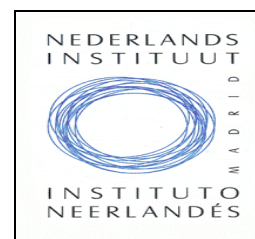


INTERNATIONALISATION OF SMALL CONSULTANCY FIRMS

**An exploratory study on how small Dutch
consultancy firms achieve and maintain successful
establishment in the Spanish market**

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INTERNATIONALISATION OF SMALL CONSULTANCY FIRMS

An exploratory study on how small Dutch consultancy firms achieve and maintain successful establishment in the Spanish market

NICOLETTE SCHNEPPER

Master thesis

Summary

More and more firms are becoming active on international markets. This is not just a phenomenon that applies to multinational firms (MNCs) anymore. Also small and medium sized companies (SMEs) (in this research, SMEs are considered to be firms that have less than 250 employees) take advantage of the possibilities abroad. In the Netherlands, 99.7% of all firms are SMEs and they form an important source for innovation, stimulation of competition and employment. The Netherlands is a small country with an open economy, which is why internationalisation is important. In addition, SMEs that operate internationally appear to have higher growth rates and sales than other SMEs. It is expected that Dutch SMEs will become increasingly active on international markets in the coming years. This means that a shift will be made in the focus Dutch SMEs have with respect to new opportunities, challenges and threats. More foreign competition and the internationalisation of certain sectors, such as the business service sector will affect Dutch SMEs. This explains why internationalisation for Dutch SMEs is becoming increasingly important, and why more attention should be paid to this issue.

One of the sectors that is becoming more and more international is the consultancy sector, due to global market growth of this sector. Consultancy firms will have to internationalise when important clients do so, and having an international network is gradually becoming essential in this sector.

One of the countries that provide an attractive market for Dutch SMEs to invest in, is Spain. For years, the Netherlands has been one of the largest investors in Spain. Spain is a European Union member, and has had an economic growth rate that belongs to the top of the Euro zone countries. Furthermore the Spanish market offers 40 million inhabitants with purchasing power, and 65 million people visit Spain every year. The consultancy market in Spain is developing gradually.

As a result of the above mentioned issues, an increased number of small Dutch consultancy firms is active on the Spanish market. However, as not much information is available on this specific topic, it is not clear how these firms can achieve and maintain successful establishment in the Spanish market. This research aims to analyse and explain the internationalisation process of small Dutch consultancy firms into the Spanish market. The results of this research will therefore contribute to the existing literature on this topic, and provide a (more) coherent internationalisation strategy for other small Dutch consultancy firms that want to enter the Spanish market.

The central research question that is answered in this research is:

How do small Dutch consultancy firms achieve and maintain successful establishment in the Spanish market?

In order to answer this question, a literature review has been conducted. First a theoretical framework was developed, in which SME internationalisation is discussed. Factors that concern why and how SMEs internationalise, what problems and obstacles they encounter, internationalisation in the consultancy sector, investment modes and critical success factors for internationalising SMEs are discussed. Second, a conceptual framework has been constructed. In this section the internationalisation of Dutch SMEs is reviewed. The reasons

for internationalisation and different investment modes for Dutch SMEs are pointed out. The final part of the literature review examines the context in which this research takes place. This context is the Spanish investment climate. Various aspects such as the economic and political situation, international investment and trade and the SME environment in Spain are considered.

The results of the literature research were then used to construct interviews and methods to analyse relevant case study documentation. Resulting from the literature research, five main themes were found. These themes have been used to conduct the data analysis. Small Dutch consultancy firms in the Spanish market, consultancy SMEs in Spain with a Dutch founder and institutions that are involved in the internationalisation process of Dutch (consultancy) SMEs were interviewed subsequently. Together with the relevant documentation this resulted in a large amount of information. This information needed to be analysed in order to discover certain patterns and ideas.

For the data analysis, five themes have been constructed, based on the literature review. These themes are:

- reasons for small Dutch consultancy firms to internationalise
- how small Dutch consultancy firms internationalise
- problems and obstacles that small Dutch consultancy firms encounter when internationalising into the Spanish market
- reasons for small Dutch consultancy firms to invest in Spain
- critical success factors (CSFs) for small Dutch consultancy firms investing in the Spanish market

Factors that resulted from the case study research were classified in the relevant theme.

The first theme concerned the reasons for small Dutch consultancy firms to internationalise. Factors that were mentioned by the respondents were client following, new business opportunities, necessity of local presence, locational and ownership advantages, personal reasons and the emergence of a new market.

When asked how Dutch consultancy firms internationalise the respondents mentioned the network approach, the Uppsala model and a hybrid form between a ‘reverse’ Uppsala model and the Born Global model.

The third theme was about the problems and obstacles that small Dutch consultancy firms encounter when internationalising into the Spanish market. The case study research resulted in the following factors; lack of local knowledge, language, lack of capital, legitimacy (no established relations), bureaucracy, Dutch arrogance, Dutch directness, hierarchy, inefficiency, lack of planning, long payment periods, long start-up period, passive Spanish employees, slow decision making and unfamiliarity with consultancy in Spain.

The reasons for small Dutch consultancy firms to invest in Spain according to the respondents are; bridge to Latin America, development of business service sector (interest in consultancy), high economic growth rates, large potential market, low entry barriers, positive perception of the Dutch (North Europeans) by the Spanish, personal relations (family, relationship), Spanish way of life, Spanish creativity/ability to improvise and necessity of local presence.

The case study research resulted in the following factors for the CSFs for small Dutch consultancy firms investing in the Spanish market; ability to identify/focus on market niche, access to cultural resources, access to external advice (consultant), access to financial resources, being flexible, delivering good service/concept, establishment of local contacts/networking, knowledge of local language, knowledge of local laws and regulations, knowledge of local market, strong firm reputation, strong leadership, strong management & employees, strong (personal) relation with external stakeholders, explaining concept of consultancy well/offering tests/discounts, follow-up/initiative, having good references, having patience, having Spanish (local) employees, not being arrogant, not being too direct, not having Spanish clients and strong control from HQ.

In the discussion of the findings, the results of the literature review and the case study research were compared and discussed. Subsequently, it was possible to answer the central research question ‘how do small Dutch consultancy firms achieve and maintain successful establishment in the Spanish market?’.

Concluding from this research could be said that small Dutch consultancy firms that want to achieve and maintain successful establishment in the Spanish market should consider and/or apply the range of factors that have been identified in this research.

In addition, limitations of this research and recommendations for further research are made. Quantitative research to increase generalisability should be conducted. Furthermore, the same research should be conducted in another business sector or for firms from other countries. Further research in the areas of (Dutch) (consultancy) SME internationalisation is needed and failed firms should be included in further research. Another recommendation is to include Spain as a whole and not just the Madrid (and Barcelona to some extent) region. Finally, the same research should be conducted for small Dutch consultancy firms internationalising into another country than Spain.

Introduction

The purpose of this chapter is to explain the design of this research. According to Yin (2003), the research design explains how the research question and the conclusion are linked by the empirical data used in the research. In this chapter, the research context will be discussed. Furthermore the research problem is identified, the central research question is posed and the research objective is discussed. In addition, theoretical and conceptual framework, the context of this research and the key concepts of this research are related to each other. To conclude, the structure of this research is clarified.

1.1 Research context

This master thesis will cover part of a broader research project, initiated by the Business and Economics faculty of the ‘Universidad Complutense de Madrid’ together with the ‘Netherlands Institute Madrid’ and the Royal Dutch Embassy in Madrid. The aim of the project is to study the importance and behaviour of Dutch firms in Spain.

1.2 Problem identification

Firms are increasingly active on international markets. However, relatively few of the small and medium sized enterprises (SMEs) have internationalised (SMEs in this research are considered to be firms with fewer than 250 employees). This is why literature and research on internationalised enterprises has focused on large multinational companies (MNCs). Nowadays, it is more and more recognized that SMEs are increasingly involved in international markets as well (European Commission, 2004). The literature on internationalisation of SMEs mainly concerns importing and exporting by SMEs. However, literature on SMEs that have ventured abroad, i.e. used foreign direct investment (FDI) is scarce. SMEs are expanding their business to other countries increasingly, either through ventures, Greenfield operations or acquisitions.

SMEs in the Netherlands represent 99.7% of all firms (MKB Nederland, 2006). Therefore they are a large source of stimulation of competition, the development of new technologies and products and they are prime creators of employment (McClarity, 1999). The Netherlands is

a relatively small country with open economy, which is why internationalisation is important. However, the literature on the internationalisation of Dutch SMEs is still very limited.

Over the years, Spain has become a more attractive business partner, due to its growing economy and its 40 million inhabitants with purchasing power. Spain has joined the European Community in 1986 and participated in the Economic and Monetary Union (EMU). Moreover, Spain welcomes around 65 million visitors every year (Royal Dutch Embassy Madrid, 2006) and the wages in Spain are relatively low. Due to developments such as the globalisation of economic activities, Dutch firms have to face increased competition in their home market, while on the other hand new opportunities in foreign markets arise. These and other factors have led to increased presence of Dutch firms in Spain.

The consultancy sector has been growing rapidly in the last years, especially in developed countries such as the Netherlands (FEACO, 2004). However, in countries such as Spain, where the business service sector is still developing, there are large benefits to be obtained by (foreign) consultancy companies, due to the opportunities that arise in the changing and rapidly developing Spanish market.

1.3 Research question

Internationalisation for SMEs still is a relatively new field of expertise. Furthermore internationalisation for the Netherlands is important. The consultancy sector in the Netherlands is relatively developed, while the consultancy sector in Spain is still developing. In order to be successful in Spain, another approach is needed than for instance in the UK or Germany. Especially for SMEs that do not have a lot of experience with internationalisation, it is therefore of importance to understand the internationalisation process, the characteristics of Spain and so on.

Based on the above mentioned issues, the following research question is explored in this research:

“How do Dutch SMEs in the consultancy sector achieve and maintain successful establishment in the Spanish market?”

As to provide a clear answer to the research question, other questions have to be raised as well. Answering these ‘sub questions’ will support the clarification of the key concepts related to the research question. The following sub questions can be raised:

- “Why do (consultancy) SMEs internationalise?”
- “How do (consultancy) SMEs internationalise?”
- “Why and how do Dutch SMEs internationalise?”
- “What problems and obstacles do internationalising SMEs encounter?”
- “Why do firms internationalise into the Spanish market?”
- “What are critical success factors for SMEs in general?”
- “What are critical success factors for SMEs venturing abroad?”
- “What are critical success factors for Dutch SMEs in the consultancy sector venturing in Spain?”

The above mentioned sub questions were used for finding relevant theoretical frameworks and documentation. In order to answer the central research question, first the sub questions are being answered. This is done by reviewing and discussing the existing literature. The concepts discussed in the literature review are then used to conduct the empirical research.

1.4 Research objective

As mentioned before, literature on SME internationalisation, the internationalisation of Dutch SMEs etc. is still rather scarce. Furthermore it appears that internationalising into the Spanish market requires a different approach than for e.g. the German or British market. This makes it difficult for small Dutch consultancy firms to become successful in Spain, and failure is not uncommon. It appears that there is no clear internationalisation strategy for small Dutch consultancy firms. Based on these issues, the following research objective is set up.

The aim of this study is to explore and analyse how Dutch SMEs in the consultancy sector become and stay successful when internationalising into the Spanish market. This is done by explaining and analysing the internationalisation process and by identifying those factors critical to their success. Ultimately is aimed to contribute to the literature on SME

internationalisation and to provide and develop a (more) coherent internationalisation strategy for Dutch SMEs in the consultancy sector that (want to) internationalise into the Spanish market.

Academic objective

The academic objective of the research is to contribute to the existing literature on the internationalisation of SMEs in general, literature on the internationalisation of Dutch (consultancy) SMEs, and literature on developments in the Spanish market. First the existing literature on the abovementioned topics is reviewed. The case study research aims to see whether factors are relevant for small Dutch consultancy firms entering the Spanish market.

Managerial objective

The managerial objective of the research is to provide a more coherent internationalisation strategy for Dutch SMEs in the consultancy sector. The issues identified in this research may be adopted or considered by other small Dutch consultancy firms that want to improve their performance when already present in Spain or consider establishment in the Spanish market. The identified CSFs will provide an overview that can be useful for the prioritisation of actions that Dutch SMEs can undertake to survive in the Spanish market or to become more successful.

1.5 Theoretical framework and relation between key concepts

This section clarifies the position of the research with respect to the various key concepts discussed above. Figure 1 provides a schematic overview of a number of the key concepts of this research and their mutual relationships. First the theoretical framework, the conceptual framework and the context of this research will be discussed.

The literature review of this research starts with a theoretical framework on the internationalisation of SMEs. Topics within this section are static and process theories,

internationalisation in the consultancy sector, investment modes, problems, obstacles and critical success factors for internationalising SMEs are being discussed.

Static theory describes why firms internationalise. This theory includes the ‘theory of the growth of the firm’, ‘internalization theory’ and the ‘eclectic or OLI paradigm’. It is not clear however if those theories apply to SMEs, as these theories have been developed for MNCs (Rialp and Rialp, 2001).

Stage theory considers the internationalisation process as gradual and taking place in different stages. Different stage theories exist, such as the Uppsala model, the network approach and the innovation related model. The Uppsala model regards the internationalisation process as a gradual development over time (Johanson and Vahlne, 1977). Special emphasis is placed on the sequential nature of learning and commitment to foreign markets. The network approach describes how the degree of internationalisation of the firm and the degree of internationalisation of the market are of influence on the internationalisation process (Johanson and Matson, 1988). The innovation related model states that each next stage in the internationalisation process is the result of a new management innovation (Bilkey and Tesar, 1977).

International new venture theory describes firms that are international from start up or shortly after that (Oviatt and McDougall, 1994).

The consultancy sector is different from other sectors due to its flexibility and fast changing nature (FEACO, 2004). Furthermore the market exists of many very small firms and few very large firms. The consultancy market has been and is growing rapidly, which has led to increased internationalisation in this sector. Consultancy firms internationalise for a number of reasons. These are ‘client following’, to discover new business opportunities, or because there is an upcoming market (Svensson, 2000).

Various investment modes exist that firms can apply when internationalising. These are export, FDI and cross-border cooperation. Although exporting is an important element of internationalisation, more and more firms engage in FDI (Liesch and Knight, 1999). Cross-

border collaboration can help SMEs to overcome obstacles such as their limited resources and vulnerability (Hoffman and Schlosser, 2001).

Internationalising SMEs are vulnerable due to their limited resources, such as capital, time and management experience (Lu and Beamish, 2006). When SMEs internationalise, they encounter a number of problems or obstacles. These can be summarised in three liabilities, 'liability of foreignness', 'liability of newness' and the 'liability of smallness'. For internationalising SMEs it is important to consider those liabilities. Internationalising consultancies can experience problems with the establishment of a new network and higher risk (Svensson, 2000).

In this research, critical success factors are relevant when they can be regarded as solutions or preventions for the problems, challenges and liabilities that SMEs can encounter in general. For this research, the factors that determine SME success or failure (CSFs) are divided in three groups, so that a clearer overview is created.

Group A: CSFs applicable to SMEs in general

Group B: CSFs applicable to internationalising SMEs

Group C: CSFs applicable to small Dutch consultancy firms internationalising into the Spanish market

The CSFs that can be placed in group A and B are quite straightforward and were identified by using the existing literature. The CSFs for SMEs in general (group A) are depicted in the upper circle of figure 1. Furthermore, CSFs for internationalising SMEs (group B) are defined, which is represented by the overlap between the upper and the lower left circle of figure 1.

According to the literature, CSFs for SMEs (group A) in general are: strong relation with stakeholders; strong management and employees; ability to identify and focus on a market niche; delivering good service or concept; access to financial resources; access to technological resources (IT, Internet); strong leadership; being flexible and speed in decision making processes.

CSFs pointed out in the literature for SMEs (group B) that internationalise are: knowledge of the local market, language, laws and regulations; access to external advice (consultant); strong firm reputation; access to financial, technological and cultural resources; speed and flexibility in decision making processes and establishment of local contacts.

However, the literature review does not cover CSFs that are applicable specifically to small Dutch consultancy firms venturing in Spain. One of the objectives of this research therefore is to isolate the CSFs for small Dutch consultancy firms (group C) that have ventured in the Spanish market, which is represented in figure 1 by the area where the three circles overlap.

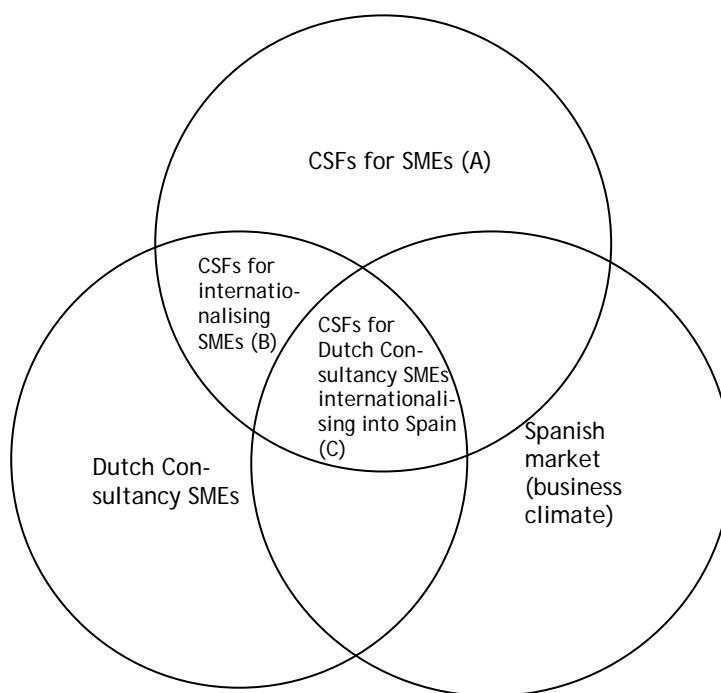


Figure 1. Schematic overview of key concepts

The conceptual framework and the context for this research are discussed further on in the literature review. The conceptual framework is about the internationalisation of Dutch SMEs (see figure 1). The context of this research is the Spanish market (see figure 1).

For the Netherlands, being a relatively small country with an open economy, internationalisation is important. Dutch SMEs internationalise because of the small domestic

market, to gain access to foreign technology and knowledge and to reduce costs (OECD, 2000). Research on FDI of Dutch SMEs has been developing since 2004. Therefore it is not possible to comment on the long term development of FDI by Dutch SMEs (Hessels et al., 2005).

In the last decade, Spain has undergone an extensive process of modernization. Moreover, since 1986 Spain has experienced a vast economic development. Very important for this economic development were the extensive European structural and cohesion funds. With the support of these funds, Spain was able to make huge improvements in its infrastructure and health care and to reduce unemployment rates (Guía de Negocios en España, 2005). To foreign firms, Spain offers an attractive market with over 40 million persons with buying power. The high economic growth rates in Spain can be an advantage for foreign companies as well. Because currency risks and most bureaucratic trade barriers are gone, the barriers to enter the Spanish market for Dutch firms are becoming smaller (EVD, 2006).

In the coming years, Spain needs to invest in innovation, in the modernisation of the labour market and to increase its productivity, in order to stay competitive and to maintain economic growth (EVD, 2006). For Dutch firms, this offers many possibilities to become active on the Spanish market. Due to the extensive trade relation Spain has with Latin America, Spain can serve as a bridge for Dutch firms that want to have access to the Latin American market (Minbuza, 2006). The SME environment is rather favourable in Spain, due to the special interest the government pays to SMEs. The business service sector is experiencing growth and gradual development (FEACO, 2004).

1.6 Methodology

The focus of this research is on details and specifics of the obtained data, as to discover important categories. Rather than to test hypotheses, exploration with (semi) open questions is applied (Patton, 1990). This means that this research is explorative, the aim of this research is to look for patterns or ideas, rather than to test or confirm a hypothesis (Collis and Hussey, 2003).

