Internationalization of MotorCar Consulting across the Atlantic - The case of the United States

By

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SME Competitiveness and Internationalization

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Abstract

This thesis rigorously examines the internationalization journey of MotorCar Services Consulting Iberia. It initiates with comprehensive literature reviews on five key internationalization topics. Subsequently, it assesses MCC Iberia's domestic market position and conducts a meticulous international market selection process. Utilizing quantitative analysis, countries are ranked and clustered to identify prime expansion markets. Detailed in-depth market analyses follow for potential markets, informing tailored entry strategies, particularly focusing on the United States. Additionally, region-specific marketing plans and financial forecasts were created to ensure strategic decision-making and optimal outcomes for MCC Iberia's global expansion.

Keywords: Consulting, International Business, FDI, International market selection, Services, B2B, Market Entry Strategy, Internationalization.

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1. Introduction

Globalization has sparked significant transformations in the business landscape, fostering a surge in international business activities characterized by the exchange of goods, services, technology, and intellectual capital across national borders. This surge coincides with the phenomenon of globalization of markets (Cavusgil, Knight, et al. 2014). As globalization continues to unfold, it has facilitated the worldwide exchange of cultures and spurred the establishment of manufacturing hubs across diverse countries. This approach treats the global landscape as a cohesive entity, wherein components are sourced from one country, products are assembled in another, and then marketed elsewhere (C. Hill 2008). In today's increasingly interconnected and competitive global economy, SMEs have increased their participation in international markets as a critical avenue for sustained growth and competitiveness (Morais and Ferreira 2020). This thesis aims to uncover opportunities in international markets and outline the most effective strategies for MotorCar Services Consulting Iberia (MCC Iberia/MCC) to leverage them.

To initiate this project, a comprehensive examination was conducted to assess the current standing of MCC Iberia within its domestic market, considering both internal dynamics and external factors. Subsequently, an extensive international market selection phase was undertaken, which involved quantitative analysis of data from potential markets, culminating in a ranking of countries and a clustering analysis. Employing this integrated approach enabled the identification of top-performing markets for further exploration, leading to an in-depth analysis of each potential market's viability for expansion. Through this analysis, we gained insights into where MCC Iberia's services could thrive most, selecting the target market for its expansion, The United States. Subsequent analysis aimed to pinpoint the optimal entry strategy for the chosen market. This involved crafting a targeted marketing plan tailored to the region and conducting financial forecasts to gauge the feasibility and potential results of expansion endeavours.

2. Literature review

2.1 International entry mode selection, export vs., FDI modes - Maria Sofia Murça (42825)

International entry mode research has been intensively discussed in the literature. The chosen entry mode has significant implications for the success of the internationalization of the firm, and the subsequent performance in the foreign market (Gomes, Duncan and Yaakov Weber 2012). As such, different entry modes have been studied, between clear and defined alternatives (Benito, Petersen and Welch 2009), as to understand the most adequate.

Per se, various frameworks have been discussed to compare alternatives, through different criteria and variables. Different frameworks exist such as Transaction Cost Analysis, based on the level of control (Anderson and Gatignon 1986), an Eclectic theory highlighting control, resource commitments and risks associated with internationalization (Hill, Hwang and Kim 1990), an Ownership-based approach showing the correlation between organizational control and resource commitment (Woodcock, Beamish and Makino 1994), among several others. Factors at the macro-level such as host-country risk are considered in the literature and can affect the decision of entry mode (Pan and Tse 2000 ; Hill, Hwang and Kim 1990) as well as inseparability and firm size (Erramilli and C. P. Rao 1993). Pan and Tse (2000) discussed a hierarchical model dividing entry modes into non-equity and equity modes (e.g. export versus wholly owned subsidiary). This framework highlights that industry characteristics, country-specific variables, and the length of diplomatic ties, are key when deciding on entry modes.

The two discussed entry mode options are exporting and FDI, with different levels of investment from the firm and characteristics (Chung and Enderwick 2001). FDI comprises all investments made across borders where an investor acquired at least 10 per cent of ownership or voting power in another economy, acquiring equity either from an existing company or by establishing their own (OECD 2017). Several types of FDI exist from minority to majority ownership, such as Wholly owned subsidiaries, greenfield investments, Joint Ventures, Strategic Alliances or Franchising and Licensing. This literature review analyses wholly-owned subsidiaries regarding FDI. Wholly owned subsidiaries are chosen for analysis due to their attributes, which include offering the highest level of control, lesser risk, uncertainty, and volatility, and higher costs and limited flexibility (Walsh and Yu 2010). Additionally, wholly-owned subsidiaries exhibit contrasting characteristics compared to exporting.

A wholly owned or majority-owned subsidiary is a company that is fully or partially owned by another, with the parent company holding the majority of the subsidiary's shares (Kenton 2024). In these cases, the parent company has full control over operations, management, and strategic decisions but it bears all the costs in the foreign market, resulting in barriers to exit and is liable for the subsidiary's actions and obligations. While this mode offers advantages, specifically in protecting intellectual property rights, it entails greater financial investment and risk exposure than other entry modes (Yiu and Makino 2002). These modes can be seen as an internalization of externalities, resulting in an absorption of risk by the company in the foreign market (Rugman 1980). FDI is generally more resource-intensive compared to exporting due to initial investment, operational costs, market adaptation and risk exposure (Head and Ries 2004).

Export and contractual agreements are examples of non-equity modes of entry. Exporting is the sale of products and services that are sourced from the home country without establishing operations in the foreign country. Firms have two options, either direct or indirect exporting. Direct exporting consists of exporting directly to customers in foreign markets, and indirect exporting consists of doing so with the help of an intermediary, an already established company in the foreign market (Peng and York 2001). An intermediary can provide local market knowledge and insights, which can lower transaction and agency costs (Peng and York 2001).

Externalization occurs, meaning the firm absorbs fewer risks in the foreign market due to lower costs, and higher flexibility but loses control of the exporting firms.

FDI and exporting are not mutually exclusive, and firms with varying productivity levels may opt for the coexistence of both entry modes (Head and Ries 2004). However, Anderson and Gatignon (1986) clarify that FDI typically involves a higher level of control which requires a significant resource commitment. Export entry modes may offer lower control but require fewer resources, effectively becoming a trade-off between entry modes. Factors such as market conditions, competitive landscape, and the firm's global strategy (Hill, Hwang and Kim 1990), as well as productivity, market dynamics, and costs (Head and Ries 2004) affect the choice of entry. According to Vendrell-Herrero, et al. (2018), these factors should align with the long-term goals of the firm to be successful. Lower trade frictions and higher economies of scale tend to favour exporting over FDI sales in foreign markets (Helpman, Melitz and Yeaple 2004). Donnenfeld and Weber (2000) suggested that higher tariffs may lead to exporting rather than FDI, and varying tariff levels can result in switches between these two modes of market entry. Interestingly, Sousa, et al. (2021) suggested that R&D investment enhances the positive effect of export activity on productivity, while foreign ownership weakens it. Vendrell-Herrero, et al. (2022) found that home-market economic development affects the relationship between productivity and export. Firms from less developed markets are more likely to benefit more from export activity, as well as having more pronounced *Learning-by-exporting* effects. Also, SMEs in geographically isolated areas, use export entry modes to overcome obstacles in their industry by shifting market priorities to foreign markets (Vendrell-Herrero, et al. 2017).

Overall, understanding the nuances of various entry modes and their implications is essential for firms embarking on internationalization journeys. However, some authors have called for more compartmentalized research efforts (Gomes, Duncan and Yaakov Weber 2012), now amplified by rapid technological advancements and market changes, which challenge traditional theoretical assumptions (He, et al. 2020). It is important to note that the management profile will ultimately determine the chosen entry mode, with other possible considerations.

3. Research methods

To execute this project and establish a constructive relationship with MCC Iberia, we conducted a comprehensive analysis of both primary and secondary data. This data analysis played a pivotal role in comprehending and scrutinizing the company's position, market dynamics, and the optimal process for the market selection process and entry mode strategy.

For the acquisition of primary data, we employed several tools. Initially, multiple meetings with the liaison person at MCC Iberia, Patricia Reis, and the team, Jorge Valverde and Nasimeh Tashakori were held. The first introductory meeting provided initial insights into the company's business model, history, current position, and structure. Following the kick-off, bi-monthly meetings were scheduled, proving fundamental for gaining deeper insights, discussing crucial topics, monitoring project progress, and obtaining essential primary information about the company. Additionally, the company's intranet was accessed and frequent contact with the team to collect relevant company information, mainly to conduct internal and external analyses was maintained. Extra meetings were provided by the team with specialists from diverse areas to help with the analysis, mainly Patrick Magalhaes, the head of the MCC Iberia and Isabel Correia, MCC Iberia Key Account Management.

Moreover, secondary data was analyzed for this project, drawing from business articles, academic journals, and books primarily sourced from reputable outlets such as The Harvard Business Review, NOVA SBE library's resources, and key bibliometric databases such as Google Scholar. Supplementary secondary data regarding market and industry information was gathered from platforms including Statista, The World Bank, Orbis, Our World In Data, The Heritage Foundation, and other valuable databases. Orbis played a pivotal role in conducting thorough financial analysis and generating forecasts. To carry out further analysis related to country clustering and country ranking, two software and data analysis tools were used, namely Excel and SPSS, essential for identifying potential markets in the internationalization process of MCC Iberia.

4. Strategic analysis of the company situation

4.1 Firm Overview and Project Background

4.1.1 Profile and Management

MotorCar Services (MCS) is a wholly-owned subsidiary of the MotorCar Group (MC Group) that provides essential support services to all brands and businesses within the Group. Specifically, it offers interdisciplinary and comprehensive services across the entire automotive industry value chain. These services include four main sectors, technology, business operations, logistics, and commercial services, which are exclusively provided to the MC Group companies. Operating across multiple European locations, including Germany, Spain, Portugal, Slovakia, Hungary, Czech Republic and Poland, the firm boasts a workforce of approximately 13,100 skilled professionals (MC Group Services 2024).

Figure 1 - Current Locations

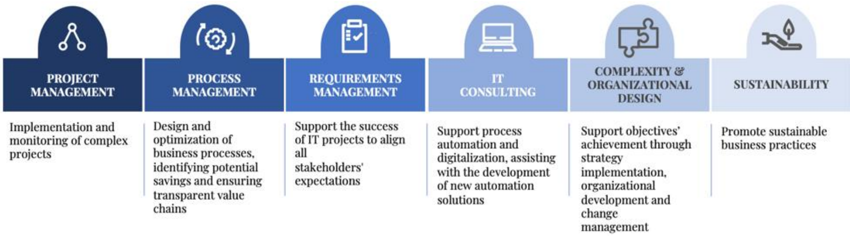
Building on its European success, MCS expanded its reach in 2023 by venturing into South America and establishing its inaugural headquarters in Brazil (see Figure 1). This strategic expansion underscores the company's commitment to global growth and highlights its position as a leading consultancy firm within the automotive industry. Moreover, the rebranding from Auto Vision to MCS, in 2018, reflects the company’s alignment with the goals and values of MC Group. As it continues to innovate and adapt to the evolving needs of the automotive landscape, MCS remains steadfast in its mission to deliver excellence and drive sustainable success across all facets of the MC Group's operations.

Among the different departments of MCS, MCC Iberia is the consulting business unit (BU) within the Group, offering specialized expertise and tailored solutions to enhance operational efficiency, strategic decision-making, and sustainable growth. With a deep understanding of MC Group's values, processes, and challenges, the team comprises experienced consultants and collaborates closely with clients to identify opportunities, mitigate risks, and drive innovation across various business functions. From optimizing supply chain management to implementing digital transformation initiatives, MCC Iberia is committed to delivering measurable results and fostering long-term success for their clients in an ever-evolving market landscape (MC Group Services Iberia 2024).

4.1.2 Business portfolio

As mentioned above, the business portfolio of MCS consists of a wide range of services. Specifically, within the business operations services, MCC Iberia operates as the internal consulting department whose objective is to provide support in the overall functioning of the organization and effective operationalization of existing strategies within the MC Group. More particularly, consulting services focus on six key areas of expertise (see Figure 2).

Figure 2 - Services Portfolio, Areas of expertise



Firstly, project management consulting provides support in monitoring complex projects within the MC Group and addressing specific project challenges. This involves the adoption of both standard and agile project methodologies to foster efficiency throughout project execution. Additionally, the Project Management Office (PMO) offers advice in implementing and maintaining project management standards, including coordination, planning, documentation, and continuous monitoring of the project activities. Process management consulting services assist clients in the design and optimization of their business processes, identifying potential savings and ensuring transparent value chains. Requirements Management supports the success of IT projects across all of MC Group's brands and locations, including requirements management, test management and quality management. This office focuses on aligning all stakeholders' expectations throughout the project duration and preventing costly post-implementation adjustments. IT consulting focuses on process automation and digitalisation, assisting with the development of new automation solutions, such as robotic process automation (RPA). Complexity & Organizational consulting assists the MC Group and its subsidiaries in achieving objectives through strategy implementation, organizational development, and change management. In specific, it manages complex projects, increases the efficiency of organizational structure, and supports strategic initiatives. Lastly, the sustainability consulting team promotes sustainable business practices, including sustainability reporting, ESG risk management, stakeholder engagement, circular economy initiatives, and energy management (MC Group Services GmbH 2024).

4.1.3 Operations, Positioning and Strategy

Analysing MC Group's strategies is crucial to understand its direction and values. This macro-level view helps identify how subsidiaries such as MCC Iberia align with the MC Group's goals. It provides a holistic view of the organization and helps identify areas where subsidiaries adapt strategies while staying in line with the Group's vision.

