Stepping into a new era

Localisation strategy for Dutch architecture firms to improve their competitiveness in China

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Preface

This Master Thesis summarised the research that I had been dedicated to for a year at Delft University of Technology. My research interest grows out of my experience as an architecture student as well as working as an architect in China. I remembered that I wrote down the passion for cross-border architecture practice in my application letter to track Management in Built Environment. Luckily, two years later, I'm equipped with the copious knowledge that I can pursue and further my initial intention.

My Master's journey throughout the most severe pandemic period is unforgettable. Not only did I regret not having the chance to meet many people in person, but also I realised the uncertainty of 'tomorrow' is getting bigger. Therefore, I'm sincerely grateful for the people who accompanied and guided me throughout the whole process. Yawei, the weekly meeting that we had was incredibly helpful and inspiring. Later I realised how lucky I am to have this constant feedback in the early phases of thesis development. Your kindness and knowledgeable input is the most valuable asset that I gained during the thesis writing. Hans, you always raise the hard-hitting questions that make me realise the weak points and inspire my further interest in the topic. Also, the elective entrepreneurship course that you organised not only guided me to the start-up world but also enriched my knowledge of the business strategy part of my thesis.

In general, I'm satisfied that the thesis went smooth and well. I didn't suffer a lot from hesitating around topics or getting stuck from pushing forward. I know from the beginning what I wish to achieve, and I plan every step before going into details. However, there was a difficult moment when I had to write the thesis and finish a report for the elective while also doing a full-time internship. I was so struggling that I wanted to extend my graduation. Thanks again to Yawei and Hans; you encourage me that I'm capable of making it on time, and it turns out that you are right. And I'm more confident than ever that I can perform well under tremendous stress.

Finding interviewees was more difficult than I expected. But thanks to the interviewees who take time out of their busy schedules to attend my interview. Even though I couldn't mention your names here, I would always appreciate and remember our conversation.

I would also like to thank my parents and sister for supporting me as always. You made my independence adaptive and robust. Without you, nothing is possible for today's me. My friends, both in the Netherlands and outside the Netherlands, the laughers and tiers we shared are the antidote to my pain. Also, the person I like, the favourite video game I play every night, the colleges I learn from so much…. I appreciate the whole journey with the lovely people and things.

In the end, I need to thank myself for not giving up any moment and keep pushing to be a better person. The Master's study would probably end here, but my lifelong collaboration with myself has only just begun.

Abstract

Since China's open door policy and with its rapid urbanisation process, modern China has been known as the "testing ground" for foreign architects, including Dutch architecture firms. The architecture practices that firms did in China have enriched their company portfolio as well as increased their international reputation. For years, being a foreign company in China had natural advantages because of huge market demand and kind clients. However, after China has experienced crazy urbanisation, with strong influence of global architecture, both the government and the citizens desire to address their emphasis on traditional culture and localised architecture. Since then, foreign firms lacking an understanding of Chinese culture have encountered development bottlenecks. Meanwhile, the rise of local enterprises and the influx of enterprises from other countries have also increased the development pressure of Dutch architecture firms. Facing the current challenges, Dutch architecture firms operating in China urgently need to improve their localisation strategy to adapt to the market changes and enhance their competitiveness.

This research accesses and integrates the existing literature, thus establishing the theoretical framework that guides the empirical analysis. Through multiple case studies and interviews, this qualitative research aims to systematically understand the localisation strategy of Dutch architecture firms in China. The localisation performance of three firms with different levels of reputation are investigated. The findings suggested that the localisation level and firm performance are relevant while also influenced by other factors, such as reputation and branch office's function. The study concludes with practical recommendations for further reference.

Keywords: Localisation, Dutch architecture firm, China Construction sector, Value capture strategy, Entry strategy, Business performance, Firm reputation

Content

Introduction

China has been undergoing rapid urbanisation in recent decades. According to the Seventh Population Census, in 2020, 63.9% percent of the total population in China lived in cities (Ning, 2021), and it is forecasted that the urbanisation rate will reach 70% in 2030 (Textor, 2021). Over the last decades, the urbanisation process in China has been progressing steadily, which requires increasing demand for urban infrastructure and thus prompting the booming Chinese construction market to be the world's largest one (ITA, 2021). International Trade Administration (2021) stated that the annual growth rate of the construction industry in China would reach 5.2% in the next ten years. Although the construction market development slowed down due to the negative influence of the COVID-19 pandemic, the market has been showing indications of a gradual rebound since May 2020.

As the construction industry in the Western world has slowed down significantly due to the collapse of building prices, the vast market demand in China has attracted flocks of international architecture firms (Dezan Shira & Associates, 2015). In fact, 20 years ago, a small number of foreign architects had already entered the Chinese market. Still, it was not until China joined the WTO in 2001 that this number increased significantly due to the market's opening. Currently, although the market is not entirely open to overseas participants, there are three major methods that firms apply to enter the local market: 1. Employ enough employees with Chinese-related qualifications; 2. Cooperation or joint venture with qualified local planning institutes; 3. Provide consulting services (Zhao et al., 2015). The influx of foreign firms offers a glimpse of the jobs they bring. According to Fairs (2017), due to the increase of local Chinese companies and Western studios with offices in China, China has surpassed the Netherlands and has become Dezeen's third-largest recruitment advertising market, second only to the United Kingdom and the United States. Large-sized international consultancy firms such as SOM and AECOM have established independent legal entities in China's major cities, while AS&P, GMP, and RTKL are among the medium-sized businesses that have opened offices or branches in China. Subcontracting projects under larger consulting firms is common practice for smaller firms and new entrants (Zhao et al., 2015).

Dutch architecture firms have also taken an active part in this cross-broader construction trend since the 1980s. As a result of the financial crisis, the construction industry in the Netherlands was in decline until 2014. Between 2008 and 2014, productivity decreased by 22.4%, and between 2008 and 2013, a 12.1% drop in employment and a 14.6% drop in company turnover (Hardiman, 2018). The overall turnover of the Dutch architectural service sector was anticipated to be around € 1.7 billion in 2008, but it was only € 0.7 billion in 2012. During the same time span, employment in architectural firms fell by 58%. (BNA 2013 cited by Bos-de Vos et al., 2014). Despite the fact that the turnover of Dutch architecture firms stabilised in 2013, 39 percent of the firms remain unprofitable (Vogels, 2015 cited by Bos-de Vos et al., 2016).

Meanwhile, the construction expenses and market competitiveness both rose simultaneously, which caused construction practitioners to lose confidence in their home market. Therefore, there was an urgent need to open up overseas markets. Dutch architecture firms are experts in satisfying building demand, balancing regional growth, and protecting the environment (Zhao et al., 2015), which fill the gap in the Chinese construction market. Nowadays, many Dutch architecture firms are springing up in China in various sizes and business focus (Table 1). A growing number of people's efforts have been acknowledged and praised in the local market. Dutch architects have completed several iconic landmarks in China's most famous cities, such as the CCTV building in Beijing and the Canton Tower in Guangzhou. The architecture practices in China have increased Dutch architecture firms' international reputation and enriched their company's portfolio. In fact, reputation was one of the most critical factors for firms entering the Chinese market. Especially for landmark projects, the client usually invites internationally renowned firms to participate, which gives them a relative shortcut to entering the market (Greenwood et al., 2005).

Still, architecture firms from the United States and Hong Kong dominate the current industry, with American firms capturing a large part of the market in most of the sectors that are available to foreign firms, while Hong Kong firms concentrate on traditional construction, landscape, and urban design (Zhao et al., 2015)

{total employees}	Name
250 + employees	ARCADIS
	Royal HaskoningDHV (RHDHV)
	OMA (Hong Kong)
	MVRDV bv
	Inbo
	UNstudio
51-250 employees	Mecanoo architecten b.v.
	Kuipercompagnons
	KCAP Architects & Planners
	de Architecten Cie
11-50 employees	Information Based Architecture (IBA)
	NITA Design Group
	NEXT architects
	VMX Architects
	Superimpose

Table 1. Dutch architecture firms in China (Zhao et al., 2015 & BNA, 2021)

Eight years ago, being a foreign company in China had natural advantages because of huge market demand and kind clients who pursued unique design concepts to increase their property value. However, as President Xi Jinping said, "No more weird buildings" in 2014, foreign firms lacking an understanding of Chinese culture have encountered development bottlenecks. According to Martek and Chen (2013), the successful internationalisation of firms depends on whether they can find the right balance between integrating the best local resources and the competitive environment while retaining the core competitive superiority of home-grown advantages, and using these core competencies to achieve the greatest strategic effectiveness. Dunning (2008) also pointed out that the localisation method may significantly impact a company's offshore performance.

At the same time, the rise of local firms, the influx of firms from other countries, and the popularity of parametric design and interactive design have increased the pressure on Dutch firms. Especially after the pandemic, due to international travel restrictions, Dutch architects could not conduct on-site supervision, which caused them to lose effective control over the projects. Some small firms even faced the embarrassing situation of shrinking or suspending projects. Confronting the current challenges, Dutch architecture firms need to understand their position in the ever-changing market in order to enhance their competitiveness.

The available research concentrated on the topic related to Dutch architecture firms entering the Chinese market is relatively limited. The latest thesis done by Weishan Chen was in 2013, which is almost a decade ago. In the last decade, new challenges, as well as opportunities, emerged and it is also important to forecast the situation in the upcoming ten years. Some literature discussed a broader topic concerning the foreign enterprises in general towards the Chinese market, such as “Localisation Typologies Evident among Foreign Enterprises Active in the Chinese Construction Market” by Martek and Chen (2013), and “Entry and business strategies used by international architectural, engineering and construction firms in China” by F. Y. Y. Ling et al. (2005). Despite the high level of scholarly interest in this field, no systematic examination of the localisation procedures of Dutch architecture firms has been conducted. Therefore, based on the previous contribution and new changes in the market, this research is highly needed to update and add up to the archive information. Specifically, this research focuses on the Dutch architecture firms that have entered the Chinese construction market regardless of the project size and type and are willing to expand their business footprint under the localisation era.

Relevance

Societal

Starting and expanding an international architecture business in another country with different values and cultural backgrounds is never easy. Conflicts between the client and the architect, the aesthetic value and profitability, and Eastern and Western culture have challenged all international businesses. This research aims explicitly for those Dutch architecture firms that have already entered the Chinese construction market. Although some of them made good progress in integrating into the local context, the understanding of localisation strategy, in general, is still insufficient. Besides, the built environment is constantly changing. The attitude towards architecture firms and their products is shifting from global to local, which also requires a corresponding response in company strategy. Therefore, this research hopes to provide insight, point out the gap and lessons to learn and improve the business strategy of Dutch architecture firms in China. Hopefully, this research can also become a reference for other international construction businesses interested and willing to participate in the Chinese business competition.

Scientific

Firstly, the scientific research focusing both on the Dutch architecture firm and the Chinese construction market is limited. Instead, these two research subjects are often discussed separately. The most relevant thesis on this topic was conducted almost ten years ago by Weishan Chen, who looked into the entry strategy of Dutch architecture firms towards China. Other works of literature did not specifically mention Dutch architecture firms but rather used ‘overseas firms‘ as a broad category. Some recent articles, such as “Made for China: Localisations of International Architecture in China, 2001-2018” by Parker (2019), addressed localisation of the architectural form but not its business strategy. This study has thoroughly studied the detailed scope of this international construction topic, filling in the research gaps that previous researchers have small emphasised. In addition, this study will re-examine the previous literature on the issue of International AEC firms, and combine them in the Dutch framework and current context. If the theory is still valid, this research can confirm the previous study and extend its application. Otherwise, the author will propose new changes and upgrades to the theory based on the current situation. Moreover, the knowledge of this research is likely to be transferred to other Dutch international businesses, thereby providing a more comprehensive range of scientific contributions.

Secondly, researchers commonly use ‘localisation’ in the translation community or ICT companies rather than in the built environment. Compared to other sectors, localisation in the architecture field has a more cultural and aesthetic dimension that involves more than just language translation. It requires a broad knowledge of a specific location's legal and institutional conditions. Although researchers such as Igor Martek and Chuan Chen identified several parameters and typologies to analyse the localisation behaviours of international AEC companies in China, it is not clear whether these theories also apply to Dutch firms. This research will contribute to the research gap of the localisation strategy in architecture firms that only limited investigations have mentioned.

Problem Statement

As mentioned above, after China had experienced drastic urbanisation, the government and citizens began to reflect and realise the importance of localisation. When manifested this attitude transformation in architecture and the built environment, it can be observed that the popularity of overseas architecture firms that are not familiar with Chinese culture or have a low level of localisation is declining. Thanks to the famous CCTV building designed by Rem Koolhaas in Beijing, the number of Dutch architecture firms still maintained a steady increase in recent years. However, under the changing market demand, Dutch architecture firms face dual pressures from external competitors and their inherent shortcomings.

Dutch architecture firms are facing bigger localisation pressure in the current construction market. Compared to its neighbours, such as Germany and French, Dutch architecture firms have a relatively short history of entering China and less experience in conducting projects in the East. They also have less connection and partnership with local governments or academic institutions due to historical reasons. Although most Dutch companies are very interested in the future development of China, they are also aware of the various misunderstandings and uncertainties due to differences in working method, culture and legal concerns. Many Dutch architects have expressed confusion and doubts about their future development after operating in China for five years (Hui-y, 2006): Innovations in architecture and urban planning are often challenging to achieve due to a radically different attitude to the ambition document, lack of basic knowledge, unpredictable customer expectations and so on.

In addition, compared with firms from the United States, Germany and Australia, the Dutch ones are generally smaller in scale. This has led to the fact that, first of all, many Dutch architecture firms' branches in China are more of a business development department than a design entity. The majority design activities are still completed in the Netherlands, while the Chinese employees are mainly responsible for communication and monitoring. Architects from Hong Kong and Singapore have noted that physical presence is significant in China that can help firms better understand local regulations and customer needs. Also, it shows a long-term cooperation willingness that can add up to firms' reputation (F. Y. Ling et al., 2006). In the context of the COVID-19 pandemic, Dutch architects are almost unable to conduct on-site inspections due to the international travel restriction, which can easily lead to complaints from clients and harm the company's reputation. This further shows the importance of having a relatively independent and localised Chinese branch. Besides, small company size might also lead to weak capital operation and anti-risk ability. Therefore, Dutch firms are more cautious when undertaking large-scale projects or carrying out commercial expansion. The localisation of a company needs financial support, which could increase the firm's economic burden in the early stage, even though the localisation strategy can benefit the company in the long term. In summary, an appropriate localised strategy is necessary for Dutch architecture firms to improve the status quo and prepare for future-proof development. An ideal localisation strategy should both suit the company's current needs and be flexible and easily expandable to adapt and grow.

Research Question

Main research question

The main research question of this thesis is: **What is the performance of Dutch architecture firms' localisation strategy in China?** The main research question will be investigated by three secondary research questions:

Secondary research questions

SQ1 *What is the current localisation status of Dutch architectural firms in the Chinese construction market?*

In this question, the researcher first understands the localisation strategy's historical evolvement. Then, the current performance of Dutch architecture firms, including the localisation strategy in operation and how it relates to the firm's organisational structure, characteristics and business value are be investigated. The researcher also studies and evaluate the influence of external factors such as market conditions and national policy.

SQ2 *How do Dutch architecture firms select their localisation strategies and what are the bottlenecks they face to improve their performance?*

After grasping the current performance of the localisation strategy of Dutch architecture firms, the next question dives deep into the reason behind it: What factors did the firms consider the most or what are the decision-making criteria when they selected their strategies? As stated above, the new challenges in the market require the Dutch firms to improve their localisation strategy. Before addressing recommendations or solutions, the research investigates the barriers and bottlenecks from internal and external perspectives.

SQ3 *To what extent can the current localisation strategy of Dutch architecture firms be improved to contribute to the business success?*

To answer the last secondary research question, the researcher summarises the challenges and bottlenecks from SQ2 and generate recommendations for firms to improve their competitiveness in China. In the end, the study discusses the transferability of the recommendations to other Dutch firms and international firms.

Methodology & Research Methods

The primary research method to be applied in this thesis is qualitative research. According to Hancock et al. (2009), the qualitative method involves accounts of experience or data that cannot be accurately described mathematically. Qualitative research focuses on description or explanation and may result in the formation of new concepts or theories, as well as an evaluation of the organisational process. While the quantitative method, on the other hand, employs statistical tools, allowing the research to be objective or measured in terms of how likely something can be determined. Since this research investigates the performance of localisation strategy, which is challenging to measure by numbers precisely, it focuses on interpreting people's experiences and behaviour in the real world that happens in a specific context and changes over time. Therefore, the qualitative research method is more suitable for this research.

Data collection

The data to be used in this research can be divided into secondary and primary data. The secondary data serves as a research base that forms the theoretical framework. At the same time, the primary data from the interview is collected and analysed to validate and add up to the achieved data.

Secondary data - Literature review & market analysis

The theoretical part of this research started with the secondary data by the literature review and market analysis to acquire available information. According to Bryman (2012), literature review can be divided into systematic review and narrative review. Systematic review is more rigorous and focuses on a smaller scope of a research field, while narrative review, as a traditional method, tends to be more wide-ranging and flexible. Based on the research questions, the researcher chose to apply narrative review to dive into the main concepts that can later contribute to establishing the theoretical framework. And the market analysis is conduct both on Dutch architecture industry and Chinese construction market.

Literature review and market analysis will contribute to all secondary research questions (Table 2) as a theoretical base. Although the literatures form a solid framework, their feasibility still needs to be confirmed by the interviews.

Primary data – semi-structured Interview

Among qualitative methods, according to Yin (2009), the case study method is effective when understanding the current situation within real life. There are mainly two types of case study: single case study and multiple case studies. Single case study is useful in generating an in-depth understanding of a certain specific situation. While the evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as more robust (Herriott & Firestone, 1983). Concerning this research, multiple case studies based on different reputations was chosen to answer the research questions. This is because: 1) As is known that the company reputation is the distinguishing factor that affects international companies' strategy (R. A. Moreira et al., 2013). The researcher expected to understand the differences between various reputations of firms thus generating a thorough idea of most Dutch architecture firms. 2) Theses and works of literature of a similar topic applied multiple case studies as their primary research method as well, which proved that this method is effective and efficient. 3) By applying multiple case studies, the lesson from this thesis is likely transferable and applicable to other Dutch firms that are not listed in the research.

There are many sources of case study evidence, including documentation, archival records, interviews, direct observation, participant observation, physical artefacts (Yin, 2009). Among those, semi-structured interviews with architects or managers are the main data collection method to retrieve empirical data. DiCicco-Bloom and Crabtree (2006) stated that semi-structured interviews are often structured around a set of predefined open-ended questions, with additional questions arising during the interview. This allows the researchers to be more flexible and open to new topics raised in the conversation. Each company selected contributes one interviewee, and the in-depth interview will be done individually to dive into societal and personal issues.

Data analysis

The data collected from both literature and interviews are analysed with various methods. For the interview data, the thematic analysis is the main method, which the core concepts that emerged from and between the transcripts will be emphasised. Since data comes from different sources, such as company websites, interview transcripts, and journal articles, triangulation is needed to cross-check the justifiability of findings. The data collection and analysis methods are summarised in the following table:

Secondary research questions	Main content	Data collection	Expected outcome	Data Analysis
SQ1 What is the current localisation status of Dutch architectural firms in the Chinese construction market?	*Historical evolvement*	*Literatures:* Literatures on common entry strategy evolvement *Semi-structured Interview*: focus on whether the localisation strategy has been changed in the past years	*Literatures:* theoretical framework of entry strategy *Semi-structured Interview*: the process of how firms adapt to the local culture through years	Literature review Thematic analysis Triangulation
	Influence factors	*Literatures:* company documents on firms' characteristic; market analysis on external factors *Semi-structured Interview*: focus on both internal and external influence	*Literatures:* theoretical influential factors *Semi-structured Interview*: the most important factors that influence the firm's export behaviour, either confirm the literature review or add to it	
	Current performance	*Literatures:* Literatures on performance framework *Semi-structured Interview*: focus on the on-going real life situation	*Literatures:* the current performance of the selected firms, also the general business condition of Dutch architecture firms *Semi-structured Interview*: the value dimensions of firms	

SQ2 How do Dutch architecture firms select their localisation strategies and what are the bottlenecks they face to improve their performance?	*Decision-making criteria*	*Literatures:* focus on literatures about decision-making criteria framework *Semi-structured Interview:* focus on the reason behind decisions and challenges.	*Literatures:* theoretical framework of decision-making criteria *Semi-structured Interview:* focus on the reason behind decisions and challenges.	Literature review Thematic analysis Triangulation
	Common and distinguished concerns	*Cross-case analysis*	Common problems and various problems firms with different reputation	Cross-case analysis
	Internal & external bottlenecks	*Literatures:* focus on theoretical challenges and market trends *Semi-structured Interview:* focus on both internal & external (interviewee's personal expectation of the future development)	*Literatures:* challenges of Dutch firms to develop their business in China *Semi-structured Interview:* the bottlenecks of the firm's development and the suggestions for improvements	Literature review Thematic analysis Triangulation
	Influence of the bottlenecks	*Semi-structured Interview:* the impacts of the bottlenecks on the operation of firms	*Semi-structured Interview:* how interviewees see and resolve the problems	Thematic analysis
SQ3 To what extent can the current localisation strategy of Dutch architecture firms be improved to contribute to the business success?	*Improvement recommendations*	Summarise the above findings	Improvement recommendations that contribute to the business operation of Dutch firms	n/a
	Transferability	*n/a*	The applicable scope of this research	Thick description

Table 2. Data collection, expected outcome and data analysis according to each secondary research questions (own table)

Case study design

Selection of firm

The main purpose of the case study is to understand the localisation performance in real corporate practice and collect the interpretation of the interviewees. In total, three firms which represent the category of 1) internationally famous Dutch firm. 2) Firm that is only famous in the Netherlands 3) Firm that has limited reputation are selected as case studies (Figure 1). By focusing on the three types of firms, the researcher is able to conduct an in-depth study. Except being Dutch architecture firms with Chinese business, the cases should also fulfil the following criteria to be able to have a certain level of localisation:

- Must have realised project in China
- Must have a physical office in China

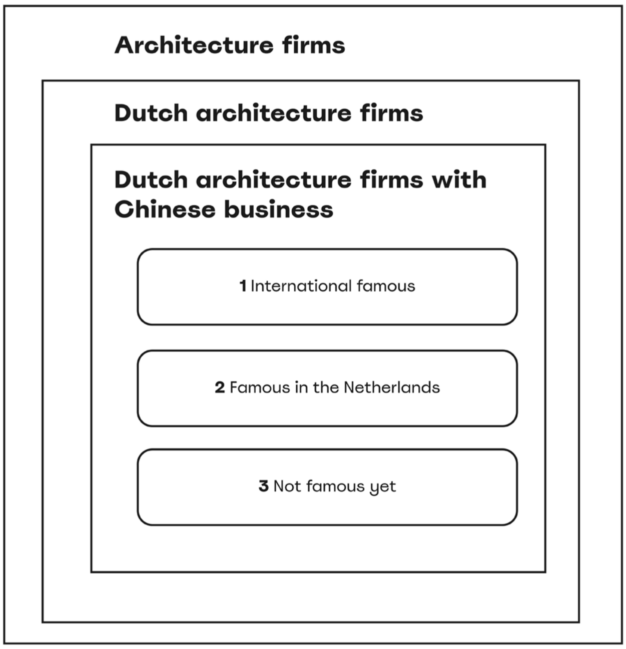


Figure 1. Selection scope of cases (own illustration)

Based on the theory provided by the literature review, the researcher applies the theoretical knowledge in the case studies. The researcher develops an individual complete case report for each case, which can show the performance of the localisation strategy on various scales. Archive data from company documents, business reports, or other research studies contribute to the background study of the cases. The most important part of the case study is conducting in-depth interviews for up-to-date information. The selection for Dutch architecture firms, mainly the business managers are interviewed. Compared to architects, the business managers are in charge of the business part of the company and therefore can have a comprehensive view. The selected business managers are preferred to have a senior position or have been working for the company for at least five years. Interview with external stakeholders were also conducted to add the scientific and dynamic level of the research. Consulate-General of the Kingdom of the Netherlands and client of the Dutch architecture firm were approached. In the end, the process and result of the case studies was documented in the cross-case report. A cross-case conclusion was drawn after all case studies are done.

