International Marketing Review

The resource matching foundations of competitive advantage: An alternative perspective on the globalization of service firms

Steven H. Seggie David A. Griffith

Received March 2007
Revised August 2007
Accepted September 2007

The resource matching foundations of competitive advantage

An alternative perspective on the globalization of service firms

Steven H. Seggie
Department of Management, Bilkent University, Ankara, Turkey, and
David A. Griffith
Department of Marketing, The Eli Broad Graduate School of Management, Michigan State University, East Lansing, Michigan, USA

Abstract

Purpose – The extant international service marketing literature focuses heavily on the impact of globalization on the outward process of the internationalization of service firms. The purpose of this paper is to propose scholars examine international service marketing from a different perspective, that of the globalization of domestic markets and the existence of global segments throughout the world.

Design/methodology/approach – The paper uses resource-advantage theory and a congruence approach to suggest that the alignment of resources with consumer needs in the globalized domestic market leads to competitive advantage for the firm.

Findings – It can be argued that this alignment will lead to the replication of the competitive advantage across global segments in expansion to new markets.

Originality/value – The paper provides two significant contributions to the literature: a new perspective for considering the globalization of services that incorporates the challenges of operating in globalized markets; and develops seven propositions that can serve as a foundation for a stream of research on the globalization of services.

Keywords Service industries, Globalization, Resource management, Competitive advantage

Paper type Research paper

The service industry has become a prominent sector of the global economy, often composing the largest sector of the economy in developed nations (Aharoni, 1993; Patterson and Cicic, 1995; Sanchez-Peinado *et al.*, 2007; Styles *et al.*, 2005). Recent improvements in technology coupled with reductions in trade barriers have allowed services to move more fully into the global market environment (Atuahene-Gima, 1995; Patterson and Cicic, 1995; Styles *et al.*, 2005). Further, the globalization of world markets has increased opportunities for marketing services to new markets (Ekeledo and Sivakumar, 1998). The increased importance of the service sector throughout the world has increased the need to better understand international services marketing (Giarini, 1997; Katrishen and Scordis, 1998; Nicoulaud, 1989; Patterson and Cicic, 1995; Styles *et al.*, 2005). As such, a considerable research effort has been put forth to understand the internationalization of service firms (Edvardsson *et al.*, 1993; Katrishen

International Marketing Review
Vol. 25 No. 3, 2008
pp. 262-275

0265-1335
DOI 10.1108/02651330810877207

and Scordis, 1998; Li, 1994; Nicoulaud, 1989; O'Farrell *et al.*, 1998; Patterson and Cicic, 1995; Sanchez-Peinado *et al.*, 2007; Styles *et al.*, 2005).

However, this focus on the internationalization of services has neglected a fundamental issue within the service marketplace. Specifically, the literature looks at the globalization of service firms as an outward process wherein domestic service providers modify their service offerings as they spread their operations to new markets (O'Farrell *et al.*, 1998; Sanchez-Peinado *et al.*, 2007). While this clearly is one manner of examining the influence of globalization on the service sector, in this paper we argue that globalization can have an equally important, yet more fundamental influence on multinational service enterprise operations across the globe. We argue that one aspect of globalization that directly influences certain service enterprises (both multinational and domestic enterprises) is the increasing diversity of clients served in a firm's domestic operations. Owing to greater mobility across markets, service firms' domestic customer base is internationalizing and developing as part of a global segment thus permitting firms to serve the same segment internationally as they do domestically, should they so choose. A service firm in London England, for example, may find that many of their customers originate from North Africa or India and therefore the ability to meet the needs of these customers in London would also allow the firm to meet the needs of a similar customer segment in North Africa or India.

The more diverse domestic marketplace developing due to globalization provides firms with the experience to be successful in their international operations. Take for example, the Kua Aina sandwich shop started in Haleiwa, Hawaii for many years served locals and tourists. The great influx of Japanese tourists in the 1980s and the popularity of Kua Aina as a result of Kua Aina meeting the needs of these tourists, led to the successful expansion of Kua Aina to Tokyo, Japan. The increased globalization of their domestic market in Hawaii gave them the skills and resources to be successful in the same global segment in Japan. Likewise, the hospitality industry has many examples of firms serving global segments. Take Marriott International which operates and franchises hotels under various brand names including the Marriott, Ritz-Carlton, Bulgari, Residence Inn and Courtyard by Marriott. In each location Marriott International is increasingly challenged to service a more diverse clientele (as increased globalization also refers to the increased travel of individuals throughout the world, both for business and pleasure). In essence, each of Marriot International's brands can be viewed as serving a global segment, i.e. segments that transcend borders (Alden *et al.*, 1999; Kale and Sudharshan, 1987), and each of Marriot International's brands has its own particular global segment that it targets throughout the world. Thus, the Marriott Hotel targets the same luxury global segment for all of its 450 hotels whether in New York, Aruba, Vail, Doha or London, while The Courtyard by Marriott targets the same middle-class traveler whether in the UAE, Italy, Ireland, China or Thailand and so on.

Building on the literatures of standardization, co-alignment, segmentation and resource-advantage theory (R-A theory), we develop propositions arguing that multinational service firms provide value to specific domestic segments and these segments are often global segments. Further we argue that once competitive advantage is founded based upon resource matching, the firm through matching of its key recourses to the segment, the firm then can standardize this resource match as it expands globally (to markets offering said segment), thus maintaining its value creation proposition within this segment across markets. We believe that this alternative approach to considering the globalization of markets of service firms provides unique insights previously not considered in the literature and thus extends our theoretical and practitioner knowledge of the globalization of service firms.

