Instituto Superior de Ciências do Trabalho e da Empresa

ISCTE ◯ Business School
Instituto Universitário de Lisboa

AGAP2 – A CASE STUDY ON INTERNATIONALIZATION IN BELGIUM AND THE NETHERLANDS

Carlos Enrique Pedini Bioni

Project submitted as partial requirement for the conferral of

Master in International Management

Supervisor:
Prof. Álvaro Rosa, Prof. Auxiliar, ISCTE Business School, Departamento de Gestão

October 2014

Abstract PT

Esta tese é um Business Case de uma jovem Consultoria Multinacional Franco-Portuguesa, que actua no sector de TI. A empresa expandiu-se em cinco países diferentes, em seis anos de existência. Ao entrar na região do Benelux, a empresa tem encontrado vários obstáculos e problemas não anteriormente experimentados. Embora agap2 acreditava que a Experiential Learning for suficiente para garantir um fácil acesso à região, as diferenças culturais encontradas com potenciais clientes têm mostrado que a análise cultural e estratégica preliminar eram necessárias. Uma análise da Avaliação Cultural dos dois principais países do Benelux foi realizada, e uma revisão dos diferentes modelos de internacionalização de empresas forneceu os elementos necessários para identificar uma solução para tais restrições. Como resultado, um novo modelo de negócio internacional tem sido proposto com o objectivo de reduzir, tanto quanto possível, confrontos interculturais, aumentar a interacção com clientes remotos e facilitar a criação de uma nova network de clientes na região. Este case study também discute a viabilidade de expatriação de profissionais para um serviço de longo prazo em países estrangeiros, contra o recrutamento local de consultores e pessoal para responder às solicitações do cliente.

Palavras-chave: processo de internacionalização; Avaliação Cultural; Modelo de Negócios Internacionais; Problemas de internacionalização; Networking; Recrutamento Local.

Agap2 – Internationalisation process in the Benelux

Abstract – Eng

This thesis is a business case of a young Franco-Portuguese Multinational Consultancy that acts in the IT sector. The company has expanded in five different countries in six years of existence. When entering the Benelux region the company has encountered several obstacles and issues not previously experienced. Although agap2 believed that Experiential Learning was sufficient to guarantee an easy access to the region, the cultural differences encountered with potential clients have shown that preliminary cultural and strategic analysis were needed. An analysis of the Cultural Assessment of the two main Benelux countries has been carried out, and a review of different models to internationalize a company provided the necessary elements to identify a solution to such constraints. As a result, a new International Business Model has been proposed with the objective to reduce as much as possible Intercultural clashes, increase interaction with remote clients and facilitate the creation of a new customers network in the region. This case study also discusses the feasibility of expatriation of professionals for a long-term service in foreign countries, against the local recruitment of consultants and staff to respond to client's requests.

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Acknowledgements and Dedications

Writing this thesis, and especially finding the theme, has been something that changed my professional life. I would like to thanks professor Álvaro Rosa for his guidance and help for this thesis, for his patience and understanding although my life changes, both professionally and personally.

A remarkable thanks to all the professors of the Master of International Management in ISCTE, especially Prof. António Robalo, Prof. José Esperança, Prof. Rodolfo Rivas and Prof. Reinier Starink for making the subjects of this master inspiring. Also I would like to thank my classmates for their continuous motivation, help and for making this master so memorable, in particular to Victoria Nikolayenko, Anna Dudik, Andreia Miguel, Angela Cruz, Silvia Sousa, Pedro Miranda and Qiao Xu.

Thanks also to Franck Deschodt, André Dias Lopes, Filipe Esteves, Ricardo Simões Santos, Nuno Guimarães, Hugo Gillotín, Ella Nooren, Hans de Vries and all my ex-colleagues of agap2 for helping me growing up as a professional and showing me the path to what I really like doing in life. Special thanks also to Elodie Vaz, Gonçalo Macedo da Fonseca and Sergio Viana for offering me the chance to start this great adventure and to put in practice what I have learned from my master in real life. You all made my last years in Portugal unforgettable and made me feel a little more like at home. I know I have found special friend in you guys.

I would like to dedicate this thesis to my family. To my uncle Mario Pedini and my grandfather Carlo Bioni for being my inspirations and for believing in me although not being here anymore. To my sister Isabel Pedini, my cousin Miguel Martinez-Pinna and my aunt Isabel Fernandez-Criado for their pressure, love and support.

Finally my last word goes to my mother Matilde Bioni and my dad Mario Pedini. I know I've been a hard son to raise specially for my low grades, life decisions and my love in arts, but without you I would have not managed what I've done today. You've been my strength, my push and my base where to stand once again, every time I've fallen. For that, I am eternally grateful.

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Abbreviations/glossary

Acronym	Meaning
AIESEC	Association Internationale des Étudiants en Sciences Économiques et Commerciales
Benelux	Belgium, Netherlands, Luxembourg
CAGE	Cultural, Administrative, Geographical, Economical
CEO	Chief Executive Officer
CM	Country Manager
CPA	Country Portfolio Analysis
CVS	Chinese Values Survey
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HR	Human Resource
IDV	Individuality Index
IT	Information Technology
IVR	Indulgence Versus Restraint Index
LA	Local Agent
LHR	Local Human Resource
LTO	Long-Term Orientation Index
MAS	Masculinity Index
PDI	Power Distance Index
R&D	Research & Development

UAI	Uncertainty Avoidance Index
UD	Unit Director
VoIP	Voice over IP

1   Executive Summary

International Business opportunities have expanded with the opening of the markets and the free movement of personnel inside the European Union (EU). The opening of borders has offered additional possibilities to work abroad to Small and Medium Enterprises (SME), which previously were only confined to their national market.

Information Technology (IT) services and products can indeed be requested, designed and executed in any part of the world, locally or remotely. The global nature of programming languages enables an intercultural exchange of knowledge and work, along with the continuous requirement from international markets of new technological services that can give a competitive advantage to a client. IT is becoming a basic need for any business, and therefore there is a growing global market to be addressed by IT consulting companies.

This thesis is a business case on a young French-Portuguese IT consultancy that was established on 2005 in Lisbon. Agap2 had been growing steadily and has been expanding in various countries in Europe, with different results. The company combines mainly two cultures, French and Portuguese, which give a strong identity in their working methodology and dynamism in the market. This case study will focus on their expansion in the Benelux, a relative small European region but with a high business concentration and with considerable cultural differences.

The company entered this new region by using an Experiential Learning approach, same as what they used in previous experiences in other countries. This approach did not consider properly the possible cultural differences of the Belgian and Dutch market in business affairs and behaviour. After an initial experience in the Belgian market, agap2 realised that the requirements and working procedures in the Netherlands were quite different, and that this had an important impact on their internationalization process in the region. The results obtained in the region have not yet reached their expected turnovers, as several characteristics of their approach were not conductive to a successful internationalization.

To respond to this issue, a literature review has been carried out to analyse several international business models and tools. The model reviewed included: Michael Porter's Value chain, Hollensen's decentralized of the chain's downstream, the Service Chain of Stabell and Fjeldstad and the combination of the Value and Service Chain that Blomstermo et al. proposed. The revised Uppsala Model of Johanson and Vahlne has also been reviewed, as

it elaborates on the importance of networks and on the different constraints experienced by a company entering a new market, which initially would suffer of *Liability of Outsidership*. Experiential Learning has also been studied using the recent work of Casillas and Moreno-Menéndez that considered companies with previous international experiences and identified the time average of entrance in a new market. The effect of cultural differences has also be taken into account, as suggested by the managerial tool of Ghemawat's Cultural Administrative Geographical Economic (CAGE) framework in the Country Portfolio Analysis (CPA), and the assessment of cultural differences studied by Geert Hofstede.

This analysis led to an interpretation of the cultural assessments of the company and to a comparison with the two main countries in the Benelux, Belgium and the Netherlands. An analysis of the company's model and methodology has also been conducted, with the objective to understand their working habits and internal values.

After taking into account these cultural differences, the analysis of their methodologies and the review of the different international business models, a new hybrid business model has been created. The proposed model tries to reduce the strong intercultural impacts this company is having by decentralising services liabilities in foreign subsidiaries to local management, but also centralising all the know-how and knowledge to improve their competitive advantage in Europe. A reorganization and introduction of new roles, together with a new matrix management structure between the headquarters and the different subsidiaries has been proposed.

The thesis emphasizes the importance of Intercultural Management and cross-cultural understanding in International Businesses. Although in a corporation having an extensive knowledge and previous Experiential Learning in different international entrances could be an asset, the need to establish an internationalization process based on the evolution of cultural differences emerges as important to minimize risk of failures and to consolidate the entrance in the new markets.

The suggested approach also highlights the importance of Networking in International Business, as new role players entering a market would always have a major disadvantage suffering the *Liability of Outsidership*. The use of local human resource recruitment and of local subnational institutions to promote the company's new entrance in the market has been introduced to reduce such issue

2 Introduction

Globalization and the rules of the European Union that favour movement of European professionals inside the European Union member countries, have created business opportunities and opened new markets for a European company to move beyond its national borders. However, this also implies that new methodologies and ways of dealing with business are required to cope with the specific characteristics of every country and sector. Experience has demonstrated the importance of understanding other cultures and of having a proper intercultural management as key factors for a successful rollout of international projects.

The objective of this thesis is to analyze a business case focusing on the cultural differences between agap2 – HIQ Consulting and its new-targeted markets in the Benelux. In reviewing the approach of the company to its new market the thesis will attempt to identify the possible conflicts and cultural misunderstanding that may arise, and will suggest an approach that the mother company (in Portugal) should have with their international affiliates.

2.1 Identification of the Problem

Agap2 – HIQ Consulting is one of the youngest and major IT consulting companies in Portugal. It has been growing in the Portuguese market quite steadily and its expansion in Europe has been a reality since the second year of its existence.

Agap2 expansion inside Europe can be considered quite successful, although its success experience has not been the same in different countries. It has been proven that methodologies used and their working force has been more effective and efficient in some specific markets (more precisely Portugal and the French speaking European market) than in others.

The opening of the last two foreign subsidiaries of agap2 in the Benelux was a logical consequence of their market evolution. However, the new markets pose a strong challenge due to cultural differences with the Portuguese headquarters and the new region.

Intercultural Management is a subject that many successful Small and Medium Enterprises (SME) ignore or do not take unto due consideration when expanding abroad. This lack of knowledge or consideration of cultural differences in their approach to business can cause a serious misunderstanding that could lead to a strong rejection from potential clients and partners.

Following the old saying, "*When in Rome, do as the Romans do*", the recruitment of local managers (together with local professionals) to increase the understanding of the local culture as a way to improve penetration in the target market will be discussed. This thesis will use the business case of agap2's entrance in the Benelux to propose a possible solution along these lines to improve their internationalization model.

3   Background

3.1   Introduction of agap2

3.1.1   Foundation, History, number and values

Agap2 is a high level Service provider in Engineering, Energy and Information Technologies (IT) that was established on the 20th of September 2005 by three French entrepreneurs in Lisbon. On its first day of existence agap2 had a total of eight professionals: the three French founders, a Swiss and four Portuguese employees. They entire staff had previous professional experience in the IT sector and realised that the idea of establishing a new company in those three fields would have a strong acceptance in the market. The combination of different cultures was an enriching factor at the beginning of the company operation, as new managerial experiences and commercial methodologies, coming from previous international experience, were executed for the first time in a Portuguese start-up. By the end of 2005, the company already counted with 30 consultants allocated to several projects and had a turnover of 185 thousands Euros. Their annual growth rate has always exceeded 20% in both employees and turnover.

The company has a strong French managerial influence because of the origins of its founders. Portugal also has a strong relationship with French speaking countries, as France has been one of the main destinations for Portuguese emigrants in Europe together with Luxembourg and the French speaking Switzerland cantons. This has facilitated the entrance of agap2 in France, where the founders also had a strong network of contacts to utilize.

By 2011 agap2 already had established several offices in France, an office in Madrid (Spain), one in Basel (Switzerland) and another in Frankfurt (Germany). The group also expanded their growth by buying smaller IT companies to extend their capabilities and reach new markets. The number of staff employed in 2011 reached an impressive amount of 1300 consultants and the turnover in the entire group grew to 82 millions Euros.

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Figure 1 - agap2 Facts and Figures

Employees

1250
1000 +25%
740 +24%
580 +28%
450 +80%
250 +117%
115
30
2005 2006 2007 2008 2009 2010 2011 2012

Turnover M €

90
70 +79%
39 +31%
27 +28%
19 +59%
8 +60%
184.4K 3.5
2005 2006 2007 2008 2009 2010 2011 2012
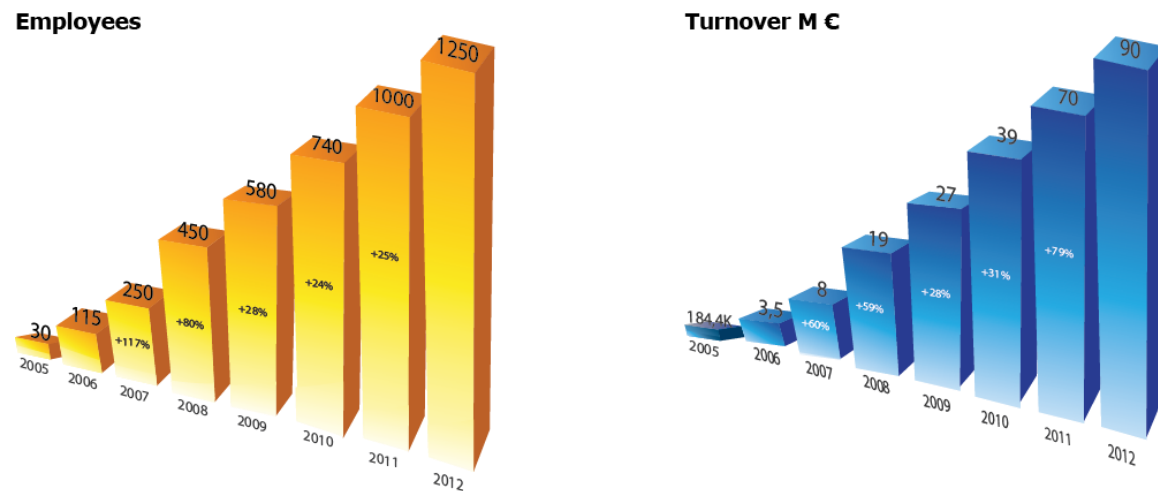
Source 1 - agap2 Corporate Presentation

3.1.2   Objectives of agap2 in the short term

In 2012 agap2 decided to establish a new unit for the International Markets, to respond to their Internationalization process for their IT Services Unit and to improve the company's response to their current and new International customers.

With the exclusion of the French market where as a new IT Service Unit had been established in Paris, the new department should reply and promote agap2 IT business in every other markets where they were already present, and should enter into new markets that were already suggested by the board.

The unit would be based in Lisbon and should take advantage of the existing Portuguese infrastructure to identify new consultants and to propose international projects. The French office was following a similar patter, recruiting Portuguese consultants directly from Portugal to expatriate to Paris to work in France. Therefore all International Projects were to be started from Portugal focusing to the European markets.

3.1.3   Services and Products

Agap2 offers five different types of services: Outsourcing Services, Nearshoring Services, Integration Services, Solution Delivery and Training Centre. These services could be divided into two main categories: Tailor Made/Turn-Key projects and Time & Materials services as explained below.

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Between all these services, agap2's core business is Outsourcing Services (in matter of Time & Materials) with a 65% of its active projects, allocating consultants to the client's offices as required by the needs of the projects.

Nearshoring Services are services that respond to the International clients willing to externalise their projects or service development to agap2 as a remote and cost/efficient service provider. Using Voice over Internet Protocol (VoIP) communication, monthly face-to-face meeting and Agile Methodologies, agap2 can increase a continuous contact with the remote client, which would guarantee the quality of their deliveries.

Integration Services and Solution Deliveries are turn-key/tailor-made projects that agap2 develops for different clients of different sectors. Integration Services covers the infrastructure and hardware administration of IT, while Solution Deliveries are focused on the development and integration of software. These two services also include agap2's predefined solutions that clients can install in their systems.

The last type of service agap2 offers is the Training Centre. This is an academy that offers several types of training, from IT to Management Formation and Norms. Training Centre also offers tailor-made training courses for the client, and again at a fixed price.

As mentioned above, agap2's core business is Outsourcing Services with a 65% of their total activity falling into this category. Integration Services and Solution Deliveries account for a 25% of agap2's projects portfolio, Nearshoring a 10% and the remaining 5% are for the Training Centre.

3.1.4 Differentiations of agap2

What differentiates agap2 from other consulting companies is implicit in its values, which are Humanitarian, Entrepreneurial and Social Responsibility values.

Their Humanitarian values can be divided into three parts: Evolution, Proximity and "Agapian" Spirit. For Evolution it is meant the continuous improvement of the employee/consultants' skills. Agap2 uses its Training Centre internally in order to expand and update the consultant's skills and to motivate them to improve their professional capabilities. These training sessions are available to any member of the company and are free of charge, which is also an incentive. Proximity comes from the transparency that management has with the consultants in order to make them feel at home and at ease. Managers are available at all time for any problems faced by consultants. Finally the result of this proximity and will of the

company to improve the consultant's capabilities creates a sense of partnership and belonging that the company defines as "Agapian" Spirit. This spirit is also encouraged through social events (happy hours with consultants and manager etc) that the company has internally, that take place on a monthly basis.

The three categories of the Entrepreneurial values are:

- Autonomy and Responsibility;
- Dynamism and Creativity and;
- Flexibility and Innovation.