Ethical considerations of Data plan

This research uses both primary data and secondary data. The primary data refers to the first-hand data collected by the researcher, including the interview transcript, personal information of interviewee, audio/video file and data analysis bundle. The data is stored only on the researcher's personal computer and a hard drive for backup. These devices can only be accessed by the researcher. The personal information of the interviewee will be kept confidential and all primary data is only used for academic purposes. Before each interview, the researcher asked for consent of interviewee so that they understand and agree on the purpose and use of the data. The final thesis consists of the data is published on TU Delft Repository. The protection of the research data follows the Ethics and Privacy Committee or the General Data Protection Regulation of TU Delft.

Research Output

Goals

The main goal of this research is to systematically understand the localisation strategies and its current performance of Dutch architecture firms operating in China, thus providing localisation strategy references for firms that intend to expand their business footprint.

Sub-objectives

1. Summarise and draw lessons from the past success or failure experience of Dutch architecture firms in China.
2. Identify the new opportunities and challenges that the Chinese market and Dutch architecture firms may face in the future under the background of localisation.
3. Provide in-depth theoretical support for the localisation of Dutch investment, which guides future participants in this international construction cooperation.

Research plan & Deliverables

Figure 2 shows the outline of the graduation process. In total, there are 5 P's that each represents a research milestone. The main tasks for each stage are also listed below. In essence, P1 represents the problem definition and setting phase. In P2, more literature reviews were conducted, and the research methodology is determined. The literature review is a constant process started from P1 and last until the beginning of P4. In addition, it is also essential to develop a feasible plan in P2 for the data collection carried out in P3. The P3 report mainly showed the results of data collection and draw basic conclusions. The data collection and analysis process last till the middle of P4. In P4, the researcher synthesised all research results and previous literature analysis. Finally, in P5, the thesis draft was finalised and organised into the presentation.

It can be noticed that most tasks ran through more than one stage. This is because even if the accomplished tasks meet the requirement of one milestone, it still needs further adjustment and improvement as the thesis continue. And crossing one milestone does not mean the work for this period is perfectly finished. The researcher should further on the necessary tasks towards the next milestones and consider the milestones as a green light rather than a finish line.

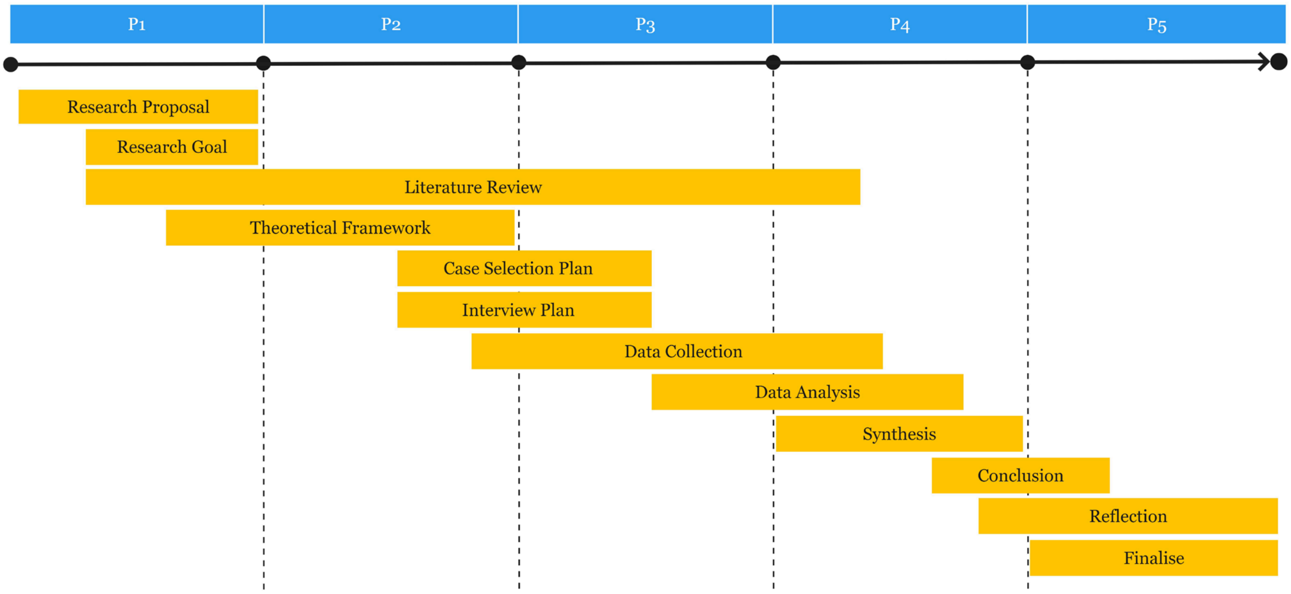


Figure 2. Graduation timeline P1-P5 period (own illustration)

Dissemination and audiences

This research aims for those Dutch architecture firms willing to expand their business footprint in the Chinese market. The primary audiences of this research are the employees in Dutch-owned architecture firms who actively work in China. Employees with Dutch nationality and Chinese nationality were both approached for data collection.

Literature Review

Overview of literature review

The literature review consists of five main concepts: value capture strategy, entry strategy, and localisation strategy. And four supplementary concepts: architecture firm, firm reputation, export decision criteria, and performance criteria. The connections between concepts can be seen in figure 3. In general, the literature review starts with introducing architecture firms and how architecture firms seize their values. The significance of reputation to architecture firms will also be researched. Later, the entry strategies of firm when going abroad were discussed, and also the criteria that affect the export decision. Localisation strategy can be seen as a branch of entry strategy that focuses on firms adapting to the local context. The research identifies the gap of how entry strategy evolves to localisation strategy. Lastly, the theoretical performance criteria for evaluating the strategy are presented and contribute to the case studies part.

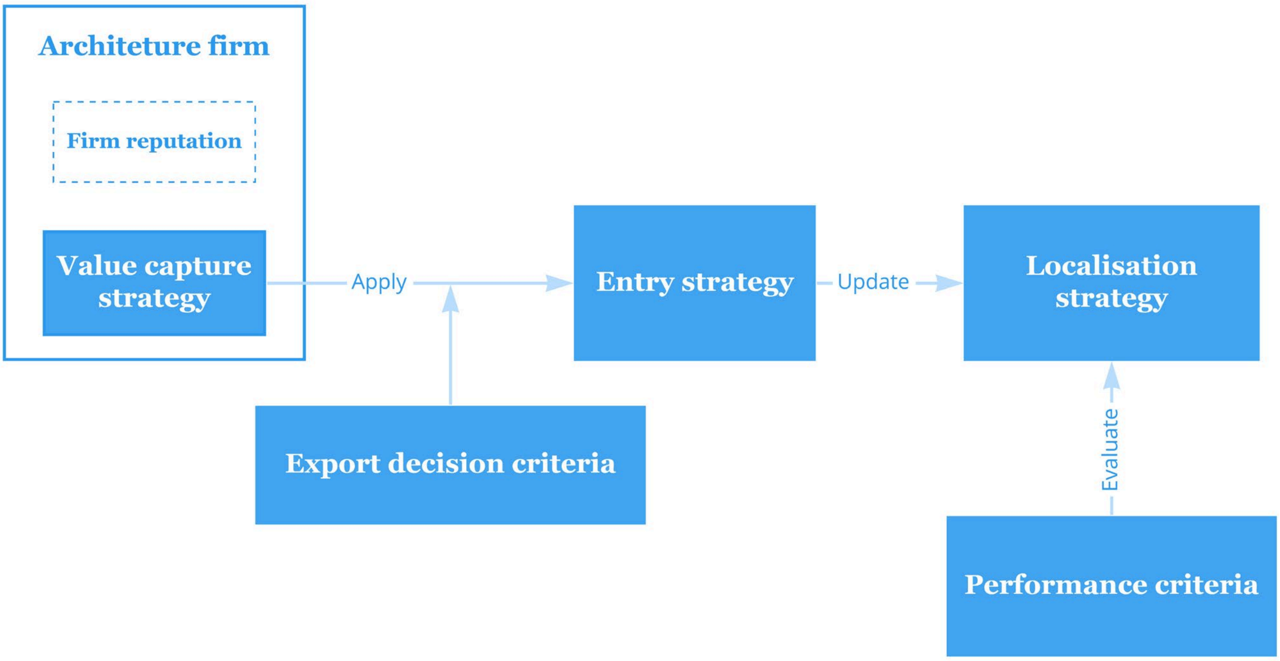


Figure 3. Main concepts and their relationship (own illustration)

Architecture firms

Architecture plays a significant role in contributing to human life and living condition. The creator of architecture - architects, helps the society in facing complicated issues. Architects integrate users, environment and buildings with their spatial competences and understanding of societal challenges to satisfy the social and geographical criteria related with feasibility and sustainability. The organisation that accommodate architects and perform architecture design, architecture firms are classified as 'traditional' professional service firms (PSFs) (Løwendahl et al., 2001). Bos-de Vos et al. (2018) further explain that architecture firms generally have a clear picture of how to effectively apply their expertise to a specific project. They strive to a precise set of activities and obligations in order to better serve the client, the end user, and society in general.

Clauss (2016) stated that there are three main dimensions of a firm's business model: value proposition, value creation and value capture. Bos-de Vos et al. (2018) adapted this concept into the core elements of business model of architecture firms: 1) Service offering: the value that the firm indirectly provides to the end user for the client. 2) Value creation: the value that the project team created for the users, other stakeholders and the society, and also to the architecture firm itself. 3) Value capture: how the architecture company effectively asserts their value. As value seems to be the core concept of firm's business model, it is important to understand what those values refer to. For architecture firms, there are three main types of values (Figure 4): 1) Use value: the value generated and ultimately seized by the client and users. 2) Professional value: the non-monetary value an architect has accumulated for the firm including reputation, development and work pleasure. 3) Financial value: the revenue that a project or service generate, sometimes also called as exchange value (Bos-de Vos et al., 2018). Same as all business organisations, architectural firms usually pursues several value at the same time, for instance, a mix of financial feasibility, high-quality work, and high client and end-user satisfaction (Bos-de Vos et al., 2018). Every initiative is supposed to contribute to the firm's business goals and, to varying degrees, increase its financial balance. In fact, the two factors can not always be achieved simultaneously, therefore, it is effective to trade-off between different value: one project may be good for the reputation but not creating abundant revenue, whilst the other one may provide better long-term financial stability but less professional value. (Bos-de Vos et al., 2018)

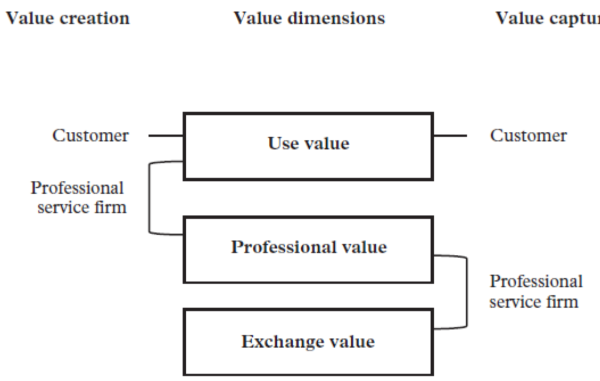


Figure 4. Theoretical framework of value creation and value capture in professional service delivery (Bos-de Vos et al., 2016)

Many PSFs, including architecture firms, aims more for client, user and societal value and professional value by delivering service quality rather than revenue or financial success (DeFillippi et al., 2007; Ravasi et al., 2012). In practice, usually architecture firms would trade off financial value or use value in exchange for professional value. Architecture firms are, in general, reluctant to forgo professional value in exchange for financial benefits (Bos-de Vos et al., 2018).

Value capture strategies are applied to help firms maintain their core values (Figure 5). The strategies utilised to reach an agreement on the service offer demonstrated 1) how businesses attempted to produce both prospective use value for their client, users and society, and possible professional value for their own company; and 2) how firms attempted to maximise exchange value. Some of the tactics suggest that in the service offer, prospective professional value was placed over transaction value (Bos-de Vos et al., 2016)

Value dimensions	Value capture strategies used in the service offer	Value capture strategies used in the service delivery
Professional value	Discussing goals Offering free services[a] Offering non-profitable services[a]	Delivering additional quality[a] Delivering non-valued additional quality[a/b] Buying additional quality[a]
Exchange value	Applying business approach Offering commercial value Exploiting reputation	Managing short-term performance[c] Renegotiating fee[c]

[a]Strategies to trade off exchange value for professional value.
[b]Strategies to trade off use value for professional value.
[c]Strategies perceived to trade off professional value for exchange value.

Figure 5. Value capture strategies of architecture firms (Bos-de Vos et al., 2016)

Noted that challenges could also occur in the business model of architecture firms. It is acknowledged that there are significant gaps between organisations' value propositions and the value that they aim to capture. Besides, the architectural firm' ability to extract value is hampered by the firm's high level of resource reliance. And sometimes the organisations' value propositions are difficult to transform into revenue at the early stage of a project (Bos-de Vos et al., 2017)

According to Cyrino et al. (2005), there were several motivations for firms to internationalise, including risk management, arbitration and institutional hurdles, cost competitiveness and the hunt for complementary strategic assets in overseas markets (Mataveli et al., 2020). In terms of the internationalisation of Dutch architecture firms, a study done by Bos-de Vos et al. (2014) revealed the international market approach of firms by conducting interviews among a number of Dutch architecture firms. The research suggested that firms that routinely work overseas are all actively seeking to improve their international performance through competitions and connection with other actors. In the early phases, overseas operations mostly consist of design or consultation services. Because of their expertise of local regulations and building practices, the engineering and construction processes are carried out by a local partner. As a result, engagement with local partners is required to provide value to worldwide clients.

Three types of stakeholders are indicated in the governance of the activity system to contribute to international value generation and appropriation. To begin, local partners are critical in understanding the market scenario and client demands. Second, collaborations with other Dutch architectural firms is important in order to compete with overseas companies and broaden the area of service offering. Finally, other Dutch supply chain enterprises, such as engineering firms, contractors, or product suppliers, contribute to a more comprehensive and integrated service delivery. Value generation may thus be improved at both the company and supply chain levels (Bos-de Vos et al., 2014).

Unlike traditional commercial organisations, architecture firms seem not to prioritise financial benefits as discussed above. Instead, they often trade-off the financial value for project quality or corporate reputation. When architecture firms internationalise, their value positions would accompany the export activities and form its business characteristic.

Firm reputation

According to Mishina et al. (2012), organisation reputation is defined as an assessment performed by the stakeholders towards the organisation's value creation ability. For PSFs such as architecture firms, a good reputation in the market is fundamental and essential to their business development (Greenwood et al., 2005). Generally speaking, the reputation of architecture firms comes from its design quality and or the importance of the project. The quality can be the level of innovation, sustainability, aesthetic and technology of the building. As for the significance of the project, when an architecture firm wins the tender for an iconic project, such as the CCTV tower in Beijing, its reputation can increase drastically. With the accumulated prestige, the firm is able to attract talented designers who either praise their architecture, or want to upgrade their professional careers. On the other hand, firms with a strong reputation are more likely to be approached by clients and gain numerous project opportunities (Bos de Vos, et al., 2016). This is because when an international famous architecture firm announces its new project, certainly the project will gain much more media exposure and increase its popularity among people. From the clients' perspective, inviting famous architecture firms to competitions or commissioning them for projects can reduce their marketing expenses and receive an expert reputation. In turn, a strong reputation can be a bargaining chip when architecture firms negotiate with clients, which in most cases, clients are willing to pay for their 'intangible value' reflected in higher design fees.

According to the interview with the Consulate-General of the Kingdom of the Netherlands (2021), the reputation of Dutch architecture firms in China is renowned, as there are quite big names, both architects and firms, that represent Dutch architecture design in the local market. The core competitiveness of Dutch architecture firms is design ability and quality. Different firms take different entry approaches, depending on their reputation and scale in the local market. And in most cases, the bigger the firm is, the more likely it will have a high market reputation. Famous ones like MVRDV, OMA, and UNStudio are approached by clients directly. Some have pretty good local networks as they entered the market relatively early and have established quite a good footprint in the local market. Other companies often participate in competitions of public tender. Some architecture firms were already internationally renowned before entering the Chinese market, such as MVRDV and OMA. The design activities in China just further stimulated their fame. In contrast, others such as IBA, who designed the Canton Tower, were not well-known before but established their reputation only after conducting iconic projects in China. Among all aspects that influence the performance of Dutch architecture firms in China, reputation and capability to adapt to local business culture are said to have the most significant impact. In other words, reputation and localisation level are the decisive factors.

Based on the previous table of Dutch architecture firms in the introduction part, the table is adjusted according to the firm reputation level (Table 3). The classification was based on the number and importance of awards received, numbers of iconic projects, years of experience in China and also validated by architects who work in practice. Big organisations tend to have a higher ability to export to a foreign market and can exploit their current reputation in the new market, while small or medium sizes would face more challenges in increasing firm reputation (Dang et al., 2020). Large enterprises are substantially more likely than small firms to have defined market segment(s), as well as clear export market goals and competitive strategies (Samiee and Walters, 1990). Large businesses can afford to take on more risks than small firms, and their risks from global operations are lower since they benefit from economies of scale in foreign marketing. As a result, the risk premium requested by large enterprises for overseas marketing is lower than the premium demanded by small firms so large enterprises tend to export a more significant proportion of their output (Hirsch & Adar, 1974). Therefore, Dutch architecture firms with higher reputation are generally larger in scale.

{Reputation}	Name
International famous	ARCADIS
	Royal HaskoningDHV (RHDHV)
	OMA (Hong Kong)
	MVRDV bv
	UNstudio
Famous in the Netherlands	Mecanoo architecten b.v.
	Kuipercompagnons
	KCAP Architects & Planners
	Inbo
Not yet famous	Information Based Architecture (IBA)
	NITA Design Group
	NEXT architects
	VMX Architects
	Superimpose
	de Architecten Cie

Table 3. Dutch architecture firm's reputation in China (own table)

As mentioned above, the two decisive factors for Dutch architecture firms are reputation and localisation level. It would be reasonable to investigate the localisation level for firms with different reputations. The literature suggested that the bigger the organisation is, the more possible the firm has a higher standing and active export behaviour, potentially resulting in a higher localisation level. Therefore, to study the localisation level of the firms, the research categorises the firms by reputation and test out their ability in adapting to the local culture. However, this hypothesis still needs to be validated by the interviews in the case studies.

Entry strategy

A successful internationalisation requires the determination of the best market entry strategy, as well as a grasp of environmental condition, business capacity, and marketing mix activities with a careful regard for business competitors (Michalski, 2015). IME (International market entry) strategies has been through historical evolvement (Watson et al., 2018). 1980s and Prior was the transactional era of IME strategies. At this moment, International market entry strategies are primarily concerned with profit-maximising and risk-minimising considerations for delivering products and services to a global market. Managers' constrained rationality, partner opportunism, monitoring, and optimum governance choices were the major challenges, which reflects the less connected international community. Firms in developed countries were more likely to extend their business into culturally and economically similar countries (Hoppner and Griffith 2015). Since the 1990s, the emergence of relationship marketing has centred on a set of methods aimed at developing advantageous connections between trade partners (Michalski, 2015). It also noted that enterprises based in developed countries were progressively growing into developing rather than developed economies; that is, they were moving into culturally, economically, and legally diverse contexts where local contacts were crucial to success (Michalski, 2015). For example, foreign enterprises seeking to join the Chinese domestic market were obliged to partner with a local, often government-owned organisation (Faccio 2006). Nowadays, digital and relational marketing were merging into hybrid IME approaches which focuses on establishing the best combination of relational strategies that uses digital communication technologies to export (Watson et al., 2018). As shown in Figure 6, four types of IME strategies has their specific conditions that distinguished them from others. In general, the current international architecture business strategy can be seen as a relational based strategy that incorporate digital operation. The nature of the construction industry determines that the delivered product cannot be purely digital or virtual. With the assistance of information communication tools, the IME strategy has the potential to combine digital IME strategies into hybrid ones.