The "Together 2025+" transformation initiative, launched in 2016 and enhanced in 2019 (MC AG 2020), reflects MotorCar Group's goal to become more efficient, innovative, and customer-centric while ensuring profitable growth (MC Group Services 2024). This transformation involves being an excellent employer, prioritizing environment, safety, and integrity, ensuring competitiveness and customer satisfaction, and fostering long-term profitable growth (MC Group 2024). To support this transformation, MC Group introduced the NAVIGATOR strategic framework, which focuses on enhancing brand equity through customer segmentation, portfolio optimization, and targeted product design. They are also committed to leadership in e-mobility and sustainable practices, investing heavily in electrification, digitalization, and mobility solutions through initiatives like "NEW AUTO" (MC AG 2020). Additionally, the "ACCELERATE FORWARD, Road to 6.5%" performance program aims to boost efficiency and profitability (MC Newsroom 2023).

Moreover, in line with the Paris Agreement, MC Group is committed to carbon neutrality by 2050, emphasizing ESG principles, decarbonization, and regional strategies. They aspire to become more sustainable, trustworthy, transparent, and efficiently managed, enhancing brand equity and investment appeal (MC AG 2020).

The consulting division of MCS operates within the Group’s boundaries, providing support and following its strategies. One of the core strategies of this division is to act with integrity, aligning with the MC Group's "Together 2025+" strategy. Moreover, the consulting department follows the "Together4Integrity" program (T4I) (MC Autoeuropa 2024), which aims to increase transparency, mitigate risks, and promote responsibility and steadfastness. T4I is executed in conjunction with the MC Group Essentials, and according to Martin Fabish, Head of Legal, Risk Management & Compliance of MCS, "Integrity is a competitive advantage", being a central element of MCS' business strategy (MotorCar Services GmbH 2024; MotorCar 2023). Moreover, the division's strategic focus is on the MC Group, positioning itself as an "experienced and competent service partner in and around the MC Group" (MC Group Services GmbH 2024)

When examining MCC Iberia's strategic approach, it can be concluded that the company adopts a differentiation strategy. This means that the division provides unique value propositions that are perceived as distinct from those offered by competitors, establishing a basis for competitive advantage. MCC Iberia differentiates itself by emphasizing attributes such as high flexibility, assured security of proprietary knowledge, and continuity led through collaborative partnerships, rather than competing solely on price (MC SERVICES Consulting 2024).

This differentiation strategy enables the company to establish a unique market position without engaging in price-based competition. Their commitment to safeguarding sensitive knowledge and building long-term partnerships with clients reinforces their status as a trustworthy partner capable of delivering tailored solutions. Furthermore, the division demonstrates its differentiation through its long-term project commitments and engagement in joint development opportunities. By fostering sustained partnerships and collaborative initiatives with clients, the business unit ensures continuity beyond individual transactions, which strengthens its market presence and enhances client trust.

In addition, MCC Iberia adheres to compliance standards mandated by the MC Group, including rigorous protocols for data protection and integrity initiatives such as T4I, fortifying its differentiation strategy. By aligning with these standards, MCC Iberia enhances its credibility and reliability, and mitigates risks associated with non-compliance, thereby further enhancing its competitive advantage.

Finally, the company's ability to reconcile adherence to MC Group standards with operational flexibility highlights its capacity for operational efficiency and cost optimization. This combination enhances the company's appeal to clients seeking both innovation and reliability in their service providers.

4.1.4 End-user service to be internationalized

MCC aims at internationalising its consulting services with the main objective lying on providing further support to its existing brands within a wide scope of projects ranging from automation technology and process management to sustainability consulting. As a result of this internationalization, this business unit can leverage a centred importance within the group and therefore play a pivotal role in shaping the success of its brands by providing support in untapped high-growth markets. Another relevant rationale behind the unit's internationalization efforts consists of the opportunity to obtain a clearer and more focused central position among the brands, thus increasing the unit's pivotal support role while contributing to the achievement of the Group's long-term objectives (MC Group Services 2024).

4.1.5 Financial Overview

The financial overview offers a comprehensive examination of MCS *Unipessoal* financial performance, focusing on the Portuguese branch over four years from 2019 to 2022. The evaluation scrutinizes important financial ratios and provides a thorough assessment of the company's financial position. The financial evaluation of MCS *Unipessoal* is crucial since MCC Iberia, although it operates independently, is integrated within this MC branch. All the calculations of essential ratios are detailed in Appendix 1.

Liquidity Analysis: The *Current Ratio* is used by analysts to assess the ability of a company to use its short-term assets to pay off its short-term obligations. Across the analysis period of 4 years, the current ratio of MCS ranges between 1.5 and 1.9, indicating that the company is in a relatively stable position in meeting its short-term obligations, which is a positive outcome (See Figure 3). However, a higher ratio cannot be always interpreted as a positive result as it could also mean that the increase was due to a slow inventory turnover**,** limited investment opportunities, or delayed receivable collection. Specifically, in 2022, the company's account receivables experienced a massive jump, meaning that the organization should improve its credit recovery processes for debtors and should consider this point to improve its overall financial health.

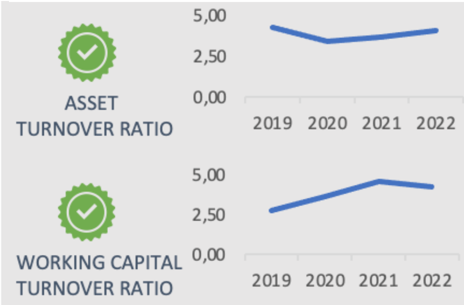
Figure 3 - Liquidity analysis.

Cash Ratio is used to assess the ability of a company to meet its short-term liabilities using cash and cash equivalents. By examining the financial statements, it can be computed that across the last 4 financial years, the *Cash Ratio* has been ranging between 0.1 and 0.25. This implies that MCS has sufficient cash reserves to pay its current liabilities. In 2021, the company experienced a sudden fall in cash but recovered well in 2022, meaning that it operated with a lot of cash at its disposal. It might be a viable solution to invest a significant portion of this excess cash in either short-term or long-term investments to earn a good return on investment.

The *Quick Ratio*, also referred to as the *Acid-Test Ratio*, offers an indication of a company's capacity to cover its short-term obligations using its most readily available assets. Over the assessed period, the company's quick ratio ranges between 1.5 and 1.9, indicating sound financial health with sufficient assets available to fulfil current liabilities (See Figure 3).

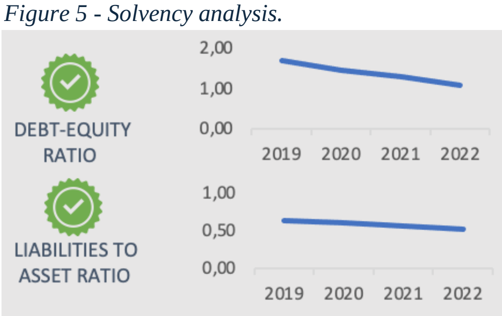
Efficiency Analysis: *The Asset Turnover Ratio* reflects the effectiveness of a company in converting its assets into sales revenue. A higher Asset Turnover Ratio signifies greater sales and more efficient use of assets. In 2022, MCS recorded a 4.11 asset turnover, meaning that the company generated 4.11 euros in sales for every 1 euro invested in assets. The same can also be said for its working capital turnover recorded at 4.29 (See Figure 4). MCS's high efficiency can be attributed to several factors, including efficient inventory management and aggressive sales tactics. These elements strengthen the company's financial position in the face of potential liquidity issues that could impact its flexibility in other operations.

Figure 4 - Efficiency analysis.



Solvency Analysis: The *Total Liabilities to Asset Ratio* computes the debt used to operate a firm's assets and how those assets may be utilized in the future to pay off such obligations. Generally, a ratio of less than 1 is considered beneficial for the company. For the period 2019-2022, the company

Figure 5 - Solvency analysis.



witnessed a steady drop ranging from 0.63 to 0.52, showcasing that it is financially sound and less leveraged (See Figure 5).

The *Debt-to-Equity Ratio* is a financial measure utilized to evaluate the relative contribution of debt versus equity in a company's funding structure. This ratio is computed by dividing the total debt of a company by its total equity. The ratio appears to decrease each year, from 1.69 in 2019 to 1.07 in 2022, suggesting a stronger financial position and a reduction in debt financing, thus easing financial distress (See Figure 5).

The *Net Debt to EBITDA* evaluates how much of the company's income is available to pay outstanding debt or how long it will take to repay its debt obligations from its earnings before deducting any major expenses. In this case, MCS witnessed a constant increase from 2019-2021 but a substantial decline in 2022, with the ratio coming to 2.63, indicating the organization is less distressed.

Profitability Analysis: The *Return on Sales* measures a company's profitability by indicating

Figure 6 - Profitability analysis

how efficiently it converts its sales into profits. Throughout four periods, the return on sales is generally less than 10%. This means that for every euro earned, only €0.10 contributes to net income. However, in the year 2020, profitability dropped drastically to 4%, followed by a steady increase to 8% in 2022, showing an improvement in the contribution to net income (See Figure 6).

The *Return on Assets* ratio reflects the effectiveness with which a company leverages its assets to generate earnings. Over the last three years, the ratio has improved from 4.61% to 10.96%. Factors contributing to this improvement may include increasing sales revenue and enhancing asset quality.

The *Return on Equity* (ROE) shows how much net income is generated by the company from each euro of shareholders' equity. Assessing the ratio across the four years, the ROE experienced a sudden drop in 2020 to 11.3%. However, it appears that management implemented better practices such as cost-cutting or debt reduction, leading to ROE reaching 22.73% in 2022 (Figure 6).

The *EBIDTA Marg*in computes a company's operating profitability, representing revenue earned before considering any non-operating expenses such as depreciation, interest expense, or taxes. For MCS, the *EBIDTA* margin fluctuated over the four years, with it being 8.60% in 2022. This suggests that the firm may not be generating enough operating income to cover its operating expenses, necessitating a focus on improving operational efficiency and reducing costs.

4.2 Market and Industry Analysis

MCC Iberia, with its headquarters in Portugal under its German parent company, reflects an international outlook. The emphasis on environmental responsibility and quality standards in Germany significantly influences not only MCC Iberia's operations but also the external analysis.

4.2.1 PESTEL

To examine the external market factors that influence MCC Iberia's operations, a PESTEL analysis was performed. This analysis includes an assessment of the political, economic, social, technological, environmental, and legal aspects of Germany, the country where the company's headquarters are located (Wolfsburg).

Political: Germany presents a favourable and safe environment for companies to conduct their business and to compete globally. The political climate is stable, as indicated by a score of 84/100 in the Political Stability and Absence of Violence/Terrorism indicator, demonstrating that Germans have a low perception of political instability and violence (Kaufmann and Kraay 2023). Moreover, despite Germany's declining score in the Index of Economic Freedom in recent years, the country is categorized as "Mostly Free," ranking 18th in 2024, owing to its good economic governance (The Heritage Foundation 2023). The German regulatory framework is also highly supportive of companies, as reflected in its 22nd position in the World Bank's Ease of Doing Business Index (World Bank 2019). Furthermore, Germany has favourable international trade policies due to its membership in the European Union (EU), which gives German companies, including MCS, access to a large market and advantageous trade agreements, facilitating their international expansion.

Economic: Germany ranks as the fourth largest economy globally based on its gross domestic product (GDP), being USD 4,085.68 billion (IMF 2022), and the strongest economy in Europe. In 2022, Germany faced a high inflation of 8.7%, mainly caused by global supply-demand imbalances, COVID-19 impacts, and the Russian invasion of Ukraine. To address this, the European Central Bank (ECB) adopted tight monetary policies, resulting in higher interest rates and reduced investments. With these measures in place, inflation is expected to fall from 6.0% in 2023 to 2.8% by 2024, leading the ECB to end its tightening cycle, potentially stimulating residential and business investment with lower interest rates (IMF 2024; Euromonitor International 2023). The declining inflation, together with the decrease in the impact of energy prices and rising wages will positively influence real income and household consumption, resulting in an expected growth of 0.5% for the German economy in 2024, and 1.6% in 2025 (IMF 2024). The services sector, including consulting and advisory services, is predicted to be the largest contributor to this economic expansion, generating 69.3% of German GDP (O'Neill 2023). These improving economic conditions offer favorable prospects for MCC, providing a solid foundation and credibility for its international expansion.

Social: In 2023, Germany had a population of 83.4 million people, positioning itself as the most populated country in the EU, and second only to Russia across the entire European continent (Statista 2023). German population, like other European countries, is experiencing a demographic shift toward an older age, caused by declining birth rates, and increasing life expectancy. Currently, people aged 65 years and older constitute 22% of the country's total population (Eurostat 2023), while the average life expectancy for men and women is 78 and 83 years, respectively (OECD 2022). In addition, the German unemployment rate of 2.9% is one of the lowest in Europe, significantly below the EU average of 5.8% (Eurostat 2024), with 71% of the workforce employed in the service sector (Statista 2023). This indicates that Germany's service sector has a strong foundation of specialized skills and expertise that could be successfully offered globally.

Technological: Germany is one of the most technologically advanced nations worldwide, with 92.48% of its domestic population using the Internet (Eurostat 2023). The country also has one of the highest R&D expenditures, amounting to 3.13% of its GDP, surpassing the EU average of 2.2% (Eurostat 2023). This highlights Germany's commitment to promoting its global competitiveness by improving industrial and technological capabilities while fostering innovation. According to the Global Innovation Index by the World Intellectual Property Organization (WIPO), Germany is one of the top 10 most innovative economies worldwide, ranking 8th out of 132 countries (WIPO 2023). This achievement is attributed to Germany's leading position in human capital and research, as well as knowledge, technology, and creative outputs, due to its high-level eBrand Ion, especially in tech-related fields and high investments in R&D. Moreover, Germany has a significant role in the employment of Information and Communication Technology (ICT) specialists across the EU, providing jobs to 22.6% of individuals working in this field (Eurostat 2023). MCC can leverage Germany's advanced technological infrastructure, high R&D investments, and human capital strengths to develop cutting-edge consulting solutions and services. This would enhance the company's brand recognition, leading to a competitive advantage in international markets.