Literature background

The globalization of world markets has tremendously increased the diversity of clientele that many service providers engage. Whether we speak of hospitality, airline, banking, etc. the increased spread of customers via travel and migration has increased the need of global service providers to revise their existing protocols and procedures in servicing an increasingly diverse clientele in order to maximize value delivery. For example, the Walt Disney Company services extremely diverse clients in its theme parks in the USA. In its US theme park operations, Disney refined its capabilities in effectively servicing a diverse global clientele. Once Disney had effectively adapted its resource base to these segments in the domestic market, Disney proceeded to leverage this capability to these global segments in foreign markets that have similar segments. As such, we contend that at the heart of the issue of globalization of service firms is a new perspective on the topic of standardization versus adaptation.

The issue of standardization has been the subject of intense academic debate for several decades (Baalbaki and Malhotra, 1993; Onkvisit and Shaw, 1999; Ryans *et al.*, 2003; Taylor and Okazaki, 2006). Although there has been a significant debate on this topic over the years, in reality, a variety of external and internal factors impinge on the standardization decision, which involves an inherent trade-off between the economic benefits of leveraging a global identity via standardized strategies with the performance gains achieved when adapting to local market conditions and consumer preferences (Baalbaki and Malhotra, 1993, 1995; Bharadwaj *et al.*, 1993; Chung, 2005; Jain, 1989; Ozsomer and Prussia, 2000; Taylor and Okazaki, 2006). As such, the standardization/adaptation debate converges on the perception of, or movement toward, consumer as well as environmental homogeneity/heterogeneity (Donnelly and Ryans, 1969; Hu and Griffith, 1997; Levitt, 1983; Shoham, 1995), where some argue that homogeneous segments allow for the standardization of advertising to be more "effective" as it allows the firm to capture cost efficiencies and thus increase margins (Levitt, 1983; Peebles *et al.*, 1978). Extending this view, we contend that cultural diverse domestic markets create segments which represent global markets and therefore, in these segments, firms can easily effectuate a standardized strategy to the culturally diverse global segment.

Further, standardization has two fundamental aspects, i.e. program standardization, such as the individual service offering employed within and across markets, and process standardization, inclusive of the development of a common method through which programs are implemented (Griffith *et al.*, 2000; Jain, 1989; Sorenson and Wiechmann, 1975). While a significant amount of program-related research has been conducted (Baalbaki and Malhotra, 1993, 1995; Jain, 1989; Samiee and Roth, 1992; Zou and Cavusgil, 2002), little research has examined process-related issues (Griffith *et al.*, 2000; Shoham, 1995). This is a critical limitation within the literature as Sorenson and Weichmann (1975) note that while the benefits of standardizing marketing programs may be situational or context-specific, multinationals can gain the greatest economies by standardizing the process through which they devise these programs. Here, we contend that the matching of firm resource employment with customer requirements in specific global segments (i.e. refinement of program and process domestically) allows for the effective standardization of programs and processes throughout the world (as servicing global segments holds customer requirements constant as one expands to new markets).

Current marketing thought (Vargo and Lusch, 2004) argues for a process orientation (as opposed to an output orientation) to value delivery. It argues that it is necessary that a firm identify its key resources, e.g. its fundamental knowledge and skills, of its economic activity. Further, it argues that the firm needs to identify potential customers that have a need for its resources, developing relationships that involve the customers in customizing a specific provision to meet their specific needs. That is, the customer is viewed as a coproducer of value and thus becomes an, “operant resource (coproducer) rather than an operand resource (‘target’)” (Vargo and Lusch, 2004, p. 11). The need for this approach is no more evident than in the international service marketplace where firms are challenged to develop multiple resources to service an incredibly diverse clientele.

The services marketplace is confronted with servicing customers from a variety of cultures both domestically and internationally. Service retailers position themselves within the marketplace by identifying specific market segments. For example, Ritz Carlton focuses on the global segment desiring “indulgence luxury,” while Ogilvy & Mather focuses on the global segment of multinationals, taking pride in noting that “We are one of the largest marketing communications networks in the world. And we service more Fortune Global 500 companies in five or more countries than any other agency.” These service providers have selected specific global segments in the marketplace and developed processes that align key firm resources with customer needs resulting in specific programs that are effective across markets. As such, these firms (and their employees) are asked to align a diverse set of firm resources (e.g. physical, relational, human, etc.) to the desired resource allocations of customers. Central to this issue is congruence between customer desires and firm resource alignment.

A congruence approach (Child, 1972; Doty *et al.*, 1993) postulates that when parties are similar, greater “fit” occurs, thus enhancing effectiveness (Newman and Nollen, 1996; Xu *et al.*, 2006). A congruence approach applied within the domain of R-A theory under a program and process orientation suggests greater similarity in perception of key strategic resources between a service firm and its customers has the potential to increase key strategic outcomes (e.g. firm performance, re-patronage behavior, loyalty, word-of-mouth, cross-selling, etc.). While a significant amount of research has focused on firm resources, little empirical work has focused on the congruence of the identification of key firm resources internally within the organization (i.e. manager and employee) while also focusing on the firm-customer resource congruence issue. This is particularly concerning in an international service market context where congruence will vary widely both within the firm and also across firm-customer interactions.

