

Differences and similarities between Pakistani and British construction contracting firms internationalization: application of REM Model

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ABSTRACT

Background: Various local construction firms are expanding their business to overseas. Developed countries firms are considered more advance in their internationalization process. The direct comparison between the internationalization of emerging and developed countries firms remains an under-researched area.

Objectives: Using an integrated theoretical approach, this paper examines the differences and similarities in the internationalization of construction contracting firms (CCFs) from emerging and developed countries taking a comparative study of Pakistani and British experience.

Methods: The data were collected through postal questionnaire survey. A comparative analysis of the data was done for CCFs having significant involvement in foreign markets originating from Pakistan and Britain.

Results: The main external motive for Pakistani CCFs is the competitive pressure in home market whereas British CCFs have good proximity to their clients and suppliers. The main internal motives for both Pakistani and British CCFs are expansion of the business network of firm and availability of skilled labor. The main barriers faced by Pakistani and British CCFs in foreign markets are inaccessible market information and high start-up cost. The findings of the study show that British CCFs have more developed and elaborated formal networks than Pakistani CCFs. Whereas, Pakistani CCFs are more inclined towards the geographical closeness of the host markets. In terms of operational modes, British CCFs are seen at more advanced development stage than Pakistani CCFs.

Conclusions: The findings show that case firms provide empirical support to various theories; however, the explanatory power of Stage theory is limited in addressing the internationalization of British CCFs.

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1. INTRODUCTION

The globalization of economies and access to newer markets stimulates firms to internationalize and contribute to the economic development of nations (Sinkovics et al., 2018). Emerging economies entrance into the World Trade Organization (WTO) has pushed many contractors from developing countries to go

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overseas in order to counter intense competition in the domestic markets (Maqsoom & Charoenngam, 2014). Construction contracting firms are now playing a significant role in the growth and economic change yet they are now more exposed to newer challenges as they have to now compete within uncertain and expanding market places (Razzaq et al., 2018). These challenges though bring new opportunities for firms to reach new clients in a much larger market canvas. However, they also have to face challenges like new business environment, host country laws and regulations, new rivals and different quality demands (Rottig & de Oliveira, 2019).

Although mainstream of multinational construction firms have their origin from developed countries, the relevance of construction contracting firms (CCFs) from developing countries is also on the rise and becoming increasingly important, some of them becoming important global players (UNCTAD, 2018). The factors which influence the internationalization of MNCs from emerging and developed countries can either be exogenous or endogenous (Cuervo-Cazurra et al., 2018). However, it is argued by some scholars that MNCs from emerging countries do not have the same possessions and property structures as MNCs from well developed economies, which exemplifies that working in more established domestic markets gives firm an edge to compete in overseas markets (Maqsoom et al., 2013; Rahman et al., 2018). Also, few other aspects such as the home country environment, education of work force and access to capital might help the developed countries MNCs to internationalize and compete successfully than their counterparts in developing economies (Khanna & Palepu, 2010). Such advantage of the developed country MNCs essentially put them on an advantage. This reflects well that all of these aspects make it hard for a MNC from developing economy to compete in a more worldwide economy (Rottig & de Oliveira, 2019; Rugman et al., 2012).

While the literature on internationalization of emerging economy firms is growing, very few attempts have been made in the sense of directly comparing the internationalization process of emerging countries' firms with those of the developed countries (Dib et al., 2010). Comparing to developed countries' firms whose internationalization has started since decades; firms from emerging countries are seen as relatively new possessing lesser experience and relatively smaller scope of work (Amal et al., 2013). Moreover, firms from developed and developing countries adopt different paths of development to internationalize based upon their specific motives, nature of barriers to their growth and the typical environment they have to operate in to. Hence, taking these factors into consideration it is pertinent to find out that do emerging countries' CCFs follow the path of developed countries' CCFs? Are there any similarities or differences between their motives, environment selection criteria and modes of operation? (Rottig & de Oliveira, 2019).