Environmental: According to the 2023 OECD Environmental Performance Reviews, Germany has addressed numerous environmental challenges, notwithstanding its extensive industrial presence and dense population. The nation has improved air quality and ranks among the top-performing countries in Europe regarding sustainable waste management, with the second-highest recycling rate in Europe (OECD 2023). However, Germany is one of the ten largest greenhouse gas (GHG) emitters globally. In 2022, its carbon dioxide (CO_2) emissions were 7.210 tonnes per capita (OECD 2022), accounting for around 2% of the world's total CO_2 emissions originating from fuel combustion (Statista 2023). In 2020, the country experienced a significant 40% reduction in emissions compared to 1990 levels, primarily due to COVID-19 lockdown measures, but only temporarily (OECD 2023). To address these challenges, Germany allocates a significant 47% of its recovery funds to support its climate objectives. The German Resilience and Recovery Plan (GRRP) mainly focuses on industry decarbonization, through policies that include renewable hydrogen development, transitioning towards greener mobility, and improving the energy efficiency of residential buildings through renovation and construction projects (European Commission n.d.).

Legal: Germany ranks 5th out of 142 countries in the 2023 World Justice Project (WJP)'s Rule of Law Index, with a score of 0.83, reflecting its accessible and efficient legal system (WJP 2023). This index comprises eight dimensions, that assess the accessibility and affordability of civil justice systems, their freedom from discrimination and corruption, and the effectiveness of regulatory enforcement. Moreover, the index evaluates individuals' awareness of their legal rights and the available processes for dispute resolution, as well as the transparency and quality of information on legal rights published by the government and the effective protection of citizens from crime and civil conflict (WJP 2023). Additionally, in Germany 60.8% of individuals trust its national government, meaning that most German citizens perceive its public institutions as effective, responsive, and reliable (OECD 2022).

Overall, the comprehensive PESTEL analysis highlights Germany's strategic positioning as the leading country for business services companies in Western Europe (Euromonitor International

2023). It shows its political stability, a strong commitment to innovation and digital advancement, the presence of a highly educated and skilled workforce, and an effective, transparent regulatory environment, advantageous for conducting business operations, both in the domestic and global markets.

4.2.2 Porter's 5 Forces

To assess the consulting industry dynamics and attractiveness, the Five Forces framework is applied, analyzing its 5 key factors: competitive rivalry, threat of new entrants, threat of new substitutes, bargaining power of suppliers and bargaining power of buyers (Porter 2008).

Competitive Rivalry (Medium to High) – Anticipated to achieve a compound annual growth rate (CAGR) of 3% by 2027 (The Business Research Company 2023), the consulting industry generally presents a fragmented nature due to the presence of many small and mid-sized firms, global strategy-consulting firms, and a large pool of independent consultants (Srinivasan 2014). However, competition in the automotive consulting segment is mainly driven by the presence of experienced and renowned top-tier players who differentiate their offerings by integrating specialized industry knowledge and market credibility among extensive and valuable client portfolios. Therefore, fierce price competition is not typical in the industry as firms compete by attempting to efficiently diversify their offerings rather than providing price-related incentives to increase sales. In addition, economies of scale can provide relevant benefits to incumbents, who by undertaking additional consulting projects, can leverage more efficient resource utilization and knowledge transfers among departments which obtain a higher degree of specialization and expertise.

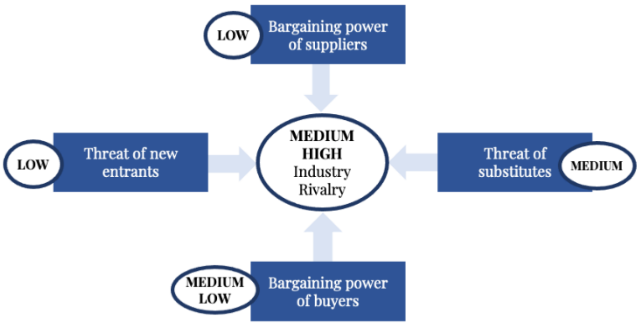
Threat of new entrants (Low) - Potential entrants in the industry may face substantial barriers which would complicate their operations in the market. Moderate start-up capital requirements and incumbents' economies of scale represent two relevant obstacles for players considering the automotive consulting industry. Moreover, since brand loyalty plays a pivotal role in the advice being delivered (both in the ex-ante and ex-post project phase) entrants are likely to face difficulties in establishing new trust relationships with international automotive manufacturers which have successfully assigned consulting projects to competitors in the past. An additional major barrier is posed by the requirement to adapt to the varying local government legislations and regulations given the global scope of consulting projects. Despite the previous obstacles, the industry is characterized by a low level of price retaliation since consulting firms are less likely to compete merely on price, thus making it more attractive for potential entrants.

Bargaining power of suppliers (Low) - The suppliers to consulting companies can be identified among data providers, software vendors or other professionals with specialized skills. Therefore, since these suppliers are not entirely central to the delivery of a consulting project, their power is driven down. In this industry, there exists a risk of backward integration by consulting firms, especially in the field of data provision, since these could start producing their own studies and research on the automotive industry rather than purchase reports and publications from external providers. This is less likely to occur with suppliers such as software developers and other IT-related providers which are usually preferred to be outsourced. The risk of forward integration remains low, as suppliers do not have the competence to provide automotive consulting services. However, switching costs may pose a threat to consulting firms as changing software providers or data management tools require substantial time and financial distress, even though the wide availability of technology and analytics tools prevents suppliers from exerting excessive upward pressure on prices.

Bargaining power of buyers (Medium to Low) – The industry is characterized by a high number of buyers (car manufacturers, suppliers). Since consulting services are highly diversified, the bargaining power of buyers is driven down by the incremental value that they perceive. Moreover, switching costs serve as an additional factor which lowers consumers' power because it is more difficult and costly for them to change from a consulting firm to another. However, players within the automotive industry represent a higher percentage of sales for those consulting companies highly specialized in this segment, thus increasing consumer bargaining power, rather than for those consultancies which offer additional areas of expertise that would be less affected.

Threat of new substitutes (Medium) – Although consulting services leverage from a highly differentiated nature tailored to the requirements of the client, substitutes may slightly threaten incumbents. Firstly, automotive manufacturers or suppliers can set up in-house consulting departments which provide the same output as external consulting firms with the aim of increasing strategic initiatives. Moreover, advanced Artificial Intelligence (AI) driven technology solutions offer a possible substitute to consulting as through industry-specific software they can provide relevant information for decision-making such as extensive data analysis and forecasting. Since setting up an internal consulting department is highly cost-bearing for the firm, and AI software being at the early stages of its development, the threat posed on consulting services is not highly significant.

Figure 7 - Porter's 5 Forces



In conclusion (Figure 7), to sustain a long-run competitive advantage in the automotive consulting industry, MCC must formulate an efficient strategy which allows to offer a more optimized and differentiated service to MC Group's brands compared to the capabilities of external international competitors. This strategy will also allow to preserve the service's uniqueness thus distinguishing from potential substitutes and to maintain relevant leverage on buyers.

4.2.3 Consumer Trends and Forecasts

The business consulting services industry has experienced a rapid growth, increasing by around 250 billion U.S. dollars over the recent years, with North America and Europe holding the largest market share (Statista Research Department 2023).

The demand for business consulting is driven by several factors, including rapid technological developments, emerging consumer needs, sustainability policies and a growing M&A activity (Jowett and Le Bas 2023). Companies across various industries are increasingly seeking specialized advice to address these challenges, integrate digital technologies and enhance their overall business performance (Kraus, et al. 2021). In addition, factors such as globalization, increased competition and the introduction of new regulations play a significant role in the consulting market expansion. Furthermore, the impact of Covid-19 pandemic has accelerated this trend, as many firms started looking for innovative technological solutions to recover from the crisis and adapt to the evolving market dynamics (Mordor Intelligence 2023).

Looking ahead, several key trends are anticipated to shape the business services industry. Automation and AI, particularly through extensive data analysis and machine learning, will revolutionize the market, improving process efficiency, quality of services, and competitiveness. AI and big data will also enable consulting firms to provide more personalized services, tailored to individual customer needs, increasing customer satisfaction and loyalty. Moreover, due to the increasing competition, companies are expected to adopt value-based business models, offering more value for the same price (Euromonitor International 2023).

Specifically, the automotive industry is expected to face several challenges due to the evolving market conditions, making the need for consulting firms essential. Car manufacturers are experiencing considerable profit pressures driven by several factors. Firstly, stricter regulations and increasing environmental concerns are leading to a transition towards more sustainable mobility alternatives, such as electric vehicles (EV), requiring large-scale investments. This is leading companies to consolidate and form alliances to share the high costs. Furthermore, due to macroeconomic tensions, increased risks and the consequent rising prices, car manufacturers are expected to optimize supply chain through vertical integration efforts and strategic partnerships with mining, chemicals, and technology firms. As a result, consulting firms specializing in the automotive industry are projected to experience a rise in demand for services related to EV adoption, digital technologies integration, and improving supply chain efficiency (Euromonitor International 2023).

4.2.4 Key Industry Success Factors

Germany's automotive industry stands as a global powerhouse, known for its innovation, precision engineering, and persistent pursuit of excellence. Renowned brands like Mercedes-Benz, BMW, and MotorCar have driven Germany to the forefront of automotive manufacturing. German automotive industry has achieved remarkable success over the years, and several factors contribute to its notoriety.

Deeply rooted innovation: Germany is known for superior engineering, innovation, and elite craftsmanship. The players prevalent in the industry invest highly in Research & Development with a constant focus on improving existing vehicles and upgrading existing technologies (Invest 2023).

Brand Recognition: German automakers such as Mercedes-Benz, BMW, Brand E, and MC have established themselves as some of the largest and most recognized brands globally (Interbrand 2024). These companies cater to the needs of all types of consumers present domestically and globally, with several preferences ranging from luxury and performance, to price competitiveness and innovation.

Skilled workforce and eBrand Ion system: Germany's emphasis on professionally oriented eBrand Ion ensures a steady stream of highly skilled engineers, designers, and production specialists. This skilled workforce forms the backbone of the industry's success (Paul 2023).

Governmental support for the future: Recognizing the changing landscape, the German government actively supports research and development in sustainable technologies like EVs (Eurostat 2023). This proactive approach positions German car manufacturers at the forefront of the industry's transition towards a greener future.

Supplier Network: Germany possesses a strong network of automotive suppliers that are responsible for providing components, systems, and essential services to the industry (Invest 2023). The ecosystem present ensures a reliable and efficient supply chain that is key to the production of high-quality vehicles.

Emphasis on Sustainability: There is a significant sustainability emphasis within the German Automotive Industry concerning lowering carbon emissions, improving fuel efficiency, and creating alternative propulsion technologies, which aligns with the global initiative of improving environmental problems (Orth 2023).

4.2.5 Country-Specific Advantages

Europe has faced a series of unprecedented shocks, beginning with the onset of the Covid-19 pandemic, followed by the energy crisis sparked by Russia's invasion of Ukraine, the Gaza War, and inflationary pressures. Considering these events, this analysis acknowledges the volatility present in European markets. However, it also notes that despite these challenges, several potential downside scenarios have been averted, indicating a positive trajectory amidst adversity (Kammer, et al. 2023), and historically, the German economy has been financially strong.

Even for firms with a significant degree of multinational presence, the influence of their home country remains crucial. Despite facing heightened competition and potentially lesser protection from their headquarters' home country, such firms can still leverage their unique advantages by tapping into the enhanced mechanisms fostered by their home-country experience (McGahan and Victer 2010). Hence, given that MCS and the MC Group originated in Germany, with its headquarters based in Wolfsburg, the country-specific advantages from this perspective will be analyzed.

Factor Conditions: Germany has the largest consumer market within the EU, having adults aged 50 and up, with the highest purchasing power in the EU (German Trade and Invest 2024). Germany ranks 12th in IMD World Talent ranking 2023 and 22nd in IMD World Competitiveness ranking (International Institute for Management Development 2023), guaranteeing access to a motivated and skilled workforce, which is needed to develop and maintain operational excellence. Germany's advanced infrastructure plays a pivotal role in enhancing the country's competitiveness, establishing global leadership in various sectors, and leveraging it as a strategic tool for innovation and competitiveness. This enables Germany to establish itself as the benchmark in standardized products, setting the standard for quality and performance (OECD 2022). Moreover, R&D has been increasing, reaching in 2021, an all-time high of 112.6 billion euros (Statistisches Bundesamt (Destatis) 2023), standing out as a leading innovator in Europe. This holds particular significance for MCC as it positions itself as a guiding force for businesses, enabling them to maintain sustained competitiveness, capture growth opportunities and drive performance (McKinsey & Company 2024). Germany's geographical advantage as the central hub of the European continent, bordering nine countries (German Trade Office Taipei 2024), positions it as a pivotal nation in European trade, thereby facilitating commerce for companies operating within its borders.