The literature review shows that no sufficient information is available on what CSFs for small Dutch consultancy firms internationalising into the Spanish market are. These CSFs would be a solution for the problems and obstacles that this type of firm encounters. As the literature does not cover this area sufficiently, data will be gathered from Dutch SMEs in the consultancy sector that have ventured successfully in Spain, small consultancy firms in Spain with a Dutch founder, and institutions that are closely involved in the internationalisation process of these firms, such as the embassy and EVD.

By interviewing relevant cases and by analysing all important case documentation and so on, it becomes clear whether the CSFs in groups A and B correspond with reality or that other factors are of importance as well. These factors would belong to group C (i.e. the area of figure 1 where the three circles overlap). Furthermore the case study research will allow the researcher to get a clear overview of why and how these firms internationalise, why they choose the Spanish market, what problems and obstacles they encounter and what their CSFs are. A total of ten interviews have been conducted. All the interviews were fully transcribed as to improve the method of analysis. Of those ten interviews, eight were cases. Two interviews were conducted to increase the external validity of this research.

Five main themes were identified during and after the literature review, around which the interviews for the case study research were constructed. The factors resulting from the case study research were also classified according to those five themes.

The main themes identified are:

- Reasons for small Dutch consultancy firms to internationalise
- How small Dutch consultancy firms internationalise
- Problems and obstacles that small Dutch consultancy firms encounter when internationalising into the Spanish market
- Reasons for small Dutch consultancy firms to invest in Spain
- CSFs for small Dutch consultancy firms investing in the Spanish market

When the results of the interviews and relevant documentation were analysed, the factors that were found were classified according to the above mentioned themes.

Both the literature review and the case study research have resulted in findings. In the discussion of the findings, these results are being compared. Some results did not appear to be relevant, while others were added.

By combining the results of the case study research and the literature review, and by discussing those findings, a final answer to the central research question is formulated. Furthermore the limitations of this research and recommendations for further research are discussed.

1.7 Thesis structure

This part introduces the structure of this thesis.

Chapter 1 – Introduction

The first chapter of this thesis outlines the structure of this research. It introduces the research context, the research problem, the research question, the objective of this research, the theoretical framework and the relations between the key concepts of this research.

Chapter 2 – Theoretical framework – SME internationalisation

In this section the literature on SME internationalisation is discussed. Various aspects of this topic are being considered, such as static and process theories, internationalisation in the consultancy sector, different investment modes, problems and obstacles that internationalising SMEs encounter and critical success factors for internationalising SMEs. Important concepts that were encountered during the literature review are used as input for the interviews that were carried out later on in the research.

Chapter 3 – Conceptual framework – Internationalisation by Dutch SMEs

This part of the research deals with the internationalisation of Dutch SMEs in particular. Aspects such as export, FDI and cross-border cooperation by Dutch SMEs are being

discussed. Again the concepts that were discovered in this section were used to construct the interviews that were conducted for this research.

Chapter 4 – Context – The Spanish investment climate

This chapter discusses the context in which this research takes place, which is the Spanish (consultancy) market. The Spanish investment climate is reviewed, by considering certain aspects such as the economic and political situation, the consultancy sector in Spain, the SME environment and international investment & trade in Spain. As in the two chapters before, the conclusions of this chapter were used as input for the construction of the interviews.

Chapter 5 – Methodology

The approach to the research methodology is explained in this chapter. The research paradigm, the way the data is collected and analysed and the quality of this research are outlined. This chapter ends with a description of the sample for this research.

Chapter 6 – Findings

This chapter outlines the findings that were encountered during the case study research. The factors that were found during the case study research are divided in five themes as to create a clearer overview.

Chapter 7 – Discussion of the findings

Chapter 7 discusses the findings of the case study research and links those to the concepts that were outlined in the literature review (chapters 2,3 and 4).

Chapter 8 – Conclusion and recommendations

The results of this research are presented and summarised in this chapter. The limitations of this research are being discussed. In addition recommendations will be made for further research. Recommendations for small Dutch consultancy firms are being made as well.

2 Theoretical framework – SME internationalisation

Rialp and Rialp (2001) define business internationalisation as ‘the set of operations that facilitate the establishment of more stable relationships between a firm and the international markets throughout a learning process of growing international involvement and patterns of development that may be simultaneously inward and outward’.

International business has long been considered an exclusive area for large and resourceful companies. However, due to advances in e.g. information, communication and transportation technology, and globalization of markets, more and more SMEs are becoming active in the international market. For instance, the internet is an important tool for SME internationalisation. Web-based sales, internet marketing and communication networks are important factors in facilitating the internationalisation process (ENSR, 2003/4). Other drivers for the increasing internationalisation of SMEs are economic and political changes. As in Europe, elimination of former trade barriers, market liberalisation and deregulation have resulted in the creation of a single and expanding European market. Also the international expansion of large companies offers possibilities for their (for instance) supplying SMEs to internationalise. A final factor that drives SMEs to internationalise is that foreign competition in the SMEs’ domestic market is increasing.

According to the OECD (1997), SMEs comprise over 95% of businesses, account for 50% of total value added worldwide and create between 60% and 90% of all new jobs (depending on the country). Knight (2001) argues that the rise of the international SME is a key trend. Nonetheless, as SMEs generally lack the resources, capabilities and market power that MNCs do have, international operations are likely to be considerably more challenging and complex for SMEs.

2.1 Static theories: Why firms internationalise

Since the 1960s, various theories have been developed that discuss the motives for companies to internationalise. According to van Tulder et al. (2001), these theories can be referred to as ‘static theories’. Not only do they explain the motives for international trade, but also the motives for FDI, and are based on economical principles. However, these theories are

developed in order to explain the internationalisation behaviour of *MNCs*. Therefore it is not clear how relevant these theories are for *SMEs*. According to Hessels et al. (2005), there is very little empirical evidence available on the relevancy of these theories for *SMEs*. Rialp and Rialp (2001) argue that all static theories focus typically on *MNCs* as their only valid empirical evidence. Although static theory seems to be relevant primarily for *MNCs*, a few important static theories will be discussed in this section, as they might be applicable to *SMEs* as well.

The theory of the growth of the firm (Penrose, 1959) states that firms internationalise when they seek growth, for instance when the home market is small or saturated

The internalization theory (Caves, 1971) is based on the acknowledgement of imperfection within the market. This results in inefficiency in the international investment and trade markets. For instance, a firm can overcome market failures such as tariffs or lack of information by internalising their operations. It means that the firm should keep certain assets under control, when it intends to have the exclusive right over them. I.e. a firm should then extend its own operations instead of externalising them by for instance licensing. Internalization can be horizontal (e.g. produce the same product in new countries) or vertical (forward and backward integration in the production process).

A third theory is the eclectic paradigm (Dunning, 1993), or OLI paradigm, that identifies three types of advantages that explain patterns of international production and the motives for FDI. These are ownership-, internalization- and location advantages. Ownership advantages are achieved when a firm owns certain advantages such as unique knowledge, a strong brand etc. with respect to other firms. Internalization advantages will arise when internalising certain assets is more beneficial than externalising (such as licensing) those assets. Location advantages comprise all the advantages that arise when a firm ventures abroad, such as low cost of production, more flexible laws and regulations, access to resources etc.

The theories that describe the motives for firms to internationalise focus mainly on *MNCs*, and the relevance of these theories is not empirically proven for *SMEs*. In more recent theories and models, more attention is being paid not only to *why* firms internationalise, but *how* they internationalise. In these theories, the process that an internationalising firm goes

through is the main issue. This alternative theoretic framework is more directly related to SMEs (Rialp and Rialp, 2001). In the next section theories on the internationalisation process will be discussed.

2.2 Stage and international new venture theories: How SMEs internationalise

This section describes *how* SMEs internationalise. The internationalisation process concerns the choice and entering of new markets by firms, using a certain internationalisation strategy (Crick et al., 2005). Stage theory describes how the firm behaves when internationalising. Usually SMEs have scarce initial knowledge of foreign markets and therefore face many uncertainties concerning the decision to internationalise. Stage theory considers the internationalisation of the firm as a learning process, based upon a gradual accumulation of experiential (foreign) market knowledge. Internationalisation is conducted in different stages, whereby each subsequent stage represents a greater involvement of the firm in its international operations. This sequence of stages is also known as ‘the chain of establishment’ (Rialp and Rialp, 2001). International new venture theory describes firms that are international from start up or shortly after that.

2.2.1 The Uppsala-Model

For stage theory, the Uppsala model of the internationalisation process is regarded as its most significant contribution. This model regards the internationalisation process as a gradual development over time. Special emphasis is placed on the sequential nature of learning and commitment to foreign markets. Johanson and Vahlne (1977) argue that accumulated experience becomes a driving force in the internationalisation process, although this experience is specific for each market and can not be generalised just like that. In the Uppsala model, the following stages are distinguished:

1. No regular export activities
2. Export through independent representatives (agents)
3. Establishment of foreign sales subsidiary
4. Establishment of foreign production subsidiary

By studying Swedish industrial companies, Johanson and Vahlne (1977) concluded that international activities are primarily focused on geographically close markets. When more experience is accumulated, by conducting internationalisation practices with low involvement such as exports, firms start expanding towards more distant markets and to become more involved. Johanson and Vahlne (1977) argue that 'the current state of internationalisation is an important explanatory factor of the course which this will follow in the future'. Johanson and Vahlne (1990) designed a dynamic model (figure 2) that uses a basic mechanism to explain all steps in internationalisation. The outcome of one decision results in the input of the next. Market commitment (resource commitment to the foreign markets) and market knowledge (knowledge about the foreign markets and operations) are considered 'state aspects'. The commitment decisions and the performance of current business activities are considered 'change aspects'. The model assumes that the 'state of internationalisation' affects perceived opportunities and risks, which in turn influence commitment decisions and current activities.

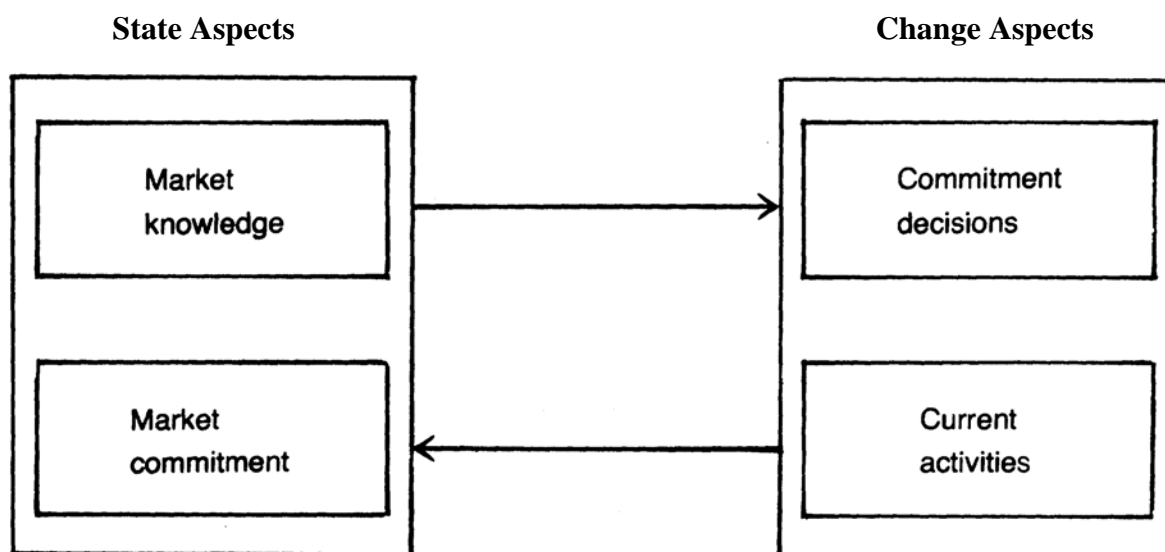


Figure 2. The Basic Mechanism of Internationalisation – State and Change Aspects (Johanson and Vahlne, 1990)

Although the traditional way of gradual internationalisation is still used frequently, new theories are emerging. According to Coviello and Martin (1999), there is evidence that the

importance of stage theory is decreasing. Due to technological developments, firms are better able to internationalise in a faster and less gradual way (Hessels et al., 2005).

2.2.2 The network approach

In this section is discussed how firms internationalise by using their business networks. Business networks in this sense are defined as ‘a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualised as collective actors’ (Emerson, 1981). Because a firm is connected with other firms (e.g. technologically or financially), its business network is extended gradually. When its business network extends across borders, it can drive the firm into the international market as well. This process takes place either in an intended and planned way or in a more evolutionary manner (Hessels et al., 2005).

Johanson and Mattson (1988) have developed a model (see table 1) that uses social exchange theory to demonstrate how firms develop network relationships to internationalise. In this model both the degree of internationalisation of the firm and the degree of internationalisation of the market are of influence on the internationalisation process. Johanson and Mattson (1988) argue that as the firm internationalises, the firm creates and maintains relationships with foreign stakeholders in three different ways. The first way is by forming relationships with new foreign stakeholders, i.e. international extension. Secondly by penetration, this is the increase of commitment in already established foreign networks. The third method is international integration, which means that the firm integrates its position in networks in a variety of nations. Johanson and Mattson (1988) assume that a firm requires resources that are controlled by other firms. These resources can be obtained through the positions of the firm in its network.

		Degree of internationalisation of the market	
		<i>Low</i>	<i>High</i>
Degree of internationalisation of the firm	<i>Low</i>	The Early Starter	The Late Starter
	<i>High</i>	The Lonely International	The International Among Others

Table 1. Internationalisation and the network model (Johanson and Mattson, 1988)

Four types of companies are identified in the model by Johanson and Mattson (1988). The first type of company is the 'Early Starter'. This is a type of firm that has few international relationships, just as its stakeholders such as competitors or suppliers. As this type of firm and its stakeholders have no or slight knowledge of the foreign market, an agent is used to internationalise.

The second type of firm, the 'Lonely International', is a firm that is well internationalised, but operates in a market that is not. These types of firms have already acquired the knowledge and experience to survive in foreign markets, and they can set an example for other firms in the market that want to internationalise.

The 'Late Starter' represents the third category of firms. This type of firm operates in a market that is highly internationalised but did not internationalise much itself. However, due to the (internationalised) business network these companies have, they are driven to internationalisation. Nonetheless, it might be a disadvantage to start internationalising late, as competitors have more foreign knowledge and networks are already established.

The fourth type of company in the model is the 'International Among Others'. The 'International Among Others' has connections with multiple international business networks, which can be used for obtaining external resources. Next to that, this type of company coordinates its operations abroad by setting up foreign sales subsidiaries (Chetty and Blankenburg, 2000)

2.2.3 Innovation-related model

The Innovation-related model of internationalisation assumes that the internationalisation process takes places in stages (Bilkey and Tesar, 1977), and is therefore considered to be stage theory as well. This model claims that each next stage in the internationalisation process is the result of a new management innovation. It describes the internationalisation process as an incremental and slow process, resulting from e.g. a lack of foreign market knowledge or high risk aversion (Gankema et al., 2000). In table 2 is illustrated how the various stages in

the innovation-related model are commonly operationalised through the ratio of export sales to total sales. This ratio represents to what extent a firm is involved in exporting.

Stage	Description	Export/Turn over Ratio
1. Domestic Marketing	No export activities, firm just interested in domestic market	0%
2. Pre-export	Firm gathers information and researches possibilities for export	Close to 0%
3. Experimental involvement	Firm starts exporting on small scale. Geographical and cultural distance with export countries is limited	0-9%
4. Active involvement	Firm does systematic attempts to expand foreign sales to multiple countries	10-39%
5. Commitment involvement	Firm is highly dependent on foreign markets and engages in licensing or FDI	>40%

Table 2. Stages of internationalisation process according to Innovation-related model of internationalisation (Gankema, Snuif and Zwart (2000) based on Cavusgil (1980)

2.2.4 International new ventures (Born Globals)

Other empirical evidence demonstrates that not all firms internationalise through the traditional internationalisation models, such as the Uppsala model, the innovation model or network approach. As opposed to these traditional models of internationalisation, more recent theories describe the phenomenon of ‘Born Globals’, or ‘international new ventures’. These are firms that adopt an international approach immediately after start-up or shortly thereafter.

Oviatt and McDougall (1994) state that the formation of organizations that are international from inception, ‘international new ventures’, is an increasingly important phenomenon. Since the late 1980s, the number of start-ups that were international since their foundation is growing. Oviatt and McDougall (1994) define the international new venture as ‘a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries’. Important to note here is that FDI (or owning foreign assets) in this case is not a requirement, but that value added is concerned. In contrast to firms that evolve gradually, the international new ventures start with an international strategy (thus the focus of the research by Oviatt and McDougall (1994) is not on size of the firm but on age when the internationalisation process takes place).

According to Madsen and Servais (1997), the rise of Born Globals is the result of at least three essential factors. These are 1. new market conditions, 2. technological developments in production, transportation and communication and 3. more elaborate capabilities of people (e.g. the founder of the firm).

Oviatt and McDougall (1994) argue that, due to the advances in technology, communication and transportation, an internationally experienced person who has access to enough capital, can do business anywhere. This means that taking advantage of foreign business opportunities is not just exclusive for MNCs anymore. Oviatt and McDougall (1994) describe the four basic elements needed for international new ventures to be sustainable. First they define three elements that are essential conditions for an international new venture to exist. They are respectively 1) The internalization of some transactions (any organisation should own some assets, or it can not engage in an economic transaction), 2) The extensive use of alternative transaction government structures (e.g. use of hybrid partners, as to gain more control over essential assets) and 3) Some advantage over local firms in foreign locations (e.g. private knowledge). The fourth element is that the international new venture protects is unique resource, which in many cases is ‘knowledge’. Furthermore Oviatt and McDougall (1994) define four different types of international new ventures (see figure 3).

The ‘New International Market Makers are types of firms that either focus on serving on a few countries that are familiar to the entrepreneur (Export/Import Start-ups) or on serving a

range of countries while searching for new trade opportunities (Multinational Traders). ‘Geographically Focused Start-ups’ are firms that use foreign resources to serve the specialized needs of certain regions and gain an advantage by doing so. This means that they are geographically restricted to the location of the specialized need. ‘Global Start-ups’ have a widespread coordination between multiple organizational activities, of which the locations can be geographically unlimited (Oviatt and McDougall, 1994).

Few Activities Coordinated Across Countries (Primarily Logistics)	New International Market Makers	
	Export/Import Start-up i	Multinational Trader ii
Coordination of Value Chain Activities	iii	iv
Many Activities Coordinated Across Countries	Geographically Focused Start-up	Global Start-up
	Few	Many
	Number of Countries Involved	

Figure 3. Types of International New Ventures (Oviatt and McDougall, 1994)

2.2.5 Links and relevance of stage and international new venture theories

The Uppsala- and Innovation-related models of internationalisation and the network approach regard the internationalisation process as an incremental process that comprises of various stages. However, these stage models of internationalisation have been criticised by many researchers, as being too deterministic and of limited value (Reid, 1983; Turnbull, 1987). This criticism is supported by empirical evidence of the existence of an increasing number of companies that do not follow the traditional stages pattern in their internationalisation process (Madsen and Servais, 1997). Although stage theory and international new ventures seem to be contradicting each other, it seems that some theoretical backgrounds of stage theory are valid even for Born Globals. For instance, when the Born Global theory and the network approach are compared, it seems that the basic assumptions and dynamic processes (the state and change aspects) underlying Born Globals are not necessarily different from firms that internationalise in stages (Madsen and Servais, 1997). Even though empirical evidence of

Born Globals exists, it does not mean that more traditional theories are incorrect, as stage theory still applies to many firms. However, due to developments in technology, communication and transportation, theories on incremental firm internationalisation might become less applicable in the future (Madsen and Servais, 1997).

