated with a product primarily built onsite; for example specialist subcontractors including façade subcontractors, mechanical services subcontractors.

It is acknowledged that this wider perspective of construction design firms could be problematic however the developing theory of design management is the common conceptual framework. Design management theory is interdisciplinary and has been applied to architecture, graphics, multimedia and product design.

Design management is the strategy developed by organisations to deliver their design service to clients. This refers to the way in which an organisation's strategic design management policy for the external design service translates into internal organisational processes of individual project design management. For effective utilisation of the potential to be realised by design expertise and skill, management of the design process is required both at the individual project level and the strategic level of an organisation. Design management supports the ‘selling’ of the design service and is integral to the competitive advantage of the organisation. It is similar to the business management concept of strategic management however with a focus on the activity of design.

In many markets the delivery of a design service to clients has often been problematic as it is characterized by a high level of uncertainty whereby client’s requirements are negotiated, defined and challenged. Such an uncertain and creative environment requires a high level of communication. Communication in the design process has long been considered a complex and critical issue where the gap between expectations and realization is central to the problem (Brown, 2001; Emmit, 1999).

Design management in the international context is fundamentally impacted upon by cross-cultural communication. The added difficulty of communicating across international boundaries further compounds the problem of capturing and maintaining client’s requirements (Howes and Tah, 2003). However, Pietroforte (1997) following a study on construction alliances between an Italian contractor and an American architectural firm cites the possibility of achieving client satisfaction through the implementation of several cooperative strategies in international markets through the formation of international alliances. With increasing clients’ demands for customized services or products, international alliances provide many advantages toward meeting the changing client needs as ‘alliances offer a wider range of strategic flexibility than a single firm would have on its own’ (Pietroforte, 1997). Perhaps though there are a variety of ways for architectural firms to achieve international success.

The difficulties in entering new markets can often be traced back to the difficulties in developing relationships with clients. Notwithstanding assistance provided for design firms through international trade missions, organised export firm support networks and information packages by a burgeoning number of government agencies, evidence suggests that there are still perceived barriers to market entry (Draganich, 1998) and that there are still great difficulties in maintaining a successful international business.

This paper is within the Adaptive Performance Framework that has been developed by the research team working on the CRC-CI study ‘Internationalisation of Australian Construction Design Firms’. The Adaptive Performance Framework is a sustainable business model for construction industry design firms which draws together theories from:

- design management
- internationalisation process
- knowledge management

Construction industry DESIGN firms
EEM (Export Enterprise Management)
SUSTAINABILITY BLUEPRINT

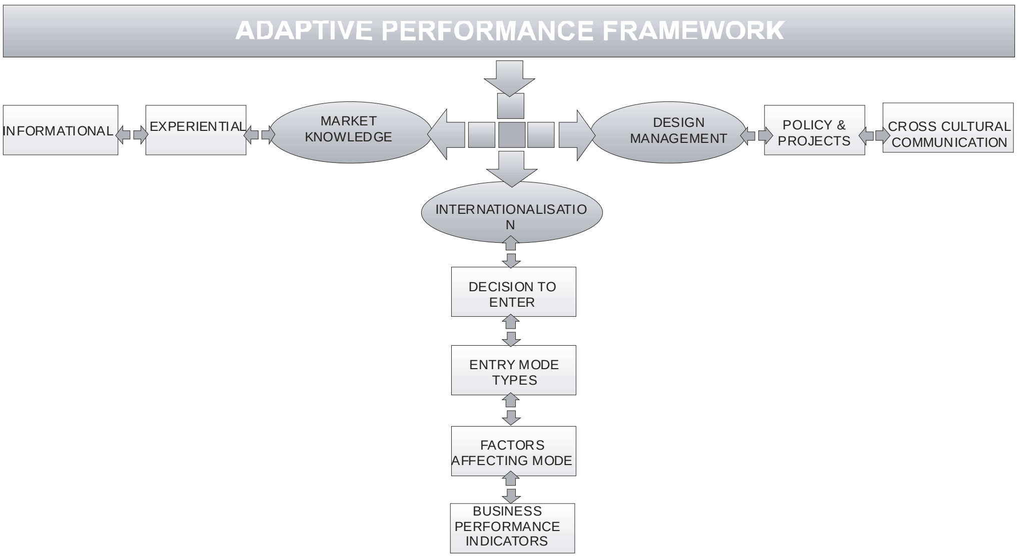

Figure 1.0: Adaptive Performance Framework for Sustainability of Construction Design Firms in International Markets

A sustainable business model for construction design firms would typically rely upon individual project success and a key part of how project success is achieved is through project and strategic design management. It has been identified that many of the factors affecting project management differ from country to country and project to project (Kramer, 1982; Cooke and Walker,1994; Atkinson, 1995 as cited by Rowlinson and Root, 1997; Draganich, 1998; Loosemoore, 2001). Similarly, design management may be affected by country and project type. Therefore the continuous adaptation of the export enterprise part of a firm to changing market conditions and the new knowledge generated from each project is fundamental to the model.

