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**International Marketing: a case study of ERP Consult and
its development in Spain**

MBA

University of Wales

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DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

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Abstract

The aim of the dissertation is to analyse the different models a company can evaluate before trying to sell its service in a new geographic area, where the company has never had any business before.

Different theories regarding international marketing will be taken in consideration in order to analyse the different opportunities a company can approach. These theories will be later applied to the case study.

Secondary data have been used to collect the necessary information about the case study on ERP Consult and its plan to acquire new clients in Spain. During the process managers and sales representatives have been interviewed in order to acquire relevant information.

As far as the methodology approach, a qualitative research will be developed and conclusions and possible suggestions will be presented.

Chapter one Introduction

In an increasingly global society, many companies can not afford to live just with the idea that the domestic market will always be strong; other companies are more ambitious and therefore decide to open themselves to new markets. So by taking a venture in an international market, a company uses part of their sales and profits to expose itself to a greater number of prospects. Khan (2005) explains the several benefits of selling products overseas, but at the same time the decision has to be done carefully. During this process there are different elements to take in consideration as for example cultural and language barriers, possible religious differences, business negotiations styles. Other difficulties when expanding in a foreign market could be economic and political risks. Going outside the borders may lead to instable governments and an insecure business overseas may come up. Foreign exchange and the issue of intellectual property are other points to be considered. Last but not least in some countries there is an existing risk of not being paid.

With all these risks, if we are facing every day an always more global economy it is certain that there are numerous advantages in selling to new markets, but before doing it there is an important step to do: prepare a strategy and decide how to enter the market.

As Lanning et al. (1988) explain it is key to understand who a company is going to prospect. Once it is clear who the potential buyer of a service is, the plan could be adapted to the needs of the prospect.

Thomas (2003) is the CEO of Value Selling, one of the most used sales techniques in the consultancy business, and one of the principles she describes in her book is that: *“the solution is in the mind of the buyer”*. During the preparation of the plan, the

buyer has to be defined and products which could be adapted to his requirements have to be designed to offer the correct value proposition.

1.1 Aim of the Research

During this dissertation, different market strategies are going to be taken in consideration and the most appropriate for the case study of ERP Consult will be chosen.

Although it may look normal from outside that a company wants to sell more and expand its market to new countries, the process is not always straightforward.

Personally I have been involved in the process as a member of the sales team in the European headquarter in London. The aim of the research is to find the right combination between personal and practical experience compared to academic research. As involved in the process it has been quite easy to find relevant qualitative data based on interviews to colleagues and management. The objective is to gain academic knowledge, which could improve my daily job and at the same time write a dissertation which would not just be based on the student experience but also backed by experience on the field.

1.2 Objectives of the research

This dissertation has several objectives, which will be analysed in the following chapters:

- a. analyse the relevant market strategy in an international environment;

- b. apply them to the case study and check whether the case study fits in this process;
- c. analyse the success of ERP Consult and suggest possible improvement if there are any.

During this process a few questions **will be answered:**

- Who is the ideal prospect?
- What are the available techniques in international marketing?
- What is the correct brand strategy?
- How to leverage the comparative advantage?
- What are the possible Human resources issues in a multinational environment?
- What are the barriers to entry?

1.3 Dissertation Structure

The dissertation has been structured to answer all the questions above. In the following chapter, the inherent literature will be presented, in order to give the necessary content to the case study. **As the proposed methodology is to construct a company case study, it is inevitable that basic information on the case company will be incorporated into discussions of theory and comparative best practice, when identifying which models are relevant to this study. The reader should not consider these discussions in Chapter 2 to be the main case study data, but more a justification of the discussions of theory in a relevant context.**

The third Chapter regards the methodology applied and explains how the information has been collected on a qualitative point of view and presented according with the theory.

The fourth chapter is about the case study and aims to explain how ERP Consult managed to create in about 10 years about \$20.000.000, implementing in different stages two of the theories presented in chapter 2.

The dissertation ends with the fifth chapter, which has the conclusion with the results and the possible improvement to the case study and after the biography.

1.4 The Case Study: ERP Consult brief history and background

The company was founded in 1979 and has its main quarter in the USA. The company developed during the years and it reaches at today about 4,000 employees worldwide and had in 2006 revenues for over \$1 billion. The main focus is the information and technology research and advisory, but lately also consulting and events are playing a major role within the organisation. Within the staff there are 1200 analysts and there are clients in 75 countries. In the last 15 years the company acquired several competitors, widening his market share to approximately the 60% and increasing the area of coverage in the IT advisory market.

In this case study, the theory presented will be applied to establish what the most suitable business model is to enter the Spanish market for a global IT consultancy company. ERP Consult had already developed successfully in country with a culture similar to the American, as for example the United Kingdom. Afterwards, countries with a good developed economy entered the process of branding the market in Europe, as for example Germany, France and Italy. All of them, even if with some difficulties, proved to be successful, therefore the project continued and Spain,

together with the Scandinavian countries and the Benelux were the following targets at the beginning of the nineties.

The issue ERP Consult faced was which approach was the most appropriate one for the project. While in the United Kingdom a European Headquarter was established in London, a similar investment was not considered appropriate for a country like Spain, where no contacts have been previously established.

1.5 Similar case of success

To give a similar successful example it is probably worth to introduce the story of Caterpillar. Fites (1996) describes the situation of this American producer. In the early 1990s Caterpillar was in a strong crisis and the Japanese competitors seemed ready to take over the market. Komatsu recently increased of 40% its sales on some lines and was almost the dominant producer in the mining equipment industry. At the end it did not happen and Caterpillar is still the leader thanks to several factors. Some of them are in common with the success of ERP Consult: for example Caterpillar has a very strong brand and it's known for the excellent quality of its products. Caterpillar also took advantage of the weak dollar compared to the yen, similar situation if we compare the dollar and the euro in the last few years. But what proved to be the most important factor was the relationship Caterpillar managed to create with its system of distribution and the close relationship the distributors managed to create with the clients. Everybody in the sector knew there was a company called Caterpillar, as everybody in the IT business know there is a company called ERP Consult. But the distributor really can influence the requirements of the client and suggest possible solution. Caterpillar chose distributors who were business leaders in the singular

countries and who were deeply involved in community activities. This model, as described in chapter four will be replicated by ERP Consult because establishing long term relationship with the clients is a personal business and very important for succeeding in the long term. Caterpillar as ERP Consult is doing also supports the distributors in accountancy and in some finance aspects to facilitate the communication between the two entities and to maintain their internal processes. Muelhbacer et al. (2006) provide also an example of the tight and efficient collaboration Caterpillar managed to establish with its distributors: when a faulty part was found in the world they managed to establish such a system, which could provide in a few hours the new part to the client, limiting the time when the machine was faulty. Quality services like this, lead to a high customer satisfaction, making them willing to pay an extra premium for the service. ERP Consult managed a similar process with the inquiry with the analysts. A client has an issue and has to be able to talk with an expert as soon as possible to fix it. Establish an efficient communication between the distributor and the company is also an important objective if the company looks for a long term relationship.

Fites (1996) closes the article with comments from the Caterpillar management, who say how mutual trust, continuity, consistency in policies and performance standard are the basis of the relationship, without them it would not be possible to continue to work together. As it will be discussed this is what happened at ERP Consult and its Spanish distributor.

Chapter 2 Literature Review

2.1 Theory of international marketing

The key for a successful international marketing campaign is to understand what the prospect perceives as value. Once it is known what he demands it is easier to establish a customer focus campaign.

Lanning et al. (1988) establish what the role of the marketing in the business is:

- understand customers' perception of value and once identified provide it to them;
- offer a superior value proposition;
- determine the correct position and brand strategy
- distribute and price the service

He explains that it is the system as a whole that leads to results and a correct marketing orientation involves not only the company but also suppliers, customers, competitors and partners to create a bigger picture. These factors will be elements of analysis in the following discussion.

2.2 Market Entry

Gannon (1995) explains how the concept of market entry relates to the difficulty or ease for a company to enter a new international market. To find the appropriate mode of entry a firm has to understand what type of effort and commitment is required and what level of control over the operation they want. Brouthers (1995) add to it the level of risk a company is willing to face. In a high risk situation it may not be worth to

commit a high quantity of resources, while in a country with a lower risk a firm may desire a high level of control and therefore invest higher resources to reach it. As a general trend Bradley et al. (2000) show how, because of the uncertainty of the market, a company in its early or declining stage would avoid a high control entry market mode, whereas firms in the growth or mature stage of the life cycle would prefer invest more to have a higher control of the process.

