

INTERNATIONALIZATION AS A WAY TO LEVERAGE  
SMALL AND MEDIUM MANAGEMENT  
CONSULTING COMPANIES

Case Study of Winning Management Consulting  
internationalizing opportunities in Italy, Spain  
and United Kingdom

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## Abstract

The management consulting industry represents a niche of the consulting market that have been growing at a faster rate during the last decade. This rapidity of grow led to an increase of the market competition among specialized SME's and to the need to look for new markets outdoors in order to keep growing.

The decision of whether the firm should internationalize for that or other country is a strategic decision that cannot be made without balancing all the external influences presents in that market. Due to this fact, this dissertation was made with the objective of measuring the attractiveness of a foreign management consulting markets for Portuguese management consulting SME's and how that external influences can affect the performance of the company that is internationalizing.

This dissertation focus is Winning Management Consulting, a Portuguese management consulting start-up that started its operations in the end of 2011 and intends to expand its business for the Italian, Spanish and United Kingdom markets which attractiveness analyses will determine whether it is a good option or not.

## Keywords:

- Internationalization;
- SME's;
- Consulting;
- Management.

### Resumo

A indústria de consultoria de gestão representa um nicho do mercado de consultoria que tem vindo a crescer rapidamente durante a última década. Este crescimento rápido levou a que a competição entre pequenas e médias consultoras de gestão aumentasse e que a necessidade de procurar novos mercados fora de Portugal aumentasse de modo a continuar a crescer.

A decisão de internacionalizar a empresa para um ou para outro país é uma decisão estratégica que não pode ser tomada sem que primeiras todas as influências externas presentes no novo mercado sejam balanceadas. Devido a esse esta, esta dissertação foi realizada com o objetivo de medir a atratividade dos mercados de consultoria de gestão estrangeiros para pequenas e médias consultoras de gestão portuguesas e analisar de que modo é que essas influências externas afetam a performance da empresa que se está a internacionalizar.

Esta dissertação está focada na Winning Management Consulting, consultora de gestão start-up que iniciou a sua atividade no final de 2011 e que pretende expandir o seu negócio para outros mercados, nomeadamente, para os mercados Italiano, Espanhol e Inglês cuja análise de atratividade irá determinar se são uma boa opção ou não.

### Palavras-chave:

- Internacionalização;
- PME's;
- Consultoria;
- Gestão.

# Internationalization as a Way to Leverage SME Management Consulting Companies

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List of Abbreviations

AEC – Asociación Española de Empresas de Consultoría

ASSOCONSULT – Associazione Federativa Imprese di Condoleza

BACC – Business Analysis Competency Center

BCCC – Business Case Competency Center

CEO – Chief Executive Officer

ESM – European Stability Mechanism

EPI – Environment Performance Index

FEACO – European Federation of Management Consultancies Association

FME – Free Management Ebook

GEDI – Global Entrepreneurship and Development Institute

HPCC – High Performance Competency Center

HRO – Human Resources Office

IIBA – International Institute of Business Analysis

ICF – International Coach Federation

ICT – Information and Communication Technology

IMF – International Monetary Fund

IT – Information Technologies

MCA – Management Consulting Association

OECD – Organization for Economic Co-operation and Development

PMCC – Project Management Competency Center

PMI – Project Management Institute

PMO – Project Management Office

ROI – Return on Investment

SME – Small and Medium Enterprises

SWOT – Strengths, Weaknesses, Opportunities and Threats

## 1. Executive Summary

In order to survive, companies need to look abroad and search for new opportunities to expand their business and to keep growing (Ayyagari, Beck and Demirguc-Kunt, 2007). SME's are the ones that face more disadvantages when thinking global. The capacity of large companies to go abroad is higher, they have a larger availability of factors like capital, human resources, information and technology (Watanabi and Tanabe, 2005).

The internationalization process is really complex and ambiguous. Every company is a different case study influenced by several factors like the type of company, owner management's international orientation, globalization of that industry, company networks and foreign market potential (Rutihinda, 2008). For these reasons, every single company should analyse itself and the attractiveness of the markets to where they are focusing their attention.

The definition of market attractiveness and how that attractiveness will influence the performance potential of management consulting SME's that are internationalizing. How can the attractiveness of a country be measured? Or how is that going to influence the performance of the internationalizing company? Are questions that will be answered later in this dissertation applying to the case of Winning Management Consulting which wants to study the attractiveness and impact on its performance of the United Kingdom, Spanish and Italian management consulting markets.

## 2. Problem Statement

Portuguese management consulting industry has its niches in the stage of maturity (Ishchenko, 2011). When an industry enters in a stage like that, companies start to look to other global economic space in order to mitigate the risk of being only in one country (Achimescu and Versian, 2011).

The majority of the consultancy firms are SME's that started the internationalization process as a way to find new opportunities. This companies contributed to raise the SME's importance on international arena because the majority of them internationalize and grow outside frontiers (Amal and Filho 2010; Ayyagari Buck and Demirguc-Kunt, 2007; Kjeilman, Sundmäs and Ramstrom, 2004 cited in Gecikova et al., 2011; Watanabi and Tanabe, 2005).

The decision of move or not to other international markets is, sometimes, related with criteria like increase of rentability, profit and strengthening of market potential or consolidation of its credibility (Achimescu and Versian, 2011). But this three benefits of the process are not the only ones. The mitigation of business risk is one of the variables taken into account by managers in the decision making moment. The evaluation done in the starting moment of this process is crucial to understand if this is a profitable opportunity or not. One of the dimensions that must be analysed is the company itself. The internal reality (technology or specialized skills needed) is an important variable in the international equation like the possible host market conditions. Gather information about possible customers, competitors, suppliers and legal barriers of the international market to where the company wants to expand its business is crucial (Cui, Griffith and Cavusgil, 2003 cited in Fletcher, Harris and Richy, 2013).

Do the analysis of the portfolio in a management consulting company, looking to the actual offer in the host country and determine if it is an attractive opportunity to go will help to define the scenario that the company will face in the future. That's what Winning Management Consulting wants. It wants to analyse the Spanish, Italian and United Kingdom markets to understand if that markets represent attractive opportunities for the company. Stating the research question in: "Will the internationalization process be an opportunity to leverage Winning Management Consulting?" will help the author to make the parallelism between the leverage of the company business and the conditions faced there.

### 3. Literature Review

Internationalization is an old word. It appeared in the beginning of the 15<sup>th</sup> century with the Portuguese maritime expansion which is considered as the 1<sup>st</sup> step for the globalization phenomenon that the world is facing now. It made the world look to new markets and cultures as opportunities to grow and prosper (Pereira, 2007).

This is no more a matter of country search for “new worlds” or “power”. Nowadays, this is a matter of survival for enterprises. Companies need to look abroad and search for new opportunities to expand their business, to keep growing, and, more importantly, to subtract the risk of being only in one country depending of that reality (Ayyagari, Beck and Demirguc-Kunt, 2007).

Analysing the internationalization process of a small and medium service company is not an easy task. There are not much studies in literature about the internationalization process of SME's (Amal and Filho, 2010; Gecikova et al., 2011; Kipping and Kirkpatrick, 2013; Kuivalainen et al., 2012; Rutihinda, 2008) but there are even less studies about the internationalization process of service based companies (Apfelthaler and Vaimen, 2012; Carneiro, Rocha and Silva, 2008; Deprey, Ibeh and Lloyd-Reason, 2012) and even less about this process in management consulting companies (Ishchenko, 2011 citing, Fernandes et al., 2011) The more precise and exact the analyse is, more are the chances to develop an efficient strategy to succeed outside the domestic market.

#### 3.1 Internationalization

Nowadays, in a turbulent always changing business environment, a company can only survive, develop and prosper if that enterprise understands the current trends in global economy (Gecikova et al., 2011). The internationalization process is an opportunity for some enterprises keep growing after their domestic market become more saturated and difficult to compete (Acedo et al., 2009b; Apfelthaler and Vaimen, 2012).

Firms start to undertake the domestic market and gradually involves in foreign ones by an interactive process between the companies competitive advantages and those who belong to the network where they are inserted (Amal and Filho, 2010; Gecikova et al., 2011). In order to succeed in new markets, a firm needs to understand how their institutions and firms operate internally (Acedo et al., 2009a). The reason why this is important is because market information's about customers, competitors, suppliers, distributors are the base to succeed. However, internal knowledge, such as technological

capabilities or specialized skills needed for operations, will determine if the company should proceed or not (Cui, Griffith and Cavusgil, 2003 cited in Fletcher, Harris and Richey, 2013).

After the company make the country attractiveness measure, they should define the entry objectives, timing of entry and, last but not least, the mode of entry (Lasserre, 2003).

### 3.1.1 Entry Objectives

The firm should set its objectives before starting the internationalization process. They should define what they want to get from a specific country or, in other words, what they are looking for.

According to Lasserre (2003), there are four types of strategic objectives: market development, resource access, learning and co-ordination objectives.

The market development objectives represent the market opportunities offered by a country as function of the population on an income. However, there are the called key countries which are considered as the most critical ones because of their size or because of the quality of their customer base. They represent the group of countries where the presence of a firm is needed for gaining global long-term competitiveness (António and Costa, 2011; Apfelthaler and Vaimen, 2012; Lasserr, 2003). Usually, the firms start their internationalization process by countries that they consider key to their market development (Porter, 2008).

The resource access objective is based on key resources to the company. This resources can be agricultural, mineral or human and contributes to the company competitive advantage. The firm has to make sure that the resource needed is available in the country to where they are planning to go. The unavailability of the resource can compromise the hypothesis of the company to proper outside frontiers (Jang, 2013; Lasserr, 2003).

When internationalizing the firm should also set learning objectives which will be the basis of investment in countries where the industry is already stated making the investor gain knowledge and competencies by being present there. This knowledge and competencies will lead the firm when entering in the market. Like was mentioned before, knowledge is the main driven to the internationalization process, so, the firm as to define what they want to learn and how (Lasserr, 2003; Søbørg, 2012).

The last objectives that the firm should set are the co-ordination ones. This objectives apply to when a firm moves to a new country thanks to their geographical location and infrastructure advantages (Lasserr, 2003).

These four kinds of objectives are not well separated from each other.

After defining what are the entry objectives to the company, the top management must define what is the perfect timing to enter in the new market.

### 3.1.2 Timing of Entry

The decision of when is the best moment to enter in a foreign market have to be taken considering in which phase the market is in that specific moment (Acedo et al., 2009b). The maturity of the market should be considered and taken into account in order to define the best strategy to face the situation (Acedo et al., 2009b).

There are four major “timings” to enter in a new country: Premature, “Window”, competitive growth and mature phase (Lasserr, 2003).

The premature phase represents the moment when the investment doesn't generate enough long-term revenues. This is a characteristics of developing countries at an early stage or of a product that doesn't fit the demand. In this stage the investment should be limited to representative infrastructures. This is, as the name shows, a premature phase that can evolve or not to the second stage, the window phase. Where the company has to decide if wants to be a first mover or a follower. Being the first mover can be a competitive advantage to the company but it can also be too risky. It is seen as competitive advantage when the firm is the first to define the location of the infrastructures, suppliers, people knowledge and other contracts being the first to establish a brand, standard and to learn about customer's behavior. However, it has some risks associated like the lack of infrastructures, immaturity of the market and unviability of the product (Lasserr, 2003).

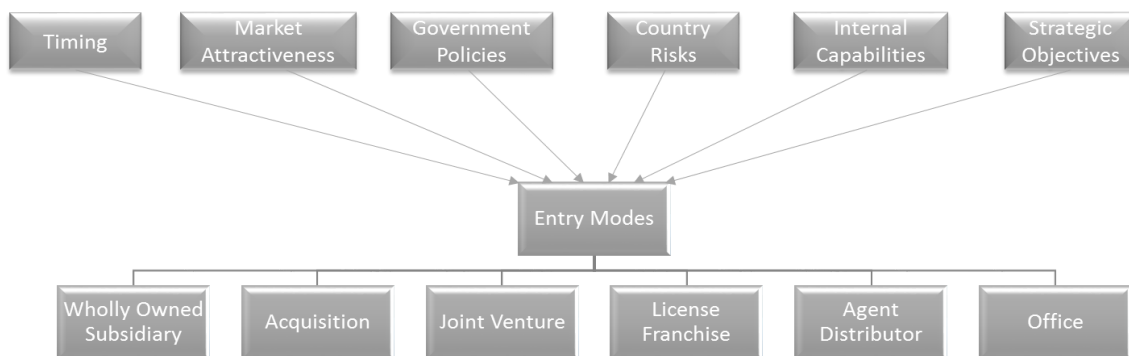
The third stage is the competitive growth phase that is characterized by multiple competitors that are competing for increasing market share. Is really hard for a firm to enter in this stage. It will require massive resources or a highly differentiated competitive advantage. In order to circumvent the handicap of being a late comer, the firm can choose a different entry mode such as a joint venture or acquisition as will be explained later (Lasserr, 2003).

The last stage is the mature phase where the competition is established and where acquisitions or direct investments are the generally the only way to enter and prosper. The entry mode definition is directly related with the time of entry chosen by that company (Lasserr, 2003).

### 3.1.3 Entry Modes

The types of entry modes are influenced by multiple factors (Figure 1) like government policies, country risks, market attractiveness, strategic objectives, internal capabilities and timing. These factors have to be well analyzed before the decision of what is the best entry mode for that specific company (Beamish and Lu, 2006; Boateng et al., 2012; Lasserre, 2003).

Figure 1 – Market Entry Modes and Influences



Source: Personal contribution based on Lasserr, 2003

The firm can decide to enter in the new market with a wholly-owned subsidiary. This entry mode is the one that gives the most control over operations and evolve the highest mobilization of resources and competencies. This is also the one with highest risks to the company. To introduce a wholly-owned subsidiary, they have to have a proper country attractiveness and risk analysis, know what are the regulations to enter (in the market or in the country), study the local workforce and the capacity of the firm to transfer knowledge (Batenburg and Scott-Kennel, 2012). However, in this mode of entering the company has fully profitability over the company (Lasserr, 2003).

Entering in a country through acquisitions brings together the availability of resources and competencies saving time to the firm. This is a possibility to the firm to enter in a market where the competition is already established and the window of opportunity is closed. This mode of entering will need a bigger cultural adaptation. The culture of both



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firms are different and managers have to adapt to the situation they are facing. The orientation of the firm could probably change to fit the needs of the acquisitioned one (Hoppe, 2004).

There are also the possibility to enter in a foreign market through a joint venture. Joint Ventures are different forms of partnerships that consists in two or more entities separated legally in which partner invest tangible and intangible capital. This is driven by administrative requirements, risk hedging and capabilities requirements. When talking about administrative requirements, it's, partnerships with local entities to surpass possible barriers made by the governments to make sure that local firms keep prospering even when foreign ones are entering. The image of the firm will be associated with the local one and facilitate the entry process. Partnerships are also a way to reduce risk when the financial investment is high and ROI is an uncertainty. Most of the firms look to local ones already stated with good distribution channels, clients and suppliers connections to help them in the first phase (Beamish and Lu, 2006; Lasserr, 2003).

The partner selection moment is crucial. The firm have to take into account the strategic dimensions spoken early because the partner has to fulfil the firm needs to get its objectives. To decide which is the best partner, they have to define the selection criteria and require information, interview core departments of the candidates, ask for financial data, interview other joint venture partners of that company and institutions such as suppliers, banks, clients and others that can give important information to make a decision (Beamish and Lu, 2006; Bennett and Robson, 2000).

Although, the company can enter in a foreign country through a representative office. This entry mode don't consume many resources because, normally, they send a business representative that will establish contact with suppliers, clients and local institutions (Lasserr, 2003).

Another way to enter in a foreign country is through arm's-length agreements such as franchising, licensing, agents and distributors. Those contractual agreements are made when one or more of the following characteristics are present: the company wants to test the market, the country is perceived as too risky, is too small to justify a full investment, government does not allow any other form of presence or when there is already a direct investment in a nearby country and another one will be redundant. Although, entering through local agents and distributors is the most frequent mode for SME's who wants to reach international markets because of the size of the company, choosing other ways of

entry can be too risky. With this agreements the firm does not have to make a huge investment in resources but they also do not have much contact with the client (Lasserr, 2003).

However, define the way of entering in a foreign country is a reflection of what the firm wants of the internationalizing process. Firms have to define contacts and gain knowledge to be able to go to a foreign country (Butts, Datta and Musteen, 2013). In literature there are two models of internationalization that got more relevance from the authors: Uppsala and Network model (Amal and Filho, 2010; Butts, Datta and Musteen, 2013; Carneiro, Rocha and Silva, 2008; Deprey, Ibeh and Lloyd-Reason, 2012; Gecikova et al., 2011; Gravel, Kamakura and Ramó-Jerónimo, 2012; Rutihinda, 2008). Both of the models will be analysed in more detail in the next pages because of its strategic importance.

#### 3.1.4 Uppsala Model

Uppsala model suggests that the internationalization is a gradual incremental process consisting of series of stages where the firm is always learning while gets foreign experience, generates knowledge and reduce the risk of only operating in the domestic market (Rutihinda, 2008). The knowledge gathered is the result of the experience gathered which is characterized as the driven force of a firm internationalization process. More experience the firm gets, more knowledge they produce and easier become the internationalization process (Acedo et al., 2009a; Carneiro, Rocha and Silva, 2008).

Based on these, companies in the international environment try to improve their knowledge about opportunities via their network (Dadfar and Hosseini, 2012). For getting a better network position and gaining fresh knowledge regarding opportunities, firms should focus on their routine activities. The most important daily activities in the model are learning, knowledge creating and trust building. If firm can improve their learning capabilities, gaining more useful knowledge and building trustful relationships, they settle in a position to increase their commitment to the relationships (Dadfar and Hosseini, 2012).

This classical theory were developed based on case studies of manufactured companies adopting a behavioural perspective (Carneiro, Rocha and Silva, 2008; Welch and Loustarien, 1993 cited in Rutihinda, 2008). In order to avoid this issue of the Uppsala Model, many authors developed the network theory which is not only applicable for manufactured but also for service companies (Deprey, Ibeh and Lloyd-Reason, 2012).

### 3.1.5 Networking Model

According to Dadfar and Hosseini (2012), internationalization happens in an interactive environment that is conducted by a network of firms. This network can be formal or informal and made of customers, suppliers, banks, governmental entities and other organizations that will allow firms to be distinct in market knowledge. The network constructed will allow them to find international opportunities and facilitate the internationalization process (Butts, Datta and Musteen, 2013; Deprey, Ibeh and Lloyd-Reason, 2012; Gravel, Kamakura and Ramó-Jerónimo, 2012).

The task of defining a network involves specifying the set of nodes and relationships between them (Liu, 2011). The interactions between actors in this networks can help companies to acquire resources and information that are essential for the process (Dadfar and Hosseini, 2012).

They define the internationalization process as an evolutionary process that is conducted in three sequential stages (Figure 2):

Figure 2 – Sequential Stages of Internationalization Process



Source: Personal contribution adapted from Dadfar and Hosseini, 2012

Market expansion represents the search of a new position in a new market as a network being. This stage is the first and is considered as the most important of the three because it is the driver factor of the internationalization process. The market penetration stage represents the improvement of the existing position and incensement resource commitment to the network that is already stated there. The last stage, the market integration, represents the improvement harmony between different positions in the market (Johanson and Mattsson, 1988 cited in Dadfar and Hosseini, 2012).

However, the internationalization process is really complex and ambiguous. Every company is a different case study influenced by several factors like the type of company, owner management's international orientation, globalization of that industry, company networks and foreign market potential (Rutihinda, 2008). The networks needed to internationalize are even more important when we look at SME's reality.

### 3.2 Small and Medium Enterprises Going Abroad

In the beginning of the 80's, the internationalization process of SME's began an intense and accelerate journey (Hollenstein, 2005 cited in Amal and Filho, 2010). Since that moment, SME's started to be seen as essential and, nowadays, they are the engine of the globe economy (Ayyagari, Beck and Demirguc-Kunt, 2007; Gecikova et al., 2011).

This kind of companies are still in disadvantage when looking to factors like capital, human resources, information availability and technology, because the multinational companies can easily take advantage. However, in terms of flexibility, efficiency and qualified management services, SME's are the ones in the lead (Beamish and Lu, 2006; Watanabi and Tanabe, 2005). Looking to the factors stated before, to start an internationalization process, SME's need to mix two principal components such as the CEO cognitive capacities and internal capabilities (Bonet et al., 2013; Gecikova et al., 2011; Rutihinda, 2008). The CEO is a key factor for a firm. If the head of the company is not prepared to jump out of the domestic market, the internationalization process will be a failure. That's why, the CEO should be an entrepreneur, main decision maker, with high developed managerial communicational and language skills in order to facilitate the entire process (Bonet et al., 2013; Gecikova, et al., 2011). There are also main internal factors that will allow the company to have an easier entrance in the foreign market. Is really important that the firm has an established international network, systematic planning, sophisticated market strategy, make a strategically use of foreign intermediaries and partners and have the ability to quickly identify changes and respond flexibly in order to succeed outside of the comfort zone (Gecikova et al., 2011; Rutihinda, 2008).