This paper aims to compare the internationalization process of Pakistani and British construction contracting firms (CCFs). It analyzes the motives, environment selection criteria and modes of operation for both countries' firms. The comparative analysis of the international CCFs from both countries will not only help us to understand the differences and similarities in drivers, patterns and strategies of construction contracting firms from these two regions, but will also address the call for examining the construction firms from emerging economies (Abdul-Aziz & Wong, 2011; Maqsoom & Charoenngam, 2014; Ribau et al., 2018).

1.1 Theoretical framework

A lot of attempts have been made by various scholars in order to clearly define the concept of internationalization. Few scholars define internationalization as a changing state of businesses from one country to another. Buckley and Ghauri (1999) state that the growth of a firm provides ground to internationalization and the concept of internationalization and growth are interconnected (Buckley & Ghauri, 1999). On the other hand, Matlay et al. (2006) emphasize that some features are peculiar to the internationalization or, in any case, there is significant degree of disparity between growth at home and growth in overseas (Matlay et al., 2006). Other stream of scholars putting emphasis on the process of

internationalization define it as a gradual and sequential phenomenon, through which firms become increasingly committed and involved in foreign markets (Dow et al., 2018).

In the meantime, Castellões and Dib (2019) emphasize the development of business networks and relationships in foreign countries through extension of work, penetration and integration in overseas markets (Castellões & Dib, 2019). Hence, a network approach is seen as another viewpoint to firm's internationalization (Johanson & Vahlne, 2017). Few scholars, striving to define internationalization, emphasize the adaption of firms operation to the demands and environment of international markets. However, some other scholars stimulated by resource-based view, claimed that internationalization is viewed as "the process to mobilize, accumulate and develop resources for international activities" (Matlay et al., 2006).

Given these various approaches to defining internationalization, the authors of this research adopt the viewpoint that internationalization is expansion of firm's operations to overseas markets and are in agreement that internationalization can result from prompt and independent actions (Maqsoom & Charoenngam, 2014). On the other hand, in order to show the complexity of internationalization phenomenon, it is necessary to discuss the key internationalization theories and models. It should be noted that internationalization researches base on various approaches namely Stage, Learning, International Entrepreneurship, Contingency and Network approaches.

Stage approach is considered as one of the earliest approaches explaining the development of firms on international level. According to this approach, firms start providing services or selling products in their home market first and then they progressively enter into other markets. Further, this approach asserts that firm starts internationalization with the mode of entry which demands least commitment of resources and with experience in host markets increases its commitment of resources to overseas operations. For instance, this approach has been supported by previous scholars and is based on gradual reduction of risk (Wach et al., 2018).

Another group of scholars apply learning theory and state that internationalization is a dynamic process. The Uppsala model has been proposed by Johanson and Vahlne (1977), whose theoretical framework has been laid by the studies of Johanson and Wiedersheim-Paul (1975). The Uppsala model highlights that a firm will follow a long, slow and gradual process with two dimensions: the geographical expansion and the commitment to internationalize operations in an overseas country (Johanson & Vahlne, 1977). The model has drawn special attention to the relevance of the psychic distance in internationalization decisions. The scholars based on learning theory have paid attention to evolutionary and sequential building of overseas commitments eventually (De Búrca et al., 2004). According to scholars, firms begin overseas operations in nearby markets via mediator or an agent and then on direct basis (Li et al., 2017).

International entrepreneurship approach holds top management as the key driver for firm's internationalization (Oviatt & McDougall, 1994). Oviatt and McDougall setting the basis of this approach opined that international entrepreneurship is a mixture of risk-seeking, innovative and proactive behavior that crosses domestic borders and is projected to create value in an organization (Oviatt & McDougall, 1994). Notably, the two parts of entrepreneurship are opportunities and individuals, who strive to exploit these opportunities. Hence, individual as well as firm entrepreneurial behavior is seen as the basis for firm's internationalization.