Proposition development

To better understand firm resources, we rely upon R-A theory. R-A theory (Hunt and Morgan, 1995, 1996, 1997; Hunt, 1999, 2000, 2001) argues that firms can become more competitive if they possess and configure the appropriate tangible and intangible resources. R-A theory traces its pedigree to the following 11 different research traditions: evolutionary economics, Austrian economics, heterogeneous demand theory, differential advantage theory, historical tradition, industrial-organization economics, resource-based tradition, competence-based tradition, institutional economics, transaction cost economics, and economic sociology. Drawing on different aspects of these theories, R-A theory provides a strong theoretical framework to explore the firm resources and competencies necessary for serving a diverse customer clientele.

Specific to R-A theory are the tenets that:

- demand is heterogeneous across industries, heterogeneous within industries and is dynamic;
- consumer information is imperfect and costly;
- human motivation is constrained self-interest seeking;
- the firm's objective is superior financial performance;
- the firm's information is imperfect and costly;
- the firm's resources are financial, physical, legal, human, organizational, informational and relational;
- the firm's resources are heterogeneous and imperfectly mobile;
- the role of management is to recognize, understand, create, select, implement and modify strategies (which consists of allocations among resources); and
- competitive dynamics are disequilibrium-provoking, with innovation endogenous (Hunt and Morgan, 1995, 1996, 1997; Hunt, 1999, 2000, 2001).

Under R-A theory, competitive advantage of the firm is derived from:

- resource heterogeneity, deriving superior financial performance;
- *ex post* limits to competition, necessary to sustain superior financial performance;
- imperfect resource mobility, ensuring that superior financial performance is bound to the firm and shared by it; and
- *ex ante* limits to competition, preventing costs from offsetting superior financial performance (Amit and Schoemaker, 1993; Peteraf, 1993).

Through the development and leveraging of unique combinations of heterogeneous and imperfectly mobile resources, firms are theorized to be able to achieve and sustain competitive positions resulting in superior financial performance (Hunt, 2000).

Following Hunt's (2000) conceptualization of resources, the value of a resource to a firm is seen in terms of its potential to yield competitive differentiation and/or customer value delivery. Superior value is achieved when resources are deployed to provide a distinctive competency and relative sustained advantage (Day, 1994; Grewal and Tansuhaj, 2001; Hunt, 2000). Key to this issue is the service firm's segmentation, targeting and positioning. Through segmentation of the market the firm minimizes heterogeneity in customer needs with regard to values, price elasticities, etc. (Bolton and Myers, 2003). By focusing on global segments, i.e. segments that transcend borders (Alden *et al.*, 1999), service firms are able to develop specific process capabilities to realign firm resources providing for a program (e.g. service offering) based upon a distinctive competency, that the firm is able to leverage to this segment across markets.

Firm resource alignment necessitates the identification of firm resources. Hunt (2000), in delineating R-A theory identifies seven key firm resources: financial, physical, legal, human capital, relational capital, organizational capital, and informational capital. Hunt (2000) argues that it is upon these resources that a firm can develop competencies to establish a competitive advantage.

Financial capital

Financial capital is defined as the current and potential cash resources of the firm, inclusive of access to the financial markets, cost of capital, etc. (Hunt, 2000). Financial resources play a key role in the firm's ability to expand into new markets, develop new product or service initiatives (Aaby and Slater, 1989; Bonaccorsi, 1992; Johanson and Vahlne, 1977). As such, financial resources allow firm to capitalize on market opportunities and thus enhance their overall strategic position. Further, financial resources allow the firm a strong competitive posture against threats, such as heightened price competition or negative economic cycles, thus allowing the firm continued performance success (Hunt, 2000). As service firms work to meet the customer needs of specific global segments, the firm develops a unique financial resource profile, inclusive of debt ratios, necessary cash on hand, etc. It is argued that the effective servicing of unique global segments requires a unique profile of financial resources for sustaining and maintaining process and programs. For example, Marriott positions Ritz Carlton as a high quality, high-price offering that is likely to focus on a limited number of premium locations within each country of operation and making select financial resource allocations among location, physical facilities, employees, etc. Three points can be made regarding this global segment that influence the financial resource profile of Ritz Carlton. First, the clientele in the segment targeted by Ritz Carlton has demanding standards, requiring luxurious accommodations and impeccable service. Second, this segment is extremely mobile, frequently traveling around the world and requiring a place to stay in all of these locations. Third, for Marriott to service this segment, it needs to have a financial resource allocation profile that will be able to meet the standards set by this segment throughout the world. As such, we argue that once the firm develops the financial resource profile to service this sector domestically, this profile can be leveraged within this segment in the firm's global markets equally effectively. Therefore, we propose:

P1. Financial capital alignment to segment customer needs resulting in performance enhancement in a domestic market is equally effective in performance enhancement in the segment across markets.