There are lots of different types of SME'S in the world. The two main groups that could be distinguished are the service and manufactured ones. According to Maia et al. (2013), the main differences between this two big types of companies are the type of product in transaction. The intangibility, inseparability, perishability and heterogeneity are the characteristics that distinguish them. The majority of the authors focused their efforts in analysing the internationalization process of manufactured companies and not that much about the service reality (Apfelthaler and Vaimen, 2012; Deprey, Ibeh and Lloyd-Reason, 2012). As was mentioned before, the conclusions taken to one industry are not adaptable to the other and that's why, in this study in particular, only the service industry will be analysed (Elango, Hult and Talluri, 2013).

### 3.3 Service Sector Enterprise's Internationalization

The service sector represents about 67% of GDP worldwide and more than 70% of the employment (Carneiro, Rocha and Silva, 2008; Maia et al. 2013). Services are based on a large degree of development of networks that could provide opportunities for the firm when trying to keep growing outside frontiers (Griffith, Javalgi and White, 2003).

During the initiation of an internationalization process, companies typically assess and weight the related opportunities and threats to determine if that is a good option for the firm (Hurmelinna-Laukkanen, 2012). According to Elango, Hult and Talluri (2013), searching for new markets is also a way to leverage the company and reduce the business risk. This risk reduction occurs because the world economies are not perfectly correlated with each other in terms of input cost, pricing pressures, inflation rates and business cycles. The last benefit of varied exposure to international markets enhances firms to gain the ability to learn and innovate at a faster rate.

According to Bhagwati (1984 cited in Stanton and Stanton, 2011), there are four different forms of exchange services outside the domestic market: when there are an international border separating the buyer and seller and only the service crosses the frontier; when the consumer crosses the border and buys the service; a commercial presence in a foreign country to supply a particular service and when the service provider temporarily travels abroad to provide the service. The last form of exchange services is, according to Bhagwati (1984 cited in Stanton and Stanton, 2011), the one that is the most used by management consulting firms in a first phase to expand the business.

### 3.4 Management Consultancy Reality

Management consulting enterprises are knowledge intensive firms that depend on highly qualified and specialized professionals (Cabral and Carvalho, 2008). Management consultants are needed when an organization has a lack of staff able to deal with a problem (Chitakornjsil, 2011). According to Canback (1998, cited by António and Costa, 2011), this kind of firms existed since the beginning of the 20th century but, according to Stryker (1994), Druker (1979) and Greiner and Metzger (1983 cited by António and Costa, 2011), only after the 1950's it become more visible and influential showing that they have existed for as long as complex organizations (Fincham and Timothy, 2003).

Management consultancy is a great help to his client who must change his habits, learn how to deal with new functions, and look at the problems of the business from new areas and perspectives (Chitakornkijasil, 2011).

According to Canato and Giangreco (2011), consultants act as knowledge integrators when they help customers implement innovations by supporting the process of knowledge transition. In other words, consultants are information sources, standard settlers, knowledge brokers and knowledge integrators to their clients. When they are successful by passing this information to their clients, they create a relationship across the entire process which reinforces the network of the firm (António and Costa, 2011)

Nowadays, it represents one of the fastest growing and dynamic industries. Being fastest growing make them look to international markets as an obligation to keep growing because the domestic markets are not enough (Clementino, 2009). These makes firm to look forward to new markets across the globe making comparisons between their own domestic market and the one where they are thinking to penetrate in order to determine if that is or not an opportunity (Cabral and Carvalho, 2008).

### 3.5 Porter's Diamond Framework

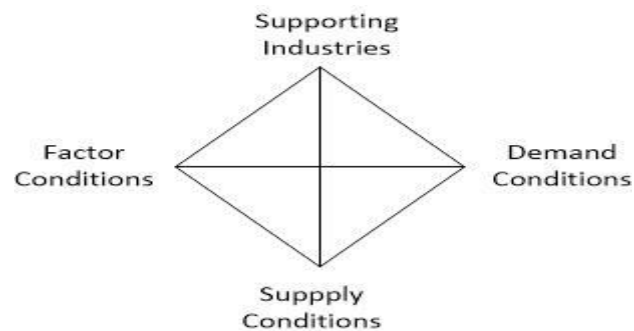
Every company when arise the hypothesis of an internationalizing process, starts immediately thinking about possible markets to where they would like to go (Gecikova et al., 2011). However, this firms, most of the times, doesn't balance the opportunities and threats of the market to where they are going to penetrate and, because of that, they face unexpected situations that can put an end in that dream because of being unprepared (Fletcher, Harris and Richey, 2013).

According to Ozgen (2011), every internationalizing company should develop its own model based on the Porter's Diamond theory. This theory was developed in order to determine the competitive advantage of nations or markets and is composed by four dimensions: factor conditions, demand conditions, supporting and related industries and supply conditions which are composed by factors (Smit, 2010).

This factors are the ones that have to be adapted to each industry reality in order to evaluate more precisely the markets attractiveness, opportunities and threats in order to develop a strategic plan for the internationalization process adapted to the reality that they are going to face or, if that is the case, don't start the internationalization process (Ozgen, 2011).

The Figure 3 represents the Porters diamond framework, its division in the four mentioned dimensions and the relation between them:

Figure 3 – Diamond of Porter’s Framework



Source: Personal contribution adapted Smit, 2010

Determining the factors that influence the industry and make the comparison between the home and foreign markets reality will allow to understand if there are opportunities, threats and if that market worth it (Smit, 2010).

#### 4. Hypothesis Development

##### 4.1 Hypothesis 1: Italian, Spanish and United Kingdom Management Consulting

Markets are attractive for Portuguese Management Consulting SME's

Any management consulting company bases its operations in high skilled human capital. The employees are crucial in any market (in the domestic and also in the international). The expertise of the employees are inherent to every single one of them and is the driver to the success of any firm in any place in the world (Drouin et al., 2012).

When moving to a new market, the managers have to look inside the company and make the link between what the market is offering and what the company have to offer. In this specific case the offer is human expressed in capital. Intellectual expertise is the tool for management consulting's work but, the market to where that company is going to have also a good acceptance level to the knowledge work practiced by this companies (Wood and Salt, 2012).

However, there are not much information in the literature about the measures of attractiveness of a country which are essential to the firm success (Kuivalainen et al., 2012; Stanton and Stanton, 2011). Measuring the country attractiveness and making a inter-geographical comparison with the home market where that firm is operating will be crucial to understand if the internationalization process to new markets, in this case, to Italy, Spain and United Kingdom present opportunities to the company business leverage or, contrariwise, they are less attractive than the home country increasing the threats that the company will face (Ozgen, 2011).

##### 4.2 Hypothesis 2: Portuguese Management Consulting SME's have the potential to perform successfully on external host markets

When a company internationalizes its performance is influenced by the conditions of the host market. This influence occurs because, according to Brito, Godzmidt and Vasconcelos (2009), the countries differ on a wide range of attributes which practice pressure under the (national or foreign) companies that are operating there.

If the external conditions of the country where a company is stated can influence its performance is essential to analyze the relation between the performance obtained in home market, its conditions and the ones presented by in the host market in order to make a parallelism between the two realities and take conclusions (Brito, Godzmidt and Vasconcelos, 2009; Smit, 2010).



## Internationalization as a Way to Leverage SME Management Consulting Companies

In order to understand if the Portuguese management consulting SME's have the potential to perform successfully in foreign markets, it will be needed to compare the conditions of the home market, in this specific case, of the Portuguese market with the foreign ones. In order to make an accurate analysis the performance will only be better or "as good as" if the conditions of the host country are better or equal to the ones faced in Portugal.

The same parameters and evaluation scale will be used in Portugal and in the markets of United Kingdom, Spain and Italy in order to be possible to compare the three realities and take conclusions.

## 5. Assessment of Winning Management Consulting

### 5.1 Winning: Overview

Central part of the case study is dedicated to the examination of Winning Management Consulting. The following next pages are devoted firstly to the introduction of the company and secondly to its strategic assessment (Hickson, 1990).

### 5.2 History

Winning Management Consulting is a Portuguese management consulting company which headquarter is located in Parque das Nações, Lisbon, Portugal. It started its operations as a start up in 1st January of 2012 (Winning, 2012).

This start-up was founded by four management consultant senior professionals with many years of experience in the field not only in Portugal but also in foreign countries (Winning, 2012).

Winning Management consulting started operations with 5 collaborators and reached 1.221.027,78 Euros of turnover in the end of the first year of activity (Winning, 2012; Winning, 2013). The geographical market of Winning Management Consulting is the Iberian market, more precisely, Lisbon, Porto and Madrid (Winning, 2012).

The portfolio of the company is divided by four main competency centers: Business Analysis, Business Case, High Performance and Project Management (Winning, 2014). When the company started its activity, the competency centers were Business Analysis, High Performance, Governance, Risk & Compliance and Project Management but, with the evolution of the needs of the customers, the top management decided to adapt the portfolio to their expected needs (Pereira, 2014; Winning, 2012).

### 5.3 Vision, Mission and Values

Winning Management Consulting defined its vision, mission and values according to its strategic orientation (Pereira, 2014). The major objective was to create an organization where every stakeholder has a win-win relation with the company. Both, Mission and Vision reflects the win-win idealism of the company. The major guidelines of the company are “Become Winners Together” and “Make your Objectives More Predictable” are completely focused on the both sides of the interaction. All the stakeholders are important and can make the difference to the company success (Pereira, 2014).

## Internationalization as a Way to Leverage SME Management Consulting Companies

The values of the company reflect the principles and standards by which the collaborators use to guide the provision of Winning Management Consulting services (Pereira, 2014):

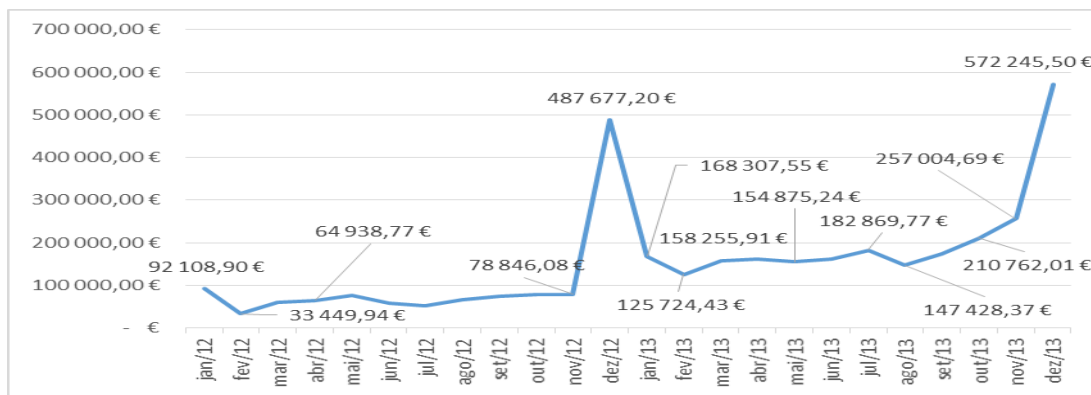
- We deliver results through Passion;
- We improve you performance;
- We create predictability;
- We value your participation;
- We do it with positive beliefs.

### 5.4 Billing Evolution

Since the day one of the company the 5 initial members started working hard to make the firm profitable. In January of 2012, the amount of revenues was 92.108,90 Euros and the firm didn't stop (Winning, 2013).

Using revenue as the indicator of corporate growth, it's possible to analyse the evolution of the company looking for the next Figure 4:

Figure 4 - Revenue Evolution from January of 2012 and December of 2013



Source: Personal contribution based on Winning, 2013

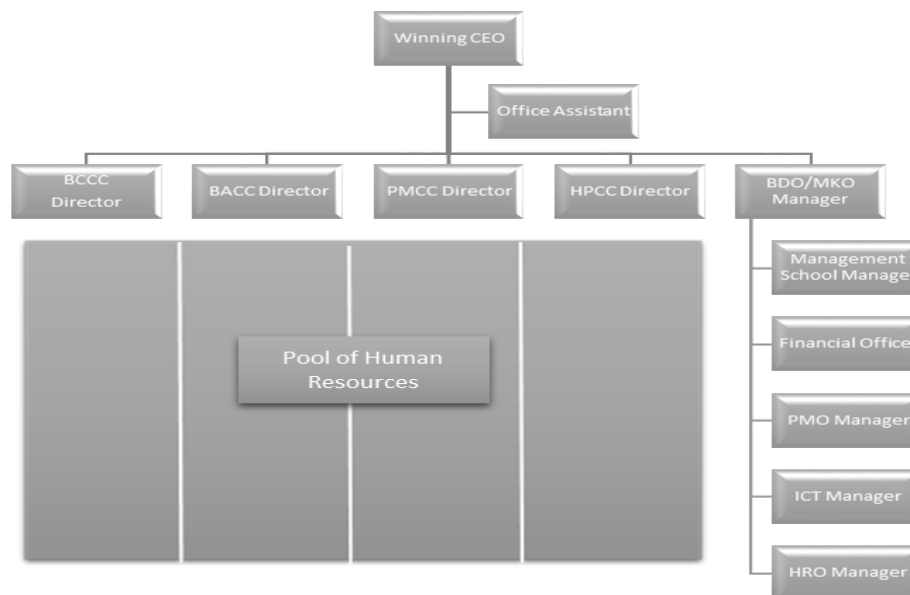
Figure 4 demonstrates that Winning Management Consulting turnover moved in counter-cycle with the world financial crises. These positive results incentivized management to start looking outside the national borders and search for new markets outside. However, the points with high volume of billing occurred in December of 2012 and 2013. This points can be explained by financial movements of the clients that brought the majority of services in the end of the year but the economic movements (payments) are made phased along the years (Pereira, 2014).

### 5.5 Corporate Breakdown Structure

The organizational breakdown structure of Winning Management Consulting is a matrix type. They are organized in four competency canter according to the core competences of the company, namely: Business Cases, Business Analysis, Project Management and High Performance (Winning, 2014). Inside each one of the competences centers there are one partner which is the maximum responsible for that competence and two managers which are the ones that coordinate the teams in clients. The head of the company, the CEO is, also, responsible for one of the competence centers (Pereira, 2014).

The main elements of the competence centers are consultants who are divided into teams accordingly to the projects they are developing. Figure 5 shows the organizational breakdown structure of Winning Management Consulting:

Figure 5 - Winning Management Consultancy Organizational Breakdown Structure



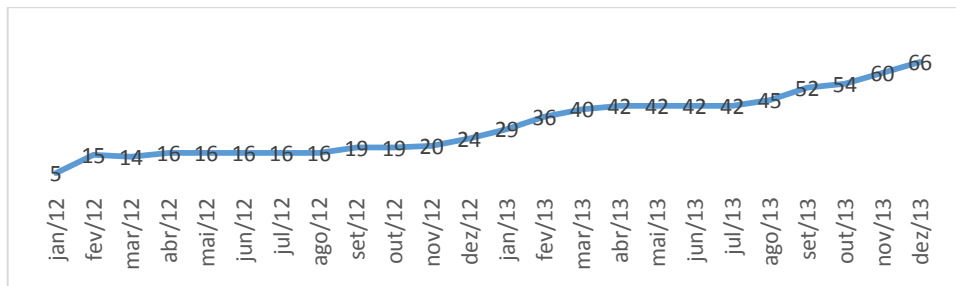
Source: Personal contribution based on Winning, 2013

Winning Management Consulting has also six departments that are transversal to the entire company. This departments represent specialized areas that support the daily activity of the entire company (Pereira, 2014).

### 5.6 Human Resources

The human resources evolution is similar to the evolution of the revenues of the company. In the beginning of the company, they started with five collaborators and, after two years, the number was multiplied by ten (Figure 6).

Figure 6 – Employee Evolution between January of 2012 and January of 2014



Source: Personal contribution based on Winning, 2013

Winning Management Consulting is constituted by a young team with a mean of years of 30 years but with a huge knowledge (Winning, 2014). They invest in the collaborators in order to make them get more knowledge and increase the level of professionalism of the team. They support academic initiatives of its collaborators and increase of their qualifications. The certification of employees in their working areas is well rewarded by the company. This certifications make the portfolio of the company more trustable for the customers because, the entities that give this certifications are also the ones that certificate the portfolio of the company as will be explained lately. According to the Company Survey (2014) made to all the employees of Winning Management Consulting, 55% are already certificated in any area related with management consulting and 93% of the respondents has the short-term objective of doing a certification.

The certification level of the human resources of the company is a factor that contributes to the increase of the reliability in the services that the portfolio offers as will be explained in the next pages.

### 5.7 Portfolio

The portfolio of Winning Management Consulting is divided in four competence centers: business case, business analysis, project management and high performance. Besides this major division, their products are divided into: consulting, training and outsourcing (Winning, 2014).

The four competency centers are, each one of them, certified by the institution that defines the best practices on the area. As shown in the next figure, their portfolio is vast and certificated according to the correspondent institutions (Pereira, 2014):

Figure 7 – Winning Management Consulting Portfolio Overview



Source: Personal contribution based on Winning, 2013

All the employees can be certified by each one of that institutions giving even more trustable to the practices of the company. The importance of certification in each one of the competency centers is huge because it demonstrates to the clients that not only the portfolio was developed by the norms but also the people that is going to deliver the job is certificated and will act in according to the rules (Pereira, 2014; Winning, 2013).

The certification importance is acknowledge by almost 50% of the employees (Company Survey, 2014). According to 15%, one of the factors that made this company a case study because of its success was the reliability that the clients put in the certification of the employees and of the company (Company Survey, 2014).

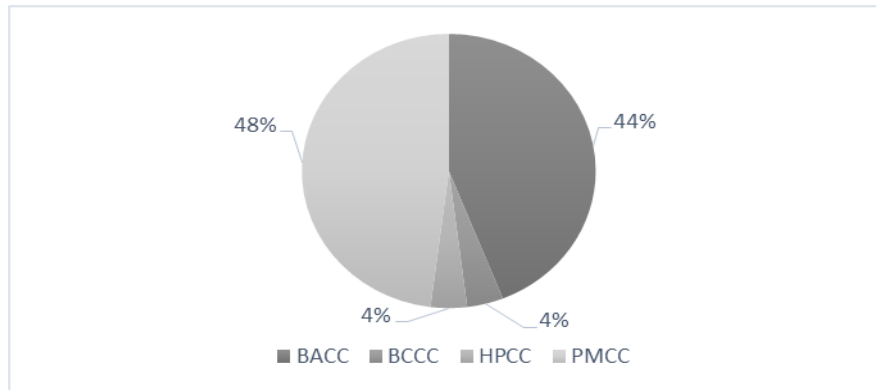
The portfolio is always changing. The changes occur because of the demand. Clients' needs are the factors that make the evolution of the portfolio of a management consulting company. Keep adapting to their needs will allow the company to not stagnate and keep growing in the markets where is operating (Pereira, 2014).

### 5.8 Sales Distribution

Winning Management Consulting increased the amount of revenues (Figure 4) since the beginning of the company in 2012. Every competency centre has contributed to the amount of sales and, in 2013, the project management competency centre was the one that contributed more (48%) for the amount of sales. However, the business analysis

competency centre has also contributed a lot for the increase of sales values with a contribution of 44% as shown in the image below (Winning, 2013):

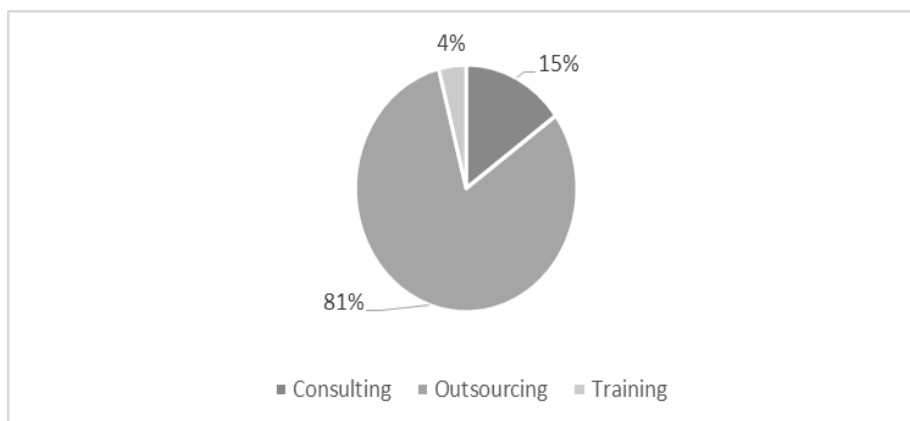
Figure 8 – Revenues Division in % by Competency Centre in 2013



Source: Personal contribution based on Winning, 2013

The Figure below shows the distributions of revenues by the three category of service that the company provides to its customers:

Figure 9 – Winning Revenues Distributions in %, in 2013, per Service Delivered

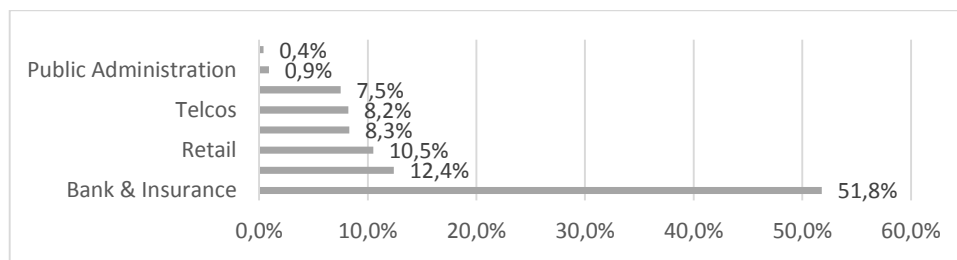


Source: Personal contribution based on Winning, 2013

In 2013, the majority of the revenues came from outsourcing services delivered by the consultants. However, in High Performance Competency Center and in Business Case competency service, the services delivered with more representation are training for high performance and consulting for business case. Project Management e Business Analysis competency centers are the ones responsible for this distribution (Winning, 2013).