There are different export entry modes and they will be analysed by focusing on the case study in the following chapter:

- Indirect exporting, when the service is fully managed by a company in the domestic market. In this case the company has a passive presence in the new country and the product could be indistinguishable from other domestic solutions. It usually happens when an external entity realises that there could be a request in a foreign market. This party takes all the risk and handles all the export management, sometimes even without the knowledge of the producer, who starts to be interested once he knows the product has been successful. As the risk is managed by the exporter, he is also the party with the higher benefit.
- Exporting directly through an agent or an intermediary. A company uses an existing structure with the services of an intermediary who is able to find a market and buyers for the products or services. In this sector there are association who can also put in touch the parts and suggest who fits better in the profile of the agent. In this way the exporter can still have a considerable control over the process but does not necessarily have to invest on premises and staff in the new country. At the same time the exporter can learn with the

- Exporting directly. This approach is the most ambitious and risky. The exporter takes charge of the process and has full control. It may require to establish premises in the country and to hire staff and consequently a significant commitment from the management to achieve the company's goals. Companies tend to treat foreign sales in the same way as the domestic, but they need to consider the differences in culture and special skills which may be needed in the new country and that not always the newly reproduced model is as successful as at home. Although risky in the short term, it is the process which guarantees the best results in the long term, as the company looks after its interests in first person and looks for the best possible market penetration. In this process the support of local governments as well as Chamber of commerce, banks and other entities may be required to succeed. Larger companies may decide to organise geographic lines, as for example a unit for Americas, one for Asia and the Pacific and another one for Europe and Africa, in order to focus the objectives and needs in areas.

The model chosen by ERP Consult is the second, to export directly through an agent or an intermediary, and the reason which brought to it will be later discussed. Gannon (1993) explains that the variables which lead to a model instead of another are the following: marketing strategy variables, organization specific variables, target country variables and industry specific variables. As far as marketing strategy Ayal et al. (1979) offer two possibilities in international markets: a concentration strategy or a

diversification strategy. In the first one the firm focuses on a limited number of attractive markets, while in the second the effort is spread on a larger number of markets. A firm following a market concentration strategy face a lower risk and minimize the investment. Often there is some form of licensing and the success depends on agents and distributors, who have to take care of marketing and finding the clients. The product will probably be unchanged as it will only have to meet the standards requirements. The aim is to reach a slow and gradual growth thanks to specialization and scale economies, profits in the short term may be sacrificed to penetrate the market. Market diversification is spread over many markets. This approach is more flexible, reduces the concentration on a single market trying to gain some competitive advantage in the short term. Resources have to be distributed over many markets with the aim of selecting those where success is easier achievable to obtain a high return with a low commitment. Prices can be higher to gain and capitalize rapidly.

Depending on the strategy that a company selects, resources will be allocated in different ways. There could also be a mix in the two strategies as for example country concentration (instead of going global) but with several solutions, or they could go for a geographic diversification but focusing only in one product. Companies going for this solution are probably looking a price advantage from countries with a fast growing economy. The last option is country and diversification strategy. Having the focus only in one country and in one product probably means that the solution appeals to more markets within the country. This strategy is quite aggressive and usually is used by large corporation with a strong brand and which could play with prices to find a quick entry in the market.

As far as the choice of the correct model Hwang et al. (2007) explain how the number of strategic alliances has increased sensibly in the last year, especially in the high technology sector. The article shows how this process has usually 4 stages:

- Conception
- Commercialisation
- Growth
- Stability

Deeds et al. (1996) explains how a strategic alliance offers the opportunity to increase rapidly in creasing the chances of success and usually provide to the participants credibility and legitimacy. Hwang et al. (2007) describes the several reasons why firms may decide to have a strategic partner. It can combine the knowledge of the two parts and share their resources and contacts.

2.3 Complexity of the entry

Bradley (2002) tries to describe the complexity of international markets and links it to the marketing strategy. Complexity involves a considerable number of elements, as intermediaries, governments, competition, clients and suppliers. Create an efficient environment in a foreign situation is not simple, taking in consideration cultural differences and a lack of experience in the given market. Market complexity and strategy work in a close bind: if the complexity is low the general trend is often to go for a market diversification and export the product. If the complexity is high, the most

frequent solution is to acquire a local company in a similar sector, in this way not only they go straight into an established reality, but they gain premises and trained staff and they get rid of a possible competitor. Finally if concentration strategy is chosen, it may be advisable to invest directly and as said before there is a long term aim behind.

In such a complex system Hamilton (2001) offers examples of successful market internationalisation, where American companies managed to develop business thanks to a collaboration born at home and finished abroad. Thanks to the US Agency for international development (AID) and the American Lending Agency, it is possible for American companies to find opportunities in the first place and find the necessary funds to establish new branches abroad. Hamilton cites also assistance programs where public organisations received helps in establishing contact in a new country to realise whether there are market opportunities or not.

Other options could be strategic alliances, which usually fall between the two levels, such as joint ventures or partnership are used to split the risk between the two parts. It is what recently happened to several companies who wanted to enter the Chinese market and did not have the knowledge to do it on their own on a side, but saw great opportunity on the other. In case of strategic alliances a correct analysis has to be done before the agreement. In fact the exporter has to make sure that the local company understands the external environment, government's rules, cultural differences, suppliers, competition and international trends as for example the currency. Also the share of each company has to create a win-win situation, to make sure both parties are satisfied and the partnership has a future.

The importance of a correct and successful strategy is shown in the history of IBM success. Harrell et al. (2007) explain how at the beginning of the 1990s, Wall Street

was previewing the failure of IBM after its great success during the eighties as the company could not face the change of the market and can not adapt its strategy to it. Ten years later, IBM has a business of \$35 billion and managed to change completely its services and image on the market. Harrell et al. (2007) show the importance of the strategy in this process and how firms can achieve and sustain competitive advantage. Olsen (1977) said there were no reasons for any individual to have a computer in its home. Strategy is always considered important but often fails. What IBM did was using the concept of Dynamic capabilities, which starts from the idea of core competencies but at the same time focuses the management in adapting the competencies to a rapid changing environment. So after selling hardware for years, they saw competitors doing the same; Gerstner, CEO of IBM introduced the idea of services, as what was sold was a capability, something that other people can not easily acquire. This idea is really close the ERP Consult business and it is an example of why and how the company can succeed in a new market if the other important elements are correctly established.

2.4 Brand strategy: pairing local and international

Bradley (2002) explains how global companies want to build an international competitive advantage to gain a competitive advantage in every single market. On the other hand it has to be ensured that the service or the product offered is desirable in the country where it has been proposed. He explains how branding and financial strength are key factors to support growth and innovation. Regarding the brand he suggests as examples Nestle, which combined the advantages of being international with the local cultural aspects of their brands. Spain is a big consumer of bottled water, what Nestle did was combine its brand with local brand like Aquarel, Narciso

or Viladrau, but also maintaining international names like Perrier or Vittel, offering to the clients who are used to Spanish water a local product, but also introducing global brands to the major public.

How this can be applied to ERP Consult? In 1999 ERP Consult at its very first stage on the Spanish market had a partnership with a company called Revenues. Revenues was at the time a well established company on the Spanish market, with more than 1000 person employed on the territory and 9 offices in Spain plus one in Portugal. Having the opportunity to start its business with an efficient sales force who knew the market, the prospects, and the cultural barriers of a new market was a great opportunity to establish the name in a new market.

For Revenues it was also a good partnership: ERP Consult was already a World Wide known brand and a very sellable product in the area. Sharing the revenues from the deal was a good solution for them, because not only they could make a profit out of that, but they could up sell their consulting services, upgrading also their brand thanks to the partnership.

For ERP Consult this entry was a successful entry, because it did not require huge investments and it offered the possibility to test the market which could have a further development in the following years. Further theory and the progress of this process will be discussed in the following chapters.

2.5 Comparative Advantage – International marketing strategy

Ricardo (1817) defines the comparative advantage a margin of superiority in the production of a good or service i.e. where the opportunity cost of production is lower.

This means that a global company which wants to enter a new market needs to be more efficient in producing a product or service than the local competition.

In our case, Spain has definitely cheaper labour cost than the US and the United Kingdom. ERP Consult has to differ from the standard factors: land and labour cost are not relevant to the case. They could have a comparative advantage and consequently the opportunity to enter this market if they manage to licence the technological know-how which could not be found in the Spanish territory, and therefore local enterprises are willing to pay the extra cost to reach the same level of the company operating outside Spain. Legal enforcement are also important to protect the intellectual property and avoid that existing competition can reach the same level of skills which could be added to the existing presence on the territory and lose the comparative advantage.

Hunt et al. (1995) explain how competition consists of a constant struggle between companies for a comparative advantage on resources which will lead to a superior performance. By defining resources, Hunt et al. (1995) classify them in 5 categories: financial, physical, human, organisational, informational and relational.

The human is a very important resource for ERP consultant as the core business is to transmit the knowledge of 1200 analysts and consultants to the CIOs and at the same time the firm has a strong sales force to acquire always more growth in the five continents. Also the relational resource is relevant, because it is based on the relationship between client and supplier. A strong weapon of entry for ERP Consult is the affirmed brand at global level, which facilitates the entry in a new market.