Internationalisation theory suggests that exporting firms are already in growth mode and so with market success comes the possibility of new ventures in the international market and with that is associated a renewed consideration of market entry mode. Studies on the international construction business environment have been typically limited to exploratory case studies (Pietroforte, 1997; London, 2001; London, 2002) which only really sought to describe market entry strategies used by firms. Various innovative strategies exist for construction firms to enter markets (Doherty, 1999; Buckley and Ghauri, 1994) but less is known about entry modes and their relationship to *long term economic sustainability for the individual firms* across national boundaries. The cornerstone of a sustainable business model is an understanding of what contributes to firm success and the measures or indicators of business performance. Long term sustainability is reliant upon capturing and maintaining client's requirements. Therefore such indicators should reflect client satisfaction.

This paper aims to develop a detailed discussion on the relationship between the firm's internationalisation process and client satisfaction. In particular this will include an examination of entry mode strategies and business performance indicators. The ultimate indicator of business performance is typically financial; however it is generally regarded that other "softer" and less tangible indicators are also important. International construction business is marked by a high degree of risk from both the client and the firm. It is an environment characterised by a high level of trust by the client which comes in the form of social networking, relationship building, international reputation, credibility and capability. The acquisition of these intangible elements by a firm are already recognised in the industry and research community but are not made explicit. The intangible elements include social, cultural and intellectual capital and the acquisition of each type of capital represents an ongoing ability by the firm to capture and maintain the international client's requirements. Different firms have unique design service philosophies and this may impact on entry mode strategies and firm capital.

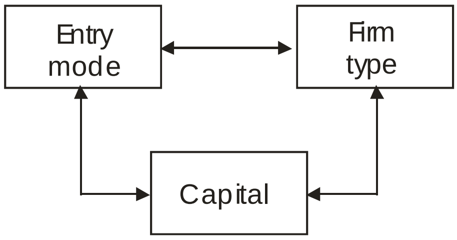

Figure 2.0: Relationship between Firm type, Entry Mode Strategies and Firm Capital

2.0 INTERNATIONALISATION PROCESS

The internationalisation process has been well established within the research literature. A research gap exists, however, through the emphasis in research having been given to large firms, and in particular those within manufacturing (Coviello and Martin, 1999). Consequently there is little known regarding the internationalisation of small to medium sized enterprises (SMEs), especially those which provide a service such as design firms. The importance of this research gap is reinforced through the differences between SMEs and larger firms as well as those between services and products. This is problematic because 93% of the construction industry is made up of SMEs and the majority of design related firms are delivering a service or a service combined with a product.

SMEs have demonstrated an increasing involvement in international markets (Haahti et al, 1998; Erramilli and D'Souza, 1993; Bonaccorsi, 1992). Consequently, activities and processes involved in internationalisation of SMEs present important issues for understanding from entrepreneurial, managerial and research perspectives. Most researchers have described internationalisation as the outward movement in a firm's international operations (Turnbull, 1987). There is not, however, a general agreement on the definition of this concept. Welch and Luostarinen (1998, p36) suggested a broader definition by including both sides of the process, which are both inward and outward:

'Internationalisation is the process of increasing involvement in international operations'.

Internationalisation can be perceived as a part of the ongoing strategy process of most business firms (Melin, 1992). The main differences between internationalisation and other types of strategy processes (or growth strategies) can be found in the following dimensions:

- the firm transfers products, services or resources across national boundaries. This implies that the firm has to select in which country (or countries) the transactions should be performed.
- the firm has to select the international exchange transaction modality, that is, a foreign market entry strategy.

These two dimensions – international market selection and choice of entry mode – represent key strategic decisions in connection to a firm's internationalisation (Bradley and Gannon, 2000) and are both related to addressing client's requirements. For example, the capacity to be successful in competitions and tenders is integral to decisions about market selection by the firm.