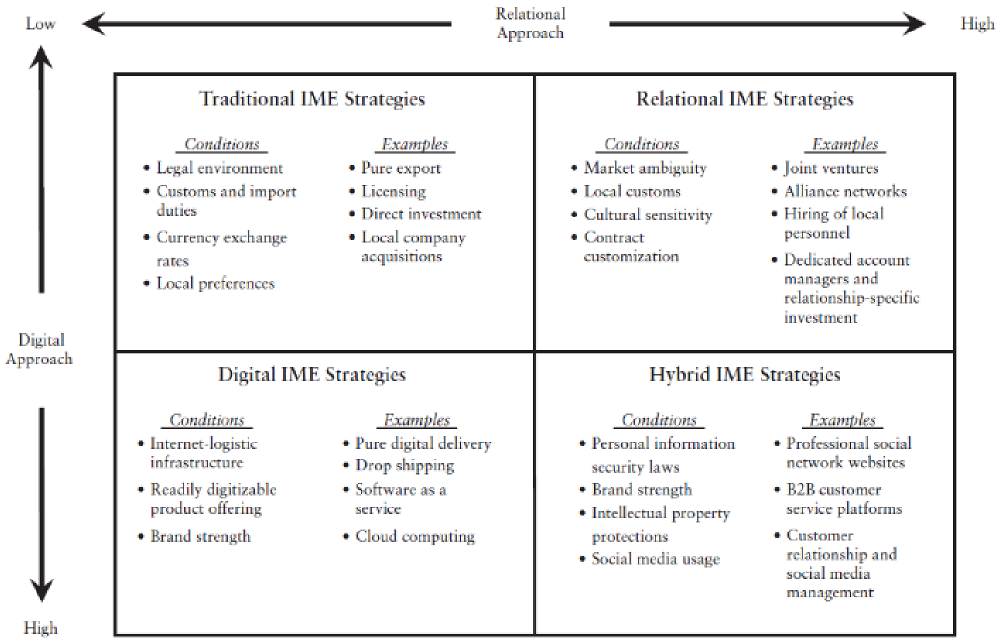


Figure 6. Taxonomy of IME strategies (Watson et al., 2018)

IME approaches lies the cornerstone and basement of firms extend to overseas markets. After determine the most appropriate entry strategy, foreseeing of the entry process of international business exchange is also valuable to prevent unexpected development crises. Michalski (2015) mentioned three important steps (Figure 7): First, casual exporting entails distributing the same item in a different nation. This method is popular for growing international markets since it often involves little financial input and is simple to implement. Second, hiring a local or international agency or entering into a long-term deal with a foreign middleman provides the same benefits as casual exports. Third, practically every long-term deal with a foreign middleman results in relationships that culminate in some type of international position for the company. A joint venture, also known as a strategic alliance, includes the involvement of both a foreign and a local firm in order to form a new organisation. Joint ventures are attractive because foreign companies may lack the financial, technical, or administrative resources to enter a market on its own. This technique also frequently protects the foreign corporation from impediments imposed by the local government.

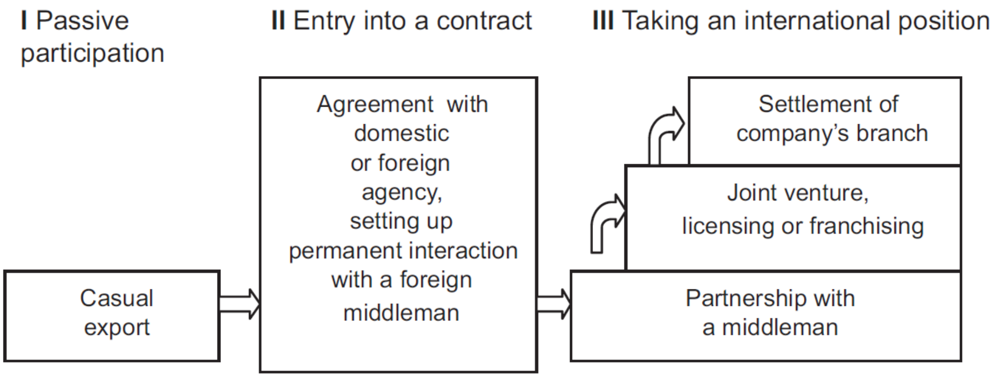


Figure 7. Enterprise involvement into international exchange (Michalski, 2015).

In all, IME strategies are the premise of a company's access to foreign markets. Firms that export to international market intentionally or unintentionally adopt entry strategies to support their export activities.

Decision-making criteria

The decision-making criteria indicate the main concerns of firms' internationalisation. Figure 8 shows five main categories of factors that influence firms' export behaviour: firm characteristic, perceptions of benefits and risks, managerial characteristics, competitive environment, barriers to internationalisation. R. A. Moreira et al. (2013) found that that firm size, competitive market condition and the foreign expertise of the employees are the primary factors for the internationalisation process of firms.

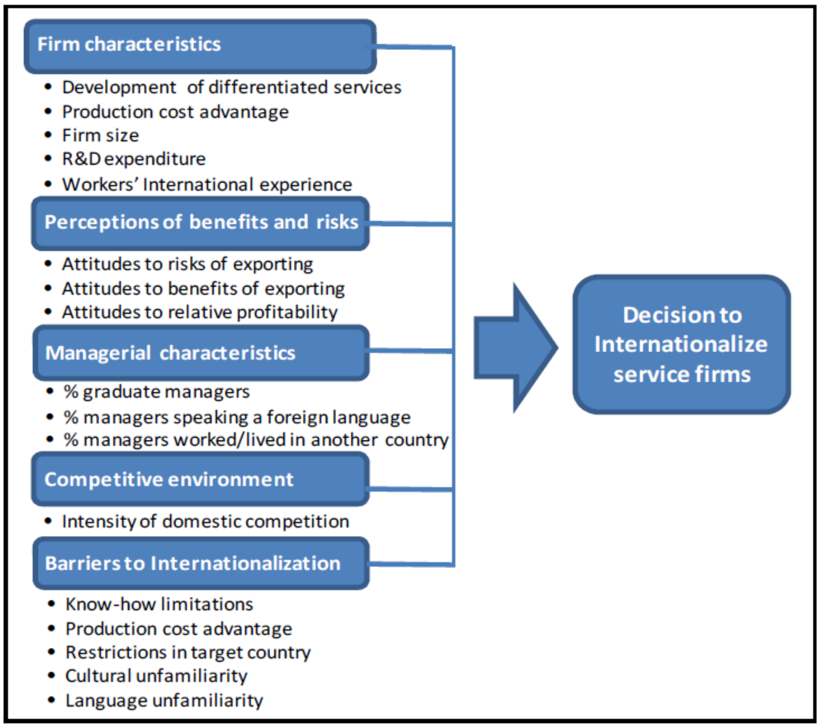


Figure 8. Determinants of the service companies' decision to internationalise (R. A. Moreira et al., 2013)

Besides, Mataveli et al. (2020) identified two important export factors. First, 'resource optimisation' stands for the information gathering process that determine the export preference of firms. This includes improve economies of scale, respond to spontaneous orders, obtain financial and fiscal advantages, respond to international competitors, reduce idle capacity, improve international financing and take advantage of incentives. Among those variables, financial-related factor are found to be the most influential ones. Second, 'performance and development' further promote the export behaviour of firms. Specifically, internationalisation can contribute to the growth of company, get more benefits, reduce dependency risk and enable technology acquisition.

Export factor	Mean	Typical deviation
Resource optimisation	*5.13*	*2.40*
Improve economies of scale	6.15	2.72
Respond to spontaneous orders	5.60	3.06
Obtain financial and fiscal advantages	5.39	3.26
Respond to international competitors	5.30	2.93
Reduce idle capacity	5.14	2.97
Improve international financing	4.28	3.26
Take advantage of incentives	4.07	3.43
Performance and development	*7.59*	*1.58*
Help in the growth of the company	8.46	1.87
Get more benefits	8.28	2.10
Reduce dependency risk	7.30	2.16
Enable technology acquisition	6.35	2.79

Figure 9. Descriptive statistics of the scales and items of 'Export Factor Questionnaire' (Mataveli et al., 2020)

Although Dutch corporates appear to have an intensive export blueprint, in fact, hardly all businesses export, and even fewer do so to every nation. Germany, Belgium, the United Kingdom, France, and Switzerland are the most common export destinations for Dutch enterprises. And only European countries and the United States are represented in the top 20 destinations (Smeets et al., 2010). In general, entry into new markets is made simpler if the company currently exports to surrounding countries and consequently leverages those markets as a stepping stone. The stepping stone country is especially important for newcomers, so that they are able to grasp the general business condition in that region. Besides, larger marketplaces appear to draw more entries while decreasing the number of leavers because of huge market demand (Creusen & Lejour, 2011). When entering into dissimilar but large market, such as China, companies benefits from huge market demand but also face the embedded risks of massive exporting. The paper of Creusen & Lejour (2011) introduced three approaches to lessen the risk associated with exporting: The first step is the steppingstone behaviour. After that, firms are suggested to draw lessons from other firms with similar background and target market. Lastly, strengthen the institutional economic diplomacy can further stimulate and smooth the export process.

Theoretically speaking, export decision-making is affected by many factors. Internal influences include company characteristics, personnel composition, etc., and external factors include market environment, development resistance, and so on. The measurement of these concerns depends on the level of contribution to the firm's resource optimisation and performance & development.

Localisation strategy

Globalisation can be seen as a premise of localisation. Since the 1980s, under the rapid development of the Internet and information technology, the interaction and cooperation among countries, regions, and nations worldwide has been continuously strengthened. It was also at this moment when the term localisation was first used in American software companies to describe the practice of customising a product or content for a particular market or region (Henry, 2016). Later, the deepening of globalisation has brought new changes to the international trade and investment environment, which has rapidly promoted the dissemination, exchange, and integration of culture. The Localisation Industry Standards Association (LISA) addressed three important localisation aspects in 2003: linguistic issues, content and cultural issues and technical issues. Today, the intangible side of localisation is getting more attention by the academies. According to Singh (2011), localisation takes into consideration the intrinsic variety that occurs in worldwide marketplaces and sees individuals as "cultural beings" whose beliefs and behaviours are influenced by the distinct culture in which they live. In a word, the cognition of localisation has been deepening as globalisation progresses.

In architecture and the built environment, globalisation is the process through which technology and knowledge advancements modernise and standardise all areas of architectural design, construction, building materials, and engineering on a global scale (The University of Hong Kong, 2014). Take China as an example; the most significant impact of globalisation architecture is to allow many overseas architects to participate in China’s urbanisation process with remote communication equipment. Before becoming an entity, many buildings have already been realised on drawing boards or computers of architecture firms in the United States, Europe, Japan and Australia (Xue, 2010). However, although this profit-maximising construction model greatly accelerates the process of urbanisation, it also diminishes the diversity of local culture, making not only China but other large cities in the world face the threat of homogeneity. Therefore, localisation can be seen both as an opposite and a result of globalisation. Localisation is a strategic adjustment based on the respect for local cultural, social and economic conditions after global architecture has penetrated certain location. The outputs of this process reflect the location's cultural features and respond to regional requirements (The University of Hong Kong, 2014). The pros and cons of the localisation of international architecture and urban planning are summarised in Table 4.

Localisation	Pros	Cons
	- Promoting regional identity - Promoting a reputation for cultural authenticity, encouraging tourism - Encouraging traditional craftsmanship - Solving regional needs - Minimising building costs	- Stagnation in the technological advancement of construction methods - Lack of standardisation across regions - Inefficiency in the face of swift urban development - Regional segregation

Table 4. Pros and cons of localisation. (University of Hong Kong, 2014)

For foreign architecture firms entering the Chinese market, localisation seems like an inevitable process. This is not only because of the design methodology transformation and policy requirements in the local market, but also an effective means for foreign architecture firms to enhance their competitiveness. According to Martek & Chen (2013), import advantages provide foreign firms with a significant competitive advantage over domestic competitors, and absorbing local benefits is anticipated to balance or at least mitigate foreign liabilities. The degree to which the international business localises its operational functions determines its strategic orientation and business performance (Martek and Chen, 2014).

To understand the current localisation pattern of international firms in China, Martek and Chen (2013) introduced five parameters to evaluate the localisation level:

1. Client base: the extent to which international businesses serve an entirely Chinese customer rather than foreign firms in China with whom they may have done business in the past.
2. Human resources: inside the China subsidiary, the ratio of local Chinese recruits to international expatriate staff brought in to undertake specialised management or responsibilities.
3. Factor inputs: the proportion of locally obtained intangible and tangible inputs utilised by a foreign corporation in China to execute commercial operations and eventually give deliverables to customers.
4. Value chain Integration: the extent to which an overseas firm's range of activities that it performs abroad is mirrored in China.
5. New capability acquisition: the percentage of next-generation capacity or technology that originates in China.

Based on those five parameters, Martek (2011) generalised the standard methods of foreign manufacturing firms entering the Chinese market based on their studies of sixty firms (Table 5). Each method indicates a different level of localisation marked from low, medium to high. The original version of the localisation level's classification can be found in Appendix 1. The evaluation was based on the intensive research by Martek (2011) on 60 international architecture firm who work in China. The researcher combine the localisation profiles into a simplified version that can be seen in figure 10.

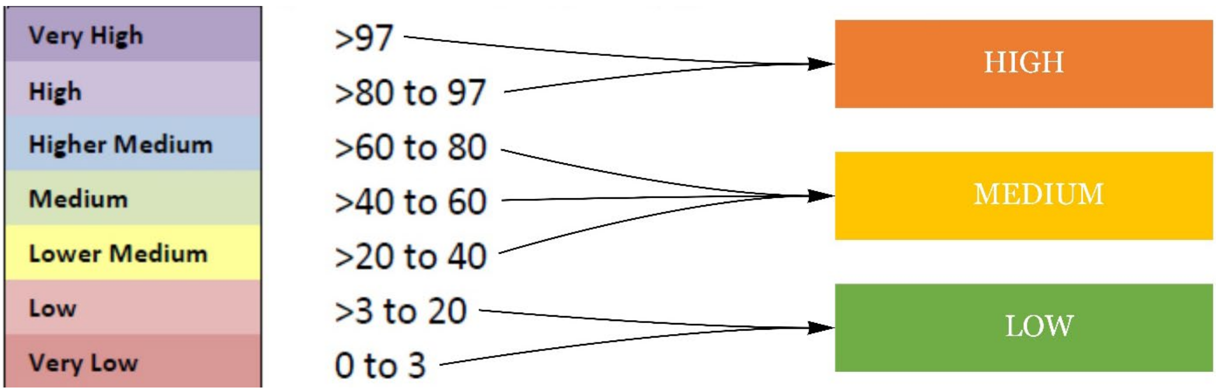


Figure 10. Localisation profiles – Ranking legend % (Martek, 2011)

The patterns of the five parameters are displayed in table X in order, according to the level of localisation level. This table will be used as a control chart to evaluate the localisation level of case studies. However, it should be noted that the study from Martek (2011) includes more than architecture firms, such as engineering firms and material manufacturers. Thus the table will be further adapted in the case analysis to fit the context of Dutch architecture firms.

		Localisation Level
Client base	Niche specialist project providers	HIGH
	Equipment buyer	HIGH
	The petrochemicals and petroleum industry	HIGH
	Land developers	HIGH
	Major infrastructure builders (Chinese governmental agencies or authorities)	MEDIUM
	Component users	MEDIUM
	Commercial business	LOW
Human resources	Practically driven localized enterprises	HIGH
	Policy driven wholly localised enterprises	HIGH
	Operations in which foreign teams are themselves localized	MEDIUM
	Foreign expert infused enterprises	MEDIUM
	Hong Kong platform run Chinese operations	MEDIUM
	Foreign manager infused enterprises	MEDIUM
	Off-shore directed Chinese operations	LOW
Factor inputs (Tangible/ Intangible)	Factors manufactured locally	HIGH
	China as a factor procurement base for China and beyond	HIGH
	Factors brought in as expertise	MEDIUM
	Factors obtained through local knowledge	MEDIUM
	Factors procured through local outsourcing	LOW
	Factors brought in as technology	LOW
	Factors procured through a global network	LOW
Value chain Integration	Superlative presence- Enterprises that see China as their premier market	HIGH
	Extended presence- Enterprises that find in China new markets, not elsewhere available	HIGH
	Consolidated presence- Enterprises that see China as a major contributor to world activities	MEDIUM
	Major presence- Enterprises that count China as a fully functional subsidiary	MEDIUM
	Developing presence- Enterprises that are in the process of recreating in China an operational base as functional as found at home	LOW
	Fluctuating presence- Enterprises with a continuous China presence but project oriented	LOW
	Discontinuous presence- Enterprises that engage China on a project by project basis only	LOW
New capability acquisition	Knowledge network formation	MEDIUM
	On-shore (in China) alliance formation	MEDIUM
	China-based R&D investment	MEDIUM
	China market as a proving ground	MEDIUM
	Off-shore (away from China) alliance formation	LOW
	China revenue fuelled technology funding	LOW
	Home-based R&D investment	LOW

Table 5. Generalised methods based on five localisation parameters (Martek, 2011)

Performance criteria

Since architecture sector is knowledge-intensive and highly reply on the experience of its employees, the ability of architecture firms to utilise and leverage their market, technical, and project management knowledge is likely to influence their market development performance (Dang et al., 2020). According to Kotler and Armstrong (2018), market development performance is explained as firm's expansion via the identification and development of new market niches for existing corporate products. It includes maintaining current clients, gaining new clients, expanding market share, and improving the firm's reputation. Architecture firm, are among the typical AEC business but also distinguished from other firms because of its discontinuous commercial nature, as well as the uniqueness and complexity of its product/service delivery process. According to the literature, organisations with a better market dominance seem to be more competitive, and a firm's market position is heavily reliant on its capacity to grow its market, such as maintaining client relationships. As a result, market development is generally recognised as a crucial part of corporate performance (Dang et al., 2020).

When firm intent to apply or update a localisation strategy, it is expected that those new business activator can contribute to the market performance of the organisation. Referring to the success factors of international AEC firms in China (F. Y. Ling et al., 2006), the performance of a foreign AEC firm in China can be categorised into cost, schedule, technical, functional, workmanship, architectural, owner satisfaction and profit level (Table 6). Some of the performance factors are measureable, such as cost, schedule and technical, while others are intangible and relative. All factors are important to establish a comprehensive overview of Dutch firms' business performance in China. Although the internationally renowned Dutch architecture firms may already lead in functional and architectural quality, high owner satisfaction, and profitability, they might not have developed their core competencies and adaptable business practice according to the firm's characteristic into localisation strategy, which might hinder their market development performance in the long run.

Performance	Explanation & measurement
Cost	Budget overrun for project, investment in R&D relating to project in China
Schedule	Delay of project delivery, employee work overtime,
Technical Quality	Project's quality of material and finishes
Functional Quality	The quality of functional arrangement the facilities
Workmanship Quality	The level of contractors' and workers' skill
Architectural Quality	The aesthetic level of the project
Owner satisfaction	The degree of how satisfy are the owner to the final result
Profit level	The revenue or income of firm received from project

Table 6. Explanation of performance criteria (own table based on F. Y. Ling et al. (2006))

The above eight performance criteria can be further categorised into three P's that contribute to the business success of architecture firms (Table 7). Those three aspects will be applied in evaluating Dutch architecture firms' current business performance in China. And any other new aspects that appear in the interview will be added to the criteria.

People	Owner satisfaction, …, …, …, …
Process	Schedule, profit level, cost, …, …, …, …
Product	Quality of technical, functional, workmanship, architectural, …, …, …, …

Table 7. Three P's of performance criteria (own table)

Market Analysis

Dutch architecture industry

Today, the Dutch construction industry is well-known at home and abroad and becomes an essential part of the Dutch national income, creating a large number of jobs for the country. Due to the small size of the country and limited land resources, the Netherlands has produced an export-oriented economic policy that relies on high-quality talents and became the eighth in the world in of creative export. The creative industry, particularly the architecture and spatial design, have established themselves as forward-thinking creators and international-oriented pioneers (Kresse, 2016).

The Dutch architecture industry has long been international-oriented, which is evidence in historical movement such as de Stijl and Team 10. Besides, every four years, the national authorities of the Netherlands will make a commitment to present new architecture policies. Before the financial crisis in 2008, the architecture memorandums were mostly concern about the architectural quality and institutional support. Because of the economic declination, the memorandum from 2009-2012 called 'A Culture of Design' emphasised the financial pressure on the domestic architecture industry and therefore persuading architects to explore the oversea markets (Kresse, 2016). It can be observed that the objective of the industry is shifting from increasing the quality of architecture in the Netherlands towards viewing architecture primarily as an economic activity.

The Dutch architecture industry has it unique characteristics. Compared to other countries, for example, Japanese architects are expert in atmosphere creation and sensitive space design, the Americans prefer large-scale commercial buildings and the Swiss architects go more into details (Zhao et al., 2015). The Dutch planning system is well-known for its regulatory and comprehensive features, which contribute to satisfying building requirement, balancing regional growth, and achieving environmental sustainability.

Organisational structure and firm culture of Dutch architecture firms

Although Dutch architecture firms are relatively small in size compared to giant American firms such as SOM and KPF, among the European architecture firms, Dutch architecture firms cannot be stated as small but average (Table 8).

Number (estimate)	Size of architectural practice (number of architectural staff)							total
	1 staff	2 staff	3-5 staff	6-10 staff	11-30 staff	31-50 staff	Over 50 staff	
Netherlands	1859	223	434	143	95	8	10	2772
Netherlands %	67	8	16	5	3	<1	<1	100
EU %	65	15	13	4	2	<1	<1	100

Table 8. Size of architecture practice (Architects' Council of Europe, 2021)

Most Dutch architecture firms worked in the Netherlands or within the European Union. The most popular destination for export is Belgium, which might because of the close distance and similar culture background. As shown in table 9, the major reason for Dutch architecture firms to work in other country is that they are positive about the foreign market and business situation (Table 9).

Per cent	Worked in another country in last 12 months		All	Why went to work in another country				Have seriously considered working in another country last 12 months %	
	Inside Europe	Outside Europe	Most popular destination	Sent by practice	Made positive decision	To find work	Other	Country inside Europe	Country outside Europe
Netherlands	27	4	BE	17	42	25	25	18	6

Table 9. Proportion of architects who have worked or seriously considered working in another country (last 12 months) (Architects' Council of Europe, 2021)

It is likely that architects experience concerns when working in another country. The result in Table 10 indicated that practical relocation or personal issues, insufficient knowledge of planning and building regulation and local market are the main worries of Dutch oversea-working architects. This proves on the other hand that corporate with local partners can be an efficient solution for the architects' concerns. The local partners are able to provide the most current knowledge of the local market and also advise on the planning and building regulations.

Per cent (%)	NL
Unable to find work	9
Insufficient language skills	18
Insufficient knowledge of planning/building regulations	44
Architectural qualification issues	15
Finding right architectural partner	18
Finance	12
Practical relocation or personal issues	47
Knowledge of local market	41
Knowledge of local fee scale/tariffs	12
PII cover for work in other European countries	6

Table 10. Main concerns about working in another country cited by architects who have not worked in another country (Architects' Council of Europe, 2021)

Dutch architecture industry have been attempting for the Chinese market since 1980s. Until today, many have established their physical office in Chinese major cities and accomplished projects in a variety of scale and style (Zhao et al., 2015). The next part of the market analysis is going to focus on the overview of Chinese construction market and a brief outlook of Dutch architecture firms operating in China.

Chinese construction market

Overview

The Chinese construction market is guided by the Five-Year Plans. The 14th Five-Year Plan of the People's Republic of China (2021-2025) highlighted several development focuses: high-level opening up, improved business environment, regional coordinated development, people's livelihood, innovation driven development and ecological environment (Asian Development Bank, 2021). It can be foreseen that the Chinese business environment in the next five years will be more open, impartial and innovative. Updated and new legislations were published, which will boost the opportunities for foreign investment (Deloitte, 2020).