Contingency approach to the internationalization states that a firm appraises and reacts to an opportunity as it rises, without considering whether the market is close in terms of psychic distance or if higher mode of entry is required (Okoroafo, 1990). The network approach asserts that the international firm could not be viewed as an isolated actor but has to be inspected in relation with other actors in foreign environment (Yamin & Kurt, 2018). This approach emphasizes the development of linkages and relationships in the internationalization process. Some scholars affirmed that a network of inter-personal and inter-organizational relationships shapes the behavior of firms to internationalize (Felzensztein et al.,

2019). Therefore, the success of a company in entering a new market depends on its position in the network and relationships within targeted market.

For the better understanding of complex phenomenon of internationalization, scholars support the integration of several theoretical approaches (Matlay et al., 2006; Wach et al., 2018). In the same way, Abdul-Aziz and Wong (2011) has suggested combining a variety of theoretical approaches including Process models, Resource based approach, Network approach and Entrepreneurship approach in order to determine the internationalization of construction firms. Hence an integrated approach has been adopted in our research to analyze the internationalization process of surveyed CCFs.

1.2 Factors impacting internationalization

Expansion into foreign markets on one side offers key opportunities for the growth and value creation while on the other presents unique challenges in addition to common challenges in the domestic markets (Lu et al., 2009). Hence, scholars addressing the issues of internationalization sought to identify various motives, barriers and factors influencing the internationalization process.

The previous literature on motives of internationalization distinguishes various extensive areas as decision maker characteristics, firm characteristics, firm related factors and environmental factors (Cuervo-Cazurra et al., 2018). Particularly, external and internal motivations in the decision for expansion of firms are given emphasis (Korsakienė & Tvaronavičienė, 2012). It is conceded that firms are probably motivated by diverse stimuli depending on stage of internationalization.

The behavior of firm's top management plays a central role in the internationalization of firms (Adomako et al., 2017; Maqsoom et al., 2020). Zhou and Guillen highlights that many challenges of internationalization are linked with liability of foreignness and newness (Zhou & Guillen, 2016). These challenges rise due to sales restrictions imposed by the home country, long distance between host and home countries, economic nationalism, inexperience of working in the overseas environments and lack of legitimacy in the host country (Sinkovics et al., 2018). Therefore, firms are nurtured to obtain new capabilities and resources while entering a target market.

The previous studies dealing with the barriers of internationalization distinguish several extensive areas as market oriented (both international and domestic markets), managerial, financial and characteristics of firm and industry (Cahen et al., 2016; Wang et al., 2020). It is conceded that barriers of internationalization are present at every stage of the internationalization process. These barriers can vary in intensity counting on the stage of internationalization of the specific firm (Maqsoom et al., 2020; Maqsoom & Charoengam, 2014).

For entry into the targeted markets, firms need to carefully select a suitable operational mode as it is amongst the critical strategic decisions for the internationalization (Blomstermo et al., 2006). Mohr and Batsakis (2017) found that the firm will be benefited from the first mover advantages, if it has good knowledge of the targeted market and sufficient resources to internationalize. Rialp-Criado et al. (2010) conclude that scientific literature investigating the critical variables affecting internationalization is comprehensive and it covers well the factors like management characteristics, organization characteristics and external impediments or external incentives, considered to be decisive in taking the business overseas.

The researches that aimed to analyze the role of management characteristics put emphasis on planning orientation, having strategic approach, knowledge of international business and international transactions experience (Adomako et al., 2017; De Wit & Meyer, 2010). Whereas, the studies related to the analysis of organizational characteristics highlight the willingness of company to develop products for foreign markets, technological advantage and willingness to explore the foreign markets (Cuervo & Pheng, 2003; Malhotra & Hinings, 2010). The major external impediments include the factors like marketing activities by competing companies in foreign markets as well as understanding of higher risk in foreign markets, lack of export training, cost related issues, knowledge of the market and its functionalities and assistance from

the government (Rasiah et al., 2010). Lastly, the key important external barriers include the factors like decrease in domestic demand or excess capacity, overseas demand factors, reduction in costs of production and availability of export incentives from the domestic government (Cahen et al., 2016; Sinkovics et al., 2018).