In reality however, it is sometimes too rigid to make a clear distinction between stage theory and the Born Global model, for a number of reasons (European Commission, 2004). First, SMEs can go through the internationalisation process by using a combination of different models. For instance, a Born Global could have a fast and international start, and then continue with a more gradual internationalisation approach. Secondly, the internationalisation process of SMEs can subsist of multiple cross border activities, which occur in a combination of stages instead of in sequential stages. Thirdly, different investment modes (im- and export, FDI or alliance) may be undertaken to fulfil a strategic goal, rather than to be a stage in a gradual process. For instance, companies that seek knowledge or technology abroad might be more attracted to engage in a joint venture or an alliance, than to start exporting. There are some indications that exporting is not even the first step in the internationalisation process anymore (Hessels, 2005). Hessels (2005) argues that due to these developments, it is much better to see the internationalisation process from a holistic point of view, where SMEs can choose a variety of options, rather to follow a fixed (staged) pattern.

2.2.6 Summary

Stage theory and international new venture theory describe how firms internationalise. Stage theory considers the internationalisation process as gradual and taking place in different stages. This sequence of stages is also known as 'the chain of establishment' (Rialp and Rialp, 2001). Different stage theories exist, such as the Uppsala model, the network approach and the innovation related model. The Uppsala model regards the internationalisation process as a gradual development over time. Special emphasis is placed on the sequential nature of learning and commitment to foreign markets. The network approach describes how the degree of internationalisation of the firm and the degree of internationalisation of the market are of influence on the internationalisation process. The innovation related model states that each next stage in the internationalisation process is the result of a new management innovation.

International new venture theory describes firms that are international from start up or shortly after that.

2.3 Internationalisation in the consultancy sector

Internationalisation is no longer just a phenomenon that applies to manufacturing firms or MNCs. As discussed earlier in this research, SMEs internationalise as well, whether it is in a gradual way, immediately from start up or in a more hybrid and holistic way. Small and medium businesses in the service sector, especially in the knowledge intensive services internationalise as well. For instance, firms in investment banking, legal services, accounting, advertising and management consulting expand abroad increasingly (Glückler, 2005).

According to FEACO (2004) the consultancy market is an unusual market, as it is characterised by 'a very small number of very large players and a very large number of very small players'. Another characteristic of the consultancy market is that it is a very flexible and changing market, due to the fact that consultants respond to certain (changing) needs.

The consultancy sector has grown boomingly since the 1990s. In the 1990s the consultancy market had a growth rate of 16% annually. Nowadays the consultancy market in Europe reached a turnover of €47 billion in 2002 and €49 billion in 2004 (FEACO, 2004). Ongoing changes in outsourcing and restructuring processes can explain this excessive growth partly. Also in the consultancy sector, global market growth has led to increased internationalisation.

According to Svensson (2000), consultancy firms internationalise for a number of reasons. First, the pull effect from clients in the home country is mentioned. This means that a firm internationalises because its clients do so. In order to serve the client well, the supplying firm internationalises with its client. Another reason is that the domestic market pushes the firm abroad as to discover new business opportunities. Foreign demand is an additional reason for internationalisation. Firms in the consultancy sector do not internationalise just proactively, at times they are forced to internationalise because an existing client is doing so. According to Welch (2004), 'client following' (internationalising in order to service the subsidiaries of a home country client), is an important reason for the internationalisation of service firms. From this point of view, the network of the firm plays an important role in its internationalisation process. Furthermore, FEACO (2004) argues that networking is a very important issue for the

consulting industry, due to the higher and increasingly complex demands of the customers. Consultancy firms therefore need to work together more and more, in order to be able to provide all expertise and knowledge required by their clients. Glückler (2005) argues that (external) social networks are essential for the internationalisation process in knowledge-intensive firms. For consultancy firms it is relatively easy to enter and exit foreign markets compared to non-service firms (Svensson, 2000). This is a result of the high mobility, client-led demand and low physical capital requirements (machines, tools etc.) of the suppliers in the consultancy sector (Svensson, 2000).

2.4 Expansion modes

This part will describe the different modes firms can use to internationalise. In order to do so, a distinction has been made between export, foreign direct investment and cross-border cooperation.

According to Svensson (2000), foreign subsidiaries in the consultancy sector are primarily set up and run by home country consultants, in other words, some sort of 'permanent export'. However, after some time, more and more local consultants are hired. Svensson (2000) argues that after some years the before mentioned subsidiaries are even completely run by local employees.

2.4.1 Export

According to Hartog and Devreker (1979), export is defined as 'the sales of goods or services or the transfer of capital to another country'. Export can be either direct or indirect (Hessels, 2005). Direct export takes place when the exporting firm directly sells to foreign customers. Indirect export means that the sales of goods or services take place through an agent. In exporting, it is the sales function that has been internationalised.

According to Hilton (2005) smaller firms have to deal with limited staff, capital constraints and regulatory entry barriers when exporting. However, Hilton (2005) has identified a number of benefits connected to exporting. Exporting SMEs can benefit from increased sales, a

diversified market and thus reduced risk, extension of product life cycles, economies of scale, a better understanding of foreign markets and increased competitiveness.

Exports in the consultancy sector are taking place when employees of the consultancy firm travel to the foreign client. The developments in (tele)communication technology make it possible nowadays to export consultancy services without having to travel physically.

2.4.2 Foreign direct investment

Export and import form an important element of internationalisation. However, during the past years, internationalisation has become a much more differentiated business activity (European Commission, 2004). Foreign Direct Investment (FDI), such as joint ventures, mergers, acquisitions or Greenfield operations abroad are increasingly very relevant aspects of internationalisation as well. In other words, foreign partnerships, foreign investments and cross border clustering represent new practical means to reinforce the international business strategies of SMEs (European Commission, 2004). Facilitated by advances in the information and communication technologies, globalisation of markets and other factors, SMEs increasingly venture abroad (Liesch and Knight, 1999). The (expansion) of the internal market of the European Union, e-commerce and the liberalisation of world trade have caused a gradual shift in the international behaviour of SMEs (Hessels, 2005).

An important aspect of FDI is not only that an entity in another country becomes the owner of a firm, but that this entity has management control and supervision as well. FDI is therefore considered as the 'highest' level of internationalisation (Hessels, 2005). The United Conference on Trade and Development (UNCTAD, 2005) defines FDI as 'an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy (foreign direct investor of parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate)'. Within the existing literature, the advantages associated with internationalisation are well described, although this mostly concerns MNCs (McDougall and Oviatt, 1996). Little research has been done on the period after SMEs have expanded in to a new country, for instance, what actions SMEs have undertaken in order to overcome liabilities and challenges foreign subsidiaries of SMEs have to face.

According to Vachani (2005), research on effects of established SMEs' FDI is scarce. Various researchers (Lu and Beamish; 2001, Chen and Martin; 2001) argue that more attention should be paid to whether and how value is created in the internationalisation of SMEs and stress the need to study the FDI of already established SMEs. Hessels (2005) argues that more research is needed in the area of FDI and SMEs. According to the ENSR Enterprise Survey – 2003, 69 % of SMEs with subsidiaries abroad has found that their competitiveness has improved (as opposed to 53 % for SMEs with a foreign supplier only and 56 % with export only).

2.4.3 Cross-border cooperation

Cross-border cooperation can have different forms, such as licensing, franchising, subcontracting or strategic alliances. It seems however that except for the strategic alliance, the other forms of cross-border cooperation are not very common for SMEs to undertake (Hessels, 2005). Therefore this section will only discuss the concept of strategic alliances.

The concept of strategic alliances has been discussed extensively in the literature. Therefore a large number of definitions, frameworks etc. exist. The OECD defines a strategic alliance as 'an inter-firm co-operative relationship that enhances the effectiveness of competitive strategies of the participating firms through the trading of mutually beneficial resources, such as technologies, skills etc.'. According to Hessels (2005), characteristics of strategic alliances are that firms stay independent after the alliance, that final profits are shared and that all partners contribute to the alliance. The reasons for SMEs to engage in strategic alliances vary. A strategic alliance can increase competitiveness, particularly in unstable or complex environments (Hoffman and Schlosser, 2001). Furthermore alliances can provide access to external resources, which a firm at present may not have access to itself. SMEs in general have limited resources and are more vulnerable than larger companies. A strategic alliance can help the SME to extend its resources and to have more security during difficult periods (Hoffman and Schlosser, 2001). Different theories such as transaction-cost theory (creating value by minimising fixed and transaction costs), knowledge-based theory (creating value by combining and exchanging knowledge), resource-based view (gaining access to additional resources) and sociological approaches (e.g. enhancing organisational trust or legitimacy) describe and explain interfirm collaboration.

2.5 Problems and obstacles for internationalising SMEs

According to Lu and Beamish (2006), SMEs have limited resources and capabilities by definition. This means that their subsidiaries tend to be small and vulnerable to environmental changes. Rialp and Rialp state that SMEs in general face internal and external constraints in the international development process, due to limited capital, lack of time, experience or management etc. In their international expansion, SMEs' foreign subsidiaries come across various liabilities, of which three are rather important (Lu and Beamish, 2006). The first liability is 'liability of foreignness', caused by a lack of local knowledge. This can be a disadvantage when competing against local firms. This can be especially disadvantageous for SMEs, as in general they are less experienced in international markets than larger firms. A second liability is 'liability of newness', which means that new relationships with customers, suppliers, employees etc. have to be established. SMEs' new subsidiaries have to deal with the concept of legitimacy. The legitimizing process can be expensive and time consuming, particularly since SMEs are not very well-known. 'Liability of smallness' is the third liability that SMEs have to face, due to their limited resources and capabilities. When these liabilities can be overcome, the performance of the SMEs' foreign subsidiary will most certainly improve. Buckley (1989) argues that SMEs are affected by two critical shortages, capital and management time. It is difficult for SMEs to raise capital without disclosing its competitive advantage secrets. Due to the shortage of skilled management, SMEs often do not have specialist managers for their international operations. On the other side, SMEs have a major advantage in the sense that they can fill a market niche.

In the consultancy sector, the requirements for financial capital are low. For instance, when a foreign subsidiary is established, an office has to be rented and consultants have to be hired, but almost no additional investments have to be made. According to Svensson (2000), the main problem for an internationalising consultancy firm is the creation of long-term relationships and to break up any current long-term relationships that are already established between local consultancy firms and possible customers in the host country. Another problem that consultancy firms encounter when internationalising is the higher risk compared to the domestic market. Reasons for this higher risk are for instance the laws, regulations, standards etc. that vary across countries. Other problems can arise due to differences in tax or financial

systems. However, facing higher risks can also result in higher rewards for the international consultancy firm.

2.6 Critical success factors for (internationalising) SMEs

2.6.1 Introduction

The concept of CSFs has been widely discussed in the literature. Sets of factors have been developed at different levels, such as industry, organizational or project level and across a large variety of undertakings and activities (Fortune and White, 2006). Whereas the function of critical success factors (CSFs) is *survival*, key success factors are critical for *excellent performance* (Ghosh et al., 2001). Rockart (1979) has defined CSFs as “the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organisation”. CSFs are by definition those factors that lead to failure or success of an enterprise. In this research, CSFs are relevant when they can be regarded as solutions or preventions for the problems, challenges and liabilities that SMEs can encounter in general. In other words, if an SME would not have these relevant CSFs, this would result in ‘failure’ of the firm. Here ‘failure’ is considered as the involuntary or forced termination of the international activities by a small Dutch consultancy firm in Spain.

First, the CSFs that are of importance for SMEs in general are determined by examining the appropriate literature. In the second place, the literature is used to identify CSFs that are relevant for the success of internationalising SMEs. Thirdly, CSFs that apply specifically to Dutch SMEs in the consultancy sector internationalising into the Spanish market will be identified. As the literature does not cover this third group of CSFs satisfactorily, case study research will be used to identify these factors for the greater part. An overview of the CSFs for (internationalising) SMEs mentioned in the literature were categorised by the researcher (see table 3 and 4). The categories are based on the judgement of the researcher and are just used to provide a clearer overview for the reader of this research.

In the literature, many CSFs for SMEs are being mentioned. However, for different studies different CSFs are determined and the relative importance of those factors varies between studies, countries etc. Therefore, the relevant CSFs that are mentioned frequently throughout the literature will be categorised as to provide a more holistic view. The results of the case

study research will ultimately demonstrate whether certain factors are missing or abundant in the literature on small Dutch consultancy firms venturing in Spain.

2.6.2 CSFs applicable to SMEs in general

A number of recent studies have dealt with the factors that affect SME success (see table 3). Ghosh and Kwan (1996) contributed significantly towards the identification of SME CSFs by doing a cross-national study covering Singapore, Malaysia, Australia and New Zealand. This study reports that 'having a good customer relationship' and 'effective management' are factors that contribute to a successful SME. Other factors that are mentioned are 'ability to identify and focus on a market niche', 'having a good service and delivery system', 'availability of financial resources' and 'having a strong and visionary CEO'. On the other hand, this study mentions the 'high cost of doing business' and 'competition' as factors that are constraints to success. Duchesneau and Gartner (1990) found that small successful firms were more flexible, participative and adaptive. Accordingly, 'flexibility', 'ability to participate' and 'ability to adapt' are factors that contribute to the success of SMEs (Duchesneau and Gartner, 1990). According to Pasanen (2003), SME survival is dependent on 'contribution and flexibility of personnel'. Other important survival factors mentioned in this study are 'good relationships with external stakeholders' and 'early reaction to problems and decision making without delay'. DeHayes and Haeberle (1990, cited in Ghosh et al. 2001) have found that in many cases the reason for small business success is the 'ability to identify and focus on one or a few market niches'. Other CSFs mentioned by DeHayes and Haeberle (1990, cited in Ghosh et al., 2001) are the 'ability to develop and sustain technological advantage', 'having strong top leadership', 'having significant 'people bonding' mechanism in the system', 'having a strong management team', 'having a strategic alliance with customers' and 'strategic use of information technology'. Bhaskar and Jamaluddin (1993, cited by Ghosh et al., 2001) found that 'flexibility' is the key factor for small businesses to survive and to compete with larger firms.

2.6.3 CSFs applicable to internationalising SMEs

The challenges that subsidiaries of small and large companies face are not always similar, due to the existing differences between SMEs and MNCs (Vachani, 2005). Vachani (2005) argues that as SMEs in general have less access to resources and have less experience with foreign

environments, it is important to study the problems encountered particularly by SMEs' foreign subsidiaries. Country-level factors can contribute to SMEs' foreign subsidiaries' problems or successes. For instance, differences in institutional, historical and political context between home and host country can affect the performance of SMEs that establish business in another country (Vachani, 2005). For an overview of the CSFs applicable to internationalising SMEs mentioned in the literature see table 4.

Kostova (1999) argues that as firms' organizational practices reflect the institutional environment of the home country, they may not correspond with the institutional practices of the host country. This is a challenge, in particular for SMEs, as they have less experience with foreign markets and have less available resources. SMEs are influenced by their domestic business environment, as their technological and managerial capabilities have evolved under the impact of national culture, institutions and common knowledge.

Next to that, SMEs are often interdependent with their national business community or network, e.g. when resources are created in collaboration between SMEs in a network (Meyer and Skak, 2002). When SMEs internationalise, knowledge of the host country (also referred to as 'country-specific knowledge') by the SME is a very important CSF, as commitment deepens when firms learn more about the local environment. This knowledge can be useful in overcoming administrative or cultural barriers (Meyer and Skak, 2002). Information and knowledge are even more important for SMEs than for larger companies, as those can be competitive advantages that influence strategic and operational decisions.

According to the OECD (1996) flexible management and decision making structures of SMEs can be a large advantage for SMEs engaging in FDI. The ENSR Enterprise Survey 2003 indicates a number of problems that SMEs encounter when internationalising, such as cultural and language differences. In other words, CSFs are those factors that help overcome these problems. The following CSFs are drawn from this study; 'having knowledge of language and culture of host country', 'having knowledge on laws and regulations of host country', 'making use of support and advice' (e.g. consultant) and 'having sufficient capital or financial resources to deal with the high costs of venturing abroad'.

	Stakeholders	Management/employees	Marketing	Service	Resources	Leadership	Speed/E
Ghosh and Kwan (1996)	good customer relationship	effective management	ability to identify and focus on market niche	having good service and delivery system	availability of financial resources	having a strong and visionary CEO	
Duchesneau and Gartner (1990)							<ul style="list-style-type: none"> ▪ flex ▪ part ▪ ada
Pasanen (2003)	good relationship with external stakeholders						<ul style="list-style-type: none"> ▪ con and flex per ▪ earl reac pro and mal with del
DeHayes and Haerberle (1990)	<ul style="list-style-type: none"> ▪ having a strategic alliance with customers ▪ having a 'people bonding' mechanism 	having a strong management team	ability to identify and focus on one or more market niches		<ul style="list-style-type: none"> ▪ ability to develop and sustain technological advantage ▪ strategic use of IT 	having strong top leadership	
Bhaskar and Jamaluddin (1993)							flexibili

Table 3. Overview literature on CSFs for SMEs in general

A study by the United Nations (1994) shows that SMEs do not perceive their relatively small size as a problem. This study shows the contrary; smaller firms that internationalise experience more 'speed and flexibility in their decision making processes'. 'Internal competences of the employees and managers' (including cross-cultural and language competences, foreign market knowledge) are essential for SMEs that have internationalized (European Commission, 2004). Also the internet has become a CSF for more and more SMEs. According to Lu and Beamish (2006), resources that are particularly important for SMEs undertaking FDI are 'knowledge of the local markets', 'firm reputation' and 'financial capital'. Tiessen et al. (2001) argue that an important factor to conquer a foreign market is to 'develop capabilities in terms of technical and cultural resources'. For instance, to have a website that is both international and adapted to the local culture. Glückler (2005b) argues that the establishment of local contacts is a crucial barrier to successful internationalisation for consultancy firms, especially if they are a SME.

2.6.4 Determination of successful establishment

When does a company know whether it has been successful or not? Based on the relative success a company has achieved, it can decide whether continuation, change or abortion of the FDI is required. Therefore an important aspect of continuous improvement of the firm is the ability to measure its performance in a consistent and constant way (Braam and Nijssen, 2004).

The measurement of successful establishment in a foreign market is possible in many ways. For instance, success can be measured by profit, by number of orders or by the relative number of employees (Bemmel, 1993) (see table 5). These criteria are mainly quantitative. However, qualitative measures such as the efforts of personnel or adaptation of the Dutch SME are important as well. The trade off between the efforts and results of the (both quantitative and qualitative) criteria will determine 'success'.

	Knowledge	Stakeholders	Management/ employees	Marketing	Resources	Speed/Flexibility
Meyers and Skak (2002)	information and knowledge of host country					
OECD (1996)						flexible management and decision making structures
ENSR Enterprise Survey (2003)	knowledge of language, culture, laws and regulations of host country	making use of external advice and support (e.g. consultant)			having sufficient financial and capital resources	
United Nations (2004)						speed and flexibility in decision making processes
European Commission (2004)	<ul style="list-style-type: none"> ▪ knowledge of foreign market ▪ cross-cultural and language knowledge 		internal competences of managers and employees		use of internet	
Lu and Beamish (2006)	knowledge of local market			having good firm reputation	having financial capital	
Tiessen et al. (2001)					having technical and cultural resources	
Glückler (2005b)		Establishment of local contacts				

Table 4. Overview of CSFs mentioned in literature on internationalising SMEs

Success criteria	Efforts	Results
Quantitative	Size of work force Investments Education and training	Profit Turnover (per employee) Break-even point
Qualitative	Organizational adaptation Number of mistakes	Reputation Trust

Table 5. Success criteria for internationalisation (Bemmel, 1993)

Essential is to determine for what goal success is going to be measured. It can take a long time for firms to achieve success abroad, and therefore the measurement of success can be ambiguous. For instance, the trade off between effort and result can be negative in the first years of FDI, but that does not have to mean that the SME can not become successful. That is why many firms engaged in FDI use intuition instead of fixed standards for the measurement of their success (Bemmel, 1993). In order to determine what ‘successful establishment’ is, a number of criteria for success have to be recognized **by the SME itself**.