International market selection is a pivotal aspect of international business and involves a firm deciding which country or regions will constitute target markets. International market selection has been described as a component of a firm's operations that needs to be executed correctly (O'Farrell and Wood, 1994; Kay, 1993). A number of factors contribute to international market selection including:

- Business factors such as sales potential (size and growth) and risk (Agarwal and Ramaswami, 1992; Terpstra and Yu, 1988);
- Chance where there is evidence of enquiries by foreign customers or encouragement by a financial association such as the Chamber of Commerce (Hoang, 1998);
- Psychic distance where firms tend to internationalise into foreign markets where information flows are relatively unimpeded as these countries are more easily understood by managers (Johanson and Wiedersheim-Paul, 1975).

After reaching the decision to enter a particular market, a firm needs to determine a mode of entry. Mode of entry has been described as utilizing an institutional arrangement for organizing and conducting international business transactions (Erramilli and Rao, 1993; Root, 1987). Business transactions may take many different forms and can be affected by a number of factors. The following section describes entry modes in more detail.

2.1 ENTRY MODES

There are numerous choices related to foreign market entry mode and it is a function of a large number of diverse factors; which can be grouped as the following:

- product/service characteristics,
- firm characteristics and
- external environmental factors.

This section will review the literature concerned with entry modes and then focus on the concept of client following versus market seeking in relation to firm characteristics and firm types.

The choice of correct entry mode for a specific market was reinforced by Terpstra and Sarathy (1991, p.361) as '*one of the most crucial decisions in international marketing*'. Two critical dynamics determined through the entry mode are levels of involvement in developing and implementing activities in the foreign market and the amount of control the firm has regarding activities. Together these dynamics have a profound influence on the degree of success the enterprise has within a particular market (Terpstra and Sarathy, 1991; Hill et al, 1990; Root, 1987; Anderson and Gatignon, 1986).

The degree to which a firm participates or is involved in a given foreign market using a particular entry mode is defined as the Level of Involvement (LI). A firm's level of involvement in a foreign market will depend upon the amount of managerial and financial resources committed to that market and the degree to which this resource commitment is specific to that particular market.

A firm's Level of Involvement (LI) varies with the selection of entry mode type and existing literature indicates that entry modes are most typically thought of in terms of the following:

- Joint venture
- Wholly owned
- Export subsidiary
- Agent/distributor exports
- Direct to customer exports
- Licensing/franchising

The following table indicates the various entry modes as identified in the literature in relation to a firm's Level of Involvement (LI) ranked in a scale of 1, being the lowest level of involvement to 9, the highest (refer to Table 1.0).

Foreign market entry mode	Resources required for commitment	Market specificity of commitment	Level of involvement
1. Wholly owned subsidiary/ branch started from scratch	Very high	High	9 (highest)
2. Wholly owned subsidiary acquired	High	High	8
3. Majority joint venture	Moderate to high	High	7
4. 50-50 joint venture	Moderate	High	6
5. Minority joint venture	Moderate	High	5
6. Export subsidiary	Moderate	Moderate	4
7. Direct to customer exports	Low to moderate	Low	3
8. Agent/distributor exports	Low	Low	2
9. Licensing/franchising	Very low	Very low	1 (lowest)

Table 1.0: The level of involvement (LI) of firms in relation to the various entry modes

This typology has largely been developed based upon product manufacturers' entry modes. After the identification of entry mode type this categorisation is of little real use - of greater interest is the conceptual differences between services and products. The literature indicates that distinctive differences exist between services and products (Zeithaml et al 1985) and the distinguishing characteristics of services are their (Buckley et al, 1992):

- intangibility,
- heterogeneity,
- inseparability from production and consumption and
- perishability

The characteristics of heterogeneity and inseparability from production and consumption will now be discussed in detail. The tremendous heterogeneity which characterizes the service sector, leads to widely differing international trade and investment patterns in this sector (Erramilli and Rao, 1990). This poses a major challenge for researchers trying to study behaviour of diverse firms, for example, software companies, advertising agencies and architectural consultants, in one common conceptual framework. The problem of heterogeneity could be, to some extent, circumvented by performing industry-specific studies. Such an approach would however fail to provide insights on issues that extend across industry boundaries.

Contrary to the previous claim that services production and consumption can not be separated, Erramilli and Rao (1990) proposed that they can and that service firms could be classified into:

- *soft-service firms* with services for which it is extremely difficult or even impossible to decouple production and consumption such as car rentals, restaurants, and healthcare or

- *hard-service firms* with services for which it is somewhat more feasible to separate production and consumption such as architectural firms, engineering designers, consultants and software firms.