Demand Conditions: Germany is a significant consumer market in Europe, with a population of 83.2 million people and ranking 8th in purchasing power within the EU (Eurostat 2023) . Known for its wealthy population, Germany fosters a consumer culture that values innovation and growth (German Trade and Invest 2024). Consumers in this market are proactive, conducting thorough research before making purchases and prioritizing quality (German Trade and Invest 2024). This consumer behavior drives companies to provide high-quality products at competitive prices to meet the changing demands of the market. Additionally, Germany boasts higher salaries compared to other EU countries, (Yanatma 2024), which contributes to higher productivity and enables firms to offer better-quality products to a broader Brand Eence. Furthermore, the consultancy services sector in Germany is experiencing significant growth (Lünendonk 2023) , with double-digit increases in staffing levels. Foreign firms have emerged as dominant players in this expanding market, highlighting the global nature of consultancy services provision in Germany (Lünendonk 2023). It is worth noting that MCC Iberia benefits from demand originating not only from Germany but also from the DACH market, including Austria and Switzerland. The similarities in consumer characteristics across these markets provide MCC with access to a more extensive customer base and diverse business opportunities and take advantage of economic synergies (Source Information Services 2022).

Related and Supporting Industries: The automotive sector in Germany serves as the country's primary industry, holding a prominent position as the leading market and producer in Europe (Invest 2023). Germany's automotive industry distinguishes itself through significant achievements in manufacturing, standing as Europe's leading production hub with 3.1 million passenger vehicles manufactured in 2021. Notably, the sector excels in exporting, with 77% of cars produced in Germany in 2021 intended for export markets. Furthermore, in terms of R&D, Germany's automotive sector stands out as the country's most innovative industry sector, accounting for 34.1% of the total R&D expenditure in Germany in 2020, which amounted to 71 billion euros (Invest 2023).

Additionally, the consulting industry in Germany is growing every year. Consulting firms benefit from the increased demand for consulting services across many areas, and the market size grew to 47.7 billion euros in 2022 (Lünendonk 2023).

Firm Strategy, Structure, and Rivalry: MCC Iberia distinguishes itself as being an in-house consulting service for the MotorCar brands, with flexible personnel structures. By being present in many locations over Europe, it serves as a fast and secure asset with a competitive cost structure. German automotive competitors have similar services for their brands. BMW has internal corporate strategy and consultancy teams to advise different departments on ways to ensure and sustain their pioneering role in the automotive industry (BMW 2024). Similarly, the Mercedes-Benz Group has an internal consulting service for the whole company which offers services for corporate development across many areas (Mercedes-Benz Group 2024). Furthermore, the consulting business unit encounters internal competition from Brand G Consulting and D Consulting, both of which provide similar consulting services within overlapping areas of expertise. These entities serve as internal benchmarks, driving the enhancement of service quality.

By analysing Germany through Porter's Diamond Framework, we can conclude that the country has several characteristics that facilitate internationalization of their services.

4.3 Firm-Specific Advantages

4.3.1 Resources and Competences

MCC Iberia, as a part of the broader MC Group, contributes to the overall value chain by providing various specialized services. To analyse MCC's value chain, Michael S. Porter's value chain framework was used, by breaking down the company's activities into primary and support activities that contribute to its competitive advantage. Supporting activities include the firm's infrastructure, human resources management, technology development and procurement. While primary activities include inbound and outboud logistics, operations, marketing and sales, and services.

Firm infrastructure: MCC Iberia is a wholly-owned subsidiary of the MotorCar Group, and as such, it is supported in its activities by the Group (MC Group 2024). The MC Group comprises various brands that allow the consulting business unit to maintain operations, as well as provide financial resources.

Human Resource Management: For MCS, its employees are a top priority, as they represent the key to success of their services. For that reason, they are committed to hiring skilled personnel and specialists in many areas, investing in their professional development, and offering positive working conditions tailored to individual needs and requirements to increase retention (MC Group Services GmbH 2024).

Technology development: MotorCar Services GmbH offers comprehensive IT solutions across the automotive value chain for its partners, across several business areas. Particularly for MCC Iberia, the Control Centre oversees the monitoring and management of technological developments, along with coordinating the resolution of IT malfunctions (MC Group Services 2024). The IT Client Operation division is responsible for managing client relationships and security components at the client level (MC Group Services 2024). To ensure efficient response times and high processing quality, the Specialized IT Services and Development team provides on-site support, facilitating prompt processing and swift responses (MC Group Services 2024).

Procurement: MCC Iberia establishes contractual relationships to undertake projects. In the pursuit of potential clients for consulting projects, the company employs a versatile strategy. In some cases, when MC's brands encounter a challenge beyond their internal capabilities, they issue a tender within the Group, inviting divisions to submit proposals. Similarly, if they are already acquainted with the consulting department, they may directly engage the consulting business unit, which then presents a project proposal to the client. Additionally, the business unit utilizes marketing initiatives such as newsletters, meetings, and direct outreach to connect with potential clients for project engagements. The proposal will have a management summary with the scope of the project, structure, timeline, and expected results. Subsequently, the approval process for management consulting projects follows internal organizational protocols, extending from proposal submission to project completion (Correia 2024).

Inbound Logistics: An organizational guideline, titled "Approval of Management Consulting Projects", has been established as a mandatory first step for the execution of projects. This guideline ensures that technical experts are appropriately aligned with the management problems faced by the client. It sources the necessary and available in-house consulting unit to possibly execute the project and allows for a tailored fit for the client (MC Group 2023).

Operations: Every project undertaken by the consulting business unit undergoes an internal approval process. Proposals are initially submitted on Salesforce by the Key Account Manager, after which they undergo several stages of evaluation for approval. Firstly, the financial department assesses the project's financial feasibility; next, the proposal proceeds to the CEO for approval. Subsequently, the legal department evaluates legal aspects, followed by a review by the team lead of the business unit. Upon completion of the approval process, a business contract is formalized. Subsequently, the project is assigned to the most suitable team, with specific timelines, scope, and pre-determined deliverables (Correia 2024).

Outbound logistics: In our context, "outbound logistics" truly pertain to the outcomes of a project and its subsequent actions. This greatly depends on the nature of the project the team has undertaken. Various projects necessitate distinct deliverables, implementations, invoicing procedures, or follow-up meetings. Ultimately, the success of a project is gauged by the added value it provides to the client's situation or issue, demonstrated through measurable outcomes tailored to the specific project type (Correia 2024).

Marketing and sales: Marketing activities primarily involve the Key Account Manager and the team, focusing mainly on newsletters and personalized outreach to potential clients through face-to-face meetings (Correia 2024).

Service: Following project delivery, the consulting team ensures to collaborate with clients, providing them with all necessary resources to proceed with project implementation and effectuate any changes. Depending on the project type, this may entail follow-up meetings, the introduction of new machinery, the organization of events, the development of a new platform, and more (Correia 2024).

In summary, MCC Iberia has a robust value chain, finely tuned to the intricate processes and interconnectedness of business operations before, during and after project execution. The firm can bolster its competitive stance by strengthening its marketing endeavors, potentially expanding its client base, and improving inbound logistics.

4.3.2 Firm Sustainable Competitive Advantage – VRIO framework

Figure 8 - VRIO table

Resource/Capability	Valuable?	Rare?	Inimitable?	Organized?	Competitive implication
Brand equity	yes	yes	yes	yes	Sustained competitive advantage
Services Portfolio	yes	yes	yes	yes	Sustained competitive advantage
Global Presence	yes	yes	no	yes	Temporary competitive advantage
business partners and customer network	yes	yes	no	yes	Temporary competitive advantage
Employee commitment and loyalty	yes	yes	no	yes	Temporary competitive advantage

The VRIO framework analysis will help evaluate the potential for a sustainable competitive advantage for MCS, with a more specific focus on the Consulting business unit. By assessing the value, rarity, inimitability, and organizational aspects of the company’s main resources and capabilities, it will examine what distinguishes MCC Iberia from competitors and its potential for long-term strategic advantage (See Figure 8).

Brand equity: MotorCar Group has a formidable brand image, drawing from its rich legacy as a premier car manufacturer and the distinctive attributes associated with the brand, likable, high-quality, and trendsetting (MC Group 2024), which has a crucial role for MCC Iberia. Despite challenges such as the emissions scandal (Hotten 2015), the Group's brand image has remained resilient (Kell 2022), underlining the significance of continually prioritizing high quality and brand enhancement (MC AG 2020). As per MotorCar's Annual Report 2022, the Group's Equity has surged more than fourfold since 2008, reaching a substantial 178.327 million euros in 2022 (Statista 2023). This robust brand equity confers numerous advantages, providing a sustainable competitive edge, especially in positioning against industry rivals. As an internal service provider catering to MotorCar Group's various brands, the BU directly benefits from the Group's reputation. Furthermore, it significantly influences sales volume and company profitability, as customers tend to gravitate towards brands with sterling reputations (Hayes 2023). According to MC's 2020 Annual Report, the Group holds a top spot in terms of loyalty rate and conquest rate in core European markets (MC Group 2020). As MotorCar ranks among the top global brands (Interbrand 2024), its strong brand equity plays a pivotal role in strengthening the positioning and success of MCC Iberia within the MC Group. While the BU primarily serves internal clients, the Group's reputation is vital for ensuring MCC's recognition and credibility. Leveraging the Group's esteemed brand reputation, MCC can further solidify its role as a trusted partner in delivering high-quality services to the Group's various divisions. Brand equity is an important key success factor in the automotive industry and has the potential to provide MCC with a sustainable competitive advantage through the VRIO framework. It's valuable, influencing consumer decisions and allowing premium pricing. It's rare and inimitable, based on unique attributes like product/service quality and unique heritage supported by a rich legacy of innovation (MC Group 2024). With support from MotorCar Group, MCS Consulting leverages assets and marketing efforts for efficiency and integration within the brand strategy, showcasing effective organization to maximize its competitive potential (Collinson, Narula e Rugman 2020).

Service Portfolio: Brands are seen as unique, high-value assets that have the potential to greatly contribute to achieving a lasting competitive edge over competitors by creating superior value (Chailan 2008). For MotorCar, the diverse product portfolio represents a valuable resource enabling the creation and maintenance of synergies among brands and services. The intricate architecture of products and services within the Group highlights the creation of services designed to complement and support products. The MC Group provides an extensive range of services, distributed across various business units, such as the MC Financial Services, and the MC Group Services (MC Group 2024). MCC Iberia offers an in-house service that complements and supports all MotorCar brands, characterized by specific internal expertise, skilled personnel, and specialists. They offer consulting services on Requirements management, Sustainability, Process Management, Project Management, Complexity & organizational design, and IT consulting (MC Group Services GmbH 2024). These areas of expertise are well-positioned to meet the increasing demand for consulting services associated with the adoption of EVs and the integration of digital technologies which is expected to grow in response to recent trends in the automotive industry.

MCC Iberia service portfolio is a valuable resource, catering to various needs that MC brands might have. Additionally, its wide service portfolio, which comprises sustainability consulting, can help the brands face increasing regulations and sustainability concerns that shape the future of the industry. Its rarity stems from the fact that, while competitors may provide similar services, they cannot replicate the internal expertise and proprietary knowledge possessed by the consulting business unit, and internal competitors that might share the same knowledge do not share the same areas of expertise. This distinctiveness is further underscored by the reliance on internal information, making it non-imitable. Additionally, the organizational structure encourages brands within MotorCar to utilize these services actively.

Global Presence: The global presence of the MotorCar Group provides significant advantages to MCC Iberia. Spanning multiple continents including Europe, North and South America, Asia, and Africa, the Group's expansive footprint grants access to diverse markets and customer segments. It ensures ample opportunities for MCC Iberia to engage with diverse clients and markets and to address varied customer preferences while also providing the BU with a wide array of potential clients to collaborate with (MC Group 2024). The global presence of the MotorCar Group can significantly enhance the operational value of MCC Iberia by expanding its potential consumer base and market opportunities. Leveraging the Group's extensive reach, the BU gains access to markets that may not be readily available to competitors, thus making this advantage rare. Replicating a wide-reaching presence would necessitate substantial investment and be challenging for competitors to imitate effectively. Additionally, being integrated within the MC Group enables MCC to align strategically with the Group's international operations, allowing it to potentially capitalize on the opportunities presented by the global footprint and ensuring a potential temporary competitive advantage.

MC Business Partners and Customer Network: MotorCar possesses another valuable asset in its network of business partners. Following the resource-based view of the firm, Armstrong (2001) argues that cultivating collaborative relationships with key suppliers is an advantageous strategy that yields long-term value for shareholders. The Group has strategically formed partnerships with suppliers, wholesalers, and retailers worldwide, fostering enduring and mutually beneficial business relationships. These relationships play a pivotal role in the overall success of the business and are governed by the Business Partners Code of Conduct (MC 2023). Additionally, given recent macroeconomic tensions and increased risks, having such a network, especially with suppliers can be beneficial for the company to ensure available supply and minimize risk. This aspect potentially serves as a source of competitive advantage not only for the MC Group but also for our specific focus, the consulting business unit. Operating internally, the business units benefit from access to these integrated partnerships within the company and tap into the extensive network of contacts that MotorCar has established. Consequently, the business unit is poised to leverage an already substantial network for potential expansion.

Moreover, as a component of MotorCar, the Consulting BU benefits from access to an extensive and established customer network through the diverse portfolio of companies within the MotorCar Group. MotorCar's brand portfolio includes a variety of passenger cars, classified into three distinct groups: "Volume," "Advanced," and "sport luxury." Furthermore, the MotorCar Group is dedicated to advancing electric mobility and is in the process of expanding its initiatives across all the brands within the Group, also given the recent emphasis and trends towards sustainability in the automotive industry (MC Group 2024). Considering the broad spectrum of brands within the MotorCar umbrella, each brand embodies unique requirements that can be effectively met by the array of services provided by the Consulting business unit.