Porter (1986) explains how different countries tend to have different competitive strengths, and in the example he uses he says the United States are known for their knowledge in the computer sector. This gives them the ability to recruit good staff and

respond to challenging competitors facing the same customers and market and they do not necessarily need to improve if they become global as they already are the best.

Bradley (2002) explains that resources and capabilities prove the long run strategy and the primary source of profit. If the firm wants to make a profit it depends on the success in establishing competitive advantage over rivals and on the attractiveness of the industry in which it competes. The CIO Agenda (2008), a document where 1500 CIOs answer to a questionnaire every year, explains how there is a constant increase in the changes of IT processes and the constant increase of investment that companies dedicate to IT. As far as success concerns, statistics of the end of 2007 show how the revenues made from research and advisory services at ERP consult are five times the revenues of Forrester, the main competitor world wide, which has not decided yet to work on the Spanish Market.

When competing on international scale Prahalad et al. (1990) explain that to verify the value of the resources 5 criteria have to be considered:

- Imitability
- Durability
- Appropriability
- Substitutability
- Competitive superiority

All this factors are correlated for ERP Consult and are part of its success. Imitability means the uniqueness created over the time, which makes analysts' knowledge so valuable that allows creating brand loyalty. Durability relates to issues of life cycle and being on the market for almost 30 years and the pioneer of this sector offer the company an invaluable strength. Appropriability is connected to the relevance for the target market and how the clients perceive the value that the resource creates. The

power of the leader company, (internal sources estimate a 40% of the global market revenue are detained by ERP consult), added to the brand offer a good entry to new client as far as value of the resource. Competitive superiority is related to the previous point and the numbers show what the position of the company is compared to the competition.

2.6 Knowledge of the competitive advantage

Johanson et al. (1977) show how a company with a high technological intensity and knowledge have a higher chance to distinguish itself on the international market.

Penrose (1959) divide the knowledge in two types: the objective knowledge which can be taught and knowledge which come through experience. The first one tends to be transferable at low cost and can be found through several sources, the second one, the main business at ERP consult, is where the competitive advantage lays. At the same time it is a factor to consider when the knowledge has to be transferred between countries and through time and individuals, especially when cultural difference could be involved.

Grant (1991) explains the importance of being able to analyse the knowledge of a company and the key role that knowledge plays in building the competitive advantage. Competitive advantage often depends on the capability of a firm to integrate the knowledge in the process. Successful firms take in consideration different techniques made of routines, attitude and operation to establish the correct process to implement the best management's practice. What the best methodology for ERP consulting is will be discussed in the next chapter, explaining which the possibilities were, what has been chosen and what could have been done better.

However the competitive advantage is not the only important factor. For a success in the long term Lippman et al. (1992) proves also that a company has to prevent imitation by establishing property rights to scarce resources, marketing information and other factors, to reduce the possibility of substitution.

Peteraf (1993) defines the challenge as replicating what has been successfully made at home, but at the same time adapting it to the needs and the requirements of the new country and preventing would-be imitators from knowing exactly what to imitate and how to do it.

2.7 Knowledge: how to use it to establish and grow a company

Coase (1937) says that knowledge intensity is important but markets are inefficient to transmit its value, therefore knowledge has to be explicated in products. This definition applies properly to an IT consultancy global business; to grow a company needs:

- an increase in spatial distribution of the transaction
- an increase in the number of transactions
- manage the costs compared to the revenue made in the country

The expansion to the Spanish market reflects this theory and could be easily explained: by entering Spain there is definitely an increase in the spatial distribution. The firm will not only target the Spanish branches of existing clients, therefore there will be an increase in the number of clients and transactions. Regarding the costs to transmit this knowledge it has to be remembered the value of the money in the new country. Someone employed for the Spanish branch will require having good wages,

but probably not as good as the United Kingdom, but surely better than the Indian branch. The same comparison has to be done with the value of the knowledge transferred and it has to be priced accordingly with the value given in the country.

Porter (1998) describes the different pricing theories a company can follow to be profitable. Depending on the position of the company in the market a pricing system can be chosen to gain higher returns.

The table underneath shows the possible options:

Porter's Generic Strategies		
Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Source: <http://www.quickmba.com/strategy/generic.shtml>

A Cost Leadership Strategy is usually the type of strategy a low cost producer aims, also because of the quality of its service. The aim is to gain market share and in a price war situation the company tends to maintain decent margins, while the competition suffers. The target is usually broad and tends to reach as many clients as possible.

A differentiation strategy aims to deliver solutions that the competition can not deliver and can be valued by the clients as unique. Therefore the company can afford higher prices. The higher prices for the clients will cover the extra costs incurred to offer a unique product. For clients it will be difficult to find a substitute in case of increase of the prices due to the uniqueness.

Successful companies in this theory tend to have leading scientific resources and high skilled employees. On top of that a strong sales team able to communicate the value of the product and a strong and recognised brand.

An article of Ou et al. (2007) applies Porter's theory to professional service firms. In the cited case study, about an engineering company in Taiwan after an accurate analysis, it is shown how the lack of internal project management is one of its internal major weaknesses. It leads to a high number of overtime and the company has to face sensible extra costs. If the company decides to opt for a cost leadership strategy, it will have to improve this part of the business, because it will have to cut costs in order to be price competitive. The alternative option is to establish a differentiation strategy, as the company has a quite long term name established on the market. To achieve that this company has to improve its communications, internal and external in order to reinforce their corporate reputation.

In regards of ERP Consult instead, it is important to introduce Bichler et al. (2002), as he explains how a trend in the electronic commerce is shifting from fixed to dynamic pricing. The reason for it is because thanks to the internet the transaction costs has been reduced and has offered the possibility to eliminate the need of people physically present to participate in the activity. On another hand demand on the internet is more volatile; therefore there is an increasing need of flexibility in the market.

2.8 Personnel Management and Human Resources in Multinational Companies

Hay et al. (2000) describe the differences and the relationship between globalisation and Europeanization. They show the importance for an American company to integrate its culture and business mission with a different way and structure to make business in another continent. Bach (2005) explains how with the Maastricht Treaty in 1991 the European Commission has established a new legislative system in the following fields:

- improvement of working environment, regarding in particular the health and safety of the employees in order to provide better working conditions;
- equality of opportunities, where all the staffs has to have the same career opportunities with no differences of sex or race;
- integration of people who do not have the same opportunities in the labour market, as for example people with disabilities;
- protection of employees once a contract is terminated;
- new conditions of employment for third-country national residing in the European union;
- contributions for the creation and promotion of employment and job creation.

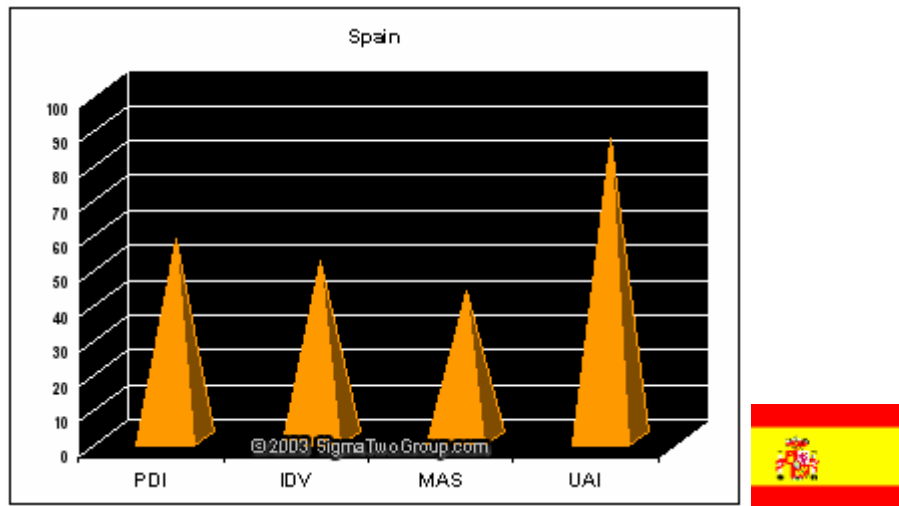
Bach (2005) shows the importance of multinational companies in the globalisation process. He estimates there are 60,000 multinationals in the global market and they are controlling 850,000 foreign branches. The key issue in such environment is how a company can manage and develop the growth in each country based on the fact that

each one of them has its own national system. As example is cited the difference between the USA and a European country, Germany. The United States are the example of a country based on free market, where the employer tends to have an independence from the state. Germany is instead based on process and rules, where a clear hierarchy is established and has to be followed. Therefore when a company wants to enter a new market has to analyse what are the employment best practise for a country and verify how they could be adapted to the existing model used in the home country.