Physical capital

Physical capital refers to the buildings, the raw materials and any equipment that the firm owns or has access to, personnel, etc. (Hunt, 2000). Physical resources can relate to both front- and back-end operations in a service context. Front-end physical resources, such as the quality of retail facilities, relate directly the perception of the retailer in the consumer marketplace as the quality of facilities play a large part in the firm's atmospherics. Back-end physical resources relate to the warehousing, supply chain, etc. facilities that allow the firm to operate efficiently. Physical resources play a key role in the service encounter as they provide the context in which the service episode occurs. The physical capital requirements are set to match specific profile expectations of unique segments. For example, physical facilities expectations of the global segment of budget travel are vastly different than the expectations of the global segment luxury traveler. Hotels positioned in the luxury category engage clientele that demand a degree of standardization in the physical surroundings of the hotel across markets. The customer expect the rooms to be of similar size, the room and bathroom to have similar facilities, access to similar television channels and so on no matter which country the hotel is located in. This does not mean that the clientele is opposed to local flavor on the periphery of the service offering, e.g. with regard to décor of the foyer or the elevators, however; generally expectations will err on the side of standardization of the physical resources, with adaptations based upon the cultural makeup of the segment. Therefore, we propose:

> *P2.* Physical capital alignment to segment customer needs resulting in performance enhancement in a domestic market is equally effective in performance enhancement in the segment across markets.

Legal capital

Legal capital available to a firm include trademarks, licenses, etc. and through these resources firms are parameterized as to some aspects of their behavior (Hunt, 2000). By definition these legal resources necessitate standardization as to how the legally protected aspects of the service may be presented or displayed and international law dictates that these protections are legally binding in all countries in the world, therefore not changing in any part of the global segment. Styles *et al.* (2005) when examining the exporting of services to Southeast Asia found that the protection of tangible intellectual property was a key driver of performance of service firm success. This finding is consistent with Clark and Owens (2000) who note that while legal resources restrict firms in their ability to adapt to different customer needs, however; conversely they also protect firms from imitation by rivals. If alignment exists between customer needs and the legally protected technologies, then these legal resources will help the firm serve the needs of its clientele across market more effectively. This leads to the following proposition:

> *P3.* Legal capital alignment to segment customer needs resulting in performance enhancement in a domestic market is equally effective in performance enhancement in the segment across markets.

Human capital

Human capital refers to the skills and knowledge of the firm's employees (Hitt *et al.*, 2001; Hunt, 2000). Some aspects of the human capital resource are codifiable and can be found within training manuals, standard operating procedure files and the like (Griffith, 2006; Hitt *et al.*, 2001). Other parts of the human capital resource are tacit (Polanyi, 1957, 1966) and people learn while they are doing the job (Griffith, 2006; Hitt *et al.*, 2001; Sanchez-Peinado *et al.*, 2007). Firms invest in human capital through training programs to bring them superior financial performance by serving the target global segment better. As service firms select specific global segments they must develop and maintain the appropriate level of human capital. For example, the luxury hotel chain targets a culturally diverse clientele that is very demanding and heterogeneous as to the type of demands it makes. Some patrons wish the *Wall Street Journal* delivered to their room at 0600, others the *Financial Times*, others perhaps the *New York Times*, and these individuals demand the same no matter which country in the world the person is in. Some clientele like to be greeted in the local tradition, some in their own native language. While one aspect of homogeneity of customers in this segment is that they expect their demands to be met. However, as Mok and Armstrong (1998) note it is important to understand that although segments may be homogenous across markets in some respects, aspects of cultural homogeneity means understanding unique cultural differences in respect to expectations as well. This then presents a challenge for the personnel working to serve the diverse clientele to be able to recognize these different demands and act accordingly. As such, the investment in human capital through training is likely to be standardized in the sense that the training will be focused toward the staff members understanding the needs of the consumers. Also, the type of individual that works in this hotel is likely to be relatively standardized across countries, as a particular type of individual with particular characteristics will be aware and alert enough to be able to recognize the different desires of clientele and respond accordingly. The service provided by the personnel is adapted for the individual (i.e. product adaptation); however, the process of providing and investing in the human capital is standardized. Thus, we propose:

P4. Human capital alignment to segment customer needs resulting in performance enhancement in a domestic market is equally effective in performance enhancement in the segment across markets.

Relational capital

Relational capital includes the firm's stock of relationships with such entities as customers, suppliers, competitors, unions, governments, etc. (Hunt, 2000). A relationship can only be a resource when it makes some sort of contribution to the value offering to the particular segment the firm is targeting (Berry, 1995; Griffith *et al.*, 2006; Palmatier *et al.*, 2006). For example, the relationship that the firm has with its suppliers may be such that in time of shortage the supplier will fulfill the order of this firm first thus enabling the firm to service its segment. In such a scenario, the relationship between the firm and its suppliers is a firm resource. For a luxury hotel chain serving a global segment across countries, some of the partners to the relationships are invariant and others are not. Labor unions and governments are generally not global in nature, thus necessitating different partnerships from country to country within the same segment. However, some relationships will be with the same partners no matter the country of operation. The customer segment does not change as we posit a global segment, and additionally, competitors are likely to be (or will be) global, as they are also targeting the same global segment. Therefore, the necessity to form different relationships with different partners within the context of the same global segment means that the option of standardizing the product, with the product being the relationship, is not possible. However, the firm still needs to form capital generating relationships with its alternative partners no matter the country that the operation is in. As such, the process that firms use to form these relationships can be standardized as a way to minimize costs to the focal firm. This leads to the following proposition:

P5. Relational capital alignment to segment customer needs resulting in performance enhancement in a domestic market is equally effective in performance enhancement in the segment across markets.