Such a classification provides insights into the variation of entry mode choice. Soft-service firms cannot export since exporting necessarily requires a separation of producer and consumer and have to rely on contractual methods of licensing or franchising or foreign direct investment of joint ventures or wholly owned subsidiaries to affect foreign market entry. Alternatively, hard service firms can and often do export; however, it is acknowledged that the separation process is not simple.

The high level of diversity of construction industry design firms makes it even more problematic to classify design firms into hard or soft service types. Firms can be both hard and soft service type as their relationship with clients may differ from project to project.

For example a sanitary product manufacturer may sell a sanitary product that is produced off site, which places it within the hard service framework. However, the same sanitary product manufacturer may be required by its client to install the sanitary product onsite thus placing it within the soft service framework. Another example is when an architectural design firm can produce design documentation drawings, placing it within a soft service framework and simultaneously produce a conceptual design for an international competition, placing it within the hard service framework at the same time. Therefore, design firms operate in a flexible manner to respond to client's requirements and demands.

2.2 CLIENT FOLLOWING / MARKET SEEKING ENTRY STRATEGIES

Within the hard/soft service typology firms lies another phenomenon characteristic of the service sector where firms can be further classified based upon the firms' decision to export. A firm's decision to export could be impacted by either:

- a proactive approach, which is determined by a firm's organisational goals of looking to expand its businesses (Market seeking) or
- a reactive approach, which is to achieve client satisfaction as a firm is asked by a client to export its services (Client Following)

A large number of service firms enter foreign markets primarily to serve the foreign subsidiaries of their domestic clients (Terpstra and Yu, 1988). For example, many American advertising agencies and banks follow their US clients to overseas markets. Similarly, Australian architectural firms designing high rise office buildings could follow their financial institution clients to international markets. Consistent with this is the actions of Peddle Thorp architects (Centre for Corporate Change, 1995) now known as Peddle Thorp and Walker who demonstrated a general conservatism in entering foreign markets through a reactive approach in the 1970's by following their clients into several foreign markets in Asia. This phenomenon of *client following* while not unheard of in the manufacturing sector, is nevertheless a unique characteristic of service firms in terms of its occurrence and importance.

In summary, there are two types of foreign market entry situations among service firms; *client following* (CF) entry and *market seeking* (MS) entry. This second entry situation refers to the case where a service firm enters foreign markets primarily to serve foreign customers, i.e. customers in that particular overseas market.

Examples of client following and market seeking strategies are offered by Eramilli and Rao (1990) (refer to Table 2.0).

Motives for entry	Soft service firms	Hard service firms
Client following	An advertising agency sets up office abroad to serve a domestic client's foreign subsidiary	A software company provides software support to the foreign subsidiary of a domestic client
Market seeking	A fast-food chain appoints a franchise in a foreign market to serve the local customers there	An architectural design firm sells blue prints to foreign customers

Table 2.0: Examples of CF and MS entry strategies and associated types of service firms (Erramilli and Rao, 1990)

The example given of an architectural firm as a market seeking (MS) hard service type firm is somewhat naïve because design firms can and often do operate as both client following and market seeking. In addition to that, the problematic separation process of design firms into hard/soft service typology further compounds the categorisation of firms because exporting design firms can be both hard and soft depending on a firm's relationship with its client. Therefore, firms can be both client following and market seeking and simultaneously be both hard and soft service type. Examples of client following and market seeking strategies used by design construction firms are indicated in Table 3.0.

Motives for entry	Architectural firm (restaurant design)	Engineering firm (bridge design)	Sub contractor (façade design)
Client following	A firm designs new chain restaurants in country A after having designed restaurants for the same client in its home country	A firm is asked by a local client to design a bridge overseas	A firm designs and builds the façade design for a building in country B after having handled façade designs of similar complexities in country C
Market seeking	A firm from country A designs restaurants in country C through selling its skill specialisation	A firm sells its services in country X with the desire to expand its firm's growth	An international subcontractor sets up an office in Thailand to shield away from local downturns and tenders for projects

Table 3.0: Examples of CF and MS entry strategies by construction design firms

It is clear that entry strategies are impacted by the type of firms and their unique firm characteristics, the service they offer and the market environment.