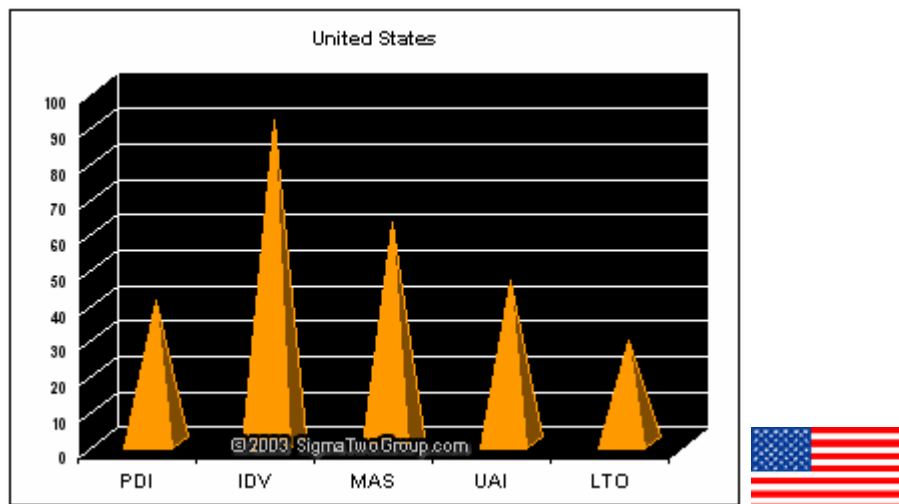
One of the first questions to rise at a human resources level is what style of management has to be adopted in a new country? Priore et al. (1984) explained that the distribution to several countries was the erosion of the mass product as it had to be tailored to the needs and the taste of the new nation. A new flexible approach is the solution, where the employees have to be multi-skilled and able to work in both environments, speak more languages and understand different cultures. Hofstede (1980) studied during the sixties and the seventies IBM and its process of expansion worldwide. His study came to the conclusion is that the persistence differences between countries happen because of a “collecting programming of the mind” that every nation develops. He based his study on five categories:

- **Power Distance Index (PDI).** It refers on how low ended institutions, as for example families, accept and expect that power is distributed unequally. It asks the followers to accept inequality in the same way as the leaders who take benefits put of it. Societies tend to be unequal, but some are more unequal than others.

- **Individualism (IDV).** On the individualist side he describes societies who are not connected or tied between people. Basically said when an individual looks after himself and his closest family. Opposite to this aspect there is the collectivist aspect, where an individual is strongly bounded and integrated in the society and the extended family plays an important role in their life
- **Masculinity (MAS).** Hofstede (1980) refers to the different distribution of roles between males and females and the relative issues in the society. In his IBM study he realised there are deep differences between countries. Where women have the same rights as men they are in the same position and can cover the same type of role in which roles women are allowed to cover. In masculine countries there more competition between the roles.
- **Uncertainty Avoidance Index (UAI).** Hofstede (1980) refers to society's tolerance for uncertainty and ambiguity; it is related to how members of cultural program feel in unsure situations and how far are willing to stay from the truth.
- **Long-Term Orientation (LTO).** It indicates the capacity of a culture to plan in the long term and the relative orientation. LTO cultures will be able to develop a strategy to reach their goal. The opponent theory is STO, short term orientation, where people tend to have a more tactical objective.



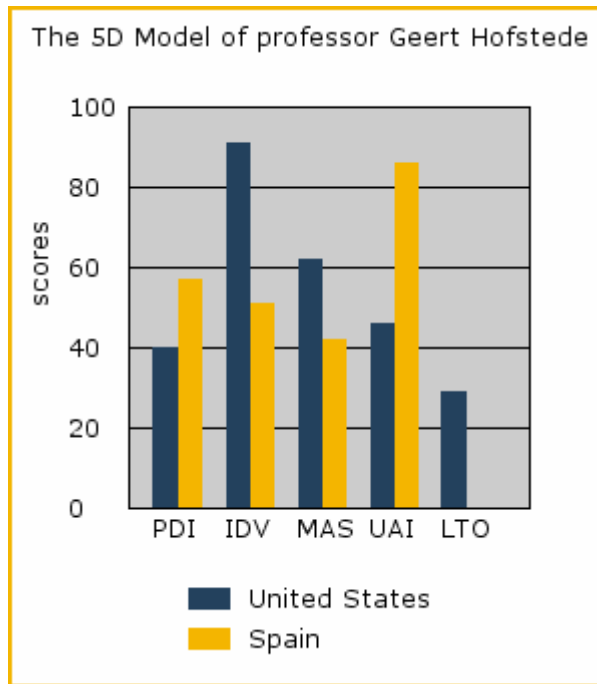
Source : http://www.geert-hofstede.com/graphs/hofstede_spain.gif



Source: http://www.geert-hofstede.com/graphs/hofstede_united_states.gif

Based on Hofstede's study (1980) it is clear to see the kind of cultural differences and issues that an American company is going to face to enter a new market like Spain.

Compare your home culture with your host culture



Source: <http://www.geert-hofstede.com/graphs/5dgraph.php?c1=United+States&pdi1=40&idv1=91&mas1=62&uai1=46<p1=29&c2=Spain&pdi2=57&idv2=51&mas2=42&uai2=86<p2=0>

Business Culture (2008) explains the meaning of such a graphic. Spanish employees have a more established hierarchy system, a higher respect for authority and they also tend to have a more centralised authority compared to a similar US organisation (PDI). This tends to lead to a good level of obedience and a lower level of independence.

Taking in consideration Individualism (IDV), Spain has a much lower level compared to the American. This leads to a lower “I” mentality and decisions made on the collectivistic interest. The level of loyalty is much higher to different levels; it could be the family or the organisation. Decisions are taken in the interest of the team, which leads to a “we” mentality. The consequences of such behaviour are that people blend in and want to avoid conflicts; usually there is also the use of intermediaries.

Masculinity is higher in the US; this means that the Americans have higher ambition and desire of wealth. Femininity indicates instead sexual equality, caring behaviours and environmental awareness. As consequences, a masculine society tends to see women as nurturing and men as competitive, stressed for success and vocation-oriented. A feminine society tends to have both men and women in nurturing roles, focused on cooperation and aware of those who are in need.

The last comparable dimension is the Uncertainty Avoidance Index, where Spain has a very high rate. It means that Spain has more formal rules, tends to plan in details, has a lower tolerance to deviant ideas and wants to minimise risks by looking for general consensus. It also believes in absolute truth and in the value of expertise. As a consequence there is a slower trend in modernisation; usually this happens in countries with a predominant religion, either Catholicism or Islam. This type of country shows resistance to changes and are characterised by a strong and elaborate rules system.

2.9 Cultural differences

Culture is a complex concept which includes several elements as for example specific knowledge, beliefs, morals, laws and customs.

There are different definitions of culture; Hoebel (1960) defines it as:

“The integrated sum total of learned behavioural traits that are manifest and shared by members of a society”.

When two cultures are different, it is often called cultural distance. Luostarinen (1980) explains that distance could be seen as spatial distance in the first instance, but

also as cultural and economic distance. By examining the three elements as a whole comes the concept that in the literature is defined as business distance.

Between the cultural determinants to consider for a firm, which wants to internationalise, there are: the impact of behaviour of potential consumers, their demographic profile, local norms, and the special position of the language and ethnic factors of the local culture.

Some brands have an international value, and penetration in a culture could sound easier than other products. Coca-cola or Sony are available in most of the countries and their products have the similar value in most of the world. Langhoff (1977) explains there are three different objectives to consider:

- cope with cultural heterogeneity between different international markets
- harmonise the existing solutions with the new markets
- try to explore new possible solutions which could better adapt to the needs of the new market.

Differences in cultures are really evident in a business to client situation, because we are facing directly the culture, but also in a business to business situation, we are still dealing with people and there are still some factors which influence the potential growth of the firm.

Levitt (2002) in an article from Trade & Travel tries to measure and explain the differences between Spain and the UK. Historically, since the sherry trade in the 16th century the relation between these countries has been successful, but it will be successful for ERP Consult only if British and American can understand the mindset of the country. Timing is very different compared to the Anglo-Saxons countries. Spanish people tend to be more relaxed on the working hours. On the other end

people could work in Spain until late hours and if something has to be done, in fact the hour of the day is not a limit. During a business lunch it is normal for Spaniards to have a glass of wine during the conversation, while it could be difficult to understand for other countries. There are more cultural difference to take in consideration in a country like Spain which already has a well established government and banking system.

Douglas et al. (1977) show the importance of cultural influences on market behaviours, and from there the insight on international market development. The first step is in identifying market opportunities, where a product can be transferred from local to international and also verify if in the overall trends there are other similar changes. The second step is based on designing the most effective strategy, relating to the cultural factors. She explains how the distribution channel can be restricted by cultural conventions. The cited example regards the cosmetic company Avon, which has been very successful in the US by using local housewives as local door to door sales ladies. These women were organizing sales meetings for Avon beauty products in their home. The same strategy in Europe did not work as European housewives aw meeting in their home as an intrusion to their privacy. Douglas concludes by saying that in an environment where internationalisation processes are increasing, it is always more difficult to identify these patterns.