These values are what agap2's employee are expected to show in their behaviour and personality. Quite a large number of consultants are allocated to projects where they would work with other staffs, which are not members of the company, in the client's facilities. Therefore the consultant must have a strong sense of autonomy and responsibility. Flexibility and dynamism also comes from the necessity for a consultant to move from one client to another. Projects tends to have a fixed and sometimes short duration and therefore the consultant will need to have a dynamic attitude and sufficient flexibility to change his/her working place several times during the year. Thinking out of the box is also required as creativity and innovation is certainly a differentiation with agap2's competitors.

The objective of agap2 is to involve every employee in the development of different types of products and/or events and perhaps of new units to push the company's growth, giving a sense of commitment, importance and participation. This is one of the three categories of Social Responsibility values deals with: Ethnic, Stability and Involvement. The involvement is clearly something that is also emphasized by the "Agapian" Spirit. From Ethnic it is considered that everything that agap2 would produce for their clients, would not be transmitted nor used for other purposes if not for the client's need. Finally the Stability comes from the financial situation of agap2. The Consultancy counts with a high amount of liquidity that guarantees the stability of salaries payment and any possible urgency that might occur in the project.

3.2   Previous experience of the internationalization process in agap2

Although being such a young company, the internationalization of agap2 happened immediately, also because of the type of service that they offered to the market. Outsourcing in Information Technology has been a major service demand for cost reduction of major

companies in different sectors, from banking to energy, and it could have been delivered from any part of the world thanks to remote technologies (for example the global acceptance and functionality of the Internet). Outsourcing, therefore, is a global service that limit is only encountered when entering in the contexts of the technological projects, such as the understanding of the culture of the client and the objective and scope of the project inside the client's market(s).

3.2.1 Successful Stories

The expansion of agap2 IT Unit in Europe started with the opening of the office in Paris on 2006, with also the opening of the Engineering and Energy Unit (which we will not talk about during this thesis). The acceptance of this opening was a success thanks to the network that the three founders had in Paris. Following this, the biggest commercial achievement happened with the opening of Lyon's office few months later. The turnover and acceptance of agap2 during that year had triplicate their numbers, giving them the strength and will to expand also into other countries such as Spain and Switzerland. The entrance in the Spanish market was also motivated by a major project that agap2 won. It was also felt that there was enough cultural proximity between Portugal and Spain.

Switzerland was the next country they approached. The office was established on 2008 in Basel for mainly two reasons: the existence of one of their new clients and the contacts of the Swiss member. The network of contacts of the Swiss member, and his fluency in German language, facilitated the company's acceptance, although it had to be registered as a Swiss company in order to offer any services due to Swiss legislation. Since then, agap2 used their contact for the German speaking market to also facilitate the entrance in Germany. The opening of an office in Frankfurt took place in 2011.

In its 6 years of existence, agap2's main market was France, which generated more than 65% of their income, followed by Portugal, Switzerland, Germany and finally Spain.

3.2.2 Problem case

In spite of its rapid growth and almost immediate international expansion, agap2 encountered problems in entering the Spanish market, where there is almost no activity at present. Agap2 entered the Spanish market at the request of a major client. The project was to develop and integrate a new system in the client's global IT headquarters in Madrid. The project was 6 months long, and therefore agap2 decided to open an office in Spain by taking the advantage of being in a major IT project in Madrid.

After the establishment of an agap2 branch in Madrid, high management followed their usual French and Portuguese approach to work. Cold calls and prospect meetings were used in order to identify new opportunities and projects in Madrid. Unfortunately their approach clashed with the working hours and work habits in Madrid (i.e.: Friday afternoon is not a working time for many companies). Communication was also poor because Project Managers and Directors were not fluent in Spanish. These issues were not taken under proper consideration and there was no interest to contract a local manager. The poor feedback from the market, and major external events such as the economic crisis, were responsible for the poor result of the branch in Madrid.

The global economic crisis effect was much more devastating in the Spanish market than in the Portuguese. Rates paid for consulting services fell drastically, and this issue affected the benefits of having Portuguese professionals expatriated in Madrid, causing a major decrease in agap2's profits. However, business opportunities should have been considerable since the GDP of just the region of Madrid (where the branch was located) during the economic crisis was roughly equivalent to the total Portuguese GDP. Although agap2 offered at the time a more efficient solution than its direct competitors, the company decided to limit its involvement in Spain momentarily.

3.3 Introduction of the new project and Objectives of agap2

The establishment in Lisbon of agap2 International Unit in 2012, took place with the recruitment of two International Business Managers that had to respond directly to the current CEO, with a dual purpose: to better address opportunities present in international markets and, to fight the brain drain occurring both in Portugal and in the company.

As previously described the internationalization process inside agap2 happened as consequences of contacts and client's requests. The first years of internationalization were limited to France and Spain, followed by a limited attempt (by agap2 IT) in Switzerland and Germany at the time. The creation of the International Unit was a response to the need to prioritize the point of entry of the different markets in Europe and to understand what would be the different procedures to follow for a successful entrance in a new region.

Foreign companies had started to recruit in Portugal Computer Scientists from other IT companies as well as students directly from universities. This was mainly due to three factors: their high technical knowledge, capabilities to adapt to other cultures and a low wages paid in the local market. Salaries offered by the foreign companies were very attractive for the

majority of Portuguese IT professionals. Also, a large number of agap2's consultants were demanding international projects being interested in working with the newest technologies, which were not widely used by the local market for lack of investment resulting from the economic crisis. Foreign companies could offer such projects to the consultants. Therefore agap2 sensed that it had to urgently respond to such threat of loosing their consultants and business opportunities.

3.3.1 Focus on the Benelux region

In just few weeks of analysis, the International Unit defined that the best market opportunities to focus in the following years had to be not very different from the French, but remarkably stable and dynamic, with a high demand for IT consultants and with a high degree of acceptance of international professionals. These analyses pointed out the Benelux region (Belgium, the Netherlands and Luxembourg) as the best match.

There are several reasons why the international unit decided to focus in the Benelux region. The first reason was that it is one of the most concentrated business region in the Euro zone and at that time it still had a more stable macro-economic environment than other European countries.

French is widely spoken in Belgium and Luxembourg where it is one of its official languages. This was considered an advantage for agap2's adaptability to this market compared to other regions in Europe. A large number of consultants in the group are French speaking. In addition there was an active recruitment of Portuguese French speaking IT consultants in the Lisbon headquarters, to respond to the demand of the IT branch in Paris.

Finally a strong factor in making the decision in favour of Benelux was the large number of potential clients that the region has both in the private sector (Royal Shell, BNP Paribas Fortis, ING) and in the public sector (European Parliament, European Council, EU Commission, ECOSOC, the eight Community agencies, etc).

3.3.2 Cultural differences

The Benelux market is a mixture of strong cultures that are very different between each other. Belgium's political struggle to define a government for more than a year is just an example of such differences. Internal political conflicts in Belgium between the Flemish and Walloon communities had existed since the founding of the country and therefore it could be said that

the Belgian market is divided into two different parts: the French speaking and the Dutch speaking market.

In matter of adaptability to the French-speaking market in the Benelux, agap2 should have an easier access and adaptability both in Belgium and Luxembourg, but unfortunately the most industrialized area of the Benelux is the Dutch-speaking region. A further analysis (see section 5.1) using the Geert Hofstede's power dimensions will demonstrate the main differences between the cultures that the region has.

3.3.3   Identification of the different needs between Belgium and The Netherlands

As previously mentioned, the market is defined by culture, but also in the reality by what it is actually present as business opportunity. Belgium for instance has a strong demand for services coming from the public sector, mainly because of the presence of the European Institutions and agencies. The Netherlands on the other hand has a strong concentration of private companies both Dutch and from the entire world, such as multinationals that decided to transfer their main Corporate Headquarters due to the more favourable tax regime that the local government offers.

The importance of the public sector in the Belgian market could be a disadvantage for agap2. The different institutions only work with consulting companies that are bidding for public contracts. These contracts are publicly announced and are only awarded after a minimum of a month from the institution's deadline (if no claims have been formally handed from any bidder). Also, the bidders must satisfy some specific requirements, such as a certain dimension (how many employees and type of technologies capabilities) and must have a degree of liquidity in case of emergencies or delays of payments from the institutions.

Many IT Consultancies that responded to these requests from the European Institutions are based in Brussels, and many have a second subsidiary in Luxembourg, to deal with request for services from European institutions in that country. These contracts have usually a duration of about 4 years in average and the requested consultants' profiles includes fluency in English and/or French, although French speaking consultants are usually finding better acceptance. The only constraints that these consultancies may have during the implementation of the contract could be loss of staff or unplanned delays in staffing the project. In order to start working with these institutions, the strategy selected by the International Unit was to

define partnerships with these consulting companies already working with the institutions or agencies.

Luxembourg is also another interesting market that presents good opportunities for business due to the concentration of the financial sector and the fact that French is an official language. The dimension of the market is in reality very small and most consulting companies are present in both Luxembourg and Brussels. The majority of the decision-making process for contracting outsourcing and/or external help takes place in Belgium. Consequently, for many consulting companies, Luxembourg is almost an extension of Brussels' business area.

Concerning the Netherlands, and its concentration of private companies, the dynamism of the private sector and the large competition from the entire world require an extremely efficient and quick response. Agap2's response to business opportunities has to be provided in a very short period and the solutions have to be very attractive in terms of competences and costs.

3.3.4 Difficulties of reaching the different markets and decision making on entrance strategy

Although agap2 has quite an interesting portfolio of clients, especially in the financial sector (major banks and insurance companies), potential clients in a new and competitive developed market will always be dubious about new service suppliers. This is especially so if they come from a country with an economy in crisis that does not have a high reputation for services in the International markets.

Another difficulty to reach a new market is to highlight to the client the advantages of agap2 versus other International companies, which need to be done in the early stages of contacts with clients.

The Benelux market is concentrated because of the small extension of the countries and large number of companies, and it is highly competitive. A high number of IT consultancies from all around the world are present in this region, with a major concentration of companies coming from Asia (India, Pakistan, Sri Lanka etc.) and Eastern Europe (Romania, Ukraine, Poland, etc). Many of these companies take advantage of their employee's low salaries and also (for some countries) of the currency exchange, which were extremely convenient before the present global economic crisis. For example some Indian IT companies managed to transfer back to India the complete IT and R&D department of some major companies of the region and at global level (this is also called Offshoring), keeping a constant communication,

although not always very efficient, between the two continents. Externalising the IT and R&D department to an Offshoring company in Asia has been the main trend for major companies (from financial, telecommunication, IT, and other sectors) in the last two decades. At present companies that Offshored their IT competences outside Europe are having second thoughts. The recent economic crisis has reduced the European salaries but at the same time Asian salaries are on the rise. In addition the time difference between central Europe and Asia in general creates communication problems due to the different working hours. Questionable deliveries could be considered a result of this difficulty in communication. This is why most local and EU IT consultancies are gaining ground in market share by winning new important contracts with major companies and institutions in the region.

As previously mentioned, the International Unit decided that the fastest and more efficient way to enter in the Benelux market was through other IT Consultancies that were already working with major companies or institutions of the region. The objective would be to help them in case of emergencies or difficulties to find the right consultant's profile for a project, whether they required consultant profiles with basic IT programming or of more complex and/or niche technology. The main strength of agap2 would be the dynamism of finding the right solution for the IT client in a very short period. Solutions had to be identified and communicated to the client in about two working days.

3.4   How does agap2 work

Agap2 working methodology is based on continuous commercial and recruitment processes. Managers are required to have 10 prospect business meetings with new clients (sometimes current clients are accepted), along with 10 interviews with external consultant candidates each week. Therefore when a meeting has resulted in various different consultant requirements, the manager will have to identify and send several consultants' profiles with their rates (whether they are internal consultant or external candidates) and will also organise the final interview with the selected consultant/s and agap2's customer, which is internally referred as qualification. After this phase, if successful, the client would give the final approval for the profile.

Every week the progress of work of the different managers is verified by the National directors, checking how many meetings, interviews, qualifications and final acceptance each manager had during the previous week.

Concerning the International Unit and its market, this type of work methodology, which is currently used from local managers in the local markets in Portugal and France, could not be followed as requested by management due to the travel distances between clients and potential new customers. However, higher management expected to keep these numbers and to start immediately with aggressive commercial cold-calls around Europe. It was up to the International Unit to find a way to achieve the targets set.

At first videoconferences and conference calls meetings were the solutions tried by the International Unit, but unfortunately the acceptance of such meetings from foreign companies was extremely low. During the first three months of work the unit managed to schedule a total of five meetings, which did not result in potential requests for assistance nor projects.

On its fourth month the International Unit decided to organize a business trip to visit potential clients at their headquarters to present their first business prospect meeting. This new approach resulted in a total of 12 meetings, all held in Brussels, in four days time. Of those meetings five could have led to potential projects, and one of these resulted to the first project established in Brussels. As a result to such reaction from clients, the International Unit adopted this work methodology organizing each month a business trip of a week duration in the target region (Benelux in this case) planning a total of 8 to 12 prospect meetings per trip per manager.

Interviews with potential candidates for the International Unit were kept at 10 each week to find the best consultants to expatriate. Further meetings with internal consultants that showed an interest in working abroad were also a priority, but were not counted by higher management as part of the working progress numbers. Finally, qualifications with clients were carried out preferably by videoconference, but face-to-face meetings could be arranged under the full risk expenses of agap2.

This methodology was effective to open a new market, but the International Unit found failures and gaps regarding follow-up process with both clients and expatriated consultants. This is just a list of problems they encountered:

- No continuous direct contact with clients and expatriated consultants;

- Face-to-face meeting always had to be established at least with two or three weeks of anticipation;

Agap2 – Internationalisation process in the Benelux

- Values and Formation were hard to implement and execute;

- Logistics (travelling, materials and accommodations of consultants including emergency requests) were all managed remotely from Portugal;

- Emergency meetings were impossible to perform on a face-to-face basis, and videoconference technologies lacked in performance depending on the customer.

The methodology also showed to be very expensive and also stressful mainly due to the results with both their business replies and to maintain constant contact with their clients.

To facilitate the entry in the Benelux an office was opened in Brussels on September 2012 to cover for both agap2 IT and agap2 Energy. However, it was agap2 Energy that initially invested in establishing the office and consequently it was thought that there was no immediate need for agap2 IT to transfer an International Manager or to recruit a Local Manager.

4 Literature review

The literature contains several useful Internationalization process models, which are examined below in the context of this thesis.

4.1 Analysis of different Internationalization models

A business usually reaches a certain type of maturity and/or ambition that would invoke different reasons to explore new markets abroad. Literature defines that to go international two types of initiations can be found: the proactive and the reactive. Table 1 gives a list of motives for these two situations.

Table 1 - Major motives for starting Internationalization process

Proactive Motives	Reactive Motives
Profit and growth goals	Competitive pressures
Managerial urge	Domestic market: small and saturated
Technology competences/unique product	Overproduction/excess capacity
Foreign market opportunities/market information	Unsolicited foreign orders
Economies of scale	To extend sales of seasonal products

Source 2 - adapted from Albaum et al. (1994, p31)

From these motives, management should understand what type of model and strategy to use. For instance a proactive situation would definitely give more time for a company to analyse and plan the entrance in a new market, whether a reactive situation would require a prompt response as these causes would normally come from an external threat.

The issues would then come on the model to use and the time frame defined by management to establish the objectives and goals of the processes. These should be always defined from a study of the risks and the psychic distance of the targeted market.

This section will give a brief description of different models established and different tools that have been developed during these years for Internationalization.

4.1.1 Value Chain model

Michael Porter (Porter, 1986) defined that each company has a value chain, which is divided into four different areas: Research and Development (R&D); Production; Marketing; and Sales and Services. Two main areas with related subareas are production oriented, called *upstream*, and two are marketing oriented, also known as *downstream*. Figure 1 gives a simplified version of Porter's Value Chain.

Figure 2 - A simplified version of the value chain
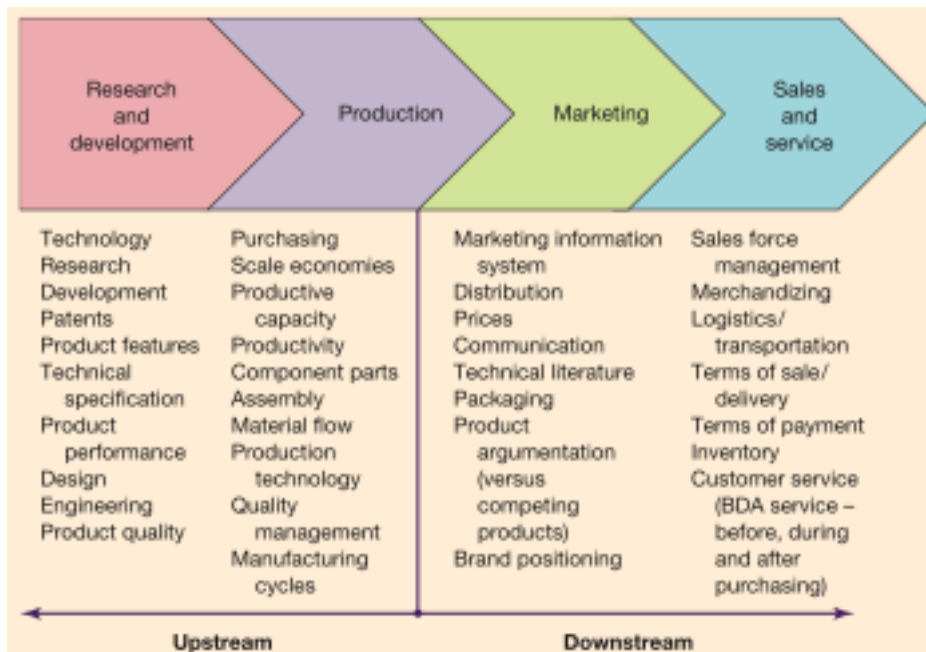
Source 3 - adapted from Porter (1986)

In an internationalization process, the downstream activities can be decentralised to different external subsidiaries. The reason of such choice is basically to get closer to the local market and to the targeted customer. If the company is located on the "trenches", it could manage to gather faster relevant information on the local preferences and also could better understand the possible psychic distances that the products or services offered could have vis-à-vis the final consumer. This information would off course cause an impact on the company's global strategy, as the analysis of preferences could create new business opportunities. Therefore a company will need to invest more in R&D to produce new successful products.