The network accessible to MCC is valuable, enhancing the demand for Consulting projects. Its rarity is evident in the dedicated channels established by MCC Iberia to oversee projects. This uniqueness is challenging to replicate, demanding considerable effort and resources. The organization of this network is evident in the tailored services offered by the consulting unit, specifically designed to meet the needs of individual brands.

Employee commitment and loyalty: Another valuable resource of MCC is its personnel, as a skilled workforce is an important key success factor in the automotive industry. The company highly regards the expertise, professional achievements, and loyalty of its employees. This commitment is consistently demonstrated through personnel development initiatives, employee benefits, a collaborative management approach, and an emphasis on fostering a positive work-life balance (MC Group Services GmbH 2024). The success of projects and services provided by MCS is fundamentally attributed to the proficiency and specific skills of its employees.

Employees are a valuable asset, with skilled and professional personnel being crucial for the successful execution of specific projects. Characteristics such as loyalty and commitment, which are essential, are rare and specifically cultivated through the organization's dedicated efforts in employee management. While replicating employee commitment and loyalty is not impossible, it necessitates substantial organizational endeavors. The organization is structured, reflecting a significant emphasis on the professional development of its employees.

4.3.3 Dynamic Capabilities

Dynamic capabilities play a crucial role in shaping the competitive advantage of a business unit, particularly in the consulting sector where adaptability and flexibility are paramount due to the impact of external factors. While the Resource-Based View offers insights into a business unit's competitive advantage, dynamic capabilities are equally essential for leveraging resources effectively and sustaining comparative advantage over time.

In the global market landscape, agility is a defining characteristic of successful business units, enabling them to respond swiftly to changing environments. Integrated within the MotorCar Group, the business unit benefits from a culture of knowledge sharing and cooperation, fostering quick learning and incremental innovation (MC Group 2023). This approach aligns with the concept of "learn-by-doing" (Collinson, Narula and Rugman 2019).

Moreover, MotorCar Group's emphasis on organizational efficiency, as reflected in their group strategy (MC Group Italia S.P.A. 2022), to enhance alignment among brands, provides further leverage. This strategy not only capitalizes on home country-specific assets, such as those in Germany but also leverages assets in subsidiary locations like Portugal (Collinson, Narula and Rugman 2019)

Additionally, MCC Iberia maximizes existing synergies within the group, facilitating the integration of new assets. This proactive approach ensures that the business unit remains responsive to market dynamics and client needs. Furthermore, MCC Iberia prioritizes continuous enhancement of its resources to stay ahead and vigilant of market trends and maintain flexibility, which it considers crucial for sustained success.

4.4 Diagnosis For Internationalization

4.4.1 SWOT

MCC’s internal strengths and weaknesses together with the opportunities and threats that the external environment presents have been identified by conducting a SWOT analysis.

Strengths: MCC leverages a vast amount of privileged internal knowledge related to the Group’s operations which can be used to assist more efficiently and precisely MotorCar brands throughout consulting projects. Therefore, this contributes to the creation of secured business-critical know-how since the consulting experts will only work on projects stemming from the

Group, thus reducing the risk of expertise leakage to competitors. In addition, MCC leverages the implementation of group-level operations such as data protection processes, compliance, and integrity which contribute to the high flexibility in terms of project assignment, delivery, and implementation for the clients. Lastly, the internal nature of the consulting department provides the opportunity to create lasting synergies with the brands, providing an overall performance increase at a Group level and cultivating eventual long-term commitment and joint development opportunities.

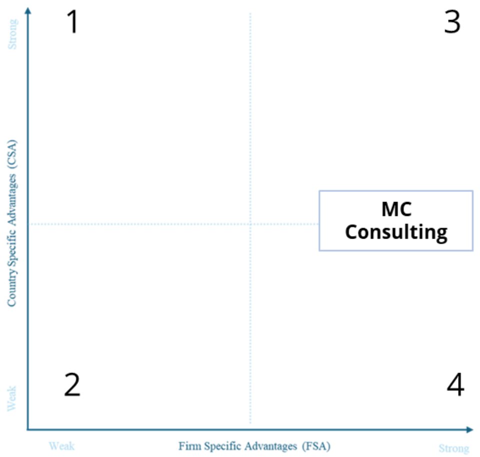
Weaknesses: Although the BU's internal orientation may bring along several strengths, MCC may be limiting its horizons by strictly focusing on internal projects. In fact, this can negatively impact the adoption of innovative ideas and processes which may be different and more efficient from the currently accepted ones. Moreover, the MCC unit has limited independence since most decisions are taken at a board level from the German office as it must obtain approvals for financial planning, personnel adjustments, and scope of projects. Lastly, the unit's performance is highly dependent on the Group's overall accomplishments, thus making it extremely vulnerable and less in power of its results.

Opportunities: To provide a more efficient internal service, the MCC unit could expand its operations in untapped markets which are relevant to the Group's brands, therefore being able to support the latter in strategic locations with vast growth potential. Moreover, as the current scope of projects stems from MotorCar brands, the unit may consider expanding its offering to other players outside the Group who work in related industries such as component manufacturers or intermediaries.

Threats: Competition from large consulting firms constitutes a relevant threat to MCC since these not only leverage from a wide range of expertise areas and skills but also highly effective brand identity and strong reputation within the industry, hence, the unit must always focus on providing a value-added to the Group's brands which may otherwise resort to the most renowned competitors. Moreover, economic downturns may highly affect MCC's performance as these may cause alterations in the demand for consulting projects, thus posing a large threat to the unit's profitability. For instance, Covid-19 and the chip shortage represent two most recent disruptions in the automotive industry which have caused substantial threats to the industry's supply chain and cross-border collaboration (Wu 2021)

4.4.2 FSA-CSA Matrix and Porter's Generic

Figure 9 - FSA-CSA Matrix



The FSA-CSA matrix analysis places MCC Iberia between quadrants 3 and 4 (See Figure 9), which suggests that the business unit has strong Firm-Specific Advantages (FSAs) and medium Country-Specific Advantages (CSAs). As MotorCar is a multinational enterprise, CSAs are considered to have less long-term impact (Collinson, Narula and Rugman 2019). However, Germany offers unique benefits for fostering continuous innovation and competition, making CSAs important for MCS Consulting.

Quadrant 4 indicates weak CSAs, indicating that they are not essential in the long run, and FSAs dominate globally. This suggests a potential strategy of low-cost pricing. However, since MCS Consulting is an internal unit, prices are already competitive, and the focus isn't primarily on cost leadership. Regarding quadrant 3, where both strong FSAs and CSAs are present, MCC Iberia can adopt classic internationalization strategies such as cost leadership, differentiation, or focus. However, as an internal service provider, the differentiation strategy is more suitable. By positioning itself as a differentiated service within the MotorCar Group, the business unit is incentivized to operate across borders to leverage advantages from both FSAs and CSAs. This differentiation strategy allows MCS Consulting to offer unique and valuable services to internal clients, further enhancing its competitive position within the group.

Moreover, having medium-level CSAs ensures enough advantages for Germany while also signifying that the business unit is not overly dependent on the protection and ecosystem of Germany (Collinson, Narula and Rugman 2019). This balanced approach allows MCS Consulting to benefit from Germany's unique advantages while also maintaining flexibility and adaptability needed in a global context.

4.4.3 Motives for Internationalization

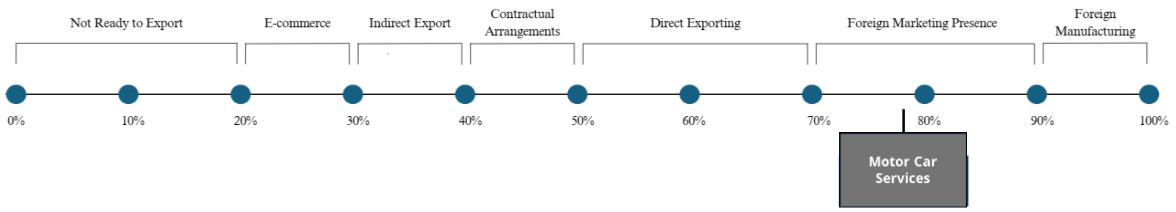
MCC has already expanded internationally from Germany by entering the Iberian Peninsula. In general, a firm may be attracted to internationalize its operations for a variety of reasons which can be categorized among proactive and reactive motivations (Czinkota 1982). Since the department's internationalization objective lies in providing an incremented support function to MotorCar brands in foreign markets characterized by strong Group presence as well as on seeking profit maximization and growth, a strong combination of reactive and proactive factors shapes the firm's motives for internationalization. Moreover, a company may be influenced by push factors which are unfavorable domestic trends prompting the firm to seek opportunities abroad, and pull factors which represent appealing opportunities in foreign markets (Bartlett 1991). In the case of MCC, push factors are extremely limited since the company has not suffered from domestic market threats, but is rather attracted by the opportunities offered by a potential international expansion, thus increasing the pull factors' relevance.

In addition, a firm's internationalization motives may be further analyzed under three main dimensions: market-seeking, resource-seeking and efficiency-seeking motives (J. H. Dunning 1988). MCC wishes to expand abroad mainly due to a combination of market-seeking and efficiency-seeking motives since through the former, the company is attracted to pursue internationalization to gain access to new potential foreign market opportunities, while the latter attracts the company to locate its support services near key MotorCar brands, thus increasing its operational efficiency and overcoming bureaucratic, cultural and language barriers.

4.4.4 Global readiness

To evaluate the degree of globalization of MCC Iberia, a Global Readiness test was conducted using the GMMSO4 survey. This evaluation assesses whether the company is prepared to

Figure 10- Global Readiness test Results



proceed with its internationalization, and consequently, it suggests the most suitable entry strategy. The evaluation process involves a questionnaire of 22 questions covering several factors that may influence the expansion process, including the firm's organizational structure, financial resources, commitment to internationalization and similarities with the foreign market (Appendix 2). The questions were answered in conjunction with a member of the MCC team, Jorge Valverde. Each question is rated on a scale from 0 to 5, with 0 indicating the least favourable conditions for expansion and 5 indicating the most favourable. The test scored a total of 87 out of 110 (79%), indicating that MCS is well-positioned to further expand its global footprint, thanks to its international orientation and available resources to sustain the process. For companies scoring between 70-90%, the suggested entry mode is to establish a presence in the foreign market through a sales branch, a sales or marketing subsidiary, or a company-owned retail store. (see Figure 10). Additionally, the company could also consider adopting one of the entry modes with a lower score, such as direct or indirect exporting and contractual arrangements.

5. International market selection - Phase 1

5.1 Country selection criteria

5.1.1 Country selection

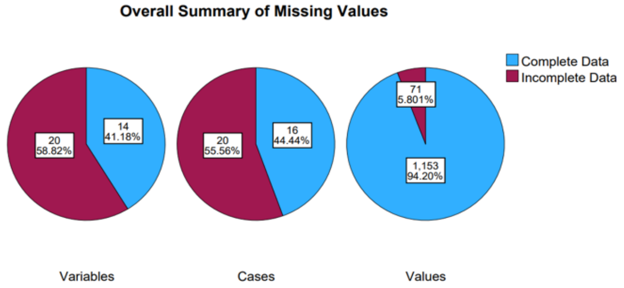
The process of identifying the best market for MCS's international expansion began with the determination of specific criteria to select the countries for examination. MCS's primary objective is to expand its operations in the American continent, considering its important markets for the automotive industry, especially in the United States and Canada. Furthermore, establishing a presence in this continent would facilitate the operations given the different time zones between MCS's current locations in Europe and the Americas. Following the rationale, all countries within this geographical region were considered. As a result, the initial list for international market selection (IMS) consisted of a total of 48 potential nations spanning North America, Central America, Caribbean and South America (Appendix 3). Additionally, Germany, MCS's home nation, was included to compare its relative distance to the other countries in the final ranking. To complete the analysis, we selected 34 variables grouped into 10 factors, including Market size, Business Environment, Commercial Infrastructure, Consulting Industry, Economic Overview, Country Sustainability & Development, Standard of Living, Automotive Industry, Governance Freedom and Cultural Distance from Germany (Appendix 4). These criteria give a comprehensive data picture for all relevant countries and allow for a comparison to identify the one with the highest potential for MCS's expansion. However, not all data were available for every country, therefore it was decided to exclude from further analysis all the nations that were missing more than half of the variables. Consequently, the analysis proceeded with the remaining 36 countries (see Appendix 3).

5.1.2 Missing data imputation

To address the missing variables in our dataset, SPSS was utilized, and multiple data imputation procedures were conducted, following the guidelines provided by Professor Emanuel Gomes (Go 2020). The procedure involved three main steps: (1) assessing the pattern of missing data; (2) imputing the missing data according to the identified pattern or lack thereof; and (3) pooling the imputed data into a new dataset.

Initially, the pattern of missing data was examined. Using the *analyze patterns* option in SPSS, all variables were selected, generating an output document summarizing key information about the analysis result. It was found that 5.8% of values were missing from the dataset (See Figure 11), with no discernible pattern observed (Appendix 5).

Figure 11 - Summary of missing values



Subsequently, the imputation of missing data was performed. Due to the random distribution of the missing data, a random number generator was initially employed to produce multiple iterations through various regressions until suitable data was identified. The Mersenne Twister option was selected, and the generator was initialized with a fixed value. The imputation process was then initiated by selecting *impute missing data values*. The multiple imputation procedure performed multiple imputations of missing data values, replacing them with plausible estimates (IBM 2023). All the variables were selected, and the number of imputations was kept to 5. The Markov Chain Monte Carlo (MCMC) iterative approach was chosen, given the lack of pattern previously identified. By scanning the data, the observed minimum and maximum levels for all the variables were identified, essential to ensure accuracy in the imputation process. Thus, all minimum and maximum levels were manually inserted for the variables that missed any percentage of data. As per the output, a new dataset was created that contained descriptive statistics and iteration history.