Interviewee from Consulate-General of the Kingdom of the Netherlands (2021) stated that, generally speaking, foreign architecture firm can always enter the market and register company in China as long as they following the regulation of company registration. However, foreign firms need to cooperate with a Chinese company in order to carry out the design task completely, otherwise foreign-invested firms can only participate in doing research and strategy design. The development of architecture and urban planning industry is very much in line with the China's 5 year plan, which indicates overarching goal of the central government in the area of urban planning and development. Provincial and city level government will carry out different projects such as sponge city, city regeneration and etc., based on the actual needs of different city.

Common entry strategies

According to the entry research done by Atelier cnS & YCDA (2014), there are six main working modes for a foreign architecture firm to operate the business in China (Figure 11).

Figure 11. Six modes of entry strategy (Atelier cnS & YCDA, 2014)

Mode 1: open a small office in LDI
When a foreign architecture firm who had never worked in China before got several projects in China, for example, by winning an international competition. It is suitable for them to rent a small office in the partner LDI. As an early expansion stage, this mode is cost-saving and is efficient in building a close connection with LDI. Also, once the firm decided to leave the market, the cost is acceptable.

Mode 2: open a branch office in China
With a certain level of development, foreign architecture firms might be able to open up a branch office in China. There are different branch offices: The branch office could only be responsible for client connection and local communication, whereas the headquarters still do the design work to control the project quality. Or the branch office can act as an independent design branch carrying out the architecture design themselves.

Mode 3: associate with local partner
Foreign architecture firms can also employ a local partner to boost their business development in the Chinese market. This could be very advantageous since the local partner can have strong personal connection with the local planning institution, and therefore provide the firm with commissioned opportunities.

Mode 4: work closely or purchase a small local firm
In order to reduce the design cost and further localise the company, some firms would choose to work closely or purchase a local firm. In this way, the firm can work more effectively and efficiently in the local market. This branch office would take part in the design job but still under the guidance of headquarters.

Mode 5: associate with LDI
This is the most common mode for foreign architecture firms working in China, and also in most cases, foreign architecture firms always need to collaborate with LDI. In this partnership, the foreign architecture firm would be responsible for design while the LDI takes charge of the technical drawings and construction. This could be a win-win for both sides.

Mode 6: acquire a Class-A design institute
This mode can be seen as the most localised one that the foreign architecture firm completely enter the local market through fully controlling a class-A LDI. Thereby, the company is able to maintain its design quality and control the design cost. However, the firm needs vast investment and long-time development to reach this stage.

The six modes summarised by Atelier cnS & YCDA (2014) aims to provide suggestions for Norwegian architects to enter the Chinese market. It presents a comprehensive view of all types of entry strategies. However, not all modes can be taken separately and some early-stage ones do not meet the localisation topic of this research. Therefore, the existing literature needs some adjustments. On the other hand, Dezan Shira & Associates (2015) summarise three models of foreign architecture firms entering the China market:

1. Providing architecture services from abroad
When foreign firms want to participate in the Chinese market but at the same time take great control of the design quality, opening up a representative office that focuses on client relationships and local connections in China would be a rational choice. There are many examples of representative offices such as KCAP Architects

& Planners. The representative office has the potential in growing to an individual branch office. Still, it also depends on the company's principle of whether they need to control the design in the headquarters fully.

2. Setting up an architecture firm (WFOE) in China

Although it sounds reasonable and common to set up an architecture firm in China, however, in legal sense, a foreign-invested firm has many restrictions and requirements. For example, it is required that one-fourth of the employees are foreign architects who have both Chinese and foreign certifications. Although this ratio can drop to one-eighth if the firm forms a joint venture with a Chinese equity partner, it still requires great human resource effort. Apart from that, a WFOE (Wholly Foreign-Owned Enterprise) needs to acquire a number of qualifications that can cost several million RMB. Therefore, this is often not an ideal option for most architecture firms; thus, the third alternative below becomes the choice for most foreign architecture firms.

3. Setting up an 'architecture consultancy'.

An architecture consultancy is a WFOE that usually provide consulting advice in architecture, real estate information, market analysis, landscaping, interior design and project management. In practice, foreign architectural consultancies typically do most of the work but require a licensed Chinese architect to sign off on the final product. In this way, foreign architects can provide creative service while eliminating some of the restrictions mentioned in the second alternative.

Since the main subject of this research is the localisation level of Dutch architecture firms in China, which requires the selected cases to be physically present in China. Having a branch office would be the minimum and basic standard for further analysis. Therefore, this research will focus on Mode 2: Open a branch office in China (Atelier cnS & YCDA, 2014) and combing the entry model of setting up a WFOE and or architectural consultancy (Dezan Shira & Associates, 2015).

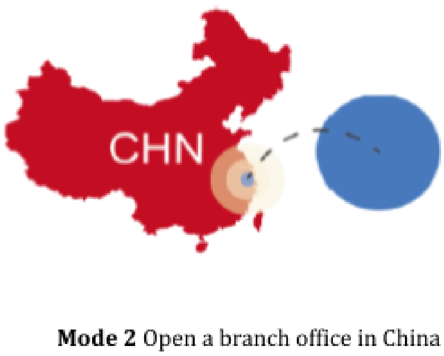


Figure 12. Mode 2 – Open a branch office in China (Atelier cnS & YCDA, 2014)

The branch office of foreign architecture firm can be summarised into three types based on their function and independency of design ability. First, representative office, which usually serve as a transition for early entry that only responsible for client relationship. Thus, they do not have employed local designer as all the creative activities are done in the home office. Second, when the home office decided to expand their business footprint in China, they would hire some architects or designers in their branch office to better support the project development. However, the design decision-making power will still remain in the home office, resulting in the dependency of the branch office. Third, a branch office that act as a design entity can be seen as the most localised type among the three. In this way, the branch office is connected with the home office in terms of corporate value, general vision, and strategic planning, etc. But they no longer need approve from the home office for design decisions. The three branch office types are illustrated in Figure 13.

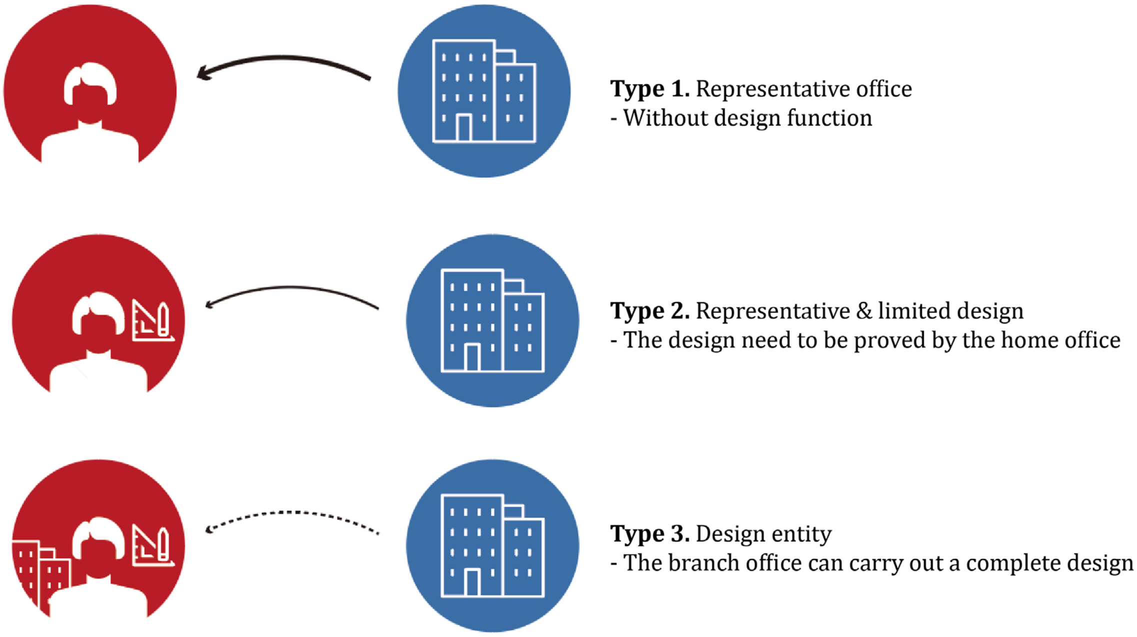


Figure 13. Three types of branch office in China (own illustration)

<u>*Dutch architecture firms in China*</u>

Table 11 is an elaborative and selective version of the Dutch architecture company listed in the introduction. Those companies that do not have a branch office in China are left out. The data were retrieved mainly from the firm's official website. Some data are missing because there is no clear evidence on the websites. In general, larger firms tend to have more projects in China, ranging from commercial, residential, urban planning, etc. However, smaller firms that emphasise the Chinese market can accomplish the same or even more projects because of their localise efforts, such as Mecanoo and IBA. According to the entry type summarised above, the researcher hypothesised the office type based on the number of employees in China and the company news about the branch office. All three types of office can be observed in the table. These data need to be confirmed or modified during the interview.

{total employees}	Name	Number of employee	Enter year	Projects in China	Project type	Entry type (hypothesis)
International famous	ARCADIS	25,000	2002	9	Office, theme park, commercial, retail, factory, urban planning	Type 3 22 consultancies offices in CN,
	OMA (Hong Kong)	780 CN:11 HK: 10	2011	30	Office, theatre, master plan, mixed use, retail, cultural, transformation, museum…	Type 2 Office in HK

	MVRDV bv	340	2012	44	Retail, office, Culture building, bridge, landscape, interior design, installation, urban planning	Type 2
	UNstudio	280 HK: 26 SH: 43	2009	31	Office, sport, culture, facade, installation, urban planning, interior	Type2/3
Famous in the Netherlands	Inbo	330	2015	18	Office, hotel, urban planning, residential, retail	Type3 Office in Shanghai
	KCAP Architects & Planners	120 SH:2	2011	9	Urban planning	Type 1
Not yet famous	Information Based Architecture (IBA)	43	2004	15	Urban planning, cultural building, office, sport, bridge, school,	Type 2/3 Office in Guangzhou
	NEXT architects	31 Beijing:21	2004	7	mix-use, airport, bridge, commercial, urban planning, cultural	Type 3 Office in Beijing
	SuperImpose	12	2015	29	Office, campus, retail, mixed use, culture, interior.	Type 2/3 Office in Beijing, HongKong

Table 11. Dutch architecture firms in China (Zhao et al., 2015 & BNA, 2021)

It can be concluded that the future market environment in China will be more open and friendly for Dutch architecture firms, and many of them have already established a certain business footprint in China. This research combines the entry types in two pieces of literature and incorporates the localisation concepts to generate new classes of localisation offices. It should be noted that the current classification and induction are based on theory, and their validity and feasibility need to be confirmed in subsequent interviews.

Conceptual Model

Main findings of Literature review & Market analysis

The literature review investigated the main concepts of this research. As traditional professional service firms, architecture firm offers multiple dimension of design that benefit the physical environment and the people living within. Although architecture firms made great contributions, the company's business side has always been ignored by default. Architecture firms in the Netherlands have developed their own features and made them known to domestic and international. With a relatively small company size, Dutch architects are able to work closely to control their project quality. However, after the financial crisis, the small company size also brought challenges when they decided to export to overseas markets. An entry strategy that demonstrates the precautions is required whenever a firm wants to enter a foreign market. It helps architecture firms maintain their core value while striving for resource optimisation, good performance and development. Several common entry types were listed in the market analysis, which provides a reference to classify the entry type of Dutch firms. Going one step forward from entry strategy, localisation strategy puts higher demands on firms integrating into the local market. As stated before, China has a huge need for international construction while also requiring foreign firms to adapt to local requirements. Performing architecture business in China can be seen both as an opportunity as well as a challenge. The literature review provides evidence for evaluating Dutch architecture firms' performance in China.

The literature review and market analysis answer the theoretical part of the research question. All mentioned content in the secondary research questions were included and further elaborated, which provide a theoretical framework that guides the practice part of the empirical research.

Conceptual framework

The conceptual framework was created based on the study of the main research concepts (Figure 14). It indicated the relationship between concepts and the logical chain of the research process. The core content of each concept was stated in the framework, which will be applied to the data collection and analysis in the next phase.

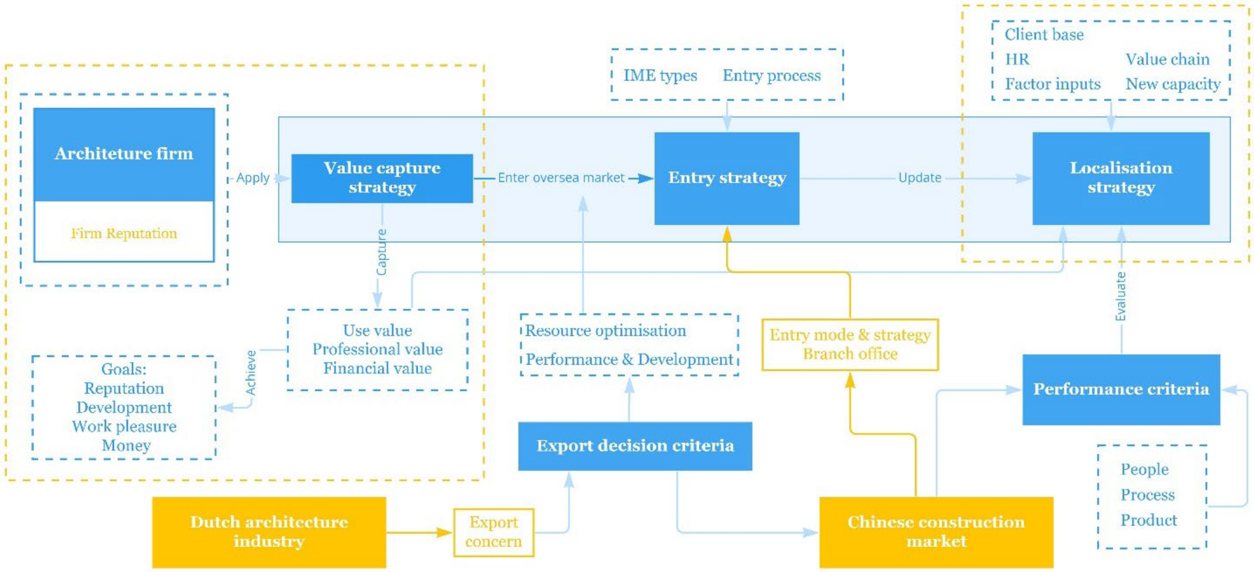


Figure 14. Conceptual framework (own illustration)

Case Studies

In this chapter, three cases were selected as case studies. The categorisation of the cases is based on their international reputation. All individual case analysis would follow the sequence from value capture strategy, entry strategy, to localisation strategy (Figure 15).

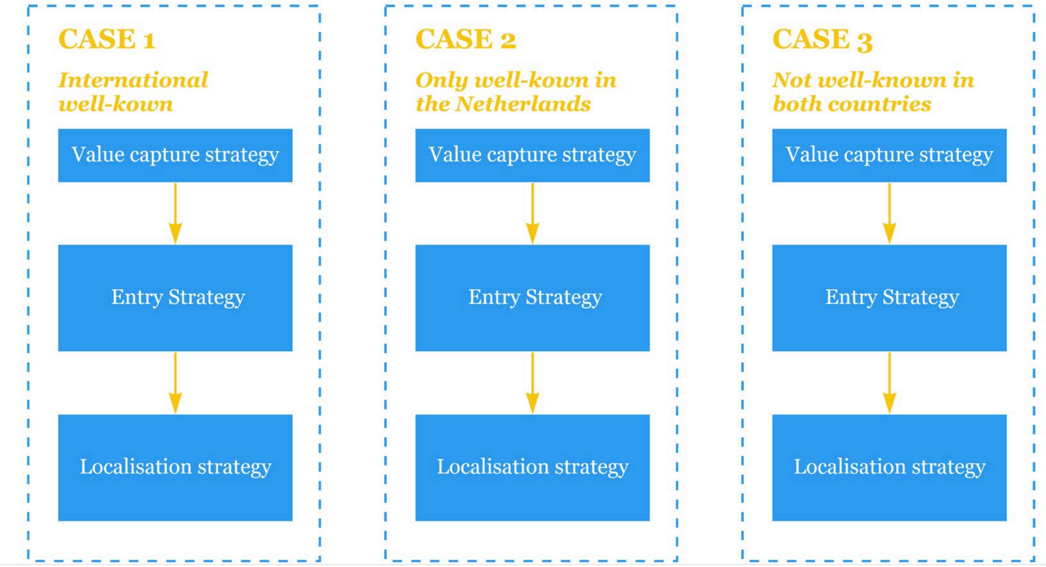


Figure 15. Case analysis (own illustration)

As shown in figure 16, each strategy contains the concepts that were mentioned in the theoretical framework. In this way, the case studies are able to keep consistence with the theoretical framework.

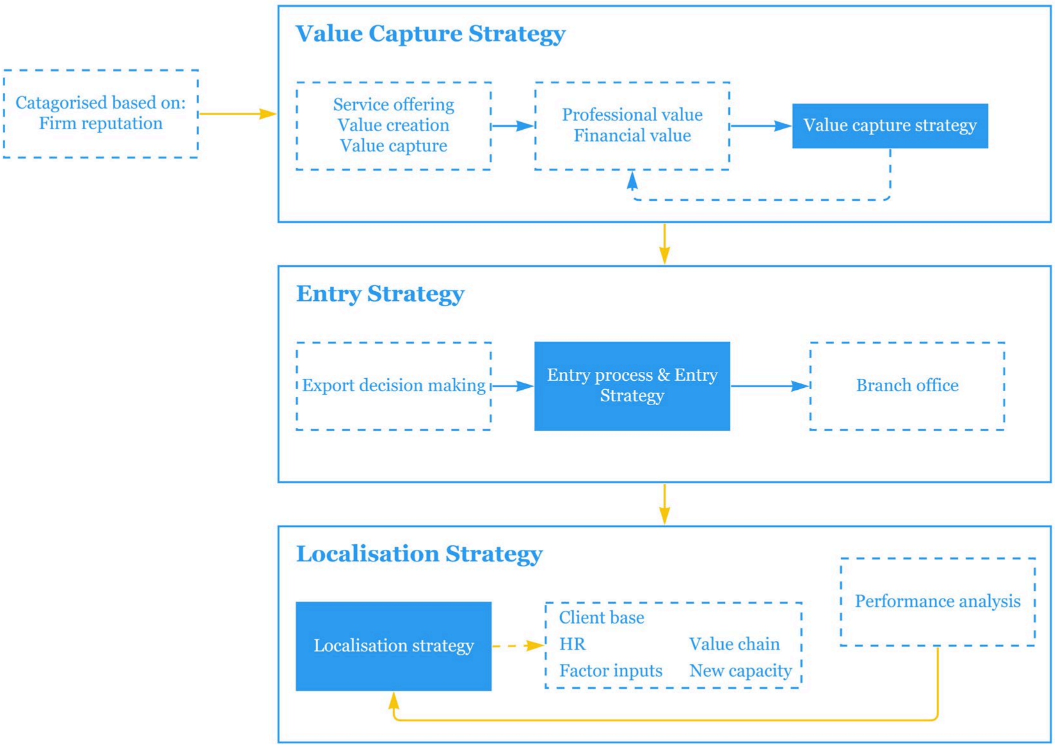


Figure 16. Individual case analysis (own illustration)

Case 1 – Company A

Reputation in China:
Company A could be seen as one of the most famous Dutch architecture firms in China or the most famous international firm. It has been mentioned for comparison by the other two interviewees, which indicated its reputation in the architecture industry.

"....and big important projects that still goes with big, mostly big American company, also more famous firms such as Company A gets a lot of invitations for these kind of things." – Interviewee of Company B

"We don't have big projects like Company A, but considering the clients we work with, we do have quite high and detailing." – Interviewee of Company C

General Background:
1) Service offering
Established in 1993, Company A provides creative solutions to architectural problems worldwide. It has a wide range of project scale and typology portfolios. The company has four branch offices in different parts of the world, assisting the process of international projects. More than 300 employees worldwide work in multiple global markets such as Asian-Pacific, European, and North America. The designers are divided into several studios, focusing on one regional market or specific theme. They established their branch office in Shanghai in 2012, and currently their project ranges from a large auditorium, cultural centre, and mixed-use complex to interior design and temporary exhibition in China.

2) Value creation
Company A can be seen as a pioneer in the architecture industry. It creates creative architectural concepts but also buildable solutions. The projects aim for an innovative, sustainable and friendly future living environment. At the moment, they highly emphasise the UN's sustainable development goals in all their project design. In China, they are well-known for their unique design style and flexibility in adapting to the local context.

3) Value capture
The professional value of Company A can be divided into three aspects: 1) reputation: the firm stands out from the market and becomes well-known because of its high-quality projects. It has a consistent style in its architecture which is reflected both in the colourful building appearance and volume composition. The unique tasks that the firm creates establish the basis of its reputation. And it also attracts big clients for more critical projects.

"When we do a project, we will receive more attention. If it is a cultural project, for the government, they also want to make a famous building, which is a bonus in itself." – Interview A

However, reputation cannot always be prioritised. As interviewee A mentioned, when the other competitors also own a high reputation, the distinguished advantage would be whether the firm has abundant experience in the project type that the client searches explicitly for. For example, Company A was not experienced in high-rise buildings, and the client would question if the firm is capable of doing such projects even though they have complete confidence.

2) Development: the most valuable resource for PSFs is the skilful designer. The firm is always open to next-generation technology and ideas. They even established a separate design studio focusing on advanced knowledge, which accelerates the development of the entire firm. For the Shanghai office, most employees are above senior level, which they can provide vital support to the home office about local regulation, local context, local culture, intangible effects of the projects, etc. As for the commercial relationship, after more than ten years of operating in China, Company A has already established a mature connection with local government authorities and big developers. The business development is pushed forward from both sides of the Netherlands and China, which they maintain constant meetings and solve issues collaboratively.

3) Work pleasure: Company A peruse an open and equal working environment where all employees are welcome to share their thoughts with the leaders. They strive for a transparent working process, which encourages engagement from the designer. However, the project process in China can go fast and change, so the architects sometimes feel stressed about deadlines. Therefore, sometimes, they try to negotiate with the clients to extend the deadlines or reduce the workload to protect the designers' right to rest and break.

"Like we usually said, we make happy architecture" – Interviewee A

For the exchange value, compared to projects in other regions, the Chinese projects have brought a stable income to the firm and the number is steadily growing. Therefore, when the circumstance allowed, for specific projects with high use value, such as social sustainability, Company A would be able to trade off its exchange value for their kind vision.