Kaplan and Norton (1992) argued that not only financial criteria should be assessed when measuring performance or relative success. Instead, they argue that the focus should be on four types of perspectives; the financial perspective, the customer perspective, the internal business perspective and the innovation and learning perspective. These perspectives combined are called ‘the Balanced Scorecard’ and represent a set of measures that gives managers a fast and comprehensive view of their business. This approach to performance measurement reinforces the idea that success is not measured only by quantitative criteria.

2.6.5 Summary

In this research, CSFs are relevant when they can be regarded as solutions or preventions for the problems, challenges and liabilities that SMEs can encounter in general.

CSFs for SMEs in general are: strong relation with stakeholders; strong management and employees; ability to identify and focus on a market niche; delivering good service or concept; access to financial resources; access to technological resources (IT, Internet); strong leadership; being flexible and speed in decision making processes.

CSFs for SMEs that internationalise are: knowledge of local market, language, laws and regulations; access to external advice (consultant); strong firm reputation; access to financial, technological and cultural resources; speed and flexibility in decision making processes and establishment of local contacts.

In order to determine what ‘successful establishment’ is, a number of criteria for success have to be recognized **by the SME itself**. Essential is to determine for what goal success is going to be measured. It can take a long time for firms to achieve success abroad, and therefore the measuring of success can be ambiguous.

2.7 Link between theoretical framework and empirical research

In the above section the theoretical framework for this research has been constructed. The literature review has provided insights on why and how SMEs internationalise, internationalisation in the consultancy sector, expansion modes, problems and obstacles internationalising SMEs encounter and critical success factors for (internationalising) SMEs. These insights will be used for conducting the empirical (case study) research. By conducting interviews (that were constructed around the insights discovered in the theoretical framework) and examining relevant case documentation, is aimed to see whether the insights derived from the theoretical framework are in accordance with the motives and factors for the cases. In order to arrive to the case study research, first the internationalisation of Dutch SMEs and the Spanish investment climate are analysed and discussed. Ultimately is aimed to contribute to the existing literature or to reject certain insights in the literature that appeared not to be relevant for the cases in this research. After the results of the literature review and the case study research are being compared, an answer to the central research question is provided.

3 Conceptual framework – Internationalisation by Dutch SMEs

According to the Dutch government and the European Union, small and medium enterprises have a maximum of 250 employees. In the Netherlands, SMEs represent a major part of all enterprises by 99.7% which are 731,000 enterprises (MKB Nederland, 2006). The annual turnover by SMEs in the Netherlands is € 714 billion. The largest SME sector is the (business) service sector by 30%, followed by the retail/wholesale (20%) sector and the industry sector (12%). In total around 4.1 million people (of a total of 6.9 million, government excluded) work in a SME.

According to the OECD (2000), SMEs that operate internationally, in general have higher sales and growth rates than other SMEs. For the Netherlands, being a relatively small country with an open economy, internationalisation is important. The main reason for Dutch SMEs to internationalise is the small domestic market (OECD, 2000). Other reasons for Dutch SMEs to internationalise are to gain access to foreign technology and knowledge. Furthermore the costs of producing and labour are relatively high in the Netherlands, and firms internationalise to reduce their costs. When Dutch SMEs internationalise, most companies stay close to their domestic market (Hessels et al., 2005). Europe (especially EU-15) is by far the most important region for expansion of international activities. This is due to the fact that internationalising in markets that are geographically and culturally more distant imposes higher risks. Next to that, in order to internationalise far from the domestic market, more capital is needed, a resource which is generally scarce for SMEs.

In this section the different expansion modes and their importance for Dutch SMEs are discussed. Finally attention is being paid to *how* Dutch SMEs internationalise.

3.1 Export by Dutch SMEs

The Netherlands is one of the largest exporters in the world, with the 9th position and 10th position for the export of respectively goods and services. However, this is mostly due to the exporting by Dutch MNCs. The ENSR Enterprise Survey (2003) shows that the exports of Dutch SMEs are just above the average compared to other countries (see figure 4).

For the period of 1996-2001 export by Dutch SMEs has been increasing. In 2002 exports declined somewhat and in 2003 export was the almost the same as in 2002 (CBS, Statline 2003).

According to the ENSR Enterprise Survey (2003), the most important reason for Dutch SMEs to export is to have access to new and larger markets, which is a direct result from the Netherlands having a small domestic market. Also the technology and knowledge found abroad are a reason for Dutch SMEs to export.

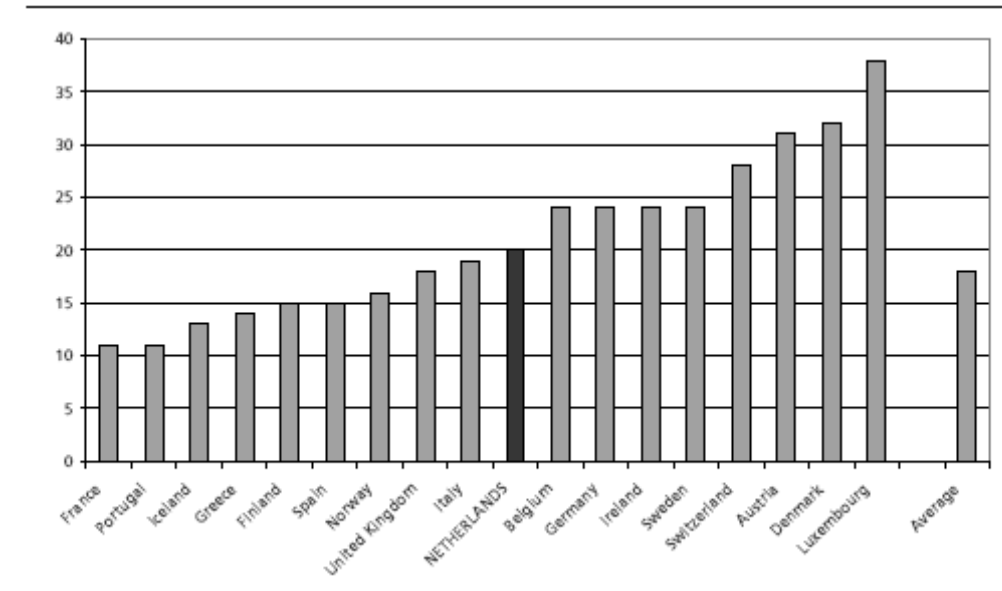


Figure 4. Percentage of SMEs with exports, 2003 (EIM 2004, based on ENSR Enterprise Survey 2003)

In 2004, the most important export sectors in terms of exporting value were the industry sector (30%), followed by the wholesale sector (21%)(EIM, 2004). On average, 18% of total Dutch SMEs engage in exporting. When the number of SMEs that exports per sector is considered, the sectors that contribute most are the industry sector (39%), the transportation sector (25%) and the trade sector (22%). Approximately 18% of all SMEs in the business service sector exported in 2004 (EIM, 2004). Dutch SMEs export primarily to the EU-15 countries. The majority of exports by Dutch SMEs is going to Germany and Belgium. Dutch SMEs are also exporting to Spain. Within the top 10 of most important export markets for

Dutch SMEs, Spain has a 7th position with 5% (EIM, 2004). After the EU-15, Eastern- and Central Europe and the United States are the most important export countries.

For exporting SMEs, a number of challenges and threats exist. As discussed earlier, SMEs in general have limited resources, such as capital or time, which is also true for Dutch SMEs. According to de Jong and Overweel (1998), problems that Dutch SMEs encounter when exporting are a lack of knowledge, for instance on the exporting process, the foreign market or culture and language of the host country.

3.2 FDI by Dutch SMEs

Next to being one of the world's largest exporters, the Netherlands is also one of leading foreign investors (all Dutch firms included). The Netherlands take up a 7th position as a foreign direct investor (UNCTAD, 2003). According to the ENSR (European Network for SME Research) Enterprise Survey – 2003, around 3% of Dutch SMEs (according to this survey SMEs are all firms that employ under 250 persons) is undertaking FDI. Except for this survey, there is almost no quantitative information available on the (development) of FDI by Dutch SMEs (van Elk et al., 2005). The percentage of 3% of Dutch SMEs that have subsidiaries, branches or joint ventures abroad is comparable to the average of all countries.

According to the ENSR Enterprise Survey (2003), Dutch SMEs invest abroad for a number of reasons. The first reason is to gain access to new and larger markets. Other reasons are access to additional production capacity, access to labour and to avoid strict rules and regulations in the domestic market.

Of Dutch SMEs that engage in FDI, most companies invest in the trade and transport sectors. One third of the companies invests in the (primarily business) service sector. 53 % of the Dutch SMEs that engage in FDI, invest in the EU-15 countries (OECD, 2000), and 81% of FDI by Dutch SMEs flows to Europe in total. In 2002, Dutch FDI represented 13.8% of all FDI in Spain (Royal Dutch Embassy Madrid, 2006).

According to Hessels (2005) 2% of Dutch SMEs invested abroad in the past three years and they have used different types of FDI as can be seen in table 6, FDI by SMEs by type of investments (EIM, 2004). More than half of Dutch SMEs establishes a subsidiary. Investing

in another firm and joint ventures are also relatively common ways for Dutch SMEs to invest abroad (see table 6).

Type of FDI	% of SMEs that has invested abroad in the past three years
Establishment of own firm/subsidiary abroad	51%
Foreign acquisition	9%
Participation/share in foreign firm	37%
Merger	-
Joint venture with a Dutch or foreign partner	23%
Investments between parent and daughter enterprise	7%
Other	9%

Table 6. FDI by SMEs by type of investments (EIM, SME Policy Panel, July 2004)

Relatively few Dutch SMEs undertake FDI. This can be explained by the fact that smaller companies face higher risks than MNCs when investing abroad. Again the limited resources that SMEs have are an important element of this. However, the developments in technology, transportation, communication etc. help SMEs to overcome these barriers more and more.

3.3 Cross-border cooperation by Dutch SMEs

The most important reason for cross-border cooperation by Dutch SMEs is to gain access to knowledge and technology. Next to that, the market seeking motive is of essence as well. Not much information is available on cross-border cooperation by SMEs. The sectors that are engaged in cross-border cooperation the most are the trade, the business service and the industry sector (EIM, 2004). There is no information available on the countries with which Dutch SMEs cooperate and what cooperative activities they undertake exactly.

3.4 How Dutch SMEs internationalise

EIM (2004) has conducted expert interviews in order to investigate how Dutch SMEs internationalise. However, 2004 was the first year in which data was collected (within the EIM SME Policy panel) on FDI and cross border cooperation by Dutch SMEs. At present there is no reliable information available on the relation between export and FDI. Therefore it is difficult to say whether Dutch SMEs internationalise in a gradual and incremental way, such as stage theory describes. It might be that some steps in the internationalisation stage model are skipped or that Dutch SMEs are international directly from start-up (Born Global). It is known however that over half of Dutch SMEs that engage in FDI also export. Only 7% of Dutch SMEs that invest abroad do not use any other modes of internationalisation such as export or strategic alliances.

3.5 Consultancy in the Netherlands

According to CBS (2007), 27 thousand management consultancy companies were registered in the Netherlands in the beginning of 2006. As the Netherlands had a total of 800 thousand firms in 2006, one in thirty of all companies were consultancies. Since 1996 the number of management consultancies has tripled. In 2004 the Netherlands took up the fifth place of the European consultancy market, with 4.1% and a turnover of €2.0 billion (FEACO, 2004) (see table 8, chapter 4). In the 1980s, the Dutch consultancy market was dominated by consultancies of Dutch origin (Kipping and Armbrüster, 1999). However, this situation has changed. Nowadays a substantial amount of the larger consultants in the Netherlands has foreign origins. Examples are the Boston Consulting Group, McKinsey, or PriceWaterhouseCoopers.

As explained earlier in this research, the consultancy sector is characterised by being composed of a high number of small firms and few large firms. In 2006 in the Netherlands, more than 80% (22,000 consultancies) of the consultancies had no employees (on the payroll) (CBS, 2007). Furthermore it has been shown that the number of consultancies with no employees is increasing more rapidly than the number of consultancies with employees.

In 2003, a decrease in the turnover of the Dutch consultancy sector occurred, due to the economic recession. When the industry is not performing optimally, consultancy expenses are

cut (EIM, 2004). Nowadays the consulting industry has recovered, which is illustrated by the growth of the sector.

3.6 Summary

For the Netherlands, being a relatively small country with an open economy, internationalisation is important. Dutch SMEs internationalise because of the small domestic market, to gain access to foreign technology and knowledge and to reduce costs. As the literature on the internationalisation of Dutch SMEs is not highly developed yet, it is difficult to comment on the development of FDI, export and cross border operation of this type of firms.

4 The research context - Spanish investment climate

Spain is known for its tapas, great weather and the way the Spanish people enjoy their life. Although this might seem enough reason for foreigners to invest in Spain, of course there are other reasons why Spain is selected when Dutch firms internationalise. This section will discuss various aspects of Spain that contribute to its investment (or business) climate. Finally, the reasons for (Dutch) firms to internationalise to Spain are discussed.

Spain has around 43 million inhabitants and its most prominent regions/cities are respectively Madrid (administration and services), Barcelona (chemical and electronic industry) and Valencia (international trade) (Instituto Nacional de Estadística, 2006). The main language in Spain is Castellan (Spanish), but Catalan, Galician or Basque are also spoken regionally. Due to its 17 different autonomous regions (Comunidades Autónomas), Spain faces large regional differences with respect to climate, culture, language and economic growth and development (OCDHE, 2006). The different regions are financially autonomous, and have their own regional government. The above described structure has resulted in Spain being one of the most decentralised countries in Europe.

4.1 Political situation

From 1939 to 1975 Spain has been ruled by the dictator Franco. As a result, until the 1950s, the Spanish economy was internationally isolated and excluded from Marshall Aid and other reconstruction packages of post-war Europe. In 1959 the national Stabilisation Plan opened up the Spanish economy. When Franco died in 1975, Spain started to make a transition towards a democracy. Adolfo Suárez, Spain's new leader and prime minister, initiated a comprehensive programme of political reform. In 1977 Spain had its first democratic general elections. The Spanish economic isolation ended completely when Spain joined the European Community in 1986. Major improvements were being made, for instance in the areas of healthcare and the transport system. Nowadays, Spain is governed by the Spanish Socialist Party (PSOE), which is led by José Luis Rodríguez Zapatero.

An important issue for the current government is terrorism. In last years, Spain has been a regular target of terrorist attacks of the forbidden radical Basque separatist group 'ETA'. In

2004 radical Muslims have attacked the Atocha railway station in Madrid, killing 192 persons. However, not much concrete course of action against terrorism has been undertaken. The main reason for this is the continuous struggle between the PSOE and its opposition party, PP. Not only on the subject of anti terrorism policy, but also in the areas of foreign affairs and regional politics both parties have often conflicted.

4.2 Economic Situation

Spain has a large potential market of 40 million inhabitants with purchasing power. Furthermore Spain welcomes around 65 million visitors every year (Royal Dutch Embassy, Madrid, 2006). Spain is in transition from a low wage country to a knowledge economy. Spanish innovation and R&D are not much developed, and most technology is coming from abroad. This means that many investments in the areas of modernisation and innovation have to be made. According to EVD (2006), in the next years, Spain should invest in innovation, increasing productivity and the modernisation of the labour market.

Spain has joined the European Community in 1986 and the European Monetary Union in 1999. The reasons for Spain to join were economical (advantage of internal market) but also political. Spain wanted to stay a democracy after being dictated by Franco for 36 years (Minbuza, 2006). Spain is one of the countries that has received a large amount of (structural and cohesion) funds from the European Union, which have been used primarily to develop the Spanish infrastructure and to set up development projects (Guía de Negocios en España, 2005). In the coming years, the amount of funds that Spain receives will be reduced considerably, due to the expansion of the European Union and the increased level of welfare in Spain.

As in most developed countries, the service sector dominates the Spanish economy by 66.5% of the gross domestic product (GDP), contributing most to its GDP (Guía de Negocios de España, 2005). The industrial and the construction sector account for 31.5% of the GDP. Due to rapid economic growth the contribution of the agricultural sector has decreased substantially and now only contributes to Spain's GDP by 4%. In 2005, the economic growth in Spain was 3.3%, which is above the European average, and even belongs to the top of the Euro zone countries. The construction and tourism sectors are mainly responsible for the

economic growth. Inflation, the state budget, and an unemployment rate of 11% (although the unemployment rate was 24% in 1994) are problem areas. The inflation in Spain is higher than the European average. Last year, the Spanish economy has created over 60 % of all new jobs in the euro area (IMF, 2006). For the coming years the economic growth is expected to decline somewhat, which is primarily due to decreasing growth in the consumption and construction industries (EVD, 2006).

As is shown in table 7, in 2004 the consultancy market in Spain has been developing gradually. The financial services, telecommunications and the public sector were primarily responsible for this growth. The FEACO (2004) states that consultants in Spain are increasingly considered as strategic partners for longer and more stable relations.

Spain	2002	2003	2004
Market Size (mill. €)	2,450	2,600	2,800
Growth Rate	3.2%	6.0%	7.0%
Management Consulting Firms	n.a.	350	350
Management Consultants	39,700	38,000	40,000
Key Service Lines:	IT (67.6%) OS (15.7%) OM (11.8%)	IT (64.3%) OS (21.4%) OM (9.7%)	IT (40.0%) OS (33.0%) OM (20.0%)
Key Industry Sectors 2004	Communication (18.8%), Banking (18.1%), Non-Profit & Government (14.6%)		

Table 7. The Spanish Consultancy Market (FEACO, 2004).

In 2004 Spain was the fourth leading consultancy market (the United Kingdom, Germany and France are the three major markets and account for almost 60% of the European Consulting Market) in Europe with a market share of 5.8% (FEACO, 2004). The Netherlands took up the fifth position by 4.1% (see table 8).

Country	Total Turnover in Management Consulting (million €)	Management Consulting Market Growth 2004	% of the total Management Consulting Market in Europe	Gross Domestic Product (GDP) (million €)	% of the total Economy in Europe	GDP Growth 2004	Management Consulting as % of the GDP	Number of MC Companies	Number of Consultants	Turnover per Consultant (€)
UK	14,225	7.2%	29.3%	1,700,000	15.6%	3.1%	0.84%	6,000	52,000	270,000
Germany	13,250	1.0%	27.3%	2,192,000	20.1%	1.6%	0.60%	14,400	67,500	195,000
France	5,900	4.4%	12.2%	1,636,000	15.0%	2.3%	0.36%	5,500	30,000	195,000
Spain	2,800	7.0%	5.8%	791,000	7.3%	3.1%	0.35%	350	40,000	70,000
Netherlands *	2,000	2.0%	4.1%	463,000	4.2%	1.4%	0.43%	3,750	11,000	180,000

Table 8. Key Figures of Selected Management Consulting markets. (FEACO, 2004)

4.3 International investment and trade

Spain is trading mostly with the European Union. Spanish investments however are mostly directed towards Latin America. This is due to the extensive relations Spain has with Latin America. Spain can function as a bridge for international expansion to Latin America, which can be an important reason for Dutch firms to invest in Spain (Minbuza, 2006).

Spain does not have many MNCs (EVD, 2006). However, currently Spanish companies are establishing a much stronger presence in the European market by making high investments in telecommunications, infrastructure, property, finance and energy (Financial Times, 2006).

For years, the Netherlands has been one of the largest investors in Spain. In 2005 the Netherlands was the 6th largest import partner for Spain, with Dutch exports of almost 11 billion euros (EVD, 2006). In 2002 Spain has received over 28 billion euros in FDI. In that year, Dutch FDI represented 13.8% of all FDI in Spain and 33.8% of EU FDI (Royal Dutch Embassy, Madrid, 2006). Madrid and Catalonia are the most important regions for Dutch firms to invest. Furthermore, the relation between Spain and the Netherlands is strong. Both countries are important trade partners for each other and much capital flows between them (Minbuza, 2006). When an investor has decided to invest in Spain, various alternatives exist. An investor can start a new business in Spain in the form of a 'Sociedad Anónima' (S.A.). Another option is to establish a subsidiary. According to the Guía de Negocios en España (2006) the most suitable way to establish business in Spain is by a joint venture, as the risks, resources and experience can be shared. Another way of conducting business in Spain is through a distributor, an agent, by licensing or by franchising. The different ways of setting up business in Spain all have their own advantages and disadvantages, and should suit the company that internationalises.