Although the distribution between competency centres, is also possible to do a distribution by the amount of revenues through industry sectors where the firm operate as shown in the Figure below (Winning, 2013).

Figure 10 – Revenues Distribution by Activity Sector



Source: Personal contribution based on Winning, 2013

The sector that contributed more to Winning Management Consulting was the bank and insurance sector. This sector is also the one where Winning Management Consulting has more clients and the most profitable ones like Cofidis, Banco Popular, Barclays, Deutsch Bank and Cetelem (Winning, 2014).

In next pages are the analysis of the external and internal environments that surrounds Winning Management Consulting daily activities.

### 5.9 SWOT Analysis

According to Pershing et al. (2006), SWOT analysis allows an organization to analyse the causes of As-Is results and thus can form the consideration of alternative solutions to suboptimal performances. When the managers want to analyse the situation of a firm, they do an internal analysis about what are its strengths and weaknesses in order to develop a plan to transform the weaknesses in strengths. He also must do an external analysis in order to understand how the external environment of the firm can affect its performance and how can he avail from the opportunities that the external market brings and overcome the threats.

SWOT analysis of Winning Management Consulting was performed by all of the company collaborators and partners (Company Survey, 2014; Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). The next table shows the analysis performed for the internal market:

Table 1 – Strengths and Weaknesses of Winning Management Consulting

Strengths	Weaknesses
Certified consultants by management consulting international institutions	Low notoriety in the market due to the recent beginning of activity
Huge adaptability to the client needs (almost “tailor made” solutions)	Concentration of many responsibilities in one person



## Internationalization as a Way to Leverage SME Management Consulting Companies

Quality of the services delivered	Little human resources pool to answer immediately to client proposals
Core business specialized in management consulting services only	

Source: Personal contribution based on Company Survey, 2014; Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

All of the strengths and weaknesses of the company are perceived by all the people that contributes for its day to day evolution. The evaluation made by the employees and by the partners is fundamental to have a more accurate notion of reality (Pershing et al., 2006).

Winning has a huge adaptability to its client's needs. According to the Company Survey (2014), some of the employees considered the solutions delivered to the customers almost "Tailor Maid" and the quality of the service provided is always high. The specialization of the company in a niche of the market makes it a strong point to the company. However, the two years of existence in the management consulting market, the low number of consultants in the resources pool and the concentration of many responsibilities in one person (characteristic of SME's) are considered as its weaknesses.

Despite of having asked to all of the company collaborators what are its weaknesses and strengths, the analysis of the external environment was only performed by the partners and CEO of the company, which are the ones that know better the Portuguese management consulting market and are able to identify, via brainstorming, what are the opportunities and threats that it represents nowadays (Pershing et al., 2006).

Table 2 – Opportunities and Threats of Winning Management Consulting

Opportunities	Threats
Increase of the need of efficiency, effectiveness and cost control over Portuguese companies	The majority of the firms prefer the work of the big consulting firms even if unspecialized than relying in specialized SME's
Increase of the demand for IT services (management consulting complementary services)	Competition focus on price over quality
Increase of specialized consultant niches	Matured market with high competition

Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014; Pereira, 2014

The increase in competition and the existence of competition from non-specialized firms are the main threats in this market. According to FEACO (2012), the majority of the firms

specialized in management consulting in Portugal are SME's. These companies have not the same capability to compete over price like the biggest ones and the brand are not as known as one of the biggest consulting companies in Portugal. However, the financial crises increased the need of companies to start thinking about efficiency, effectiveness and cost reduction which contributed for the rise of the demand and emergence of new niches of market where the firm will bet in the future (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014; Pereira, 2014).

One of the greatest opportunities of the market is the increase of the demand for IT services which are complementary services with management consulting. The complementarity of these industries makes that the relation between the demand for IT and for business analysis, training or project management be directly proportional (when one increases the other one increases in the same proportionality).

This SWOT analysis of Winning Management consulting was performed in order to complete the strategic assessment about the firm. This strategic assessment was essential to perform the "As Is" analysis presented in the next chapter.

## 6. Winning Management Consulting “As Is” Analysis

Nowadays Winning Management Consulting is a company which operations are centralized mostly in Portugal. The majority of the clients are located in Lisbon and Porto. Although the majority and the most profitable clients and projects are located in Portugal, the company had already had some projects abroad (Pereira, 2014; Winning, 2013).

The first experience abroad occurred in Madrid, Spain in 2012. The second experience abroad of Winning Management Consulting occurred in the beginning of 2013 and was a project management service delivering to an English firm. In the middle of 2013, this time to Italy, the company had an outsourcing project also of project management (Pereira, 2014; Winning, 2013).

This three projects abroad were isolated experiences. The firm performed that services with Portuguese native consultants and the opportunity to perform them appeared through good references given by Portuguese clients to its mother companies (Pereira, 2014).

This three experiences served to define Italy, United Kingdom and Spain as possible foreign destinations for the internationalization of the company (Pereira, 2014). Therefore, one experience in a foreign country is not enough to assess if that market is attractive or not or if the conditions installed have high or low impact in the potential performance of this Portuguese SME in particular or other ones in general (Smit, 2010).

The decision of the company should or not internationalize must be based in the result of internal and external analysis. The attractiveness and impact analysis are two of those analysis needed to make the decision. These information are also good for the internationalization strategic plan (Acedo et al., 2009a).

In this two years of existence, the firm grown exponentially showing that, in the future, the internal market will not be enough to keep this rate of growth. Analysing the foreign industry and market and compare that with the reality of the home market will be crucial to establish a sustainable strategy for the future.

7. Methodology

To have conclusions as close as possible to the reality, the information gathered must be accuable, precise and real. The process defined to achieve the final objective of any study is the crucial part because, if that process is not well defined, the entire work and conclusions can be compromised.

The processes and tools that will be used to answer to the questions made in the hypothesis are multiple. There will be internal and external sources and different approaches to both of the questions made. The tools and processes defined are the following ones represented in the next Table:

Table 3 – Information Gathering Process Plan

		Tools & Processes						
		Documents Analysis	Interviews	Internet Research	Surveys	Benchmark		
Sources	Internal Sources	Business Plan	X	X		X	X	
		Portfolio	X	X		X	X	
		Governance Model	X	X		X	X	
	External Sources		Scientific Articles	X		X		
			FEACO	X		X		
			AEC	X		X		
			ASSOCONSULT	X		X		
			MCA	X		X		
		Competitors	Reports	X		X		
			Portfolio	X		X		
			Costumers	X		X		
			Governance Model	X		X		

Source: Personal contribution

There will be five different types of approaches and tools to gather the information needed from the sources. The interview process applied to Winning Management Consulting will consist in trying to understand what are the main difficulties and opportunities perceived by the partners about going abroad and what the principal management drivers to that process are. There will be a first phase of interviews where the main factors that can influence the attractiveness of the external markets will be defined and a second phase when, after gathering the information needed, the partners have to evaluate each one of the factors (always based in information of the market) in order to define if that market is attractive or not and which is the impact of that factor in internationalizing management consulting SME's.

## Internationalization as a Way to Leverage SME Management Consulting Companies

The documentation analysis will make the parallelism between the literature (scientific articles) and the reality by analysing the internal reports, portfolio, customers, carrier plans and governance models of Winning Management Consulting and the competitors operating in the United Kingdom, Italian and Spanish Markets.

The surveys will be the link between this study and the firm collaborators. Asking what are Winning Management Consulting strengths and weaknesses as well as if they would like to go abroad, if they have any constraints with the language and cultural barriers, and, the most important information, what drives for success of the company in Portugal. The employees of any consultancy company are the engine that moves the company. Their opinion should be analysed and taken into account in order to delimitate strategies and improve capabilities (Porter, 1986 cited in António and Costa, 2011).

The last step of the study will be make a comparison between the conditions that Winning is facing in the domestic market and the ones that will be predicted to face in the foreign markets recurring to the benchmark attractiveness analysis.

This methodology will be applied along the next chapters of this dissertation in order to answer to the two hypothesis defined in chapter 4.

## 8. Data Analysis

### 8.1 Market Analysis

In order to understand if the three foreign markets are suited for Winning Management Consulting internationalization it will be needed a comparison between all of them and the Portuguese reality where the firm has already very good results (Winning, 2014).

This comparison will be made by the Porter diamond framework which assumes four dimensions to be analysed: factor conditions, demand conditions, supply conditions and related and supporting industries conditions (Lasserr, 2003). The definition of the factor to be analysed was made by Winning Management Consulting partners (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). The next analysis was made only for the three host markets according to the Porter's diamond framework dimensions.

#### 8.1.1 Italian Market

Italy is a country predominantly mountainous which territory extends between Alps and the Mediterranean Sea (Europa, 2014a). It is, since 1952, a member of the European Union and, since 1999, a member of the euro zone. Italy has a two-chamber parliament consisting of the senate and the chamber of deputies (Europa, 2014a).

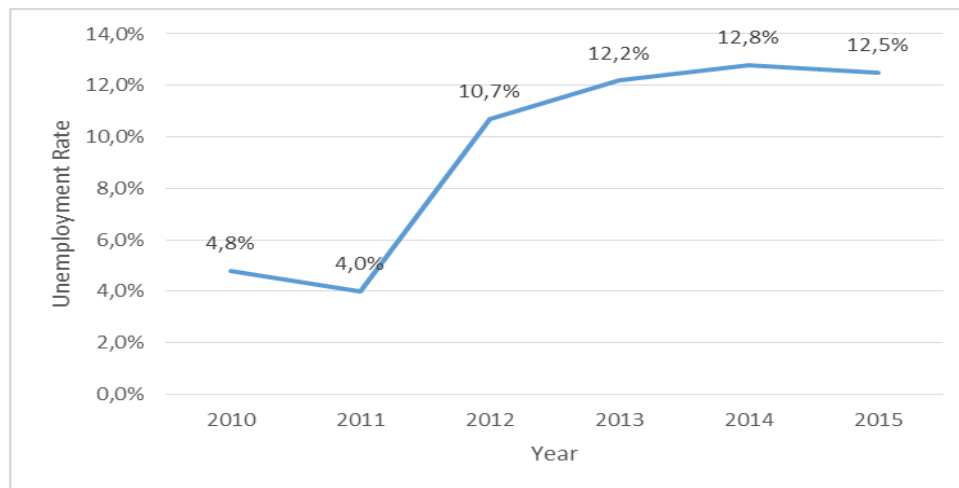
The countries main economic sectors are tourism, fashion, engineering and chemicals being the northern regions the ones with highest per capita amongst the richest in Europe. This is possible because Italy specialized in highly priced elastic goods, notably clothes and footwear as well as mechanical machinery and equipment (Country Monitor, 2014a). Next will be performed an analysis of the market divided in four dimensions, the ones that constitutes the Porter Diamond Framework (Lasserr, 2003).

##### 8.1.1.1 Factor Conditions

Italy has been under world financial pressure since Portugal and Greece started its adjustments programmes under IMF, European Central Bank and European Commission supervision as the next country to have to implement an adjustment programme (Country Monitor, 2014a). The production and sales (taking 2010 as the base year) have been decreasing progressively. Considering that in 2010 the value of production and sales was 100, that value decreased almost every year. Only in 2011, the value of production was higher than in the previous year. Despite of that, in 2012 the value of production decreased from 101.3 to 94.9 and in 2013 it reached the minimum value of 92 (OECD, 2014).

This decrease of production and sales is reflected in real GDP growth rate since 2010 until 2013. Even in 2010 the real GDP increased 1.73% and 0.45% in 2011, it was already giving signals of economic slowdown. In 2012 and 2013 the GDP decreased 2.37% and 1.85%, respectively (OECD, 2014). This evolution affect the comportment of the unemployment rate which increased every year since 2010 and only shows signs of deceleration in the previsions made for 2014 and 2015 represented in Figure below:

Figure 11 – Italian Unemployment Rate Evolution between 2010 and 2015



Source: Personal contribution based on OECD, 2014

The predicted decrease in the unemployment rate between 2014 and 2015 (see Figure 11) corresponds to the period, according to the European Commission (2014), when the GDP starts its recovering. According to them, the GDP will rise 0.6% in 2014 and 1.2% in 2015.

Despite of the decrease of GDP and economic and financial crises that the world is living, Italy developed politics to incentive the exportation of goods and services (Country Monitor, 2014a; OECD, 2014). In 2010 and 2011 Italian trade balance presented a deficit with higher value of imports than exports. However, in 2012 and 2013 the value of the imports decreased (from 30.2 million euros in 2011 to 29.2 in 2012 and 27.9 million euros in 2013) and the exports value increased (from 28.8 million euros in 2011 to 30.2 and 30.4 in 2012 and 2013, respectively) taking the trade balance from a deficit to a surplus in both 2012 and 2013 (OECD, 2014).

The tax burden in Italy affects both people and companies (Country Monitor, 2014a). Since 2010, the taxes over single person increased from 47.17% of the earnings to 47.78% in 2013 (OECD, 2014) and, in 2012, 20.3% of the profit made by any Italian enterprise

was to deliver to the state. In other words, 1/5 of the firms profit was used to pay taxes to the government (Doing Business Report, 2014).

Despite of all the factors evolution, Italy is considered a stable country governed by stable government (has was stated in chapter 8.1.1). This country, as a member of European Union, is also controlled by the European commission which guarantees protection and stability to foreign and home companies in markets (Country Monitor, 2014a; World Bank, 2012).

According to Ignazi (2011), Italian government is struggling to keep national firms from going abroad and dismantle the bigger factories in Italy (metalworker ones). The government had to give in to the requirements of the employers and employees giving them better conditions to work and to keep thriving. They had to develop incentive policies to gather more foreign investment and keep the national one inside their territory (Country Monitor, 2014a).

### 8.1.1.2 Demand Conditions

Knowing what is the state of demand now and what are the principal/critical factors driving its evolution in the future is very important. The Italian demand for management consulting is not stable at all. In 2011, the demand (measured in euros), decreased 0.8% comparatively to the same period of 2010 (FEACO, 2012). This decrease only occurred in Italy which represents 5% of total European management consulting market and is mostly dependent of the industry (37% of the Italian management consulting billing comes from this segment of the economy) and this was also the segment of the market more affected by the decrease of people purchasing power (Country Monitor, 2014a; FEACO, 2012).

According to Clementino (2009), the firms perceive the need for management consulting services and start to understand its utility when the need to control costs in order to be profitable appears. This explain why the demand for management consulting services increased 4.7% in 2012 after the decrease of 2011 (FEACO, 2012).

As was mentioned before, the sector that represents higher customer portfolio of this market is industry. This sector suffered a fall in order of 4.1% in 2013 revalidating the tendency to decreased that was started in 2011 when this drop started (-1.2% in 2011 and -4.2% in 2012). However, in 2010, this industry profit increased 16.3% comparatively with the previous year (FEACO, 2012; OECD, 2014). The second more profitable



industry is the banking and insurance. This industry has been increasing its volume since 2010 until 2013 (OECD, 2014).

Although, the volume of public expenditure in training increased between 2008 and 2009 (OECD, 2014). In 2008 the public expenditure in training was only 0.01% of the GDP, in 2011 it increased to 0.05% (OECD, 2014). This factor shows that the demand for management consulting services is increasing in the Italian market.

#### 8.1.1.3 Supply Conditions

In order to analyse more accurately possible the conditions of the supply for management consulting in Italian soil and have a panoramic overview, these analysis will be made based on the information's given by ASSOCONSULT (2013) which is the Italian management consulting association and is the institution with best knowledge about the market. This information's about the market were translated to a SWOT analysis (only external environment). In case that the firm expand to Italy, this framework as the objective to predict the market opportunities and threats that will be faced (FME, 2013).

One of the most important buttress of any management consulting company is the workforce (Canato and Giangreco, 2011). The amount of professionals stated in the country to where the management consulting company is going to internationalize influence the medium cost that the company will have to face when arriving in a new market reality. Management consultant companies are made of people and the higher cost is the consultants and remainder staff expense. However, and taking into account what was explained in the previous paragraph, management consulting companies have to, at least, contract one native consultant with good network stated in order to know faster how the market performs (Canato and Giangreco, 2011).

Italy is not the European country with higher population proportion with a bachelor or higher degree. In 2011 that value represented 14.6% of the population with ages between 25 and 64 years (Institute of Education Science, 2012). The qualification of the population reflects in terms of supply conditions. Management consulting companies need specialists to perform their work. The bachelor degree is the minimum required in order to become a management consultant and before doing the specific certifications (Canato and Giangreco, 2011).

The number of Italian management consultants was 27.528 in 2012 and the medium return per each one of them was 95.789 euros/year. These values are higher than the ones verified in Portugal for the same period (FEACO, 2012).

The competition in the Italian market will be determined by quality, price as well as by networking capabilities. These three factors correspond to the information's given by the four Winning Management Consulting partners when questioned about what will be the key success factor of their company in an external market (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014; Pereira, 2014). The importance of network in the internationalization process was also stated in the chapter 3.1.5 during the literature review. The Portuguese clients operating in Italy can represent the entrance door for this market and represent an opportunity to enter there. Other opportunity of the Italian market is related with their needs. The portfolio of Winning Management Consulting feats the demand of Italian clients. However, not everything in the market represent positive aspects. The decrease of the volume of sales, competition over lower prices and the huge number of market players represent some of the threats of the market (ASSOCONSULT, 2013). More detailed analysis over the SWOT of the Italian market can be consulted in annex D.

### 8.1.1.4 Related and Supporting Industries

The sector that walks side by side with the management consulting industry is the IT one. Is the technology that drives the consulting market. The management consulting services are, in the majority of the cases, in the base of the projects for development of new technologies or upgrade the existent ones (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014; Pereira, 2014).

The investment in research and development and the technological sophistication level of the country relates that with the bet that has been doing in management consulting. The investment in research and development decreased from 20.696 million euros in 2010 to 20316 million euros in 2012 (OECD, 2014). However, the number of researchers in the same period increased 7.1% (OECD, 2014). There is a lack of technological development in Italy. According to the World Economic Forum (2013), Italy occupies the 50<sup>th</sup> position in terms of technological sophistication comparing to other European countries that are stated in the first places. Portugal is in the 33<sup>rd</sup> position (17 places ahead of Italy) and the experience gathered by Winning Management consulting in the homes country will be appreciated by this new market (World Economic Forum, 2013).

The level of innovation and entrepreneurship of the market are also related with the need for management consulting. When starting new businesses or developing new opportunities, every firm needs some guides from experts in order to grow efficiently (Pereira, 2014).

Italy is not the European country where the level of entrepreneurship or innovation is higher (GEDI, 2014; Global Innovation Index, 2014). In both of the indicators, Italy have low scores. However, the tendency is to increase the innovation level which represents an opportunity for management consulting firms (ASSOCONSULT, 2013). The Italian firms will need, firstly, the support to develop the business case and to manage the all project and secondly, they will need training for their employees.

### 8.1.2 United Kingdom Market

The United Kingdom represents, as the name suggests, the union of England, Wales, Scotland and Northern Ireland. It is located in an island in the north western part of the European continent. This country is a constitutional monarchy and parliamentary. The main chamber of the parliament is the lower house, the House of Commons, which are elected by universal suffrage and the House of Lords or the upper house including life peers, hereditary peers and bishops (Europa, 2014d).

Despite of being a member of G-8 (the eight most powerful economies in the world) and also the second more powerful European economies it kept the pound sterling despite of the euro like the majority of European Union member states (Country Monitor, 2014d; Europa, 2014d).