Organizational capital

Organizational capital includes the firm's policies, cultural routines and competences (Hunt, 2000). These resources are distinct from other resources in that they are unable to exist independent of the firm. These resources include dynamic capabilities, marketing competency, learning capabilities, research and development capabilities and so on (Kropp *et al.*, 2006; Teece *et al.*, 1997). These capabilities and competencies exist to better serve the needs of the particular segment that a firm targets and as such the existence of these capabilities and competencies allows the firm to sense and serve the needs of the global segment. The standardization of this particular resource is crucial, as this will enable the firm to develop vital capabilities that will help it to serve its segments. For example, a firm in possession of dynamic capabilities such as coordination, reconfiguration and learning (Teece *et al.*, 1997) can standardize these capabilities and still be able to react to uncertainty in such a way that it fulfills the needs of the global segment. The standardized capabilities allow for adaptation in how the firm serves the needs of the customer. This leads to the following proposition:

P6. Organizational capital alignment to segment customer needs resulting in performance enhancement in a domestic market is equally effective in performance enhancement in the segment across markets.

Informational capital

Informational capital includes a firm's information regarding its own products, production processes and customers and those of its competitors (Hunt, 2000). The firm will invest in market research, technical research and development and competitor intelligence to improve its stock of informational capital resources (Kropp *et al.*, 2006). For a firm targeting a global segment, competitors in the segment are often the same all over the world with the likely addition of one or two local competitors to the market thus allowing for a standardized approach to generating the informational capital resources necessary to engage its competitors. Additionally, a standardized approach can be used to learn about the firm's own product, processes and customers, as these are also standard across the segment. In doing so the firm is standardizing its process of garnering the information although not necessarily having standard informational capital resources for all parts of the segment. This leads to the following proposition:

P7. Informational capital alignment to segment customer needs resulting in performance enhancement in a domestic market is equally effective in performance enhancement in the segment across markets.

Discussion and conclusion

Building on the literatures of standardization, co-alignment, segmentation and R-A theory we develop propositions arguing that multinational service firms focus on a global segment within its domestic operations providing value by engaging in a resource matching process (where resources are aligned to maximize value to global segments). Further we argue that once competitive advantage is founded based upon resource matching, the firm through matching of its key recourses to the global segment, the firm then standardizes this resource match as it expands globally, thus maintaining its value creation proposition within this segment across markets. By employing this approach we address unique aspects of service firm globalization such as resource matching, standardization of process and programs, etc. Further, we believe that this framework could be used to explain a number of important aspects of the literature, e.g. born globals via competitive advantage of service firms domestically, resource utilization, successful international expansion.

The literature defines born globals as those firms that are able to quickly move through the internationalization process (engaging in multiple market activities within the first three years) (Freeman *et al.*, 2006; Knight and Cavusgil, 1996, 2004; Kropp *et al.*, 2006; Madsen and Servais, 1997). Applying the concepts enumerated in this paper we argue that born globals are those firms that are able to quickly align resources to global segment needs. Once a service firm has aligned its resources to a specific market need profile in a domestic context, and therefore established a standard process and program orientation, it can relatively easily service the same segment in different markets, thereby leveraging its developed competitive advantage. Thus, the conceptualization presented here, provides a unique alignment perspective to the extant born global literature.

This conceptualization also provides new insights into resource utilization. Specifically, much of the extant literature argues that a firm's ability to commit resources to the market also leads to successful internationalization (Aaby and Slater, 1989; Johanson and Vahlne, 1977). For example, O'Farrell *et al.* (1998) contend that the transition from initial presence to subsequent market development is costly and difficult. They indicate that market development extends beyond infrastructure, to developing intimate knowledge of new markets on an on-going basis. As firms expand beyond their domestic borders they require larger resource commitments to effectively compete (Aaby and Slater, 1989; Bonaccorsi, 1992; Johanson and Vahlne, 1977). While we do not argue against the importance of firm resource commitments, we extend the current literature by arguing for the importance of resource-matching. Based upon congruence and R-A theory we contend that it is through the alignment of resources to the global segment needs that firm can successfully expand internationally.

Further, the arguments offered related to successful international expansion extend the extant arguments related to transferability of service offering. Specifically, transferability of offering is defined by the degree of product/service customization necessary for each specific marketplace (Cavusgil and Zou, 1994). Those offerings high in transferability require limited adaptation when entering new markets while those offerings low in transferability requiring extensive adaptation when entering new markets (Baalbaki and Malhotra, 1993, 1995; Cavusgil and Zou, 1994; Jain, 1989). The increased need for adaptation of low-transferable offerings increases the risks associated with achieving international success, as success of adaptation of an offering is determined by a manager's knowledge of the local market (Coviello *et al.*, 1998; Dunning, 1980; Johanson and Vahlne, 1977, 1990; O'Farrell *et al.*, 1998), which firm's, and manager's, beginning the internationalizing process typically lack. Hence, low transferability of offering decreases a manager's expectations of international success (Dahringer, 1991; Lovelock, 1983). Our arguments extend this work by arguing that the transferability of the service firms offering is contingent, to a degree, on the consistency of the firm's global segmentation targeting. If firm's change the segments targeted the firm diminishes its transferability.

In conclusion, the main focus of this paper was to take an alternative look at the issue of service firm globalization. For too long we have simply looked at globalization of service firms from an outward expansion perspective. We believe that by examining the impact of globalization on domestic markets, through the globalization of the firm's clientele, we may be better able to gain insights yet undiscovered.