4.4 SME environment

According to DIRCE (2006), in 2005 there were over three million SMEs in Spain, which accounts for almost 99.9% of all firms in Spain (in this case SMEs are considered to be firms with 0-249 employees). Most of these SMEs operate in the service sector, and within this

sector the most important activities are real estate, tourism and retail of food and drinks. In the period of 1995-2005, the total number of Spanish firms has increased with 28% (INE, 2005).

In the past years, the Spanish government and the autonomous regions have demonstrated a special interest in the promotion and development of SMEs, taking into account the proven ability of those firms to provide more employment. For the period 2000-2006, the ‘plan of Consolidation and Competitiveness of SMEs (Plan de Consolidación y Competitividad de la Pequeña y Mediana Empresa)’ was developed (Guía de Negocios en España, 2006). The main goal of this plan was to stimulate the development of SMEs by offering incentives, subsidies and assistance to SMEs. Other programmes such as the ‘Fund for Operations of Foreign Investments of the SME (Fondo para Operaciones de Inversión en el Exterior de la PYME)’ and the ‘Spanish Association for Financing the Development (Compañía Española de Financiación del Desarrollo)’, have been developed as well to stimulate the development of SMEs in Spain.

4.5 Summary

In the last decade, Spain has undergone an extensive process of modernization. Moreover, since 1986 Spain has experienced a vast economic development. Very important for this economic development were the extensive European structural and cohesion funds. With the support of these funds, Spain was able to make huge improvements in its infrastructure and health care and to reduce unemployment rates. For foreign firms, Spain offers an attractive market with over 40 million persons with buying power. The high economic growth rates in Spain can be an advantage for foreign companies as well. Because currency risks and most bureaucratic trade barriers are gone, the barriers to enter the Spanish market for Dutch firms are becoming smaller.

In the coming years, Spain needs to invest in innovation, in the modernisation of the labour market and the increasing of its productivity, in order to stay competitive and to maintain economical growth. For Dutch firms, this offers many possibilities to become active on the Spanish market. Due to the extensive trade relation Spain has with Latin America, Spain can serve as a bridge for Dutch firms that want to have access to the Latin American market. The SME environment is rather favourable in Spain, due to the special interest the government pays to SMEs. The business service sector is experiencing growth and gradual development.

5 Methodology

This research can be described as inductive research, the focus lies on the details and specifics of the obtained data to discover important categories, dimensions and interrelationships. Rather than to test hypotheses, exploration with (semi) open questions is applied (Patton, 1990). Accordingly this research is explorative, which means that the aim of this research is to look for patterns or ideas, rather than to test or confirm hypotheses (Collis and Hussey, 2003).

5.1 Research paradigm

In this research a case study approach is used. A case study approach is believed to be most suitable, as the purpose of the research is to obtain an idea about specific practices, ideas, patterns or hypotheses. The ‘how’ and ‘why’ types of questions are most likely to support the use of the case study method (Yin, 2003). The objective of this research is to obtain an in-depth insight on the internationalisation process for small Dutch consultancy firms venturing in Spain. Doing a case study research implies that ‘a “why” or “how” question is being asked about a contemporary set of events, over which the researcher has little or no control’ (Yin, 2003).

This research is qualitative in nature, whereby the reporting is mainly verbal and contemplative. Instead of using a large-scale approach where breadth of the research is achieved, in this case a small-scale approach is used, which allows the researcher to achieve depth, elaboration and complexity (Verschuren and Doorewaard, 1999). The advantages of case study research are flexibility and the possibility of gaining an overall picture. According to Verschuren and Doorewaard (1999), a case study can be characterised by various aspects. The first characteristic is that the number of research units (or cases) is small. This automatically rules out the possibility of conducting quantitative research. By examining a small number of cases, the emphasis is much more on comparing and interpreting the results obtained. Secondly, conducting case study research means that the methods used for obtaining data are very labour-intensive, for instance with face-to-face interviews with (semi) open questions. The sample that is used for the case study research is not random, but carefully selected. Another characteristic of case study research is that the cases are studied in their

natural environment. A final feature of case study research is its holistic nature, which stems from the qualitative, unstructured and open way of the gathering of data.

5.1.1 Data collection

The data needed for this research is obtained in two ways. First, desk research is done, by using existing literature and data gathered by others. Secondly, field research is done. The results of the literature review will be compared with the results of the case study research as to provide an answer to the central research question. The case study approach requires that the information for each case is as complete as possible. Therefore the information needed for the case study research will come from different sources, such as interviews, brochures and websites of the units of analysis, year reports and so on.

5.1.2 Interview

Yin (2003) argues that interviews are among the most important sources for case study information. Rather than being a strictly structured inquiry, an interview is more comparable to a fluid (but guided) conversation. Normally, case study interviews are of an open-ended nature, where both facts and opinions are of importance. As the given amount of time per interview was rather short (approximately one hour), a certain structure of questioning was followed. While posing specific questions, the respondent must still be able to provide an unbiased and 'fresh' answer (Yin, 2003). In this research, a semi-structured, face-to-face interview method is used. This type of interview is characterised by more or less open questions that are brought to the interview situation in the form of an interview guide (Flick, 2002) (see appendix A, B and C). The use of this interview guide increases the comparability of the data collected, and helps to structure the data collected more easily. On the other hand, the interview guide is not used too strictly, as that might restrict the benefits of openness and contextual information (Flick, 2002). The semi-structured interviews took place in a setting chosen by the interviewee. In most cases this was the office of the interviewee. Some interviews took place in hotel lobby's or grand cafés due to practical reasons. In all cases the interviews were conducted face-to-face and tape recorded. This increases the accuracy of the data collection and at the same time it permits the interviewer to be more attentive to the interviewee (Patton, 1987). All the interviews were fully transcribed to make sure that no relevant emergent patterns and themes were missed.

5.2 Sample description

In this section the cases that were interviewed and analysed for this research are described. In table 9 an overview of the sample is given. For this study eight cases are being studied, which results in a multiple case-design. The field research started with the careful selection of a number of cases (strategic sampling). Subsequently these cases were studied, by conducting interviews and by examining all relevant documents. This way of case study researching leads to a deep insight in how and why certain processes within the cases take place and how they develop. As not much knowledge was available, the best option was to select cases that showed minimal variation and to opt for explorative research. This allows a less complicated way of reaching generally descriptive assertions and their explanation.

The first type of cases in this research are small Dutch consultancy firms that have ventured successfully in the Spanish market. However, other cases are very relevant for this research as well. They are consultancy companies in Spain that have a Dutch founder, and that give advice to Dutch (SME) firms that (want to) internationalise into the Spanish market. A total of five companies of the first type have been analysed and three of the second type.

In addition, organisations or institutions that are closely involved in the internationalisation process of small Dutch consultancy firms in the Spanish market, the Royal Dutch Embassy in Spain, the Spanish-Dutch trade office and EVD are researched. Although these institutions are not part of the sample, including those organisations in this research increases its external validity. In table 10 an overview of those institutions can be found.

Finding the required cases was a difficult task, but an advantage was that Madrid (where the research was conducted) represents Spain's single most dominant concentration of consulting firms. More than half of all employed consultants in Spain are located in the autonomous region of Madrid (Glückler, 2005). Furthermore, through the network of for instance the Dutch Embassy in Madrid, it was easier to gain access to relevant names and phone numbers.

A total of five small Dutch consultancy firms with headquarters in the Netherlands were examined. There is no information available on the total number of this type of companies in

Spain. It appeared however, after consulting the Royal Dutch Embassy, the Fundación Hispano Neerlandesa (an organisation that stimulates economic and business relations between Spanish and Dutch contacts), the persons present at the ‘Dutch business lunch Madrid’ and the interviewees, that these five companies are important players, and no new names were suggested. It appears that the sample is representative for the region of Madrid.

In the following section, all the cases (firms and interviewees) are presented. Although the Royal Dutch Embassy and EVD are not cases, a short description of their activities is included as well.

Activity

Activity was founded in 1989 in the Netherlands, by CEO Henk van Soest (Dutch). Since 2000 Activity is present on the Spanish market. Wouter van den Briel was involved in the legal foundation of the company in Spain and is now account manager for Activity. Nowadays Activity is a European consultancy service company with offices in Madrid (Spain) and not in the Netherlands anymore. They are specialised in Project Management. By being innovative, flexible and prompt to the demands of a dynamic market they help other firms to optimise their management and resources (www.grupoactivity.com, 2007). Activity employs 20 people, of which 8 are freelance employees. Among Activity’s employees are Dutch, Spanish, French, Swedes, Germans and Rumanian. Activity has Spanish as well as foreign clients.

Euro Economics

Euro Economics was founded in 1996 in Barcelona by Managing Director Jeroen Oskam (Dutch). Euro Economics is a consultancy company focused on foreign companies and private investors. Their activities consist of offering tax and legal advice (Tax & Legal Services), bookkeeping and financial management (Accountancy) and market research and company advice (Business Support).

Euro Economics has offices in Barcelona, Girona, Madrid, Marbella and Valencia (Spain) (www.euroeconomics.com, 2007). Euro Economics employs 30 people, of both the Dutch and Spanish nationality.

Organisation	Interviewee	Function	Type	Offices
Activity	Henk van Soest & Wouter van den Briel	CEO & Account Manager	Dutch founder, HQ in Spain	Madrid (Spain)
Euro Economics	Jeroen Oskam	General Director	Dutch founder, HQ in Spain	Barcelona, Gerona, Madrid, Marbella, Valencia (Spain)
International Venture Consultants	Erik Kavelaars	President and Cofounder	Dutch founder, HQ in Spain	Barcelona, Madrid (Spain)
Nedstat	Sabine Knobbout	General Director Spain	HQ in the Netherlands, subsidiary in Spain	Diemen (the Netherlands), Berchem (Belgium), Frankfurt am Main (Germany), Paris (France), Madrid (Spain), London (UK)
Pentascopie	Eric van der Laan	Director Pentascopie Spain	HQ in the Netherlands, subsidiary in Spain	Various locations (the Netherlands), Madrid (Spain)
The Next Level	Charles Janssen	Director of Business Development	HQ in the Netherlands, subsidiary in Spain	Amsterdam (the Netherlands), Madrid (Spain), London (UK)
Transfer Latin Business Consultancy	Sven Kallen	Founder and Partner	HQ in the Netherlands, subsidiary in Spain	Rotterdam (the Netherlands), São Paulo (Brazil), Barcelona (Spain), Paris (France)
VODW Marketing	Bertina Bus	Principal Consultant	HQ in the Netherlands, subsidiary in Spain	Leusden (the Netherlands), Barcelona (Spain)

Table 9. Sample overview.

Institution	Interviewee	Function	Location
EVD	Jeanette de Lannoy	Country staff member Spain	Den Haag (The Netherlands)
Royal Dutch Embassy	André Driessen & Dink de Vries	Head Economic Department & Trade advisor	Madrid (Spain)

Table 10. Overview institutions.

EVD

EVD is an agency of the ministry of Economic Affairs, which supports entrepreneurs and public organisations with international entrepreneurship and cooperation. EVD stimulates international activities with information on foreign markets, with financial and project support and by creating contacts with business partners abroad. EVD has a worldwide network of national and international organisations, such as chambers of commerce, embassies etc. (www.evd.nl, 2007). Jeannette de Lannoy is country staff member for Spain. EVD is located in Den Haag (the Netherlands).

International Venture Consultants (IVC)

IVC was incorporated in 1970 to serve the increasing need of foreign companies to invest in Spain. IVC Group is an independent consultancy that assists national and international companies with consolidating their existing activities in Spain and to expand into other countries. They do this by providing know-how of different cultures and business practices as a key element for successful commercial business activities. IVC is located in Barcelona and Madrid (Spain) (www.ivc.es, 2007). Erik Kavelaars has been with IVC since its establishment and is President and Cofounder of IVC. Next to that he is partner of IVC Consulting. IVC employs 55 professionals, of 9 different nationalities, among which Spanish and Dutch.

Nedstat

Nedstat was founded in the Netherlands in 1996. Nedstat is a European leader in website analytics. The products and services of Nedstat enable its clients to improve the effectiveness and profitability of their online communication and business. Nedstat does this by making website analytics simple and straightforward for its users. Nedstat has offices in Diemen (the Netherlands), Berchem (Belgium), Frankfurt am Main (Germany), Paris (France), Madrid (Spain), London (UK). Currently the number of people in the Spanish subsidiary is five. Local people staff all offices and the Nedstat products, documentation and training are offered in local languages (www.nedstat.nl, 2007). Sabine Knobbout is General Manager Spain for Nedstat.

Pentascopie

Pentascopie implements changes. With over 200 employees in the Netherlands they want to make their clients organisations 'schitterende (this word means both sparkling as well as outstanding in Dutch) organisations'. They do this by offering various services, people and activities. Pentascopie employs high qualified 'changers', who can support with change- and implementation issues, such as project managers and interim managers (www.pentascopie.nl, 2007). In 2004 Pentascopie has decided that internationalisation is an important aspect of their strategy. This resulted in a market scan for Spain in 2005, and since January 2006 business was set up in Spain. Eric van der Laan is director and founder of Pentascopie Spain.

Royal Dutch Embassy

The Royal Dutch Embassy Spain (together with the consulates) is the bilateral post in Spain. The employees of these posts look after Dutch interests and issues abroad. Embassies have an important role in areas such as press, cultural issues and the concerns of Dutch people that live or travel in Spain. The Royal Dutch Embassy in Spain is located in Madrid. André Driessen is head of the economic department. Dink de Vries is trade advisor. They both have a lot of experience and/or contact with Dutch entrepreneurs in Spain and provide information on this topic as well.

The Next Level

The Next Level offers training, coaching and consultancy to support people and organisations in stepping up to the next level. Their focus is on improving leadership qualities of managers and turning the organisation into a better team. The Next Level has offices in Amsterdam (the Netherlands), Madrid (Spain), London (UK). The Next Level has a professional team of trainers, coaches and consultants that have different nationalities (www.thenextlevelnow.com, 2007). Their client base is international. Charles Janssen is director of business development. The founders of the Next Level started by setting up the Spanish subsidiary of an existing Dutch firm. They bought that firm and started for themselves.

Transfer Latin Business Consultancy

Transfer was launched in 1996 by founders Gerald Baal and Sven Kallen. Transfer is leading in supporting European exporting companies looking to exploit market opportunities in the Spanish and Portuguese speaking countries of Europe and Latin America, and recently in France. Transfer is contracted by The Netherlands Foreign Trade Agency, Chambers of Commerce, trade or sector organisations, Dutch Embassies and exporting companies. They provide essential services for successful market entry in close cooperation with their local partners (www.transfer-lbc.com, 2007). Transfer has offices in Rotterdam (the Netherlands), São Paulo (Brazil), Barcelona (Spain), Paris (France). Sven Kallen is founder and partner of Transfer.

VODW Marketing

VODW Marketing was founded in 1983. Nowadays 130 professionals are employed by this by far the largest in marketing specialised consultancy of the Netherlands. VODW Marketing finds solutions for market strategic issues by providing innovative marketing concepts and successful sales programs. VODW Marketing works all over the world, but with a strong focus on Europe. Since ten years VODW Marketing has been working in Spain for different clients. VODW Marketing has office in Barcelona (Spain) and Leusden (the Netherlands). VODW Marketing serves an international set of clients. Bertina Bus is principal consultant

for VODW Marketing and is (together with a colleague) responsible for VODW Marketing Spain.

5.3 Data analysis

The research project has been conducted in three stages. First, the selected cases were studied independently from each other, as if they were single case studies. In the second stage, the results of the first stage are used for a comparative analysis of the coherent body of all cases studied (Verschuren and Doorewaard, 1999). This way an explanation for the various differences and/or similarities between the two groups that have emerged during the initial stage can be obtained. In the final stage the results of the separate case studies were combined and correlated as to obtain a structured and well-founded overall picture (Verschuren and Doorewaard, 1999).

For this research, ten, one hour interviews have been conducted, which were all fully transcribed. This resulted in 85 pages of transcripts. Furthermore additional information on the case studies has been analysed. The following part will describe the way the analysis has been conducted.

In the first place the researcher has determined factors, which are classifications of the material that was to be analysed. For this research, the factors are derived from main themes that were found during the literature study. The main themes identified are:

- Reasons for small Dutch consultancy firms to internationalise
- How small Dutch consultancy firms internationalise
- Problems and obstacles that small Dutch consultancy firms encounter when internationalising into the Spanish market
- Reasons for small Dutch consultancy firms to invest in Spain
- CSFs for small Dutch consultancy firms investing in the Spanish market

The interviews that were conducted (see appendix A and B) were constructed around these main themes as well. Furthermore, documents, brochures and websites that correspond with these themes were examined and analysed.

Second, for each theme, a table was constructed, in which the factors emerging from the case study research were listed on the vertical axis, making it possible to analyse each case on the horizontal axis (Collis and Hussey, 2003). The transcriptions and other relevant documents were thoroughly examined. Every time data was corresponding with one of the main themes, this data was numbered from one to five. This way, for each of the five themes a table (see table 11-15) has been constructed, which creates a better overview of the findings.

Some factors were derived from the literature as they were found before the data collection and analysis. From the case study data however, new factors emerged. They emerged directly from the data rather than prior to data collection and analysis. Both types of factors mentioned by the units of analysis are presented schematically in tables (tables 11-15), and discussed textually in the following chapter.

5.4 Quality of the research design

Unless the quality of the research can be assured, there is little point in drawing final conclusions. In other words, the researcher should be able to demonstrate what procedures are used. This way can be ensured that the methods used were reliable and the conclusions are valid (Silverman, 2000). The quality of the research design can be judged by using four commonly used tests (construct-, internal-, and external validity and reliability), which are also relevant for case studies (Yin, 2003).

Construct validity

Construct validity is a measure of how meaningful the operational measures are when in practical use (Litwin, 1995). It is very difficult to measure, understand and report construct validity, and normally this form of validity is only determined after years of experience. Especially in case study research this type of validity is problematic, for instance because the data collection is done in a more or less subjective way (Yin, 2003). According to Yin (2003) there are three ways to increase construct validity with case study research. The first method is to use 'multiple sources of evidence' (interviews, documents etc.). The second way is to use a 'chain of evidence', which means that a reader of the research should be able to follow the derivation of the ultimate conclusions of the research back to the initial research questions. A third way to increase construct validity is by having the research reviewed by key informants.

The construct validity in this research is moderate to low. Multiple sources of evidence have been used, and key informants have been consulted. According to Collis and Hussey (2003), the systems and procedures for carrying out content analysis are very clear, which results in acceptable validity. However, due to the subjectivity of case study research, the construct validity can never be very high. Therefore the construct validity of this research is considered moderate. In order to increase construct validity, a less subjective methodology (e.g. quantitative research) should be applied.

Internal validity

High internal validity means that the observed changes in a dependent variable are actually caused by the independent variable (i.e. there is a causal relationship) (Brewer, 2000). The internal validity of this research is high, because a deep and thorough understanding on the units of analysis has been developed by the researcher. So to say, the findings of this research provide a valid view on the units of analysis.

External validity

External validity examines whether or not a study's findings hold across different experimental settings, procedures and participants (Brewer, 2000), in other words, the generalisability of the findings of the research. The external validity in this research is moderate. Due to restraints of the sampling (restricted to the region of Madrid) the external validity could be increased. In order to enhance the external validity, a follow-up study has to be carried out. However, by interviewing organisations that have a more general view (the Royal Dutch Embassy and EVD), the external validity of this research has been enhanced.