2. METHODS

2.1 Study design and setting

The synthesis of literature reviewed above leads to several research questions. The first relates to the factors influencing internationalization of Pakistani and British construction contracting firms (CCFs). The second relates to the main variables determining internationalization of Pakistani and British CCFs from the point of stage approach, international entrepreneurship and network approach. The REM model developed by Liuhto allowed us to set a framework for the analysis of internationalization of CCFs in our study (Liuhto, 2002). This model consists of three dimensions: reasons for internationalization (R-factor), modal choice (M-factor) and environment selection (E-factor). The reasons for internationalization in the original model have sought to compare pro-internationalization and anti-internationalization opinions. The modal choice has focused on comparing advantages and disadvantages of operational modes. Meanwhile, environment selection has strived to make comparison between environments (including home country environment). However, in order to achieve the previously set objectives of this study, we have modified the model (Figure 1). Therefore, the reasons for internationalization will seek to compare external and internal motives and barriers to internationalization. The modal choice will seek to compare the operational modes based on the stage theory. The environment selection will compare the main criteria determining the environment selection, based on the network, stage and international entrepreneurship theories.

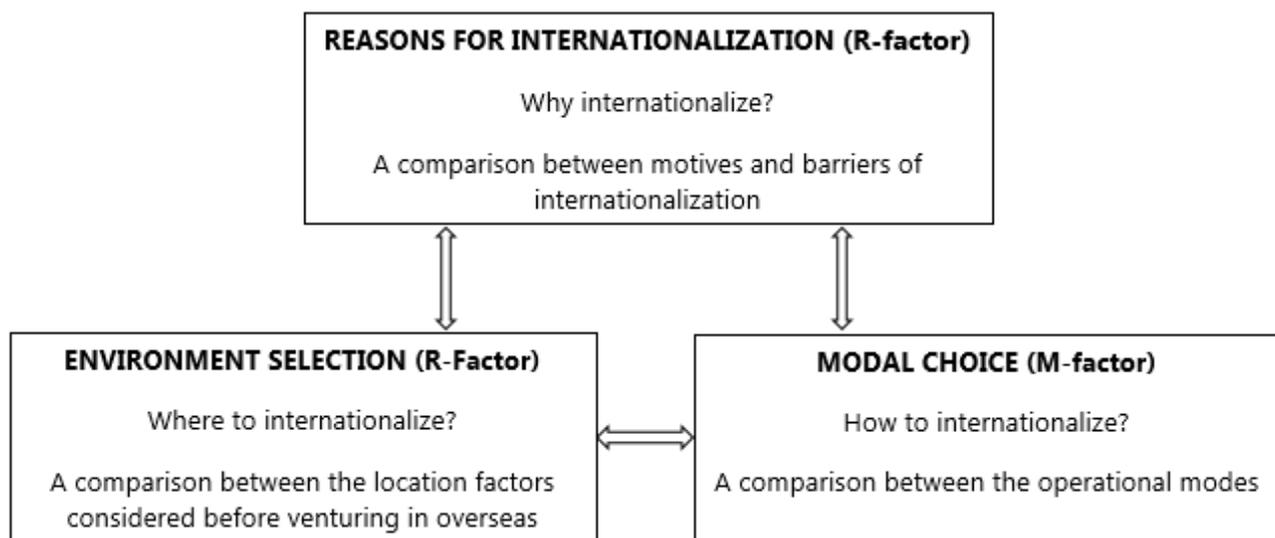


Figure 1 Internationalization process; Source: (Liuhto, 2002)

2.2 Data sources

Keeping in view the research objectives mentioned above, a structured questionnaire was developed considering the factors as identified on motives, barriers, environment selection and operational modes. The questionnaire was pilot tested on six executives from six different CCFs (2 CEOs and 1 General Manager of Pakistani CCFs, and 1 Director and 2 Managers of British CCFs). The Chief Operating Officer of Construction Association of Pakistan (CAP) was also interviewed. Essential amendments were made to the questionnaire in the light of their suggestions and recommendations. The contemporary approach developed by Schriesheim and Cogliser (2009) was used to obtain the content validity of the questionnaire. All the items developed to measure the motives, barriers, environment selection criteria and operational

modes were included consistently on every page along with the definition of each at the top of each page. Also, authors attempted to reduce the Common Method Variance (CMV) bias by limiting the inconvenience of responding, assuring the respondents about the anonymity and confidentiality of the research so that they can answer as honestly as possible and telling them that there were no right or wrong answers (Siemsen et al., 2010). In addition, range data or ratios were asked rather than precise figures for some questions, as respondents are more comfortable to respond the questionnaire in this way (Fabian et al., 2009).