Griffin et al (1996) defined language as the primary way of separating groups. Spain has a homogeneous history, where the whole of the population speaks Spanish and sometimes a second language, like Catalan, Basque or Gallego, which are recognised as official language in the correspondent regions. ERP Consult has English as official worldwide language and in this case it has demonstrated to be the main barrier: in a business where knowledge has to be transmitted over the phone and most of the

analysts are not Spanish speaker, there is a big challenge: the sales person is Spanish, knows the customs, the language and has selling skills can propose the service of a well known international company to a prospect, but when it comes to selling the product then comes the problem: if the prospect speaks English, the transaction is going to be smooth, but if he does not why should he buy a service he is not going to be able to use? ERP Consult is aware of the issue and in the next chapter possible solutions will be taken in consideration.

Political issues also can come in as a cultural differentiator. The main target for ERP is a Chief information Officer. This person is usually a senior member within the organisation, with an IT background. From him there could be a resistance to change, because he does not want a foreigner presence which could be incompatible with the culture of the department on a side and which could be a threat to his position on the other. In a possible lifecycle, innovators and early adopters would definitely welcome the presence of a consultancy company which could benchmark the existing situation and offer sensible improvement; the challenge will come when it comes to the majority of them, to prove that they need external support in order to be competitive and use the IT to support the business and change their mindset, where at today they see the IT as a simple cost for the company.

Levitt (2002) suggest another couple of smaller issues, both of them true. The British summer may slow it down the business but does not stop it at any time, while in Spain as well all the Mediterranean area during August the entire major companies close, the staff goes on annual leave as the weather is too hot to work. Payment forms are also different compared to the rest of Europe: ERP Consult following the standard US payment requires the payment for the full service of the year in 30 days. In Spain most of the companies require 90 days credit allowance, and this leads to ERP

Consult to find alternative solutions to find an agreement between the company policy and the custom of the country: often there is a quarterly splitting, to offer a part of prompt payment to ERP Consult but still offers some kind of flexibility to the new client.

The EXpat association website (2008) has several comments of American and British who moved to Spain and the cultural differences they meet during the change. Above all there is the important role of the family. Every Anglo – Saxons moving there realised how important is the family compared to work. The etiquette is completely different: it is normal to greet a colleague with two kisses on his cheeks, while in the United Kingdom the standard form is just a handshake, a greeting is always used before starting a conversation and usually it regards the part of the day we are entering to. Office times are different from the United Kingdom and that may cause difficulties in aligning the working hours between the two countries. Due also to the warm weather offices tend to be close between 2 and 5 pm, offering the opportunity to go for lunch which is the main meal of the day. But you need to know the exceptions; banks do not open in the afternoons as well as most of public offices and during the summer working hours are often different.

On a business point of view, Adler (2004) in a Bbc article explains how things developed in Spain during the last 30 years: when Spain entered the European Union it was considered with Portugal the poor cousin of the Union. In the late 90s the growth of the economy was of the 4% and even now it is the 2.4%, which is still above the standards of the EU. This proves the health of the economy, but on the other end it has to be remembered that Spain has predominantly small-medium businesses, where 93% of the companies have less than 10 employees and they are now facing a strong opposition from the Eastern European countries. The boom of the

housing market is slowing down and countries like Bulgaria are attracting British investors.

Chapter 3 Research Methodology

By trying to define what research methodology is Buckley et al. (1976) describe it as an empirical research strategy with the following comment. *"The term empirical has acquired an ambiguity in the accounting literature. In its broadest sense it has come to mean the use of "real world" data in the application of research, and as such would apply to opinion or recorded data which purports to be of real-world origin."*

3.1 Qualitative Approach

For this research a qualitative approach will be used. Researchers have long debated the relative value of qualitative and quantitative approaches and Patton (1990) defines qualitative research as a naturalistic approach that seeks to understand phenomena in context-specific settings. The alternative is quantitative research, which uses experimental methods and quantitative measures to test hypothetical generalizations. Each represents a fundamentally different inquiry paradigm, and researcher actions are based on the underlying assumptions of each paradigm.

According to Creswell (1994) a qualitative study is defined as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting."

Based on Creswell definition the idea of understanding the complexity of a social process could also be identified in this research. A quantitative approach is more difficult to use as it is very difficult to measure the quantity of opportunity in such a

market and there aren't easy comparisons which could be made with other realities as data tend to be kept private in such a small market.

Lincoln et al. (1985) underline a series of steps to follow during the research:

1. Determine the objectives of the research. This should include the criteria to use during the process, although they often change during the research
2. Determine the fit of the research paradigm. The researcher must compare the characteristics of the qualitative paradigm with the goals of the research.
3. Determine where and from whom data will be collected.
4. Determine what the successive phases of the inquiry will be.
5. Determine what additional instrumentation may be used, beyond the researcher as the human instrument.
6. Plan data collection and recording modes. This must include how detailed and specific research questions will be, and how faithfully data will be reproduced.
7. Plan which data analysis procedures will be used.
8. Plan the logistics of data collection, including scheduling and budgeting.
9. Plan the techniques that will be used to determine trustworthiness.

3.2 Case Study Methodology

A case about the entry in a new market for ERP Consult, a global IT Consultancy company has been analysed. Creswell (1998) explains how case study generally involves an iterative or cyclical process that proceeds from more general to more specific observations. The idea is to create an analysis which may be conducted

through interviews and observations to underline the recurring facts and establish an evident reality. Once the analysis is written, the following step is to identify the salient points or structures. Having a high quantity of information is highly desirable, although is less common in qualitative research than in quantitative research.

Eisenhardt (1989) describes the case study as a research study which focused on understanding the dynamics present within single setting. Beardwell et al. (2001) implements this first definition and adds the fact that case studies are a type of research which applies better in a long-term project. As it will be described in the next chapter the full entry in the market for ERP Consult has taken about fifteen years, therefore a case study approach is really suitable for this type of research. Yin (1989) showed how case study can be seen to satisfy the three parts of the qualitative method: describing, understanding, and explaining. Based on his studies he realised that quantitative techniques tended to leave unclear some of the important information that the researchers needed to uncover. Yin (1989) explains how multi-cases studies strength the results, but are available only when a replication can be made. He classifies case studies in three main categories exploratory, explanatory and descriptive. Each of these techniques could be related to single or multiple-case studies.

In the case of ERP Consult an exploratory case study has been selected. Stake (1995) describes how in exploratory case studies, fieldwork, and data collection may be undertaken prior to definition of the research questions and hypotheses. This type of study has been considered as a prelude to some social research. However, the framework of the study must be created ahead of time. Pilot projects are very useful in determining the final protocols that will be used. Survey questions may be dropped or added based on the outcome of the pilot study. He underlines how the selection offers

the opportunity to maximize what can be learned, knowing that time is limited. Hence the cases that are selected should be easy and willing subjects. Bell (1999) continues Stake's theory, proving how a case study has to be faced with a limited time scale. In a sales environment a time frame is essential, therefore the rule to work with quotas and target to achieve up to individual level and a plan of constant growth prepared by the management to support this theory. The actual fact analysed are an efficient tool that has been use din the case study to monitor the improvement of the entry in the market.

3.3 Sources of data: primary and secondary

The two most common ways of primary data collection in a qualitative process are interviews and observations.

3.3.1 Interviews

Bogdan et al. (1982) shows how interviews could either be the primary source of information or can be used together with observation and other forms of data.

A further research has been developed by Patton (1990) who divides interviews in three main categories:

- Semi structured
- Informal
- Standard, through questionnaires

This third type of interview is the most common, because it offers the opportunity to create some kind of standard answers which generate collective data. During the analysis of the case study, semi-structural interviews have been done. The choice felt in this category because it was not possible to organise a standard questionnaire. The reason for it is mainly because the people interviewed did not belong to the same category and did not have access to the same type of information. So if a country manager had the opportunity to have the full view on the process of entry, a sales manager could not have answered the same type of questions. Therefore the interviews have been guided towards the fulfilling of the information required for the research. As Lofland et al. (1984) suggests by keeping flexible the nature of qualitative research designs, the interview have been modified and adapted during the whole process g to focus attention on areas of particular importance, or to exclude questions the researcher has found to be unproductive for the goals of the research. The process of acquiring information through interviews has been changed, to improve the standards. During the first interview the approach was to take notes, but as Patton (1990) suggests recording the interview is an indispensable tool; when the research is written afterwards even smaller details could be important to give the whole picture of the case study.