London, the United Kingdom capital, houses one of the world's leading financial centers hosting a vast number of international banks and financial service providers (Country Monitor, 2014d).

In the following pages will be performed the analysis of the United Kingdom market for management consulting. This analysis will, like the Italian one, be divided in four dimensions of the Porters Diamond Framework (Lasserr, 2003).

#### 8.1.2.1 Factor Conditions

Even if there were a big world financial and economic crises, the United Kingdom was one of the less affected country. The strong currency and solid economic health were enough to prevent the country to start struggling (OECD, 2014).

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According to OECD (2014), even if the level of production have decreased in 2011, 2012 and 2013, the volume of sales kept unchanged in 2011 (comparing with the volume of 2010) and increased 1,2% and 3,4% in 2012 and 2013 respectively (OECD, 2014). This increase in sales is one of the reasons that kept the GDP increasing even during a reduction in the production value. The GDP increased every year between 2010 and 2013 (OECD, 2014). As well as the increase in sales contributed to the increase of GDP, the evolution of unemployment rate was also relevant (OECD, 2014). Since 2010 the unemployment rate has been decreasing. In 2013, 7,6% of the labour workforce was unemployed but, according to OECD (2014) predictions, the tendency for 2014 and for 2015 is to keep decreasing. The predictions of OECD (2014) for 2015 indicates that the unemployment rate will decrease to 6,5% and the GDP will increase 2,4%.

Despite of all the good indicators given by the evolution of GDP, sales and unemployment rate, the trade balance suffered the side effect of the decrease in production (Country Monitor, 2014d). Low production implies less products to export and less products to export imply a deficit in the trade balanced which notes a deficit since 2010 (OECD, 2014).

The United Kingdom is a politically stable country. This stability is important for any firm that wants to internationalize to that territory. In terms of the level of justice efficiency and effectiveness, the United Kingdom was ranked as the best in the European Union (World Bank, 2012). This factor increases the confidence of firms and population.

In terms of tax burden, the United Kingdom is the one in Europe with the lowest one (OECD, 2014). The tendency is to keep decreasing along the years (Country Monitor, 2014d).

The tax burden over the employee work in the United Kingdom is the lowest in Europe. In 2010, a single person with no child paid 32.58% of his income in taxes and, in 2013, the tax decreased for 31.48% (OECD, 2014). However, in terms of profit taxation, the United Kingdom had, in medium, higher profit taxation than Portugal and Spain .Only Italy had higher profit taxation in 2013 (PricewaterhouseCoopers, 2013; PricewaterhouseCoopers, 2012; PricewaterhouseCoopers, 2011; PricewaterhouseCoopers, 2010).

According to the Country Monitor (2014d), the United Kingdom economy remains robust and reveals a healthier business confidence thereby encouraging firms to further lift their

investment. This indicates that the United Kingdom will continue to be attractive for foreign investment and appealing for new entrants in the market (Country Monitor, 2014d).

### 8.1.2.2 Demand Conditions

Demand forecasting is the bases for any company business plan. If there are no demand or if the demand is not perceiving the importance of management services itself, it will be meaningful to think about investing in that market (Watanabi and Tanabe, 2005).

The management consulting demand in the United Kingdom is always increasing. The market growth rate was 1% between 2010 and 2011 and 5% between 2011 and 2012 (FEACO, 2012). This market represents the second higher management consulting market in Europe according to FEACO (2012), it represents 22% of the total European management consulting market. The second higher market in Europe represents a volume of sales of 20000 million euros/year and this value is increasing every year (FEACO, 2012).

The tendency of the market to keep growing every year is due to the fact that the need for management consulting services is also increasing. The industry that contributed the most for the increase of the value of the market was the banking and insurance sector that represented in 2012 30.4% of the total revenue (FEACO, 2012). However, the value represented by this industry is decreasing, progressively, since 2010. However, the client portfolio is well diversified. Telecom and media, energy and utilities, industry and public sector represent more than 10% each and, according to OECD (2014), this four sectors increased in the same period that the banking and insurance sector decreased its value compensating this decrease and allowing the market to keep growing (FEACO, 2012).

The need for training kept unchanged between 2008 and 2011 (OECD, 2014). The demand increased due to the consulting and outsourcing market positive evolution. Consulting service represent 52.5% and outsourcing only represents 9.4% of the total management consulting market and training represented 22% in 2012 (FEACO, 2012).

The demand for management consulting changes every year and evolves. The needs of the market make the offer to adapt to what is called “tailor made” in order to fulfil the needs of the clients. As important as knowing what is the English demand for management consulting is also important to evaluate the conditions of supply and rivalry (Fincham and Timothy, 2003).

### 8.1.2.3 Supply Conditions

The market conditions in terms of supply and rivalry affects the strategic plan of any firm that has the interest in any market. The external environment affects directly the plan of entrance in the United Kingdom market. In order to outline the best plan of entrance it was used the SWOT analysis only for the external market with information given by MCA (2013) which is the association that rules the management consulting in English territory and is the source of the most accurate information about the market (Pershing et al., 2006).

The increase of the number of projects in the public sector given to SME's was a measure to increase the confidence in SME's work and to boost this firms that are one of the responsible for the decrease of the unemployment rate (MCA, 2013; OECD, 2014). The number of management specialized consultants needed to face the increase of the demand to SME'S is possible because of the high level of people with bachelor or higher degree (between 25 and 64 years old). According to the Institute of Educational Science (2012), 29.6% of the population had a bachelor or higher degree. Management consulting companies needs specialized workforce and when there are a market plenty of human capital with expertise it's easy to find the right professional for the job. This is an opportunity for foreign companies that need employees with know-how and networks established inside that market to facilitate the entry process (Butts, Datta and Musteen, 2013).

The increase of the investment in research and development makes clear that there is a strong desire of being in the lead in terms if technology (OECD, 2014). The United Kingdom companies are strong investors in new technologies and that is why the demand for IT consulting increased in last years (MCA, 2013).

However, in a market there are not only opportunities. The probability of being affected by any external potential threat as to be taken into account (Pershing et al., 2006). The number of market players that increases every years can, probably, in some years, make the market saturated (MCA, 2013). The decrease of the demand from bank and insurance sector that is the principal contributor for the management consulting demand in United Kingdom (FEACO, 2012) and the stagnation of investment in training are also motives for warring (OECD, 2014).

Competition in the United Kingdom market is high and tough. There are much more competitors than in Portugal but there are also much more clients and opportunities (FEACO, 2012; MCA, 2013).

The competition will be determined by the quality of the service provided, over price and networking capabilities. Like in the Italian case, it will be crucial for entering in that market by having an already established network by Portuguese clients that are already operating there or by a link with an English management consultant with knowledge about the market by many years of experience (Patrício, 2014).

A more detailed SWOT analysis of the United Kingdom market can be seen in annex D.

#### 8.1.2.4 Related and Supporting Industries

According to Country Monitor (2014d), the United Kingdom has been faster than any other state in Europe to endorse IT capabilities. Substantial investments have been made by foreign companies from United States and Japan in the development of both software and hardware. This is the area of the business world that is mostly related with management consulting. Not only because of the need for training that the users of that new technology will have but also in terms of project management and business analysis (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Like was mentioned before, the investments in research and development increased every year between 2010 and 2012 and well as the number of researchers (OECD, 2014). This investment led the United Kingdom to the 7<sup>th</sup> place as one of the countries with higher technological sophistication in 2013 (World Economic Forum, 2013).

According to Global Innovation Index (2014), between 142 countries, United Kingdom was in the 11<sup>th</sup> position with higher level of research and development than the other foreign countries that are being analysed. This are good indicators for management consulting companies because higher the velocity of IT development, higher the need for IT consulting, training, business analysis and project management (Fernandes, 2014; Jerónimo, 2014).

However, is not only in terms of development of new technologies that the United Kingdom is in the lead. According to the Doing Business Report (2014), this country was the 10<sup>th</sup> country where is easier to do businesses. This factor is somehow related with the low level of corruption (World Bank, 2012) and the trust that people and companies have in justice made in United Kingdom soil (World Bank, 2012).

The innovation and entrepreneurship are also two well-known designation between the population and companies. The United Kingdom was, in 2014, considered the 10<sup>th</sup> country with higher number of entrepreneur projects (GEDI, 2014) and the 3<sup>rd</sup> country in Innovation Index (2013).

The way that the market was been driven by the investments in new technologies and entrepreneurship is a window of opportunities for new contracts in management consultant (Fernandes, 2014).

### 8.1.3 Spanish Market Conditions

Spain is one of the countries settled in the Iberian Peninsula located in the west cost of the European continent (Europa, 2014c). It is a stable democracy with a well-established constitutional monarchy and a fair legal system (Country Monitor, 2014c). Since 1986 is part of the European Union and member of the Euro Zone since its inception (Europa, 2014c).

Spain's service and manufacturing sector's are strong while agriculture and tourism are also are also very profitable (Europa, 2014c). This country benefits from a fully functional market economy that has been segmented in recent years by government liberalisation programmes and membership of European Union (Country Monitor, 2014c).

#### 8.1.3.1 Factor Conditions

The Spanish economy is still struggling as an side effect of the economic and financial crises. Spain is not expected to approach the ESM as a stressed country to apply for a precautionary credit line, as it has already received financial assistance to recapitalize its banking system (Country Monitor, 2014c).

According to OECD (2014), since 2008 when the first signals of the world financial crises appeared, Spanish GDP has decreased every year with the exception of when it increased 0.05%. However, according to the European Commission (2014), in 2014 and 2015 the GDP will rise 1% and 1.5% respectively. The decrease of GDP verified in the period between 2010 and 2013 can be explained by a decrease in both production and sales. This decrease was so abrupt that in 2013, taking into account that 2010 was the base year for this study, the sales represented only 81.9% of the ones made in same period three years ago (OECD, 2014). Even if the production decreased 10% between 2010 and 2013, the Spanish market somehow was able to increase the value of its exports between 2010 and 2013 but was unable to decrease the value of imports until 2013. In 2012, the trade



balance presented a surplus for the first time since 2010 which was a good indicator for the economy recovery (Country Monitor, 2014c; OECD, 2014).

Despite of all of the recovery indications that the Spanish economy is giving there will be a slow recover. The unemployment rate registered record values in 2013 (OECD, 2014). The highest value of the unemployment rate was registered in 2013 when 26.4% of the workforce were unable to find a job. The tendency is to decrease this amount of unemployment population but slowly. In 2014 and 2015 it is supposed to register 25.4% and 24.4% respectively. The decrease of 1% shows the recovery progression of the economy (Country Monitor, 2014c; OECD, 2014).

In terms of taxes, as every European countries that are struggling with the financial crises, Spain increased the tax burden. The ones that have been suffering more with the percentage of wage that was used for paying taxes are the single persons with no child and considered of having average earnings. In 2013, 40.66% of the earnings went directly government safe (OECD, 2014). Instead of increasing the taxation over companies' profit, Spain kept it unchanged in 21.2% between 2010 and 2013 as a measure to keep the companies in Spanish soil (Country Monitor, 2014c; OECD, 2014).

According to country Monitor (2014c), the household confidence improved while spending intentions remain fragile. Spain changed from the fastest growing economy in the Eurozone to being locked in a low growth cycle. The government is working in measures to make the economy recover. These environmental of uncertainty is favourable for management consulting industry. Is in periods like this that the demand for services grow (Fernandes, 2014; Pereira, 2014).

### 8.1.3.2 Demand Conditions

As was mentioned above, the management consulting market is directly influenced by crises periods (Fernandes, 2014; Pereira, 2014). During the period of crises (since 2008), the management consulting market in Spain increased every year. In 2011, it raised 4.2% and in, 2012, 0.9% (FEACO, 2012). The need for training has also increased between 2008 and 2011. Even if the value is just a little part of GDP, it increased from 0.002% to 0.005% in 2011 (OECD, 2014). These is a good indication of the market is reacting to changes in the economic panorama and what is the perception about management consulting services (OECD, 2014).

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According to FEACO (2012), the biggest client of the Spanish management consulting industry is the banking and insurance. It represents 26% of the total income of that kind of enterprises but, according to OECD (2014), the industry investment decreased 4.7% in 2013. The industry that increased the most was the telecommunications one. In 2012 and 2013, it increased, respectively, 2% and 2,5% and is the second client industry of the management consulting representing 17% of the market (FEACO, 2012; OECD, 2014).

Despite of all the indicators, the Spanish management consulting market is the 3<sup>rd</sup> biggest in Europe and represents 9.995 million euros/year and 12% of the entire European Market (FEACO, 2012).

The demand for management consulting is increasing every year (FEACO, 2012). It not increases, it involutes. This evolution causes the offer to change itself in order to adapt to new conditions of the market to face the new challenges.

The portfolio have to be always being upgrade in order to survive to the competitive market (Cabral and Carvalho, 2008).

### 8.1.3.3 Supply Conditions

External forces influence more the company behaviour than the internal ones. The second forces are controlled or, at least, keep under control by the firm managers. In order hand, external forces cannot be controlled and are not easily managed if there is not a previous investigation about them. That is why is so important formulate an external evaluation. This evaluation was performed by the SWOT analysis (Annex D). This SWOT analysis was only made looking to the external market and doesn't have any internal analysis (Pershing et al., 2006).

The biggest opportunity in the Spanish market comes from the priority that the government and other public entities gave to SME's in special to management consulting SME's (AEC, 2013). In 2013, 99% of the companies in Spain were SME'S. This opportunity if taken, will be a way to increase the network with new clients and increase the market share of this companies (AEC, 2013; Butts, Datta and Musteen, 2013). This network can also be developed through specialized professionals already operating in the market. Spain is the country in Europe with higher number of specialists (76.800) but is one of the European countries with lower return per specialized consultant. In 2012, in medium, each management consultant gave a return of 78076 euros to the management consulting company to where he works for. (FEACO, 2012).

The low return per consultant can also be explained by the competition that exists there. When the number of players in the market increase and the number of persons with ability to provide that service also increases, the quality of service provided is almost certain, the ferocity of the competition will hang to the price variable and it will also be low (FEACO, 2012; AEC, 2013). However, this is a market where the investment in training is still growing. Since 2008, the investment in training, increased every year (OECD, 2014). The increase in the training is sometimes associated with the technological development. However, the investment in development of new IT software has dropped every year since 2010 (OECD, 2014).

This analysis evidence that the Spanish market is a ferocious market to compete. For foreign management consulting firm to start its internationalization process to that market, the existence of a strong network is crucial. Another crucial point to have into account is the portfolio adaptability to the market needs and if the price of the services are competitive. The support of past references and projects developed will allow Spanish firms to know the quality of the work provided (Jerónimo, 2014; Patrício, 2014).

A more detailed SWOT analysis of the Spanish market is stated in the annex D.

### 8.1.3.4 Related and Supporting Industries

The importance of research and development and technological sophistication in Spain decreased since 2010. The investment in research and development is of 2000 million euros lower that it was in 2010. This decrease is a contrast with the number of researchers that increased in 132385 (OECD, 2014).

According to the World Economic Forum (2013), the level of technological sophistication in Spain is lower than the Portuguese one. Spain is considered to be in the 38<sup>th</sup> place and Portugal in the 33<sup>rd</sup> one. Therefore, the Spanish government informed that intends to increase the investment of the country in research and development and innovation in order to use that to excite the economy (Country Monitor, 2014c).

The development of new technologies will create the need for training and other management consulting services like the business analysis and project management (Fernandes, 2014; Patrício, 2014).

9. Winning Management Consulting Performance Potential

Based on literature review made in chapter 3, the partners of Winning Management Consulting used their knowledge and perception of the market to define (with the author), the factors that have more influence into the management consulting market. After that was applied the method of diamond of Porter to divide the factors between four dimensions (Lasserr, 2003; Smit, 2010; Ozgen, 2011).

9.1 Factors Definition

The table below represents the factors that were determine in order to make the attractiveness analysis.

Table 4 – Factors Definition per Dimension

Porter’s Diamond Framework Dimensions			
Factor Condition	Demand Condition	Rivalry and Supply Condition	Related and Supported Industries Conditions
Stability of Growth	Demand Stability	Few Players in the Market	High Investment in Research and Development
Richness of Natural Resources	Market Dimension	Few Qualified Specialists	High Level of Technological Sophistication
Political Stability	Dependency of Traditional Management Consultant Clients	Low Level of Supply Sophistication	High Innovation Level
Production Growth Stability	Unsophisticated Demand	High Number of Certification Centers	High Entrepreneurship Level
Tax Burden	Type of Customers Evolution	Inability to Provide Service Packages	Business Making Facility
Employment Stability	Need for Training, Business Analysis and Project Management		
Trade Balance Equilibrium			
Overall Future Potential			

Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

The selected factors are the criteria’s to define the market potential. This will be used to do a performance evaluation. In annex E there is the analysis of each one of the factor individually and how each one of the factor where evaluated and defined.

The main goal of evaluation is to demonstrate the attractiveness of the markets for management consulting as well as the impact of all the factors for SME’s potential for successful performance in internationalization. In order to accomplish this goal, special attention was given to factor formulation. It can be noticed on table 4 that formulation of some of the factors was complicated. All the factors were formulated as consulting-positive ones, meaning that (in market’s comparison and attractiveness analysis) the higher the evolution is, the more favourable conditions for management consulting SME’s are created by the evaluated factor. Similarly, in firms’ potential for successful performance analysis, the higher the evolution of the factor is, the more it is considered to be important for firm’s potential for successful performance in internationalization. The evaluation scale was determined in five elements (Table 5):

Table 5 – Evaluation Scale for Market’s Attractiveness Comparison

Score/Points	Interpretation
1	Low
2	Low-to-Medium
3	Medium
4	Medium-to-high
5	High

Source: Personal contribution

We can confirm on the above table that, the higher is the scoring, the stronger is the country on this factor. The analysis of the other score can be done in the same way. The usage of the score 2 and 4 can be explained by the non-static markets that are being evaluated. Every market is in constant evolution and is not possible to stablish (sometimes) that the market will be always increasing or decreasing the value of any of the factors.

This scale can also be changed to the form of how it will affect a SME successful performance in internationalization like the table that is below:

Table 6 – Scale for Impact Analysis on SME’s Internationalizing Performance

Score/Points	Interpretation
1	Any impact
2	Low Impact
3	Medium Impact
4	High Impact
5	Critical Impact

Source: Personal contribution

It is possible to confirm on the table that the evaluation of one point means that the analysed factor is expected to have any impact on management consulting SME's potential for successful performance in internationalization, while the evaluation of five points would mean that the impact would be crucial.

After defining the factors that are going to be evaluated and the scales that are going to be applied on the analyses it's time to answer to the hypothesis defined previously in chapter 4.

### 9.2 Testing Hypothesis

This part of the Data Analysis represents the final results of the investigation in a way to answer the hypothesis that were stated in chapter 4.

#### 9.2.1 Testing Hypotheses 1: Italian, Spanish and United Kingdom Management Consulting Markets are attractive for Portuguese Management Consulting SME's.

This hypothesis is the one that will indicate if the company should internationalize for any of the three markets and if it is seen as an opportunity for grow the business already stated.

The methodology used mixes the SWOT analysis with the four dimensions of Porter's diamond framework. Using the four dimensions of Porter Diamond framework it is analysed the selected markets accordingly to their strengths and weaknesses (Lasserr, 2003).

This first hypothesis answer will be related to market attractiveness from the point of view of Portuguese management consulting SME'S. According to Ellango, Hult and Tallui (2013), the market attractiveness equals firm's desirability to enter there. Winning Management Consulting partners were the ones who performed the balanced process of external market opportunities and threats. Markets that were considered to be attractive were in this way said to be desirable to enter to.

In order to perform a more accurate analysis, the table presented next will be used to make the parallelism between the percentage obtained by any of the markets in each dimension and what it is stands for in terms of attractiveness:

Table 7 – Scale for Attractiveness Analysis

Scale	Points	Attractiveness
[0%≤Score>12.5%[	1	Any
[12.5%≤Score>25%[	2	Low
[25%≤Score>37.5%[	3	Low-to-Medium
[37.5%≤Score>50%[	4	Medium
[50%≤Score>62.5%[	5	Medium-to-High
[62.5%≤Score>75%[	6	High
[75%≤Score≥87.5%[	7	High-to-Perfect
[87.5%≤Score≥100%]	8	Perfect

Source: Personal contribution

The definition of the attractiveness between the four dimensions in each one of the countries will help to perform a most accurate analyses of its attractiveness. After determining what the attractiveness evaluation for each dimension is, a medium average will be performed in order to determine the total market attractiveness. This is the way to make a balance between the opportunity that each dimension represents and what it means in terms of total market. For instance, having a high score (near 100%) in one dimension and the other three with much lower scores doesn't mean that the country is attractive it only means that that specific dimension is attractive. The range of the scale was defined to be higher than the other scales used in order to perform an even more accurate evaluation of the market attractiveness. This three countries are developed countries and even if, in some dimensions, ones have better scores, the percentages are very close to each other being necessary to make a distinguish between them.