Figure 3 - Centralizing the upstream activities and decentralizing the downstream activities
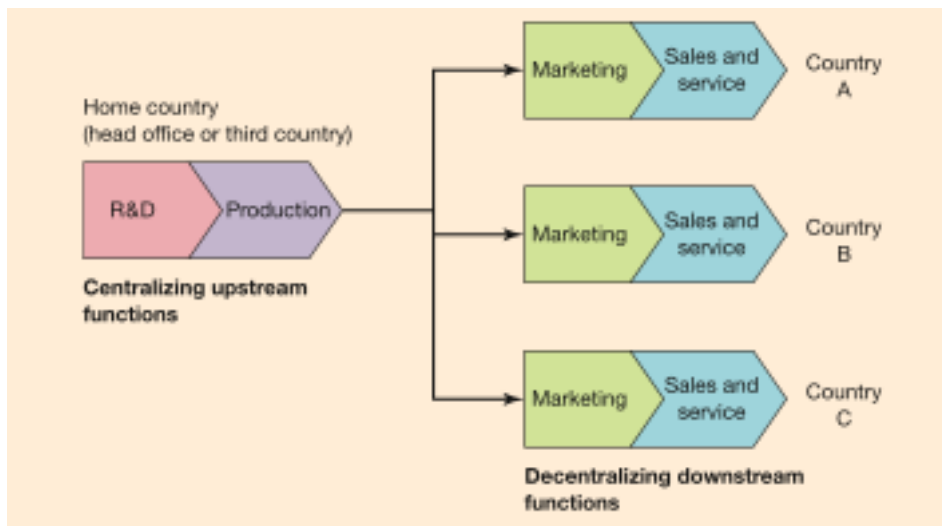
Source 4 - Hollensen, S. (2008) *Essentials of Global Marketing*, **FT/Prentice Hall**

For many years most executives have followed this model, but as time passed by, more sophisticated products and services required a different model with a continuous and evolutive process. In fact, Stabell and Fjeldstad (Stabell & Fjeldstad, 1998) suggested that Michael Porter's Value Chain was relevant mostly for a production making company rather than for a service delivery corporation. They designed two new models, the *Value Shop* and the *Value Network*.

The *Value Shop* is defined into five different activities:

- Problem finding and acquisition;
  - Requirement and/or problem definition. This phase would also consider the planning and approach of the problem solving.
- Problem Solving;
  - Analysis and evaluation of other possible solutions
- Choice;
  - Decision taking phase, where all solutions are taken under consideration and a decision is taken.
- Execution;
  - Implementation of the solution, which include the communication, organization and execution of the solution.
- Control Evaluation;
  - Follow-up and measurement of the executed solution,

Figure 4 - Value Shop Model
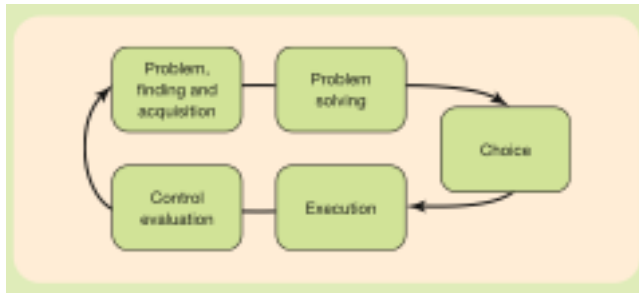
Source 5 - based on Stabell and Fjeldstad (1998)

This model would promote a cyclic, continuous and interactive service, where the objective of the company would be just one, to solve their client's issue and to improve progressively its services.

Initially the *Value Network* Model was imprecisely defined previously as a network of companies that would specialise on different phases of Porter's Value Chain model, creating together a final product or service. Stabell and Fjelstad (1998) argued this to be wrong and suggested that a *Value Network* is a company that mediates interaction and service exchange inside a network of companies. Therefore this model would be used more on a service-oriented corporation such as telecommunications, banks, airlines etc, where a single company would depend on others that manage, for instance, the infrastructure or the network.

Blomstermo et al. (Blomstermo, Sharma, & Sallis, 2006) discussed the combination of these models. He defines the difference between *Hard* and *Soft Services*, where *Hard Services* are mass productions that can be distributed and can define standards, whether *Soft Services* are more customer related and tailor-made solutions, where a combination of the models is needed. Figure 4 shows the normal flux of how *Soft Services* model would work.

Figure 5 - Combining the Product Value Chain and the Service Value Chain
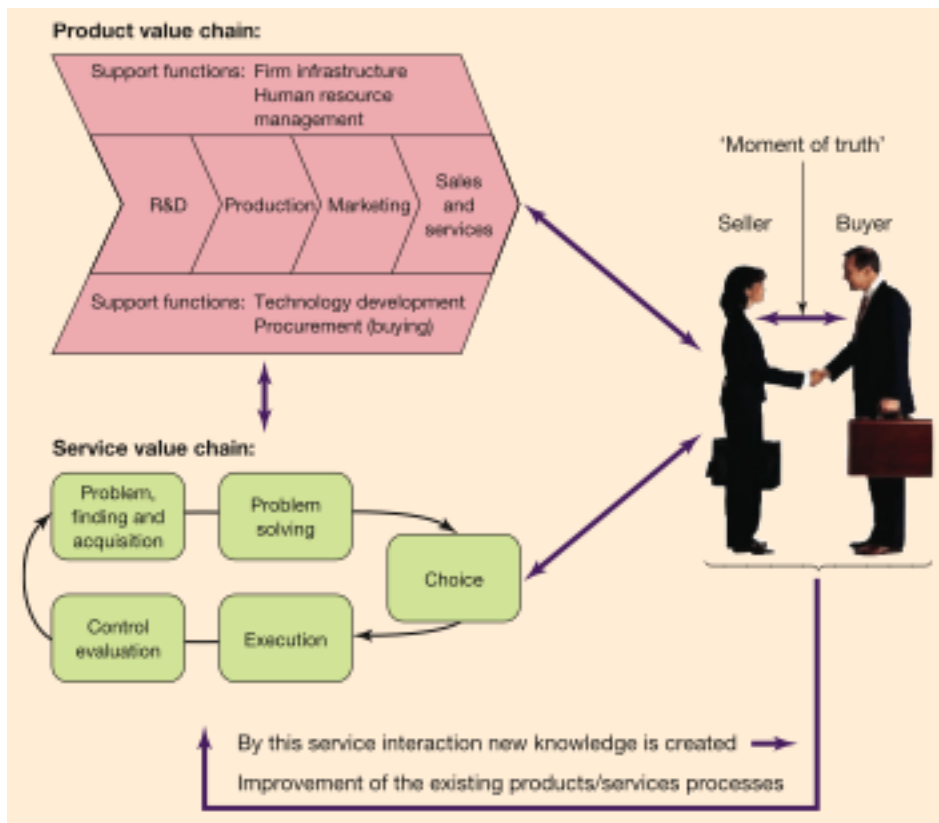
Source 6 - based from Blomstermo et al. (2006)

The majority of consultancies currently use this model, where the Seller represents all the functions and the products (pre-defined or tailor-made services) of a company. Agents and sales representatives are the first point of contact with the customer, and are responsible for starting the entire process during the "Moment of Truth" phase, where the know-how and excellences of services are presented to attract the client's interest. The objective of this model would be to keep a long-term relationship with the buyer, where the service would be discussed and decided together with the client, increasing the participation of the two entities. This type of interaction is especially common with IT companies that offer embedded hardware and software, together with their maintenance support services to guarantee a top quality solution.

Considering the internationalization process it has been discussed the use of new technologies that should facilitate the knowledge and analysis of external markets. In this new age of global information, different sources of media (Internet, TV channels, Smartphone's apps and efficient vocal communication) has certainly reduced the distances between borders and increased the knowledge of psychic distances. Rayport and Sviokla (Rayport & Sviokla, 1996) defined that there should be a Virtual Value Chain in parallel with the conventional

Value Chain. The incoming information should support the activities of the Value chain and improve the processes output.

Figure 6 - The virtual value chain as a supplement to the physical chain
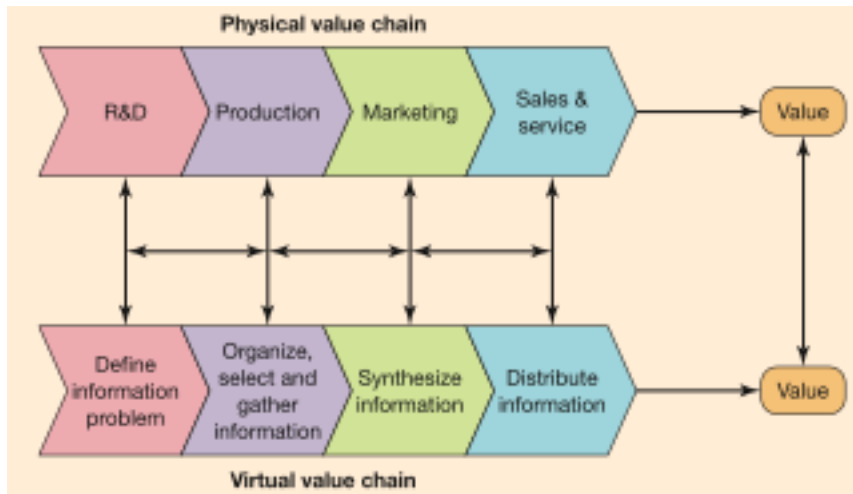
Source 7 – based on Rayport & Sviokla (1996)

Figure 5 shows that every different activity of the Virtual value chain is in communication with any other part of the conventional/physical value chain. It has been discussed that this would facilitate the capture of relevant information and consequently improve and increase business value. Marchand (Marchand, 1999) mentions that this model would improve risk management, reduce costs, offering better products and services and also could generate new products.

4.1.2 Country Portfolio Analysis with CAGE Distance Framework

In business, decisions should be made after a thorough and clear analysis, especially when entering a new market. Approaching a foreign market is not synonymous of success, but rather of high risks taking and the operator should be conscious that all the invested money could result in non-profitable outcome. However management has several tools kits available that help to decrease these risks and improve strategies. One of them is the Country Portfolio Analysis (CPA) using the CAGE Framework that will be described and analysed here.

CPA is widely used to identify in which international destination a company should invest. This tool analyses the wealth and economical situation of a country taking into consideration its GDP, level of consumer wealth and its population propensity to consume, which all combined, give an idea of the potential sales of a country. Unfortunately experience showed that the results obtained are not very accurate. As Pankaj Ghemawat explains: "*Its' been argued that information technologies and, in particular, Global communications are*

shrinking the world, turning it into a small and relatively homogenous place. But when it comes to business, that's not only an incorrect assumption, it's a dangerous one. Distance still matters and companies must explicitly and thoroughly account for it when they make decisions about global expansion" (Ghemawat, 2001, page 138)

Ghemawat introduces four different new attributes that the CPA tool should consider: Cultural; Administrative; Geographic; and Economic Distances (CAGE).

This new framework considers attributes that the conventional CPA does not include, i.e. the differences in doing business in other countries. Economic distance was previously considered in the tool, but the main differences using this framework are the Cultural and Administrative distances, along with the Geographic that relates to logistics costs and infrastructural feasibility.

The aspects that would be analysed in the Cultural Distance include:

- Different languages;
- Different ethnicities, eventual lack of connective ethnic or social networks;
- Different religions;
- Different social norms.

The objective of the analysis is to identify if there are similarities between the country of origin and the targeted market. It would be obviously easier to communicate and to be accepted if the languages between the two countries would be similar. Religion also is an important aspect as it has been reason for many wars and conflicts in the past, which may have also created different ethnicities in the same country. Ethnicity would depend on historical events of the country under analysis. Social norms are instead something deeper, as we would be talking about unspoken principles and social manners that are considered important to conduct business in different regions. For instance in the Islam it is forbidden to eat pork or to drink alcohol, or in Japan the image of white painted person is synonymous of a death (reason why MacDonald's had to withdraw the publicity and image of their clown Ronald MacDonald).

Another important distance is the Administrative. As previously mentioned, the EU opened the borders and then improved the possibility of trading between countries also thanks to the unification of monetary unit, the EURO. Said so, each EU country has a different constitution

and different legislations. These are the characteristics to be analysed in connection with the Administrative Distance:

- Absence of colonial ties;
- Absence of shared monetary or political association;
- Political hostility;
- Government policies;
- Institutional weakness.

Between all these elements the most important and stable one is the Government policy. The laws define the way a company or entity can be established and registered. It would also determine how contracts (between companies or with employees) are to be defined. A simple example could be the minimum amount of vacation an employee contract should have, where in Portugal it is defined to be two working days per month while in the United States there is no minimum but it's negotiated between the two entities (company and employee). The other elements are more dynamic and unfortunately related with everyday's news. Political hostilities or associations can be changed in matter of weeks or days, always depending on the dialogues and negotiations between governments. For instance the most recent Ukrainian crisis has caused a major conflict between the United States of America the Russian government, leading to economic sanctions and business limitations imposed by US government towards different Russian companies acting in the American market.

Geographic Distance is a more physical attribute of the framework. This will depend on infrastructure and distances, also on the climate condition of a country, as it can have an impact on the cost and feasibility of transportation. These are the different attributes that are considered in relation to geographic distance:

- Physical remoteness;
- Lack of a common border;
- Lack of sea or river access;
- Size of country;
- Weak transportation or communication links;
- Differences in climates.

As it can be understood from these attributes, the country's infrastructure would play an important role to define feasibility of transportation. Lets consider the logistical possibilities

in Brazil. The closest and safest destination from Europe to Brazil would be the port of Natal or Recife crossing the Atlantic Ocean from the African coast. It would be logical to transfer the material from water transport and use railways or trucks to distribute the material to the rest of Brazil. Unfortunately this is not possible because Brazil lacks on roads with good conditions in the majority of the territory and have an extremely limited rail network. This has been one of the reasons why IKEA has not opened a store in that country.

The Economic Distance, as previously mentioned, considers part of what the conventional CPA tool was considering, i.e. the wealth of a country. These are the attributes:

- Difference in consumer incomes;
- Differences in costs and quality of:
  - Natural resources;
  - Financial resources;
  - Human resources;
  - Infrastructure;
  - Intermediate inputs;
  - Information or knowledge.

As shown on the different attributes of these four distances, it can be said that the CAGE Framework improves the analysis of which market to select, but at the same time, it is difficult to establish a number or a scale to measure these risks. Ghemawat suggest using the estimates that Jeffrey Frenkel and Andrew Rose (Frenkel & Rose, 2000) defined to predict the International trade.

Table 2 - Measuring the impact of Distance

Distance Attribute	Change in International Trade (%)
Income level: GDP per capita (1% increase)	+0.7
Economic size: GDP (1% increase)	+0.8
Physical Distance (1% increase)	-1.1
Physical size (1% increase)*	-0,2
Access to ocean*	+50
Common border	+80
Common languages	+200
Common regional trading bloc	+330
Colony-colonizer relationship	+900
Common colonizer	+190
Common policy	+300
Common currency	+340

Source 8 - Jeffrey Frankel and Andrew Rose, "An Estimate of the Effects of Currency Unions on Growth", unpublished working paper, May 2000

Estimated effects exclude the last four variables in the table.

With these estimates it would be easier to have an accurate analysis of the CPA using CAGE Framework.

4.1.3   Revised version of the Uppsala Model

The University of Uppsala created in 1977 a model that Johanson and Vahlne described and introduced in International Business studies. The research concerned several Swedish companies that had already established an internationalization process, and concluded that internationalization started mainly with *ad hoc* exports, where agents in the foreign market would have played an important role for the success of that process. Depending on the market acceptance, agents would then be replaced by the implementation of a country subsidiary, but depending on the psychic distances, the subsidiaries would reliant on foreign investors and

partners. The model also made an assumption that these companies would need time to learn from experience and establish a certain commitment with foreign clients.

Johanson and Valhne published a revised version of the Uppsala Model (Johanson & Vahlne, 2009), as the 1977 version was considered outdated after the evolution of today's International Businesses. They realised that network approach could improve the speed and the uncertainty of internationalization investments. They mentioned from Coviello's (Coviello, 2006) studies that "*insidership*" of a certain network, even before the creation of the foundations of a subsidiary, is a great boost for the internationalization of a company.

The term of "*insidership*" and "*outsidership*" is used to describe an entity that is inside or outside a network. This does not mean that *insidership* entities should be of the same country, but rather should be entities that are part of a network, whether it is a sector or a group of associations. This would mean that *insidership* companies can be of different countries, but what it is important is the fact that they are part of a group or that they work in the same area.

In the revised model the importance of a reciprocal commitment between companies is discussed. This is considered to take time depending on the psychic distances of the countries. *Insidership* companies should have shown this commitment that would increase the exchange of knowledge between network partners as well as an exchange of different assets such as resources, capabilities and strategies with the objective of a common growth. However, Johanson and Valhne do not consider that being an "*insidership*" is sufficient to ensure a successful business development.