The Value capture strategy

Besides the value capture strategy that the firm had successfully implemented. Interviewee A also mentioned several challenges they face when capturing the value. First, there is a rise in the local architecture firm equipped with foreign study or work background Chinese architects, which diminishes the advantage of Company A as a foreign architecture firm. Interviewee A thought that the current moment could be seen as a transformation point, where clients no longer depend on international architecture firms for import professions. Instead, they have this kind of local firm as another option. Second, since the company is working in a multicultural environment, the interpretation of information from the Chinese client to the Dutch office is sometimes inaccurate:

"For example, when a client said that he wanted a 'green' building, but he may not have clearly stated whether it was in terms of energy, greening or technology. So the Chinese team needs to have a sufficient understanding of the client and the project, in order to highlight the key points and dig out the hidden information of the brief in the process of information hand over" – Interviewee A

The value capture strategy of Company A is summarised in Table 12 as well as the challenges and bottlenecks they face in this stage.

Value dimensions	Value capture strategy	Challenges & Bottlenecks
Professional Value	Create high quality projects to increase firm reputation Identify competitive advantages Promote firm development Build 'happy' architecture Open up a branch office and hire Chinese designers Offering free/non –profitable services Delivering additional quality	1. Competitive pressure from local firms 2. Insufficiency in information hand over
Exchange Value	Offering commercial value Exploiting reputation Maintain client relationship	

Table 12. Value capture strategy of Company A (own table based on Bos-de Vos et al., 2016)

Entry Strategy

1) Decision-making & Entry Process

Before entering the Chinese market, Company A worked mainly in the Netherlands and European areas. At the moment to export to China, they had already around 50 employees in the home office. Ten years ago, there was a huge demand for building construction in China, while the urban development was lagging. Company A and other international competitors recognised the market opportunity to bring advanced European design quality to China. As a global firm, it always has the vision of exploring markets in other countries. Also, because the Chinese construction market can offer large-scale public projects that firms couldn't quickly get in the European, it is attractive for Company A in order to increase the diversity of its portfolio. Besides, unlike some European countries, most Chinese competitions pay for the firms that participate no matter the firm wins or loses the competition. This not only helped Company A to reduce the amount of free service and receive certain income from competitions, but also incentive them to explore new architecture typologies in China through the fame they accumulated in competitions (Table 13).

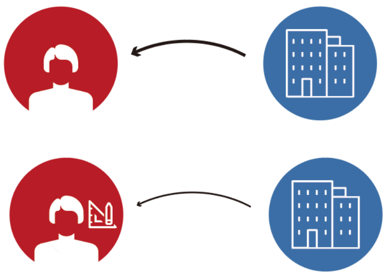
Resource optimisation	Improve economies of scale (Explore international market) Obtain financial and fiscal advantages (Competition and project income) Respond to international competitors (Follow the trend of going to CN) Take advantage of incentives (Paid competition, praised of foreign designer power)
Performance and development	Help in the growth of the company (Large-scale projects) Get more benefits (Reputation, projects, etc.)

Table 13. Decision making of Company A (own table based on Mataveli et al., 2020)

In the beginning, the opportunities mainly came from the personal connections of the studio director or partners. Later, the firm gained its academic reputation so that some professors would recommend the firm to the developers or clients. Through many public competitions, Company A started to accumulate fame. Nowadays, as the firm becomes internationally well-known, many direct commissions are coming forward. However, Company A would carefully analyse its strength and weakness, and they decide either to go for it or deny the offer. For many public projects, they still need to attend public tender and compete with other international well-known firms in the field.

2) Branch office

When the Shanghai branch office was established, it had only two people only worked on client relationships. After five years, it grows to 4-5 people, mainly focusing on relationship building. In recent years, as the projects in China are increasing and bringing satisfying income for the firm, they decided to expand the branch office with a design function. The current Shanghai office has around 15 senior designers, who support the home office in site analysis, site visits, and client meetings, etc. Recently, as there have been many ongoing projects in Shenzhen, they are considering opening up another Shenzhen branch office based on the requirement of the projects. However, the initial concept design was still done in the home office because it has a stronger relationship with the partners who take control of the designer's power. Therefore, the branch office of Company A has gone through a transformation from a representative office (Type 1) to a representative and limited design office (Figure 17).



A transition from type 1 to type 2.

Type 1. Representative office (without design function)

->

Type 2. Representative & limited design (The design need to be proved by the home office)

Figure 17. Branch office type (own illustration)

However, entering the Chinese market is not always easy and casual. Company A was praised for its pioneer design concepts but also received criticism for that. In the beginning, they attempted for many public competitions to find new opportunities as well as gain a reputation. However, they lost quite some competition and were questioned whether the Chinese clients could accept their pioneer architecture concept. Besides, the initial financial performance of the Asian studio was not satisfying, and they even thought that maybe they should close down the studio. The challenges and bottlenecks of the entry strategy were summarised in Table 14.

Challenges & Bottlenecks of Entry strategy	1. Lack of reputation 2. Unmatched architecture concepts 3. Unsatisfied financial performance

Table 14. Challenges & Bottlenecks of Entry strategy (own table)

Localisation Strategy

In recent years, Company A successfully accomplished several built projects in China, while before, most projects were international competition. In the tangible aspects, the enlargement of the Shanghai branch office and employment of experienced designers indicate their attention to the Chinese market, especially in the execution phase. The branch office plays a vital role in bridging the client, LDI and home office. In the intangible aspects, their methodology for design is adaptable. One of the most significant reasons for making the breakthroughs is that they spontaneously incorporate localisation thinking. Company A concerned with technologically sustainable development and also social sustainability. They find the clients who share the same ambitions, resulting in tacit cooperation. Since the client and local design institution mainly control the construction and later stages of the projects, the mutual collaboration between parties becomes the key to implementing the ’Dutch spirit’ into the local context.

“(Company A) knows what we’re looking for… and one of our main selection criteria would be whether the firm can show their understanding of the local culture” – Client A

For example, for the project of Client A, Company A did not pursue the fancy shape of the façade or appearance. Instead, they explore the dynamic of the building material to match the surrounding heritage buildings. Besides, Company A also researched the traditional urban circulation and used it as a baseline to generate the building volume, which showed a profound understanding of the local context.

Additionally, the projects in China and the European region inspired each other. First, there is an increasing number of renovation and regeneration projects in China, which Company A can borrow the experience they had in the European projects. On the other hand, although the urban development has slowed down in European, nowadays more large-scale, high-density development, urban renewal and regional development ‘Asian-scale’ projects reappear. So that Company A also gathered experiences from the Chinese market and utilised them back in their home market.

Still, the operation in China also faces several challenges. Because Company A itself does not have the qualifications to participate in the later construction, whether it is possible to find a suitable LDI is a key to ensuring the high-quality completion of the project. Due to the epidemic's impact, onsite supervision has become more complicated, which also brings new challenges to technical and cultural communication. The reduction in in-person contact also makes the company's design concept less disseminated. In addition, Chinese clients are also becoming more professional and transparent, which is a progress. Still, at the same time, it also puts forward higher requirements for overseas firms, requiring them to have more substantial competitiveness and more precise design logic.

Based on the five parameters by Martek and Chen (2013), Table 15 summarised the localisation strategy of Company A into client base, human resources, value chain integration and new capability acquisition strategies. For each strategy, the challenges and bottlenecks are presented accordingly.

Localisation Strategy	
Description	Challenges & bottlenecks
<u>Client base strategy</u>	<u>Client base strategy</u>
Client type: big developers from major cities, government authorities	1. High demand in direct commission require the firm to be more selective
Client acquisition: direct commission and public tender	2. Compete with other top architecture firms brings competitive pressure
Client relationship: maintained by Shanghai branch office	3. New ways of client maintenance due to Covid
<u>Human resources strategy</u>	<u>Human resources strategy</u>
Employee number in China: 15	1. Mature architects have their own attitudes

Employee background: senior architects, international background	and ways of working and it's challenging to find one match with the firm
Employee Skill: project deepening, client relationship, on-site supervision	2. Staff mobility is relatively higher in the branch office
Factor inputs strategy	Factor inputs strategy
Procurement: predominantly localised	
Supply Chain: predominantly localised	
Value chain integration strategy	Value chain integration strategy
Cooperation with LDI: single project collaboration	1. Key to find good construction partners who share same ambitions
New capability acquisition strategy	New capability acquisition strategy
Tangible quality of the product: new technologies explored in the home office	
Intangible quality of the product: core concept from home office, local knowledge from branch office	

Table 15. Localisation strategies and challenges of Company A (own table)

As shown in Table 16, the above localisation strategies can be summarised based on the framework provided by Martek (2011). And the proportion of localisation level is visualised in Figure 18.

		Localisation Level
Client base	Land developers	HIGH
	Major infrastructure builders (Chinese governmental agencies or authorities)	MEDIUM
	Commercial business	LOW
Human resources	Foreign manager infused enterprises	MEDIUM
Factor inputs (Tangible/Intangible)	Factors manufactured locally	HIGH
	Factors brought in as expertise	MEDIUM
	Factors obtained through local knowledge	MEDIUM
	Factors procured through local outsourcing	LOW
	Factors brought in as technology	LOW
	Factors procured through a global network	LOW
Value chain Integration	Major presence- Enterprises that count China as a fully functional subsidiary	MEDIUM
New capability acquisition	Home-based R&D investment	LOW

Table 16. Generalised methods based on five localisation parameters (own table based on Martek, 2011)

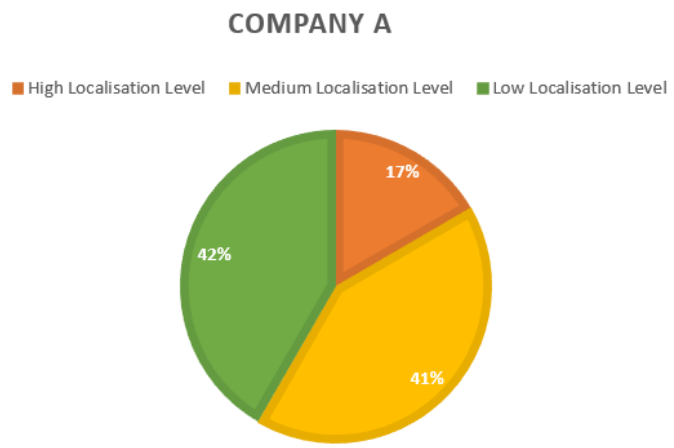


Figure 18. Localisation level of Company A. (own illustration)

Conclusion Case 1

Company A is one of the most famous Dutch architecture firms in China and also worldwide. They have entered the Chinese market for ten years and have accumulated abundant experience conducting business in China. In the beginning, the branch office in Shanghai was only responsible for client relationships. Later, they hire many senior architects to deepen the design. The firm successfully exploits its reputation for essential competitions and big clients. Today, the Chinese market has become one of their most profitable markets. However, it should be noted that the most intensive design work is still done in the home office and is expected to keep as it is now for some time. Company A generally evaluated themselves as having good performance in China, which they are pretty satisfied with.

Case 2 – Company B

Reputation in China:

Established in 1962, Company B has grown into one of the largest and leading design and consultancy companies in the Netherlands and is ranked in the top 20 in Europe. Company B is well-known in the Netherlands with all scales of projects. In 2015, Company B opened its branch office in Shanghai. However, till today, Company B can not be seen as a famous international or Dutch architecture company in China.

"Company B is maybe not the most famous company in the Netherlands, but it's one of the Biggest" – Interviewee B

General Background:

1) Service offering

In the beginning, Company B helps manufacturers realise industrial housing in the domestic market. In the first ten years, they expanded the housing design to the large residential district and accumulated abundant experience in this field. Later, they developed the business to also other domains such as utility assignments, consultancy and research. Starting from the 1980s, Company B began to explore the international market. Currently, Company B mainly focuses on four design disciplines, which are urban strategy, architecture, construction and interior design. In China, they specialise in campus developments, urban and building transformations, high-quality urban environments, contemporary residential typologies, commercial mixed-use and public buildings. They have already realised several mixed-use buildings, campus, retails and hotels. They are currently searching for more opportunities in China's second and third-tier cities.

2) Value creation

Company B aims to create inclusive and resilient places for people. They make feasible, buildable, and aesthetic buildings for existing and new customers. Although the Chinese construction market offers great opportunities, they are selective about commissioned projects. Also, they control the quality and quantity of the projects so that they are not overwhelmed with projects but can be concentrated on several tasks. They also developed soft skills such as being modest and grateful to match the clients' expectations to build a stable relationship.

3) Value capture

There are also three dimensions of professional value of Company B: 1) Reputation: as stated above, the interviewee admitted that their reputation in China still needs some work, although they were already famous in the Netherlands.

"If you would invite us or some other smaller, less famous firms, you can also actually get some products at maybe even more detail. They have more quality work, but the client just need the market marketing exposure." – Interviewee B

They realised that some clients invite famous international firms for market exposure, which is the shortcoming of Company B. After several years of operation in China. Although Company B was still not among the top famous international firm in China, it accumulated trust and reputation with the developers and government authorities that they have worked with. For example, one of the most prominent developers in

China first knew Company B for its campus design and commissioned several projects in major cities. Because of the satisfying experience between the developer and Company B, the developer offered and introduced more projects in other cities to Company B.

2) Development: Company B enriched their project portfolio in China by conducting large-scale projects, which not only train their designers in the branch office but also exercise the designers in the home office. They are able to implement their knowledge of large-scale design into Chinese projects and receive feedback from the market to renew their skills. Besides, their local commercial relationship was relatively inactive at the beginning of export, which required intensive rework. And after several years of networking, the local connection ran autonomously, and they didn't need to put too much effort into it anymore.

3) Work Pleasure: Company B was generally happy about what they had accomplished in China, even surviving during the pandemic. They also provide the chance for the designers to participate in the meeting with clients to develop their connection skills and be seen by others.

"When we came to China five years ago, basically everybody told me starting Company B in China now that's not going to work because, you're very late in the market. There's already so many architecture firms. So they give me very little chance to actually survive and now we survive the several crisis, including the COVID crisis and we're still here. I think that's very good, I'm very happy with this." – Interviewee B

However, they also expressed their worry and uncertainty about the market because everything is changing quickly, and due to the national policy towards Covid, sometimes the construction has to suspend due to lockdowns, and it is challenging to meet clients in person.

For the exchange value, making a significant profit was never the primary goal of the branch office. In the first two to three years, the Shanghai office needs financial support from the home office. While after the third year in China, the branch office started to break even and made profits.

"Of course, now we do want to make a profit, but it's not aim to make a big profit or big turnover."
– Interviewee B

The Value capture strategy

In China, Company B strived to identify their competitive advantages compared to local firms. They stated that local firms are becoming more vital that they also have foreign background employees and have the similar knowledge as an international architecture firm. Besides, the construction market is changing in a way that, especially in big cities like Shanghai, the degree of admiration for foreign designers' power is reducing. But in the third and fourth-tier cities, it is still possible to build a direct relationship with the local authorities in the longer-term. The value capture strategies mentioned above and challenges were summarised in Table 17.

Value dimensions	Value capture strategy	Challenges & Bottlenecks
Professional Value	Create high quality projects to increase firm reputation Identify competitive advantages	1. Competitive pressure from local firms 2. Less admiration for foreign design

	Promote firm development Open up a branch office and hire Chinese designers Delivering additional quality Develop projects in third and fourth-tier cities	power in the market
Exchange Value	Offering commercial value Maintain client relationship	

Table 17. Value capture strategy of Company B (own table based on Bos-de Vos et al., 2016)

Entry process

1) Decision-making & Entry Process

There are two main reasons for Company B to export to China. First, they find the Chinese construction market opportunistic. There is a higher chance of acquiring large and dynamic projects than in the Netherlands and other European areas. Second, they want to provide the architects in the home office with differentiated design tasks. So that the employees have a chance to train their skills in other building types rather than the typical Dutch ones. Obtaining financial benefits was not the primary purpose of their export, but they still received satisfying income (Table 18).

"Our main goal was to diversify our portfolio and getting more and more international. And offer platform for our (Dutch) designers." – Interviewee B

Resource optimisation	Improve economies of scale (Going international) Take advantage of incentives (Large-scale projects)
Performance and development	Help in the growth of the company (Enlarge and diversify portfolio) Get more benefits (Reputation, projects, etc.)

Table 18. Decision making of Company B (own table based on Mataveli et al., 2020)

The entry process of Company B was well-planned. One of the company's partners went to China first and set up the branch office. He already knows about setting up a branch office for another Dutch architecture firm. The founder of the branch office received help from the home office, and the business developer flew to China to help. Also, in the early stage, the founder tried to reactivate the client connections that the firm did before. The Dutch consulates in Shanghai also introduced the firm to several clients, and they organised dinners and parties to strengthen the relationship. After three-quarters of networking, the first commission came out from the network, but Company B rejected it, because the project wasn't matching the firm's vision. Then, after refusing around three projects, a good project appeared and that's when Company B started their architecture journey in China.

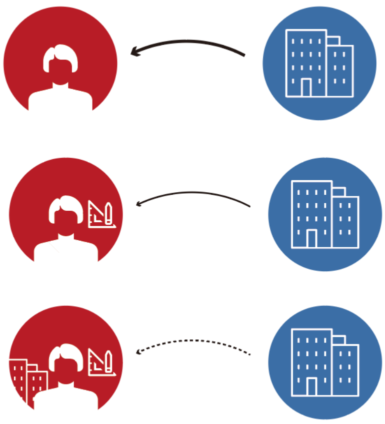
2) Branch office

Established in 2015, the Shanghai office now has 8 designers. The office is a wholly foreign-owned enterprise (WOFE), which works independently from the home office. They don't need permission from the home office for design decisions. But still, both teams from the Netherlands and China cooperate closely. Before the pandemic, they usually fly people in and out for collaboration. Nowadays, they still brainstorm with the Dutch team in the concept phase. After finishing the design tasks, the branch office would cooperate with LDI for construction drawings based on single projects. Currently, 90% of the work is direct commission.

The vision for the branch office is to be more effective and efficient that they want to grow to double its size, that is, from 8 people to 15people. However, it was challenging for them to find skilful and experienced architects because other competitors in the market are also looking for such designers.

"It's quite difficult to find good designers, the bilingual designers are not that easy to find, and if there are, then of course a lot of other companies also wants them, especially the big Chinese companies or the American firms." – Interviewee B

Aiming for an independent design entity, the branch office of Company B has been through from Type 1: first only working on networking and communication, to Type 2: when the firm was still small in size and designers from the home office flew in to help for two to three months, eventually to Type 3: an independent design studio that is able to carry out the design work by itself (Figure 19).



A transition of type 1 to type 2 to type 3:
Type 1. Representative office (without design function)
->
Type 2. Representative & limited design (The design need to be proved by the home office)
->
Type 3. Design entity (the branch office can carry out a complete design)

Figure 19. Branch office type (own illustration)

When Company B first entered the Chinese market, it mainly faced the challenges of a lack of reputation and an inactive network (Table 19). In fact, lacking a reputation in China can be seen as to why they need to rework intensively on the network and connections. Company B was not invited by clients to market and only received projects after they built up the relationship with local parties. It was a relatively hard time for them to start a business in China with limited resources in hand.

Challenges & Bottlenecks of Entry strategy	1. Lack of reputation 2. Inactive network

Table 19. Challenges & Bottlenecks of Entry strategy (own table)

Localisation Strategy
Since 2015, Company B has already been operating in China for about 7 years and they have developed their own way of doing architecture business in China. The soft skills such as being modest and kind to the clients were well appreciated. When meeting with clients, they tried to show not only an understanding of the local context, but also the understanding of the clients and how their organisation operate. Within such an opportunism market, they tried to be more organised but also tried to accept the fact that things can go random

sometimes and they have to learn how the Chinese do their business. When clients require a fast pace in the project process, they will seek help from the Dutch office. Because of the time difference, the two offices are able to work one after another, which results in 24 hours progress. These days, however, due to the tightened national restrictions on government's behaviour and the pandemic, it has been more challenging to meet clients informally in the big cities so that the number of direct commissions went done. Therefore, company B adapted to this situation and explored the possibility of smaller cities where they can meet clients as before and attend more competitions for new opportunities.

Language is also a tricky point that the interviewee mentioned:

"I think it would be very useful if I could speak the language…on the other hand, I feel that some clients are actually appreciate it (that) I cannot speak Chinese. That makes me more foreigner for them and they feel the sense of international maybe." – Interviewee B

Learning Chinese and being a complete Chinese was not an omnipotent solution for international firms. In interviewee B's opinion, the more thoughtful way of localising was to show the understanding of Chinese culture while also maintaining the identity of a foreign designer power. This concept was also reflected in their projects, where they kept the style of 'Dutch design', but impressed the clients with the deep consideration of local context. The localisation strategy that Company B implemented is summarised in Table 20, as well as the current problems that they face.

Localisation Strategy	
Description	Challenges & bottlenecks
Client base strategy	Client base strategy
Client type: medium to big size developers in major and smaller cities, government authorities	1. Challenging to meet client in person
Client acquisition: 90% direct commission and 10% public tender	
Client relationship: try to meet more and in person	
Human resources strategy	Human resources strategy
Employee number in China: 8	1. Hard to find bilingual designers
Employee background: international background architects	
Employee Skill: designing and executing the project	
Factor inputs strategy	Factor inputs strategy
Procurement: predominantly localised	
Supply Chain: predominantly localised	
Value chain integration strategy	Value chain integration strategy
Cooperation with LDI: single project collaboration	
New capability acquisition strategy	New capability acquisition strategy
Tangible quality of the product: new technologies explored both in the home office and branch office	1. Challenging in finding the balance between international firm and localisation
Intangible quality of the product: understanding of local culture, develop soft skills	

Table 20. Localisation strategy of Company B (own table)

Similar to the individual analysis of Company A, the localisation level and visualisation is presented below (Table 21 & Figure 20).

		Localisation Level
Client base	Land developers	HIGH
	Major infrastructure builders (Chinese governmental agencies or authorities)	MEDIUM
Human resources	Practically driven localized enterprises	HIGH
	Foreign expert infused enterprises	MEDIUM
Factor inputs (Tangible/Intangible)	Factors manufactured locally	HIGH
	Factors brought in as expertise	MEDIUM
	Factors obtained through local knowledge	MEDIUM
	Factors procured through local outsourcing	LOW
Value chain Integration	Major presence- Enterprises that count China as a fully functional subsidiary	MEDIUM
New capability acquisition	China market as a proving ground	MEDIUM

Table 21. Generalised methods based on five localisation parameters (own table based on Martek, 2011)

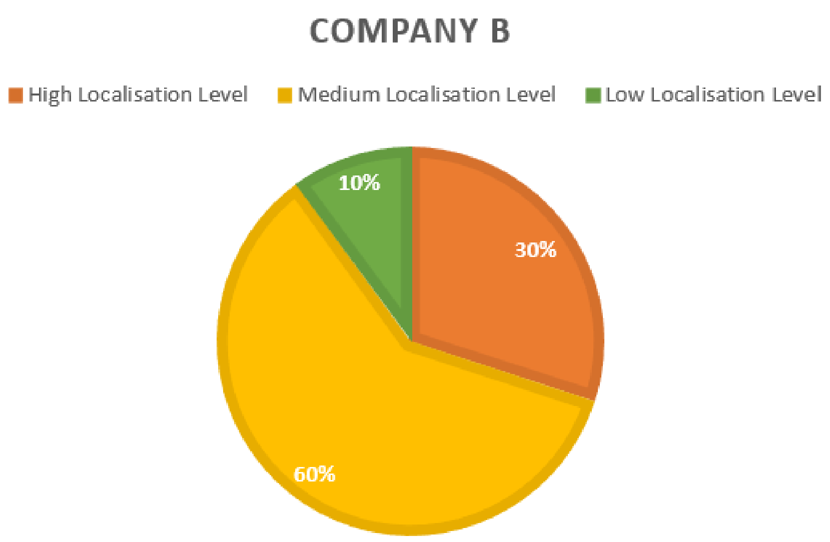


Figure 20. Localisation level of Company B. (own illustration)

Conclusion Case 2

Company B has a long history of providing architectural services. The primary purpose of entering the Chinese market was to provide project opportunities to the Dutch design team. As the branch office grows into an independent design entity, they need less design support from the home office compared to Company A. Although they are satisfied with the achievements so far, they face the challenges of finding suitable designers and expanding their business to smaller cities.