References

Aaby, N.E. and Slater, S.F. (1989), "Management influences on export performance: review of the empirical literature 1978-88", *International Marketing Review*, Vol. 6 No. 4, pp. 7-26.

Aharoni, Y. (1993), "Globalization of professional business services", in Aharoni, Y. (Ed.), *Coalitions and Competition: The Globalization of Professional Business Services*, Routledge, London, pp. 1-19.

Alden, D.L., Steenkamp, J-B.E.M. and Batra, R. (1999), "Brand positioning through advertising in Asia, North America, and Europe: the role of global consumer culture", *Journal of Marketing*, Vol. 63 No. 1, pp. 75-87.

Amit, R. and Schoemaker, P.J.H. (1993), "Strategic assets and organizational rent", *Strategic Management Journal*, Vol. 14 No. 1, pp. 33-46.

Atuahene-Gima, K. (1995), "The influence of new product factors on export propensity and performance: an empirical analysis", *Journal of International Marketing*, Vol. 3 No. 2, pp. 11-28.

Baalbaki, I.B. and Malhotra, N.K. (1993), "Marketing management bases for international market segmentation: an alternative look at the segmentation/customization debate", *International Marketing Review*, Vol. 10 No. 1, pp. 19-44.

Baalbaki, I.B. and Malhotra, N.K. (1995), "Standardization versus customization in international marketing: an investigation using bridging conjoint analysis", *Journal of the Academy of Marketing Science*, Vol. 23 No. 3, pp. 182-94.

Berry, L. (1995), "Relationship marketing of services: growing interest, emerging perspectives", *Journal of the Academy of Marketing Science*, Vol. 23 No. 4, pp. 236-45.

Bharadwaj, S., Varadarajan, P.R. and Fahy, J. (1993), "Sustainable competitive advantage in service industries: a conceptual model and research propositions", *Journal of Marketing*, Vol. 57 No. 3, pp. 83-99.

Bolton, R.N. and Myers, M.B. (2003), "Price-based global market segmentation for services", *Journal of Marketing*, Vol. 67 No. 3, pp. 108-28.

Bonaccorsi, A. (1992), "On the relationship between firm size and export intensity", *Journal of International Business Studies*, Vol. 23 No. 4, pp. 605-36.

Cavusgil, S.T. and Zou, S. (1994), "Marketing strategy-performance relationship: an investigation of the empirical link in export market ventures", *Journal of Marketing*, Vol. 58 No. 1, pp. 1-21.

Child, J. (1972), "Organizational structure, environment and performance: the role of strategic choice", *Sociology*, Vol. 6 No. 1, pp. 1-21.

Chung, H.F.L. (2005), "An investigation of crossmarket standardization strategies: experiences in the European Union", *European Journal of Marketing*, Vol. 39 Nos 11/12, pp. 1345-72.

Clark, I. III and Owens, M. (2000), "Trademark rights in gray markets", *International Marketing Review*, Vol. 17 No. 3, pp. 272-86.

Coviello, N.E., Ghauri, P.N. and Martin, K.A-M. (1998), "International competitiveness: empirical findings from SME service firms", *Journal of International Marketing*, Vol. 6 No. 2, pp. 8-27.

Dahringer, L.D. (1991), "Marketing services internationally: barriers and management strategies", *Journal of Services Marketing*, Vol. 5 No. 3, pp. 5-17.

Day, G.S. (1994), "The capabilities of market-driven organizations", *Journal of Marketing*, Vol. 58 No. 4, pp. 37-52.

Donnelly, J.H. Jr and Ryans, J.K. Jr (1969), "Standardized global advertising: a call yet unanswered", *Journal of Marketing*, Vol. 33 No. 2, pp. 57-64.

Doty, D.H., Glick, W.H. and Huber, G.P. (1993), "Fit, equifinality, and organizational effectiveness: a test", *Academy of Management Journal*, Vol. 36 No. 6, pp. 1196-251.

Dunning, J.H. (1980), "Toward an eclectic theory of international production: some empirical tests", *Journal of International Business Studies*, Vol. 11 No. 1, pp. 9-31.

Edvardsson, B., Edvinsson, L. and Nystrom, H. (1993), "Internationalization in service companies", *The Services Industries Journal*, Vol. 13 No. 1, pp. 80-97.

Ekeledo, I. and Sivakumar, K. (1998), "Foreign market entry mode choice of service firms: a contingency perspective", *Journal of the Academy of Marketing Science*, Vol. 26 No. 4, pp. 274-92.

Freeman, S., Edwards, R. and Schroder, B. (2006), "How smaller born-global firms use networks and alliances to overcome constraints to rapid internationalization", *Journal of International Marketing*, Vol. 14 No. 3, pp. 33-63.

Giarini, O. (1997), "Notes on economics, globalization and insurance", *International Insurance Monitor*, Vol. 50 No. 3, pp. 1-9.

Grewal, R. and Tansuhaj, P. (2001), "Building organizational capabilities for managing economic crisis: the role of market orientation and strategic flexibility", *Journal of Marketing*, Vol. 65 No. 2, pp. 67-80.

Griffith, D.A. (2006), "Human capital in the supply chain of global firms", *Organizational Dynamics*, Vol. 35 No. 3, pp. 251-63.