2.3 FIRM TYPOLOGIES

In the competitive realm of internationalisation of design firms, more and more design SMEs are recognizing the need to brand themselves strategically in order to market themselves to its intended clients.

'If you want a Gensler airport, don't hire Foster and Partners. If you want an Ove Arup Bridge, then you'd steer clear of Dissing + Weitling. The successful modern practice is also a clearly identifiable professional brand – suggesting a specific and unique approach to problem solving and stylistics' (Fox, 2000 p32).

In either approach of market seeking or client following, the design philosophies of firms need to be strategically incorporated into its marketing planning process (Kotler and Rath, 1984) to ensure the recognition of their brand by the right people. However, matching the changing requirements of clients is often problematic where Lupton and Stellakis state, 'A key issue is the translation of the employer's requirements, which may be subjective, prescriptive and conflicting as the basis for design work', the 'employer' meaning the client (Lupton and Stellakis, 1995 as cited by Brown, 2001).

As a result, design firms tend to position themselves either explicitly or implicitly by various design philosophies. For example, Albertsen observes that architectural firms can be positioned into the following three typologies in relation to the manner of which they 'sell' their services (Albertsen, 1996 as cited by Skaates et al, 2002):

- the artistic subfield: firms that differentiate themselves through selling signature designs and typically show 'little concern for marketing and business'. These firms often design out of instinct without prior market knowledge
- the professional subfield: firms that value a mix of artistic and technical aspects in their designs with the intention to cater to all markets.
- the technical-economic subfield: firms that place heavy emphasis on 'efficiency and productivity'. These firms are highly technical and often neglect the artistic or creative characteristics held by the artistic subfield.

This phenomenon is not restricted to architectural firms either; façade subcontractors likewise have market segmentation related to design philosophies. For example subcontractors can provide complex, unique and highly customized façade versus standardised components. Each type of design service firm can be segmented according to some service philosophy.

2.4 SUSTAINABILITY: CLIENT SATISFACTION

Export by construction design services is very much affected by entry modes; however entry mode is only one part of the internationalisation process. Too little attention in the literature has been paid to long term sustainability of firms in export markets. Long term sustainability in international markets is typically reflected in continued project success which typically arises from client satisfaction. Evidence suggests that exporting construction design services is marked by a high degree of relationship development based on social and professional networks (Draganich, 1998). Client satisfaction on one project is important for a number of reasons including:

- project success and client satisfaction is noted by other potential clients and social networks are developed and enhanced to develop trust
- project success and client satisfaction indicates a firm's achievements, capabilities and market credibility
- project success and client satisfaction adds to the knowledge base of the firm in terms of market knowledge in relation to information and experiences; thus increasing likelihood of satisfying similar clients or the same client in the future.

These three themes can be considered within Bourdivan's concepts of a firm's 'capital'. Bourdieu suggested that there were four types of capital namely; economic, symbolic, cultural and social capital (Bourdieu, 1983 as cited by Skaates et al, 2002). The following section discusses the types of capital.

3.0 FIRM SOCIAL, CULTURAL AND INTELLECTUAL CAPITAL

The types of capital that have been adopted for this study in relation to Bourdieu's suggestion of the four capital (financial, symbolic, social and cultural) are financial, social, cultural and intellectual capital. Bourdieu relates symbolic capital to power accumulation of groups or individuals to define 'who or what is most 'legitimate' in various societies and societal groups' (Skaates et al, 2002). Skaates et al however suggested that such a definition of symbolic capital is highly complex in the field of architecture and 'difficult to capture over the span of a mere decade' (Stevens, 1998 as cited by Skaates et al, 2002). As the present study is related to design firms within the construction industry, the high level of diversity further compounds the complexity. Therefore symbolic capital has been excluded and replaced with intellectual capital, which is of more relevance to the study of internationalisation of design firms.

Social, cultural and intellectual capital should be considered in the early stages of the internationalisation process as they are organisational performance indicators; along with financial measures. There is the need to develop business performance indicators to determine the level of success of firms that enter foreign markets. To date these indicators have not been developed within the academic literature and thus there has been no measurement of the sustainability of firms that have entered international markets.

Kagioglu et al (2001) however have developed a performance management process framework (PMPF) which attempts to integrate the main features of performance management within a matrix based upon the balanced scorecard model. One drawback of this framework, as outlined by Kagioglu et al (2001, p.94), is that the framework has not been validated through 'extensive empirical evidence'. It does, however, provide a starting point for this study. Business performance indicators need to be developed in relation to entry strategies to contribute to the development of sustainable business into foreign markets by Australian construction design firms. This section will now describe the less tangible aspects of a firm's capital which are social, cultural and intellectual capital.