3.3.2 Observations

Observations are a classic way for retrieving data in a natural context. They can lead to a better understandings of the situation and provide a higher level of knowledge compared to interviews

Shatzman et al. (1973) have developed theories and proved that there are several observation strategies available. Watching from outside may be possible and desirable for the researcher in some cases, without being observed. A second option leads to a passive presence, just monitoring the situation and not interacting with participants. Another strategy is to engage in limited interaction, intervening only when further clarification of actions is needed. Or the researcher may exercise more active control over the observation, as in the case of a formal interview, to elicit specific types of information. Finally, the researcher may act as a full participant in the situation, with either a hidden or known identity. Each of these strategies has specific advantages, disadvantages and concerns which must be carefully examined by the researcher. In this case being an employee of ERP Consult offered the opportunity to be involved in the first place, have access at all the necessary information and being in contact with the relevant persons in every single context. The main issue as disadvantage was the continuous dealing with private information, which did not have to leave the company and are covered by corporate legacy.

3.3.3 Other Sources of Data: secondary data

There is to underline that there are other sources of data and information. Riley et al. (2000) defines secondary data as data that have already been collected by someone else. Hansen (1995) used journals and memos as further source of information, as well as newspapers and internal documents.

Easterby-Smith et al (2002) claim that secondary research methods offer the opportunity to understand people's meanings, to adjust to new issues and ideas as they

emerge and to help the evolution of new theories. However, before getting to this stage, time has to be spent in the collection and interpretation of the data.

The company intranet is a very valuable source of information, where in this case figures of the value of the business can be found, as well as the actual structure of the organisation. It is valuable not only for the information itself, but also because it is an important guide for interviews and observations.

3.3.4 Triangulation

Denzin et al. (1994) define qualitative research as “a multi-method in focus”, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them. Qualitative research involves the studied use and collection of a variety of empirical materials case study, personal experience, introspective, life story interview, observational, historical, and visual texts-that describe routine and problematic moments and meaning in individuals' lives.

If we consider Denzin definition, this method applies perfectly to the case study taken in consideration because several aspects can be analysed. We are dealing with a specific action, where personal experience and interviews play an important role and decisions are taken based on the observation of the people involved in the process. At the same time there were secondary information which have been used and helped the decision on where to focus during the interviews and observations.

The multi-method Denzin (1970) describes is also known as Triangulation. Laws (2003) suggested that, “*accounts collected from different perspectives may not match*

tidily at all. There may be mismatch and even conflict between them. A mismatch does not necessarily mean that the data collection process is flawed – it could be that people just have very different accounts of similar phenomena. You need to critically examine the meaning of any mismatches to make sense of them. This is where triangulation takes place”. What he tries to explain is that during the collection of data there could be differences depending on the source and it is the duty of the researcher to analyse the data and extract the necessary information.

Denzin (1970) goes further and divided the triangulation in four different methods:

- *Data triangulation*, which entails gathering data through several sampling strategies, so that slices of data at different times and social situations, as well as on a variety of people, are obtained.
- *Investigator triangulation*, which refers to the use of more than one researcher in the field to gather and interpret data.
- *Theoretical triangulation*, which refers to the use of more than one theoretical position in interpreting data.
- *Methodological triangulation*, which refers to the use of more than one method for gathering data.

Punch (1998) defines the challenge as the difficulty to verify the findings. To be able to have efficient and valid data there is the need of a various and different amount of sampling, which may not be always available and therefore makes triangulation not easy.

3.3.5 Validity and Reliability

Poynter (1993) describes validity as what is being measured or evaluated, whilst reliability is a measure of accuracy and response consistency.

Validity can be classified in two different categories: internal and external. Usually internal validity describes the quality of results compared to the reality. Lincoln et al. (1985) state that "the determination of such isomorphism is in principle impossible". Basically someone would already need to know the reality before collecting information. There is consequently no meaning in testing it. External validity represents the ability to generalise findings across different settings. Through validity there is the need to balance internal and external validity. Internal is used as information about the case study is required to give a valuable background on the company. The rest of the case study would be built on external validity: once the data are collected a bigger picture based on generalisation would create the context around it.

3.3.6 Reliability

Reliability aims to add credibility to the evidence. The research will have to ask itself if the findings are believable. Collis et al. (2003) argue that if a research finding can be repeated, it is reliable. However Collins et al. (2003) keep explains that it is not important whether qualitative measures are reliable in the positivistic sense, but whether similar observations can be made on different occasions and by different observers.

Kirk et al. (1986) usually identify three steps when dealing with reliability:

- How a measurement, once repeated, remains the same.

- The stability of a measurement over the time.
- The similarity of measurement within a given time period.

Silverman on a similar line (2001) shows which are the possible processes to ensure reliability in qualitative research, as for example:

- Through pre-testing of interview schedules
- Through training of interviewers (be prepared)
- As much use as possible of fixed choice answers
- Inter-rater reliability checks in coding of answers to open ended or semi-structured questions

To keep validity high in qualitative research Silverman (2001) suggests

- Analytic induction
- The constant comparative method
- Comprehensive data treatment
- Using appropriate tabulations

In this type of qualitative case research the validity is seen the most important. To achieve the research objectives it is important that the research findings accurately represent what is really happening with the situation.

3.4 Conclusion on research methodology

The decision to use a qualitative methodology has been considered with attention; this type of research could have demanded a lot of time, but on the other end, simple statistics probably would have not given clear results.

A qualitative research has a responsibility in regard of the subjects and the results for

the readers. Since there are no statistical tests for significance in qualitative studies, the interpretation of the results has a great importance, and it can be challenging to establish the right connection between what is observed and the conclusions drawn in the research report.

To succeed in the process a solid understanding of the research paradigm was required and, possibly a good knowledge of the case study.

The result aimed to give a clear picture of how to develop a new IT consultancy market in Spain by using the most significant technique and propose the correct content in the evaluation of the different possibilities.

Chapter 4 Case Study

This chapter represents the history and development of ERP Consult on the Spanish territory. At the time different theories taken in consideration in the previous chapter were analysed and will be shown here.

4.1 ERP Consult and Spain

During the Eighties and the Nineties there has been a great development in the IT market. New companies were growing, the internet started to grow and companies were starting to need an It department, which needed to be efficient and able to follow the changes. It is clear that ERP Consult had a great opportunity to grow in the American market. During the Nineties the company decide to grow outside the US, partly with acquisition as said before, partly with partnership, depending on the market opportunities.

At the time ERP Consult was already the top brand in the market, what was missing was the knowledge of specific geographic areas and its relative culture. **Based on the information provided by Interviewee one (2008)**, in 1991 the CEO of Over Results a small Spanish consultancy company went to attend a Gartner Event in the united States, with the aim to attend the conference and bring home new content for his company. He realised the opportunity to create a partnership with ERP Consult and proposed himself as Partner in the country. The idea was to create a win to win situation, where Over Results could find new clients and create new opportunities

thanks to the ERP Consult name, and the American company did not need to invest a huge amount of money in staff and premises without knowing the local market and opportunities.

The agreement made was made to work with royalties. Over Results had to reach a quota and split the revenue 60-40, where the Spanish consultancy was keeping the 60% of the revenues, but at the same time had to pay for all the cost involved, meaning premises, sales staff and all the costs needed to run the business. In the agreement was made clear based on previous experiences what were the objectives, the standard of the services, as for ERP Consult was important to keep an image of independent company, which has no relation with the major vendors, a point of strengths of the last few years. The sales staffs were also defined, and in the agreement a smaller sales team was also based in Portugal and presented as overall Iberia solution.

Interviewee one (2008) explains how the first results were very successful, on the ERP Consult point of view all the risks were on the Spanish partner and they had the opportunity to test a new market, while the Spanish had strength and resources they could never have without the partnership.

4.2 Quotas and different interests.

In the agreement it was made clear the importance of the continuous growth of the business and the transparency of the transactions. ERP Consult was correctly pushing on these two factors based on the experience acquired with previous partners.

As said before there was a quota to achieve and once done the share of business for the Spanish company was higher, in an attempt to achieve better results and grow the

business faster. A few years before when from the States they wanted to enter the Canadian market, they used a similar structure with a distributor. The aim of the distributor was to increase the business as quick as possible to be bought out and create massive revenue from it. What happened was a case of fraud, where the Canadian had a double accountancy system, one legal for the government and a fake one for ERP Consult. After a few years he managed to be bought out and a standard agreement in this context expect the distributor to receive from 1 to 2.5 times the business created in the last year. Here the request of ERP Consult to have a clear access to the books and control the business in Spain.

Interviewee one (2008) continues in explaining her experience and shows how after the first very good years, the business was not growing as much as expected. The reason was probably due to the fact that Over Results was selling its own consultancy and branded it as ERP Consult consultancy to avoid paying their 40% share. The win-win situation established at the beginning was not working anymore and in 2001 negotiations started to pay out the Spanish society and establish their own business.

4.3 ERP Consult with its own Brand in the country

ERP Consult now had a few challenges to face, they need to set up directly their own brand, establish a company in a foreign country, establish their own offices with its relative investment, hire staff, develop a new strategy and most importantly they needed to give continuity to what Over Results had done so far.