Lastly, the imputed data was pooled and organized into a new dataset. The last dataset created contained all the imputations carried out with the procedure, as well as the original data. Thus, the original data was eliminated, and the remaining was sorted by country and imputation number. To organize the data, an output management system (OMS) procedure was initiated and an analysis of the data through descriptive statistics was conducted. After this, the OMS procedure was closed, and the new pooled final dataset was created. This final dataset was cleaned, and properties of the original variables were copied into the file, resulting in a new final dataset with all missing data values replaced.

5.2 Country ranking

A country ranking analysis was performed to objectively assess, by adopting a data-driven methodology, each potential internationalization destination. This approach allows to rank of foreign markets based on their respective performance on a wide range of both business-related scores as well as relevant non-economic variables (Cavusgil, Kiyak and Yeniyurt 2004).

To perform such analysis, 34 variables, ranging from economic to development indicators, have been initially selected to explain country attractiveness. Subsequently, a correlation matrix was created to show the correlation coefficients of each variable concerning all the others. This procedure has been crucial to minimize the risk of hyperinflating specific country scores in several variables which are highly positively correlated. Therefore, those variables with multiple correlation coefficients greater than the established 0.7 threshold were eliminated from the analysis, such as *FDI in billion USD*, which was excessively positively correlated with *GDP PPP* (r = 0.99) and with the *Container Port Traffic* (r = 0.97). As a result, 9 variables have been excluded through this correlation analysis and the country ranking was performed by making use of the remaining 25 indicators.

Subsequently, these variables have been weighed to emphasize the most relevant indicators for country attractiveness which make a larger impact on the country ranking results. Since MCC's internationalization goal lies in expanding into an untapped market by opening new business locations on-site, FDI-related variables were assigned significant importance, therefore each variable was weighted according to its relevance towards the company's internationalization project. For instance, *GDP per capita, Business Freedom, Index of Economic Freedom, R&D Expenditure (% of GDP), FDI (% of GDP)* and *Cultural Distance to Germany,* have been identified as the most significant variables with a weight equal to or higher than 5%.

Moreover, the metrics were standardized on a 1-100 scale to convert the data into comparable values. For those variables which hold a positive correlation with the country's attractiveness (the higher the score the better the country's performance in that given field), the formula below has been applied.

$$X'_{ij} = \left[\frac{X_{ij} - min_i}{R_i} * (99)\right] + 1$$

On the other hand, those variables which hold a negative correlation with the country's attractiveness, such as *Political Risk* and *Tax Burden*, required the above formula to be inverted.

Figure 12 - top 10 ranking

Top 10 ranked countries	
1	United States
2	Germany
3	Canada
4	Chile
5	Mexico
6	Uruguay
7	Brazil
8	Puerto Rico
9	Peru
10	Costa Rica

As a result of this process, by computing a weighted summation of each country's performance under the specific variables, a ranking was obtained yielding the most performing countries for MCC's international expansion (see Appendix 10). For instance, the highest-ranked country is the United States followed by Germany (which is the home market), Canada, Chile, Mexico and Uruguay (See Figure 12) meaning that these countries present the most favorable economic and political environments combined with relevant growth potential and a suitable FDI-related ecosystem.

5.3 Country clustering

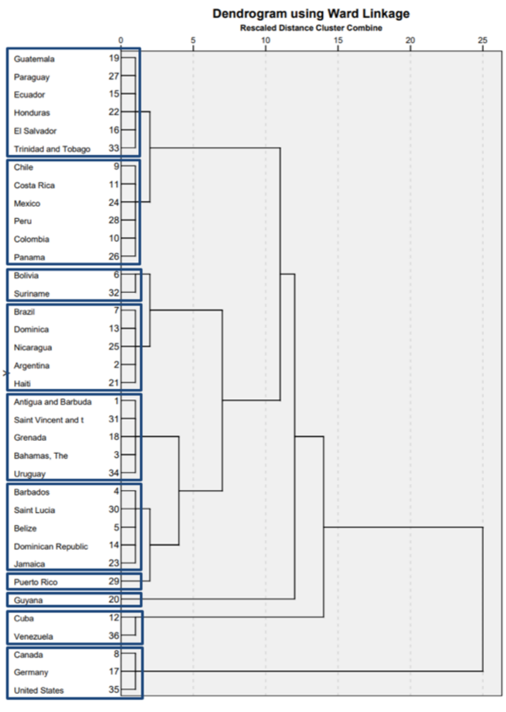
Before conducting the clustering analysis, a comprehensive data pre-processing approach was used. Initially, due to the extensive dataset, Principal Component Analysis (GCA) was employed to reduce dimensionality and transform variables into 8 factors. These factors collectively explained 85.690% of the cumulative variance (Appendix 6), indicating their significance in explaining the variables, and as such, no factor was discarded. Utilizing an orthogonal rotation method, specifically, Varimax, ensured that the derived factors were uncorrelated, simplifying interpretation and minimizing the number of variables with high loadings on each factor (IBM Corporation 2021).

The clustering analysis in SPSS was then conducted using a Hierarchical clustering approach. This method was chosen to partition the data into groups based on their similarity, without the need to predefine the number of clusters beforehand (IBM Corporation 2021). By employing Hierarchical clustering, the analysis remained unbiased and free from any predisposition toward initializing factors. This allowed for a more flexible exploration of the data structure, ensuring that clusters emerged naturally based on their inherent similarities.

This first clustering analysis, conducted using the factors derived from the principal component analysis, revealed 7 group clusters and 4 individual clusters. However, it presented several challenges, particularly in terms of interpretability and the congruence of groupings, which seemed inconsistent with cultural and linguistic similarities among countries (Appendix 7). Moreover, the sample size of 36 countries raised concerns regarding the reliability of the factor analysis approach, since it is widely acknowledged in literature the necessity of having enough observations to ensure robust factor solutions (Goretzko and Bühner 2022)

Considering these limitations, an alternative methodology was adopted. Firstly, to refine the analysis, a meticulous process was undertaken to select pertinent variables. Using the computed correlation matrix, variables exhibiting high correlation coefficients (>0.7) were identified for exclusion, resulting in the 25 aforementioned variables. Subsequently, variables with substantial weightings (>5%) were further examined using SPSS software to analyse bivariate correlation using the Pearson test. This revealed significant correlations in variables such as *R&D Expenditure* and *Business Freedom,* which demonstrated strong positive associations with other key metrics such as *Index of*

Figure 13 - Final dendrogram for cluster analysis



Economic Freedom and *GDP per capita*, (r=0.097 and r=0.723 respectively) (See Appendix 9). To ensure the robustness of the analysis, these highly correlated variables were excluded to maintain an optimal number of variables for subsequent clustering procedures. Subsequently, a clustering analysis was conducted utilizing Ward's Hierarchical Agglomerative Clustering method using Euclidian multi-variation, as it is robust, particularly for small datasets, and is sensitive to outliers (Milligan and Cooper 1988).

The adoption of this method yielded notably improved results, as evidenced by the coherent grouping of high-ranking countries (Figure 13). This not only simplified the interpretation but showed consistent results. The clustering yielded 8 group clusters and 2 individual clusters, analyzed at the smallest distance possible (=1).

5.4 Combination between cluster and ranking analyses

When examining country ranking and clustering, it's crucial to conduct a comprehensive analysis that provides distinct and valuable insights without redundancy (Cavusgil, Kiyak and Yeniyurt 2004). Clustering provides a visual depiction of groups with similar structures but might not fully unveil market potential. On the other hand, ranking identifies the most appealing markets but might not depict the similarities and distinctions among them (Cavusgil, Kiyak and Yeniyurt 2004). Thus, combining the two approaches is essential. After a comprehensive analysis of the dendrogram, eight group clusters and two individual clusters were identified (Appendix 8). This analysis employed a clustering distance level of 1 to distinguish between clusters. The decision to use a distance level of 1 was aimed at creating clusters that exhibit higher similarity, cohesion, and precision. At this level, the formed clusters display significant intra-cluster similarity, indicating shared characteristics among their members. Additionally, the smaller cluster sizes ensure greater cohesion and the precision of the clusters is enhanced as they represent more specific and distinct groups within the dataset. Despite potentially resulting in a larger number of clusters, this early level allows for a finer granularity, which is valuable for subsequent combined analyses with the ranking data.

Figure 14 - clustering and ranking

Cluster	Country	Ranking
1	Guatemala	29
	Paraguay	28
	Ecuador	21
	Honduras	22
	El Salvador	27
	Trinidad and Tobago	20
2	Chile	4
	Costa Rica	10
	Mexico	5
	Peru	9
	Colombia	12
	Panama	13
3	Bolivia	32
	Suriname	34
4	Brazil	7
	Dominica	30
	Nicaragua	25
	Argentina	18
	Haiti	35
5	Antigua and Barbuda	16
	Saint Vincent and the Grenadines	31
	Grenada	24
	Bahamas, The	17
	Uruguay	6
6	Barbados	19
	Saint Lucia	23
	Belize	26
	Dominican Republic	15
	Jamaica	11
7	Puerto Rico	8
8	Guyana	14
9	Cuba	33
	Venezuela	36
10	Canada	3
	Germany	2
	United States	1

Subsequently, to conduct a thorough analysis that would lead to an optimal decision, a combined analysis of country clustering and country ranking was carried out. This involved creating a table (See Figure 14) following the methodology outlined by Cavusgil et al. (2004). By comparing our clustering results with the ranking, a pattern was observed between the two sets of results and identified the most strategic clusters within clusters 2 and 10. Cluster 2 encompasses four countries in the top 10 of the ranking and two in the top 15, indicating additional internationalization opportunities in the future. On the other hand, Cluster 10 comprises countries ranking in the top 3: Germany (the home country), the United States, and Canada, which represent top-performing countries.

While some clusters, such as clusters 4 and 5, contain countries in the top 10, they were deemed non-strategic due to the inclusion of low-ranked elements within the clusters. Other clusters were discarded as they offered poor internationalization possibilities.

5.5 Selection of highest potential markets

Through our integrated analysis of ranking and clustering outcomes, the highest potential markets were found. As previously mentioned, particular emphasis was placed on clusters 2 and 10 for their significance. Considering MCC's aspiration to expand into Canada and the United States, both nations emerge as top contenders due to their high-ranking status, strategic positioning within clusters, minimal cultural divergence from Germany, and exemplary performance across various metrics.

Within cluster 2, multiple potential markets come to light. Our decision-making process draws from the ranking findings and the similarities between the countries, identifying Chile, Mexico, and Peru as the standout markets. Despite Brazil, Uruguay, and Puerto Rico holding higher positions in the rankings compared to Peru, the decision to opt against them was based on several reasons. Brazil already houses ongoing company operations, Uruguay aligns with lower-ranking nations within its cluster, and Puerto Rico stands as a solitary entity while also being an unincorporated territory of the United States. Moreover, the cultural and linguistic affinities shared by Chile, Mexico, and Peru, despite their high cultural distance from Germany, make them attractive candidates for market expansion.

6. International market selection – Phase 2

6.1 In-depth market analysis

6.1.1 In-depth market analysis of The United States – Maria Sofia V Morais Murça (42825)

The United States of America (here on as United States/U.S.) located in North America, consists of 50 states, and numerous territories in the Pacific and Caribbean Seas (Kington 2012). Bordered by Canada and Mexico, it is home to a total population of 336.2 million people (United States Census Bureau 2024) with its capital in Washington, D.C. (District of Columbia) (Gopnik, Harris and Schmidt 2024). The US is the third largest country in the world in terms of landmass and population (Statista 2024; United States Census Bureau 2024). The U.S. economy is the largest in the world with a GDP of 27 trillion U.S. dollars in 2023, having the most disposable income (OECD 2024). It is the largest importer and second-largest exporter in the world (CIA World Factbook 2024), partially due to vast natural resources, mainly coal, petroleum, natural gas, timber, and arable land (CIA World Factbook 2024). The US has been the top FDI destination in the world for the last 12 years (U.S. Department of Commerce 2024), which contributes to job creation, innovation, and competitiveness of the country (International

Trade Administration n.d.). The US ranks second in the global competitiveness index (Schwab 2019), standing out for high business dynamism, labour markets and financial systems (U.S. News 2024). It is home to the most important innovation hub in the world, Silicon Valley (Stubbs 2024).

The U.S. adheres to the World Trade Organization (WTO) agreements (Library of Congress 2024), considered the cornerstone of U.S. trade policy (Office of the U.S. Trade Representative 2015). Of the 14 free trade agreements the US has in place (International Trade Organization 2024), it is of particular interest, the United States-Mexico-Canada Agreement (USMCA). This agreement guarantees freer trade through the reduction of tariffs between member countries promoting economic growth and job creation, further contributing to competitiveness of the country (Office of the United States Trade Representative 2024).

Despite economic prosperity, several social issues affect the country, from polarization and political violence to poverty, inequality, and immigration (The Heritage Foundation 2024). Immigrants account for 13.7% of the U.S. population (Budiman 2020), which contributes to a diverse population but also to social and economic challenges. The gap in inequality has been increasing (Schneider 2024; Shrider and Creamer 2023), with poverty subsidies doubling in 2021, showing a decrease in household income (United States Census Bureau 2023).

6.1.1.1 Contacts

Associations and organizations: Industry associations and organizations play a vital role in representing the interests of businesses within specific sectors (ACCC 2024). These associations provide networking opportunities, advocacy on legislative and regulatory issues, industry-specific research and data, and professional development resources (EXEC 2023).