On the other hand "*Outsidership*" companies would have difficulties to enter in such network and would suffer of *"liability of Outsidership"*. Together with a company's foreignness, the task of starting an internationalization process could be harder and longer, but it would not represent an impediment to start the process.

Axelsson and Johanson (Axelsson & Johanson, 1992) suggested that the entrance into a foreign market should be studied as "*a position-building process in a foreign market network*". Another study from Eriksson, Johanson, Majkgard and Sharma says that:

"Lack of institutional market knowledge and lack of business knowledge require different amounts of time to overcome, and have dissimilar effects on the perceived cost of internationalization. A lack of institutional market knowledge – that is, lack of knowledge about language, laws, and rules – has to do with factors related to psychic distance, and to

the liability of foreignness. Lack of business market knowledge is related to a firm's business environment that, according to the business network view, consists of the firms with which it is doing business, or trying to do business, and the relationships between firms in this environment. The lack of such market-specific business knowledge constitutes the liability of outsidership." (Eriksson, Johanson, Majkgård, & Sharma, 1997)

This statement about *Outsidership* would clearly show that Experiential Learning has an important role in the internationalization process, as it would progressively overcome the *liability of outsidership*. This would also mean that there would be a higher factor of risk taking, which could cause budget and project planning errors.

As a consequence of these new findings, Johanson and Valhne (Johanson & Vahlne, 2009) emphasize that a strong relationship between companies is necessary to start a foreign network and to overcome this *liability of outsidership*. Trust will be then needed as it leads to commitment and it is a fundamental requirement for building up a relationship between companies. As suggested by Morgan and Hunt (Morgan & Hunt, 1994) "*When both commitment and trust – not just one or the other – are present, they produce outcomes that promote efficiency, productivity and effectiveness*". Unfortunately trust is an attribute that is extremely complicated to give at first when a relationship starts, so how can risks and uncertainty be avoided or minimized to acceptable levels in an internationalization process?

"*Our model has generally been regarded as a risk (or uncertainty) reduction (or avoidance) model. We think that risk is unavoidable when embarking on a journey into the unknown, and so stated that the firm's approach to risk is complicated and variable. This assertion, however, does not imply risk avoidance, only a need for risk management*" (Johanson & Vahlne, 2009)

Therefore there should be a calculation on the balance of opportunity development that should justify the acceptance of an internationalization process inside a company.

In order to create opportunity, Ardichvill, Cardozo and Ray (Ardichvili, Cardozo, & Ray, 2003) believe that an entrepreneurial mentality is required and that a continuous interaction between partners would build valuable knowledge between them and will also increase mutual trust and commitment, which are the basics of a strong business relationship. Bjerre and Sharma (Bjerre & Sharma, 2003) also pointed out that "*a major portion of the knowledge in international firms is indeed local, deposited in local subsidiaries*". This again shows that

better interaction between the businesses is created if the company is locally placed close to their partners, and that subsidiaries should have an entrepreneurial initiative to identify the best option for a Multinational (Birkinshawn, 1997).

This entrepreneurial initiative has undoubtly decrease the validity of the previous established chain, showing other forms of internationalization process such as acquisitions or joint ventures. It is also discussed that the decision of entering a specific market, disregarding the entry mode and the psychic distances, comes from an individual decision-maker rather than the firm's board. Also that the reason for internationalization can determine the mode of entry in the market, therefore according to Johanson and Valhne (Johanson & Vahlne, 2009), the internationalization process has much in common with entrepreneurship.

Figure 7 – Comparison from the "Basic mechanism of internationalization" of the Uppsala Model and the new revised model: the Business Network Internationalization process model
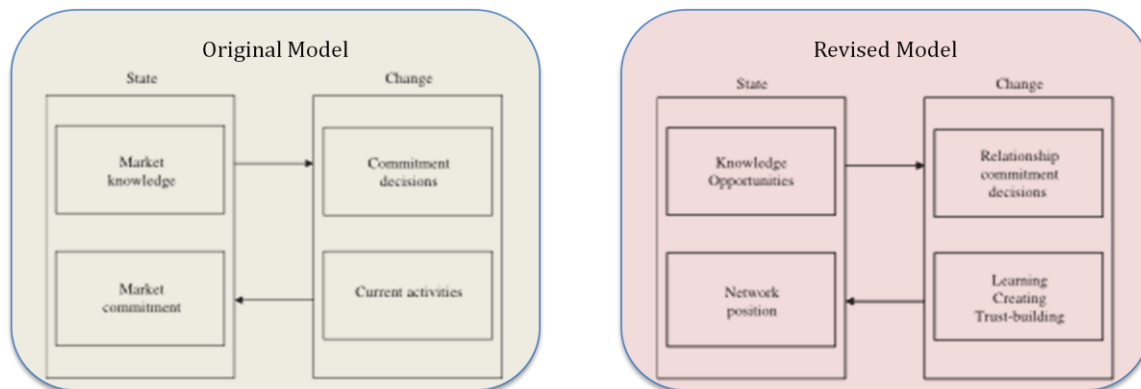
Source 9 – based on Johanson & Vahlne, 2009

The new version of the Uppsala's Model, known as the Business Network Internationalization process model, has maintained the different phases of State and Change, but the main activities have been modified as follows:

- Knowledge Opportunities

The previous activity *Market Knowledge* has been changed into *Knowledge Opportunities*. The perception of Opportunities is the most important, as it is the trigger of the entire process. An opportunity could be considered as a combination of knowledge related to needs, capabilities, strategies and networks. As it is built from other subsets, it cannot exist as a category on its own.

- Network Position

Network Position substitutes "Market commitment" as it is now assumed that the internationalization process would be tracked inside a network. An *insidership* would in fact have an easier or better perspective of possibilities of internationalization, but this would depend on the position of the company inside the network. The more committed and trusted, the better positioned.

- Relationship commitment decisions

Concerning the new role of networking, *Relationship* has been added in the activity "*Commitment Decisions*". This implies that the firm would have to define the commitment with the relationship inside the network. The level of commitment would consequently define or change the entry mode and strategy of the company.

- Learning Creating Trust-building

The previous label "Current Activities" has been changed to "Learning Creating Trust-Building". The use of the term *Learning* inside this activity is referred to the *Experiential Learning* that the company will have in the future that will help creating new opportunities and in the development of the relationship between network companies. It is also interesting to note that the speed of this process will depend on the level of knowledge, commitment and trust that a company has with their partners.

Recently a new study by Monaghan, Gunnigle and Levelle (Monoghan, Gunnigle, & Lavelle, 2014) has shown the importance of subnational institutions and subsidiaries to increase *insidership's* efficiency inside the Internationalization process and suggested an extra element in the model.

Figure 8 - Subnational institutional capacity with foreign market insidership
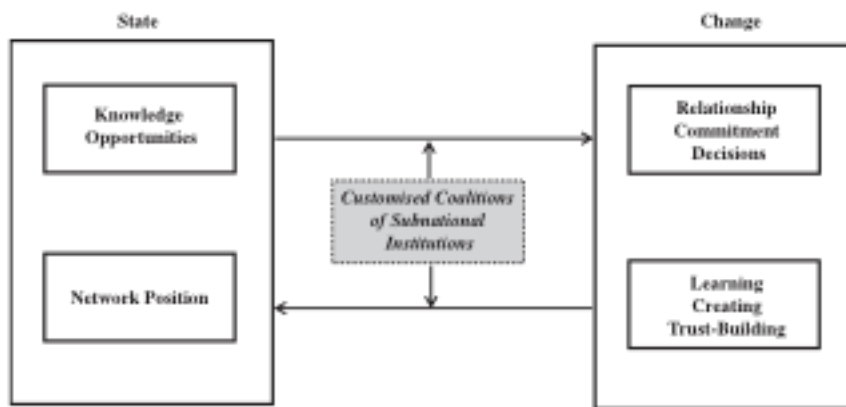
Source 10 - Monoghan, Gunnigle, & Lavelle, 2014

The research was carried out in Ireland, and a total of 33 national and subnational institutions and 5 different subsidiaries of Multi-National Enterprises (MNE) where interviewed and subsequently analysed. In that list of 5 companies two were Greenfield investments and three acquisitions. The study showed two important factors related to having local presences:

1. Subnational institutions and subsidiaries can implement a better network between companies, which increases the creation of new opportunities, and therefore decreasing market the uncertainties.

2. Business actors and relationships does not secure foreign market *insidership*, but subnational have a deeper knowledge on the processes needed to trigger investment both before and after the market entry, which "*enhance the infusion of Network theory with traditional Foreign Direct Investment theory*"

The study further emphasizes how important is creating a strong business relationship and also where the company wants to position itself as an *Insidership*. The use of subnational institutions and also subsidiaries would make this process more efficient and less risky.

4.1.4 Experiential Learning

As previously mentioned, Johanson and Vahlne (Johanson & Vahlne, 2009) define *Experiential Learning* as an important element in their Business Network Internationalization process model. *Experiential Learning* is nothing more than the accumulation of experiences a company gains during its international interactions and operations. In gaining experience, new know-how and knowledge are accumulated and therefore can be used in future events to reduce possible uncertainties and risks. The speed of this process, according to Johanson and Vahlne (Johanson & Vahlne, 2009), would also depend on the resources, the commitment and

trust a company might have with other network partners. Erikson et al (Eriksson, Johanson, Majkgård, & Sharma, 1997) also indicated that Market, Institutional and International knowledge are essential for the success of this process.

Experiential Learning is considered to be a slow and gradual process, but according to Casillas and Moreno-Menéndez (Casillas & Moreno-Menéndez, 2014), the speed of internationalization of a company also depends on the previous international experience when entering a new market. Their hypothesis is based on a 2x2 matrix model, where the depth/diversity of international experience and the market/mode of operations are combined.

Figure 9 - Casillas and Moreno-Menédez 2x2 matrix model
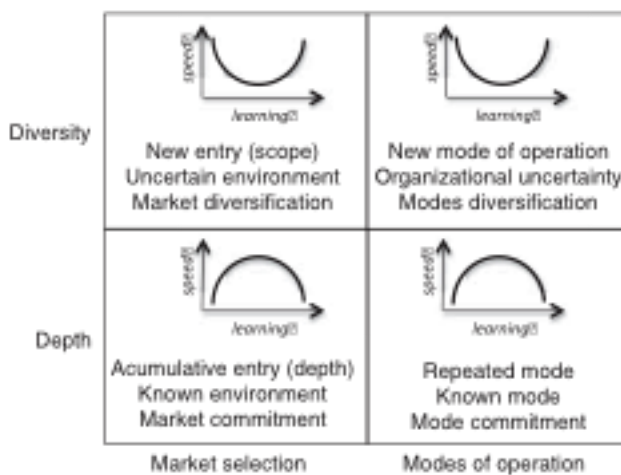
Source 11 - Casillas & Moreno-Menéndez, 2014

The term diversity is used to spot the variation of experience in the different countries, whether the depth is the knowledge the company has on the foreign market.

Casillas and Moreno-Menéndez established four different hypotheses in their studies:

- *A higher diversity of accumulated experience in international markets will have a curvilinear influence on internationalization speed (U form);*
- *A higher diversity of accumulated experience in modes of operations has a curvilinear influence on internationalization speed (U form);*
- *A higher depth of accumulated markets experience in the host country has a curvilinear influence on internationalization speed (inverted-U form);*
- *A higher depth of accumulated mode of operations experience in the host country has a curvilinear influence on internationalization speed (inverted-U form).* (Casillas & Moreno-Menéndez, 2014)

Their result identified an average speed of internationalization of about 251.11 days (8 months and 11 days approximately), independently from the operation used. This result, nevertheless, has a very wide variation range of up to 18.5 years to fully internationalize. The study also managed to prove their hypothesis.

From their study, therefore, there are four different important conclusions worth mentioning. Casillas and Moreno declare that, "*The speed of internationalization operations is a dynamic concept per se, which captures the dynamic dimension of internationalizations, as opposed to the two traditional dimensions studied – location and modes of operations. We understand that the speed of international operations develops in accordance with the dynamic configuration of the previous decisions that relate to modes of operations and market selections, in a path-dependent process*". (Casillas & Moreno-Menéndez, 2014)

They also prove that the speed of internationalization is affected by previous international experiences, especially in subsequent international expansions. Their study shows that "*the accumulations of experience in a particular country and the geography diversifications of past international operations impact the speed of internationalization in opposing ways*" (Casillas & Moreno-Menéndez, 2014). For short-term result expansion, it is recommended to have new international operation process in similar markets from which they already had experiences, with the consequence of slowing down once it get to its maturity. For long-term result expansion, it is important to have a greater diversity of countries where the firm operates to gain more knowledge and experience. This will of course require a considerable investment in time, but it will also enrich the know-how and service portfolio (an advantage that can be also used in their home market).

4.2   Cultural differences -Geert Hofstede's Power dimensions

There are many meanings for the word Culture. The Oxford dictionary defines it as "*the art, customs, etc. of a nation*" or "*the arts and intellectual achievements as a whole*". The first definition is interesting as it uses the word "Nation" to help the description of a certain group of people. As a matter of fact, as previously mentioned, globalization and the opening of borders to work abroad in the EU member countries has caused a big change of the real meaning of "Nation". History also shows that nations have been established by external entities (from conquerors to colonialists), and have not always resulted from the natural evolution and events of the native or local people. Different cultures may now co-exist under the same legislation of a country, regardless their language, religion and social behaviour.

Therefore "Nation" could be not entirely appropriated to use on defining Culture. The second definition is much more vague, where of course the definition of "achievements as a whole" would consider anything that would be done or achieved by the human race. This would not consider the variations we are looking for to understand better these differences to improve business efficiency in dealing with international affairs.

According to Geert Hofstede, Culture is "*a catchword for all those patterns of thinking, feeling and acting*", from which it "*consists of the unwritten rules of the social game and it is the collective programming of the mind that distinguishes the member of one group or category of people from others*" (Hofstede, Hofstede, & Minkov, 2010). This definition has been approved from many other researchers and International entities, and it will also be considered as the most relevant for this thesis.

Geert Hofstede produced a research in the early 1970s inside IBM to identify if business matters were taken the same way in each country, or if there where different patterns of behaviours or "*mental software*" influenced by the national cultural environment. His studies have demonstrated that Culture is not the same, although governances and business methodologies came from the headquarters of a multinational and therefore originally from one specific culture, as for example the US's culture inside IBM.

Based on different psychological and sociological questionnaires, he established six different dimensions that he recognizes as relevant indexes to measure a culture:

- Power Distance Index (PDI);
- Individualism Index (IDV);
- Masculinity Index (MAS);
- Uncertainty Avoidance Index (UAI);
- Long-term Orientations Index (LTO);
- Indulgence versus Restraint Index (IVR).

During the years that followed his initial research, Hofstede continued analysing other cultural studies that other institutions and researchers carried out. At first he recognized the first 4 dimensions listed above (from PDI to UAI) as sufficient to define cultures but other research showed him that there were other dimension to be considered which he introduced in his model. The LTO and IVR indexes have been recently introduced in the last version of his book in 2010.

Many institutions considered his model as not accurate for International Management due to the ambiguity of the first set of dimensions, but after the introduction of the new ones, together with the revision of his research, we could consider his last work as a valuable asset for International Management.

One of the last findings that Hofstede (Hofstede, Hofstede, & Minkov, 2010) made in the last revision is that time does not matter concerning the cultural values: *"A striking fact of the various validations is that correlations do not tend to become weaker over time. The IBM national dimension scores (or at least their relative positions) have remained as valid in the year 2010 as they were around 1970, indicating that they describe relatively enduring aspects of these countries' societies"* (Hofstede, Hofstede, & Minkov, 2010).

4.2.1   Power Distance Index

The Power Distance Index (PDI) is the first of the six. This index identifies the interaction between different hierarchies. It has been defined as: *"the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Institutions are the basic elements of society, such as the family, the school, and the community; organizations are the places where people work"* (Hofstede, Hofstede, & Minkov, 2010).

The higher the value of the index, the most unequal distribution of power inside an organization: *"large-power-distance situation, superiors and subordinates consider each other as existentially unequal; the hierarchical system is based on this existential inequality. Organizations centralize power as much as possible in few hands. Subordinates expect to be told what to do"* (Hofstede, Hofstede, & Minkov, 2010). This also affects the structure of a corporation as this can give a predisposition to centralise management decision-making events. Hierarchy's levels also become steeper as there is a need for personnel in charge of supervision, and salaries have a wide range between the top and the bottom of the organization. Said so, a manager is expected to be an autocrat or a "good-father". Small-power-distance situation are of course the complete opposite. There are less hierarchical levels as subordinates are expected to take initiatives and are consulted for decision-making, which also increases the opportunity of decentralizing a corporation. There is also a more transparent and direct communication as other levels are considered as equals.

4.2.2   Individualism Index

"Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after him – or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty" (Hofstede, Hofstede, & Minkov, 2010).

An interesting aspect of this index is the comparison with PDI, as it has been mentioned that the "*dimensions tend to be negatively correlated: large-power-distance countries are also likely to be more collectivist, and small-power-distance countries to be more individualist"* (Hofstede, Hofstede, & Minkov, 2010).

In the workplace this also affects in complete different ways. In a collectivist society, businessmen consider most important having a personal relationship before dealing with tasks and business. In an individualistic society this would be considered immoral and also time wasting. When dealing with tasks, workers in an individualistic society perform extremely well when acting alone and it is considered an important asset by the society having staff with self-centred career objectives. However this tends to increase staff mobility. This would be considered as a negative aspect when dealing with a collectivist society, where a long career in a company shows loyalty and commitment to the group.