Interviewee two (2008) explains how the two companies prepared a plan on how to separate their common interest without damaging them. It was a two years plan:

basically in the first year of transition Over Results had to prepare the clients for the change and offer to the sales team the option of where they wanted to work.

Based on the new European regulation of chapter two which explains how in the last fifteen years new factors have significantly changed the labour market in Europe. An American company considering opening a branch in Europe has to compare its existing system and regulation to the new one and if needed adapt the structure to the laws of the new country. In this case Over Results added a few more people in a way that every key account had two sales persons assigned; once the division was done, both companies could still have contacts with the clients without losing business.

Interviewee two and the rest of the team he belonged had the opportunity to join the company the following year. Every single sales person took the option, due to a sensible number of elements:

- The opportunity to work for an American company gave them an average 15% pay rise. This is because the Spanish retribution standards are much lower than their American equivalent
- Better career opportunities. Before all the training and courses were responsibilities of Over Results, now they could be treated as full ERP Consult a global company, leader in the market which was known for having the top sales persons on the IT market and which was willing to offer them the tools to improve in their career
- They knew that part of the business Over Results sold under the ERP Consult brand was now a clear market opportunity. This meant having a valid product for the market, and consequently an easier job to reach targets and commissions.

A part from the sales team, acquired from Over Results, ERP Consult had to hire staff for support, secretaries, and marketing managers above all. The whole process required to establish a new company called ERP Consult Spain and for the first time the HR Department based in the UK had to face Spanish law in regards. It is clear how difficult and elaborate this process is, added to the other factors: ERP Consult had to establish a full office in a new country. The major IT brands were all on the outskirts of Madrid, as the brand in the country was established and the portfolio of clients was in place. **Interviewee two (2008) explains** that ERP Consult could not take the same option, because the number of client they had was not enough. On the Spanish culture a foreign company has to prove to be willing to invest before being considerate a trustable partner. **Therefore** as a consequence they decide to establish the new office in the Paseo de la Castellana, the heart of the Spanish business. In Spain it is also well known the strong independence of Catalonia, therefore they decided to open a small office also in Barcelona, in the Gran Via de les Corts Catalanes, again in the town centre. **This decision reflects the theory explained in chapter two, in regards of the importance for the Spanish society to have a “contact” relationship with face to face meeting and a presence in the territory.**

As far as Over Results, internal documents establish as the existing business after ten years of partnership was about 4.5 millions dollars. The agreement stated that the company had to be paid 1.5 times the figure above. To help the company during the transition, they had also free access to ERP Consult resources for a year, in a way that they could use the service in the same way they were used to. After this term if they still wanted to work they needed to become clients, thing that actually happened. At the beginning the sales team was made only by three people and thanks to the knowledge they had of the market and of some of the existing clients of Over Results

in less than seven years they managed to triplicate the business. As far as strategy concerns, the company decided to replicate the model used in other countries: staffs are now up to twenty-five people. Interviewee one (2008) explains that the sales team grew with the business and it is now up to twelve people and they also have three people who deliver customer service at the European Headquarter in London. This allows them to be in contact with the European Headquarter; this model is used in all the major IT vendors on the market, with the difference that some of the headquarters are based in Ireland and others are in Berlin. In Spain there are also a small number of consultants and the admin staffs. Interviewee three (2008) explains how during the growth process, they used the support of ERP Consult Italy as they established, as an American company, that the two countries have similar cultural, type of clients and law system.

4.4 Damage of the Brand and further development

Based on the given results, it is clear that it was time for ERP Consult to set up their own brand in Spain. What the company realised in the first couple of years is that there was a reason for the lack of persistent growth. Based on the data provided by the intranet (2008) in the other European countries the company was having huge successes, but it was difficult to monitor in here because the contact with the territory and the clients was in the full hands of the distributor. As explained before, the relationship was based on royalties, where Over Results had to pass the 40% of their revenues to ERP Consult. Over Result became confident and knowledgeable of the market, and what they decided to do was selling their consultancy but using the ERP Consults brand, in a way that they did not have to pay fees to the American company.

It represented a clear lack of revenue and at the same time a damage of the brand as the standard of deliverables was clearly not up to the standard of ERP Consult. The Spanish consultancy created a double gain from this situation, as they did not pay any fees and at the same time the service was delivered by Spanish consultants, who are not as expensive as the American colleagues. Consequently the business started to grow fast, as said before the team expanded and most of the big accounts have been touched.

ERP Consults works on the two side of the IT, end users and vendors. End users are company where the IT is a tool to develop the main activity of the firm; example could be company in the banking, manufacturing and retail industry. These areas represent on average the 70% of the business. Thanks to the deep knowledge of the needs of the CIOs, ERP Consult started to put a higher focus also on vendors.

Vendors are companies, which have the IT has their core business; examples are companies which produce hardware, software, consultancies and relative services. A part from the major players like Microsoft, IBM and HP for example, there is a big number of firms in the market which fight each other for a small slice of the market. This type of organisation needs a strategy to attract new clients and often have serious difficulty in getting to know what the requirements to be a serious player are. ERP Consult started in the late nineties parallel to the Field Sales team an inside sales unit.

Interviewee four (2008) describes how the idea was to attract smaller companies, with smaller budget, as for examples this type of vendors. With an inside sales unit, there was a clear opportunity to attack this market without facing the high costs that people in the filed sales include. The relationship between basic salary and commission would still be 60%- 40%, but the wages would be lower and would not include expenses as such as company car and domestic travel. It would be more tactical and

aimed at a quick win more than an established and long term relationship, thing that happens in big account where companies have sensible IT budget. Turning to our case study, the massive growth obtained once independent from the distributor, made the company realise the important opportunity in this territory. Spanish account executives only worked on big account as there was such a market for them. From here came the decision to employ the first inside sales representative in 2005. This decision was also to be correlated with the growing opportunity and growing number of clients signed by the Italian colleagues, as the economy and the IT market in Spain have always been considered very similar to the Italian. His focus was only on vendors and it proved to be a major success; a recognition given in the sales area is called winner circle; once the 130% of the quota is achieved, the sales representative gets the recognition and a 5 star trip. Interviewee four (2008) explains how this recognition is now a standard in the Spanish inside sales team and the team is now composed by six members; in only three years a business worth 3 million dollars has been generated, numbers which shows the opportunity on the market.

4.5 Conflict between Inside Sales and Field Sales and competition

The continuous success in both sales team has started in the last eighteen month to create some conflict between Madrid and the London headquarter, where the Inside Sales is based. The reason for it is the division of the accounts. Interviewee three (2008) who has a global vision of the European market explains how although Spain has about forty millions inhabitants and a growing economy, what was an untapped market, has now a good number of clients and more companies which during the

years decided not to work with an IT consultancy company or to work with the competition opted for ERP Consult.

Interviewee three (2008) explains the division of the accounts and the basic rule which splits accounts in the following way:

- End user company which have globally more than a billion dollars revenue belongs to the field, companies underneath this limit belong to Inside Sales
- All the vendor with revenues under the fifty million dollars belong to Inside Sales
- Exceptions can be made through an agreement between the EMEA Inside Sales Manager and the Spanish Country Manager. It tends to happen when a sales person is able to show that he has a clear opportunity in an account which does not belong to him, because he has contacts within the organisation.

This contrast is causing internal frictions between the two departments and at today a solution has not been found yet; both managers aim to protect their personal interest and by doing this they are damaging the company.

The competition also plays an important role in limiting the market. As explained before, language is an issue in a country like Spain where only a limited number of people is fluent in English. Gartner analysts are all English speaker and in a community of 800 of them only a few of them speak Spanish and are base din South America. To have the opportunity to work and talk to them implicates to work in a different time zone, limiting the clients hours of availability. At the same time the economy is based on PYME (Small-medium Enterprises) and these companies do not have massive IT Budget to spend. Other consultancies, as for example Penteo, a company based in Barcelona, developed a different method which also proved to be successful. To differentiate their model from ERP consult and have a higher market

share, they developed a system which aims to have a deeper penetration in the market by delivering a solution which adapts better to the client need. What they do, is offering a service based on research and interaction with their analyst but in Spanish (the same system of ERP Consult). Although the quality of the service and the experience of the market are not as good as ERP Consult, they manage to have a competitive advantage, because they have as clients also smaller companies, with limited IT budgets, which are also interested in local providers, a service that ERP Consult can not provide at the moment being such as major player in the global market.

The market share in this sector is the key to success, and if ERP Consult managed with its established brand to be the company with the highest revenue in the country, Forrester their major competitor worldwide has recently entered the market, with a price strategy similar to Penteo. They have a recognised international brand, but as they are aware of the quality of their service, their price is lower. By doing this they are trying to gain as may client as possible who are at the moment working with ERP Consult.