Reliability

Reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions (Hammersly, 1992). In order to judge the reliability of qualitative research, the researcher should document his/her procedures well and demonstrate that categories have been used consistently (Silverman, 2000). In other words, if another researcher would repeat the same procedures for the same case studies, this researcher would come to the same findings and conclusions. The

reliability of this research is relatively low, due to the high influence the researcher has on the outcomes. The reliability of the semi-structured interview technique is relatively low as well, for if another interviewer would have conducted the interviews, the results could have been different. By transcribing all interviews, and documenting the procedures used, the researcher has increased reliability.

5.6 Summary

This research is explorative, which means that the aim of this research is to look for patterns or ideas, rather than to test or confirm a hypothesis (Collis and Hussey, 2003). A case study approach was believed to be most suitable, as the purpose of the research is to obtain an idea about specific practices, ideas, patterns or hypotheses.

The data needed for this research was obtained in two ways. First, desk research is done, by using existing literature and data gathered by others. Secondly, field (case study) research is done. This was carried out in the form of interviews and by analysing all relevant documents. The results of the literature review will be compared with the results of the case study research as to provide an answer to the central research question.

Five main themes were identified, around which the interviews were constructed. The factors resulting from the case study research were also classified according to those five themes. The main themes identified are:

- reasons for small Dutch consultancy firms to internationalise
- how small Dutch consultancy firms internationalise
- problems and obstacles that small Dutch consultancy firms encounter when internationalising into the Spanish market
- the reasons for small Dutch consultancy firms to invest in Spain
- CSFs for small Dutch consultancy firms investing in the Spanish market

The quality of the research design is judged by using four tests: construct-, internal-, and external validity and reliability. For this research, construct validity is moderate. Internal validity is high, external validity is low and the reliability is relatively low.

The eight cases in this research are small Dutch consultancy firms that have ventured successfully in the Spanish market (total of five) and consultancy companies in Spain that have a Dutch founder (total of three). In addition, organisations or institutions that are closely involved in the internationalisation process of small Dutch consultancy firms in the Spanish market were examined, as to increase the external validity of this research. A total of ten interviews have been conducted. All the interviews were fully transcribed as to improve the way the analysis is conducted, so better results could be generated.

6 Findings

In this chapter the findings of the case study research are presented. The way the transcripts of the conducted interviews, all relevant documents, websites and brochures have been analysed is explained in the previous chapter. This chapter provides an overview of all the factors mentioned by the respondents. In order to provide a clear structure, all the factors pointed out by the respondents have been divided in the five predetermined themes. Each theme is clarified by a table, which lists the factors resulting from the literature review and the factors that emerged during case study research. Although the EVD and Royal Dutch Embassy are not part of the sample, the results of their interviews and documentation have been presented in the findings and tables (11-15) in this chapter as well.

6.1 Motives for small Dutch consultancy firms to internationalise

This section explains the reasons or motives for small Dutch consultancy firms to internationalise in general. Later in this chapter will be discussed why the internationalisation was directed specifically towards Spain. In table 11 the factors that were mentioned by the respondents for this theme are pointed out. Most of the respondents have offices in other countries besides Spain and the Netherlands. When looking at the analysis of the interviews and relevant documentation, it became clear that principally three reasons are very important for those companies to internationalise.

Client following

The first reason is following clients abroad. Almost all the respondents mentioned this, either as a reason for themselves, or as a reason for the clients they advise. For instance, when a client is a large multinational, this firm has, or is planning to have offices in other countries besides the home country. When a new office is open, the consultant is often asked to consult for the new subsidiary as well. Bertina Bus explains how this happened for VODW Marketing “...it started with small independent projects across the border. But some of our clients we have serviced internationally from the beginning. For instance, Ford is one of our large clients, and since the beginning we are working on the programme in various countries. Some of our clients have become more international together with us in our relation, which is how it develops”. Eric van der Laan (Pentascopie) adds “we have a lot of international clients. Some

of them have let us know that they prefer to work together with parties that can help them abroad as well. That is something MNCs think about. And we said, we want to come along with our clients, if that is important to them, then we will pay more attention to that”. Although client following seems to be an important reason for the respondents in this research, in one case the view on this was different. Dink de Vries (Royal Dutch Embassy) said “sometimes I hear about companies that follow their clients, but I don’t think that is the main reason for internationalisation”.

	Activity	Dutch Royal Embassy	Euro Economics	EVD	IVC	Nedstat	Pentastope	The Next Level	Transfer LBC	VODW Marketing
Motives identified in literature										
Locational and ownership advantages	X	X				X	X	X		X
Access to foreign knowledge										
Access to foreign technology										
Client following	X		X		X	X	X	X	X	X
Cost reduction										
Upcoming market			X			X				
New business opportunities	X	X	X		X	X	X	X		X
Motives emerging from case study research										
Personal reasons	X		X	X				X		
Necessity of local presence		X	X			X	X		X	X

Table 11. Data analysis theme 1 - Motives for small Dutch consultancy firms internationalise New business opportunities

A second reason for internationalisation is that there are new business opportunities abroad. Often there has been some experience abroad in the form of projects. This gives more insight in the market and possible opportunities. Jeroen Oskam (Euro Economics) explains “I saw firms in Spain that offered market research, but one year later they were gone. The firms that offered financial services, published a nicer brochure every year. So I thought, that is where I have to be”.

Necessity of local presence

The third reason that was mentioned frequently was the necessity of local presence. For instance, when the companies had assignments in other countries, it was possible for a while to fulfil them from the Netherlands. After some time, it became clear that in order to serve the market better, it was necessary to open a subsidiary in the host country. “Our clients asked more and more about a local service, what we couldn’t really do anymore from the Netherlands. Before we used to travel back and forth to Spain, but at some point it was worth the effort to open a subsidiary and offer local service” (Sven Kallen, Transfer).

Locational and ownership advantages

Furthermore, reasons for small Dutch consultancy firms to internationalise seem to be locational and ownership advantages. Consultants own specific knowledge and experience, which gives them an advantage against other firms in the market. Furthermore the relative newness of consultancy in a market, can be an advantage as well, as there is not much competition yet. “You see that all those firms, they start with foreign companies that have established a subsidiary in Spain. From there the consultants expand their client base slowly towards the Spanish companies. You can see that when firms have sold their concept, and Spanish companies have gained experience with it, things change. It is a growth market, and that is why there are chances” (André Driessen, Dutch Royal Embassy).

Other reasons

Other reasons mentioned, although less frequently, were personal reasons, or the emerging of a new market. Charles Janssen of the Next Level comments on how the Next Level was founded. “The founders of The Next Level worked for another company in Spain. They bought that company, and started for themselves. They just wanted to live and work in

Spain”. Jeannette de Lannoy (EVD) answers “To be honest, they think Spain is such a nice country, and they love it so much they just like to start something there... I hear that a lot. They think it is great and they want to do something challenging”. Sabine Knobbout (Nedstat) points out “There were a few countries we had to choose from, especially those where internet is still an upcoming market”.

6.2 How small Dutch consultancy firms internationalise

After the analysis of how small Dutch consultancy firms internationalise, according to the respondents, it became clear that two main factors were mentioned. In table 12 an overview of the factors can be found.

Network approach

The first internationalisation mode was the so-called network approach, which means that the business network of the firm was the main initiator of the internationalisation decision. As pointed out above, this means that the firm internationalises for instance because a large client is doing so. Sabine Knobbout explains how Nedstat internationalised “we have many international clients. When they are a client in France, and they do business in Spain, they need a consultant in Spain as well. Automatically, because they have a global contract, they come to us again”.

Uppsala model

The second internationalisation mode was through the Uppsala model. This means that the internationalisation process took place in stages. For instance, the firm starts with some projects abroad. Later on the activities in the host country are expanded, in most cases by opening a subsidiary. This way of internationalising starts mostly in the countries around the Netherlands, such as Germany, Belgium, the UK or France. These countries are culturally and geographically seen more close. When the firm is ‘getting used’ to the internationalisation process, more distant markets such as Spain are approached. Sabine Knobbout (Nedstat) tells about the internationalisation process of Nedstat “Nedstat had five offices, in the Netherlands and the countries surrounding it, Belgium, Germany, France and the UK. I used to be in charge of the Spanish clients, and I saw the need to deepen the contact. There were

possibilities there, it was a good match with the expansion plans of Nedstat, so that is why we opened a subsidiary here”.

Hybrid form

In one case, a hybrid form of the Born Global and some sort of ‘reverse’ Uppsala model took place. Transfer has adopted an international approach right from the start. Sven Kallen (Transfer) comments “We started 11 years ago, and we have been working the Spanish and South American market from the Netherlands for five years”. This firm first started with an office in Brazil, secondly in Spain and now in France. Sven Kallen (Transfer) explains “We did it in the reverse way. We had a colleague working with us on some projects, and he really wanted to go to Brazil. So we decided to act a little crazy, and open an office in São Paulo. Two years later we started in Spain. And last year in France”.

	Act ivit y	Dutch Royal Embass y	Euro Economic s	EV D	IV C	Neds tat	Pentasco pe	The Next Level	Transfe r LBC	VODW Marketin g
Factors identified in literature										
Born global model									X	
Hybrid between stage theory and born global model									X	
Innovation- related model										
Network approach	X		X		X	X	X	X	X	X
Uppsala model		X	X	X		X	X	X		X
Factors emerging from case study research										
‘Reverse’ Uppsala model									X	

Table 12. Data analysis theme 2 - How small Dutch consultancy firms internationalise

6.3 Problems and obstacles for small Dutch consultancy firms internationalising into the Spanish market

When small Dutch consultancy firms internationalise into the Spanish market, a number of obstacles, or problems arise. These factors deal with various aspects, for instance the way the Spanish business climate is, or the way the Dutch behave. In many cases the obstacles can be overcome when the SMEs adapt themselves in the right way. In other cases the Spanish clients or employees have to adapt themselves. The overcoming of the problems and obstacles will be discussed later in this chapter, in the section that looks at the CSFs for the firms discussed in this research. For an overview of the problems and obstacles mentioned by the respondents see table 13.

Unfamiliarity with consulting

One aspect that was mentioned by almost all the cases, is that consultancy is relatively new in Spain. This means that the Spanish are unfamiliar, or even a little suspicious with the concept of getting advice from outside the company. Sometimes this is due to a feeling of pride, in other occasions it is a result of misunderstanding or just not being used to the concept. Sabine Knobbout (Nedstat) comments "...if you talk about consultancy, they look at you, and they don't understand what you mean. It is something new to them. The phenomenon of advice, thinking together with the client, is something they are not used to". André Driessen (Royal Dutch Embassy) says "Spanish companies in general are still relatively closed. To let in such a 'strange character', who will study all their company processes, and tells their people what to do, that is rather radical for Spanish business culture". Another remark was "The culture of hiring from outside is far less than in the Netherlands. They think they can do it themselves" (Henk van Soest, Activity). Charles Janssen (The Next Level) adds "...they want to be the boss themselves. Consultants will not be hired for high senior positions, that is something the company wants to do itself".

Legitimacy

A second factor that was pointed out by almost all the respondents, was the problem of legitimacy, or in other words, the establishment of local contacts. Networking in Spain is extremely important, and is a time and energy consuming process. Without having the right contacts, it is almost impossible to do business.

	Activity	Dutch Royal Embassy	Euro Economics	EVD	IVC	Nedstat	Pentastope	The Next Level	Transfer LBC	VODW Marketing
Factors identified in literature										
<i>Liability of foreignness</i>										
Lack of local knowledge									X	
Language	X	X	X	X		X	X	X	X	X
<i>Liability of smallness</i>										
Lack of capital								X		
Lack of management time										
<i>Liability of newness</i>										
Higher risk										
Legitimacy (no established relations)	X	X		X	X	X	X	X	X	X
Factors emerging from case study research										
Bureaucracy		X	X	X	X	X	X	X		
Dutch arrogance		X	X			X		X		
Dutch directness	X		X	X	X	X	X	X		X
Hierarchy	X	X	X	X			X	X		X
Inefficiency						X	X	X		
Lack of planning		X						X		
Long payment periods	X		X	X				X	X	
Long start-up period	X	X						X		X
Passive Spanish employees	X		X							X
Slow decision making						X			X	
Unfamiliarity with consultancy in Spain	X	X	X		X	X	X	X	X	X

Table 13. Data analysis theme 3 - Problems and obstacles small Dutch consultancy firms encounter when internationalising

Where in the Netherlands people are usually judged by their performance, in Spain there is a tendency to judge people based on their status and personal contacts. “I think a lot of people misjudge the effort needed for the acquisition process. They have one or two projects, from the network of their uncle or neighbour, but to proceed to more serious organisations you need an enormous amount of patience” (Sven Kallen, Transfer). Eric van der Laan (Pentascopie) comments “What is really important is to create brand awareness and a relation network. What I have noticed is that when a potential client doesn’t know you personally, it is very difficult to even make an appointment”. André Driessen adds “It works here in a way we forgot in the Netherlands. You will find your clients through references, the uncle of the nephew of the doctor. So you have to invest a lot in creating a network”. “If you have a new relation here, you are not finished after the first appointment. You have to come back ten times and have lunch. Even though you don’t have time, you have to have lunch, because that is where it happens” (Bertina Bus, VODW Marketing).

Language

Another important factor is the Spanish language. English is still not a very common spoken language in Spain, and people that do not speak Spanish have a very hard time doing business in Spain. Charles Janssen (The Next Level) explains “There is no way you can come to Spain without speaking Spanish. That doesn’t make sense, not for a business, not for anything”. Henk van Soest (Activity) says “For foreigners it is an absolute must to speak Spanish. You can’t function here in the consultancy business, or at all without speaking the language”.

Perceived arrogant or direct attitude of Dutch

Other frequently mentioned factors deal with the directness, and arrogant attitude that Dutch people can have, or at least can be perceived that way by the Spanish. The Spanish way of doing business is rather indirect, doing business is a delicate process that needs a lot of time and sensitivity. “Dutch people sit down and want to sell their product. A Spaniard has to break the ice, talk about the family, the weather, that is really important ... Sometimes Dutch people have the tendency to say ‘I am from Holland, I will tell you how to do it’. Then I have an appointment, and I see a Dutch person treating a Spaniard like he is stupid” (Jeroen

Oskam, Euro Economics). Charles Janssen (The Next Level) contributed “Dutch people in general think they know everything better, and then they want to tell the Spanish how they have to change everything. But here you have to be much more diplomatic...in the Netherlands it is a good thing to be direct. But the Spanish can’t handle that, you will just drive them off”. “The Spanish think we are very direct and straightforward. Sometimes you notice that the relation is not strong enough for them to go along with that. It just needs time” (Bertina Bus, VODW Marketing).

Payment periods

An obstacle mentioned by some of the respondents are the sometimes extreme payment periods. Charles Janssen has experienced this “we almost had a huge cash flow problem, because a large client just said ‘well, 30 days, that will be 180 days from today’. And they don’t even call. The payment periods are extremely long here. The most common reason for Spanish SMEs to go bankrupt are payments that are too late, if they are paid at all”. “To negotiate the payment periods in Spain is a vast drama... Sometimes you can have endless discussions” (Sven Kallen, Transfer). Jeanette de Lannoy (EVD) adds “It depends on the product and who your business partner is, but payment periods of 60 days are normal, as opposed to 30 days”.

Spanish way of working

In addition, most of the cases of the sample experience some aspects of the Spanish way of working as an obstacle. Various factors are mentioned, such as the strong hierarchical business culture, bureaucracy or inefficiency. Erik Kavelaars (IVC) points out “...I think bureaucracy was invented in Spain. Already 500 years ago”. “...you come across a lot of bureaucracy here, I think that is just a fact” (Sabine Knobbout, Nedstat). Eric van der Laan (Pentascopie) notes “Dutch people have the tendency to implement structure, and to be proactively busy with ‘how can I avoid to have a problem tomorrow’. Spanish people think more like ‘if I don’t think of it today, I can solve it tomorrow’. They are more creative, but Dutch people also call that chaotic at times. A disadvantage is that everything is not that efficient”.

Passivity of Spanish employees

Most of the cases have Spanish employees. The hierarchical Spanish business structure can result in Spanish employees being rather passive in terms of taking initiative, coming up with new ideas and so on. Jeroen Oskam (Euro Economics) comments “The Spanish are more quiet and hierarchical. If you say to a Spanish employee ‘1+1=3, then they will do that for two months. And if I ask why, they say ‘but that is what you said!’ . A Dutch employee would immediately correct your mistake. Spanish employees take less initiative...”. “A Spaniard is an awaiting person in nature. They wait until the boss says something” (Wouter van den Briel, Activity). Henk van Soest (Activity) points out “...the culture is to do what the boss says. Extrovert persons have a sales job or are internally avoided. If you do a psychological test here, extroversion is seen as a negative attribute”.

Slow decision making

An additional factor brought up is the slow decision making in Spanish companies. Sven Kallen (Transfer) says “An important phenomenon is the difference in speed. The coming to business, timing and so on, is something that is viewed completely different. They don’t decide, don’t decide, still don’t decide, and when they do, it should have been there yesterday already”.

Long start-up period

A final factor pointed out is the long start-up period. This is a result of the long time it takes to establish a network, to break through bureaucracy and so on. Bertina Bus (VODW Marketing) states “when we just came here, you notice that the process of setting up your business is really slow”. “We thought, we will score within a year. The first year is difficult, the second year as well. We found out that if you want to set up something, you need at least five years” (Wouter van den Briel, Activity).

6.4 Reasons for small Dutch consultancy firms to invest in Spain

The case study research demonstrated various insights in the reasons for small Dutch consultancy firms to invest in Spain. Table 14 provides an overview of this.

Of the various reasons mentioned, three factors were important for most of the units of analysis.

Development business service (consultancy) sector

The first reason is the development of the business service (consultancy) sector. The consultancy market in Spain is not very developed yet, but it seems that there is (albeit with some reservation) a lot of interest in this ‘new’ way of working. Eric van der Laan (Pentascopie) states “I notice that the Spanish see our work as innovative. They have an open attitude, positive, and are very interested in what we can offer them”. Erik Kavelaars (IVC) says “The consultancy market has grown enormously. As soon as the Spanish companies see what you can do for them, they are willing to pay for that”. The consultancy sector is growing, and the Spanish accept this way of working increasingly. Another remark was made by Wouter van den Briel (Activity) “...what we do is so new, but it might be accepted because they think ‘they are foreigners, maybe it is interesting to ask their opinion’. Dink de Vries (Royal Dutch Embassy) mentioned “The business service sector is relatively new here, but that is why it is a sector in which a lot of Dutch people are active.” As the consultancy sector is quite developed in the Netherlands, this can result in more trust. “What you can see is that the Spanish have a perception of Northern Europe of high quality. Even if your concept is really different to them, there can be a lot of interest for it” (Bertina Bus, VODW Marketing). Charless Janssen explains the development of the business service sector as follows “For a long time, Northern Europe has been an example. We have a lot of work in professional services, just because it is still an undeveloped sector”.

High economic growth rate

A second important reason for small Dutch consultancy firms to invest in Spain is the high economic growth rate. Jeroen Oskam (Euro Economics) notes that “the Spanish economy is very interesting, the economy is growing rapidly, Spain is performing really well.” According to Charles Janssen (The Next Level) “The economy is growing fast, you can do a lot of things

here that are already really common in other countries”. The high economic growth was an important reason for Sven Kallen (Transfer LBC) to invest in Spain. “Looking at the market, Spain is of course a very attractive country. The last 10, 15 years it has grown really fast, every time above the European average. Next to that a lot of investments have been made in infrastructure, in energy and construction. Everything modernises really fast, and that offers opportunities for Dutch technology and services.”

Large potential market

A third often mentioned reason to invest in Spain was the large potential market. This does not just mean the Spanish people, but the Dutch and other foreign people that live in Spain are potential clients as well. “...apart from the businesses that come here to do business and invest, tens of thousands of Dutch people live here, in itself they already set off some traffic” (André Driessen, Royal Dutch Embassy). Bertina Bus (VODW Marketing) said “We just saw there were a lot of opportunities in Spain...for instance, the magazine we publish, we have it in Spanish as well now, because the basis of clients and potential clients is large enough”.