3.1 SOCIAL CAPITAL

According to Cohen and Prusak (2001, p4):

'Social capital consists of the stock of active connections among people: the trust, mutual understanding, and shared values and behaviours that bind the members of human networks and communities and make cooperative action possible'

In a study on the internationalisation of Danish architectural firms Skaates et al (2002) saw national construction industries as milieus or groups characterised by geographical areas which had a network of actors with a set of 'rules and norms regulating the interactions between these actors' (Cova and Ghauri, 1996). Consistent with Cohen and Prusak's definition, Skaates et al (2002) defined social capital as recognition by other actors within the construction industry that the firm is a member of 'their inner circle due to one's dispositions…or one's way of working and 'tacit knowledge'.

Therefore, social capital is the creation of personal relationships and networks based on trust built over time. Members of a social network interact and gain through a symbiotic relationship between each other. Working in a network helps spread risks and marketing costs. Social capital has relevance for the project team networks and the organisation and client networks.

Cohen and Prusak (2001) observe the benefits of social capital for organisations as follows:

- Better knowledge sharing, due to established trust relationships, common frames of reference, and shared goals. Knowledge sharing also allows for firms to diverse their offering of services or products to match the changing needs of clients while common frames of reference will assist in the understanding of client's requirements.
- Lower transaction costs, due to a high level of trust and a cooperative spirit (both within the organisation and between the organisation and its customers and partners)
- Low turnover rates, reducing severance costs and hiring and training expenses, avoiding discontinuities associated with frequent personnel changes, and maintaining valuable organisational knowledge.
- Greater coherence of action due to organisational stability and shared understanding

Other benefits of social capital have also been recognised by Pietroforte (1997) which include:

- Consistency of staff within organisational projects and across the teams enables firms to engage in larger projects and enter foreign markets more effectively
- Sharing of organisational knowledge provides access to local market conditions and distribution channels, which would in turn shorten the learning curves in the internationalisation process

Woodhead International is an example of an Australian architectural firm which has achieved phenomenal success in internationalising to China through the acquisition of social capital. The firm has 'recorded a 150% increase in business with the Asian country over the past year' (Property Australia, 2004). Although an impressive record, it is noted that this level of success has only been achieved after a registration process that took more than five years. Through indicating a long term commitment to the country, Woodhead International, among a few other international architectural firms has been granted a 20-year registration as a wholly foreign owned enterprise, which allows the firm to operate in China without a Chinese-owned company partner This of course challenges the myth that to conduct business in foreign countries, particularly Asia and China, one requires a joint venture to achieve success. It does suggest that client trust and satisfaction is an important part of a sustainable international business venture.

3.2 CULTURAL CAPITAL

Cultural capital entails physical 'dispositions' such as 'building visible buildings, winning design competitions, or obtaining important tenders' (Skaates et al, 2002). These concepts are premised on the reputation of the firm in that the success of marketing architectural services 'depends upon the firm's ability to sell and deliver a credible promise' (Lowendahl, 2000).

It differs from social capital in that it is the high profile of a firm's projects that marks the firm as having acquired a high level of cultural capital. Therefore, cultural capital is the firm's highly regarded past achievements that create trust and credibility; which is different from trust that is formed through relationships or networks, which is social capital.

A firm acquires cultural capital through building successful buildings, thus creating a presence in the foreign market. It can be likened to achieving a foothold in a market, where success often breeds further success. More and more clients are relying on instantaneous recognition in their decision-making process when employing design firms and such recognition is gained through the creation of reputation. A firm's reputation is earned through a high level of cultural capital. Cultural capital can contribute to the knowledge developed by a firm; such knowledge can be termed intellectual capital.

3.3 INTELLECTUAL CAPITAL

Intellectual capital is an organisation's collective skills, experience, competences and knowledge and is critical to the sustainability of firms, particularly in international markets. According to Stewart (1998), the strength of a firm lies within its intangible assets, where he posits that intellectual capital of a firm is 'the talents of its people, the efficacy of its management systems and the character of its relationships to its customers'.

A 1998 national survey of Australian architectural firms (Draganich, 1998) identified the understanding of cultural issues and market knowledge as one of the key success factors for firms when exporting their services. A firm's market knowledge and understanding of cultural issues typically arises from individual experiences with particular markets, clients and projects. General knowledge of a foreign market and the client is improved through successive completion of projects and these experiences create tacit knowledge. Such tacit knowledge will contribute towards achieving client satisfaction.