In the chapter below will be made the analysis by market in terms of attractiveness.

#### 9.2.1.1 Analysis of Italian Market Attractiveness

The final results of the evaluation performed about the Italian management consulting market (Annex E) and the respective score are presented below.

Table 8 – Italian Market Dimensions Analysis

Dimensions	Market Evaluation	Attractiveness Score
Factor Conditions	60%	5
Demand Conditions	66.7%	6
Supply Conditions	44%	4
Related and Supporting Industries	40%	4
Total Market Attractiveness Mean	53%	4.75 = 5

Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

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The most attractive dimension of the Italian market is the one that represents the demand conditions. This means that demand conditions in Italy are ready to offer numerous opportunities for management consulting companies (Lasserr, 2003).

The opportunities that the high evaluation in demand conditions can offer are, mainly, related to the high need for training, business analysis and project management services and to the diversified range of clients that does not make the market dependent of only one industry (ASSOCONSULT, 2013; Country Monitor, 2014a; FEACO, 2012).

Importantly to refer that there was only one factor in demand conditions that was evaluated with low score. The sophistication of demand is the only threat/weakness present for consulting companies. That threat was rated with “low-to-medium” attractiveness in the evaluation process.

The dimension that obtained the lowest scoring in comparison to the other three dimensions of Porter’s diamond was the related and supporting industries. The low score of the dimension was due to the difficulty of business making and low level of entrepreneurship as well as to the innovation level that wasn’t high enough (Doing Business Report, 2014; GEDI, 2014; Global Innovation Institute, 2013). The highest evaluation given to a factor in this dimension was a “Medium” scored by the investment in research and development and the technological sophistication level of the country (OECD, 2014; World Economic Forum, 2013). However, even if these two factors were the best scored ones, there was a disinvestment in research and development and a low technological sophistication which is unattractive for foreign management consulting companies. These weaknesses of the Italian market represent threats for new comers yet, the market can still be defined as consulting-attractive if the opportunities that Italy is ready to offer outweigh market deficiencies. This conclusion will be made after the analysis of the other two market dimensions.

The supply conditions dimension had a little score like the related and supporting industries dimension. Despite of the high attractive evaluations given to the high number of certification centers, the high and increasing competition over the market and the existing of companies providing service packages were the factors that leaded the total evaluation down (ASSOCONSULT, 2013; FEACO, 2012).

The last but not least, is the factor conditions dimension. This dimension was the one with the second higher evaluation in this market. The evaluation was positive and considered



as “Medium-to-High” attractive because of the political stability that Italy is leaving, trade balance surplus and the overall future potential (European Commission, 2014; OECD, 2014; World Bank, 2012). However, no factor in the factor conditions obtained a low score, providing that the threats in this dimension of Porter’s Diamond are reduced.

After analysing the scores obtained by each one of the dimensions in the evaluation made, is possible to conclude that the Italian management consulting market is “Medium-to-High” attractive. The “Medium” attractive dimensions that were compensated with the “Medium-to-High” and high scores of the remaining two.

Supply conditions and related and supporting industries were the two dimensions considered to be not attractive due to various strategic issues existing on the market, affecting business climate negatively. Despite of this medium attractive dimensions, the high demand for consulting services and good environment settled by factor conditions suppress that unattractive situation. Therefore, when balancing problematic factors with highlighted strengths of the Italy in terms of consulting opportunities, it will be obtained not only a positive balance of strengths over weaknesses, but also will observe that Italian strengths overweight the weaknesses making this market attractive destination for Portuguese management consulting SME’s.

#### 9.2.1.2 Analysis of United Kingdom Market Attractiveness

The United Kingdom market evaluation was performed by Winning Management Consulting partners according to the Porter’s Diamond framework (Lasser, 2003). The final results, in terms of percentage of the total possible score, are respective score in terms of attractiveness are presented in the table below in order to analyse the attractiveness of the market:

Table 9 – United Kingdom Market Dimensions Analysis

Dimensions	Market Evaluation	Attractiveness Score
Factor Conditions	82,5%	7
Demand Conditions	70%	6
Supply Conditions	36%	3
Related and Supporting Industries	96%	8
Total Market Attractiveness Mean	71,13%	6

Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

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The related and supporting industries were among the four dimensions, the one that had the highest score. Indeed, this score was almost 100% (96%). This means that the supporting and related industries are highly attractive for any foreign company that wants there. The United Kingdom didn't have 100% in this evaluation because of the investment in research and development decrease (OECD, 2014). The opportunities created in terms of technological sophistication, high entrepreneurship level, high innovation level and easiness on making business will be driven for success of the internationalization process.

Not only supporting industries were well rated. Factor conditions had also high score considered to be "Perfect" attractiveness. This rate contributes to the conclusion that this market is not only attractive for management consulting companies but also for investors in general. The scores attributed to the factors of this dimension were generally "High" or "Medium-to-High", which tells us about the strengths of United Kingdom external market environment that favours and facilitates not only consulting but overall business activity as well. The existence of market issues reveals United Kingdom weaknesses which, as is already known, represent a threat for investors. The factor condition evaluated as "low" attractive (trade balance equilibrium) is outweighed by the other positively ranked factors in this dimension (OECD, 2014).

United Kingdom management consulting market is the most developed in terms of management consulting among the three foreign markets that were analysed. That's the reason why supply conditions is the dimension with lower score ("Low-to-Medium" attractiveness). The mean of a "Low" score is low consulting attractiveness and, in fact, if an analysis to the details of United Kingdom supply conditions evaluation is done will prove it. United Kingdom supply offer was considered sophisticated, meaning that, the market is occupied by management consulting professionals that could represent a threat for newcomers (World Economic Forum, 2013).

In terms of demand conditions, the United Kingdom has a mix between opportunities and threats for newcomers. The existing of high sophistication demand with almost no need for new developments and the stagnation of the need for training represent the threats over this market. The annual increase of revenues, the dimension of the market (second major market in Europe) and the diversity of traditional consultant clients, outweigh the presented threats (FEACO, 2012; OECD, 2014). It can be considered that the demand in the United Kingdom management consulting market is attractive for newcomers even if there are threats, the opportunities are much more strong and relevant.

In end of looking for all the dimensions separately, it is possible to stablish that the United Kingdom management consulting market is “High” attractive. The opportunities that United Kingdom is ready to offer to consulting companies compensate the existing issues as well as their impact on demand, supply and related and supporting industries. The annual increase of the market is the factor condition that makes the United Kingdom an investor inviting country, leading to the conclusion that this market is an attractive destination for internationalization of management consulting SME’s (FEACO, 2012).

### 9.2.1.3 Analysis of Spanish Market Attractiveness

The consistency of the qualitative analysis performed in the chapter 7.1.3 of this dissertation with the evaluation performed in annex E, can be confirmed by looking at table 10 where the transcription of that values to attractiveness is done:

Table 10 – Spanish Market Dimensions Analysis

Dimensions	Market Evaluation	Attractiveness Score
Factor Conditions	62,5%	6
Demand Conditions	73,3%	6
Supply Conditions	44%	4
Related and Supporting Industries	56%	5
Total Market Attractiveness Mean	58,95%	5,25=5

Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

Various conclusions can be drawn out of the table 9. Just like the Italian case, the demand conditions is the dimension that obtained higher score in the evaluation and was considered as “High” attractive dimension. This means that the demand for management consulting in Spain is attractive for new comers. However, even within this dimension, there are threats to new comers. 90% of the customers are SME’s with spot purchases and the sophistication of the demand represent the main threats (AEC, 2013). Yet, the annual increment of the market, the dimension of the market (third European market) the consistency of management consulting clients and the increase of the need for training, business analysis and project management represent the opportunities that overweigh the referred threats considered (FEACO, 2012). In conclusion, the demand conditions are “High” attractive for foreign management consulting companies.

Factor conditions are the ones that form the external environment for management consulting (Smit, 2010). Despite of being well evaluated in terms of overall future potential, Spain still struggles with numerous weaknesses (Country Monitor, 2014c),

namely: low stability of GDP grow, decrease of production, high tax burden and the highest unemployment rate of the European Union (OECD, 2014). All of these issues represent threats of major dimensions for any investor. The negative impact that these issues can have in consulting could be compensated by opportunities presented by the trade balance surplus, political stability and by the provisions of the unemployment rate decrease and increase of GDP (all of these factors obtained the “Medium-to-High” evaluation showing positive expectations for the market), still the dimension was evaluated as “High” attractive (OECD, 2014).

Related and supporting industries represents the dimension where the conditions of IT segment (which is crucial for management consulting) are considered. The opportunities observed in this dimension are related to the IT sophistication of the market (in the perspective that when a country as high technological sophistication is always looking for new ways to climb one more step in IT and it increases the demand for training and business analysis and project management services) to the business making facility and to the investments in research and development (Doing Business Report, 2014; OECD, 2014; World Economic Forum, 2013). These opportunities have much more relevance for management consulting companies that are elaborating a strategic plan to enter in the Spanish market than the threats. Therefore, the opportunities overweigh the threats and the related and supporting industries presents a “Medium-to-High” attractiveness for new comers.

The dimension of the diamond of Porter with lower score was the one that represents the supply conditions. This low evaluation is a consequent of the huge competition that are in the management consulting market in Spain, and a consequence of the package service delivered by the companies that are operating in there (AEC, 2013; FEACO, 2012). Despite of all the threats, the management consulting market in Spain represents an enormous opportunity for training firms. The demand for that service increased in the past few years and the number of certification centers to support it increased as well (OECD, 2014; Prometric, 2014). This opportunity is not relevant enough to overcome the presented threats. This diamond that represents the supply condition was considered as “medium” attractive.

In conclusion, even if Spain is still struggling with the economic and financial world crises (Country Monitor, 2014c), the management consulting market is considered as

“Medium-to-High” attractive and opportunistic internationalization destination for Portuguese management consulting SME’s.

#### 9.2.1.4 Market Attractiveness Conclusions

Having performed the examination of the opportunity of Italian, United Kingdom and Spanish markets and after weighting both the opportunities and threats together, it is possible to conclude that the opportunities outweigh the selected market threats, making Italian, United Kingdom and Spanish markets an attractive international destination for Portuguese management consulting SME’s.

The model developed to determine the attractiveness of the markets is understandable and it is not a complex task to perform the evaluation of the defined factors within the four Porter’s Diamond dimensions. It is not difficult to track the opportunities (factors with the highest evaluation) and threats (factors with lowest evaluation) for internationalizing companies. This is a flexible model that can be used by any firm and applicable to any market dependently on market evolution over the time and internationalizing company because it has to be adapted to their needs and reality. New factors can be added within the four dimensions and, consequently, evaluated. Nevertheless, the model is only appropriate in those situations where firms want to choose the most attractive markets among a variety of seemingly appealing countries (could be more than three but never less than two countries).

However, the model is accurate when a firm want to estimate its performance potential on external markets.

Next, the answer for the second hypothesis about internationalization of management consulting SME.

#### 9.2.2 Testing Hypotheses 2: Portuguese Management Consulting SME’s have the potential to perform successfully on external host markets

The Porter Diamond framework will be the method used to test this second hypothesis. In the first hypothesis the four dimensions were used but only to define if that specific country was attractive or not for internationalizing management consulting companies. In this chapter, the analyse will be made by transform the previous evaluation of the factors firstly in the diamond of Porter framework and, secondly, in a scale of 1 to 5 to compare all of the foreign markets with Portuguese market reality at the same time and identify opportunities and threats.

All of the factors used in the previous evaluation were formulated in order to become “consulting-positive” ones, meaning that the higher the evaluation of the factor is, the better is for Portuguese management consulting SME’s. Consequently the higher the score of the market is in the four dimensions, the better is for Portuguese internationalizing SME.

In order to be able to compare the external markets attractiveness to the performance of Winning Management Consulting in Portugal and define the opportunities and threats, it will be done a weighted average of external factor evaluation for markets together with external factors evaluation for their impact on firms potential for successful performance in internationalizing, will be obtained a number on a scale between 1 to 5 that would indicate the potential for successful performance of Winning Management Consulting on external markets. The interpretation of the number would be made with the usage of the following scale:

Table 11 – Evaluation Scale for Potential for Successful Performance

Scale	Potential For Successful Performance
$[1 \leq \text{Score} < 2[$	Low
$[2 \leq \text{Score} < 3[$	Medium
$[3 \leq \text{Score} < 4[$	High
$[4 \leq \text{Score} \leq 5]$	Perfect

Source: Personal contribution

The weighted average will be done not only for the external markets but also for the Portuguese one and that would allow to analyse if the performance on market with similar characteristics would be better than the one in Portugal giving the answer to the second hypothesis.

#### 9.2.2.1 Winning Performance on Portuguese Market

The strengths of Winning Management consulting as well as its weaknesses were demonstrated along the chapter 5.9 where the Winning Management Consulting assessment was performed. Based on that analysis and after analysing all the factors for the Portuguese management consulting market (see annex E), it is possible to state that Winning Management Consulting is able to handle demand and supply conditions of the Portuguese market and its weaknesses are overcome by its strengths. It is also possible to conclude that Winning Management Consulting is a Portuguese management consulting SME that performs successfully on its home market.

### 9.2.2.2 Inter-Geographical Comparison

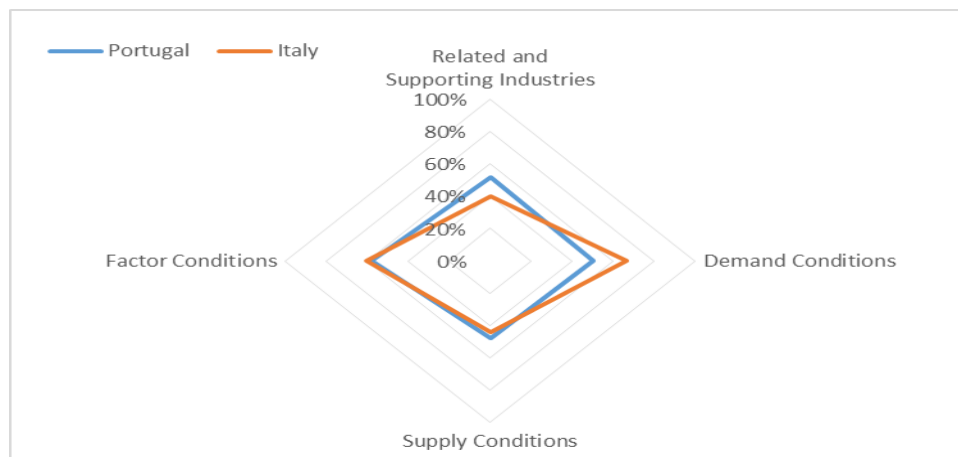
In the previous point, were established the criteria of comparison as well as defined the situations where market conditions would be considered as facilitated in contrast to the ones in the home market. This comparison will be made in graphical diamond of porter Framework which allows the reader to take conclusions more promptly (Lasserr, 2003).

The analysis will be performed firstly comparing the Portuguese scores in the factor evaluation (see annex E) with each one of the three candidates to host markets and, in the end, it will be done an analysis of all the markets based on the weighted average comparing each one of them with the Portuguese reality.

### 9.2.2.3 Comparison of Italian and Portuguese Market Conditions

The following figure allows us to compare the Portuguese and Italian Markets:

Figure 12 – Comparison of Italian and Portuguese Market Conditions



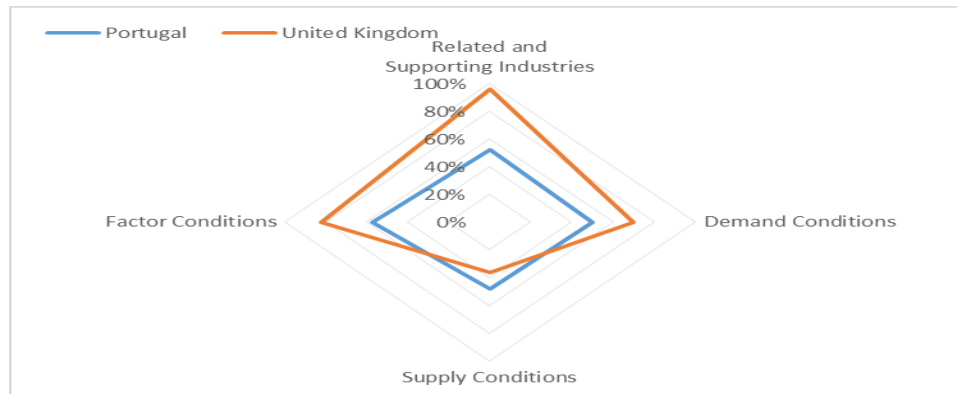
Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

Figure 12 demonstrates that two dimensions of the Italian market can be considered as facilitating in comparison to the respective dimensions of Portuguese market. Yet, related and supporting industries and supply conditions, which contained the majority of Italian market weaknesses, appear to be less favourable for Portuguese management consulting SMEs than the home market ones. In conclusion, the factor conditions and demand conditions are facilitating market conditions when comparing with the home market ones.

#### 9.2.2.4 Comparison of United Kingdom and Portuguese Market Conditions

The figure presented below will allow to conclude whether any of English market dimensions have similar or facilitating market conditions to the ones of the Portuguese market:

Figure 13 – Comparison of United Kingdom and Portuguese Market Conditions



Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

Confirming the results of market evaluation performed in the first part of this chapter as well as the conclusions on market attractiveness, the above figure reflects United Kingdom market strengths and opportunities. In three of the four dimensions, the United Kingdom has a bigger area than the home market graphic. The overall situation is market consulting positive and more favourable than the situation on Portuguese management consulting market. Only the supply conditions are favourable in Portugal than in the United Kingdom.

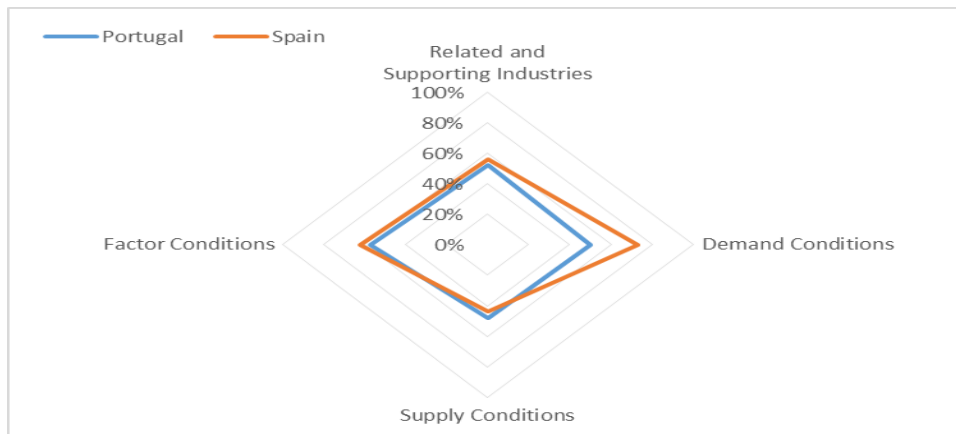
In conclusion, the United Kingdom management consulting market is the market where factor, demand and supporting and related industries conditions are facilitated in comparison with the ones faced in the home market.

#### 9.2.2.5 Comparison of Spanish and Portuguese Market Conditions

The last market to be compared with the Portuguese management consulting market is the Spanish one. In the following figure can be seen the graph where the two markets are compared:



Figure 14 – Comparison of Spanish and Portuguese Market Conditions



Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

The analysis of the Figure 14 confirm that three of the four dimensions appear to be more facilitating that they are in Portugal (Factor Conditions, Demand Conditions and Related and Supporting Industries). Only the supply conditions appear to be more facilitating in Portugal than in the Spanish market. This considerations allows to conclude that the Spanish market can be called a market where factor, demand and supported and related industries conditions are facilitated in comparison to the respective conditions of Portuguese market.

After this three comparisons between host and home markets, the final procedure to answer to the second hypothesis is in the next point.

#### 9.2.2.6 Conclusion about Winning Management Consulting Successful Performance on Selected External Markets

Due to researcher's interest, it will be tested the Winning Management Consulting performance on Italian, United Kingdom and Spanish market.