Case 3 – Company C

Reputation in China

Company C is the least famous one among all three firms. They only started their architecture business in 2015 in Beijing, which is a relatively young organisation. Later, they also open their Hong Kong branch office. In 2022, they decided to export back to the Netherlands.

General Background

<u>1) Service offering</u>

Currently, Company C mainly works in China mainland. They worked on three types of projects: master planning, architecture, and interior. And in the majority, architecture, and interior. Three partners founded the company and one of them is Chinese, the other two are Dutch. Before starting the company, all partners worked for famous international architecture firms and gathered abundant and advanced professional experience.

<u>2) Value creation</u>

Company C pursues strategy-based solutions for projects rather than a specific architectural style. They combine the Dutch design approach with Asian design thinking into localised, sustainable, and future-oriented buildings. The team members in Company C were selected based on diversity because they're open to different opinions and excited about the collision of ideas. Through collaboration with the team and experts and artists, Company C developed a dynamic range of high-quality products that received multiple essential awards, such as the top 100 young architecture firms in China in 2020. Most projects have LEED certificates with high sustainable performance.

<u>3) Value capture</u>

Although being a young practice in the Chinese market, Company C has successfully captured its value: 1) Reputation: Even though Company C was not among the famous architecture firm neither in the Netherlands nor in China, they were heading towards it. They recognised the importance of physical presence in China in the beginning in order to build up their reputation. As a newcomer in the market, they evaluated themselves to operate quite well after receiving many awards. One of their projects was commissioned by a big developer in the major city. It helped the firm accumulate market exposure and became the stepping stone for more people to recognise the firm.

2) Development: The fast-changing construction market provided Company C with numerous project opportunities. They could implement their design thinking into the project, and receive results quickly because the construction goes straightforward. Within 5 years, they have built around 10 projects, and the largest one is 100,000 square meters. And after they accumulate a diverse portfolio, they were able to open another branch office in the Netherlands, which aims for further development.

"We want to grow the company, but not necessarily in in size of team but more growing in quality."
– Interviewee C

3) Work pleasure: Company C was happy and satisfied with what they had done in China. There is a clear division of labour between Chinese and foreign designers: 70% of the employees are Chinese who focus on

project coordination and the later stage of the project. In comparison, 30% of the foreigners concentrate on the conceptual phase. And all of them worked on their tasks delightfully.

As for the exchange value, in the first three years, Company C was not making a great profit, but after 2019, they received quite good financial income. Until today, even during the pandemic and lockdowns, they were still financially stable.

The Value capture strategy

Besides the strategy mentioned above, Interviewee C emphasised their goal to stabilise the team. They didn't aim for a big organisation with thirty to fifty people but instead grew the size slowly and smoothly. Therefore, they prefer a smaller scale of architecture (less than 100,000 square meters), which is easier for them to handle and go more into the details of the projects. They find their market niche in small and medium-size buildings, located in second or third-tier cities.

"I mean projects we're not interested in. We want to avoid. So just keep the company stable. That's the main goal. Cause the market at the moment is also quite difficult. It's changing a lot, so for us it's important that we keep the company stable." – Interviewee C

Another challenge that the firm recognised is the rising of local architecture firms. Due to the pandemic, many Chinese architects went back to China because of homesickness. And many of them join the Chinese architecture firm or open up their own office and they can be seen as international designers. But some clients were still specifically interested in foreign firms like Company C, and thus they haven't experienced the negative influence of returning architects. What was recognised was the different attitudes towards foreign firms in big and fourth-tier cities. Cities such as Shanghai would choose foreign firms not because being international but because of the quality of products, while fourth-tier cities would still praise foreign designer's power for being foreign.

Value dimensions	**Value capture strategy**	**Challenges & Bottlenecks**
Professional Value	Create high quality projects to increase firm reputation Identify competitive advantages Promote firm development Delivering additional quality Keep the team stable	1. The current market is full of uncertainty 2. Local firm pressure
Exchange Value	Offering commercial value Maintain client relationship	

Table 22. Value capture strategy of Company C (own table based on Bos-de Vos et al., 2016)

Entry process

<u>1) Decision-making & Entry Process</u>

All three partners of Company C worked for the same top-tier UK firm as colleagues prior to starting their own business. After four years of working on a large scale development which ended up at fault in the UK firm, Interviewee C decided to explore opportunities in China. He lived in Japan before, and he was interested in the

Asian way of business operation as well as the fast-growing construction market in China. Two of the partners first started the business in China, and the other joined. And because one of the founding partners is Chinese, the firm's board is more capable of understanding the local culture and the market. The company got its first project in a 'luck'. They met a German person during travel in Hainan, and this person knew a client in China that was specifically looking for a Dutch or German architecture firm that could do quality and detailed buildings. With this client's great projects in hand, Company C started to build up their portfolio right away. In the beginning, they discovered their market opportunity in the second to fourth tier cities where foreigner design is still highly praised. Later, after several years of successful practice, they were invited by clients from the big cities for more famous projects. Recently, because of COVID, the projects in China were slowed down a bit. Therefore, they reduce the workdays from more than 5 to 4 and have more time to think about the firm's future development. In the end, they decided it was time to expand the business back to the Netherlands.

"This client was very particular. Normally they talk about Europe or America. This client really liked the conceptual thinking of Dutch architects or their statement of architecture and that's why he wanted to have this architect. He was also interested in German architects, but then he couldn't find them." – Interviewee C

"We had a very good click with the client. He had a lot of lands to be developed. We made a contract with him that he gave us a monthly fee, which was basically our start-up investment." – Interviewee C

The decision making of Company C was more adventurous and full of uncertainty. They started the business in China mainly because of obtaining financial benefits, taking advantage of foreign design power, and being beneficial from the massive construction market (Table 23)

Resource optimisation	Obtain financial and fiscal advantages (income) Take advantage of incentives (praised of foreign designer power, project opportunities)
Performance and development	Get more benefits (Reputation, projects, etc.)

Table 23. Decision making of Company C (own table based on Mataveli et al., 2020)

2) Branch office

The company established the Beijing office in 2015, which can be seen as a home office that is able to carry out all the designs independently (Figure 21). In total, they have around 30 designers in all offices. The Beijing office has 12 people, and all designers have a foreign work or study background. Company C started the business as a design entity which did not have the evolution from other types of branch offices.

Type 3. Design entity (the branch office can carry out a complete design)

Figure 21. Branch office type (own illustration)

As stated above, Company C was lucky to meet a client who provided abundant projects for them to start with, which also indicates the opportunism of the Chinese construction market. And if it's not with this client, the firm would probably grow slower with its original reputation.

Challenges & Bottlenecks of Entry strategy	1. Lack of reputation 2. Opportunism

Table 24. Challenges & Bottlenecks of Entry strategy (own table)

Localisation Strategy

Company C was keen on combing Dutch design methodology and Chinese context, which was also written in their company profile. The Chinese partner was significantly helpful in terms of cultural differences. For example, the Chinese client won't express negatively even if they don't like the proposal, they would say they will get back to you, but actually they won't get back. This is when having a Chinese partner or localised team was very effective, so the designers won't waste time waiting for the response. Moreover, they utilised the cultural difference to criticise the client because the client would be more tolerant of foreigners that might not know the Chinese workplace rules.

"I think all our projects are very localised but with a hint of global thinking. So we also often call on global. Like we are an international firm. We bring in international thinking or Dutch thinking, but at the end we are building it for Chinese clients and Chinese cities. So we do see there's a massive localisation thinking." – Interviewee C

"I can speak a bit Chinese, but I cannot speak the culture of Chinese and I might say things in my own way. But I might misunderstand things from other people because they have a different way of thinking, so I think that's the most challenging part of doing business in China." – Interviewee C

Besides, Interviewee C mentioned that it took them some time to figure out how the architecture business work in China. Difference from the European, the Chinese construction market can go quick and random. For example:

"You can have a project tomorrow and the day after tomorrow we can stop again. Or it needs to be finished in two weeks or yesterday basically." – Interviewee C

To cope with the uncertainty in business operation, Company C took some time developing their own systems such as presentation and drawing systems. In this way, they can increase the processing speed smoothly and efficiently. Company C also takes excellent control of the final quality of the projects, even though they cannot enter the execution phase. They kept all the projects in small packets and reviewed all the tender documentation work. Besides, they check the construction drawings and do site inspections as well.

However, they experienced a significant impact of the pandemic in the last few years that they had to cancel around 40% of their business trips at the last moment. And till today, they still face the risk of not being able to meet new clients, cancelling business trips constantly and also projects being delayed.

Localisation Strategy	
Description	Challenges & bottlenecks

Client base strategy	Client base strategy
Client type: small developers from small cities (expand to larger ones later), government authorities	1. Challenging in meeting clients and cancelling business trip
Client acquisition: 90% business developer, 10% competition	
Client relationship: opportunism, track record of clients	
Human resources strategy	Human resources strategy
Employee number in China: 12	1. Keep a stable team
Employee background: international background architects	
Employee Skill: project deepening, conceptual design, on-site supervision	
Factor inputs strategy	Factor inputs strategy
Procurement: predominantly localised	
Supply Chain: predominantly localised	
Value chain integration strategy	Value chain integration strategy
Cooperation with LDI: single project collaboration	
New capability acquisition strategy	New capability acquisition strategy
Tangible quality of the product: new technologies explored in China, cooperate with numbers of external experts	Challenging in finding the balance between international firm and localisation
Intangible quality of the product: Chinese partners and employees bring in local knowledge, support sustainable initiative	

Table 25. Localisation strategy of Company B (own table)

The localisation level of Company A is summarised in Table 26 and presented in Figure 22.

		Localisation Level
Client base	Land developers	HIGH
	Major infrastructure builders (Chinese governmental agencies or authorities)	MEDIUM
Human resources	Practically driven localized enterprises	HIGH
	Hong Kong platform run Chinese operations	MEDIUM
	Foreign manager infused enterprises	MEDIUM
Factor inputs (Tangible/Intangible)	Factors manufactured locally	HIGH
	China as a factor procurement base for China and beyond	HIGH
	Factors obtained through local knowledge	MEDIUM
	Factors procured through local outsourcing	LOW
Value chain Integration	Superlative presence- Enterprises that see China as their premier market	HIGH
New capability	China-based R&D investment	MEDIUM

acquisition		

Table 26. Generalised methods based on five localisation parameters (own table based on Martek, 2011)

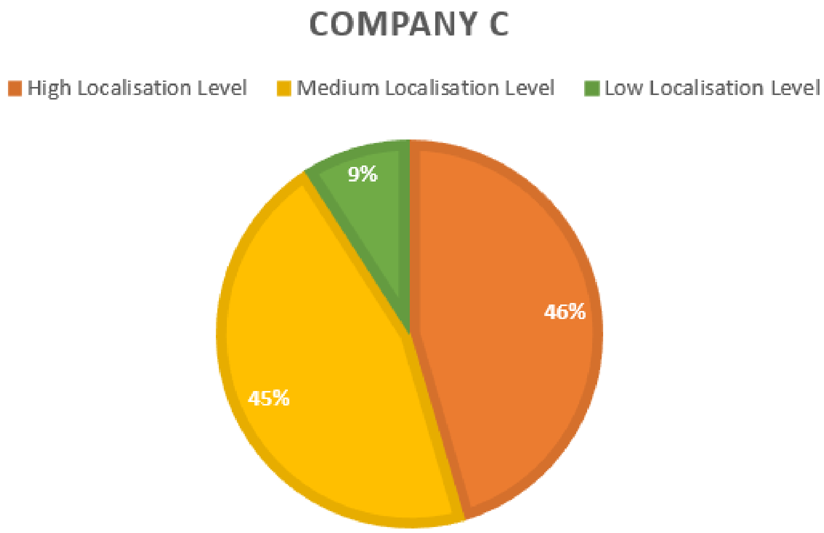


Figure 22. Localisation level of Company C. (own illustration)

Conclusion Case 1

Company C showed a very positive attitude towards their current work as well as future development. Although they were not famous yet and had a relatively small team, they managed to find their market niche first in smaller cities. They seized the opportunities with the first client and successfully started their business from there. The interviewee mentioned not many challenges, only the negative influence of the pandemic and the concerns of local architects.

Cross-case Analysis

This chapter conducts a cross-case analysis based on the three individual case studies (Figure 23). The analysis will find the commonalities and differences in the value capture strategy, entry strategy and localisation strategy of three cases. After that, the research summarised the general and distinguished challenges and bottlenecks for all the strategies. The researcher also conducted a performance evaluation of the firms at the end of the cross-case analysis.

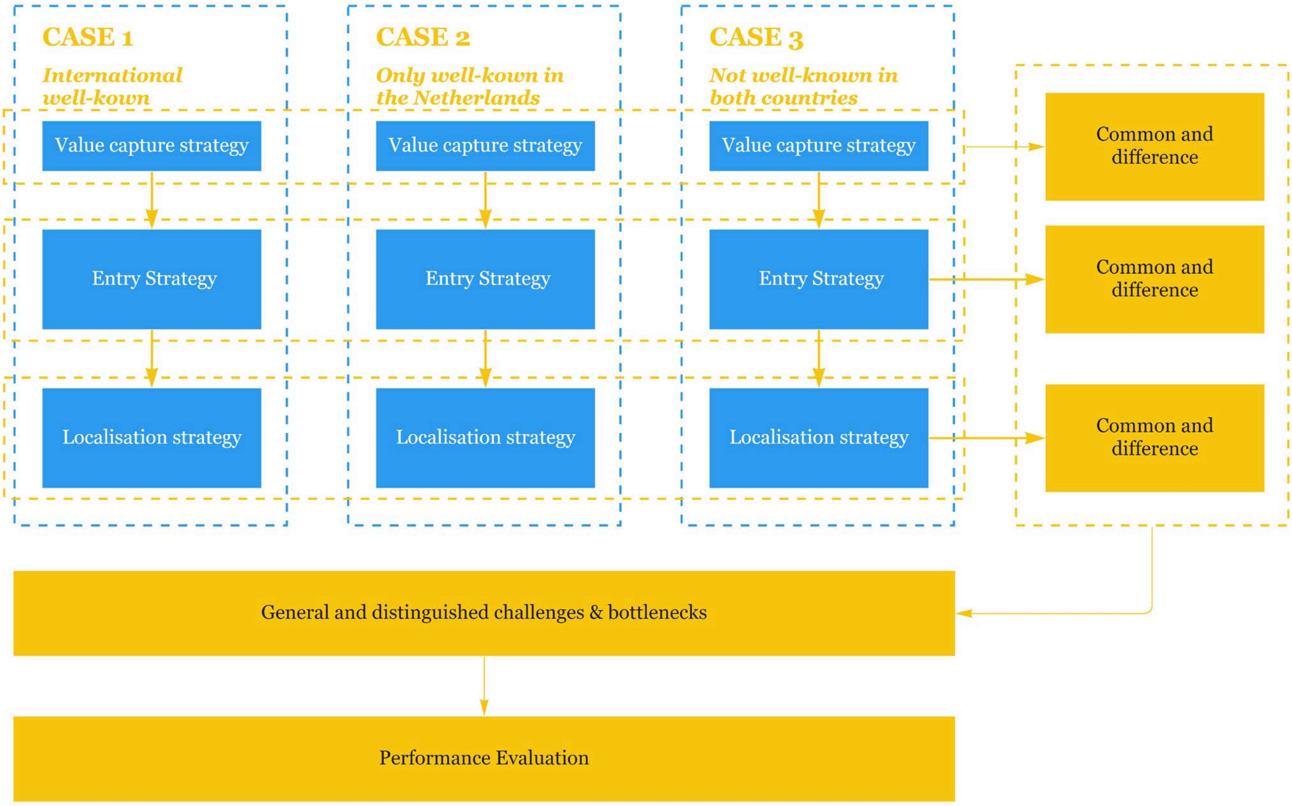


Figure 23. Cross-case Analysis Framework (own illustration)

Summary of multiple case studies

To begin with, as shown in Table 27, the reputation level from Company C to A is increasing. Each firm represents a Dutch architecture firm with a different reputation. Company A and B are similar in terms of total employee number, while Company B has a more extended history of 30 years. However, even though Company A is a relatively younger firm than Company B, it accumulated much higher prestige internationally and grew a bigger Chinese branch office. Besides, although Company C is the youngest and smallest firm among all cases, they have made a great project portfolio in China and growing into a proper size.

	Reputation	**Establish Year**	**Enter Year**	**Size in Total**	**Size of Branch office**	**Branch office location**	**Projects in CN***
Company A	Top-tier architecture practice internationally	1993	2012	340	15	Shanghai, Shenzhen	44
Company	Well-known in the	1962	2015	330	8	Shanghai	18

B	Netherlands						
Company C	Young architecture firm	2015	2015	30	12	Beijing, Hongkong	29

Table 27. Summary of case studies' background (own table)

** Including built and unbuilt projects based on company websites*

Value Capture Strategy

As architecture practices, all three cases presented several similar value capture strategies (Table 28). As for the professional value, all interviewees mentioned that the firms strive for high-quality products to be recognised by the market. Architecture design is the core business activity of an architecture firm, an innovative and outstanding project portfolio establishes the fundamental base for the business. Besides creating the values required in the project brief, firms provide additional and intangible value to impress the client and uses, such as social sustainability, vernacular craftsmanship and innovative detail solutions. The different firms have various approaches and focus on project quality. For example, Company A focuses more on creative and pioneer solutions. And they addressed attention to their work pleasure in building 'happy architecture'. Also, since Company A is among the top-tier international firms, it can deliver free or non-profitable design in exchange for firm reputation or expanding project typology. On the other hand, Company B tends to be more practical and economical. They're going from major cities to third or fourth-tier cities to maintain direct communication with clients. Company C has also developed their market niche into smaller Chinese cities and the current emphasis is to keep the design team stable. The way that firms increase their project quality reflects the result of identifying the firm competitive advantages. The characteristic of a firm's vision, expertise, size and reputation determine the competitive advantages. In order to promote the development of the firm, all cases chose to open a branch office in major Chinese cities and employed Chinese architects as the main design force.

Regarding the exchange value, the fundamental way to achieve financial income is to provide commercial value to the client, so that the client is willing to invest in the project for expected benefits. Besides, with a collaborative client relationship, firms are able to negotiate fees easier and the clients would possibly come back to the firm for more cooperation. Company A was the only firm that was able to exploit its international reputation for exchange value. Clients tend to be willing to pay extra for market exposure and international fame.

Value dimensions	Common value capture strategy	Different value capture strategy	
Professional Value	1. Create high quality projects to increase firm reputation 2. Identify competitive advantages 3. Promote firm development 4. Open up a branch office and hire Chinese designers 5. Delivering additional quality	**A**	1. Build 'happy' architecture 2. Offering free/non-profitable services
		B	Develop projects in third and fourth-tier cities
		C	Keep the team stable
Exchange Value	1. Offering commercial value 2. Maintain client relationship	**A**	Exploiting reputation
		B	
		C	

Challenges & Bottlenecks	Common Concerns	Different Concerns	
	Competitive pressure from local firms	**A**	Insufficiency in information hand over
		B	Less admiration for foreign design power in the market
		C	The current market is full of uncertainty

Table 28. Common and different value capture strategy (own table)

Three case study firms all mentioned the challenge of emerging local firms. Chinese designers with an international background are becoming strong competitors in the market. Interestingly, these designers are also highly demanded by Dutch architecture firms. Also, firms encounter different problems. For Company A, they realised the insufficient cross-cultural information handover. This is not a single issue that happened only between the home office and Chinese office, but also in their other international offices. Since Company A has a significant amount of projects in China, this issue has become more frequent and draws the attention of managers. Company B experiences the effect of less admiration for foreign design power in the market, especially in major cities. Interviewee B also stated that this is a general market transformation that every international architecture business is facing. At this turning point, it is critical for Dutch architecture firms to find their competitive advantages more than being only a foreign design power. Company C was worried about the uncertainty in the Chinese business environment due to restrictions on covid-19. They already suffered from abruptly cancelled or postponed projects and meetings, which is also why Company C underline their goal to stabilise the team.

Entry Strategy

As shown in Figure 24, the decision-making of entering the Chinese market is divided into 'Resource optimisation' and 'Performance and development' (Mataveli et al., 2020). All firms came to China to take certain advantages of incentives, such as paid competition, project income and large-scale projects. For Company A and B, who already have an office established in their domestic market, one reason to export is to improve economies of scale. Both companies started their business before the financial crisis in 2008 and experienced a drastically decrease in Dutch construction projects, which possibly led to their active internationalise behaviour. As stated in the individual case analysis, financial advantages were not what Company B was looking for, while Company A and C mentioned the motivation to increase company income. As an internationally renowned firm. Company A particularly needs to keep up with other international competitors.