2.3 Sample design

The final questionnaire was mailed to the population of CCFs from Pakistan and Britain working in overseas. The chairman of Construction Association of Pakistan (CAP) endorsed the questionnaire by way of a cover letter, thus providing the legitimacy to the study (Abdul-Aziz & Wong, 2011). The questionnaire was sent to 234 firms in total from Pakistan and Britain. A total of 152 responses were received. Five responses were discarded as they were incomplete. Completed questionnaire number was 84 which is a response rate of 67% from Pakistani firms and 63 which is a response rate of 58% from British firms. Notably, the firms which have filled questionnaire are all attributed to the construction service sector having specialization in multiple fields including Building and Civil, Petrochemical, Electrical and Mechanical.

2.4 Data analysis methods

The data was analysed through mean importance rating (MIR) using Statistical Package for the Social Sciences (SPSS) Version 21. Descriptive statistics were applied using SPSS which resulted in mean of the importance rating attached to each factor.

3. RESULTS

The first phase of analysis is associated to the motives influencing the internationalization process of Pakistani and British CCFs. The factors in this phase were taken from earlier researches on external and internal motivations for internationalization. The respondents were asked to rate external and internal motives using Likert scale (where 1=the least important; 5=the most important). The results for the motives of internationalization are listed in Table 1.

Table 1 External and internal motives of internationalization

Motives	No.	Pakistani CCFs		British CCFs	
		MIR	SD	MIR	SD
Competitive pressure	147	4.14	0.926	3.57	1.243
Psychological distance	147	4.00	0.855	2.46	0.701
Proximity to clients and suppliers	147	3.95	0.987	4.06	0.802
Small domestic market	147	3.88	0.861	3.17	1.124
Unstable business environment in home	147	3.50	0.890	2.60	0.775
Expand the business network of the firm	147	4.67	0.526	4.63	0.490
Availability of skilled workforce	147	4.57	0.590	4.63	0.598
Increase the profit margins	147	4.50	0.595	4.17	0.822
Quality of services	147	4.02	0.811	4.37	0.770
Desire to reduce the risk	147	3.98	0.897	3.43	1.008

Source: Questionnaire Survey

Abbreviations: MIR=Mean Importance Rating; SD= Standard Deviation; CCFs=Construction Contracting Firms

The survey results related to the external motives of internationalization indicates few differences in attitudes of Pakistani and British CCFs. The most important external motives impacting the internationalization of Pakistani CCFs are competitive pressure, psychological distance and proximity to clients and suppliers. These motives influence the strategic decisions of firms to maintain or enhance competitive position in the construction market or industry. Notably, the competitive pressure that results in the expansion of business network is seen as a powerful inducement impacting Pakistani CCFs to enter foreign markets. On the other hand, British CCFs distinguish important external motives as proximity to clients and suppliers, competitive pressure and small domestic market. Interestingly, psychological distance is the lowest ranked external motive for the British CCFs, whereas this variable is rated as second most important external motive for Pakistani CCFs. The competitive pressure in the home market and proximity to clients and suppliers are seen as common most important external motives between the British and Pakistani CCFs.

External barriers included in the survey allowed making a judgment about the complex environment of the overseas markets, whereas internal barriers allowed judging the capabilities of Pakistani and British CCFs related to the competitive positioning in foreign markets. The respondents were asked to rate external and internal barriers using Likert scale (where 1=the least important; 5=the most important). Findings related to the external and internal barriers to internationalization are presented in [Table 2](#).