In order to make a comparison between the three foreign markets and the home market, a weighted average of external factors evaluation for markets and external factors evaluation for their impact on firm performance in internationalizing as explained in testing hypothesis 2 chapter. Consequently, the result of the calculations were presented in the table below:

Table 12 – Average Weighted Scores of Portuguese and External Markets

Diamond of Porter Dimensions	Potential for Successful Performance			Performance in Portugal
	Italy	United Kingdom	Spain	
Factor Conditions	2.96	4.11	2.96	2.88
Demand Conditions	3.43	3.47	3.86	2.58
Supply Conditions	3.16	2.75	3.16	3.41
Related and Supported Industries	2.33	4.33	3.07	2.6
Total Attractiveness of the Market	2.97	3.67	3.26	2.87

Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

Accordingly to the interpretation of the average weighted scores of successful performance potential is considered to be high on the three external markets. Looking to the results of the Total Attractiveness of the market, the three host markets appear to be attractive for the successful performance of internationalizing for Portuguese Management Consulting SME's when compared with the Portuguese market reality.

However, when analysing dimension by dimension, not all of them represent opportunities for Portuguese management consulting companies. For example, the United Kingdom market, in total, is the most attractive of the three but in terms of supply conditions, the Portuguese one is more attractive than the United Kingdom. In conclusion, it is suppose not only to look at the total score but to each one individually and compare that with the Portuguese reality where Winning Management Consulting was considered to be successful. Firm management must dig deeper and not get deluded with the total scores obtained by any markets. The managers of the firm have to study all the information gathered by the analysis of each one of the markets and analyse that separately from the total attractiveness and potential of that specific market.

It's important to find out which the opportunities of the market are and which the threats that have to overcome are. In table 13 it is possible to observe which of the four dimensions in three host markets are considered as opportunities or threats for the internationalizing Portuguese management consulting SME's by comparing its scores with the home markets ones:

Table 13 – Average Weighted Scores of Portuguese and External Markets

Porter Diamond Dimensions	Potential for Successful Performance		
	Italy	United Kingdom	Spain
Factor Conditions	Opportunity	Opportunity	Opportunity
Demand Conditions	Opportunity	Opportunity	Opportunity
Supply Conditions	Threat	Threat	Threat
Related and Supported Industries	Threat	Opportunity	Opportunity
Total Attractiveness of the Market	Opportunity	Opportunity	Opportunity

Source: Personal contribution

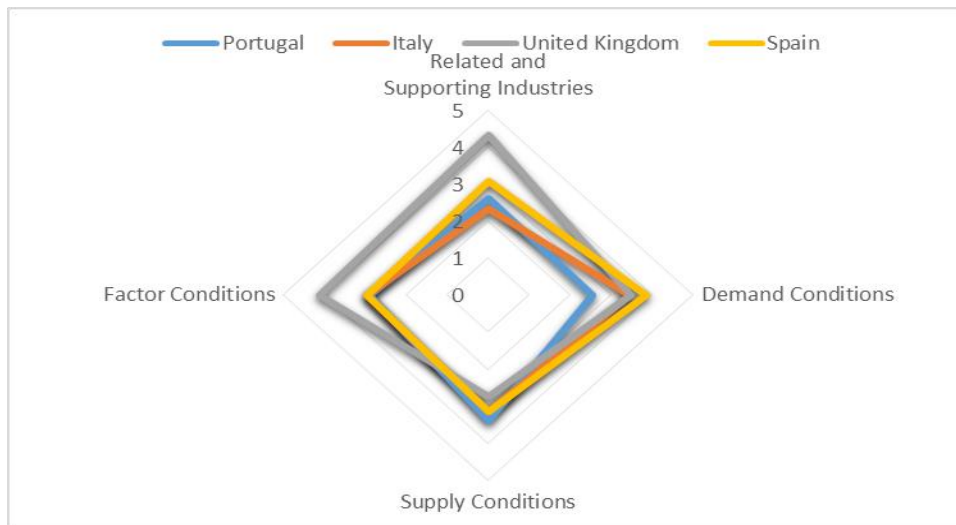
Another important observation can be made in regards of the results of table 12. In the previous evaluation of potential for successful performance on the three markets there is any difference between that analysis and this one performed with the weighted average. However, if the model was used to compare other foreign markets and realities that could change and differences could be observed.

After the analysis of the table 13 it is possible to conclude that the answer to the hypothesis 2 question is positive in terms of Spanish and United Kingdom markets regarding the supply conditions which presents (in the three cases) a high attractiveness in the home market. That allows to make an important conclusion, internationalizing Portuguese management consulting SMEs that as successful performance on the home market, has the potential to perform successfully on external host markets with facilitating market conditions than the ones observed in the home market.

Since this second evaluation was performed taking into account the Winning Management consulting partners evaluation of what were the possible impact of each one of the factors regarding internationalizing firms, this second analysis is the more accurate. In the first analysis were only taken into account the perspective of which was the evaluation in total of all the factors and, in the second one, the importance of the factor and its impact in the future performance of management consulting companies were taken into account. It is recommended to the management to consider the results of performance potential calculation as superior to the ones obtained in the markets evaluation.

Next, it will be shown a simultaneous comparison between the four markets attractiveness in order to make easier the understanding of what was described before.

Figure 15 – Comparison between Host and Portuguese Market



Source: Personal contribution based on Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

In conclusion, the technique that was used during the comparison of Portuguese and the host markets conditions (see 9.2.2.2) could complement the verification of external market attractiveness (see 9.2.1). The figure 15 represents the comparison of Portuguese, English, Spanish and Italian markets at the same time corroborating all the conclusions taken in the previous paragraph.

## 10. Winning Management Consulting “To Be” Analysis

According to the joint analysis of the attractiveness of the three markets and the impact on potential performance of management consulting SME’s in the foreign markets is possible to conclude that, the most attractive market for management consulting in the three analysed is the United Kingdom. This is also the one which represents more opportunities in terms of positive impacts for Portuguese management consulting SME’s successful potential.

Italian and Spanish markets were both considered as “Medium-to-High” attractive for internationalizing management consulting companies but, when looking to the evaluation of impact, Spain is the country that represents more dimensions with positive impact in the company potential. This doesn’t mean that Italian market is not attractive, this means that the Italian market, when compared with the other two, is less attractive and have not has good impact in the potential performance of SME’s as they have.

The decision of whether the company should internationalize or not, belongs to the CEO and to the partners. However, and looking to the indicators of growth in terms of revenues and human resources (chapter 5), the Portuguese market is too small and filled to keep that growth rate of the company.

In accordance to the evaluation made, all the three markets, are attractive possibilities for the company business leverage. The author, according to the feedback that had from Winning CEO (Pereira, 2014), suggests that, the partners of Winning Management Consulting should develop a strategic plan for each one of the markets and, like occurred with the first outsourcing project of Winning Management Company in Italy, should offer international services for the multinational companies with whom Winning already works in Portugal. The portfolio developed based on the international standards, quality of work delivered and the word of mouth, in a first phase will be essential for the firm internationalization process.

Another approach that Winning can use simultaneously with the previous one is the contracting of a specialized management consultant of the host market with many years of experience and a vast network to open the door to international clients. The cost of senior professional is high but the benefits for the business expansion will be higher than having someone with no connections there.

## Internationalization as a Way to Leverage SME Management Consulting Companies

The future of Winning Management Consulting passes through the internationalization of the company. This is a fast growing company which horizon doesn't end in the frontier to Spain, the horizon of this company must be the globe in order to keep growing and evolving. The internationalization process is only the first baby step to the world and to the international success.

Italy, United Kingdom and Spain represent three European attractive markets for the first international steps of Winning Management Consulting. As was mentioned before, the decision of go or not to go belongs to the company responsible. Therefore, according to the evaluation and reading of the results, these three markets are reliable options for the internationalization process.

## 11. Conclusion and Limitations

### 11.1 Conclusion

The concept of local firm is decreasing progressively. Nowadays people and firms are not from a country, they belong to the planet. Any company that is closed to the world and stays only in the home market will face someday the stagnation and, probably, the competition of new entrants being preferred to them. Being abroad gives experience to the company managers and that experience is knowledge. This knowledge can be used in any markets to where they go and increases profitability of the company. However, any company should internationalize without knowing to where they are going or, in other words, without knowing what they are going to face, what are the conditions and what are the opportunities and threats that the market is giving to that specific company.

In this dissertation the study was focused on an industry that represents a niche of other major industry: management consulting. This specialized type of consulting is represented in the majority of the markets by SME's which, as was referred before, doesn't have the financial capacity like multinational companies have and, because of that, they stay in the local market where they started. The opportunity for this companies to go abroad is by internationalization process which doesn't entails with too many costs for them and is the safer one.

In this case specifically the Portuguese management consulting industry and in particularly the Winning Management Consulting was used to develop a model in where is possible, after defining the factors that affect the market and the company (using the Porter's Diamond Framework) making an evaluation of that markets and comparing it with same evaluation made according to the home market, in this specific case, the Portuguese one.

The model developed was evaluating two different aspects: attractiveness of the foreign market and the impact of the factors on SME's potential for successful performance. This analysis was only possible by a mix of accurate information about external markets given by management consulting associations and, after that, by the analysis of three experts of the market which were Winning Management Consulting partner. This accurate analysis permitted to determine the opportunities and threats of each one of the markets and make the balanced evaluation if the markets under analysis (Italian, Spanish and English) were attractive for internationalize.

After the evaluated made by the specialists and after the construction of the comparative tables and graphs, was possible to conclude that:

- The three markets have attractive conditions when compared with the Portuguese market;
- All of them presented opportunities and threats for Portuguese management consulting SME's potential performance;
- Italian market was the less attractive of the three markets but was also considered more attractive than the Portuguese market;
- The United Kingdom is the most attractive of the three markets analysed but, when comparing with Portugal, it has a lower attractive supply conditions (due to the ferocious competition);
- SME's potential for successful performance is higher on those markets that are considered to be more attractive than the home market.

This method can be applicable to any other Portuguese management consulting firms and to any other industry with adaptations needed to be adjusted to its market reality. However, like any other study, this dissertation had some limitations that are explained in more detail below.

### 11.2 Limitations

As any research, this thesis will have some limitations. In order to make credible conclusions, it's needed to analyse real and accurate information. However, as an empirical study, the main sources are scientific papers, interviews and reports (of other firms and entities) being the analyse limited to the information that will be available by the sources. Making a reputable analyse of the information without personal opinions influencing the results will be a challenge. When someone is interviewed that person will give the personal opinion about a specific subject and the reality could be disguised and the author as the obligation to take conclusions based on that without hearing the "noises".

Another limitation to this study is the amount of information available about SME's, service companies and management consulting industry. The quantity of information is important to take conclusions based in the literature. The fact that this is an empirical study shows that the availability of data is an important factor that can condition the results of the study.



## Internationalization as a Way to Leverage SME Management Consulting Companies

The volatility of the management consulting market is also a limiting factor. The number of customers in the service industry is not always constant and predictable. The study will focus on a moment (present) to make the costumers and competition analyse. The number of customers and competitors is always changing and the demand for management products is always changing and upgrading. The needs of the customers are also volatile and the firm have to adapt to their needs.

Sometimes, limitations can become opportunities. If there is not much info available, doing research and interviews will allow the author to find what the reality of management consultancy firms going abroad is.

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13. Annexes

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**Annex A: Company Survey Questions**

- 1- Do you have any certification in the management consulting field?
- 2- Are you planning to certificate in the short term?
- 3- What are, in your opinion, the strengths of Winning Management Consulting?
- 4- What are, in your opinion, the weaknesses of Winning Management Consulting?
- 5- What are, in your opinion, the principal competitive advantages of Winning Management Consulting when comparing to the competition?
- 6- What are, in your opinion, the key success factors of Winning Management Consulting in Portugal?

**Annex B: Interview Questions to Winning Partners**

- Portuguese Management Consulting Market
  - 1- Which is the phase were, in your opinion, the management consulting market is in Portugal?
  - 2- Do you think that the SME's are starting to gain market share or are still the multinational companies the ones preferred by the clients? What are the motives for this situation?
  - 3- What kind of advantages can a SME offer that a multinational cannot offer to the client?
  - 4- What kind of disadvantages does SME have when compared to multinational companies?
  - 5- What are the Portuguese management consulting market opportunities?
  - 6- What are the Portuguese management consulting market threats?
- Winning Management Consulting
  - 1- What are the main competitors of Winning Management Consulting?
  - 2- What are, in your opinion, the main weaknesses of Winning Management Consulting?
  - 3- What are, in your opinion, the main strengths of Winning Management Consulting?
  - 4- Which are the key buying factors of the Winning Management Consulting Clients?
- Factor Definition
  - 1- Which industry do you think that is the management consulting partner? What are the main factors that impact in that industry?
  - 2- In your opinion, what drives the management consulting demand? What are the factors that influence it in Portugal?
  - 3- What are the management consulting industry suppliers? Which are the factors that affect them?

**Annex C: Winning CEO Interview**

- 1- How is the portfolio of Winning Management Consulting characterized?
- 2- What are the mission, vision and values of Winning Management Consulting?
- 3- How is Winning Management Consulting breakdown structure constituted?
- 4- Could you divide your revenue by competency centre? Which is the one that contributes the most and why?
- 5- What are the type of services most delivered today? Which is the one, in percentage, that contributes the most for the total revenues of the company?
- 6- Which are the most important of Winning Management Consulting in terms of total billing? Could you present their importance in percentage?
- 7- Which are the most important competitors? There are special competition over each competency centre or the competitors are the same?
- 8- Since 2011, how have the human resources of the company evolved? How many were you in the beginning and how many are you now?
- 9- Did Winning Management Consulting have any international experience? When? What type of project?
- 10- What are the foreign markets to where you would like to internationalize?
- 11- What was the revenue evolution between the first year (2012) and the second (2013)?
- 12- Do you think that the clients still prefer multinational companies, even if not specialized, to the management consulting SME's? Why? Is that reality changing?
- 13- What are the countries to where Winning Management Consulting is thinking about to do the next step (internationalize)? Why that countries?
- 14- What were the criteria's used in order to define that countries as the most desirable in a first phase?
- 15- Do you think that the network stablished with Portuguese clients (multinational ones) can open the door to operate in other countries?
- 16- What do you think that the internationalization can bring new for Winning (opportunities and threats)?

**Annex D: SWOT Analysis**

1- Italian Management Consulting Market SWOT Analysis

The Italian management consulting market is very fragmented. In 2012, of 34044 firms operating as management consulting companies, 40% were micro companies and only 24% were large companies. SME's represented 36%. The evolution of the number of SME's in Italy is positive when taking as base year 2009, the number of SME's in Italian soil increased 7.3% until 2012 (ASSOCUNSLT, 2013).

Taking into account the medium price of a management consulting specialist during a month it as decreased 3.2% between 2010 and 2011 and 1.2% between 2011 and 2012, probably because of the increase of the number of specialized management consultants (ASSOCONSULT, 2013).

As Winning management consulting is SME, their market position is a reflexion of what the company will face when inside Italian soil. The definition of the threats and opportunities below are the reflection of how the market is (Pershing et al., 2006):

Table 14 – SWOT Analysis of Italian Management Consulting Market

Opportunities	Threats
Highest investment in training since 2008 was verified in 2011	Market decreased the volume of sales in 0.8% in 2011 and the productivity in 4.8% in 2012 showing low predictability
Italian demand is searching for firms with the capability to deliver training, business analysis and project management	Biggest costumer sector (Industry) has the tendency to decrease
Bet of companies in costs reduction, efficiency and effectiveness increment, increases the demand for specialized firms in that type of services	Competition is increasing every year
Low level of technological sophistication that tends to increase. In order to rise it there will be needed management consulting services and the demand increases	Competition over the lower price and not over quality

Source: Personal contribution based on ASSOCONSULT, 2013

## 2- United Kingdom Management Consulting Market SWOT Analysis

The second highest profitable management market in Europe is, also, one of the most competitive ones. Competition is caused by the number of management consulting companies that are operating in English territory. The number of competitors increase every years, according to MCA (2013), the number of registered members raised from 158 registered members to 167 in 2013. Therefore, there two types of firm dominating the business consulting market: the big four consulting companies and SME's offering a combination of management consulting, systems integration and outsourcing (MCA, 2013).

Other fact that requires attention from the investors is that, the overall income per SME grew 6% in 2012 mostly because of the bet of the government to open the market and increase the opportunities for SME's to compete in there (the public sector was the one that contributed more for this increase) according to MCA (2013).

The workforce competition is also high. In 2012, there were 31587 management specialized consultants in English soil and the return per consultant, per year, was, in medium, 584830 euros (FEACO, 2012). This was also caused by a growth in SME's employment of new human resources because of its exponential growth (MCA, 2013).

The United Kingdom is one of the lead countries in terms of research and development and in terms of technological sophistication (OECD, 2014; World Economic Forum, 2013) so its not unexpected to see that both private and public sector had an rapid growth in IT and business consulting (MCA, 2013).

The study of the environment and the definition of its opportunities and threats will allow to see a more accurate picture of what is the external environment and will allow any internationalizing company to define a better entering way because this external factors have the potential to reduce or increase the performance of a firm in that foreign country/market (Pershing et al., 2006).

## Internationalization as a Way to Leverage SME Management Consulting Companies

Table 15 – SWOT Analysis of United Kingdom Management Consulting Market

Opportunities	Threats
Confidence and bet of the government in management consulting SME's services	Ferocious competition increasing every year
Market always growing	The demand from banking and insurance sector is decreasing every year. This is the bigger client sector for management consulting
The high investment made every in Research and Development	The high number of specialists decreases the demand for training in order to achieve the management consultant qualification

Source: Personal contribution based on MCA, 2013

### 3- Spanish Management Consulting Market SWOT Analysis

The management consulting market in Spain is increasing progressively year by year (FEACO, 2012). The size of the market (third higher market in Europe) made it one of the most attractive markets for national and foreign firms (AEC, 2013). The competition is intense in terms of price and firms can be distinguished by the quality of the services performed (AEC, 2013).

The number of management consulting companies increased every year influenced by the volume of the market increase (FEACO, 2012). There 69 companies in Spain which core business is management consulting (Consulting Case, 2014). The structure of the enterprises shows that 99% are SME's. The same can be applied into the management consulting companies reality where there are 1% of multinational companies (normally the big four consultant companies) and the 99% of them the ones that contributes the most for the economy by employing specialized consultants and other administrative people (AEC, 2013).

The income of consulting services decreased 1% between 2008 and 2013 but the value of outsourcing services increased 7% in the same period and represents 44% of the total market (AEC, 2013). In terms of consulting service, 37.2% is business consulting (AEC, 2013).

Despite of the austerity the Spanish government and other public entities continue to call on the experience and support of consultancy firms (AEC, 2013).

Determining what are the main threats and opportunities in the market are halfway to prosper inside there. That's why the SWOT analysis presented below is so important for the entering company (Pershing et al., 2006).

Table 16 – SWOT Analysis of Spanish Management Consulting Market

Opportunities	Threats
The investment in training is still low when comparing with other European countries but have been increasing year by year since 2008 rising the demand for specialized companies	The number of certification centers is low when comparing with countries much smaller. Management consulting companies need to have this infrastructure next to them in order to encourage more people to do certifications
The incentives of Spanish government to keep preferring SME's work in the public enterprises	The value of the research and development investment decreased in 2012. The probability of having the demand evolving in the same way is high
Bet of companies in costs reduction, efficiency and effectiveness increment, increases the demand for specialized firms in that kind of services	The intense competition in Spain

Source: Personal contribution based on AEC, 2013



## **Annex E: Porter Diamond Dimensions Analysis**

In 1990, Porter developed a new theory to explain national competitive advantage. He identified four classes of countries attributes that provide the underlying conditions on platform for the determination of competitive advantage of a nation (Smit, 2010). The dimensions are: factor conditions, demand conditions, related and supported industries and company strategy, structure and rivalry (Smit, 2010).

### 1- Factor Conditions

According to Porter (1990, cited in Smit, 2010), the factor conditions represents the nation position in terms of production, skilled labour on infrastructure necessary to compete in a given industry. Taking this into account and, after a brainstorming with Winning Management Consulting partners (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014), the defined factor conditions were the ones explained below.

#### 1.1 Stability of Growth

The indicators that focused in itself the highest volume of information above the health and stability of any is it's GDP (OECD, 2014). In Europe there are no countries with faster growing GDP with two digits. In Europe the analysis has to be based in the stability of the country economy. If the country grows constantly every year it means that these are conditions for job creation and new opportunities appear. The increase of GDP will raise the diversification of needs and scarcity of supply resources to the company. The increase of needs of a country represents an open door for foreign players in order to fulfil that gap. However in the management consulting market and taking the Winning Management Consulting experience as a prove of that, the decrease of GDP and the economic crises are opportunities. When a country needs to decrease/ control costs, the training, business analysis and project management are important driven factor that gain importance (Pereira, 2014). Despite of that the stability of growth will be considered consulting-positive.

The analysis of each one of the factors were based in the GDP growth rate in the period between 2010 and 2013 (OECD, 2014), and was conducted by Winning partners (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014), which conclusions are mirrored below:

The United Kingdom is among the four countries, the only one had a positive growth rate of GDP in the period between 2010 and 2013. It gained the "High" score due to the fact

of, according to the Country Monitor (2014d), is still working in new measures to impassionate the economy and keep the growing rates in positive values.