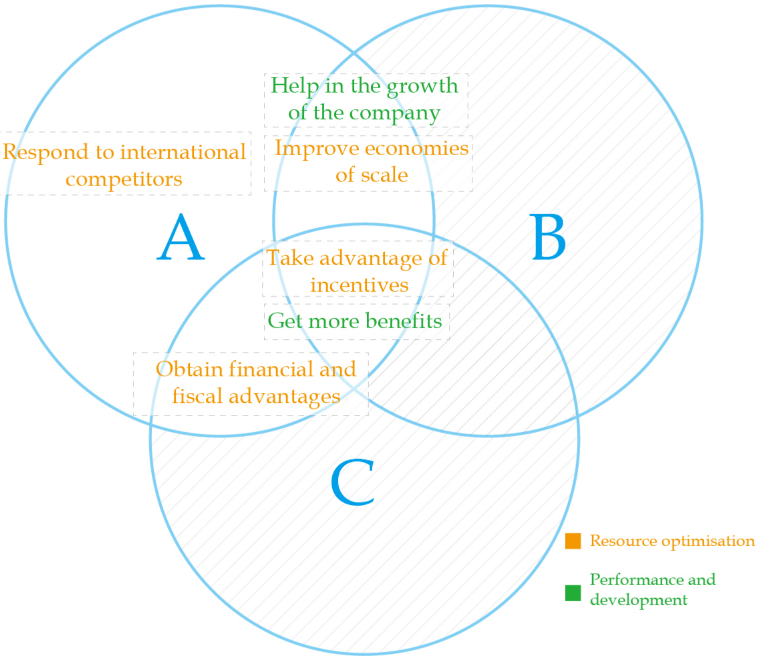


Figure 24. Common and different entry decision-making consideration (own illustration)

The benefits that further stimulate firms' export are, for example, gaining reputation from the Chinese market and therefore contributing to their international reputation. 'Help in the growth of company' only applies to Company A and B, because they already have a complete business before entering China. They seek to diversify their project typology and implement their architecture thinking in large-scale projects, which certainly assist the development of the entire enterprise.

Although all three firms had a branch office settled in China, the starting point, the process and the result are quite different (Figure 25). Company A and B started from a representative office with only a communication function. However, Company B's branch office developed into a design entity, while the branch office of Company A remains a limited design function. Company C is also a design entity, but it didn't have the evolution process like the others. In general, firms could share the same starting point while ending up differently. On the other hand, firms could have the same type of branch office in the end while with different arrival paths.

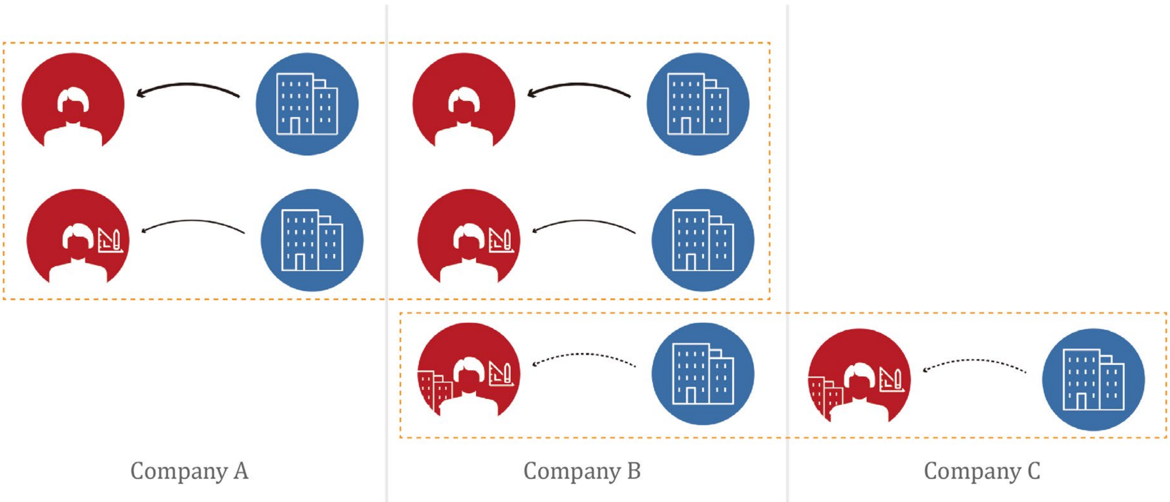


Figure 25. Branch office evolution of case studies (own illustration)

According to Table 29, no matter the character or size of the firm, the similar challenge that all case study firms face was the lack of reputation when entering the market. Therefore, at the beginning of the entry, all firms attempted many competitions to expand reputation advantages. The different challenges are firm-specific. Company A was praised for its experimental solutions but also hindered by it, also it took them some time to turn the negative financial situation around. For Company B, they dedicated to reactive the network due to remaining problems. And the issue for Company C was that their first projects came in an opportunistic way, which might not be replicable.

	Common	Difference	
Challenges & Bottlenecks of Entry strategy	Lack of reputation	**A**	1.Unmatched architecture concepts 2.Unsatisfied financial performance
		B	Inactive network
		C	Opportunism

Table 29. Branch office evolution of case studies (own illustration)

Localisation Strategy

For the localisation strategy, firms share things similar in each category while sometimes vary according to their own situation. All interviewed firms worked for either developers or government authorities, which are also the primary type of clients in the Chinese construction market. It is worth noting that the more famous the international architecture firm is, the more likely it will be working with more prominent developers in major cities. The majority of the projects come from the direct commission, while firms reserve some space for public tender and/or competitions either to approach the exciting typology or to exercise the designers. Thus, maintaining a good relationship with clients is one of the keys to obtaining more project opportunities in China. Each firm has its different approach toward client relationships, Company A hired experienced designers in the branch office to assist this process, Company B tried to meet clients in person as much as possible and Company C kept a track record of all clients in their database. Due to covid restrictions and the policy requirement, it is increasingly challenging to meet clients in person, especially for the government authorities in major cities. For Company A, they also experience the challenges of being selective in the high demand for direct commission and the competitive pressure among other top-tier international architecture firms.

No matter the size of the home office is, all branch offices of the case study firms have less than 20 people, which is relatively small but compact. Chinese architects with international backgrounds and are capable of deepening projects, maintaining client relationships and conducting on-site supervision are preferred and welcomed by Dutch architecture firms. Company A especially mentioned the importance of senior architects supervising the execution phase. However, those experienced designers have their own attitudes toward working, which not all of them match the philosophy of Company A. The difficulty for Company B is that the great bilingual designers might go to more famous firms such as Company A, leaving Company B less choice in the talent market. Company C attracts their designers with the market niche and fast-growing project numbers, they want to keep the current situation which also requires effort.

The procurement and supply chain aspects in the factor inputs strategies are predominantly localised for all firms. And the interviewees didn't emphasise the challenges and bottlenecks in the factor inputs strategies compared to other strategic aspects.

Since foreign architecture firms are not licensed for construction drawings, they need to team up with LDI for project completion. There are some occasions that the architecture firms collaborate with an LDI more than once, because they have several projects going on in the same city. Still, all of them did a single collaboration with LDI, rather than forming a joint venture. Finding a good LDI and professional construction partner is essential to the project quality, stated interviewee A. This relationship with LDI can largely contribute to project success but can also bring project failure if it goes wrong.

The new capability acquisition strategy is divided into the tangible and intangible quality of the product. The tangible quality mainly concerns the latest technology for buildings. Company A acquired it in the home office, Company C acquired it in China, and Company B received it from both sides. The intangible aspects described how firms combine the localisation thinking in their projects. All firms recognise the importance of local context and obtain the local knowledge from Chinese employees and R&D activities. The tricky point was that all firms mentioned the balance between localised thinking and keeping the identity of the international design force.

<table>
<tr><th colspan="3">Localisation Strategy</th><th>Challenges & bottlenecks</th></tr>
<tr><td colspan="3"><u>Client base strategy</u></td><td><u>Client base strategy</u></td></tr>
<tr><td rowspan="3">Client type: developers and government authorities</td><td>A</td><td>Big developers from major cities, government authorities</td><td rowspan="7">Challenging to meet client in person

A: 1.High demand in direct commission require the firm to be more selective
2. Compete with other top architecture firms brings competitive pressure</td></tr>
<tr><td>B</td><td>medium to big size developers in major and smaller cities, government authorities</td></tr>
<tr><td>C</td><td>small developers from small cities (expand to larger ones later), government authorities</td></tr>
<tr><td colspan="3">Client acquisition:
direct commission and public tender</td></tr>
<tr><td rowspan="3">Client relationship: Maintain and emphasise on client relationship</td><td>A</td><td>maintained by Shanghai branch office</td></tr>
<tr><td>B</td><td>try to meet more and in person</td></tr>
<tr><td>C</td><td>opportunism, track record of clients</td></tr>
<tr><td colspan="3"><u>Human resources strategy</u></td><td><u>Human resources strategy</u></td></tr>
<tr><td colspan="3">Employee number in China: <20</td><td rowspan="3">/

A: 1. Mature architects have their own attitudes and ways of working and it's challenging to find one match with the firm
2. Staff mobility is relatively higher in the branch office</td></tr>
<tr><td>Employee background: international background</td><td>A</td><td>Senior architect</td></tr>
<tr><td colspan="3">Employee Skill: project deepening, client relationship, on-site supervision</td></tr>
</table>

			B: Hard to find bilingual designers C: Keep a stable team
<u>Factor inputs strategy</u>			<u>Factor inputs strategy</u>
Procurement: predominantly localised			
Supply Chain: predominantly localised			
<u>Value chain integration strategy</u>			<u>Value chain integration strategy</u>
Cooperation with LDI: single project collaboration			/ A: Key to find good construction partners who share same ambitions
<u>New capability acquisition strategy</u>			<u>New capability acquisition strategy</u>
Tangible quality of the product: Keep updating technology and project knowledge	A	new technologies explored in the home office	Challenging in finding the balance between international firm and localisation
	B	new technologies explored both in the home office and branch office	
	C	new technologies explored in China, cooperate with numbers of external experts	
Intangible quality of the product: Adopt localisation thinking in projects	A	core concept from home office, local knowledge from branch office	
	B	understanding of local culture, develop soft skills	
	C	Chinese partners and employees bring in local knowledge, support sustainable initiative	

Table 30. Commons and differences in localisation strategies (own table)

Summary of three strategies

The localisation level between all cases is drawn from the individual case analysis and is compared in Figure 26. As shown in the pie chart, Company C has the highest localisation level, Company B is in the second place, which Company A has the lowest localisation level among all three firms.

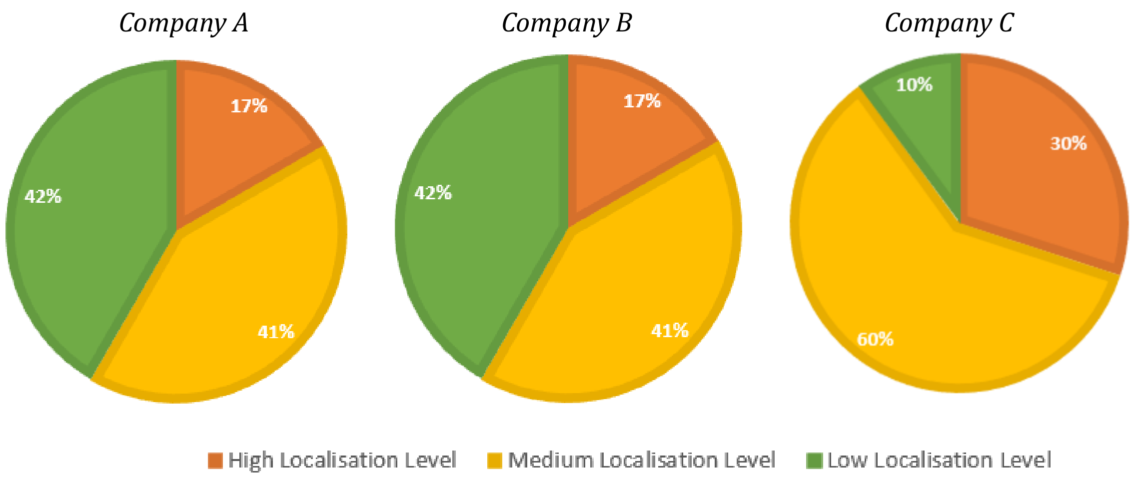


Figure 26 Localisation level of three case studies (own illustration)

The summary of all three strategies combines the analysis of the value capture, entry, and localisation strategies (Figure 27). The common points in the strategies are shown on the left, the distinguished points were divided in the middle, and the challenges/bottlenecks were marked in blue. It can be observed from the figure that all firms share some similar strategies as Dutch architecture firms in China, meanwhile maintaining their characteristics. Company A seems to have the most variety for their firm-specific strategies and mentioned more challenges than other firms.

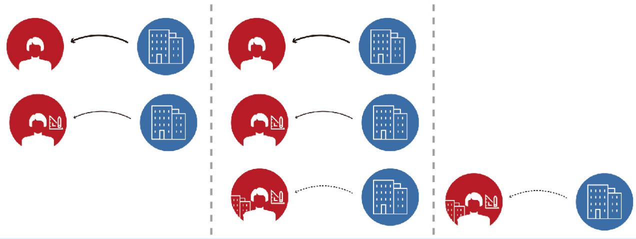
	Company A	Company B	Company C	Challenges & Bottlenecks
Value Capture Strategy				
Professional Value 1) Create high quality projects to increase firm reputation 2) Identify competitive advantages 3) Promote firm development 4)Open up a branch office and hire Chinese designers 5) Delivering additional quality	1) Build 'happy' architecture 2) Offering free/non-profitable services	Develop projects in third and fourth-tier cities	Keep the team stable	
Exchange Value 1) Offering commercial value 2) Maintain client relationship	Exploiting reputation			
	Insufficiency in information hand over	Less admiration for foreign design power in the market	The current market is full of uncertainty	Competitive pressure from local firms
Entry Strategy				
Resource Optimisation Take advantage of incentives	Improve economies of scale Respond to international competitors Obtain financial and fiscal advantages	Improve economies of scale		
Performance & Development Get more benefits	Help in the growth of company	Help in the growth of company		
Branch Office Set up a branch office in major city				
	1) Unmatched architecture concepts 2)Unsatisfied financial performance	Inactive network	Opportunism	Lack of reputation
Localisation Strategy				
Client base 1) Client type: developers and government authorities 2) Client acquisition: direct commis sion and public tender 3) Client relationship: maintain and emphasise on client relationship	Big developers from major cities, government authorities maintained by Shanghai branch office	medium to big size developers in major and smaller cities, government authorities try to meet more and in person	small developers from small cities (expand to larger ones later), government authorities opportunism, track record of clients	
	A: Be selective in high demand commissions 2. Competitive pressure with other top architecture firms	Hard to find bilingual designers	Keep a stable team	**Client base** Challenging to meet client in person
Human resources 1) Employee number in China: <20 2) Employee background: international background 3) Employee Skill: project deepening, client relationship, on-site supervision	Senior architects			
	1) Match with mature architects 2) Staff mobility is relatively higher in the branch office			
Factor inputs 1) Procurement: predominantly localised 2) Supply Chain: predominantly localised	Key to find good construction partners who share same ambitions			
Value chain integration Cooperation with LDI: single project collaboration				
New capability acquisition 1) Tangible quality of the product: Keep updating technology and project knowledge 2) Intangible quality of the product: Adopt localisation thinking in projects	1) new technologies explored in the home office 2) core concept from home office, local knowledge from branch office	1) new technologies explored both in the home office and branch office 2) understanding of local culture, develop soft skills	1) new technologies explored in China, cooperate with numbers of external experts 2) Chinese partners and employees bring in local knowledge, support sustainable initiative,re, develop soft skills	**New capability acquisition** Challenging in finding the balance between international firm and localisation

Figure 27. Summary of cross-case analysis (own illustration)

Performance analysis

Based on the theoretical research in the literature review, the performance criteria mainly includes three aspects: people, process and product. More than one localisation strategy contributes to one performance factor. 'People' is related to client base, human resources and new capability acquisition strategy. And Human resources, factor inputs, value chain integration and new capability acquisition strategy all influence firm's performance in 'Process' aspects. The 'product' performance can be seen as a result of factor inputs, value chain integration and new capability acquisition strategies (Figure 28).

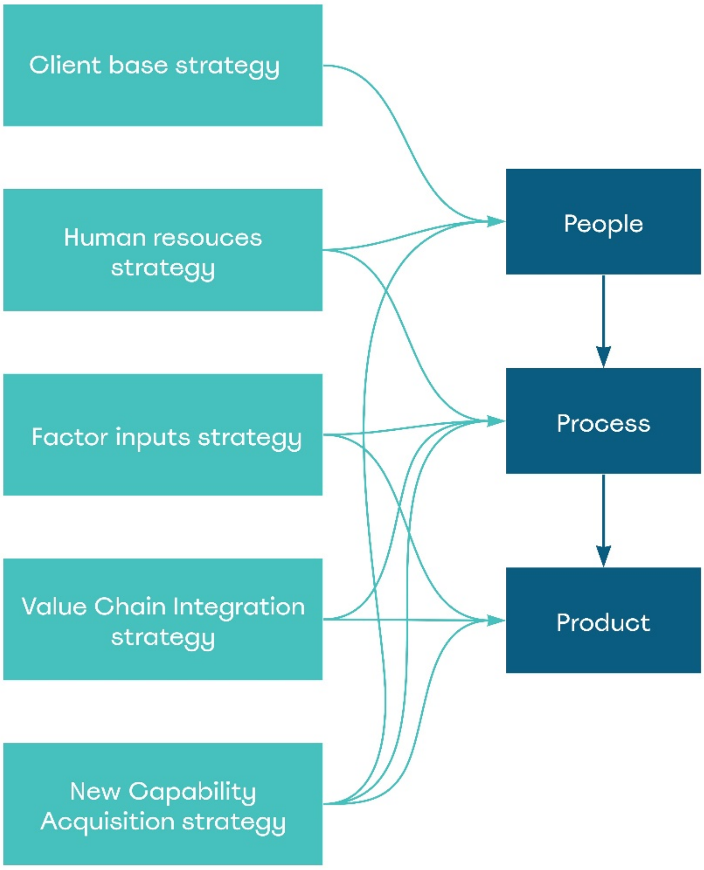


Figure 28. Relationship between 5 parameters and 3 P's (own illustration)

Each category is broken down into several secondary criteria based on the interviews. The 'people' aspect includes client, employee and user levels. The 'process' aspect is divided into international efficiency and external collaboration. And both the tangible quality and intangible quality of 'product' are evaluated. In order to quantify the performance of the firms, scores from three to one were applied. Different scores represent a different levels of satisfaction mentioned by the interviewees in the interviews. To be specific, score 3 represents the satisfied attitude of the interviewee and score 2 is used when the interviewee expressed doubts in the aspect, while if the interviewee mentioned great improvement needed, then score 1 is applied. Therefore, the higher the score the firm gets, the better they perform. For example, Company C stated they are happy with their project quality. Therefore, they can score 3 points in the 'Product' aspect. In contrast, Company B mentioned that they need bilingual design talents urgently; thus, a score of 1 point was applied to the employee aspect of 'People.'

Score 3	**Satisfied**			
Score 2	Had doubts			
Score 1	Need improvement			
		Company A	Company B	Company C
People	Client	2	2	2
	Employee	3	1	3
	User satisfaction	3	3	3
Total Score 'People'		8	6	8
Process	Internal efficiency	2	2	3
	External collaboration	3	2	3
Total Score 'Process'		5	4	6
Product	Tangible quality	3	3	3
	Intangible quality	3	3	3
Total Score 'Product'		6	6	6
Total		19	16	20

Table 31. Performance analysis by comparison (own table)

According to Table 31, Company C has the best performance of all aspects and Company A followed. However, the current business performance of Company B seems to be more challenging, as they score less than the other firms.

The score of each main criterion is the sum of each secondary performance factor. For example, Company A scores 2 points in 'client', 3 points in 'employee' and 'user satisfaction'. Therefore, the total score for 'People' aspect of the performance criteria is 8. As shown in the radar chart in Figure 29, it is worth noting that all cases expressed their satisfaction with the final product. While the differences mainly lay in people and process aspects. Although Company A has the same performance as Company C in the people aspect, they appear to be less efficient and effective in their 'Process'. As a result, the process became a watershed of the different performance between Company A and C. As for Company B, they are lagging in both people and process aspects, which is also why they are not performing well generally compared to the other firms.

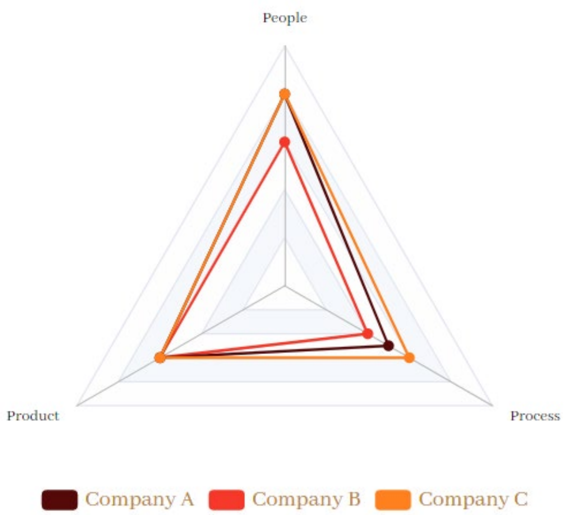


Figure 29. Firm performance radar chart (own illustration)

Research Findings

The main research question: **What is the performance of Dutch architecture firms' localisation strategy in China?** is answered by the investigation on the three secondary research questions:

1. What is the current localisation status of Dutch architectural firms in the Chinese construction market?

The first secondary question focus on the historical evolvement of entry strategy, influence factors and current performance of the localisation strategy of a Dutch architecture firm in China. The data for all aspects come from literature review/market analysis and semi-structured interviews. The entry strategy has evolved from traditional, relational, digital, to hybrid mode, according to the literature. It was confirmed in the interview that Dutch architecture firms adopted the relational IME strategies (Watson et al., 2018) that they hire local employees and collaborate with local suppliers, manufacturers, engineers, etc. However, the entry process varies for each firm. For example, Company A entered the market with a personal network and expanded its business with the help of its international reputation. Company B utilised the local experience of the partner to establish the foundation of their local business, while Company C got their first client through a lucky match with the client. Although the beginning of the entry appears to be different, all interviewees mentioned they absorb and adapt to the local business environment and culture to some extent.

The influence factors can be divided into external and internal aspects. The external influence was found in the market analysis. The interviewees confirmed that large-scale projects are lacking in the European construction market, which stimulates the influx of international architecture firm in China. Dutch architecture firms need to collaborate with LDI for construction drawings. Similar to the Netherlands that architecture firms usually team up with engineering firms. For the internal factors, reputation, firm size, targeted market and branch office function have a combined impact. For example, Company A has the highest reputation among all cases, while it didn't perform the best. The reason is that the branch office of Company A is not fully independent and relies on the input from its home office. Also, the considerable firm size of Company A resulted in more difficulties and increased the complexity of managing the team. But the high prestige of Company A did bring them many benefits when negotiating fees with clients, getting direct commissions and attracting good architects.

As for the current performance, the literature from F. Y. Ling et al. (2006) suggested eight performance criteria which was simplified to three P's in the interview. Later, the cross-case analysis broke down the 3 P's into multiple aspects based on the interview transcript. The interviewee expressed their attitude towards each criterion, and the performance of the architecture firm can then be summarised. Dutch architecture firms seem to perform well in their product quality, both tangible aspects such as sustainability, building technology and functional quality and intangible aspects that they incorporate local concerns. For top-tier architecture firms like Company A, they are able to attract clients and designers because of their international reputation. The problem for Company A and other similar firms is mainly the insufficiency within big organisational structures. For less famous firms such as Company B, it was more challenging for them to reach and keep talented bilingual designers because of other competitors in the market. However, although Company C is also not famous, they stabilised the team with abundant high-quality project opportunities in a niche market.