4.2.3   Masculinity Index

The Masculinity Index (MAS) is a more social dimension than the previous. *"A society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender and concerned with the quality of life. A society is called feminine when emotional gender roles overlap: both men and women are supposed to be modest, tender, and concerned with the quality of life."* (Hofstede, Hofstede, & Minkov, 2010)

This cultural dimension affects organizations in many ways as, for instance, conflicts resolutions are taken through compromises and negotiations in a feminine culture, whether for a masculine society a resolutions is found by letting the strongest win. The role of genders is also very different. As for feminine cultures careers are optional for both genders, whereas a masculine culture would have a strong preference for men to work. For instance, there are still countries where women encounter strong limitations to work in an organization. Materialism is also extremely important for masculine societies. Challenges, earnings, recognitions and

career advancement are extremely important, contrary to a feminine where quality of life and relationships are the major priority.

It is important not to confuse feminine society with feminism ideologies. For instance feminism is encountered in both masculine and feminine countries, as it is an idea *"either organized or not, that wants to change the role of women in society"* (Hofstede, Hofstede, & Minkov, 2010). For a feminine society, feminism is looking for the liberation of both women and men, but for the masculine society, feminism's target is to level women at the same level (including job opportunities) of men.

4.2.4   Uncertainty Avoidance Index

Business decisions are always taken under a reasonable analysis on risk management, although different cultures might want more details or more assurances on risks before making such decisions. Having said so, risk avoidance should not be confused with Uncertainty Avoidance, as risk can be a scalable and measurable value, whether uncertainty is a feeling that is related to unexpected events. This feeling, although, decreases once the risk is identified, measured and then is accepted in some cases.

"Uncertainty Avoidance is the extent to which the member of a culture feel threatened by ambiguous or unknown situations" (Hofstede, Hofstede, & Minkov, 2010).

The level of Uncertainty Avoidance Index can indicate several issues and difficulties in business development. It is a fact that high UAI countries also have strict labour laws and less change at work. There is also an inner need to work hard and longer (but not better) as an assurance to keep positions and therefore their earnings. Lower UAI countries tend to be more focused on strategic decisions than on daily operations (as high levels UAI countries would) and laws are considered needed only when strictly necessary. They tend to perform better in inventing new services or products and their motivation is focused more on achievement rather than on security.

Another issue that should be considered is the positive correlation between UAI, xenophobia and nationalism. The combination of UAI with MAS index helps us to understand a potentiality in non-acceptance and also extremist tendency against different cultures, religions or languages.

4.2.5 Long-Term Orientations Index

Long-Term Orientations (LTO) is defined as follows: *"long-term orientation stands for the fostering of virtues oriented toward future rewards – in particular, perseverance and thrift. Its opposite pole, short-term orientation, stands for the fostering of virtues related to the past and present – in particular, respect for tradition, preservation of "face", and fulfilling social obligation."* (Hofstede, Hofstede, & Minkov, 2010).

This new dimension has been introduced recently after a research conducted by Michael Bond (Chinese Culture Connection, 1987) in Asian countries, the Chinese Value Survey (CVS). This survey was based on the Confucius lessons, which are the base fundaments of ethnicity for Far East Asian countries the five Dragons (Japan, Hong Kong, Taiwan, South Korea and Singapore) and China. Hofstede (Hofstede, Hofstede, & Minkov, 2010) decided to introduce this new dimension, as priorities in Western business are very different, for instance, than the majority of businesses in the Asian countries, giving to these countries time to build a strong relationship position inside a market that has a priority over immediate results.

It is easier to find family companies high LTO country and attribution of job opportunities to family members with the objective of reducing risks. Learning, honesty, ability to adapt, accountability and self-discipline are attributes that high LTO businessmen would recognize as their main priority. On the other hand low LTO countries seek for immediate results, low loyalty towards a corporation from staff (business needs are different from the individual aspirations) is a characteristic and meritocracy is more important. Basically LTO differences are clear comparing Far Eastern and Western mentalities.

4.2.6 Indulgence Versus Restraint Index

The last index is related to the concept of "happiness" inside a culture. There are different cultures that identify and show happiness in different ways. Its definition is *"Indulgence stands for a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun. Its opposite pole, restraint, reflects a conviction that such gratification needs to be curbed and regulated by strict social norms."* (Hofstede, Hofstede, & Minkov, 2010).

This clearly shows a difference in cultures that can generate an extreme misunderstanding when communicating. Facial expression and body language influence communication during business. In high indulgence countries smiling is a normal action that promotes some kind of proximity towards another person, while for restraint cultures a smiling person may give a

sense of fraud or suspect towards that person. Restraint cultures have a tendency towards pessimism and lower level of happiness, but a high level of thrift. Presenting somebody that has a high level or leisure or positive attitude, can be considered in restraint cultures as somebody not serious to consider for instance.

4.3 Culture in Organisations

The six dimensions are used to define the culture of a country. Some of these are related to the working habits and others to the personality of the local people. If a structure mentality of people is influenced by the environmental culture, it will be the same for organizations.

The models of organizations varies mainly between two different dimensions, which would respond to the question "who has the power to decide" and "how do we work to satisfy such decision". The first question would be answered by the PDI index as it will define the leadership and business decisions of the organization follows either a consensus or an autocratic style. The second question would be answered by using the UAI index, as it would promote processes and rules to decrease the unexpected triggers that could cause a slowing down of productivity. The remaining dimension would give an idea on how people would behave and defining strategy priority of a company.

Globalization has been perceived from the nineties as a way to reduce boarders and differences between countries, giving certain dominance to American's business models and leaderships. This was due because of the US strong economical situations that gave an idea of best practices and business cultures. During the 2008, although, goals and objectives from the US companies has caused the economic crisis by just focusing on the immediate incomes (high MAS and IDV together with low LTO indexes), without really considering the future consequences of their strategic decision and investments as it happened, for instance, with the Suprime Investments. If it would have happen in another country (high LTO culture such as you can find in China), perhaps the long-term outcome would have been something different. This is of course a very superficial overview of what might have happened at the beginning of the economical crisis, but it reflects a good idea of how business culture priorities from one country are not an absolute and correct solution to be learned.

Hofstede (Hofstede, Hofstede, & Minkov, 2010) criticises that business theories and models are somehow considered in business schools to be universal, but he assumes that each theory and/or model, should be tested locally due to diversity of cultures. He believes that it is important to learn from other countries as this experience is a resource of new ideas for

business and organizations (whether private or public), but he emphasizes the need for flexibility when applying methodologies and theories as their authors could come from a different cultural context. He points out that the nationality defines the organization's mentality and that unfortunately these theories are *"preached but not practiced"* (Hofstede, Hofstede, & Minkov, 2010), which is why a manager should understand what type of methodology or theory to implement or adapt inside its national and organizational culture.

On the other hand, Hofstede also underlines that in case of a Multinational company *"Employing personnel from a variety of nationalities, they cannot assume common values, They coordinate and control their operations through worldwide practices that are inspired by their national origin but can be learned by employees from a variety of other national origins"* (Hofstede, Hofstede, & Minkov, 2010). He therefore underlines the importance of having Human Resources Departments to preselect candidates that best match the company's culture and values.

4.3.1 Intercultural Encounters

If understanding other cultures is important, so it is to understand how to interact with them. Unfortunately many companies still do not considered this to be a relevant issue for further staff training. Culture shock of expatriates is certainly an effect of such lack of preparation. Figure 10 shows the Acculturation curve, which demonstrates how expatriated professional reacts to a new cultural environmental. Time expectancies will vary depending on each individual but the final phase could have three different results. Result "*a*" would indicate a negative effect on the expatriate, as he/she would feel alienated and discriminated in the new cultural environment. Result "*b*" would represent a situation of stability, where the expatriate could be considered as bi-cultural. Regarding the last result, "*c*", the expatriate would feel so much integrated that he could have a better image of the new country than of his home country, which could cause a problem on a possible planned return of the expatriate. Hofstede also recalls the article of Anne-Wil Harzing (Harving, 1995), where she investigates the source of empirical studies that showed high premature return rates of expatriates, and questioned them: *"Empirical studies over a considerable period suggest that expatriate failure is a significant and persistent problem with rates ranging between 25 and 40 percent in the developed countries and as high as 70 percent in case of developing countries"* (Buckley & Brooke, 1992). She indicated that this definition was mainly for US expatriates and that Western European and Japanese had lower rates. However, she also mentioned that the research refers to companies with pre-departure training and nevertheless there are risks of

premature return to be seriously considered. She also mentioned that this issue is extremely important for further investigation. For sure the destination would have an impact on return rate, but the cultural training, such as learning or knowing the local language and customs, should be considered in an attempt to decrease these failure rates.

Figure 10 - The Acculturation Curve
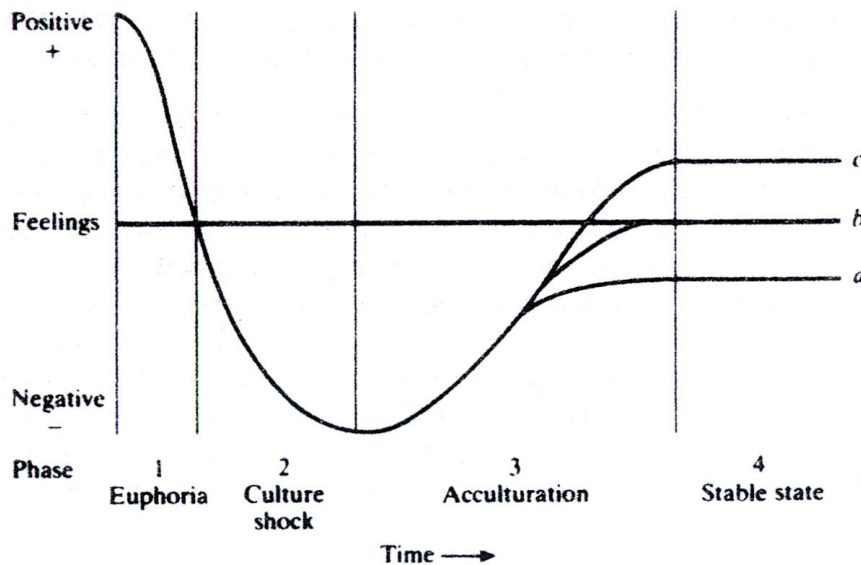
Source 12 – from Hofstede, Hofstede, & Minkov, 2010

Language is also another major issue in Intercultural Encounters. Although English became the international trading language, language misunderstanding can generate negative impacts on these interactions and, sometimes, in irreversible ways. Hofstede (Hofstede, Hofstede, & Minkov, 2010) considers that English natives have a limitation in these interactions, as they tend to know just one language. He also emphasize that *"Language and culture are not so closely linked that sharing a language implies sharing a culture, nor should a difference in language always impose a difference in cultural values"* (Hofstede, Hofstede, & Minkov, 2010) as it happens in Belgium and Switzerland.

For Organizational Culture Hofstede suggested that is *"determined by the nationality and personality of its founder(s) and later significant leaders"* (Hofstede, Hofstede, & Minkov, 2010). This would mean that once a company enters a new market, it would anyways find itself as an *alien* entity, which is why he suggests having a bicultural head office (Country Business Unit Manager or Corporate Diplomat) that could be the bridge between the external and the home culture. Other managers don't need to be bi-cultural as they would assimilate the company's values and processes, and consequently would adapt them to the local culture.

Therefore how should Multinational be coordinated with Intercultural Encounters? Hofstede suggest that the corporate structure should be created in such way as to satisfy one, if not more, of the following questions:

- *"Which of the unit's inputs and outputs should be coordinated from elsewhere in the corporation?"*
- *"Where should the coordination take place?"*
- *"How tight or loose should the coordination be?"* (Hofstede, Hofstede, & Minkov, 2010)

It would be extremely important for the company's successful internationalization process to assess their know-how on business and/or culture of the new working environment. A solution could be to introduce a Matrix structure, i.e. two bosses for each business unit, one to one particular business unit acting across all countries and another responsible for all business units acting in one particular country. This can also sound expensive and cumbersome, but it is justifiable because of the difference of cultures and ways of conducting business of each country.

5   Analysis

After reviewing what has been published in the literature on the last business methodologies research, several relevant subjects emerge that are to be considered in this analysis:

- Time;
- Network;
- Negotiation, leadership and coordination;
- Personnel.

There are several issues that agap2 facing in its entrance in the Belgian and Dutch markets. For instance one is the status of *outsider* that definitely has an impact on the network and the timing needed for a successful introduction. Another is the difference between the two countries and cultures, which can in turn influence the leadership style and coordination of the International unit. Finally there is a considerable risk of premature returns of unsatisfied expatriates.

The following sections of this chapter will try to identify the main differences using the Cultural Power Dimension. What agap2 has so far implemented in the two countries will also be discussed to end up with the relevant components of a model to be proposed in the following chapter

5.1   Differences in National Cultures and needs inside the markets

The International Unit previously produced an analysis on the target markets. The data of the Global Competitiveness Report produced by the World Economic Forum was used to identify the needs of the two countries, their economic situation, the assimilation of different technologies inside business along with other criteria that are discussed in the following sections.

The Global Competitiveness Report analyses 148 economies, providing an overview into the drivers responsible for productivity and prosperity. To do this the report defined 12 different pillars that were used to identify the competitiveness of a country, from its Basic Requirements (such as the institutions and infrastructure), to the Efficiency Enhancers (for example goods market efficiency and labour market efficiency) and to the Innovation and Sophistication factors.

The International Unit selected all the indicators of pillar 3, Macroeconomic Environment and several indicators of pillars 9 and 12 that could be used to indicate which was the best market to enter. These indicators were:

3. 9.01 – Availability of latest technologies[1];
4. 9.02 – Firm-level technology absorption[2];
5. 9.03 – FDI and technology transfer[3];
6. 12.01 – Capacity for innovation[4];
7. 12.02 – Quality of research institutions[5];
8. 12.06 – Availability of scientists and engineers[6].

All these indicators are also used together with the 3rd pillar of the report: Macroeconomic Environment.

5.1.1 Understanding Belgium

Belgium was selected, as the first country to be approached as there was a large demand of IT consultants. The political situation in the country had reached a more stable situation by electing a new government after a year and six months of debate between the regional parties that left the country without a proper government. With a government in place local companies moved ahead with investments that had been previously reduced because of uncertainty in government spending and legislations and the existing global economic crisis. The fact that there had not been any new investments from the national government for more than a year (because of the lack of an actual government), resulted in an increase in liquidity by the time the government was in place, changing the economy of the Belgian public sector from a nearly bankrupt country to a country with liquidity.

The diagram below gives a brief overview of Belgium's competitiveness. It clearly shows that Belgium still managed to keep the same pattern of an Innovation Driven country, having better results in four pillars (from which Innovation is included) but scoring slightly less in other pillars such as the Labour Market efficiency.

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[1] To what extent are the latest technologies available in your country?

[2] To what extent do businesses in your country absorb new technology?

[3] To what extent does foreign direct investment (FDI) bring new technology into your country?

[4] In your country, how do companies obtain technology? [1 = exclusively from licensing or imitating foreign companies; 7 = by conducting formal research and pioneering their own new products and processes]

[5] How would you assess the quality of scientific research institutions in your country?

[6] To what extent are scientists and engineers available in your country?

Figure 11 – Global Competitive Index of Belgium

Global Competitiveness Index

	Rank (out of 142)	Score (1–7)
GCI 2011–2012	15	5.2
GCI 2010–2011 (out of 139)	19	5.1
GCI 2009–2010 (out of 133)	18	5.1
Basic requirements (20.0%)	**22**	**5.6**
Institutions	27	5.0
Infrastructure	17	5.6
Macroeconomic environment	60	4.9
Health and primary education	2	6.8
Efficiency enhancers (50.0%)	**15**	**5.1**
Higher education and training	5	5.8
Goods market efficiency	14	5.1
Labor market efficiency	44	4.6
Financial market development	28	4.8
Technological readiness	11	5.8
Market size	26	4.8
Innovation and sophistication factors (30.0%)	**14**	**5.1**
Business sophistication	11	5.3
Innovation	15	4.8
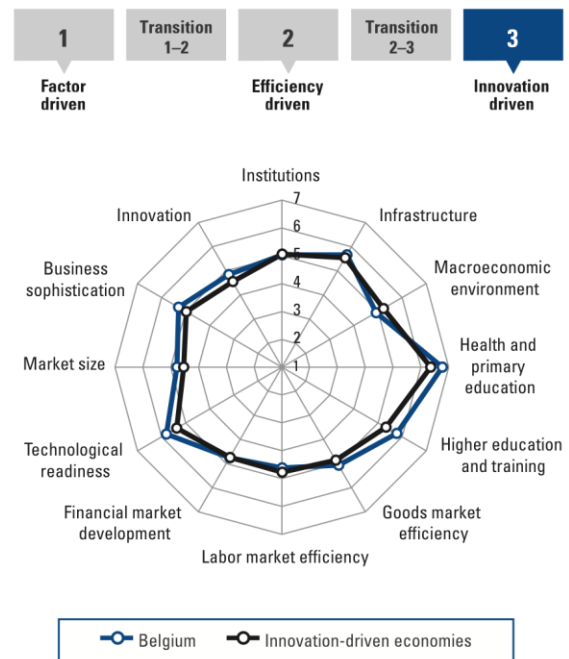
Source 13 - The Global Competitiveness Report 2011–2012 (Schwab, Sala-i-Martin, & Greenhill, 2011)

In his initial research, Hofstede considered the separation of the Walloon and Flemish cultures, as the indexes results between the two Belgian regions were quite different. However in the last revision that added two different indexes, the separation between the regions has not been maintained, which is why there are no separate values for the Walloons and the Flemish cultures in relation to the LTO and IVR indexes. The global Belgium value is interpreted as the average between Belgium Walloon and Belgium Flanders. The following table shows the values of Belgium's Cultural Power Dimensions.