Table 2 External and internal barriers to internationalization

Barriers	No.	Pakistani CCFs		British CCFs	
		MIR	SD	MIR	SD
Inaccessible market information	147	3.93	0.867	4.51	0.658
Foreign government restrictions	147	3.31	0.869	3.06	0.639
Bureaucracy (long administrative	147	3.12	0.942	3.17	0.568
Intense competition in the market	147	2.07	0.947	3.60	0.736
Start-up cost	147	3.74	0.964	3.29	0.710
Communication issues (foreign	147	3.62	0.854	2.63	0.877
Limited financial resources	147	3.23	0.882	2.57	0.737
Lack of management skills	147	2.64	0.630	2.26	0.536

Source: Questionnaire Survey

The results obtained allow concluding that the most important external barriers for Pakistani CCFs are inaccessible market information, foreign government restrictions and bureaucracy. Meanwhile, the respondents from the British CCFs indicated inaccessible market information, intense competition in market and bureaucracy as the most important external barriers. The responses of Pakistani and British CCFs to questions about internal barriers impacting internationalization indicate similarity in their attitudes. The respondents from both groups distinguished start-up cost, communication issues and limited financial resources as the most important internal barriers.

The foreign environment selection of Pakistani and British CCFs is based on the main criteria derived from the network, international entrepreneurship and stage theories. The respondents were asked to rank these criteria using Likert scale (where 1=the least important; 5=the most important). The results for the foreign environment selection are presented in [Table 3](#).

The obtained results about the main criteria which determine selection of international environment lead to the finding that Pakistani CCFs distinguish such criteria as ability of top management to gain support and mobilize resources, formal relationships with overseas and home country industry partners, and potential growth of markets. Meanwhile, the respondents from British CCFs distinguish the most

important criteria as formal relationships with overseas and home country industry partners, accumulated knowledge and wide-ranged international experience of management and ability of management to gain support and mobilize resources. The standard deviation of accumulated knowledge and wide-ranged international experience of management (0.502 of British CCFs) is the lowest among other criteria for environment selection, pointing out strong agreement between the respondents on its importance. On the other hand, taking into consideration that behavior of top management influences the behavior of firm, formal relationship and vast international experience of management are seen as one of the most important criteria in selection of international market by British CCFs whereas ability of management to gain support and mobilize resources and formal relationships of the management with overseas industry partners are seen as one of the most important criteria in selection of international market by Pakistani CCFs.

Questions related to the operational modes derived from the Stage theory were incorporated in the survey instrument. The respondents were asked to rank operational modes using Likert scale (where 1=the least important; 5=the most important). The findings of the operational modes are presented in Table 4.

Table 3 The main criteria that determine the environment selection

Environment Selection Criteria	No.	Pakistani CCFs		British CCFs	
		MIR	SD	MIR	SD
Ability of management to gain support	147	4.60	0.587	4.26	0.817
Formal relationships with overseas	147	4.50	0.634	4.71	0.458
Formal relationships with home country	147	4.29	0.742	4.31	0.758
Potential growth of markets	147	4.17	0.794	4.11	0.993
Geographical closeness	147	3.81	1.042	2.51	0.612
Accumulated knowledge and wide-	147	3.81	1.131	4.57	0.502

Source: Questionnaire Survey

Table 4 The operational modes

Operational Modes	No.	Pakistani CCFs		British CCFs	
		MIR	SD	MIR	SD
Subcontracting	147	4.33	0.650	2.74	1.067
Joint Venture	147	3.95	0.854	4.54	0.505
Exporting	147	3.57	1.063	3.77	0.690
Own Representative	147	3.43	0.966	3.29	0.825
Wholly Owned Subsidiary	147	3.24	0.983	4.20	0.677
Mergers and Acquisition	147	2.38	0.909	3.63	0.877

Source: Questionnaire Survey

Responses of Pakistani CCFs lead to infer that the most common operational modes are subcontracting, joint venture and exporting. The standard deviation of subcontracting (0.650 of Pakistani CCFs) is the lowest among other operational modes, pointing out the strong agreement between respondents on its importance. The obtained results correspond with the assumptions of the stage theory, stating that subcontracting and exporting is the first choice to gain internationalization experience. These low equity modes require the less resource commitment and minimize the risk associated with the foreign market (Wooster et al., 2016). Meanwhile, joint venture, wholly owned subsidiary and exporting are the most common modes for internationalization of British CCFs.