In general, the three interviewed Dutch architecture firms' localisation status is promising. They have identified their competitive advantages among other architecture firms throughout years of practice and deliver satisfying high-quality architecture. However, challenges and bottlenecks are unavoidable, especially because of Coivd-19 restrictions, which are researched under the second secondary research question.

2. How do Dutch architecture firms select their localisation strategies and what are the bottlenecks they face to improve their performance?

The research investigated the decision-making criteria behind the choice of Dutch architecture firms to export to the Chinese market. It is common for all three firms to take advantage of incentives such as paid competition as well as get more benefits such as obtaining large-scale projects and increasing company reputation. Unlike what has been stated in the literature review that finance-related factors are the most influential ones (Mataveli et al., 2020). In fact, the most significant reason for the three interviewed companies to enter China was for project opportunity, and Company B even mentioned that financial income was never the main goal to export. This proves the statement of Bos de Vos, et al. (2016) that architecture firms would emphasise professional value rather than exchange value.

According to Table 32, Dutch architecture firms face several common challenges in value capture strategy, entry strategy and localisation strategy. First, the rise of local architecture firms with international background employees is mentioned by all the interviewees as a strong competitor in the market. This type of firm would diminish the 'international selling point' of Dutch architecture firms and force them to explore their competitive edge more than an international architecture practice. Besides, when entering the Chinese market, all firms encountered the issue of lacking reputation specifically in China. However, it should be aware that the extent of lacking is different between firms, resulting in different speeds of accumulating reputation. It can be observed from the market analysis as well as the primary data collection that, the more famous the firm was, the easier they can enter the market. And also for the firms that have prestige in other countries, they are more capable of accumulating fame in the Chinese market faster. After entering the market, the challenges appear to be more firm-specific. But under the background of the pandemic, all enterprises, including Dutch architecture firms, face the problem of meeting clients in person. The missing physical presence can have a negative impact on building a close relationship with new clients. However, on the other hand, some interviewees said it also has a positive side that they can spend more time on design rather than networking. Firms unconsciously localised themselves into the local context working in Chinese cities and with Chinese people. But it appears that localisation is not the more the better. Instead, there is certain point firms need to keep the feature of a foreign architecture firm but with a deep understanding of the Chinese culture. The degree of localisation is sometimes tricky to grasp. For example, the Chinese language, clients usually expect the foreign architect to learn a bit of Chinese but not act like a total Chinese. In this way, they can still claim to work in an international team with some language barrier.

Although it seems like Company A is filling in more challenges into Table 32, in fact, challenges such as 'unsatisfied financial performance' and 'being selective in high demand direct commission' are already solved. Some other challenges are the higher requirement they give themselves. Likewise, Company C does not mention many difficulties, but it is worth reminding that they're the youngest and smallest practice among all firms that some challenges are not yet to come.

		Company A	Company B	Company C	Common concern
Value capture strategy		Insufficiency in information hand over	Less admiration for foreign design power in the market	The current market is full of uncertainty	Competitive pressure from local firms
Entry strategy		1.Unmatched architecture concepts 2.Unsatisfied financial performance	Inactive network	Opportunism	Lack of reputation
Localisation strategy	Client base strategy	A: 1.High demand in direct commission require the firm to be more selective 2. Compete with other top architecture firms brings competitive pressure			Challenging to meet client in person
	Human resources strategy	1. Mature architects have their own attitudes and ways of working and it's challenging to find one match with the firm 2. Staff mobility is relatively higher in the branch office	Hard to find bilingual designers	Keep a stable team	
	Factor inputs strategy				
	Value chain integration strategy	Key to find good construction partners who share same ambitions			
	New capability acquisition strategy				Challenging in finding the balance between international firm and localisation

Table 32. Summary of bottlenecks (own table)

3. To what extent can the current localisation strategy of Dutch architecture firms be improved to contribute to the business success?

In the third secondary question, the recommendation would be generated based on the knowledge gained from the case studies. To achieve balanced business success, all performance aspects: people, process and product need to be taken care of carefully. As shown in Figure 30, each criterion is connected to more than one localisation strategy, which indicate the improvement needs to be all-round.

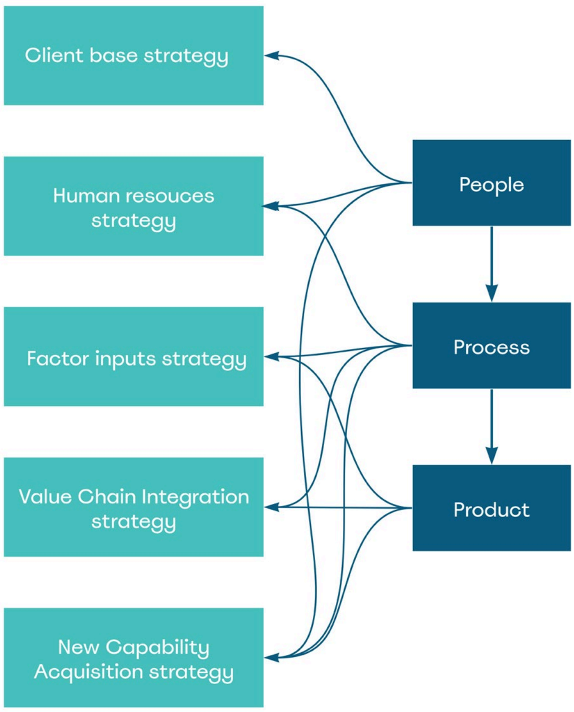


Figure 30. From performance criteria to localisation strategy (own illustration)

1) People

Client base strategy:

- Maintain and keep track of client relationship

Starting and maintaining the client relationship serves as the foundation of Dutch architecture firms' practice. Firms with higher reputations can exploit their fame to reach high-quality projects, which has already been proven as a standard method for top-tier architecture firms. Establishing a mature connection with the client through in-person meetings is significant for other firms. Even though more and more people are used to the digital conversation after the pandemic, the face-to-face experience is still a thruster for the relationship. Especially under the changing political environment in the big Chinese metropolis, maintaining client relationships is even more critical since the chance of meeting clients is less than before. Besides, showing modest, sincere and trustworthy behaviour when meeting with Chinese clients is praised. Being arrogant is not a sustainable way of operating a business and can also negatively influence the long term.

- Find clients who share the same goal

A successful project is never only the architects' work. In fact, it heavily relies on the match between the client and architect. Rejecting projects that do not fit the company vision has been a typical gesture of architecture firms. It is reasonable that in many cases, clients have the final word for the design rather than the architect. If the client doesn't accept the design, it could never be realised. Therefore, a match between the architecture firm and client is a crucial point to know before accepting the commission. It reduces the conflicts in negotiation as well as contributes to the degree of completion of the final project.

Human resource strategy:

- Find the designer who shares the same goal

Not only the clients should share the same goal as the architecture firm, to design team should also have a collective ambition. This ambition is reflected both in architecture understanding and working style. A practical-oriented firm need to find designers in the branch office who are capable of the later stage of design and construction, while an innovation-oriented firm should look for designers that are expert in conceptual design.

- Keep a stable team

The research showed that the more stable the team is, the more consistent they are in designing. A stabilised team is the result and the reason for a high-performance company. First, if the company is able to provide its designers with high-quality projects and an above-average salary, the possibility of designers leaving the company would be lower. An excellent working atmosphere that is inclusive and 'happy' can also be attractive to designers, especially to the younger generation who prioritised their personal development and mental health over financial income. Especially under the influence of the covid-19 pandemic, the uncertainty and risk in the Chinese construction industry are increasing. Therefore, a healthy and stable design team can smoothen the process of project development so that more minor discontinuity would occur.

New capability acquisition strategy

- Local input for localised product

The intangible aspect of new capability acquisition can benefit the 'user' in the 'people' part of firm performance. Dutch architecture firms build projects in China in which Chinese people are the primary users. Therefore, understanding the local context in different cities and neighborhoods through mutual communication and site analysis can increase the architectural quality in terms of its people-oriented. The understanding of local culture and people is embedded in localised architecture; also the localised architecture could reflect the vernacular craftsmanship and local material.

2) Process
Human resource strategy
- Cross-cultural talent
When Dutch architecture firms work in China, the cross-cultural communication between foreign managers and local employees happens all the time. In most cases, English is the main language to be used. Therefore, bilingual designers are the rigid demand for bridging the language gap between people from different countries. But only speaking English is not enough, the bilingual designers should be able to comprehend the cultural difference embedded in different languages. For example, the straightforwardness in Dutch and obscureness in Chinese.

Factor input strategy
- Collaboration with LDI
Since Dutch architecture firms are not licensed for the construction phase, teaming up with LDI is necessary to land the design. Usually, Dutch architecture firms form a single collaboration with LDI based on projects. And it is often the case that they cooperate with the same LDI in different projects or competitions because some big cities such as Shenzhen have more new construction demand than others.

Value chain integration
- Increase the level of presence
Martek (2011) divided the presence of architecture firms into superlative presence, extended presence, consolidated presence, major presence, developing presence, fluctuating presence and discontinuous presence. With different degrees of presence, architecture firms prepare themselves accordingly. The more the architecture firm is immersed in the market, the more they are able to grasp the changing environment and follow up with mitigation plan. However, it is not necessary that all the firms achieve the maximum presence in China because firms have different capacities to do so. The major recommendation is to evaluate the firm's current presence and aim towards either keeping the current status stable or achieving the next level.

New capability acquisition
- Explore the possibility of China R&D
Home-based R&D might be the easiest way to start R&D, but it is not the most efficient way. One of the issues that would occur is the misinterpretation of information hanging over. When a new capability is developed in the home office, it needs a proper translation to be able to apply to the local context. Also, it could be possible that the new capability is unsuitable for the Chinese construction market due to craftsmanship level, building regulations, etc. Firms that utilise the resource to develop R&D in China are able to develop localised solutions that contribute to their localisation performance in the long term.

3) Product
Factor input strategy

- Collaboration with local suppliers, manufacturers and craftsmen

As a result of a high self-requirement, Dutch architecture firms seem to be satisfied with their delivered product so far. Since the supply chain and procurement are predominantly localised, collaboration with local suppliers, manufacturers and craftsmen are essential for building quality. Dutch architecture firms should also explore the market to find the best regional partner within budgets and share the same design philosophy.

New capability acquisition

- Local input for project

Besides local suppliers, manufacturers and craftsmen, the local knowledge serves as an essential input for project success. Dutch architecture firms can learn the local business culture from the Chinese employees and adapt their behaviour based on that. Furthermore, many Dutch architecture firms have found or are finding a local partner to boost their business development. A local partner is the next level of firm localisation because this person is responsible for representing the company in negotiation and communication and pushing forward the communication in the Chinese way.

Discussion & Conclusion

This qualitative research aims to investigate the current localisation performance of Dutch architecture firms in the Chinese construction market. The researcher first studied several important theoretical concepts: architecture firm, firm reputation, entry strategy, decision-making criteria, localisation strategy and performance criteria. The sequence of the concepts follows the logic from the research subject to the evaluation methods. Later, the research combined the finding with market analysis from both sides of the market, presenting a general picture and background for the primary data collection and contributing to establishing the conceptual framework (Figure 31). Based on this framework, the researcher developed the guidelines for individual case analysis: starting from the value capture strategy to the entry strategy and finally reaching the localisation strategy. Three case studies were conducted, and the findings were analysed in individual case analysis and compared in the cross-case analysis.

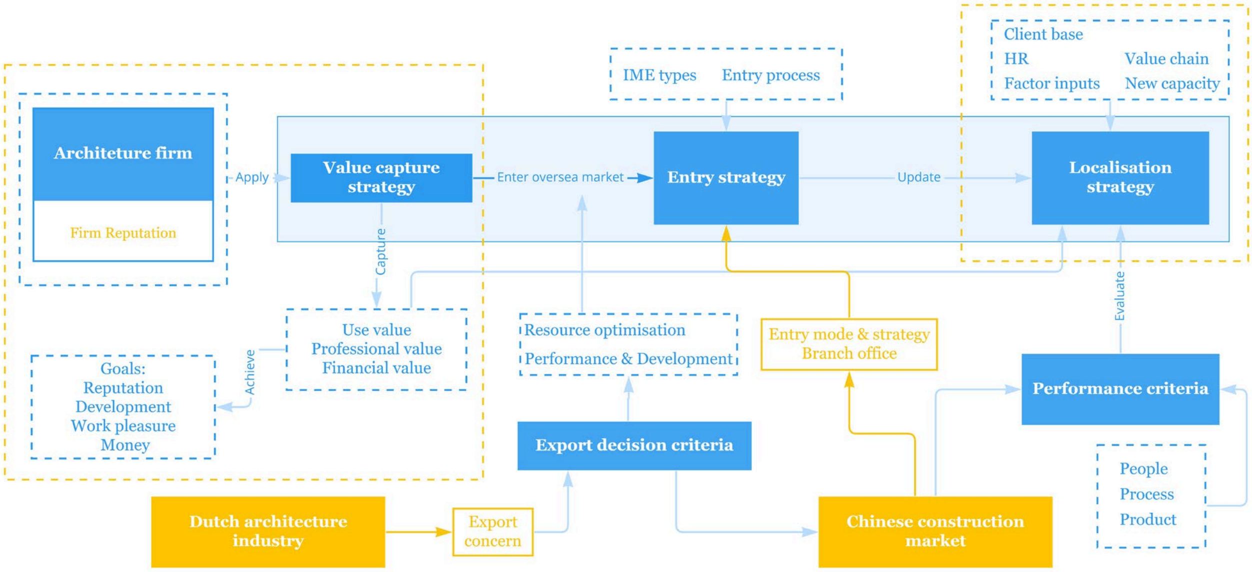


Figure 31. Conceptual framework (own illustration)

The research confirmed the importance of a firm's reputation when entering the market, suggesting that more variables need to be considered. Firms with the highest reputation do not necessarily have the best business performance in China because they lack independence in the Chinese market. And less famous firms can perform even better because they localise themselves well and explore their market niche. Chirs (2021) stated that reputation and localisation level has the most significant impact on firm performance. The finding of the case studies in this research indicated that the ability to adapt to the local context could have a greater impact than reputation.

However, the researcher admitted that the sample size of this research is relatively small so that it can not represent all Dutch architecture firms in the market. The real-life situation of other architecture firms should be analysed based on specific issues. Besides, the basis of the interviewees' personal opinion can not be neglected. Due to the time constraints, the interviewee can not go into every reason behind their business decisions, and they might not want to reveal some information because of confidential concerns. And especially under the pandemic situation, the bottlenecks that the interviewees mentioned are closely related to the current restriction, which might not be valid after the global pandemic is over. This research will mainly apply the multiple case studies method, which is not representative of generalisation but of understanding the complexity of reality. Therefore, the lesson or recommendation generated by this qualitative approach is more likely to be valid in the Dutch context rather than in all Western countries.

Still, the findings in this research are valuable because they present an in-depth analysis of the current localisation performance of Dutch architecture firms in China. Compared to the studies in the past years, Dutch architecture firms behaved more mature and thoughtful in the Chinese market. They recognised the significance of adapting to the local culture because of the market trend and the lesson from other competitors. Even though this transformation can be unconscious, localisation thinking is already embedded in their business mindset. This research then brought up the topic of localisation and summarised the ongoing issues academically. The recommendations provided by this study can be a helpful reference for Dutch architecture firms to re-examine their current position and seek related solutions. Scientifically speaking, the research contributes to the expansion of 'localisation strategy' in the architecture field and fills the gap in Dutch architecture firms' localisation strategy toward the Chinese construction market.

Reflection

Relationship between graduation topic and MBE

The research topic of this thesis concerns the localisation strategy of Dutch architecture firms in the Chinese construction market, which is closely related to Urban development management and Design & Construction Management within the track of Management in the Built Environment. The main research subjects are architecture firms and the construction market, which is within the Faculty of Architecture research scope at Delft University of Technology.

Research method and approach

To answer the main research question, I identified three secondary research questions, each focusing on one detailed aspect of the leading research question. The empirical research for the secondary data started with literature review to find out the existing knowledge of the main concepts. Later, I also did a market analysis for both the Dutch architecture industry and Chinese construction market. The literature review and market analysis then jointly form the conceptual framework, which guides the research into further steps.

The primary data was collected through semi-structured interviews with managers from three Dutch architecture companies. The architecture firms were selected based on their know-known market reputation, which was also validated by other architects. From international top-tier architecture firms to famous architecture firms in the Netherlands and young practice developing in China. The interviewees are either the founder/partner of the company, or have been working for the company for more than 5 years. Therefore, the interviewees know the firm well and are able to provide insights. The difficulty that I encountered was that the response rate of the interview request was relatively low. I expected to include more firms in each category or more interviewees for each firm. Due to the limited time and response, I couldn't reach out to more Dutch architecture firms which is one of the limitations of this thesis. But in general, the interview with three respondents was satisfying and inspiring. After the first interview, I adapted the interview protocols based on the feedback from the interviewee. And during the later interview process, I became more and more relaxed and comfortable when conducting the interview. Also, with the previous interview result, I was able to validate the opinion of other interviewees. As soon as I gathered all the necessary materials and information, I started first the individual case analysis based on the adapted conceptual framework, and later compared the cases in the cross-case analysis. It was interesting to find out that some knowledge in the literature review was confirmed, while the interviewee also provided alternative perspectives that sometimes disagreed with the theoretical findings. Finally, I was able to suggest recommendations and draw conclusions based on the results.

Transferability & Practical implications

As stated in the societal relevance part of the study, this research aims to help Dutch architecture practice better perform in the Chinese market. Especially under the pandemic situation, the market becomes vulnerable, which needs the firm's extra attention. This research can serve as a reference for firms with similar characteristics or bottlenecks. The recommendations generated for the interviewed firm can also be applied to other Dutch architecture firms based on their own evaluation of the strengths and weaknesses in 'people', 'process' and 'product'. International architecture firms might also learn lessons about general market conditions and common challenges for foreign architecture practice. Furthermore, some of the recommendations are applicable for not only architecture sector but also to other creative industry. In all, the thesis originated from the concern of real-life situations and hope to assist the ongoing business in a practical sense.

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Appendix 01

Distribution of localization rates across within localization parameter patterns (Martek, 2011)

ƒ Companies Σ = 60 **Localization %**

Client Base Patterns	00 - <10	10 - <20	20 - <30	30 - <40	40 - <50	50 - <60	60 - <70	70 - <80	80 - <90	90 - 100
Commercial Business	4	4	5		1		1	1		
Component Users		1	1		2				1	5
Major Infrastructure Builders					3	2	1		2	8
Land Developers								1	1	2
Petrochemicals & Petroleum Industry								1	1	7
Equipment Buyers										3
Niche Specialist Project Providers										2

ƒ Companies Σ = 60 **Localization %**

Human Resources Patterns	00 - <10	10 - <20	20 - <30	30 - <40	40 - <50	50 - <60	60 - <70	70 - <80	80 - <90	90 - 100
Off-shore Directed Chinese Operations	2									
Foreign Manager Infused Operations						1			8	12
Hong Kong Platform Run Operations						1				8
Foreign Expert Infused Operations								2		8
Operations where Foreigners are Localized									2	3
Localization Policy Driven Operations								1		5
Pragmatically Localized Operations										7

ƒ Companies Σ = 60 **Localization %**

Factor Input Patterns	00 - <10	10 - <20	20 - <30	30 - <40	40 - <50	50 - <60	60 - <70	70 - <80	80 - <90	90 - 100
Factors Procured through a Global Network	3	2		1	1					
Factors Brought in as Technology	8		1					1		
Factors Procured through Local Outsourcing	6	2	3			2				
Factors Obtained through Local Knowledge		3	1	2			4			
Factors Brought in as Expertise	2				1	1				1
China as a Global Factor Procurement Base					3	1			1	5
Factors Manufactured Locally									4	1

ƒ Companies Σ = 60 **Localization %**

Value Chain Patterns	00 - <20	20 - <40	40 - <60	60 - <80	80 - <100	100 - <120	120 - <140	140 - <160	160 - <180	180 - 200
Discontinuous Presence	5									
Fluctuating Presence	7									
Developing Presence	5		1							
Major Presence	3	1	5	1	2	4				
Consolidated Presence					1	12				
Extended Presence						3	2	1		1
Superlative Presence								3		3

ƒ Companies Σ = 60 **Localization %**

New Capability Patterns	00 - <10	10 - <20	20 - <30	30 - <40	40 - <50	50 - <60	60 - <70	70 - <80	80 - <90	90 - 100
Home-based R&D Investment	15	3	2							
China Revenue Fuelled Funding	6	1	1							
Off-shore Alliance Formation	5		1		1					
China Market as a Proving Ground	2	1	2	1	1					
China-based R&D Investment	1	2	3	1						
On-shore Alliance Formation	1	3	1		2					
Knowledge Network Formation	1							2		1

Appendix 02

Interview protocol

Introduction

1. Greeting and introduction of myself.
2. Main research question: What is the performance of Dutch architecture firms' localisation strategy in China?
3. Main objective: (different between interviewee)
4. Ask for consent: record the interview, data used for academic purposes, level of confidential (name, company name)?
5. Length of the interview: how many questions and time span

Background questions:

1. Self-introduction + So, could you also introduce yourself a bit, and your job, your company?

2. What's your impression on the Chinese construction market? And how does the company position itself in the Chinese market?

Entering the market

1. How was the process that you entered the Chinese market? Why do you export?
   - Overall journey
   - Physical office (Size, main tasks, vision, independency)
2. What is the business strategy that you use towards the Chinese market? For example, did you form a joint-venture or did you find a local partner?
3.

Localised in the market

Def: Localisation is a strategic adjustment based on the consideration of local cultural, social and economic conditions. Localisation process reflects the location's cultural features and respond to regional requirements.

Based on the definition above:

1. Does your business strategy involve any localisation consideration? If yes, please further explain.
2. From the company perspective, why do you think this strategy is chosen?
   Reputation? Size?
3. Do you recognised any difference between the past and now?
4. What are the influence of external factors such as market conditions and national policy when you make the business decision?

Are you satisfied with what the firm have done in the Chinese market so far?

5. In the 3 aspects: People, process, product… which are the factors that you think is critical in the current stage and which one do you think need an urgent improvement
6. What are the challenges that you face when you want to improve the firm performance?

The future

1. Do you think there is a big difference of localisation strategy between famous ones and not famous one?
2. In your opinion, what part of the localisation strategy do you think can be improved to contribute to business success and why?

Closing

1. Ask if there is other experience that the interviewee want to share?
2. Thanks for the participation.
3. Feedback on the interview process