Figure 12 – Cultural Power Dimensions of Belgium
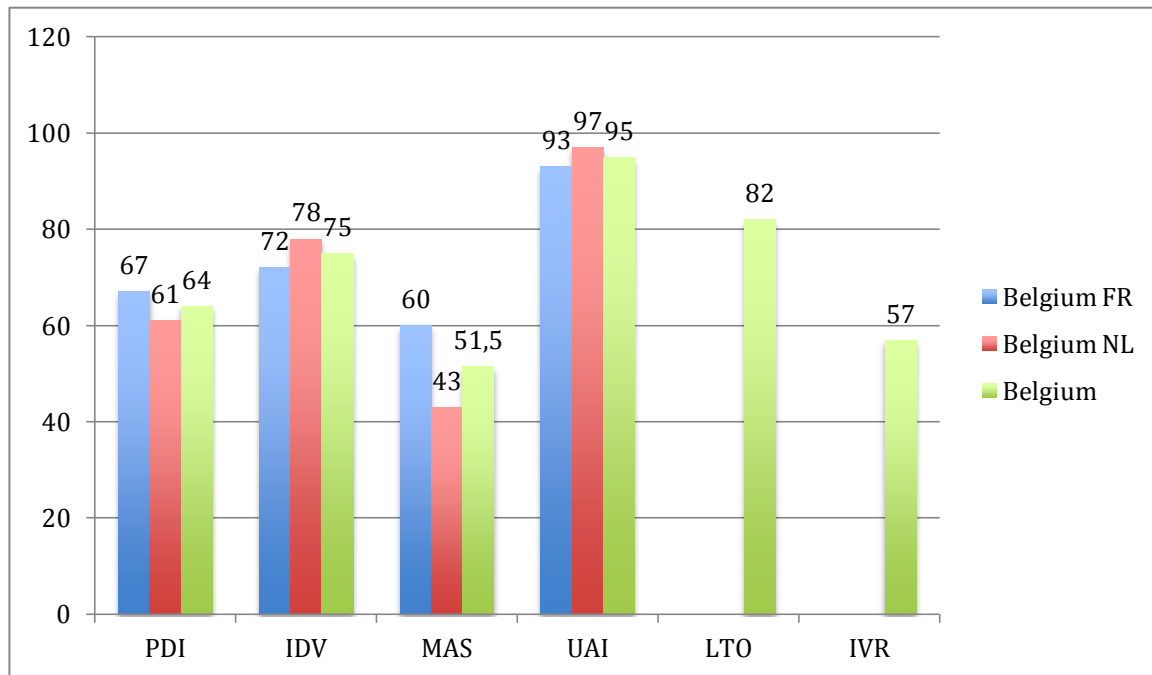
The diagram above shows how in some indexes there is a considerable difference between the Flemish and the Walloons, i.e. 17 points in MAS. This clearly indicates that there are differences in individual priorities and in negotiations. The Walloons have a higher score in MAS, which may indicate a more aggressive and decisive managerial and negotiation style compared to the Flemish. This difference can be the reason why both Walloon and Flemish UAI scores are so high, indicating a high level of procedures and law establishment for uncertainty avoidance. An interesting feature that should also be mentioned is the high level on LTO, which indicates that networking is a key activity to consider.

5.1.2 Understanding the Netherlands

The Netherlands has always been an attractive market for the prestige of Dutch private companies. In recent time several foreign MNEs have decided to transfer their Headquarters to the Netherlands due to rather favourable fiscal regimes. The country has also one of the most concentrated business areas in Europe, which they call Randstad (Rotterdam, The Hague, Utrecht and Amsterdam). During the present economical crisis, the Netherlands has been one of the few countries that has managed to decrease the effects of it and after few years economic crash, the country managed to minimise losses that were later converted in profits in the following years.

Figure 13 – Global Competitiveness Index of the Netherlands

Global Competitiveness Index

	Rank (out of 142)	Score (1–7)
GCI 2011–2012	7	5.4
GCI 2010–2011 (out of 139)	8	5.3
GCI 2009–2010 (out of 133)	10	5.3
Basic requirements (20.0%)	7	5.9
Institutions	10	5.6
Infrastructure	7	6.0
Macroeconomic environment	36	5.3
Health and primary education	7	6.5
Efficiency enhancers (50.0%)	8	5.3
Higher education and training	8	5.7
Goods market efficiency	9	5.2
Labor market efficiency	23	4.8
Financial market development	23	4.9
Technological readiness	5	6.1
Market size	18	5.1
Innovation and sophistication factors (30.0%)	9	5.3
Business sophistication	5	5.6
Innovation	12	5.0
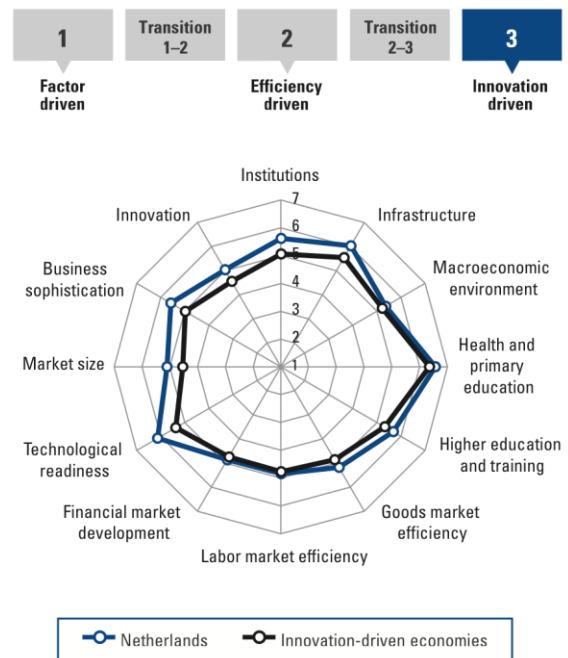
Source 15 - The Global Competitiveness Report 2011–2012 (Schwab, Sala-i-Martin, & Greenhill, 2011)

As it can be seen on figure 15, the Netherlands managed to obtain higher scores than the average Innovation driven countries. Technological readiness, Innovation and Business Sophistications pillars scored way above average, showing its market's high demand on technology.

What is extremely interesting in diagram 16 is the score of PDI and MAS. Starting with PDI, its low score indicates a "democratic" type of leadership and possibly few levels of hierarchy in a company. Managers consult subordinates for decision-making and such relationship is considered to be pragmatic and transparent, as the answer "no" is well accepted, always if followed with an explanation of course. The Netherland's MAS score is one of the lowest in Hofstede's research. This low value may indicate that Dutch people give more priority to life quality than working status, and that conflicts are usually resolved through negotiation and compromise.

The following diagram shows the Dutch's Cultural Power Dimensions.

Figure 14 – Cultural Power Dimensions of the Netherlands
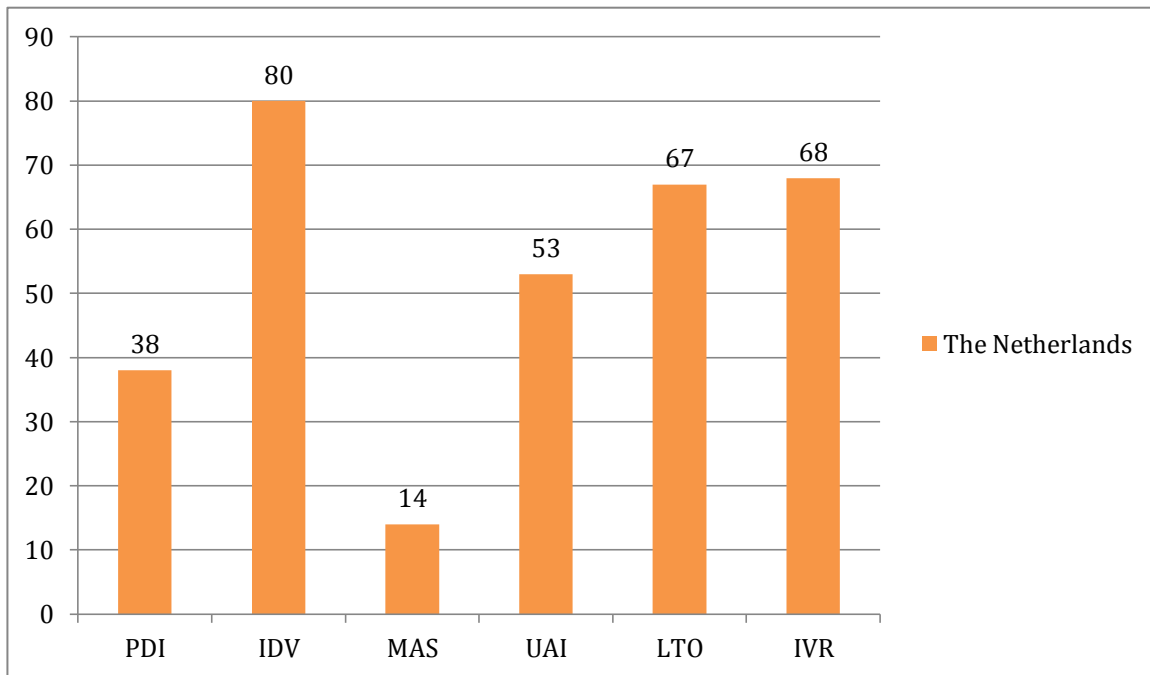
Source 16 – based on Hofstede, Hofstede, & Minkov, 2010

5.1.3 Understanding agap2's culture

Hofstede (Hofstede, Hofstede, & Minkov, 2010), points that the culture of a company will come from their founders and later significant leaders. From this assumption and from the background section, we could consider that agap2 has a French culture. The three main founders are French, and the team starting the company also came from another French consultancy. However, the fact of having its Headquarters in Lisbon would mean that it could have a great influence from the Portuguese culture, from which we are comparing the two in the following diagram.

Figure 15 – Cultural Power Dimension of agap2
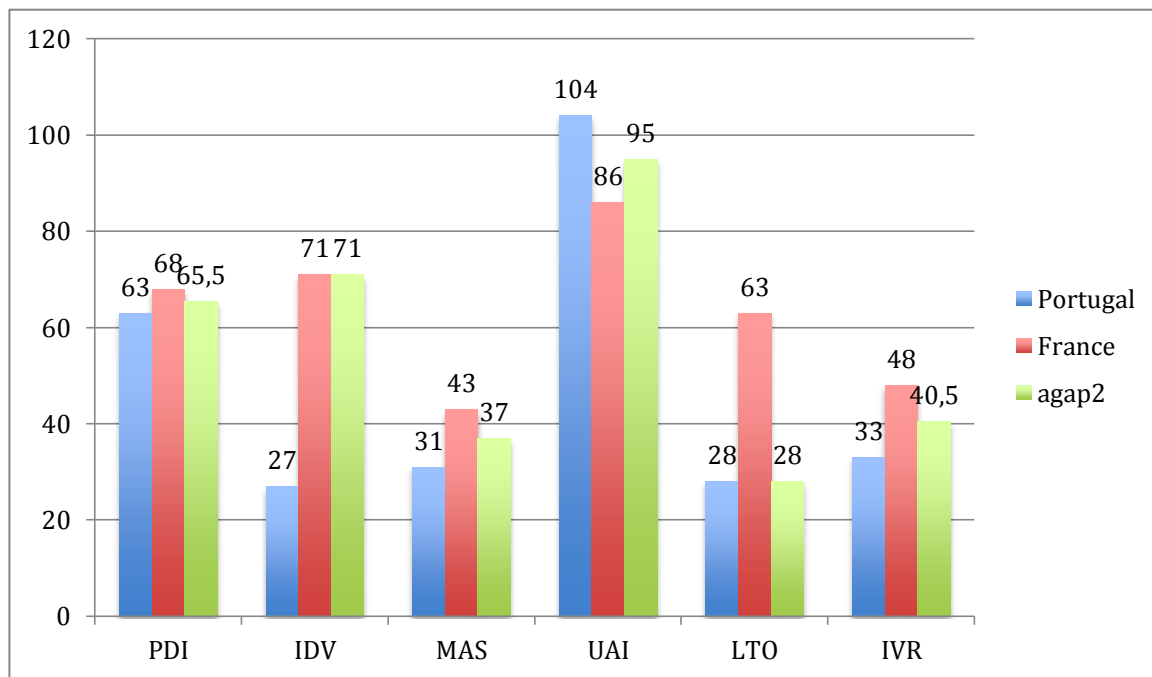
Source 17 – based on Hofstede, Hofstede, & Minkov, 2010

As it is shown, the French and Portuguese have two main differences in their cultural power dimensions. IDV and LTO indexes are very different, which can cause cultural clashes between high management and locals. Reflecting on the IDV, Portuguese have a collectivist culture, where their priority is more on lifestyle quality than earnings and materialism. Also the low level of LTO would confirm an importance in leisure time, but it contradicts the IDV index where there is an indication on thinking for oneself. This could mean that Portuguese can easily "wear the team shirt" and work hard for it, but have a tendency of changing easily for their own benefits and not for a company (see Annex 1).

In this case, as there is a difference in priorities, we should consider who has the power of decision and how to work to satisfy him/her? The dimensions that answer these questions are PDI and UAI, where in PDI both cultures are very close in their scores. For UAI, the Portuguese scores higher than the French culture, which means more time at work to satisfy the manager's will and a higher need of precisions and formalizations.

Again from what Hofstede points out (Hofstede, Hofstede, & Minkov, 2010), a good pre-selection by the Human Resource department would be a key activity for the organisation, especially to reduce the impact of the cultural differences that could exist be between the French and the Portuguese cultures. This is already happening in agap2, as there is a tendency

to recruit young managers in Portugal with the objective to mould them the way the company wants.

We've tried to calculate the *"agapian"* culture as an average of the two cultures. However it should nevertheless be argued that since there is a pre-selection of candidates that should match the French culture, for some indexes it should be more the French than Portuguese. IDV, for instance, could be more French oriented for the type of working methodology that is implemented in management, i.e. individual Goal Orientation measurements each week for each manager. We also consider *agap2's* LTO index more Portuguese, as another objective defined in management is the importance of opening new accounts (meaning new customers) than maintaining old clients.

5.1.4 Comparison

The following diagram serves to compare between the Belgian, Dutch and French cultures and with our interpretation of the *agapian* culture.

Figure 16 – Comparison of the Cultural Power Dimension
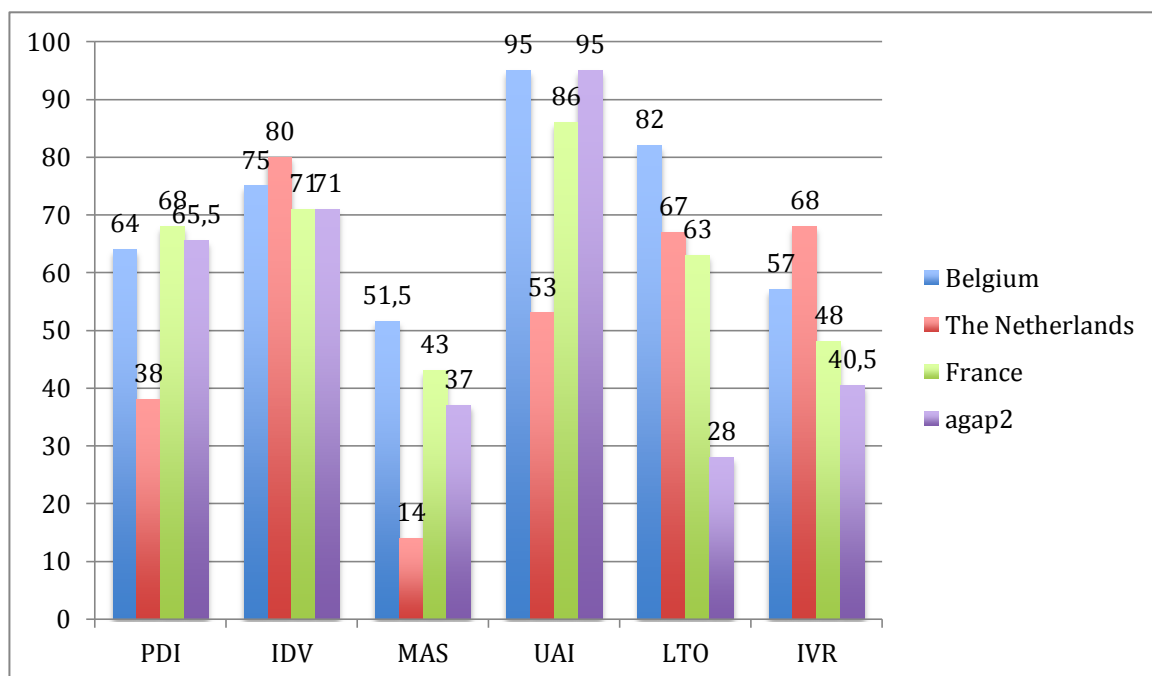
Source 18 – based on Hofstede, Hofstede, & Minkov, 2010

The first observation that comes out from this diagram is the differences that the Dutch culture shows compared to all the other cultures especially for PDI, MAS and UAI indexes. The differences have a minimum of 30 points, which can clearly cause a cultural clash. What is extremely interesting is that this cultural difference is also evident between the Netherlands

and Belgium, even if the Flanders shares borders and language with the Netherlands. These differences with the Netherlands are also evident with the *agapian* culture, as it has been calculated. It would be then easy to assume that culturally there could be important differences between the organization and the Dutch market.