Griffith, D.A., Hu, M.Y. and Ryans, J.K. (2000), "Process standardization across intra- and inter-cultural relationships", *Journal of International Business Studies*, Vol. 31 No. 2, pp. 303-24.

Griffith, D.A., Myers, M.B. and Harvey, M.G. (2006), "An investigation of national culture's influence on relationship and knowledge resources in interorganizational relationships between Japan and the United States", *Journal of International Marketing*, Vol. 14 No. 3, pp. 1-32.

Hitt, M.A., Bierman, L., Shimizu, K. and Kochhar, R. (2001), "Direct and moderating effects of human capital on strategy and performance in professional service firms: a resource-based perspective", *Academy of Management Journal*, Vol. 44 No. 1, pp. 13-28.

Hu, M.Y. and Griffith, D.A. (1997), "Conceptualizing the global marketplace: marketing strategy implications", *Marketing Intelligence & Planning*, Vol. 15 No. 3, pp. 117-23.

Hunt, S.D. (1999), "The strategic imperative and sustainable competitive advantage: public policy implications of resource-advantage theory", *Journal of the Academy of Marketing Science*, Vol. 27 No. 2, pp. 144-59.

Hunt, S.D. (2000), *A General Theory of Competition*, Sage, Thousands Oaks, CA.

Hunt, S.D. (2001), "Commentary: a general theory of competition: issues, answers and an invitation", *European Journal of Marketing*, Vol. 35 Nos 5/6, pp. 524-50.

Hunt, S.D. and Morgan, R.M. (1995), “The comparative advantage theory of competition”, *Journal of Marketing*, Vol. 59 No. 2, pp. 1-15.

Hunt, S.D. and Morgan, R.M. (1996), “The resource-advantage theory of competition: dynamics, dependencies, and evolutionary dimensions”, *Journal of Marketing*, Vol. 60 No. 4, pp. 107-14.

Hunt, S.D. and Morgan, R.M. (1997), “Resource-advantage theory: a snake swallowing its tail or a general theory of competition”, *Journal of Marketing*, Vol. 61 No. 4, pp. 74-82.

Jain, S.C. (1989), “Standardization of international marketing strategy: some research hypotheses”, *Journal of Marketing*, Vol. 53 No. 1, pp. 70-9.

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

Johanson, J. and Vahlne, J-E. (1990), “The mechanism of internationalization”, *International Marketing Review*, Vol. 7 No. 4, pp. 11-24.

Kale, S.H. and Sudharshan, D. (1987), “A strategic approach to international segmentation”, *International Marketing Review*, Vol. 4 No. 4, pp. 60-70.

Katrishen, F.A. and Scordis, N.A. (1998), “Economies of scale in services: a study of multinational insurers”, *Journal of International Business Studies*, Vol. 29 No. 2, pp. 305-24.

Knight, G.G. and Cavusgil, S.T. (1996), “The born global firm: a challenge to traditional internationalization theory”, *Advances in International Marketing*, Vol. 8, pp. 11-26.

Knight, G.G. and Cavusgil, S.T. (2004), “Innovation, organizational capabilities and the born global firm”, *Journal of International Business Studies*, Vol. 35 No. 4, pp. 1-18.

Kropp, F., Lindsay, N.J. and Shoham, A. (2006), “Entrepreneurial, market, and learning orientations and international entrepreneurial business venture performance in South African firms”, *International Marketing Review*, Vol. 23 No. 5, pp. 504-23.

Levitt, T. (1983), “The globalization of markets”, *Harvard Business Review*, Vol. 61 No. 3, pp. 92-102.

Li, J. (1994), “International strategies of service MNCs in the Asia-Pacific region”, *The International Executive*, Vol. 36 No. 3, pp. 305-25.

Lovelock, C. (1983), “Classifying service to gain strategic insights”, *Journal of Marketing*, Vol. 47 No. 3, pp. 9-20.

Madsen, T.K. and Servais, P. (1997), “The internationalization of born globals: an evolutionary process”, *International Business Review*, Vol. 6 No. 6, pp. 561-84.

Mok, C. and Armstrong, R.W. (1998), “Expectations for hotel service quality: do they differ from culture to culture”, *Journal of Vacation Marketing*, Vol. 4 No. 4, pp. 381-91.

Newman, K. and Nollen, S. (1996), “Culture and congruence: the fit between management practices and national culture”, *Journal of International Business Studies*, Vol. 27 No. 4, pp. 753-79.

Nicoulaud, B. (1989), “Problems and strategies in the international marketing of services”, *European Journal of Marketing*, Vol. 23 No. 6, pp. 55-66.

O’Farrell, P.N., Wood, P.A. and Zheng, J. (1998), “Regional influences on foreign market development by business service companies: elements of a strategic context explanation”, *Regional Studies*, Vol. 32 No. 1, pp. 31-48.

Onkvisit, S. and Shaw, J.J. (1999), “Standardized international advertising: some research issues and implications”, *Journal of Advertising Research*, Vol. 39 No. 6, pp. 19-24.

Ozsomer, A. and Prussia, G.E. (2000), "Competing perspectives in international marketing strategy: contingency and process models", *Journal of International Marketing*, Vol. 8 No. 1, pp. 27-50.

Palmatier, R.W., Dant, R.P., Grewal, D. and Evans, K.R. (2006), "Factors influencing the effectiveness of relationship marketing: a meta-analysis", *Journal of Marketing*, Vol. 70 No. 4, pp. 136-53.