Spain scored a “Low-to-Medium” in the evolution because of the decreasing of the GDP in 2010 (0.20%), was almost stagnated in 2011, with a rise of 0.05%, showing signs of recuperation, and a decreased 1.64% in 2012, and 1.22% in 2013 (OECD, 2014). This consecutive decreases of the GDP and announce that the country will not be in compliance with ESM in 2014 (Country Monitor, 2014c), will be essential to define that the Spanish economy is not stable at all.

Despite of the economic and financial world crises, Italy increased the value of GDP in both 2010 and 2011 (OECD, 2014). However, in 2012 and 2013 the decrease of the GDP started. According to Ignazi (2011), Italian government faced many problems with the bigger factories started there leading the GDP to the decrease faced in 2012. The decreased in both 2012 and 2013 was higher than the decreased faced by Spain in three years of decrease (OECD, 2014), like the Spanish case, the Italian government started to develop measures in order to recuperate and avoid the economic recovery program (Country Monitor, 2014a). That`s why Italy was defined has a “Low-Medium”.

The last year that Portuguese GDP increase was in 2010. Since 2011 the Portuguese GDP have been decreased year by year until now (OECD, 2014). However, according to the Country Monitor (2014b), after this three years of economic contraction, cyclical conditions started to stabilize and there are conditions to the recovery of the GDP.

On other hand, at least in Portugal reality, the economic crises contributed to the increase of the need for management consulting services (Leandro, 2014). Portugal was classified with a “Medium” because of the combination of the market demand evolution and the economy evolution.

The stability of the market is a good indicator for an international company. The less volatility the condition that will be faced are, the better is to the definition of the firm strategy of entering in the market. This was considered by the Winning Management Consulting as an important factor with “High Impact” on management consulting SME potential for successful performance (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

## 1.2 Richness of Natural resources

There are no poor countries in the world (poor in terms of natural resources). This definition includes not only oil, gemstones and drinking water reserves but also the

exclusive economic zone, solar, hydro, and wind energy that all of the countries have (at least the last three examples). When a country is considered to be rich in terms of natural resources, it means that his potential to grow is higher than a country which is not naturally rich (Smit, 2010; EPI, 2014).

The analysis of the richness in terms of natural resources can only be made when comparing more than one reality at a time. That's why this evaluation was performed based in the EPI (2014), that analysed 148 country realities and made a ranking goes through the richest (1<sup>st</sup> place) to the poorest (148<sup>th</sup> place). This is a way to relate the richness in terms of natural resources and the probability of be in front of a high growth economy with more potential than any other (Smit, 2010).

Spain was considered by the EPI (2014) as the 7<sup>th</sup> country with better environmental performance and availability of resources. This is why it scored a 5 in the evaluation made.

The United Kingdom was ranked in 12<sup>th</sup> place. This country is one of the richest among all the European continent, however the extraction of oil was not enough to define the United Kingdom as one of the richest. The Environment performance didn't match with the availability of natural resources (EPI, 2014). United Kingdom scored a "Medium-to-High" in the analysis made, but according to the Country Monitor (2014d), it will be a "High" in the medium term if the government fulfil what announced.

Italy and Portugal bot got a "Medium" score, not only because of their ranking positions (22<sup>nd</sup> and 17<sup>th</sup> respectively) but also because the inability to develop policies that take full advantage of the natural environmental conditions of both countries which are similar (EPI, 2014). Both of them have the opportunity to increase the economic health if the right policies are applied.

The richness in natural resources of a country doesn't attract management consulting to that country. The existence of natural resources are directly related with the possible development of the country and it's that development what attracts companies (Smit, 2010). However, Winning Management Consultant partner doesn't consider this factor to affect external market attractiveness and it was evaluated with 1 point (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 1.3 Political Stability

The political stability is a driven factor in any country in the world. The importance of having a stable country in terms of politics is more related with the non-existence of problems like civil wars, an instability climate where people doesn't know what is reserved in the near future (World Bank, 2012).

The four countries that are being analysed are, all of them members of the European Union. This means that all of the have their own governmental structures but, in the end, they are regulated by the same organization. The European Union is viewed as the regulation for all the member states and transmits safety to the foreign markets working with them (Europa, 2014a; Europa, 2014b; Europa, 2014c; Europa, 2014d).

Despite of all the benefits of being a member of European union brings, the foreign companies have to look to the rule of law indicator namely how the justice is being applied in that market in order to fill safe (World Bank, 2012). The safer the country is, more and more firms will want to internationalize to that location.

United Kingdom is, among the four countries, the one that presents a more stable political situation and is considered to be the most efficient in terms of justice (World Bank, 2012). This are the reasons that make it score a 5 ("High") in the evaluation.

Spain, Italy and Portugal scored all "Medium-to-High" because of the internal political issues that all of the three had, but that were not relevant (Country Monitor, 2014a; Country Monitor, 2014b; Country Monitor, 2014c; Country Monitor, 2014d), and because of the rule of law which is considered efficient but still has to make some improvements (World Bank, 2012).

Winning Management Consulting partners considers political stability to be a factor of medium importance for internationalization but considering still important to be only in countries with political stable environment (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 1.4 Production Growth Stability

The increase of the production in a economy means that the country is still growing and progressing every day. When a country stabilizes the production it means that the economy is slowing down. In order to start growing again, the government have to implement new policies as incentives to the productivity and to the market (in order to

have buyers). Sometimes the economic crises and the decrease of the purchasing power are leading factors to the decrease of the productivity (Country Monitor, 2014b; Country Monitor, 2014c). When production increases, it means that the firms have more capability to invest in new projects and that is an opportunity for the market.

All of the four countries analysed had the value of production decreasing between 2010 and 2013. However, conditions of that decrease had different causes (OECD, 2014).

Italy was the only of the four countries that has its production increasing the considered period. In 2011, the productivity represented 101.3% of the one verified in the same period of 2010. However, in 2012, it decreased for 94.4% of the 2010 production value and it decreased even more in 2013 to 92% (OECD, 2014). The increase of production in 2011 was, probably, what made the GDP grow in 2011 and the decreased had also repercussions in GDP that decreased 2012 and 2013 (OECD, 2014). Because of all the sudden changes, Italy scored a “Low-to-Medium” attractiveness (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Portugal and Spain have similar situations. In both of them the productivity decreased in the analysed period and, in the case of Spain, in 2013 it was only 90.3% of the 2010 total production (OECD, 2014). This decreases in Portugal and Spain were caused by the decrease in sales (internal ones) that affected both of the countries. In 2013, Spain was selling only 81.9% of what was sold in 2010 and Portugal 87.1% (OECD, 2014). The decrease in sales and in production led both of the evaluation to be considered as “Low-to-Medium” attractive in the scale of evaluation (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

The United Kingdom has the most singular case of the four countries. Even if the production decreased to 96.2% of 2010 amount in 2013, the volume of sales increased 3.4% (OECD, 2014).

This increase in sales states that, even if the production in the United Kingdom slowed down in past three years, it has to increase again with the new country policies (Country Monitor, 2014a). The perspective of recovery lead the Winning partners to establish that it had to be evaluated with a “Medium” attractiveness (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

The importance of the production level of a country and its evaluation is considered as “critical” for the internationalization strategic definition by Winning partners (Fernandes,

2014; Jerónimo, 2014; Patrício, 2014) because more the country produces, the more they will have to invest and develop new projects increasing the need management consulting services.

### 1.5 Tax Burden

The amount of taxation in a country influences the foreign direct investment in that territory. According to the Country Monitor (2014b), tax represents one of the six factor that analysis the country risk for investors. If the tax burden is high, there will be a contraction of foreign direct investment and national companies will start to invest foreign countries ate a first phase and in a second phase the option will be to relocate factories and employees in other countries to reduce the tax burden (Country Monitor, 2014b).

So it will be good for a country to not have an huge amount taxation over the foreign and national companies in order to keep the production in national soil and attract foreign firms (Country Monitor, 2014b). Higher the tax burden, less the country will be attractive to a firm internationalization process (Smit, 2010).

Italy, Portugal and Spain are the ones with higher taxes over wages. In 2010, the tax was already high over single person at 100% of average earning and no child's. In Italy (which is the one with higher tax, 47.17% of that person annual earnings were absorbed by the fiscal entity and, in 2013, that value was almost 48% (OECD, 2014).

Portugal and Spain increased the taxes progressively. Despite of in 2010 Portuguese tax was lower than the Spanish one (37.13% and 39.75%, respectively), in 2013, Portugal was in lead with a medium tax of 41.15% and Spain with 40.66% (OECD, 2014). In terms of profit taxation, Italy were the one with higher tax (22.9%) followed by Spain (21.2%) and Portugal (14.5%) in 2013 according to PricewaterhouseCoopers (2013). The huge amount of tax burden over employees and employers leded the three countries to score of "Low-to-Medium" attractiveness (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

The United Kingdom was the only one of the four countries that decreased taxation over wages in order to increase the population purchasing power in 2013 (Country Report, 2014d). Between 2010 and 2013, the taxes decreased 1.1% (OECD, 2014). This decrease was also followed by a decrease in the profit taxation between 2012 and 2013 of 0.9% (PricewaterhouseCoopers, 2013; PricewaterhouseCoopers, 2012). This decrease in tax burden lead the United Kingdom to score 5 points in this factor (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

The tax burden is an important indicator of how a country economy health is. When the tax burden is increasing that evidences that there is need to increase governmental funds (Country Report, 2014a). This factor was considered as “Medium” impact factor in performance of internationalization process of management consulting SME’s because it is not a full investment in the country, in beginning there is no need to open a subsidiary in the host country but it still has impacts in the company (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 1.6 Employment Stability

The availability of job is, nowadays, a driven factor for the economy health. When a country has high levels of unemployment both the purchasing power and productivity are low. Is very important to try to balance the availability of work (offer) with the demand in order to create conditions for increase the health and competitiveness of the country (Smit, 2010). Every country have unemployed people. There is not a country in the world with 100% of the workforce employed (OECD, 2014). However, the level of unemployment have to be managed by the governments (Country Monitor, 2014c).

United Kingdom is the one among the four countries that was able to decrease the unemployment rate every year between 2011 and 2013 (from 8.1% to 7.6%) and the previous made the English government is to keep decreasing it even more and, in 2015, be able to have only 6.5% of the workforce unemployed (OECD, 2014). These are the reasons why the United Kingdom was scores as “High” attractive (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Portugal and Italy where analysed and evaluated to have the same score in this factor because of, in both of the cases, the unemployment rate was represented by two digits in 2013 (Italy with 12.2% and Portugal with 16.3%) and increased 4% since 2010 in both cases (OECD, 2014). However, Italy and Portugal were ranked with “Medium” attractiveness (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). Because the prevision for 2014 and 2015 is for decrease and, according to the Country Monitor (2014a and 2014b), the labour market in Portugal and Italy is improving noticeably and the unemployment rate will, tendentionously, decrease.

The champion of unemployment in Europa is Spain. In 2013, more than ¼ of the Spanish workforce wasn’t able to find a job and, even if in 2014 and 2015 the prevision points to a decrease, it will still represent ¼ of the population (OECD, 2014). The evaluation given

to Spain is a “Low-to-Medium” attractiveness because the economy is starting to recover and the Spanish government is developing incentive policies to generate jobs (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

The employment issues of the host market only affect the internationalization plan when the human resources of the company is starting to develop the plan for hiring national specialists. However, the best professionals and the ones that have the best networks will always be employed even in worst conditions of the market (tendentiously). These are the reasons why this factor was evaluated with a “Low impact” classification by the evaluators (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 1.7 Trade Balance Equilibrium

The difference between imports and exports represents the trade balance. In other words, is the difference of what the country has to buy in the foreign market and what that country sold to foreign markets. The sells to foreign markets represents the ability to innovate and develop the business in order to enter in new markets. The innovation is always followed by need for training, business analysis and project management which is very good indicator for management consulting companies (Fincham and Timothy, 2003).

Italy and Spain started the decade with deficits in their trade balances. However, after two years of deficit (the exports increased but the value of imports also increased), both of the countries managed to decrease the volume of imports and keep increasing the volume of exports in 2012 and 2013, the trade balance recorded a surplus (OECD, 2014). This recuperation and the policies developed by Italian and Spanish countries in order to maintain the surplus (Country Monitor, 2014a; Country Monitor, 2014b), were responsible of the evaluation “Medium-to-High” (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Portugal wasn't able to decrease the amount of imports between 2010 and 2013 but the exports increased in considered period. Only in 2013 the amount of exports were higher than the amount of imports making the trade balance registering a surplus (OECD, 2014). Taking into account that all the policies developed in order to reduce the imports value were not efficient, Portugal was evaluated with a “Low-to-Medium” score by Winning partners (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).



This factor is considered to have a “Medium Impact” in the internationalization process because of its impact in management consulting market is considered to be indirect but still affects it (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 1.8 Overall Future Potential

Overall future potential is a factor that resumes the forecast that was made by the governments and other entities to the four economies. When a firm is formulating a strategy in order to enter in a foreign market, information about past and present are all important but the accurate analysis of the future represents the bigger challenge and is the one with more importance. The evolution of the economic environment and the possible changes in short/medium/long term have influence in the strategy design to that specific market (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Portugal, Italy and Spain were evaluated with a “Medium-to-High” attractiveness (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). The forecast of GDP evaluation for 2014 and 2015 expects that the GDP of those countries will increase in both years. In 2014, the increase will be lower than in 2015 (European Commission, 2014). This increase of GDP and the decrease in unemployment are all related and it is a good indication for the economic growth (OECD, 2014).

United Kingdom is, among the four countries, the one with higher increase of GDP predicted for 2014 and 2015 and is also the one whom GDP never decreased during the period of the world financial crises (European Commission, 2014; OECD, 2014). This numbers related with the expected evolution of unemployment rate (which will decrease and have been decreasing since 2010) made the Winning partner to consider the market compartment as example and considered the market of the United Kingdom high attractive (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

This factor was evaluated as “critical impact” factor because of the prediction in business areas. The development of the account strategy will be halfway to the success (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 1.9 Factor Condition Analysis

In the table below is represented the evaluation given to all the factor conditions for each market, the total score and the impact of the factor for SME’s internationalization performance:

Table 17 – Summary of Factor Conditions Evaluation

Factor Conditions	Potential for Successful Performance				Impact on SME's Performance Potential
	Italy	United Kingdom	Spain	Portugal	
Stability of Growth	2	5	2	3	4
Richness of Natural Resources	3	4	5	3	1
Political Stability	4	5	4	4	3
Production Growth Stability	2	3	2	2	5
Tax Burden	2	5	2	2	3
Employment Stability	3	5	2	3	2
Trade Balance Equilibrium	4	1	4	2	3
Overall Future Potential	4	5	4	4	5
<b>Total Factor Conditions</b>	<b>24</b>	<b>33</b>	<b>25</b>	<b>23</b>	<b>26</b>

Source: Personal contribution based Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

As is possible to see, the maximum total score was obtained by the United Kingdom showing that the factor conditions in this market are the most favourable ones for management consulting. Italy and Spain obtained almost the same total score (24 and 25) which shows that their economies are mature even if they have some economic problems there are not bad conditions for management consulting. Portugal was the one with lower score (23) due to the strategic issues to overcome.

## 2- Demand Conditions

The demand conditions represents, according to Porter (1990 cited in Smit, 2010), the evolution of home-market demand for the industries product or service. The definition of this factor were based in the analysis of the Winning Partners about what are the variables that have to be evaluated in order to characterize the demand of the host markets.

That evaluation was performed about the factors analysed below.

### 2.1- Demand Stability

On one hand, the strategic issues that exist in each of the four markets could affect demand and cause fluctuations in it, which constitute one of the crucial aspects that need to be

known in any internationalization process. On the other hand, the economic sectors continue to grow (like predicted in the “overall future potential” factor) and need assistance along the increasing process (Clementino, 2009).

United Kingdom and Spain represent the second and third management consulting markets in Europe (FEACO, 2012). The size of the market increases every years. In 2011 and 2012 it increased 1% and 5% respectively in the United Kingdom and 4.2% and 0.9% in Spain (FEACO, 2012). The market is always increasing its size and the space for foreign consulting firms increases to. That is why the Winning partners evaluated both of them as “High” attractive markets (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

The Portuguese management consulting market increased 4.8% in 2011. However, in 2012, it stagnated and didn't change its volume from the same period of 2011 (FEACO, 2012). According to Winning partners, even if the Portuguese market didn't performed as well as the Spanish and English ones, the Portuguese market grew almost 5% in 2011 and that is seen as “Medium-to-High” attractiveness for internationalizing companies (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Italy has the most instable of the four markets. In 2011, the market decreased 0.8% but, in 2012, it increased 4.1% (FEACO, 2012). The volatility of the market influenced the Winning partners to consider it as a “Medium” attractive market (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

This factor was evaluated as having a “High Impact” in the internationalization process of management consulting SME (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

## 2.2 Market Dimension

The market dimension and demand stability are the two related factors. The first one was developed in order to understand how management consulting market was evolving and how (if it was increasing, decreasing or stagnated). The market dimension factor will analyse the size of the market and what it represents in terms of volume of revenues in euros (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

United Kingdom and Spain are, like in the previous factor, the one which scored the maximum in partner's evaluation (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). This countries represents the second and third management consulting partners in Europe. The United Kingdom market represents a volume of revenues of 20000 million/euros per year and 22% of the total European market with tendency to keep increasing every year like

was analysed in the previous point. The same evolution can be made to Spain that represents 12% of the European market and 9995 million/euros (FEACO, 2012).

Italy management consulting market represents 5% of the total European market which, in euros, represented a volume of revenues of 3187 million/euros in 2012 (FEACO, 2012). Even if Italy has a high volume of revenues from the management consulting market it is not one of the biggest European and its volatility in terms of growth, led to the Winning Management Consulting partners to evaluate it as a “Medium” attractive market (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Portugal was the country with lower ranking in this evaluation. According to Winning Management Consulting partners the size of the market is a little part of the European market (only 1.5%) and the volume of revenues was 1230 million/euros in 2012 (FEACO, 2012). The tendency in 2011 was that the market was increasing 4.8%, however, in 2012, it stagnated (FEACO, 2012). When the market is small and stop increasing it becomes “Low-to-Medium” attractive for foreign companies (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

This factor was considered, like the previous one, as having a “Medium-to-High” impact in the potential for successful performance in internationalization of a management consulting SME because the volume of the market and its evolution influence the demand and the availability for new entrants (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 2.3 Dependency of Traditional Management Consultant Clients

Analysing the demand for management consulting implies the analysis of the traditional consultant client’s evolution and dependency (Clementino, 2009).

Italy and Spain are considered to be the most attractive countries between the four analysed and ranked both of them with a 5 (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). These two markets industry division in clients is the more stable one and where less dependency of only one type of client are. Considering that, the amount of revenues was almost equally divided between the seven types of industries considered (FEACO, 2012). According to OECD (2014), the evolution of the general revenues by industry doesn’t seem to have a tendency pre-defined. Between 2010 and 2013, the revenues of all the industries in all of the countries have increased and decreased being impossible to trace the tendency. Its really important to be not only dependent of one industry to survive (Pereira, 2014).

## Internationalization as a Way to Leverage SME Management Consulting Companies

The United Kingdom scored 4 in this evaluation (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014) because it has 30.4% of the clients concentrated in banking and insurance and 21.9% in the public sector (FEACO, 2012). Even if more than 50% is concentrated in only two industries, the English government intention to deliver the management consulting companies makes it safer and more attractive (Country Monitor, 2014d).

Portugal is the country with lower score of all of the four. It scored only one point because, 51.8% of the Portuguese management consulting revenues came from the banking and insurance industry in 2012 and between 2010 and 2012, these sector decreased every year these a non-attractive aspect of the market (FEACO, 2012; Fernandes, 2014; Jerónimo, 2014; Patrício, 2014; OECD, 2014).

The “Medium-to-High” impact of this factor in the performance potential of internationalizing companies was considered because the diversity of clients and industries is the key to be successful in a market and not dependent of only one reality (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 2.4 Unsophisticated Demand

This factor looks at present level of sophistication of demand. The importance of studying this factor is explained by its ability of showing one of the most crucial characteristics of demand need which is a must-to-know for any internationalizing company. Additionally, any enterprises needs to make a match between what the demand is asking for and what they have to offer to them in order to fulfil that need (Smit, 2010).

In conclusion, the less the demand sophistication is, the easier it would be for a management consulting company to satisfy the client needs and increase the sophistication in order to create new business opportunities (Smit, 2010).