	Activity	Dutch Royal Embassy	Euro Economics	EVD	IVC	Nedstat	Pentascopie	The Next Level	Transfer LBC	VODW Marketing
Factors identified in literature										
Bridge to Latin America			X	X						
Development of business service sector (interest in consultancy)	X	X				X	X	X		X
Favourable SME environment										
High economic growth rates		X	X	X	X		X	X	X	
Large potential market		X	X			X	X	X		X
Low entry barriers				X						
Strong relation Spain-Netherlands										
Factors emerging from case study research										
Positive perception of the Dutch (North Europeans) by the Spanish	X	X	X	X	X	X	X	X	X	X
Personal relations (family, relationship)	X		X					X	X	X
Spanish way of life	X	X		X				X	X	
Spanish creativity/ability to improvise		X			X			X		
Necessity of local presence						X	X		X	

Table 14. Data analysis theme 4 - Reasons for small Dutch consultancy firms to invest in Spain

Positive attitude towards Dutch

A factor mentioned by all of the units of analysis was the positive attitude the Spanish have towards Dutch people, or in general to Northern Europeans. Although it was not exactly a reason for all the organisations in the sample to invest in Spain, it is perceived as a factor that contributes to their success. Most interviewees had the feeling that there is some sort of 'click' between Spanish and Dutch people, which makes them feel more comfortable to work with Spanish people than for instance with other South Europeans. Eric van der Laan comments "My opinion is that the Spanish have a positive attitude towards the Dutch. The relation between the Spanish and the Dutch, I don't know why, but there is some sort of a natural click". Although the Dutch and Spanish do not always understand each other, the combination works quite well. Bertina Bus (VODW Marketing) said "I think the people here are very sympathetic, with all their peculiarities. You can build a very strong bond with the Spanish". André Driessen (Royal Dutch Embassy) notes "...in one way or another, it clicks. And it clicks much better than with other Mediterranean countries. The Spanish are more northern oriented than Italy or France". Dink de Vries (Royal Dutch Embassy) adds "Dutch people are very welcome in Spain. I have almost never heard of a Dutch person that didn't feel welcome here".

Personal reasons/relations

Other reasons for investing in Spain have been pointed out as well, although less frequently. Of those other factors the one that was most often mentioned were 'personal relations'. This means that entrepreneurs chose to set up business in Spain because of family or a relationship. Jeroen Oskam (Euro Economics) points out "...once I went to Spain on a holiday, and I met a Spanish girl. That is why I wanted to set up business in Spain, and that girl is now my wife". Henk van Soest (Activity) said "Why Spain? Why Madrid? That has to do with the favourable climate here, and the condition of my wife...". Not just the personal relations can be a reason for investing in Spain, but also the Spanish way of living is what attracts Dutch consultants. "...it is a personal choice. There are many things to do here, working here is great, the life is really good and it is different from France or the Netherlands. If you know how to deal with that, it is great fun here" (Charles Janssen, The Next Level). André Driessen (Royal Dutch Embassy) declares "...if you are tired of the rain in the Netherlands, you pack your bags and go to Spain. Spain is a more obvious destination in the south than France, Italy, Greece or Portugal".

Other reasons

Three cases indicated that one of their reasons to establish business in Spain was the necessity of local presence. Sabine Knobbout stated “What is really important for our clients, is local service. People want a Spaniard on the phone, they want consultancy in Spanish, they want to see the consultant”.

Furthermore, the creativity and ability to improvise of the Spanish was referred to. Charles Janssen (The Next Level) considers this as good reason to choose for Spain. “There is a lot of creativity, something that attracts me a lot. There is still so much possible, things that are already taken for granted in the Anglo Saxon world, are still relatively new here. It is easy to be different than others, especially if you are Dutch, creative and you think a little out of the box”. Dink de Vries (Royal Dutch Embassy) notes “if there is one thing that Dutch firms appreciate of Spanish firms, it is their ability to improvise”.

Spain serving as a bridge towards Latin America was mentioned only twice, although one time it was not very explicit; “...for Spain you sometimes have an extra argument, that if you develop your documentation and your Spanish, that you can go to South America as well. But usually I hear that argument more often than I actually see it happen” (Jeroen Oskam, Euro Economics). Jeanette de Lannoy however believes that Spain can certainly serve as a springboard for Latin America “Spain has very good contacts with South America, and they know how the market is. Especially if you engage in a partnership, it is much easier from Spain”.

6.5 CSFs for small Dutch consultancy firms internationalising into the Spanish market

In section 6.4, the problems and obstacles that small Dutch consultancy firms can encounter in the Spanish market are discussed. This part discusses CSFs for these firms, in other words, an answer to the question ‘how can these obstacles and problems be overcome?’. In table 15 these factors can be found. A number of CSFs are mentioned by almost all respondents, and even came back multiple times during the interviews or documentation.

Establishment of network

A first important factor is the ‘necessity of the establishment of local contacts, or network’. Networking is already an important aspect in the consultancy business, but in Spain it is essential. “Networking, in the Netherlands we go to a drink once a month. Here, networking is to know people from school, from your neighbourhood, your religion, it is totally imbedded in your world. Working somewhere means to create a whole network around that. It is very important for doing business” (Sabine Knobbout, Nedstat). André Driessen (Royal Dutch Embassy) remarks “networking here is much more extended than in the Netherlands. It has to do with where you grew up, what schools you went to and if you went to the right clubs. You have to consider those things if you start working with an agent for example, because with that agent you also have his network”.

Good personal relation with stakeholders

Not only having a network, or local contacts is a vital factor towards success, in Spain it goes even further. In order to integrate well in the Spanish business world, having a good personal relation with your stakeholders is very important too. “We do that by anticipating on the personal relation. To behave like some sort of half Spaniard early in the process. We give pats on the shoulder ‘let’s do it like this’ and we call to ask how the wife is. If we invite them for dinner we make sure the quality is very high” Sven Kallen (Transfer). Eric van der Laan points out “personal contact is essential. Especially here in Spain that is clearly the case, because it is really important that *persons* do business with each other”.

Good references and firm reputation

As discussed earlier in this chapter, the Spanish have a positive attitude towards Dutch people. This is an advantage when establishing a network or local contacts, or even creating strong personal relations with your stakeholders. Charless Janssen (The Next Level) notes “having lots of contacts, the network is essential. I have to say, the fact that we are Dutch makes it easier for us. The French have a bit more of a problem”. In line with networking and having personal relations with stakeholders, in Spain it is important to have good references as well. André Driessen (Dutch Royal Embassy) says “you should try to get your first or second contract with a firm that can serve as a reference as well, so not a small player. For

Spain that is very important, especially because there is still a barrier for taking in this kind of services”.

What is also related to this topic, and is mentioned by some of the respondents is that having a good firm reputation is a CSF. Eric van der Laan said “in the Netherlands a lot of (potential) clients know us, through the media etc. In Spain it is not like that, we have to create it ourselves”.

Explaining concept well

Earlier in this chapter the ‘newness’ of the consultancy sector in Spain was discussed. This results in a somewhat apprehensive attitude of the Spanish towards this concept. In order to be a successful consultant in Spain, there are some things that can be done to make the Spanish feel more comfortable with hiring someone from outside the company and trusting that person. Some companies offer tests. Sabine Knobbout (Nedstat) comments “They want prove first, they want to see it. What I have noticed here is that we have to offer a lot more tests here”. Others explain and show their concept in such a way, that possible doubts and concerns are taken away. “Our way of working is not known here. Therefore it takes a lot of effort to develop things together with the client. For Spanish people it is new, but if they are working with it, they see that it is something they can continue with. Then it really becomes their programme, their project” (Bertina Bus, VODW Marketing).

A third way of overcoming the unfamiliarity with consultancy is by offering discounts or very sharp offers in at first, so that new customers can get used to the concept without paying too much money. Sabine Knobbout (Nedstat) says “sometimes we have to make a really sharp offer, just to get that client. Then that company will be a nice reference in the market, and it helps us to enter certain sectors”. Finally, some companies choose not to have Spanish clients, to avoid the problems that are associated with that. Jeroen Oskam (Euro Economics) explains “Spanish companies are not used to outsourcing, so you have to do a lot more before they are interested in your product. When they are interested, they want to negotiate three times, and then maybe only a small part is accepted. Of course this is exaggerated, but I think the process with Dutch companies is much easier”. Sven Kallen (Transfer) adds “we tried to have Spanish

clients, but we don't want that anymore. Spanish SMEs are not willing enough to pay for consultancy”.

	Activity	Dutch Embassy	Royal	Euro Economics	EVD	IV C	Nedstat	Pentastat
Factors identified in literature								
Ability to identify/focus on market niche				X		X		
Access to cultural resources	X		X	X	X			
Access to external advice (consultant)					X			
Access to financial resources	X			X		X		
Access to technological resources (IT, internet)								
Being flexible	X		X		X			
Delivering good service/concept	X			X		X	X	
Establishment of local contacts/networking	X		X		X	X	X	
Knowledge of local language	X		X	X	X		X	
Knowledge of local laws and regulations					X			
Knowledge of local market			X	X	X	X		
Speed/flexibility in decision making processes								
Strong firm reputation			X				X	
Strong leadership								
Strong management & employees								
Strong (personal) relation with external stakeholders	X		X			X	X	
Factors emerging from case study research								
Explaining concept of consultancy well/offering tests/discounts	X		X	X		X	X	
Follow-up/initiative	X			X		X	X	
Having good references			X				X	
Having patience	X				X	X	X	
Having Spanish (local) employees	X		X	X		X	X	
Not being arrogant			X	X	X	X	X	
Not being too direct	X		X	X	X	X	X	
Not having Spanish clients				X		X		
Strong control from HQ				X				

Table 15. Data analysis theme 5 - Critical Success Factors for internationalising small Dutch consultancy firms

Language and culture

Another factor that is critical to success is the Spanish language. Without speaking Spanish, it is very unlikely that a Dutch entrepreneur will become really successful. “the limited knowledge of English is still a problem in Spain. Even when a person speaks English, it often is not fluent” (Jeroen Oskam, Euro Economics). Next to speaking the language, it is important to understand the Spanish culture. For instance, regionalism is still a sensitive topic, and it is best to avoid getting in an argument about it. “politics, and regional issues are complex in Spain, try to keep a neutral opinion, before you know it you will end up in a painful situation

as the subject is so sensitive” (Jeroen Oskam, Euro Economics). Jeanette de Lannoy comments “The Spanish culture is very different. They have longer lunch breaks and they work longer in the evening. If you want to be of service to a company, you have to keep that in mind”.

Spanish employees

A factor that was mentioned by most of the respondents is the hiring of local (Dutch people that live in Spain for a long time and are integrated very well) or Spanish employees. It is said that those people form a bridge between the Spanish and Dutch mentality, and that they have access to important networks or contacts. Henk van Soest (Activity) states “what we always try to do with Spanish clients is to bring a Spanish employee to appointments. That works very well”. “It is very important that those who have contacts with the market, and with clients, and with partners and so on, that they are Spanish. Or they have to have working experience in Spain at least for ten years and speak the language fluently” (Sabine Knobbout, Nedstat).

Good concept

Furthermore most cases explained that having a good concept or service is an important CSFs. Without having a good concept or service, success is probably not one of the options. In line with this is the importance of finding a niche for your concept or product.

Knowledge of local circumstances

Another significant factor referred to was knowledge on the local market, who are the competitors and so on. The same can be said for having knowledge on local laws and regulations. “You have to find a basis, so you can do business. You have to arrange legal matters, so you can sign contracts etc. And we also did a market scan, to get to know the local market” (Eric van der Laan, Pentascope).

Awareness of Dutch behaviour

As discussed before, Dutch in general are perceived as rather direct and/or arrogant by the Spanish people. In order to keep a good contact with stakeholders, it is therefore important that Dutch entrepreneurs/managers are aware of this, and try to adapt themselves to the

Spanish way. Erik Kavelaars (IVC) explains “you always have to be really careful with what you say. In the Netherlands you make a joke that is a little bit true, you want to send a message with that, there is nothing aggressive behind it. But a Spanish person will see that as total aggression”. Jeanette de Lannoy (EVD) mentions “Do not ignore people of who you think they are not important enough. Greet them as well. And be aware of who you are doing business with. You should make an appointment with someone that is in a position to make decisions”.

Perseverance

Although Dutch can sometimes be too direct or arrogant, sometimes it is good not to change that too much. At times this is necessary to overcome issues that are present in the Spanish business climate, such as people not calling back etc. In those cases it is good to take the initiative and to follow-up on what is happening. “You really have to be behind them. ‘You promised me you would send me that!’, and so on. They have to feel personally involved, even almost feel guilty, and then finally something will happen” (Sven Kallen, Transfer). Wouter van den Briel (Activity) comments “once I had a person that said ‘you call me so often. But then I say ‘yeah, but it is my job to do that!’”. “you just have to keep in mind they keep you waiting, they never call back and so on. So if you sit down and wait, you will get nowhere” (Henk van Soest, Activity).

Patience

As pointed out previously in this section, setting up business, a network etc. can be long and time consuming processes. Issues such as bureaucracy, inefficiency and the hierarchical way of working in Spain even slow the process further down. As this is just the way the system is, most respondents have a rather simple solution: being patient. Charless Janssen said about this “you have to be patient, the lead times are enormous. If you want to acquire a large client, it can easily take up to a year. Really, sometimes it can be dramatic”.

Flexibility

Another way of coping with the Spanish business system, is by being flexible. Two respondents note that making use of external advice can be a CSF as well. “the way of dealing with other people is less rigid, time is indicative, just like the white stripes on the road. You should be flexible with that” (Charless Janssen, The Next Level).

Access to financial capital

One of the problems that small Dutch consultancy firms experience in Spain are the long payment periods. A factor that can overcome this is to have access to financial capital. This can either be capital coming from the headquarters in the Netherlands, or by having the money pre-financed with a bank. Sven Kallen (Transfer) says “a lot of companies are late payers, so you have to pre-finance a lot. Being a small organisation that is something you have to keep in mind or it will be a problem”.

According to one of the respondents, having strong control from the headquarters in the Netherlands is crucial to have success. Jeroen Oskam (Euro Economics) points out “especially the control from the headquarters is not valued enough. Even if you have a great concept, or a great guy in Spain, if you don’t keep a close eye on it, it will not be a success. When there is not enough background from the headquarters, it will not work out”.

Strong employees and leadership

Another respondent mentioned the value of having strong leadership and strong employees within the company. “I am convinced that for good results, you need strong people. And when you have good leadership on yourself, you can be the leader of a team, or even an organisation” (Charles Janssen, The Next Level).

6.6 Summary

In this chapter an overview of all the factors mentioned by the respondents was provided. In order to provide a clear structure, all the factors pointed out by the respondents have been divided in five main themes.

The first theme concerned the reasons for small Dutch consultancy firms to internationalise. Factors that were mentioned by the respondents were client following, new business opportunities, necessity of local presence, locational and ownership advantages, personal reasons and the emergence of a new market.

When asked how Dutch consultancy firms internationalise the respondents mentioned the network approach, the Uppsala model and a hybrid form between a ‘reverse’ Uppsala model and the Born Global model.

The third theme was about the problems and obstacles that small Dutch consultancy firms encounter when internationalising into the Spanish market. The case study research resulted in the following factors; lack of local knowledge, language, lack of capital, legitimacy (no established relations), bureaucracy, Dutch arrogance, Dutch directness, hierarchy, inefficiency, lack of planning, long payment periods, long start-up period, passive Spanish employees, slow decision making and unfamiliarity with consultancy in Spain.

The reasons for small Dutch consultancy firms to invest in Spain according to the respondents are; bridge to Latin America, development of business service sector (interest in consultancy), high economic growth rates, large potential market, low entry barriers, positive perception of the Dutch (North Europeans) by the Spanish, personal relations (family, relationship), Spanish way of life, Spanish creativity/ability to improvise and necessity of local presence.

The case study research resulted in the following factors for the CSFs for small Dutch consultancy firms investing in the Spanish market; ability to identify/focus on market niche, access to cultural resources, access to external advice (consultant), access to financial resources, being flexible, delivering good service/concept, establishment of local contacts/networking, knowledge of local language, knowledge of local, laws and regulations, knowledge of local market, strong firm reputation, strong leadership, strong management & employees, strong (personal) relation with external stakeholders, explaining concept of consultancy well/offering tests/discounts, follow-up/initiative, having good references, having patience, having Spanish (local) employees, not being arrogant, not being too direct, not having Spanish clients and strong control from HQ.

7 Discussion of the findings

In this chapter the findings of the literature review and the findings of the case study research are being discussed. In the literature review the key concepts of this research were examined. In addition, case study research has been conducted, and the results have been analysed by using five main themes. In this section, the five themes that were used in the previous chapter will be linked to the literature. In tables 11-15 factors that were resulting from the literature review and factors that emerged during case study research were presented. This chapter will explain and analyse whether and to what extent the literature is applicable to the cases and the other way around.

7.1 Why small Dutch consultancy firms internationalise

In the literature review various aspects are discussed concerning the reasons for SMEs to internationalise. One of those aspects was static theory. Static theory is developed for MNCs, and there is no empirical evidence that it is relevant for SMEs.

Small Dutch consultancy firms appear to have ownership advantages in the Spanish market. Consultancy is a sector that is mainly about specific, unique knowledge and experience. When a Dutch SME consultant is in possession of this unique knowledge and experience, this is an advantage with respect to other firms in the market that do not have this knowledge. Also locational factors in the Spanish market form an advantage, such as the structure of the market. As consultancy is still relatively new in Spain, there are many opportunities in the market for Dutch SMEs that are already experienced in this area. However, theory of the growth of the firm does not appear to be relevant, the Dutch market is not saturated, as most respondents declared to have enough work in the Netherlands. Next to that, internalisation theory is not of importance for the cases in the sample either. Consultants do not have to make a decision to buy a certain product or service in the foreign market or to produce it themselves, they just sell their service. The analysis of the case study research therefore indicates that static theory is partly applicable to SMEs as well.

Further on in the literature review, some reasons for consultancy firms to internationalise were discussed. Consultancy firms internationalise because of 'client following', to discover new business opportunities, or because there is an upcoming market. All the factors

mentioned in the literature, were mentioned as well by the respondents in this research. Therefore the literature appears to be valid for small Dutch consultancy firms that internationalise in the Spanish market.

In the literature review it was pointed out why Dutch SMEs internationalise. Dutch SMEs internationalise because of the small domestic market, to gain access to foreign technology and knowledge and to reduce costs. When the results of the case study research are compared to the findings of the literature, it seems that none of the respondents agreed with these factors.

Some aspects can be an explanation for this. For instance, the consultancy market is not very developed yet in Spain. Therefore it is very unlikely that small Dutch consultancy firms internationalise into the Spanish market to gain access to foreign technology or knowledge. They are the ones that bring the knowledge and technology into the country. Furthermore, consultancies in general do not have very high costs in terms of production etc. Although the wages are lower in Spain, and some of the respondents have Spanish employees, it seems that this was not a reason to internationalise. Furthermore, none of the respondents stated to have internationalised because the home market was too small. Therefore the literature is not sufficient or complete for the cases in the sample of this research.

7.2 How small Dutch consultancy firms internationalise

Various theories that describe how SMEs internationalise were discussed. A distinction in these theories can be made, on one side there are theories that describe the internationalisation process as a gradual process, which takes place in stages. On the other side there is theory that describes firms that are international from start up or shortly thereafter. Although in the literature review the following proposition was constructed, only one of the case study respondents mentioned to have been involved in an internationalisation process like that.