A firm can also acquire its intellectual capital through establishing skills and niche expertise through by employing specific skilled staff members, which would enable the firm to respond to client's requirements more efficiently. A firm's skill specialisation which is accumulated through its involvement in previous projects and employment and can contribute to winning further projects as clients value a firm's expertise to deliver satisfying results.

4.0 STRATEGIC INDICATORS FOR INTERNATIONALISATION

Whilst the internationalisation process is often viewed as one of which necessitates extensive country-specific knowledge and significant financial resources (Eriksson et al, 1997), long term perspective afforded by the capital acquisition approach may provide advantages to firms attempting to internationalise into foreign markets. Scarce resources means one firm cannot supply all the necessary skills, knowledge and expertise for the process (Porter and Fuller, 1986). However, the dynamics of capital acquisition allows for a firm to build upon initial resources to achieve sustainability in foreign markets and to understand and contextualize the value of various forms of capital to a firm's internationalisation strategy.

An example of how a firm strategically manages its capital acquisition is the firm's conscious decision to penetrate a foreign market through heavy financial investments into that market without immediate return. Such investments may not lead to immediate financial success but will initiate the firm's acquisition of social, cultural and intellectual capital. As such the firm may build up its acquisition of capital by creating networks, gaining reputation and developing skills. This would in turn translate to financial success in the long term.

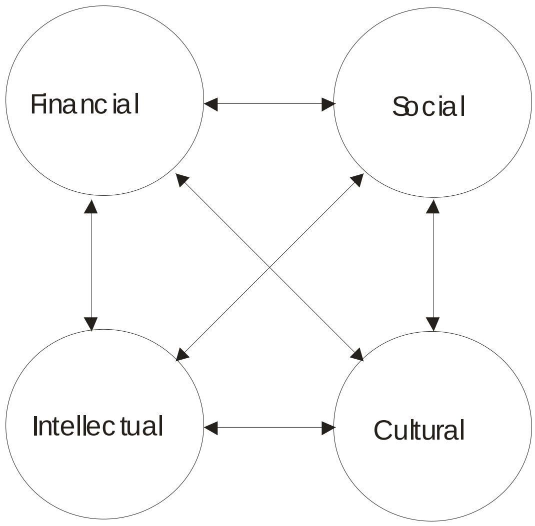

Figure 3.0: Relationship between capital

The four types of capital interact and impact upon each other because throughout the internationalisation process, a firm accumulates its social, cultural and intellectual capital to contribute towards its financial capital. After having been involved in several projects in a foreign market, a firm would have increased its cultural capital whilst building up its intellectual capital at the same time. Similarly, after having been employed in a certain number of projects thus acquiring its cultural capital, a firm would be working within a network of firms or would have developed a certain rapport with clients, hence accumulating its social capital.

The benefits of acquiring social, cultural and intellectual capital are strategic indicators of long term sustainability of firms in international markets. Therefore it pays to examine the characteristics of the many different firm typologies suggested earlier in this paper in terms of the level of capital accumulation required for a specific entry mode strategy in relation to a firm's organisational goals. Different firm types impact upon entry mode strategies and capital acquisition. For example, a firm from the artistic market that wishes to sell its services through market seeking strategy would most likely succeed in its endeavours by accumulating a moderate level of social capital, high level of cultural capital and low level of intellectual capital.

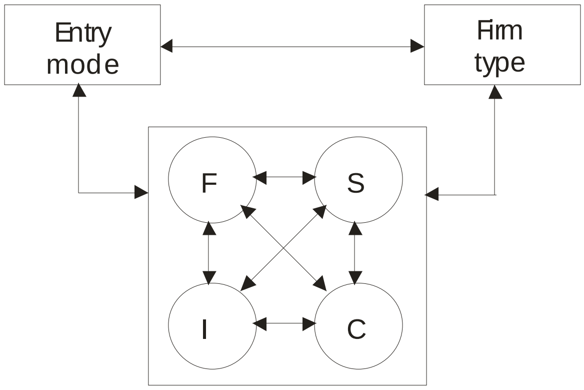

Figure 4.0: Relationship between capital, firm type and entry mode

The inter-relationship of the level of social, cultural and intellectual capital is affected by firm type and entry mode strategy and will enable the effective positioning of the firm in international markets to achieve client satisfaction. The following Table 4.0 has been developed to uncover potential relationships between entry mode strategy, firm type and capital.