The U.S. Chamber of Commerce, the world’s largest business association advocates for pro-business policies, providing networking opportunities, offering business eBrand Ion programs, and conducting research (U.S. Chamber of Commerce 2024). Similarly, The National

Association of Manufacturers (NAM) represents manufacturers' interests advocating for policies promoting manufacturing competitiveness, workforce development, and innovation (National Association of Manufacturers 2024). The American Society of Association Executives (ASAE), besides promoting several resources for businesses, monitors legislative and regulatory developments impacting businesses, advocating for policies that support their operations (American Society of Association Executives 2024) Specialized groups like the Institute of Management Consultants USA, Association for Strategic Planning (ASP) also exist to support consulting activities and to provide, certifications, conferences, and networking opportunities to help professionals enhance their skills and contribute to organizational success (Institute of Management Consultants USA 2024; Association for Strategic Planning 2024).

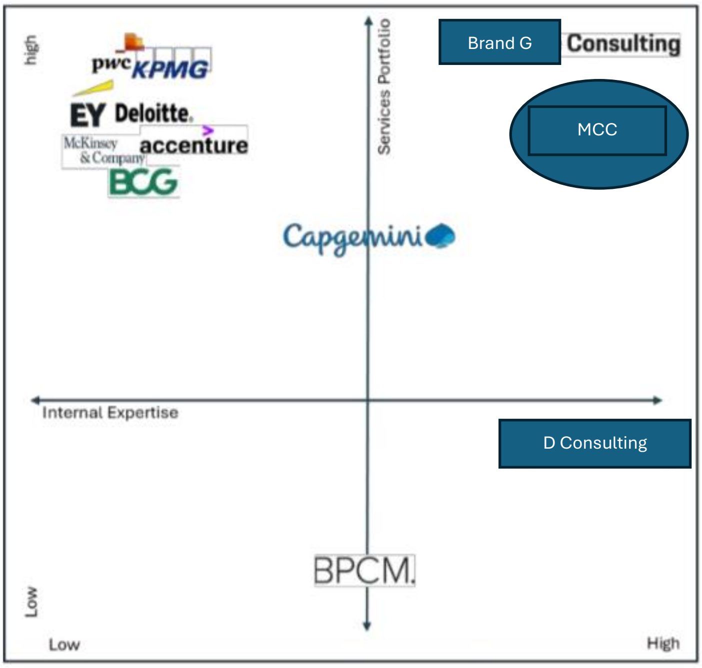
Government agencies: Government agencies at the federal, state, and local levels offer a wide range of programs and services to assist businesses. The Small Business Administration (SBA), for instance, provides loans, grants, and resources to help entrepreneurs start, grow, and manage their businesses (U.S. Small Business Administration 2024). Additionally, agencies like the Department of Commerce and the Department of Labor offer various initiatives, such as export assistance programs and workforce development initiatives, to support business growth and competitiveness to improve America's Economic Competitiveness (U.S. Department of Commerce 2024). Securities and Exchange Commission (SEC) regulates the securities industry, enforcing laws designed to protect investors and maintain organized and efficient markets (U.S. Securities and Exchange Commission 2023). At the same time, the Federal Trade Commission (FTC) ensures consumer protection and combats anticompetitive behaviors in business, fostering fair competition (Federal Trade Commission 2024)

Financial Institutions: Access to capital is essential for businesses to thrive and expand. Financial institutions, including banks, credit unions, venture capital firms, and private equity investors, provide a range of financing options to businesses (Hwang, Desai and Baird 2019).

This includes traditional loans, lines of credit, venture capital investment, and other financial products tailored to meet the needs of businesses at different stages of development (FasterCapital 2024). Several commercial and private banks exist in the U.S., such as Bank of America and J.P. Morgan Chase (Horton and Graves 2024). Additionally, organizations like the Export-Import Bank of the United States (EXIM), the official export credit agency of the U.S., facilitate trade finance (Export-Import Bank of the United States 2024) and several agencies oversee banking operations in the U.S. including Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA) (Hayes, Kelly and Kvilhaug 2024). The U.S. financial sector is resilient, and the sector stands out as one of the most developed and competitive, having one of the most important stock exchanges (The Heritage Foundation 2023).

6.1.1.2 Competition

Figure 15 - Positioning map USA



The United States features several consulting firms, ranging from industry giants to small and medium enterprises. Among the most prominent are the "big four", Deloitte, PwC (Pricewaterhouse Coopers), EY (Ernst & Young), and KPMG (Kenton 2024) and others such as McKinsey & Company, BCG (Boston Consulting Group), and Accenture. According to IBISWorld (IBISWorld 2024), there were 900 thousand consulting firms in the US in 2023, collectively generating a market size of $374.4 billion, resulting in the largest consulting market (Consultancy.org 2024). Externally, these consulting firms pose competition to MCS

Consulting Iberia, despite being separate entities from the MC Group. This competition arises from their prior collaborations with MC (Consultancy.uk 2016; MotorCar Group of America, Inc. 2024) and their dominance and reputation in the consulting market (Kenton 2024). Together, the previously mentioned consulting firms dominate 47.8% of the market share of the global consulting market in 2018 (Statista Research Department 2022), having a wide portfolio of services (Figure 15). BGCM Consulting and Communications Agency, as well as Capgemini, have previously collaborated with MCGoA and MC Group (Bradley 2022; Consultancy.eu 2020), thereby acquiring knowledge about the group and emerging as direct competitors to MCS Consulting. Capgemini is present in more than 50 countries, including the United States, having a workforce of 350 thousand people (Capgemini 2024), offering technology services and transformation to businesses (Capgemini 2024). It also has several awards and recognition, particularly for its work in intelligent business operations, the latest being the 2024 BIG Innovation Award (Capgemini 2024) Capgemini has an established partnership with MC Group and Brand E AG to set up data solutions and development of project management (Capgemini 2022). BGCM is a strategic consulting and communications agency, with a diverse portfolio of 12 specialties and a workforce of 75 employees (BPCM. 2024). BGCM has offices in the US and London, providing global solutions for its clients. MCGoA has hired BGCM to be the Agency of Representation of their PR initiatives (Bradley 2022). This established relationship provides both Capgemini and BCMP with an advantage since it can potentially position them for consideration for further projects with the MC Group and their subsidiaries.

Internally, MCS Consulting faces rivalry from Brand G Consulting (GC) and D Consulting, wholly owned subsidiaries of the MC Group (Intershop Communications AG 2024; Brand G AG 2024). GC ranked as the second-best management consulting company in 2023 (brand eins 2024), has expanded its presence to the US, with offices in Silicon Valley and Atlanta (Brand

G Consulting 2018; Brand G Consulting 2024). With 950 employees, GC specializes in nine industries and has completed over 1000 projects for 350 clients (Brand G Consulting 2024), establishing itself as MCS Consulting's primary competitor. Currently, only 30% of their projects are internal, from the MC Group, with the rest being for external clients (Brand G AG 2023). GC leverages internal expertise and market experience, making it a challenging and most direct competitor in the US consulting landscape. In addition to GC, D Consulting can represent a threat to MCS Consulting, particularly in digital management. D Consulting has established itself in the United States (D Consulting GmbH 2024), having ranked in the Forbes World's Best Management Consulting Firms in 2023 (Forbes 2023), and also in the Top Consulting Digitalization 2023 (D Consulting GmbH 2024). With a primary focus on digital tools in a rapidly evolving digital world, D Consulting stands out as a strong competitor offering software and security solutions to external and internal clients of the MC Group (D Consulting GmbH 2024). With over 2000 employees (D Consulting GmbH 2024), it balances the internal and market expertise that can pose a threat to MCS Consulting.

6.1.1.3 Overall market sales potential and company sales potential

Figure 16 - market sales potential USA

MC Group vehicles sold in Spain (units)	192,311	Spain
Worldwide vehicles sold by MC Group (units)	7,957,288	
MC Spanish internal market share	2.42%	
Total MC Group revenue worldwide	279,232,000,000 €	
MC Group Revenue in Spain	6,748,453,135 €	
Total vehicles sold in Portuguese market (units)	201,890	Portugal
MC Group market share	11,7%	
MC Group vehicles sold in Portugal (units)	23,621	
Worldwide vehicles sold by MC Group (units)	7,957,288	
MC Portuguese internal market share	0.297%	
Total MC Group revenue worldwide	279,232,000,000 €	
MC Group Revenue in Portugal	**828,897,405 €**	
Revenue of MCC	2,500,000€	Iberia
Total MC Group revenue in Iberia	7,577,350,540 €	
MCC Internal market share	**0.0330%**	

To calculate the internal market share of MCC, data from Spain and Portugal was selected for analysis due to the availability of precise data and the BU's active presence in the Iberian Peninsula (MotorCar Group 2024). Initially, a calculation of the proportion of cars sold in Spain relative to the total cars sold by the MC Group was done to grasp the Spanish market share and the revenues within the MC group. The same was done for the Portuguese market (Figure 16).

Due to their internal nature, and to understand the contribution of MCS Consulting to the revenues of the MC Group in the Iberian market, a proportion between the revenues the BU obtained in 2023 and the MC Group Revenues in the Iberian Peninsula was calculated, resulting in an estimated "internal" market share of 0.033%. Applying a similar analytical framework to the US market, using the number of vehicles purchased in 2023 in the US market, it was possible to estimate that the US market contributes 7.9% of the revenues of the MC group. Using this estimation, as well as the previously calculated internal market share, of the MC Group Revenue in the US, 22.1bn euros, MCS Consulting has a possible obtainable revenue of 7.3 million euros. The rationale behind this approach is that the stronger the group is in the foreign market, the greater the market potential.

This approach presents some limitations, particularly due to the lack of accurate data in the American market, and so a direct relationship between the number of cars sold and the MC group Revenues was assumed.

6.1.1.4 Market entry conditions

Market entry conditions represent the market characteristics that can affect the competitiveness of the MCS Consulting expansion plans (Trade and Developmement Board 2003). The United States has been distancing itself from the global average of openness, indicating a detachment from the global economy (Djankov, et al. 2021). Market access is the U.S.'s weakest spot, due to lesser integration with its trading block (World Economic Forum 2016). The US has the 7th highest average of tariffs, with only 77% of imports entering without a duty (World Economic Forum 2016). However, the United States has high efficiency and transparency in border administration and excellent infrastructure quality (World Economic Forum 2016).

Despite rising protectionism trends (i.e. tariff increase) (The Economist 2023), the US remains business-friendly. Tax regulations are favourable with the second-lowest corporate tax of any of the G7 economies (Tax Policy Center 2022). The US has a well-developed financial system, being home to the largest and wealthiest financial centre in the world (Bajpai 2024; Wardle and Mainelli 2023). Labour conditions are regulated by the US Department of Labour, with a current federal minimum of 7.25 dollars, and no mandatory requirements on paid holidays or family leave (U.S. Department of Labour 2024). There is generally no need for a Visa when starting a business without mandatory physical presence (USA Corporate Services Inc. 2024). Businesses must adhere to state laws, including corporations. Business and Professional Licenses are required in specialized areas (LMS Portals 2023; Taylor 2019) and management consulting firms must comply with data protection and privacy requirements (i.e. Personal Data Privacy and Security Act of 2014) at the federal and state level (Federal Trade Commission 2014), and depending on the services provided (i.e. securities and investments) also comply with SEC securities laws (LMS Portals 2023).

6.2 Selection of target market

To identify the most appropriate target market for the expansion of MCC, a comprehensive selection process was undertaken. This process involved evaluating the highest potential markets across four key categories: the quality and strength of contacts, the level of market competition, the market's sales potential, and the conditions for market entry. The evaluation also considered input from the MCC team, who provided insights to allocate weights to each criterion based on the business unit's strategic priorities. As a result, greater importance was given to market entry conditions and market sales potential, with weights of 35% and 40% respectively. Conversely, the quality of contacts and level of market competition received lower weights of 15% and 10% respectively, as they were deemed less critical to the business unit's strategic objectives in the internationalization process.

Each criterion was rated on a scale from 1 to 5, with 1 representing less favorable conditions and 5 representing the most favorable conditions. When considering the degree and level of market competition, a rating of 1 indicates a highly competitive environment, whereas a rating of 5 reflects a less competitive environment. By applying the assigned weights to each criterion's score, a composite score was calculated for each country. Following this computation, the United States emerged with the highest score, thus being identified as the most suitable target market for MCC's expansion (see Figure 17).

Figure 17 - selection of target market

Selection of target market						
Category	Country	Quality and strength of contacts	Degree and level of market competition	Market sales potential	Favorability of entry conditions	Score
Weight		15%	10%	40%	35%	100%
Countries	The United States	4	1	5	4	4,1
	Canada	3	2	4	4	3,65
	Chile	4	4	2	3	2,85
	Mexico	4	3	3	4	3,5
	Peru	2	4	1	3	2,15

7. International entry strategy

7.1 Selection Criteria

To determine the most suitable entry mode for MCS Consulting, various factors influencing the selection process were thoroughly analysed. These factors include control over operations and strategy, dissemination risk and uncertainty, flexibility, and resource and capital commitment control (Hill, Hwang and Chan Kim 1990). Control Over Operations and Strategy refers to the degree of control MCS Consulting can exert over its internal units' performance and alignment with long-term goals and competitive positioning in the global market. Dissemination Risk and Uncertainty represent two distinct risks. Dissemination risk involves the potential misuse of confidential information by external parties, particularly proprietary knowledge. Uncertainty, on the other hand, involves the absorption of risks associated with operating in foreign countries, essentially internalizing external factors. Flexibility refers to MCS Consulting's ability to adapt and respond to market changes, shifts in customer preferences, and internal dynamics while ensuring operational efficiency and strategic alignment. It also encompasses the availability of low-risk entry and exit options in the market. Resource and Capital

Commitment concerns the financial investment and infrastructure commitment required for the chosen entry mode.