Patterson, P.G. and Cicic, M. (1995), "A typology of service firms in international markets: an empirical investigation", *Journal of International Marketing*, Vol. 3 No. 4, pp. 57-83.

Peebles, D.M., Ryans, J.K. and Vernon, I.R. (1978), "Coordinating international advertising", *Journal of Marketing*, Vol. 42 No. 1, pp. 28-34.

Peteraf, M.A. (1993), "The cornerstones of competitive advantage: a resource-based view", *Strategic Management Journal*, Vol. 14, pp. 179-91.

Polanyi, M. (1957), *Personal Knowledge: Towards a Post-critical Philosophy*, Routledge, London.

Polanyi, M. (1966), *The Tacit Dimension*, Doubleday, Garden City, NY.

Ryans, J.K. Jr, Griffith, D.A. and White, S.D. (2003), "Standardization/adaptation of international marketing strategy", *International Marketing Review*, Vol. 20 No. 6, pp. 588-603.

Samiee, S. and Roth, K. (1992), "The influence of global marketing standardization on performance", *Journal of Marketing*, Vol. 56 No. 2, pp. 1-17.

Sanchez-Peinado, E., Pla-Barber, J. and Hébert, L. (2007), "Strategic variables that influence entry mode choice in service firms", *Journal of International Marketing*, Vol. 15 No. 1, pp. 67-91.

Shoham, A. (1995), "Global marketing standardization", *Journal of Global Marketing*, Vol. 9 Nos 1/2, pp. 91-119.

Sorenson, R.Z. and Wiechmann, U. (1975), "How multinationals view marketing standardization", *Harvard Business Review*, Vol. 53, pp. 38-54.

Styles, C., Patterson, P.G. and La, V.Q. (2005), "Exporting services to Southeast Asia: lessons from Australian knowledge-based exporters", *Journal of International Marketing*, Vol. 13 No. 4, pp. 104-28.

Taylor, C.R. and Okazaki, S. (2006), "Who standardizes advertising more frequently, and why do they do so? A comparison of U.S. and Japanese subsidiaries' advertising practices in the European Union", *Journal of International Marketing*, Vol. 14 No. 1, pp. 98-120.

Teece, D.J., Pisano, G. and Shuen, A. (1997), "Dynamic capabilities and strategic management", *Strategic Management Journal*, Vol. 18 No. 7, pp. 509-33.

Vargo, S. and Lusch, R.F. (2004), "Evolving toward a new dominant logic for marketing", *Journal of Marketing*, Vol. 68 No. 1, pp. 1-17.

Xu, S., Cavusgil, S.T. and White, J.C. (2006), "The impact of strategic fit among strategy, structure, and process on multinational corporation performance: a multimethod assessment", *Journal of International Marketing*, Vol. 14 No. 2, pp. 1-31.

Zou, S. and Cavusgil, S.T. (2002), "The GMS: a broad conceptualization of global marketing strategy and its effect on firm performance", *Journal of Marketing*, Vol. 66 No. 4, pp. 40-56.

Corresponding author
Steven H. Seggie can be contacted at: steven@bilkent.edu.tr

This article has been cited by:

1. Peter Magnusson, Stanford A. Westjohn, Alexey V. Semenov, Arilova A. Randrianasolo, Srdan Zdravkovic. 2013. The Role of Cultural Intelligence in Marketing Adaptation and Export Performance. *Journal of International Marketing* **21**, 44-61. [CrossRef]
2. Konstantinos Poulis, Efthimios Poulis, Mo Yamin. 2013. Multicultural markets and acculturation: implications for service firms. *Journal of Services Marketing* **27**:7, 515-525. [Abstract] [Full Text] [PDF]
3. D. Steven White, Godwin C. Ariguzo, Catharine M. Curran. 2013. Using Time Series Analysis to Predict U.S. Service Exports. *Services Marketing Quarterly* **34**, 175-190. [CrossRef]
4. Roger Bennett, Rita Kottasz. 2011. Strategic, competitive, and co-operative approaches to internationalisation in European business schools. *Journal of Marketing Management* **27**, 1087-1116. [CrossRef]
5. A. N. M. Waheeduzzaman. 2011. Are Emerging Markets Catching Up With the Developed Markets in Terms of Consumption?. *Journal of Global Marketing* **24**, 136-151. [CrossRef]
6. Eldon Y. Li, Li-Wei Chen, Chien-Li Shen, Chia-Chang LiuMeasuring the Core Competencies of Service Businesses: A Resource-Based View 222-231. [CrossRef]
7. David A. Griffith. 2011. Insights into gaining access to export financing: Understanding export lenders' ideal exporter profile. *Journal of World Business* **46**, 84-92. [CrossRef]
8. David A. Griffith, Goksel Yalcinkaya, Roger J. Calantone. 2010. Do marketing capabilities consistently mediate effects of firm intangible capital on performance across institutional environments?. *Journal of World Business* **45**, 217-227. [CrossRef]
9. David A. Griffith. 2010. Understanding multi-level institutional convergence effects on international market segments and global marketing strategy. *Journal of World Business* **45**, 59-67. [CrossRef]
10. César Camisón, Ana Villar. 2009. Capabilities and propensity for cooperative internationalization. *International Marketing Review* **26**:2, 124-150. [Abstract] [Full Text] [PDF]