4. DISCUSSION

This In terms of motives, the findings for the external motives of Pakistani and British CCFs are in accordance with previous research findings, stating that the competitive pressure is one of the most stimulating reactive motivations of the firms to be involved in international construction activities (Cuervo-Cazurra et al., 2015; Rasiah et al., 2010). Interestingly, though competitive pressure is ranked among top two most important external motives for both groups, the standard deviation of this variable (1.243 of British CCFs and 0.926 of Pakistani CCFs) is higher among other external motives, indicating difference of opinion between the respondents within groups on its importance.

The obtained results related to the internal motives of internationalization do not indicate much difference in attitudes of Pakistani and British CCFs. The most important internal motives impacting internationalization of both Pakistani and British CCFs are expansion of the business network of the firm, availability of skilled workforce and increase the profit margins. These findings support the previous research findings stating that the expansion of the business network of the firm and possessing the skilled workforce are one of the most stimulating proactive motivations of the firms to be involved in internationalization (Abdul-Aziz & Wong, 2011; Felzensztein et al., 2019). The standard deviation of expansion of business network of the firm (0.526 of Pakistani CCFs and 0.490 of British CCFs) is the lowest among other internal motives, pointing out strong agreement amongst the respondents on its importance. On the other hand, desire to reduce the risk is ranked as lowest internal motive among both the groups as firms tend to do sufficient risk analysis before venturing into any business in overseas market.

In terms of barriers to internationalization, inaccessible market information was ranked as the top most external barriers by both Pakistani and British CCFs. Particularly the reasons for this barrier are associated with the large geographical and psychological distances between the home and host country and poor communication infrastructure. Start-up cost is seen as one of the restricting factors for both Pakistani and British CCFs. Notably poor communication infrastructure and lack of financial resources restrict the possibility to capture business opportunities abroad. The results drawn correspond with the findings of previously done researches investigating internal factors restricting internationalization of firms (Abdul-Aziz & Wong, 2011; Cahen et al., 2016; Wang et al., 2020). However, international entrepreneurship theory emphasizes that the discovery of opportunities involves management skills and knowledge which the top management uses striving to make decisions. Furthermore, these managerial skills and knowledge is derived from former information and experience in local and foreign markets. Hence, ranking of lack of managerial skills as one of the least important barrier to internationalization by respondents from both Pakistani and British CCFs allow claiming that the case firms acquire learning abilities which might transform into international growth.

In terms of foreign environment selection, it has been noted that as British CCFs grow and develop, particular attention has been paid to accumulating new knowledge and gaining wide-range expertise, mainly from their experiences as apparent from the research findings. The need for developing on hand capabilities and accumulating new knowledge is becoming vital for MNCs in a progressive global market (Q. Li & Deng, 2017; Rahman et al., 2018). Notably, British CCFs do not emphasize "geographical closeness" as the important criteria for international market selection as this variable has been given the least importance. Hence, the findings of British CCFs correspond with the claims that "psychic distance" is becoming less relevant as markets become homogeneous and communication and infrastructure improve (Calvo & Villarreal, 2019; Dib et al., 2010). Responses to the question how to define the internationalization process of their firms led us reveal that 40% of British CCFs prefer entering new markets through networks, personal contacts and partners. To conclude, collaboration relationships with various partners in the industry are seen as the way to acquire knowledge and experience and to become the entrepreneurial construction firm, i.e. characteristics common to the network theory. Meanwhile, 48% of Pakistani CCFs

indicated their internationalization process as cautious, risk averse, slow and step-by-step, i.e. characteristics common to the stage theory.