		Social Capital	**Cultural Capital**	**Intellectual Capital**	**Financial Capital**
Type 1: artistic	CF				
	MS				
Type 2: professional	CF				
	MS				
Type 3: technical – economic	CF				
	MS				

Table 4.0: Impact of firm typologies and entry mode strategies on firm capital (developed for this study)

5.0 FURTHER RESEARCH

A case study methodology will be used to explore the impact of firm type, entry mode strategies and firm 'soft' capital indicators related to economic sustainability. Two architectural design consultant firms working in international markets will be investigated with the aim of revealing descriptions of sustainable business performance which examines successful and unsuccessful strategies and the development of performance measurement criteria. The theoretical concept of the performance indicators described in the paper will be challenged, confirmed and tested against the business practice of the case studies. The type of firm for the third case study is yet to be finalised, however it is anticipated that it will be a specialist subcontractor.

5.1 RESEARCH METHODOLOGY

Each organisation will form a single case study. Multiple sources of evidence will be used to provide a variety of perspectives which include:

- individual interviews (semi-structured)
- document analysis (project and organisational)

There are two main phases to the study:

- Phase 1: Internal Organisation Study
- Phase 2: Client Study

Phase 1

Within the firms there are three main stages to developing an understanding of the nature of the firms' internationalisation process and its success.

- Stage 1: Interviews with Senior Managers to identify organisational policies, which will confirm firm type, market entry strategies and financial performance of export ventures undertaken by the firm
- Stage 2: Analysis of documentation of two international projects (one highly successful and one less so related to financial success and client satisfaction based on the organisation's implicit or explicit assessments) and various documents at a strategic level; including policy and client correspondence to develop an understanding of cross cultural communication and therefore levels of social capital
- Stage 3: The final stage of phase 1 will involve interviews with Design Team Staff who have worked on any international projects (not specifically those in Stage 2) to map project processes and therefore develop an understanding for the necessary skills involved, which is firm intellectual capital

Phase 2

This phase involves a study of client's perception of the firms, levels of client satisfaction and the role cross cultural communication plays in design management.

5.2 ANALYSIS

Qualitative data analysis techniques will be primarily used for the study (Miles & Huberman, 1994). Cross case and within case analysis will be conducted. There are two types of analysis:

- interview coding
- documentation analysis

Interview coding

All interviews will be taped and transcribed by the research team. Descriptions of the following concepts will be completed for each case in relation to export ventures:

- organisation's market knowledge and knowledge management
- internationalisation process
- design management, policy, procedures
- project processes
- successful strategies and inhibitors to success

The descriptions will be developed by coding the transcripts using descriptive, interpretive and pattern codes. Definitions of codes will be determined. Various data displays will be developed to draw and verify conclusions (Miles & Huberman, 1994). For example, the firm's 'soft' capital can be measured through the coding of descriptions to develop pattern codes such as shown in Table 5.0. The coding of a firm's organisational and project attributes as such will allow for the development of an understanding of a firm's level of capital acquisition.

Capital	Social	Cultural	Intellectual

Organisational / Project Attributes	Member of social / professional networks	National / International award	Skilled staff members
	Establishment of alliances	National significance – track record	Niche specialisation(s), expertise
	Relationships, local connections	International competition	Cultural understanding

Table 5.0: Coding of a firm's level of 'soft' capital through descriptions of a firm's project attributes

Documentation Analysis

Documentation analysis is also a key part of this study to develop an understanding of the acquisition of social capital and understanding of cross cultural impacts on design management. The correspondence between the Australian organisation and the international client or any international organisation involved on the projects will be analysed. This is done by selecting correspondence genres (eg: fee proposals, design variations, engagement letters, etc) and analysing the text structure to identify similarities and differences in order to enhance intercultural competency (Zhu, 2000).

5.3 CONCLUSION

Data collected from the case studies will be mapped against the table developed in chapter 4 to measure a firm's accumulation of social, cultural and intellectual capital with the aim of matching its contribution toward financial capital hence sustainability in foreign markets. It is also aimed at revealing any relationships between entry mode strategy, firm type and capital acquisition. By testing the model against firms who are actively involved in internationalisation, the acquisition of the intangible capital, which includes the social, cultural and intellectual capital, will be made explicit in relation to capturing and maintaining client's requirements.

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