Most small Dutch consultancy firms (in this sample) still internationalise in the ‘old fashioned way’, which is described by stage theory. Another point that can be made is that none of the firms internationalised through the innovation related model. Either the network approach or the Uppsala model was relevant. These firms start in the Netherlands being a consultant. In

most cases the international activities are expanded towards countries that are geographically and culturally close, such as Belgium, the UK or Germany. When internationalisation in those countries worked out well, more distant markets such as Spain are entered. The literature seems relevant, albeit not in all the cases.

7.3 Problems and obstacles small Dutch consultancy firms encounter when internationalising into the Spanish market

In the literature review, a number of obstacles and problems have been discussed, which were summarised in the next line: SMEs that internationalise need to overcome three liabilities: ‘the liability of foreignness’, the liability of newness’ and the liability of smallness’.

It can be said that this literature in general was applicable for most of the respondents. What could be seen was that for the ‘liability of foreignness’ especially the language aspect was important. The knowledge of the local market was not seen as an obstacle. An explanation for this is that the consultancy market is not very developed yet, and that local competition etc. is not a very important issue. The ‘liability of smallness’ did not appear to be a large obstacle for the firms in this research, unless it regards the long payment periods in Spain. The issue of lack of capital for SMEs is only mentioned once. According to the researcher, it is not a problem of lack of capital, but more a problem of long payment periods in the Spanish market. The ‘liability of newness’ was a frequently mentioned aspect, although not in the sense of higher risk, but concerning the necessity of the establishment of local contacts and the creation of a network. It seems that the result of the literature review is true in general, but is rather limited. The Spanish market in itself leads to problems and obstacles that may not be relevant for other countries, and are therefore not described specifically in the literature. On the other side, as this research is about small Dutch consultancy firms, the ‘Dutchness’ of the Dutch entrepreneurs can lead to some obstacles as well.

7.4 Why small Dutch consultancy firms internationalise into the Spanish market

Factors for firms to internationalise into the Spanish market are discussed in the literature. It appears that the Spanish market is attractive for small Dutch consultancy firms because of the high economic growth rates, the large domestic market, low entry barriers, the bridge function

towards Latin America, a favourable SME environment, the strong relation between Spain and the Netherlands and the development of the business service sector.

Of the seven factors mentioned in the literature, four are referred to by the respondents of this research. The high economic growth rates, the large domestic market and the development of the business service sector were the factors that were referred to. Next to those factors, the respondents mentioned a number of other factors, such as the necessity of local presence, what is not always the case in other countries. The bridge function towards South America is something that most respondents have heard of, but it is not something they have seen in practice. Only one respondent stated that it actually happens. Furthermore, the strong relation between the Netherlands and Spain does not seem to be of importance when choosing for Spain. What does have importance is the statement that the Spanish people in general have a very positive attitude towards Dutch people, which makes it easier for them to create a network, build trust and so on. The factor of low entry barriers was not mentioned, perhaps the reason for this is that entry barriers are low in other European countries as well, so it is not an advantage specifically for Spain. The same can be said about the favourable SME environment. Furthermore it turned out that some of the respondents choose for Spain due to personal reasons or because the Spanish way of living appealed a lot to them.

7.5 CSFs for small Dutch consultancy firms internationalising into the Spanish market

A theme in the literature review discussed the CSFs for 1) SMEs in general, and 2) internationalising SMES. In this section will be discussed if the factors pointed out in the literature review are also relevant or abundant for Dutch SMEs internationalising into the Spanish market.

CSFs for SMEs in general are: strong relation with stakeholders; strong management and employees; ability to identify and focus on a market niche; delivering good service or concept; access to financial resources; access to technological resources (IT, Internet); strong leadership; being flexible; speed in decision making processes.

CSFs for internationalising SMEs are: knowledge of local market, language, laws and regulations; access to external advice (consultant); strong firm reputation; access to financial, technological and cultural resources; speed and flexibility in decision making processes; establishment of local contacts.

Of all the factors mentioned in the literature, only two were not referred to by the respondents. The first factor was 'access to technological resources (IT, Internet). Probably this can be explained by the fact that Spain is a rather developed country, and that therefore the access to internet etc. is taken for something granted. This factor would perhaps be of more importance when a firm would internationalise into an emerging or underdeveloped market. The second factor that was not brought up was speed in the decision making process. What is remarkable is that this factor was mentioned as a problem that is encountered with Spanish clients and other stakeholders, but it is not seen as a critical success factor for the company itself. Perhaps small Dutch consultancy firms consider themselves as fast decision makers already. All the other factors in the above stated propositions were pointed out by the respondents, although some were mentioned very often and others only once. In addition, the respondents came up with some other CSFs as well. These factors were mostly directed specifically towards issues that deal with the Spanish way of doing business, the undeveloped consultancy sector in Spain or the way Dutch people or SMEs are doing business.

7.6 Summary

In this chapter, the five themes that were used in the previous chapter were linked to the literature.

For the first theme in this research, it appeared that although static theory is primarily developed for MNCs, it is partly applicable to small Dutch consultancy firms as well. In the literature a number of reasons for consultancy firms to internationalise is mentioned, these are in compliance with the results of the case study research. The reasons pointed out in the literature for Dutch SMEs to internationalise do not correspond with the factors mentioned by the respondents.

Most small Dutch consultancy firms (in this research) internationalised in the way that is described by stage theory. Therefore the literature seems relevant, although not for all the cases.

It can be said that the literature in general was applicable for most of the respondents considering problems and obstacles that can be encountered when internationalising into the Spanish market. However, the literature was rather limited, which can be explained by this research being directed specifically to Spain and Dutch entrepreneurs.

The reasons for firms to invest in the Spanish market are partly mentioned by the respondents.

The case study research resulted in a number of new factors as well.

Of all the CSFs mentioned in the literature, only two were not referred to by the respondents.

In addition, the respondents came up with some new CSFs.

8 Conclusion and recommendations

In this chapter the central research question will be answered, and an overview of the key outcomes of this research is presented. Furthermore, recommendations for small Dutch consultancy firms that (want to) internationalise into the Spanish market will be made, which was the objective of this research. In addition, recommendations for further research will be made. Finally the limitations of this research will be discussed.

8.1 Conclusion

The central research question in this research was:

“How do Dutch SMEs in the consultancy sector achieve and maintain successful establishment in the Spanish market?”

In order to answer this question, a literature study and case study research have been conducted. In order for a small Dutch consultancy firm to achieve and maintain successful establishment in the Spanish market, there are of considerations. First, the firm should consider its motives to internationalise. Secondly, the internationalisation process, or how the company internationalises has to be a consideration in the internationalisation strategy. Furthermore the small Dutch consultancy firm should be aware of certain problems and obstacles that can or will be encountered when they internationalise into the Spanish market. Finally, the firm should have a clear vision on what critical success factors are relevant for it, and apply those. The results from this research have led to a number of factors that can be divided in five themes.

- Motives for small Dutch consultancy firms to internationalise
- How small Dutch consultancy firms internationalise
- Problems and obstacles that small Dutch consultancy firms encounter when internationalising into the Spanish market
- Reasons for small Dutch consultancy firms to invest in Spain
- CSFs for small Dutch consultancy firms investing in the Spanish market

These factors describe how other small Dutch consultancy firms have achieved and maintained successful establishment in the Spanish market, thereby taking relevant literature into account.

The first theme concerns the reasons for small Dutch consultancy firms to internationalise in general. It appears that those companies do so for the following reasons: locational or ownership advantages; to follow a client; to take advantage of an upcoming market; or new business opportunities; for personal reasons or because of the necessity of local presence.

Looking at how small Dutch consultancy firms internationalise, the network approach and the Uppsala model are most common, although it is also possible by combining a Born Global approach with a so-called 'reverse Uppsala model'.

When small Dutch consultancy firms internationalise into the Spanish market, there is a number of obstacles and problems that they encounter. These are: the Spanish language (or lack of English language in Spain); lack of legitimacy (no established relations in Spain); bureaucracy; Dutch being perceived as direct or arrogant; inefficiency; lack of planning; long payment periods; long start up period; passivity of Spanish employees; slow decision making and unfamiliarity with consultancy in the Spanish market.

The reasons for small Dutch consultancy firms to choose specifically for the Spanish market are: the development of the consultancy sector; high economic growth; large potential market; positive perception of Dutch or Northern Europeans by Spanish; personal relations (family or relationship); Spanish creativity/ability to improvise and necessity of local presence.

Critical success factors for small Dutch consultancy firms that internationalise into the Spanish market are: ability to identify/focus on market niche; access to cultural resources; access to external advice; access to financial resources; being flexible; delivering good service/concept; establishment of local contacts/networking; knowledge of Spanish language; knowledge of local laws and regulations; knowledge of the local market; strong firm reputation; strong leadership; strong management & employees; strong (personal) relation with external stakeholders; explaining concept of consultancy well/offering tests/offering

discounts; follow-up/initiative; having good references; being patient; employing local (Spanish) employees; not being arrogant; not being too direct; not having Spanish clients and strong control from headquarters.

When small Dutch consultancy firms internationalise successfully into the Spanish market, they consider and/or apply the range of factors that are mentioned above.

8.2 Recommendations

The objective of this research was twofold. One objective of this research was to contribute to the literature on (Dutch) SME internationalisation, internationalisation in the consultancy sector and so on. The other objective of this research was to provide and develop a (more) coherent internationalisation strategy for Dutch SMEs in the consultancy sector that (want) to internationalise into the Spanish market. In this section, based on the results of this research, recommendations for further research, and recommendations for Dutch SMEs in the consultancy sector that (want) to internationalise into the Spanish market are being made.

8.2.1 Limitations and recommendations for further research

This research is explorative, which means that the aim is to look for patterns or ideas, rather than to test or confirm a hypothesis. In order to research the topic of this study further, a quantitative research with a larger sample (including Spain as a whole) should be conducted, as to reach more general conclusions. This would increase the generalisability of this research.

Furthermore, there was no information available on the number of Dutch (consultancy) SMEs are present in Spain, what their success rate is and so on. As not much literature is available on the internationalisation of Dutch SMEs in general, this is a subject that needs further research. Also the literature on SME internationalisation and consultancy SMEs could be extended. The internationalisation of SMEs is a topic that is not described frequently in the literature, while it is a phenomenon that occurs increasingly nowadays.

It is not clear whether the results of this research are due to a higher extend to the firms investigated being Dutch or being in the consultancy sector. It appears that the fact that the

firms where in the consultancy business was of more importance than their Dutch origin. In order to test this, further research should be conducted on SME internationalisation. Then different sectors, or different home countries should be included.

A limitation of this research was that it was not possible to arrange an interview with a failed small Dutch consultancy firm. These companies are not in Spain anymore; the researcher however was in Spain to conduct the research, and not in the Netherlands. This made it very complicated to arrange an interview. There were some people that had tried to set up business in Spain and when it failed they decided to work in another company in Spain. However, these persons were not willing to cooperate, or lived outside Madrid.

Another limitation of this research was that it was not possible to conduct interviews outside Madrid, due to budget constraints. This decreased the possible sample for this research. However, most of small Dutch consultancy firms have their subsidiary or business in Madrid. Next to that, some respondents in this research, with offices in Barcelona were willing to cooperate with an interview when they were in Madrid for business. It would therefore be of importance to investigate Spain as a whole in further research. Furthermore this research could be repeated for other countries as well.

8.2.2 Recommendations for small Dutch consultancy firms internationalising into the Spanish market

Small Dutch consultancy firms that internationalise into the Spanish market successfully should have a clear motive. In general they internationalise according to stage theory (the Uppsala model or the network). Furthermore they are aware of the problems and obstacles that can or will be encountered in the Spanish market. In order to become successful, they keep in mind they actively try to overcome these problems or obstacles, by adapting their internationalisation strategy and/or organisational culture to the requirements of the Spanish market.

Small Dutch consultancy firms should ask themselves why and how they want to internationalise into the Spanish market, and do so for the right reasons. The Spanish market offers a lot of opportunities for this type of companies, but on the other hand there is a variety of difficulties that have to be considered as well. An important aspect that illustrates this is

that the consultancy sector in Spain is relatively new. On one side this offers a lot of opportunities for companies that already have experience in this sector. Spain has a rather large potential market, and the economic growth rate is very good. In general the Spanish market has interest in this new way of working. On the other side, it will cost small Dutch consultancy firms a lot of effort to convince the Spanish market of their concepts. This is a reason for some of those companies to actively choose not to have Spanish clients. They solely have foreign clients that have a subsidiary in Spain.

Another facet is that most of the small Dutch consultancy firms internationalise into the Spanish market because their clients set up business there. This offers them a basis in Spain, from where they can start creating an extended client base. What should be kept in mind though, is that they should not rely too much on the initial clients that were followed. When one or two large clients decide to exit the Spanish market, this could result in failure of the Dutch SME consultant as well.

In addition, small Dutch consultancy firms that internationalise into the Spanish market, should be aware of the networking culture in Spain. In creating those important contacts, Dutch entrepreneurs should be aware of their ‘directness’, or sometimes even arrogance. In order to become successful in Spain, a lot of patience is needed. Payment periods, start up periods and so on can be very long. Starting up a subsidiary in Spain can be a long but rewarding process.

8.3 Summary

The central research question in this research is:

“How do Dutch SMEs in the consultancy sector achieve and maintain successful establishment in the Spanish market?”

In order to answer this question, five themes have been identified. These themes are:

- reasons for small Dutch consultancy firms to internationalise

- how small Dutch consultancy firms internationalise
- problems and obstacles that small Dutch consultancy firms encounter when internationalising into the Spanish market
- reasons for small Dutch consultancy firms to invest in Spain
- critical success factors (CSFs) for small Dutch consultancy firms investing in the Spanish market.

Through conducting a literature study and case study research, for each theme a number of factors has been identified. According to this research, small Dutch firms in the consultancy sector can achieve and maintain successful establishment in the Spanish market, by considering and/or applying all those factors.

The quality of the research design is judged by using four tests: construct-, internal-, and external validity and reliability. For this research, construct validity is moderate. Internal validity is high, external validity is moderate and the reliability is relatively low.

Limitations of this research and recommendations for further research are

- Quantitative research to increase generalisability should be conducted
- Further research in the areas of (Dutch) (consultancy) SME internationalisation is needed
- The same research should be conducted in another sector or for firms from other countries
- Include failed firms in further research
- Include Spain as a whole and not just the Madrid (and Barcelona to some extent) region
- The same research should be conducted for small Dutch consultancy firms internationalising into another country than Spain

A number of recommendations for small Dutch consultancy firms that (want to) internationalise successfully into the Spanish market has been made. These recommendations are no different than the answer to the research question. These firms should consider and/or

apply the factors that have been identified in this research in order to achieve and maintain successful establishment on the Spanish market.

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List of keywords

Consultancy

Consultancy firms give expert advice within a certain area which helps the person or firm receiving the expert advice to improve its performance.

Critical success factors

CSFs are the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organisation (Rockart, 1979).

Internationalisation

Internationalisation is the increasing geographical dispersion of economic activities across national borders (wps.prenhall.com, 2007).

SME

Small or medium enterprise. In this research SMEs are considered to be firms with less than 250 employees.

Small Dutch consultancy firm

In this research is assumed that the internationalisation process takes place in Spain. All the subsidiaries or ventures of the Dutch consultancy firms in Spain can therefore be considered small, even though the headquarters in the Netherlands would be classified as medium sized.

Spain

This research is about Dutch firms that invest in the Spanish market. Therefore the characteristics of the Spanish market are being discussed and considered.

The Netherlands

This research is about Dutch firms that invest in the Spanish market. Therefore the characteristics of Dutch entrepreneurs and firms are being discussed and considered.

Appendix A: Interview guide - small Dutch consultancy firms venturing in Spain

The internationalisation process of X

1. How long have you been working for X (in the Netherlands)? Since when in Spain?
2. Since when is X present in Spain and with how many employees?
3. Where you involved in the internationalisation process and if so from what stage?
4. What were the reasons for X to internationalise?
5. How did X internationalise?
6. Did you experience any obstacles/problems when internationalising to Spain? What problems you think other similar firms experience?
7. Do you use your own internationalisation experience in your consultancy advice?
8. What was the role of X's network in the internationalisation process?
9. Do you have previous experience living/working in Spain? Is this important for your current performance?
10. Do you believe that Dutch employees for X Spain have to speak Spanish?
11. Does X have local employees? Why or why not?
12. Do you think small Dutch consultancy firms are different from other SMEs in Europe?
13. X is present in ... How did previous internationalisation experience influence the internationalisation to Spain? (less uncertainty)
14. How is the contact with the HQ?

The Spanish market and X

15. Why was the Spanish market chosen?
16. Do you have Spanish clients? How do you attract them?
17. Is the Spanish consultancy market different from the Dutch consultancy market?
18. Do you interact differently with your Spanish stakeholders than with your Dutch stakeholders?
19. Have you changed anything to match better with the Spanish organisational culture/market?
20. Are the firm's practices and principles different than those in the Netherlands?

Critical Success Factors for X

19. What has been the most critical for X's success in Spain?
20. What are the goals and objectives for the coming years?
21. How is X doing compared to its competitors? Why better or worse?
22. What would you recommend other small Dutch consultancy firms that want to go to Spain?
23. Do you know any other helpful firms for this research?
24. "Doe maar gewoon dan doe je al gek genoeg" is often used to describe the Dutch culture, how would you describe Spanish culture?

Appendix B: Interview guide - consultancy SMEs with Dutch founder in Spain

The Spanish market and X

1. Why was the Spanish market chosen to set up business?
2. Do you have Spanish clients? How do you attract them?
3. Do you have local employees? Why (not)?
4. Is the Spanish consultancy market different from the Dutch consultancy market?
5. Do you interact different with your Spanish stakeholders than with Dutch stakeholders?
6. Have you changed anything to match better with the Spanish organisational culture/market?
7. Are the firms practices and principles different than those in the Netherlands?

The Spanish Market

6. Why do you think small Dutch consultancy firms want to go to Spain?
7. How do small Dutch consultancy firms internationalise?
8. Do you think small Dutch consultancy firms are different from other SMEs in Europe?
9. Do you believe that Dutch employees in Spain have to speak Spanish?
10. What is most critical for success in Spain?
11. Can you comment on the SME environment here? Is it difficult to set up business here?
12. Can you comment on the development of the consultancy sector here in Spain?

Critical Success Factors for X

13. What has been the most critical for Xs success in Spain?
14. What are the goals and objectives for the coming years?
15. How is X doing compared to its competitors? Why better or worse?
16. What do you recommend other small Dutch consultancy firms that want to go to Spain?
17. Do you know any other helpful firms for this research?
18. “Doe maar gewoon dan doe je al gek genoeg” is often used to describe the Dutch culture, how would you describe the Spanish culture?

Appendix C: Interview guide - institutions involved in internationalisation process of Dutch consultancy SMEs

The Spanish market and X

1. Why do Dutch firms choose the Spanish market to set up business?
2. Do these firms have Spanish clients? How do they attract them?
3. Do they have local employees? Why (not)?
4. Is the Spanish consultancy market different from the Dutch consultancy market?
5. Do you interact different with your Spanish stakeholders than with Dutch stakeholders? Do you think small Dutch consultancy firms do so?
6. Have you changed anything to match better with the Spanish organisational culture/market? Do you think small Dutch consultancy firms do so?
7. Are practices and principles in Spain different than those in the Netherlands?

The Spanish Market

8. Why do you think small Dutch consultancy firms want to go to Spain?
9. How do small Dutch consultancy firms internationalise?
10. Do you think small Dutch consultancy firms are different from other SMEs in Europe?
11. Do you believe that Dutch employees in Spain have to speak Spanish?
12. What is most critical for success in Spain?
13. Can you comment on the SME environment in Spain? Is it difficult to set up business here?
14. Can you comment on the development of the consultancy sector here in Spain?

Critical Success Factors for X

15. What is critical for success in Spain?
16. What would you recommend small Dutch consultancy firms that want to go to Spain?
17. Do you know any other helpful firms for this research?
18. “Doe maar gewoon dan doe je al gek genoeg” is often used to describe the Dutch culture, how would you describe the Spanish culture?

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