In terms of operational modes, the obtained results from British CCFs contradict with the assumption of the Stage theory as high equity modes (e.g. wholly owned subsidiary) which demand full resource commitment are seen as the main choices to gain internationalization experience. The standard deviations of joint venture and wholly owned subsidiary (0.505 and 0.677 of British CCFs) are the lowest among other operational modes, pointing out strong agreement between the respondents on their importance.

5. CONCLUSION

This paper has provided a wide-range of discussion and examination of the factors influencing the internationalization process of Pakistani and British CCFs drawing particularly from 84 Pakistani firms and 63 British firms. The expansion into foreign markets is one of the strategies which may help CCFs grow their business operations overseas and overcome the competitive pressures and declining demand in domestic markets. The international decision making of Pakistani and British CCFs is impacted by various external and internal motives. Taking into consideration size of the country, the results obtained helped reach the findings that competitive pressure from local and international competitors is seen as the main external motive for internationalization of Pakistani CCFs. British CCFs have good proximity to their clients and suppliers due to their previous formal relationships and networks. The credibility of the previously done work of the CCFs developed a trustworthy relationship with their previous clients who keep extending offers to them. However, the attitude towards internal motives allow raising the assumption that international entrepreneurship approach prevails in the behavior of both Pakistani and British CCFs. This assumption is based on the reason that the expansion of the business network of the firm and availability of skilled labor are considered as the main internal motives to internationalize for both groups. On the other hand, decision making of case firms is impacted by a range of external and internal barriers. Inaccessible market information and high start-up cost are seen as the main barriers to both Pakistani and British CCFs. The large geographical and psychological distances are big obstacles in accessing the foreign market information. Also, poor communication infrastructure and lack of financial resources increase the start-up cost in the foreign markets. Further, the case firms perceived the tight government regulation to be vital among the barriers for entrance in foreign countries.

The international environment selection of our Pakistani and British CCFs were found to be based on entrepreneurship and learning ability brought together by an extensive web of formal relationships. Some difference in degree between Pakistani and British CCFs were noticed. For example, British CCFs showed more developed and elaborate formal networks than the Pakistani CCFs. Whereas, Pakistani CCFs showed more inclination towards the geographic closeness compared to British CCFs. Further, it was noted that as firms grow and develop, particular attention needs to be given to the learning and gathering new knowledge and expertise.

Taking into consideration the main criteria which determine operational mode selection, the decision of operation mode of the case firms is governed by the markets, firm's capability to carry out construction services and host government regulations. This has resulted in variety of initiatives taken by Pakistani and British CCFs to secure foreign business. Both groups are involved with equity (full resource commitment) as well as non-equity (less resource commitment) operational modes. However, subcontracting and joint venture have been emphasized as main operational mode for working in the international markets by Pakistani CCFs. The focus of British CCFs on joint venture and wholly owned subsidiary allow claiming that British CCFs are seen at the more advanced development stage. The results of this study would be helpful for emerging countries' construction firms, especially for Pakistani firms. With the help of these findings, Pakistani CCFs can overcome their barriers and develop their competitive advantages so that they can further expand into overseas markets. It can be seen that Pakistani CCFs rely more on subcontracting as this entry mode is less risky and involves less resources, however Pakistani CCFs need to further develop the networks with other firms in the global market so that they can go for higher level of entry modes and gain more profit. The results of this study will also be useful for

Pakistani government in order to identify the weak areas of Pakistani CCFs and provide them support for successful overseas operations.

Limitations of the study

In spite of the significant findings, the results of this paper should be viewed in the light of the study's limitations. First, the study has generalizability limits. The same research if replicated in other emerging and developed economies may yield different outcomes. Second, the potential for CMV bias is recognized but authors did try to limit the possibilities of this, as noted earlier. Lastly, the limitations of the presented study were connected with the small data sample and the fact that the sample represent only one business sector i.e. construction industry. Future research should therefore concentrate on longitudinal studies of emerging and developed countries' CCFs in order to analyze the similarities as they develop the influence of formal relationships and networks on the performance of both emerging and developed countries CCFs and the role of government in internationalization. Research into these areas will offer a more comprehensive and better understanding of the internationalization process of emerging and developed countries CCFs.

DECLARATIONS

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