The United Kingdom is considered the 7<sup>th</sup> country in the world with higher level of technological sophistication (World Economic Forum, 2013). This means that all of the United Kingdom companies (tangentially) are high sophisticated and their need for solutions already in the market is lower than the ones demonstrated by markets with low sophistication levels. To Winning Management Consulting partners, this factor is “Low” attractive (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Italy, Spain and Portugal are developed countries with high access to the high technological market. However, the disinvestment in research and development in the three markets increased the need for management consultant services (OECD, 2014;

World Economic Forum, 2013). According to Winning partners, this three countries, in terms of demand sophistication, represent a “Low-to-Medium” attractiveness (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

In maturing and competitive markets like the Portuguese one, Winning Management Consulting is used to deal with all kinds of demand sophistication. This factor was rated as a “Medium” impact factor to the performance of internationalizing companies because the ability to adapt to high sophisticated markets is the same ability to adapt to the client needs at any moment (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 2.5 Type of Customers Evolution

The availability of funds to invest in management consulting services is higher in multinational companies than in SME's (AEC, 2013; MCA, 2013). In countries that have predominance of SME's, the probability of don't be able to keep the customer for more than sporadic services is higher, not because of the management consulting firm but because of the availability of money to invest (AEC, 2013).

The importance of understanding what will be the majority of firms that Winning Management Consulting is going to face in the foreign market will help to develop new strategies of penetration (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Portugal, Italy and United Kingdom were ranked with “Medium” attractiveness because, even if they have a huge percentage of SME's operating in the market, only a little percentage of that SME's is a management consulting client. The majority of the firms that requires management consulting services in their territory are multinational companies and they require continued services and not only the sporadic ones (ASSOCONSULT, 2013; Fernandes, 2014; Jerónimo, 2014; MCA, 2013; Patrício, 2014).

The Spanish market was ranked with “Low” attractiveness for this factor because of 90% of the management consulting clients are SME's (AEC, 2013) and representing the characteristics of being sporadic clients (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

This factor was scored as “Medium” impact factor because the impact of the amount of SME's in the firm performance dependent of how the company defines its strategic plan about host markets (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

## 2.6 Need for Training, Business Analysis and Project Management

The demand is the factor that shapes the consulting industry. When the clients are in need for any service, the consulting firm starts to adapt the portfolio in order to fulfil the client need. This factor will have an “Critical Impact” in the overall internationalization process of SME’s because the portfolio of firm has to be linked with what demand is asking for in the market (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Italy and Spain, between 2008 and 2011, increased the investment in training and the need for business analysis and project management. According to AEC (2013), Spanish companies increased the search for business analysis and project management advisement in order to reduce costs and become more efficient and effective than before. The same situation occurred with Italy. The reduction of costs and the need to decrease the inefficiency increased the demand for management consulting services (ASSOCONSULT, 2013). This two countries were rated with a 4 in terms of attractiveness because of their adaptability to the existent portfolio (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Portugal and the United Kingdom were ranked with a “Medium” attractive by Winning partner (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). Both of the countries increased the demand for business analysis and project management because of the need to control costs and increase of efficiency in projects and in production line (FEACO, 2012; MCA, 2013). However, the investment in training in the United Kingdom stagnated between 2008 and 2011 and, in Portugal, it increased between 2008 and 2010 but, in 2011 there were a disinvestment (OECD, 2014).

## 2.7 Demand Conditions Analysis

The table presented below represents the summary of all the evaluations given in terms of demand conditions and respective total scores per country:

Table 18 – Summary of Demand Conditions Evaluation

Demand Conditions	Potential for Successful Performance				Impact on SME’s Performance Potential
	Italy	United Kingdom	Spain	Portugal	
Demand Stability	3	5	5	4	4
Market Dimension	3	5	5	2	4
Dependency of Traditional Management Consultant Clients	5	4	5	1	4

Unsophisticated Demand	2	1	2	2	3
Type of Customers Evolution	3	3	1	3	3
Need for Training, Business Analysis and Project Management	3	5	5	4	4
Total Demand Conditions	20	21	22	15	23

Source: Personal contribution based Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

The total score of the examined markets determine that Spain, Italy and United Kingdom have similar demand conditions but that conditions are quite different. However, Spain is the most attractive market over the four in terms of demand and, in the three of them, there are positive demand conditions for consulting. Portugal is the one between the four that has lower score, mostly because of the concentration of the national consultant clients in only one industry.

### 3- Rivalry: Supply Condition

This dimension of Porter’s diamond represents another crucial aspect of host market analysis. According to Porter (1990 cited in Smit, 2010), this dimension represents the conditions in nation government how companies are created, organized and managed, as well as, the nature of domestic rivalry.

#### 3.1 Few Players in the Market

The evolution of the factor will show how occupied the management consulting market is. This is determine if the market is saturated or if there is still space for new entrants (Cabral and Carvalho, 2008).

Spain, United Kingdom and Italy were evaluated as having “Low” attractive interest in this factor (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). The reason for that low score is that when the market SWOT analyse was performed, each one of them had, as threat, the high number of players in market that are increasing every year (AEC, 2013; ASSOCONSULT, 2013; MCA, 2013).

Portuguese management consulting is, among the four analysed, the one with less specialized management consulting firms. The higher number of firms competing in this market doesn’t have management consulting as its core business, they only adapt their portfolio to face the client needs that becoming, also competition for market share.



However, nowadays, the multinational companies are understanding the value of having specialists working for them and the panorama is changing. The score given to the Portuguese market was a “Low-to-Medium” (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

This factor was evaluated with “Medium Impact” for the internationalization of SME’s because, even if it is much easier to compete in the market with less players, the firm has to define its strategy to enter in the market and differentiating characteristics in order to start increasing its market share and brand image (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 3.2 Few Qualified Specialists

This factor will characterize the supply in terms of human resources. The availability of qualified specialists working in selected areas is one of the most important information that any company with the intent to internationalize (Smit, 2010).

The amount of management consultants in a market can influence the firm strategy in two ways. Firstly, if there are lots of qualified consultants, the demand for training in order to achieve the qualification will decrease. Secondly, the huge number of management consultants increase the probability of a new entrant to employ one of that consultants in order to use its network to make link between clients and other possible employers (Pereira, 2014). The evaluation of this factor was made taking into account these two points.

Italy, Spain and Portugal were evaluated as “Low-to-Medium” attractive markets (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). This evaluation was made balancing the pros as cons of having the amount of management consultants increasing year by year in all of the markets and the benefits of having much easier access to professional with networks established. The decrease of the need for training (only management consulting certification) influenced to lower the evaluation (AEC, 2013; ASSOCONSULT, 2013; FEACO, 2012).

The United Kingdom ranked less than the other three markets (1) because the United Kingdom market is the one with higher number of specialized management consultants (in terms of territory) and the overall training indication was already stagnated between 2008 and 2010 (OECD, 2014). The market was already giving signs of saturation (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

This indicator was considered as having “High Impact” in the internationalization performance of SME’s because it mixes the availability of human resources and the demand for training as well as the facility of establish networks in other countries (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 3.3 Low level of Supply Sophistication

The formulation of these factor is pretty straightforward and while giving one of the important characteristics of the supply side of the market, it also shows the level of minimum preparation an outsider need to have in order to start thinking of entering in a market. In order to enter the market, the preparation must be high to be sure that the firm would be able to compete facing conditions that are different from the home country.

Portugal, Spain and Italy were ranked as “Low-to-Medium” attractive markets (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). The reason why the evaluation was made like that was because the investment in research and development have decreased since 2010 but they are still developed countries with high levels of sophistication (OECD, 2014; World Economic Forum, 2013).

The United Kingdom scored as “Low” attractive (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014) because even if the investment in research and development decreased between 2010 and 2013, the investment is still high and this country is the 7<sup>th</sup> in the world with higher level of technological sophistication. The United Kingdom is considered to be one of the leading countries in terms of technology (Country Monitor, 2014d; MCA, 2013; OECD, 2014).

Winning Management Consulting partners defined this factor as having “Low Impact” on the performance for internationalization of SME’s because the management consulting have to have the ability to adapt to the needs of the clients and to what the demand is asking for (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 3.4 High Number of Certification Centers

The certification centers form a supply to management consulting. These supply is directly linked with the training service provided by management consulting firms. If there are not certification centers, the demand for training will decrease abruptly. The majority of people that start training in a specific area have the objective of being certificated in that matter lately. That’s why certification centers are so important for the strategic plan of management consulting companies (Pereira, 2014).

All of the four markets analysed were ranked as “High” attractive. These evaluation was made because all of them had (according to Prometric, 2014), certification centers scattered by the major population centers were the majority of the firms is settled (FEACO, 2012).

The availability of certification centers close to the major population centers was considered having “High Impact” in the performance of training services for management consulting companies (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 3.5 Inability to Provide Service Packages

This factor would evaluate the ability of currently active market players to provide complete service packages (for instance, to complete business analysis services with project management services). What is meant here is the level of intercommunication of departments in corporate portfolio and the existence of services that are able to complete each other fully satisfying client needs in the analysed areas (Canato and Giangreco, 2011).

All of the markets scored “Low” attractiveness in this factor because in all of them, the service packages are already being used. Any foreign company that want to compete in any of them have to already be prepared to deliver that type of service (AEC, 2013; ASSOCONSULT, 2013; FEACO, 2012; Fernandes, 2014; Jerónimo, 2014; MCA, 2013; Patrício, 2014).

This factor was considered as having “critical impact” in the internationalization process. The reason why this factor is considered to be critical is that the client satisfaction is in first place of all the variables considered the firm to be aware of how they can be even more useful for their clients and can they deliver more services to them (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 3.6 Rivalry and Supply Conditions Analysis

The table presented below represents the summary of all the evaluations given in terms of rivalry and supply conditions and respective total scores:

Table 19 – Summary of Rivalry and Supply Conditions Evaluation

Rivalry and Supply Conditions	Potential for Successful Performance				Impact on SME's Performance Potential
	Italy	United Kingdom	Spain	Portugal	
Few Players in the Market	1	1	1	2	3
Few Qualified Specialists	2	1	2	2	4
Low Level of Supply Sophistication	2	1	2	2	4
High Number of Certification Centers	5	5	5	5	4
Inability to Provide Service Packages	1	1	1	1	5
<b>Total Rivalry and Supply Conditions</b>	<b>11</b>	<b>9</b>	<b>11</b>	<b>12</b>	<b>17</b>

Source: Personal contribution based Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

The table clearly demonstrates the development of the supply side of external and home management consulting markets. Portugal was the one with higher score. The Portuguese supply condition is the most attractive one. The United Kingdom market is the less attractive one because it is more developed and is where the management consulting market is more developed.

#### 4- Related and Supporting Industries

The last but not least dimension to be analysed is the one which will characterize the main aspects regarding the IT industry. The importance of the IT industry for management consulting is directly proportional because that companies are suppliers of IT services and has network of partnerships that allow the company to provide its technologically sophisticated solutions.

In order to do this analyse, was assumed that the solutions provided by Winning Management Consulting, can be provided on the external markets.

##### 4.1 High Investment in Research and Development

The investment made by the countries in research and development is a very important indicator of the health of the economy. This factor is directly related with management consulting industry because, higher the investment in research and development, higher is the need for business analysis, project management and training (AEC, 2013; ASSOCONSULT, 2013). The directly proportional influence of research and

development and demand is crucial to understand how the amount of investment can influence negatively or positively the attractiveness of a market.

United Kingdom increased the investment in research and development in 2011 but the value decreased between 2011 and 2012 (OECD, 2014). Winning partners considered the market “Medium-to-High” attractive not only because of the increase of the investment in 2011 but also because the united kingdom government decided to increase it again in 2013 and, in the period that it decreased, the country attracted foreign investment of Microsoft and a Japanese multinational company for IT development. The investment made in the United Kingdom is higher than the sum of Portuguese and Spanish investments together (Country Monitor, 2014a; Fernandes, 2014; Jerónimo, 2014; OECD, 2014; Patrício, 2014).

The second most attractive market in terms of research and development is Spain. According to Country Monitor (2014c), the Spanish government is going to invest in research and development in order to incentive the economic recovery. This investment is a good new for foreign companies that are thinking about internationalize to there because the investment have been decreasing since 2010 (OECD, 2014). Winning partners considered Spanish market as “Medium” attractive (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Italy is also an attractive country in terms of research and development. Between 2010 and 2012 that value decreased but, even if it decreased it was higher than the investment made in Spain (OECD, 2014). Other important factor to be noticed is that the number of researchers have been increasing and the Italian government is developing a new plan to support the researchers (Country Monitor, 2014a; OECD, 2014). Winning partners considered this market as “Medium” attractive after analysing all the values (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

The Portuguese of investment was the smallest of all the countries. It was the one that decreased more and, according to Country Monitor (2014b), there are not any planned measures to turn around the investment performance (OECD, 2014). The Winning partners considered the Portuguese market as “Low” attractive (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

This factor was considered as having “Critical Impact” in the internationalization performance of management consulting SME’s. If there are no developments and

evolutions in the IT industry in markets already developed, there is less need for business analysis and project management which are Winning Management Consulting principal activities (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 4.2 High Level of Technological Sophistication

The technological sophistication factor is going to be analysed in order to make distinguish between the investment in research and development and the real level of sophistication that the market has. The level of sophistication of the country was measured by a system of comparison between 143 country realities made by World Economic Forum (2013).

Again, the United Kingdom is the country (between the ones that are being analysed) that is better classified in the ranking. According to World Economic Forum (2013), the United Kingdom is the 7<sup>th</sup> country with higher technological sophistication. The Winning partners evaluated this country market as “very attractive” (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Portugal and Spain were evaluated as having “Medium-to-High” attractiveness for management consulting companies (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). Both of the countries were considered to have a technological sophistication high. However, they were ranked in 31<sup>st</sup> (Portugal) and 38<sup>th</sup> place (Spain) between 143 countries analysed (World Economic Forum, 2013).

Italy was evaluated as “Medium” attractive market by Winning Management Consulting partners (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). This evaluation was based in the consideration of the World Economic Forum (2013) that stated Italy as the 50<sup>th</sup> country with high technology sophistication level. This place is far away from the level of the other three markets (English, Spanish and Portuguese).

This factor was considered, by Winning partners, as a “High Impact” factor for the internationalization perform of management consulting SME’s. This is one of the most important industries for management consulting companies because of the relation with training, business analysis and project management as was explained in the previous factor.

#### 4.3 High Innovation Level

The innovation level of a country defines if that market is opened to changes in the more diversified fields. A country with low level of innovation reflects the mentality of the population and the type of organizations that are stated there. Being afraid of uncertainty prevents the market to adapt new and different alternative. The old is the only thing that the market accepts because it is certain. This factor will analyse how the four countries are opened or not for innovative new technologies which will have some implications in the demand for business analysis, project management and training (Global Innovation Index, 2014).

The United Kingdom is the 3<sup>rd</sup> country between 143 analysed with higher level of acceptance to innovation in 2013 (Global Innovation Index, 2014). This country companies and people are not afraid of uncertainty and accept well the changes in the industry and in their lives. According to this information, Winning partners ranked it as “very attractive” (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Italy, Portugal and Spain were considered to be “Low-to-Medium” attractive markets by Winning partners (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014). The difference between their scores and the one received by the United Kingdom was due to the bad position in the Global Innovation Index (2014). Spain classified as 26<sup>th</sup>, Italy as 29<sup>th</sup> and Portugal in 34<sup>th</sup> place in the most innovation countries index. In terms of European countries, Portugal was the one with lower classification. These demonstrates that uncertainty and change are welcomed to any of these markets (Global Innovation Index, 2014).

This factor was characterized as having “Low Impact” in the firm internationalization performance because is, somehow, subjective (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

#### 4.4 High Level of Entrepreneurship

The need for business council in many areas increases a lot in companies created by entrepreneurs. Even if this doesn't represent the reality of all of the entrepreneurs, an huge percentage doesn't have any business experience and need counselling and training to gather all the skills needed to proceed and succeed. Having this in mind and the impact that it will have in demand for management consulting services, the four markets will be evaluated.

The United Kingdom is, one more time, the country with better score. According to the GEDI (2014) it is the 10<sup>th</sup> country between 121 analysed with higher level entrepreneurship. According to this information Winning partners considered United Kingdom market as “High” attractive for management consulting companies (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Curiously, Spain and Portugal got the same position in the GEDI (2014). This two countries share the 32<sup>nd</sup> position and are considered as “Low-to-Medium” attractive markets for management consulting companies (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Italy was put in the 50<sup>th</sup> position of the index (GEDI, 2014). This is the worst position in four analysed markets and evidences one more time that the Italian market avoid uncertainty that the evolution of technology can bring to them. Taking that into account, the Winning partners evaluated the Italian market as “Low” attractive (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

The impact of this fact in internationalization performance of SME’s was considered to have any impact. These does not mean that it will not affect the market but it will be not considered as the cause of demand change (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 4.5 Business Making Facility

Business making facility of difficulty in a market can, sometimes, be crucial for a well succeed business or a complete failure. If the foreign investor know the market mechanism it will be easier to have businesses in there. Foreign people in a host market have to study the behaviours of business man in that particular country. For instance, there are simple gestures that can constitute an offense for the interlocutor and complete normal for the one that is doing it. Is crucial to understand how to proceed when in host markets (Acedo et al., 2009a).

The United Kingdom is the easiest economy to do business of the four analysed according to Doing Business Report (2014). The United Kingdom was ranked as the 10<sup>th</sup> easiest economy to do business between 189 analysed. This reality leded the Winning partners to consider the United Kingdom market “High” attractive (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).



## Internationalization as a Way to Leverage SME Management Consulting Companies

Portugal is the second country (between the four) where is easier to make business. According to the Doing Business Report (2014), Portugal occupies the 31<sup>st</sup> position in 189 possible. The Winning partners considerer this as “Medium-to-High” attractive for management consulting companies (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Spain was considered as the 52<sup>nd</sup> easiest economy to make business (Doing Business Report, 2014). This made the evaluation of the factor to the market attractiveness being “Medium” (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

Italy was the worst of the four economies analysed. It was ranked in 128<sup>th</sup> position among all the 189 countries analysed (Doing Business Report, 2014). Is possible to conclude that is extremely difficult to make businesses in Italy. In order to penetrate in the market, it will be needed a powerful and strong network and that’s why Winning partners considered this as “Low” attractive (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

This factor was considered as a “Medium Impact” factor for the internationalization performance of the company but is still a very important variable to take into account when thinking about the entry mode in host markets (Fernandes, 2014; Jerónimo, 2014; Patrício, 2014).

### 4.6 Related and Supporting Industries Analysis

The table presented below represents the summary of the evaluations given to related and supporting industries factors:

Table 20 – Summary of Related and Supporting Industries Conditions Evaluation

Related and Supporting Industries Conditions	Potential for Successful Performance				Impact on SME’s Performance Potential
	Italy	United Kingdom	Spain	Portugal	
High Investment in Research and Development	3	4	3	3	1
High Level of Technological Sophistication	3	5	4	4	4
High Innovation Level	2	5	2	2	2
High Level of Entrepreneurship	1	5	2	2	1
Business Making Facility	1	5	3	4	3
<b>Total Related and Supporting Industries</b>	<b>10</b>	<b>24</b>	<b>14</b>	<b>13</b>	<b>15</b>

Source: Personal contribution based Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

The United Kingdom was the country with higher score. This means that in terms of related and supporting industries it is the most attractive market. This attractiveness represent opportunities for management consulting SME's if well managed. Portugal and Spain were the medium attractive countries followed by Italian market which was considered as the less attractive one in this dimensions

5- Overall Evaluation Analysis

The overall evaluation made is summarized in the following table, giving the reader the possibility to see the total evaluation points in relation to the maximum possible scoring of the four countries markets:

Table 21 – Summary of Total Evaluation of the Four Dimensions

Dimensions	Market Evaluation				Impact on SME's Performance Potential
	Italy	United Kingdom	Spain	Portugal	
Factor Conditions	24	33	25	23	26
Demand Conditions	20	21	22	15	23
Rivalry and Supply Conditions	11	9	11	12	17
Related and Supporting Industries	10	24	14	13	15
<b>Total</b>	<b>65</b>	<b>87</b>	<b>72</b>	<b>63</b>	<b>81</b>

Source: Personal contribution based Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

The results presented in the table below can be presented differently giving the reader the possibility to see total evaluation points in relation to the maximum possible scoring of the four countries in the four exanimated dimensions.

Table 22 – Summary of Total Evaluation of the Four Dimensions, in %, of the Total Score Possible

Dimensions	Market Evaluation			
	Italy	United Kingdom	Spain	Portugal
Factor Conditions	60%	82.5%	62.5%	57.5%
Demand Conditions	66.7%	70%	73.3%	50%
Rivalry and Supply Conditions	44%	36%	44%	48%
Related and Supporting Industries	40%	96%	56%	52%

Source: Personal contribution based Fernandes, 2014; Jerónimo, 2014; Patrício, 2014

Detailed analysis of the table is presented above can be seen in chapter 8.2 of this dissertation.