Chapter 5 Conclusion

The aim of the conclusion is to review what has been previously written and check whether the objectives established in chapter one have been achieved:

- a. in chapter 2, several theories of international marketing relevant for the case study of ERP Consult have been taken in consideration in order to study under a theorist point of view which could be the inherent strategies for a successful entry in a new market.
- b. in chapter three, the methodology for the case study has been presented and this part has been followed by the case study, where, thanks to the support given by members of ERP Consult, a full picture of the case study has been described
- c. an analysis of the success of case study will now be undertaken, in order to provide possible suggestion for an improvement of ERP Consult on the market and with the objectives to gain a higher penetration and therefore increase the revenues.

Success of the case study?

After studying the relevant literature and collect the necessary information about the case study, it can be said that overall the development of ERP Consult in Spain has been a success. On the company intranet website (2008) there is the opportunity to find out the actual size of the market for ERP Consult: by adding all the renewals quota of the sales representatives it is evident how the company managed to establish

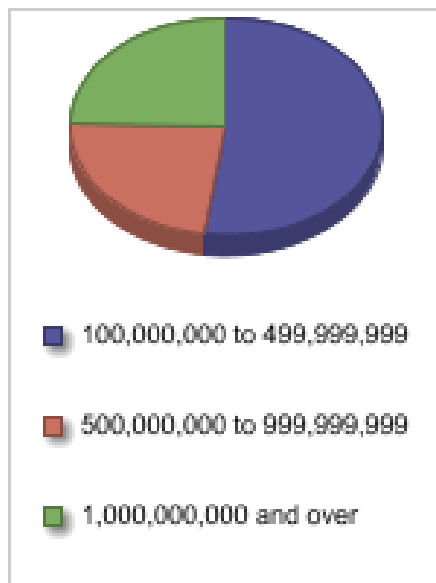
a running business of about \$20.000.000 during the last seventeen year. This has been done without massive investment, as only two offices were established in Madrid and Barcelona and the Spanish team has been growing up to the existing 30 people. As explained before there are no additional costs on the overall structure as the service is intangible.

Now a few suggestions are going to be offered, on how to increase it in the short term, as there are definitely more existing opportunities on the market.

The INE (2008), the Spanish national institute for statistics explains how the 79% of the Spanish company employ between one and three people and how just the 2,7% employ more than 20 people. Galindo Lucas (2005) shows how the Small Medium enterprises employ about the 70% of the Spanish Labour market and in his book he describes the historical importance and tradition that this type of company has on the Spanish territory. Based on this type of statistics, it is comprehensible that a consultancy business like ERP Consult can not pretend to have between his clients such a small enterprises.

On the other hand, a clearer presentation of the Spanish market can be acquired from Factiva (2007), a web service which provides statistics and information of company all around the world. If the attention is focused on Spain, there are about 1600 companies with revenues above the 100millions Euros. If the aim of ERP Consult is to continue to expand its business, there are definitely opportunities in the market, but there is the need to prepare a plan which explains how to increase the market penetration.

Spanish companies by revenues



Source: <http://salesworks.factiva.com/pcl/default.aspx>

The graphic above splits the company based on revenues. At today ERP Consult has managed to have a very good penetration in the End User Market of companies above the billion euros, but it can not be said the same for smaller companies who are the fundamentals of the Spanish Economy.

In the United Kingdom, where there are not language barriers and there is a culture more used to the external use of consultants, company from 100million Euros of revenue are already considered good prospects. If a possible comparison is made, it can be said that there are about 1300 prospects that are not clients today and could become with a better plan and execution.

So what are the suggestions to improve the existent situation and prepare an adequate plan?

The focus will be on two major points: pricing and support on the territory.

5.1 Dynamic Pricing

Lawrence et al. (2002) introduce the importance of product differentiation and how it can be obtained by adding or detracting additional elements or by generalizing existing attributes. In this way ERP Consult could adapt its offer better to the requirements of specific customers and market segments. The more successful a company is at differentiating its products from those of others, the more monopoly power it has.

Based on Porter (1998) theory explained in chapter two, it is quite clear how ERP Consult has a differentiation model. High quality of the product, strong sales team and unique solution with skilled employees are all characteristics recognisable in the company, which allow the company to have high prices. On top of that ERP Consult has the big advantage of selling an intangible solution, based on research which could be downloaded from the web site and interactions with its analyst community which is usually done through remote teleconference.

This factor could allow ERP Consult to try to target more clients of smaller size, who are the core part of the Spanish economy. As this smaller market has not been successful at today, the idea is to create a specific solution just for them, in order to acquire new clients, where you can build a long relationship and possibly increase the revenues in the long term.

The main difficulty is the price, as a company who uses differentiation tends to have high prices. A possibility is to achieve a higher market share by charging different prices to different type of consumers for a similar product but with less deliverables. As Porter describes (1988) there is a sensible risk to be stuck in the middle. The cost

of the product for ERP Consult is not an issue because it is intangible and as Bichler et al. (2002) explained in chapter 2 the cost for this type of service has sensibly decreased in the last years.

Porter argued that firms able to succeed at multiple strategies often do so by creating separate business units for each strategy. By separating the strategies into different units having different policies and even different cultures, a corporation is less likely to become "stuck in the middle." So the solution could be to create a different strategy for small and middle enterprises, with different services and prices. Of course it is a risky solution, Spain it is a quite small country and it may create some friction with the existing big corporation. Big corporations need in this case the feeling to be special and that the service delivered to them needs to be of higher quality in respect of the smaller companies. For example they could have assigned Consultants and Account Executives who look after them or higher level of services.

With all this risks, it is definitely a solution to take in consideration, either as a fixed cost per year, as most of the existing clients or even at a newer pay as you interact, which has recently been introduced in the United States. Probably it is worth for the pricing department to obtain a first feedback from this reality before applying it also on the European market.

The last possible comment about pricing is based on the difference between the United States and Europe. Terpstra et al. (2000) indicate which are the parameters affecting international pricing decisions. In the case of ERP Consult, there are not shipping costs, high costs for infrastructure and main financial issues. It can be said that on the product point of view there is no difference between the US and Europe. The company is the market leader in both continents and therefore the power of the brand and the relation with the competitors is similar. The currency fluctuation is

therefore the main differentiator. If the average exchange rate in the last few months saw \$1,50 dollars to have 1 Euro, the internal exchange rate is 1:1. This means that European clients are paying much more than their equivalent in the United States for the same service. If in the last couple of years it could have been accepted because there was a strong stagnation period in the US, the upcoming crisis in the building sector in Spain may require a bit of support under this point of view.

5.2 Support on the field

During the second chapter, the differences between Spain and the United States have been explained. As results, it has been shown the importance of the hierarchy in the Spanish society and the long term relationship between a company and its suppliers.

In the fourth chapter it has been explained how the sales territory is divided between Inside Sales and Field Sales. The area with better opportunities is the end user market with revenue under the billion dollars, which belongs to the inside sales channel. The inside sales team for the United Kingdom was established more than fifteen years ago, and during the years, more countries came into the inside sales team. Spain was the last to join in 2006, aiming to target small vendors and end user. The team has grown in two years from one member to the existing six and from 0 to two million dollars of revenue. This far it has been a success, but only with small vendors.

The reason is due to the fact that as explained in chapter two, CIOs are senior people, not orientated to remote sales, as they see it as a telesales process and there is a lack of relationship between the sales representative and them. The problem does not

persist in the United Kingdom for example, as the European Headquarter, where the European inside team is based, is in London; therefore they have a much easier access to their prospects. Based on the theory of Hoefstede (1980) explained in chapter two a British manager also tends to have a more innovative mentality willing to accept this newer sales technique. Of course Spanish sales representatives are allowed to fly to Spain every once in a while, but the corporate orientation is to employ always more inside sales to cut costs, such as company's car and flights.

A possible solution that ERP Consult should take in consideration is to find the support of internal consultants based on the territory. As said before the main business is the advisory services but consulting and events are also part of it. A sales representative has as tool a "Client engagement day": this represents the opportunity for a client or prospect to spend a day with one of the analyst without incurring in any cost. The problem again is internal as to obtain the budget to send the analyst to the client. By using the consultant already on the field, the company would not incur in any extra cost and would introduce to the prospect a person with valuable experience able to show value to the prospect. The main issue in this process is political. At today there is no recognition for a consultant willing to offer his support. It is therefore a suggestion to the management to establish a new system, which could offer recognition to a consultant willing to help.

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Appendix I

The information regarding the case study in chapter 4 are based on a qualitative research, based on interviews to members of the ERP Consult and qualitative data in the intranet of the company

Here is the list of the people interviewed:

- a. Interviewee one: Ex country manager of Spain sales field, now global training manager
- b. Interviewee two: Area manager for Italy, Spain and Portugal Inside Sales Channel
- c. Interviewee three: Spain Field Sales Executive
- d. Interviewee four: Spain Inside Sales Team Leader

The internal and confidential information have been shared with the supervisor who can confirm the value and the information shared in there.