Belgian and French cultures show similarities in all the different power dimensions. The only difference that can cause cultural problem is the LTO index, where the Belgians are more interested in the long-term orientation than the French culture. Comparing it with the *agapian* culture, Belgium's culture would conflict with the indexes related t o "personality of people". MAS and LTO have big differences and are all oriented on the priority people has in Belgium, as they are more materialistic than the Franco-Portuguese culture combination of agap2.

5.2 How did agap2 deal until now?

Agap2 Energy (in France) had opened an office in Brussels to expand their business in the Benelux. This happened after agap2 IT (Portugal) International Unit (see section 3.3) started travelling to Belgium to explore new market opportunities. The objective was to cover the Benelux countries from Brussels. For that reason agap2 Energy expatriated several managers from France to Brussels, while agap2 IT decided not to do it.

The business activities in Europe of agap2 IT were managed from Lisbon headquarters. This included contacts and promotions (such as cold calls) as well as selections of candidates and expatriates from Portugal to be sent to the Benelux. Each month each International Business manager had to organize at least 10 prospect meetings per journey in the region, and at least 10 interviews per week to select the best consultants for the clients.

After the opening of Brussels office, and after signing the first projects, the International Unit decided to explore the Dutch market to identify possible new opportunities. During the initial contacts several problems were encountered in the Netherlands. In some cases contacts would have difficulties to speak in English, and in other situations there was a tendency to reject external (or *Outsider*) companies. Nevertheless, the information collected from the first few prospect meetings gave enough information to highlight the importance and value of the Dutch market.

In order to overcome some of the problems, the International Unit decided to recruit a native speaking Dutch manager in Portugal. At the same time they decided to recruit a local

internship, using an international university institution (such as AISEC) to find a young future manager that could be moulded with the different values of the company to apply them later in the Netherlands. The internship had a duration of 5 months, one in Amsterdam for local market research, and the last four in Lisbon for: company's training and know-how methodology and, presentation of the market research results.

The recruitment of the two native Dutch-speaking managers improved the acceptance of prospect meetings with clients in both the Netherlands and Flanders. Business started to grow considerably in Flanders for the first time. Unfortunately in the Netherlands although prospects were always very promising it was very difficult to finalize contracts. Nevertheless the interaction with the internship was considered successful by the board and the opening of agap2 Netherlands took place at the end of the internship.

Currently agap2 IT still has no local manager in Belgium, but they managed to increased their clients and projects. At present there are three international business managers dealing with the Belgian market from Lisbon, using the Portuguese Human Resource department to find new candidates and consultants to expatriate. On the contrary, after about a year inside the Netherlands, although agap2 has one local junior manager working in Amsterdam using the same Portuguese Human Resource department, they still have to sign the first project.

5.3   What methodology to use for agap2's Internationalization in the Benelux?

After analysing the different models reviewed, it is difficult to decide which one of them should be selected. There is no straight answer or definite internationalization process model to follow in this case, but for sure management should have the sensibility to work in different ways adapting the "modus operandi" to the local culture. The important question that should be considered first is the time required.

As Casillas and Moreno-Menéndez discovered (Casillas & Moreno-Menéndez, 2014), on average a company should integrate in a new market in eight and a half months, depending on previous internationalization experiences, whether it is from their international diversity or their knowledge in the new market (the depth) (see section 4.1.4). From agap2 experience in internationalization should be characterized by a short-term approach, with in a first stage a fast learning of the market, followed by a strong deceleration and, later on, increasing their knowledge exponentially with the consequence of being known inside the market. However, from what Johansson and Valhne (Johanson & Vahlne, 2009) suggested in their revised

Uppsala Model, participation in networks and trust are key factors for a successful internationalization process. The issue here is that time and effort will be required, as they are needed to build at first a network of clients, as the company would be initially considered an *Outsider*. Therefore it is highly likely that a correct Internationalization process could take more time than initially expected by the agap2's board.

Although the strong position in the French Energy Sector market, the IT Sector of the group was very dependent on Portugal, where there is a lack of key international clients that are also present in both Belgium and the Netherlands. One case would be BNP Paribas, one of the major French banks in the world and one of the top five clients of agap2. In Belgium BNP Paribas has a large network as it works as a traditional bank, while in the Netherlands it's present only as an investment bank with a much more reduced network. The agap2 contacts of BNP Paribas in Portugal had no interaction with both Belgium and the Netherlands. Other major clients of agap2 were mainly Portuguese and only known in their national market. It can be correct to assume their limitation in the Benelux, as they had no companies with relevant network in the region.

What should also be taken into account is the need to deal with clients and people in different ways. There are already strong differences between the French and Belgian cultures, but when we compare with the Dutch culture, the differences are greater. There will be a need to negotiate in different ways, as in the case of the Dutch it seems necessary to schedule several prospect meetings before being ready to sign the first project with one client. This is indicated by the low PDI and MAS indexes, which points out a high level of consultations between subordinates and managers as a characteristic and also that a higher need of compromises and negotiations is required in a more feminine culture. A too assertive attitude in negotiations could be considered as arrogance by the Dutch culture. Therefore the approach in the negotiations in a Dutch meeting should be different from that of a meeting in Belgium. Also the time needed to sign a contract will be consequently different, hence there must be clear consideration for a closer interaction and more meetings in the Netherlands than in Belgium, which further justifies the presence of a local manager in Amsterdam.

Finally the role played by the Human Resources Department will be extremely important for the future. Expatriation of consultants and candidates represents a considerable risk for a company as the rates of premature returns are high (a ratio between 25-40% in a developed country in Buckley & Brooke articles but later on questioned by Harving) and can have an

impact on the relationship between a company and their client. There is also another risk of brain drain of personnel of the company, as some candidates or consultants could integrate in the foreign country to such a degree that could push them to find a local job or contract. The Human Resources Department must find consultants ready to stay long-term inside the company (the opposite of what the Portuguese LTO index suggests), but the remote interaction (if the Human Resources Department operates from Portugal) will make this follow-up considerably harder. Although not included at present, this interaction should also include the organization of materials, installation of the consultant and transports. Differences in labour legislation must be taken also into account in the preparation of contracts to avoid any misunderstanding with the consultant and a possible premature exit of the project as well as avoiding potential problems with the client. In order to deal with all these issues, it would be preferable by all means to have a local Human Resource Department that could also help consultants on the spot with any issues or emergencies.

6   Proposed Business Model

The model proposed for this business case will be a combination of the different ones that have been reviewed in this thesis. The importance of culture differences and the high rate of premature return of expatriates suggest that there is a need to have local personnel, whether it is managerial or administrative or consultants. Concerning the fast evolution of agap2's internationalization history and objective goals methodology of their managerial practices, it will be crucial to "be local" as soon as possible.

Based on Michael Porter's Value chain, the model proposed considers the decentralization suggested by Hollensen, S. (2008) and the combination of Value and Service Chain that Blomstermo et al. (2006) created. It has been taken into account that the Service Chain of Stabell and Fjeldstad (1998) should be present in each different country and should be independent from the headquarters. The different roles that have been introduced in this model come from Johanson and Valhne revised Uppsala model (2009) and Geert Hofstede suggestions (2010).

The revised Uppsala model points out the high importance on building strong networks with trust and commitment towards one another when entering a new country. Considering the fact that the company suffers of *Liability of Outsidership*, there would be need to focus on being more present in different events, such as International conferences, IT summits and exhibitions. This will of course be an extra investment for the company, but it should help the common cold calls for the new clients, which at present are the main way agap2 approaches potential customers. The interaction with subnational institutions, as proposed by Monaghan et al (Monoghan, Gunnigle, & Lavelle, 2014), could also help. This should facilitate the procedures to install (or rent) a new (or temporary) subsidiary inside the target market, as well as assist in the interaction with local companies. Some example of such subnational institutions could be the *Brussels Invest & Export (www.investinbrussels.com)* or the *Amsterdam inbusiness (www.iamsteram.com)*. These are institutions that also offer different services to facilitate and attract foreign investment. One example is the *"Welcome Pack"* found in *Brussels Invest & Export*, where the institution offers three months free of charge office together with different local administrative and legal services.

Finally, in order to decrease the cultural clashes between the Headquarter in Lisbon and the foreign subsidiaries, it will be necessary to have a matrix management structure[7] that could increase the interaction and the sharing of information between the different countries and the different service unit departments at the Headquarters. In this case it is proposed to have a central Unit Director at Headquarters, for each service and products, which will interact with every subsidiary. At the same time each Country Manager in the country will work together with the Unit Director to improve the quality of services and giving information on different tendencies, etc.

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[7] A matrix organizational structure is a company structure in which the reporting relationships are set up as a grid, or matrix, rather than in the traditional hierarchy. In other words, employees have dual reporting relationships - generally to both a functional manager and a product manager.

6.1 The model

The following diagram combines both the structure and the chain of events that should take place.

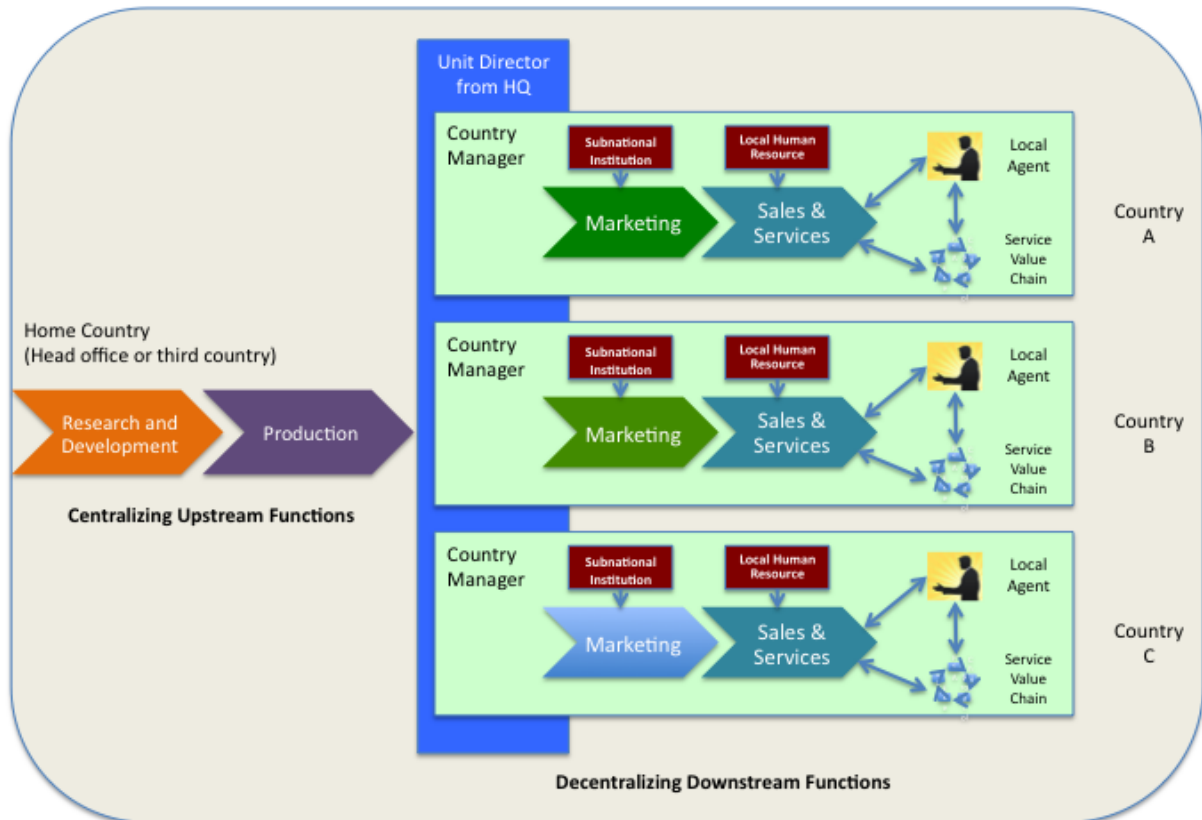**Figure 17 – Service Value Chain in International Matrix Management**

Figure 18 – Information flow of the Service Value Chain in International Matrix Management
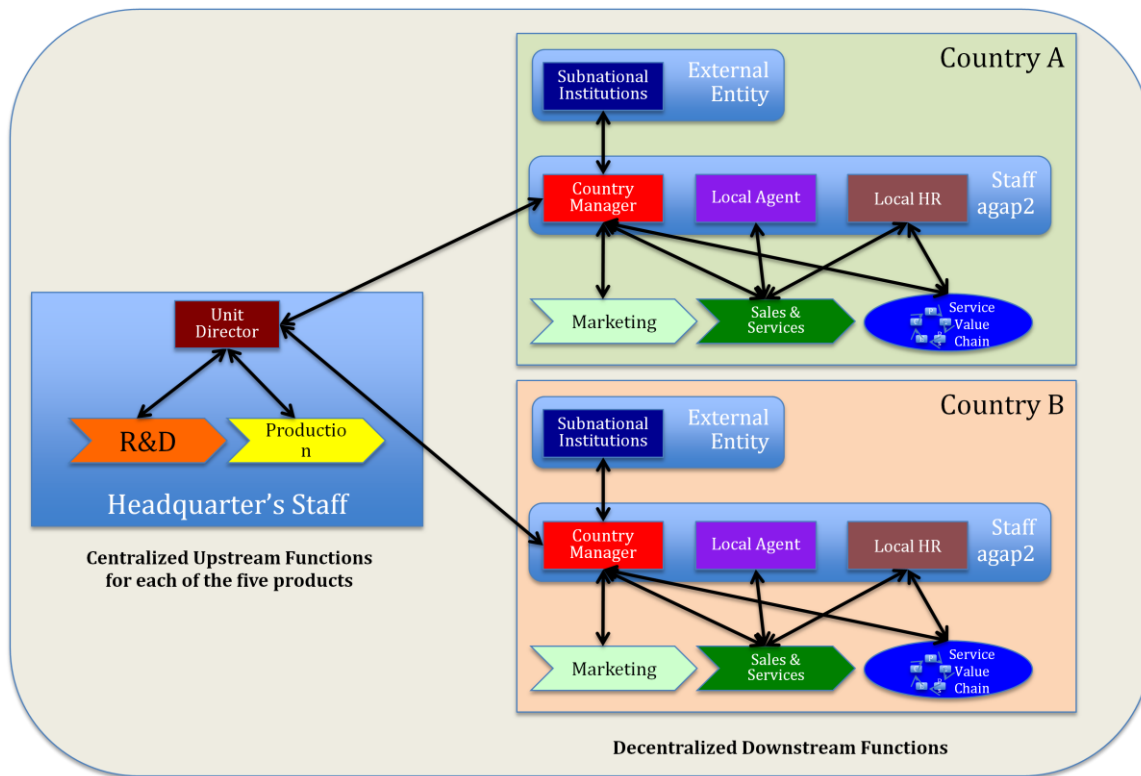
Although the consultancy's core business is outsourcing, it also sells other types of services and products. This is why it will be important to keep centralized the upstream functions, which would include the development of products of Solution Deliveries and Integrations Services. This could also include the Training Centre products, but it will need a strong interaction with the Country Managers to keep updated with tendencies and the possible local licences and norms that the local government could require.

Outsourcing services should be more local based, as shown in figure 19, in order to keep a closer contact with the customer and also to keep as much as possible the services requested by the client. Agents (or Business Managers) must be also local to reduce the possibility of language or cultural misunderstanding and eliminate possible premature returns, which can happen in case of expatriates. Consultants should preferably also be local for the same reasons, unless the knowledge required on a specific technology would not be available in the local market.

Again it is important to emphasize the matrix interaction between the Unit Directors in charge of the five products and the Country Managers. There should be a continuous interaction so that information would flow from both sides. The importance of giving the information about

technological tendencies is high for two main reasons: a) different countries subsidiaries would manage to increase their potential technological portfolio to attract clients; b) to recruit new candidates for staff/consultant positions that could have the requested requirements. It would improve mobility of consultants and the responses to clients' requests.

6.2   Personnel and Roles

The role of the Human Resources Department, and the pre-selection of candidates is a key activity for any company. More so in case of companies starting a process of internationalization. Social habits and behaviours rules in new countries may be substantially different from those of the company. This must be taken into account during the recruitment of the candidates either for the permanent position in the new country or for consultants to be expatriated. Recruitment of local candidates has considerable advantages and should be an immediate concern for a fast internationalizing company entering a new market. This will eliminate the problem of premature returns of expatriates and the costs of cultural training both for languages and behavioural aspects. It will also help finding whether there are real benefits or not, of outsourcing consultants using local fees and salaries, which should be the correct way to spot whether the local consultant market is interesting in a long run. Labour market research indicates that there is a large unsatisfied demand for IT consultants in the region that justifies the use of expatriate consultants. However, there is always a tendency of the markets to improve the local consultant offer. In addition there are contexts of the IT technologies used locally that can take more time to analyse by an expatriate than a local. Local project managers can have difficulties to explain or even to coordinate the different tasks of a foreign professional, and this gets worse when there is also a difficulty in speaking a common language (not everybody is fluent in English, French or German). Consultants with international and intercultural experience are scarce and also considerably expensive, and can be a target for the client (or competitor) in further direct contracting, causing a brain drain risk in the company. Therefore it will be suggested to the company to expatriate only consultants with specific and niche technological knowledge.

The same issue should be considered for Country Managers and Local Agents/Business Managers. It is a fact that prospect meetings are easier and more fruitful when conducted in the local language. Clients have always a tendency to adapt a diplomatic attitude when not speaking their mother tongue, which can affect the final outcome and objective of the meeting. Also, an expatriated manager can have the skills and knowledge of the technical sector, but may lack knowledge of cultural manners and/or knowledge of the local market that

could slow down acceptance and growth of network in the new country. It is therefore proposed to recruit local managers with previous experience in sales and also with a potential portfolio of clients to be used. The company should train them in the agap2 values and the desired working methodology.

Although agap2 with its high PDI culture tends to keep everything centralised at headquarters, the decentralization of the downstream activities to the local markets would be a must. A reorganization of roles will be required. The following list will identify these roles, and their broad terms of reference and where they should come from:

- Unit director (for each of the five services agap2 provides)
  - Duties:
    - Transversally supervising each Country Manager (CM) on objectives and results related to their product/service;
    - Training and updating CMs on new products or services;
    - Informing CMs about new technological tendencies;
    - Informing CMs about potential consultants and/or candidates with knowledge of niche technologies not available in the local market.
  - Requirements:
    - Unit director can be originally from the same country of the headquarters but must be expert on their products/services;
    - Must have abilities to communicate in different languages,
    - Must have knowledge of the local cultures and flexibility to understand local ways of working.
- Country Manager
  - Duties:
    - Inform Unit Directors on local technological tendencies, services and products;
    - Supervising Local Agents (LA) and Local Human Resources (LHR);
    - Organizing the subsidiaries following the legal and fiscal regulations of the country.
    - Liaise with Subnational institutions to promote company and to participate in local networks;

- In collaboration with the Unit directors and/or Headquarters' staff, organise the participation of the company in local international events to promote business opportunities.
- Training LA in the company's methodologies and values;
- Country Managers should also act as LA during the start-up of the subsidiary (during start-up this role could be played by a Headquarters' Staff).
  - Requirements:
    - Country Manager should be a local recruit as soon as possible;
    - It would be preferable to have a Bi-cultural manager, to ensure the liaison with Headquarters;
    - They must have an entrepreneurial spirit.
    - Knowledge of local legislations, subnational institutions and local networks.
- Local Agents/Business Manager
  - Duties:
    - Responsible for the commercial aspects and selling of the consultancy's services,
    - Responsible for final selection of local personnel and for the allocation of consultants in different projects;
    - Maintaining continuous contact with local clients.
  - Requirements:
    - Must be local to eliminate language and cultural issues.
- Local Human Resource
  - Duties:
    - In order to create a roster of candidates/consultants they will be in charge of the initial phase of interviews with local candidates,
    - In charge of recruitment of candidates after approval of candidate by LA or CM;
    - Follow-ups of the local consultants' appointment.
    - Should be responsible for the assistance to expatriate consultants to facilitate their integration in the country.

Subnational Institutions should be used to retrieve as much information and help as possible for the implementation of the work of the subsidiary. These would include different types of organisations such as Chamber of Commerce, IT Clusters, Associations of Professionals, Start-ups Centres etc. They would liaise through the Country Manager as indicated above.

6.3   Leadership & coordination

Using this model it will be possible to centralise all the coordination at headquarters. Unit Directors would be able to maintain contact (through videoconferences for example) with the Country Manager to keep track of the evolutions of the different subsidiaries and also manage to retrieve as much know-how from the different countries.

It would be possible to maintain the current goal-objective methodology used in the company, but a degree of flexibility would be required as in some countries it will be difficult to maintain the goal-objectives numbers requested, for instance, for prospect meetings with new potential clients. This can be for cultural reasons. The Netherlands had shown the need for more successful meetings before signing a project, as consultations between managers and subordinates takes place often.

6.4   Networking

Networking is an issue for *Outsidership* companies. It is therefore important for foreign companies to get as much help as possible through subnational institutions. In some cases these institution could charge a fee for such services, although they should be considered as extra expenses required for promotion and marketing. An important service offered, would be the possibility of establishing contacts/partnerships with "strategic clients/partners". This would improve the acceptance from some companies to meet *Outsidership*, if introduced through these institutes. Subnational institutions could also be source of information of any type of conferences and events related to the sector of their client. As previously mentioned, international events and conferences should also be prepared and it is an important point to create Networks and to understand what the possible competition there could be in the local market.

7   Conclusions

The scope of this thesis was to examine the process of Internationalization of agap2 in the Benelux. The review of the approach and results has pointed out issues in the relation to cultural differences between agap2's culture and with the markets they tried to enter. After this initial analysis a review of the research published in the literature on internationalization was carried out. From this review, the *Liability of Outsidership* emerges as a critical issue that can compromises successful entrance in a market. The creation of a network of clients and business partners could take longer than expected also depending on how important the cultural differences between the entering company and the new market would be. Important elements in these cultural differences are the forms of negotiations and behaviour that should be taken into account when establishing the first contacts. The time and the number of meetings required will also vary. The literature also points out that expatriation of personnel (both for management and consultants) often has a high risk of premature return that could compromise the relationship between the company and its client/partner. The organization of personnel from a remote location, as it is managed by agap2 at present, complicates the task of follow-up and renders personal/professional involvement less satisfactory. Their results, in terms of penetration of the Belgian and Dutch markets, have not met so far the expectations of the company.

Literature suggests different models and methodologies to understand the feasibility and improve the efficiency of an internationalization process. The introduction of a new framework considering also the cultural, administrative and geographical attributes of a country in managerial tool kits, improves the analysis to determine which target market should be chosen by a company. The possibility of working with subnational institutes to increase and facilitate the introduction/promotion of a new player in the market, together with the extra administrative and legal consultations that they offer, also helps the creation of a network of clients/partners and consequently facilitates the creation of a local subsidiary.

Decentralization of the downstream activities in a value chain model could be a solution when addressing a foreign market. All these different proposals will be nevertheless influenced by previous internationalization experiences, as the Experiential Learning can facilitate the absorption of knowledge of the new market.

Agap2 – Internationalisation process in the Benelux

Agap2 has a strong background and had shown a rapid growth, not only internationally but also in numbers of employees, projects, countries and economic turnover, which has changed it from a Small Medium Enterprise to a Multinational. Its values, transparency with the consultants and the dynamism in answering requests is an added-value in any market that is looking for IT services, as the work will come from professionals that are happy with their working conditions and feels part of a great family. However, the dimension of personnel and their market's turnover is getting too big to maintain a "family" structure, and the organization will need to reorganize several aspects of leadership and human resources management.

The proposed model tries to reduce the risks of failures of internationalization by minimizing the Liability of *Outsidership*, and it should integrate the company better in networks in the new countries. The emphasis is on decentralization of downstream activities and it proposes different new staff roles and a restructure of the organization. The advantages of the proposed model should be the following:

- A closer interaction with clients in the new countries;
- Elimination of cultural differences and intercultural clashes;
- Better understanding of the foreign market;
- Reduced risk of premature return of expatriate as supported by local subsidiary;
- Improved human resource procedures and follow-up of expatriates.
- Cross-cultural matrix management to increase know-how and service efficiency through total information exchange;
- Better interaction with local subnational institution to improve the company's network and business promotions.

To initiate a process of internationalization in new countries is always an investment for a company with a variable degree of uncertainty. Up to now agap2 has approached it using mainly the human resources available at its headquarters. The model proposed favours a decentralization as early as possible to the new countries that has advantages as shown above but that in terms of costs may be more expensive. As designed it requires recruiting personnel locally and may result in losing part of the financial benefits that the company had by expatriating Portuguese professionals. The model will also increase the workload and responsibilities of the Unit Directors in the five services with regard to communication and supervision of the various subsidiaries but at the same time eliminates positions in the

international unit at headquarters, which at present are involved in the downstream activities. Cost of travel would also be reduced, as functions at present carried out by Headquarter staff would be decentralized.

The model has therefore pros and cons, which should be analyzed and weighed by the company. It is felt that the advantages of the model far outnumber its disadvantages and should allow a more stable process of internationalization in the new countries, which in the long run would be reflected in an increased portfolio of projects and more benefits for the company.

Literature review tells us that culture of a country hardly changes in time. It is essential to understand how people behave and work to successfully integrate inside a new country. Although no model is perfect or universal it can provide a good initial base for an internationalization process. Internationalization through experiential learning without a previous analysis of the local context and cultures can lead to a possible entrance in the new market, but at the same time it could be extremely inefficient or not sustainable. On the contrary a previous analysis and adoption of an appropriate internationalization model should allow more sustainable entrance and longer term benefit.

Agap2 should therefore consider whether to keep the present process/structure of expatriation, or to seriously invest in a more decentralized internationalization process. Internationalization through a FDI process should happen when a company is willing to invest and taking the risk of such venture. To minimize these costs there is a strong need to communicate and work with subnational institutes. This should, nevertheless, happen locally with institutes that are installed in the country (or city) of interest. Remote coordination and communication will always delay the time of integration, than having a daily interaction with these institutions. If there is a possibility of contracting a local agent/business manager, this interaction and implementation could happen faster than expected.

What it has been learned in preparing this thesis is that International Business is not an exact science and that the impact derived from cultural differences is still not completely understood by many companies, even if they have previous internationalization experiences. Although in the literature a considerable number of articles and books can be found related to this type of impacts, there is still a feeling that companies would prefer to start these new international experiences through Experiential Learning, using trusted internal resources and neglecting what is has been studied until now by the academy. An entrepreneurial open-

minded attitude, the participation in an extensive local network, asking help to local external parties and especially a possible reorganization of the company could be answers for an efficient internationalization. Cultural differences limit the universal application of business models and methodologies, which is why it is important to have an assessment of such differences between the company and the new foreign market. The use of new parameters to identify such differences in cultures has also been learnt. Once these differences are spotted it will be up to management to understand what should be changed in their approach or business model to reduce as much as possible these differences, but it would be a mistake not to take any actions if these differences could affect negatively the relationship between the company and their potential clients.

The importance of Intercultural Management and Interaction should always be under strict consideration by high-level management. It would not be wise to keep on pushing expatriates to satisfy foreign client or to maintain a client/company relationship at distance forever. The cultural differences can be analysed, predicted, classified and sometimes felt, but they may be difficult to understand (and sometimes to accept them) when seeing them from far or when coming from another context. Not everybody works or thinks the same way. When referring to the old saying, "*When in Rome*, *act like a Roman*" it can be said now, that in order to reach the fastest "*path to Rome*" nobody can guide you better than a Roman.

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9   Annexes

9.1   Annex 1 – Key differences between Power Dimensions

Table 3 - Key Differences between Small - and - Large - Power - Distance Societies (PDI)

II: The Workplace

Small Power Distance	Large Power Distance
Hierarchy in organizations means an inequality of roles, established for convenience.	Hierarchy in organizations reflects existential inequality between higher and lower levels.
Decentralization is popular.	Centralization is popular.
There are fewer supervisory personnel.	There are more supervisory personnel.
There is a narrow salary range between the top and the bottom of the organization.	There is a wide salary range between the top and the bottom of the organization.
Managers rely on their own experience and on subordinates.	Managers rely on superiors and on formal rules.
Subordinates expect to be consulted.	Subordinates expect to be told what to do.
The ideal boss is a resourceful democrat.	The ideal boss is a benevolent autocrat, or "good father".
Subordinate – superior relations are pragmatic.	Subordinate – superior relations are emotional.
Privileges and status symbols are frowned upon.	Privileges and status symbols are normal and popular.
Manual work has the same status as office work.	White-collar jobs are valued more than Blue-collar jobs.

Source 19 - source Hofstede, Hofstede, & Minkov, 2010

Table 4 - Key Differences Between Collectivist and Individualist Societies (IDV)

III: School, Workplace, and ICT

Collectivist	Individualist
Students speak up in class only when sanctioned by the group.	Students are expected to individually speak up in class.
The purpose of education is learning how to do.	The purpose of education is learning how to learn.
Diplomas provide entry to higher – status group.	Diplomas increase economic worth and/or self-respect.
Occupational mobility is lower.	Occupational mobility is higher.
Employees are members of in-groups who will pursue the in-group's interest.	Employees are "economic people" who will pursue the employer's interest if it coincides with their self-interest.
Hiring and promotion decisions take employee's in-group into account.	Hiring and promotion decisions are supposed to be based on skills and rules only.
The employer-employee relationship is basically moral, like a family link.	The employer-employee relationship is a contract between parties in a labour market.
Management is management of groups.	Management is management of individuals.
Direct appraisal of subordinates spoils harmony.	Management training teaches the honest sharing of feelings.
In-group customers get better treatment (*particularism*).	Every customer should get the same treatment (*universalism*).
Relationship prevails over tasks.	Task prevails over relationship.
The Internet and e-mail are less attractive and less frequently used.	The Internet and e-mail hold strong appeal and are frequently used to link individuals.

Source 20 - source Hofstede, Hofstede, & Minkov, 2010

Table 5 - Key Differences Between Feminine and Masculine Societies (MAS)

IV: The Workplace

Feminine	Masculine
Management as ménage: intuition and consensus.	Management as manège: decisive and aggressive.
Resolution of conflicts by compromise and negotiation.	Resolution of conflicts by letting the strongest win.
Rewards are based on equality.	Rewards are based on equity.
Preference for smaller organizations.	Preference for large organizations.
People work in order to live.	People live in order to work.
More leisure time is preferred over more money.	More money is preferred over more leisure time.
Careers are optional for both genders.	Careers are compulsory for men, optional for women.
There is a higher share of working women in professional jobs.	There is a lower share of working women in professional jobs.
Humanization of work by contact and cooperation.	Humanization of work by job content enrichment.
Competitive agriculture and service industries.	Competitive manufacturing and bulk chemistry.

Source 21 - source Hofstede, Hofstede, & Minkov, 2010

Table 6 - Key Differences Between Weak and Strong Uncertainty - Avoidance Societies (UAI)

III: Work, Organization, and Motivation

Weak Uncertainty Avoidance	Strong Uncertainty Avoidance
More changes of employer, shorter service.	Fewer changes of employer, longer service, more difficult work-life balances.
There should be no more rules than strictly necessary.	There is an emotional need for rules, even if they will not work.
Work hard only when needed.	There is an emotional need to be busy and an inner urge to work hard.
Time is a framework for orientation.	Time is money.
Tolerance for ambiguity and chaos.	Need for precision and formalization.
Belief in generalists and common sense.	Belief in experts and technical solutions.
Top managers are concerned with strategy.	Top managers are concerned with daily operations.
More new trademarks.	Fewer new trademarks.
Focus on decision process	Focus on decision content.
Intrapreneurs are relatively free from rules.	Intrapreneurs are constrained by existing rules.
There are fewer self-employed people.	There are more self-employed people.
Better at invention, worse at implementation.	Worse at invention, better at implementation.
Motivation by achievement and esteem or belonging	Motivation by security and esteem or belonging.

Source 22 - source Hofstede, Hofstede, & Minkov, 2010

Table 7 - Key Differences Between Short and Long-Term Orientation Societies Based on CVS Data: Business and Ways of Thinking (LTO)

Short-Term Orientation	Long-Term Orientation
Main work values include freedom, rights, achievement, and thinking for oneself.	Main work values include learning, honesty, adaptiveness, accountability, and self-discipline.
Leisure time is important.	Leisure time is not important.
Focus is on the "bottom line".	Focus is on market position.
Importance of the year's profits.	Importance of profits ten years from now.
Managers and workers are psychologically in two camps.	Owner-managers and workers share the same aspirations.
Meritocracy, reward by abilities.	Wide social and economic differences are undesirable.
Personal loyalties vary with business needs.	Investment in lifelong personal networks, *guanxi*.
Concern with possessing the Truth.	Concern with respecting the demands of Virtue.
There are universal guidelines about what is good and evil.	What is good and evil depends on the circumstances.
Dissatisfaction with one's own contributions to daily human relations and to correcting injustice.	Satisfaction with one's own contributions to daily human relations and to correcting injustice.
Matter and spirit are separated.	Matter and spirit are integrated.
If A is true, its opposite B must be false.	If A is true, its opposite B can also be true.
Priority is given to abstract rationality.	Priority is given to common sense.
There is a need for cognitive consistency.	Disagreement does not hurt.
Analytical thinking.	Synthetic thinking.

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Source 23 - source Hofstede, Hofstede, & Minkov, 2010

Table 8 - Key Differences Between Indulgent Restrained Societies (IVR)

II: Private Life, Consumer Behaviour, Sex, and Politics

Indulgent	Restrained
Higher approval of foreign music and films.	Lower approval of foreign music and films.
More satisfying family life.	Less satisfied with family life.
Household tasks should be shared between partners.	Unequal sharing of household tasks is no problem.
People are actively involved in sports.	People are rarely involved in sports.
E-mail and the Internet are used for private contacts.	Less use of e-mail and the Internet for private contacts.
More e-mail and internet contacts with foreigners.	Fewer e-mails and Internet contacts with foreigners.
Less consumption of fish.	More consumption of fish.
More consumption of soft drinks and beer.	Less consumption of soft drinks and beer.
In wealthy countries, higher percentage of obese people.	In wealthy countries, lower percentage of obese people.
Loosely prescribed gender roles.	Strictly prescribed gender roles.
In wealthy countries, less strict sexual norms.	In wealthy countries, stricter sexual norms.
Freedom of speech is viewed as relatively important.	Freedom of speech is not a primary concern.
Maintaining order in the nation is not given a high priority.	Maintaining order in the nation is considered a high priority.
Lower numbers of police officers per 100,000 populations.	Higher number of police officers per 100,000 populations.

Source 24 - source Hofstede, Hofstede, & Minkov, 2010