7.2 Analysis of alternative entry modes

When analysing alternative entry methods, they will be categorized into equity and non-equity modes (Pan, Yigang and Tse 2000). Exporting falls under the non-equity category. It can be either direct or indirect. Direct export offers greater control over strategy and operations but involves higher costs due to higher involvement in the exporting process. Indirect exporting, on the other hand, involves using local agents or distributors, reducing direct involvement but potentially limiting control over distribution and learning opportunities. These modes have the lowest control over operations and strategy. It has less risk, not internalizing the risk of the foreign country, but high dissemination risk, due to having to share internal information with the export firm. It has the highest flexibility since there are fewer barriers to exit due to less resource and capital commitment.

Contractual Agreements, such as Licensing and Franchising, have low control over the operations and strategy of the licensee. It involves high knowledge transfer, resulting in high dissemination risk, but flexibility remains high, with contracts usually specifying detailed obligations, resulting in less risk and barriers to exit and low financial losses. Resource and capital commitment is relatively low but still present.

Regarding equity modes, they can either be shared or full ownership. Shared Ownership involves joint ventures (JV), where two or more partners establish a new business entity in a foreign country. Joint ventures usually benefit from having partners with complementary businesses, but they can face challenges such as conflicting goals and poor decision-making, which could lead to instability. However, it allows for the sharing of costs and risks, making them less strenuous. Regarding dissemination risk, even though equity modes offer more security, shared equity has more dissemination risk due to having to share internal information.

Investments are lower but still present but exiting the market may entail certain conditions depending on the partnership's terms, especially regarding contracts and financial arrangements, affecting flexibility.

MC Group has the option of opting for full ownership in a foreign country through greenfield investment. Greenfield investments involve setting up new operations from scratch. This option provides MC with complete control over foreign operations but requires a significant number of resources and may delay entry. There is also high risk involved since MC would have to deal with foreign externalities, which would limit its flexibility, as well as having high barriers to exit, but very low dissemination risk. Choosing this option allows MC to have full control over MCC's operations and strategy, allowing it to use the MC network, and making it easier for global management (Figure 18).

Figure 18 - alternative entry modes

7.3 Entry mode selection

After analysing the FSA-CSA Matrix, it is evident that the competitive advantage of the business unit is heavily dependent on its exclusive and tacit know-how. Choosing entry modes that offer lower levels of control could put this advantage at risk, leading to the dissemination of crucial information and higher transaction costs for enforcing contracts. Therefore, it is advisable and expected to adopt entry modes that offer a higher degree of control and lesser dissemination risk to mitigate the risks associated with maintaining their competitive advantage. The Group would want to keep proprietary knowledge and intellectual property under its control while considering the flexibility and resource commitment required for the chosen entry mode. It is worth noting that the MCS Consulting Unit is considered an SME but operates within the MC Group, which is an MNE with ample resources and low resource restraints. Therefore, resource and capital commitment would be less of a challenge, and flexibility would be less important. To minimize dissemination risks, high-control entry modes, such as equity mode with majority ownership, should be considered. It is important to mention that the MC Group has a history of vertical integration to ensure the reliability and security of their supply networks and strategic alignment, further justifying a Greenfield investment to enter the US market.

8. Marketing plan

8.1 Marketing objectives

When considering international expansion, companies must formulate an international marketing strategy to attain their desired marketing goals. International marketing involves tailoring existing marketing initiatives from the home country to suit the requirements of a particular country or geographic region (Rugman and Collinson 2012). Presently, MCC's marketing endeavors primarily consist of newsletters and targeted outreach to potential clients, apart from having a dedicated area on MotorCar Group Service's website. As an internal consulting service, most projects are internally assigned, resulting in a limited engagement in external marketing activities by the company. Nonetheless, the company is striving to enhance internal awareness of its services.

Entering the US market will enable MCC to leverage its potential, as it represents a promising market for consulting services and hosts numerous MotorCar brands. This will be achieved by establishing specific, measurable objectives. To begin with, considering the significant sales potential in the US market, the primary objective will be to enhance sales and revenues. In the long run, this will result in expanding market share, potentially capturing a greater portion of the market and surpassing competitors.

A second objective will concentrate on enhancing brand awareness and recognition. MCC will be entering a market characterized by intense competition, both internally and externally. As revealed in our prior analysis, the US consulting market is fiercely competitive, featuring external consulting firms that have partnered with the MC Group, alongside internal direct competitors. Consequently, marketing endeavors will be crucial for MCC to boost awareness of its services and attract new clients in the US market, which in the long term will also lead to increased brand visibility and the establishment of brand loyalty.

8.2 Segmentation

To guarantee a firm's continuous value creation towards customers, a strong combination of segmentation, targeting and positioning (STP) must be implemented (Kotler and Keller 2011). Given the internal nature of MCC within the Group, a B2B segmentation approach is necessary to obtain an in-depth understanding of the potential target market. The latter is constituted by the overall 10 brands of the MotorCar Group and may eventually extend (at the firm's discretion) into closely related stakeholders such as own brands' suppliers.

Firstly, the brands can be segmented according to relevant firmographics such as company size (in terms of headcount), vehicle deliveries and annual revenue. Figure 19 shows each MC brand's performance in the specific fields. It is possible to identify the presence of volume brands such as Brand C, Brand D, Brand A and Brand B. These represent together around 60% of the total Vehicles delivered in 2023. This is because this segment tends to charge competitive prices in exchange for cutting-edge technology thus making mobility more affordable and accessible at a global level. On the other hand, the opposite segment formed by Brand E, Brand F, Brand G, Brand H, and Brand I focuses on high-quality vehicles

Figure 19 - MC Group brand firmographics

	Brand A	Brand B	Brand C	Brand D	Brand E	Brand F	Brand G	Brand H	Brand I
Headcount	200,000	24,000	15,000	15,000	90,000	2,000	42,140	5,200	1,573
Vehicle deliveries	2,520,000	409,400	288,500	230,700	1,900,000	10,112	320,221	13,560	58,224
Revenue (billion)	86.4€	15.3€	8.0€	6.2€	69.9€	2.6€	40.5€	2.9€	1.1€
CAGR 2024-2028	-0.18%	3.60%	1.35%	1.00%	-0.21%	-0.50%	-0.59%	4.97%	2.41%
2028 forecasted revenue	**85.78€**	**17.63€**	**8.44€**	**6.45€**	**69.31€**	**2.55€**	**39.55€**	**3.52€**	

whose exclusiveness is driven by the premium prices charged to acquire them. Moreover, an insight on each brand's CAGR (2024-2028) has been provided to understand the respective growth potentials, highlighting that Brand B, Brand H and Brand I are expected to observe the highest increase in revenue over the proposed 4-year period (Statista 2024). In addition, the addressable market can be further segmented by adopting a combination of behavioral and psychographic information such as innovation orientation, company culture and industry trends. As a matter of fact, key insights can be retrieved from the organizational setting which the MotorCar Group uses concerning its brands. In fact, the brands identified in the first segment of the firmographic analysis (Brand A, Brand B, Brand C and Brand D) form part of the VOLUME brand group from a corporate perspective. These volume brands work closely to achieve joint growth and efficiency by leveraging strategic synergies across their division and economies of scale to obtain cost-related advantages (MC 2024). Additionally, another crucial segment is the Advanced brand group which is formed by Brand E, Brand F, Brand H, and Brand I. These firms work together to streamline a successful path towards the electric vehicle industry by pooling crucial industry expertise and resources which then create lasting synergies among the brands (Audia Media Center 2024). Moreover, Brand G is categorized in a stand-alone Sport Luxury brand group as the leading brand in this sector (MC 2024). Lastly, Trucks constitutes a distinct segment as one of the world's largest providers of commercial vehicles with several brands (MC 2024).

In conclusion, following an infographic analysis supplemented by a combination of B2B psychographic and behavioral data, 4 main segments can be identified out of the total addressable market for MCC within the Group, while suppliers constitute an eventual external segment which the firm can decide to serve at its discretion.

8.3 Targeting

After having segmented the addressable market for MCC it is important to understand which of the identified segments provides the highest potential in terms of revenue and should thus be targeted. Therefore, to obtain objective insights related to each segment's attractiveness, an analysis of the firm in the home market was carried out (See Figure 20) with the aim of obtaining an estimate of MCC's "Internal market share" which, following the unit's internal nature, corresponds to the revenue generated by the latter out of the total revenue which the Group earns in Iberia. Consequently, as presented by Figure 20, each segment's revenue stemming from the respective brands in the US market was summed, and a weighted segment CAGR for the 2024 to 2028 period was calculated by considering vehicles sold as drivers of the average. Therefore, the potential 2028 revenue was achieved and by assuming MCC operates with a similar internal market share to Spain, the unit's obtainable revenue per segment is yielded. In addition, the latter can be divided by the number of brands present in each segment to understand the obtainable revenue from a per-brand perspective. As a result, it is possible to conclude that the Luxury & Sport segment represents the highest per-brand obtainable revenue, while on the cumulative setting, Trucks and the Advanced segment are the most attractive targets for MCC.

Figure 20 - MC Group segment potential

	Volume	Advanced	Luxury & Sport	Trucks
Revenue in US market (billion)	$8.87	$10.68	$9.70	$10.70
Weighted segment CAGR 2024-28	0.05%	0.01%	-0.59%	-2.11%
Forecasted Revenue 2028 (billion)	$8.89	$10.69	$9.47	$9.83
Estimated internal US market share %	0.033%	0.033%	0.033%	0.033%
MCC cumulative obtainable revenue	$2,931,444	$3,525,028	$3,199,667	$3,531,742
Number of brands per segment	4	4	1	4
MCC per brand obtainable revenue	**$732,861**	**$881,257**	**$3,199,677**	**$882,936**

8.4 Positioning

Value proposition and positioning statement, the final step of the STP model, are both key elements of a successful marketing strategy. Positioning is essential for shaping a brand's perception among consumers and is largely influenced by customers' personal perceptions and experiences with the brand. An effective positioning strategy not only enhances brand awareness, which is critical for MCC's success but also allows firms to gain a competitive advantage over the competition (Lin 2011). Therefore, the following sections present the proposed value proposition and positioning statement tailored for MCC's entry into the United States market.

8.4.1 Value proposition & positioning statement

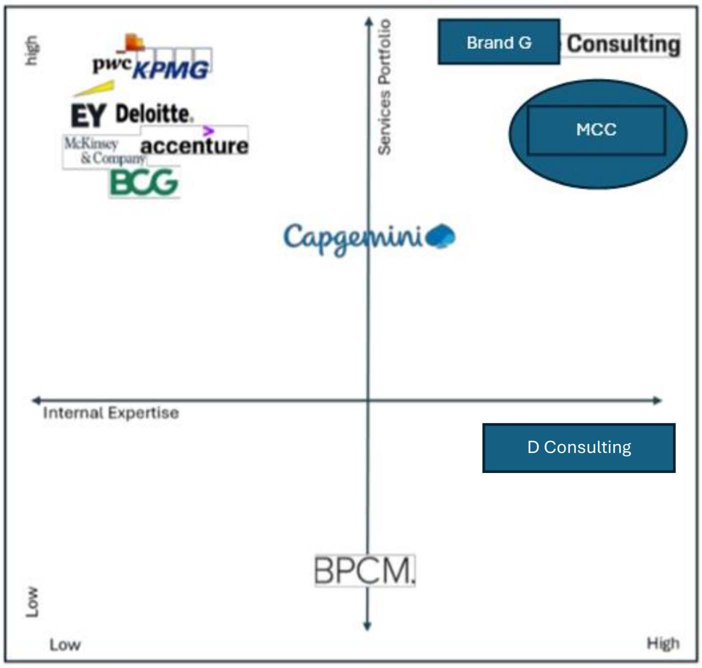
A value proposition is a brief statement explaining how a product or service solves a problem, fulfils a need, or provides specific benefits to a targeted customer segment. An effective value proposition emphasizes the unique advantages of the offering and how it is different compared to competitors (Velikiy 2024). MCC should highlight its commitment to providing high-quality, customized, and comprehensive consulting services to support MC's companies in improving their internal processes and achieving their strategic goals (MC Group Services 2024). Therefore, a potential value proposition statement for MCC can be *"Empowering MotorCar Group's future with innovative and efficient solutions"*. This value proposition emphasizes MCC's benefits for its targeted segment. Firstly, it highlights MCC's focus on innovation. In fact, as the internal consulting department of the Group, the company is committed to identifying and developing innovative solutions to implement the existing strategies of the Group. Secondly, it emphasizes MCC's focus on optimizing processes and operations to enhance efficiency and overall performance. Additionally, the statement positions MCC as a key player in supporting the brands within the MotorCar Group in maintaining and strengthening their leadership in the automotive market.

In addition, MCC should adopt a positioning statement, which is about creating a distinct and valued image or perception of the brand's offering in the minds of the target market (Velikiy 2024). An effective positioning statement should include several key elements, which are the firm's frame of reference, given by its target market and relevant competition, unique value proposition, representing the value offered and its benefits, and a reason to believe that enhances the company's credibility. In particular, the unique value proposition is a combination of Points of Parity, which are necessary requirements to present the company as a legitimate and credible competitor in the market category, and Points of Difference, which are strong, favourable, and unique associations that make the brand distinct from others (Kevin Lane Keller 2002). An effective positioning statement for MCC can be as follows: *"For MotorCar Group's brands, MotorCar Services Consulting offers a comprehensive range of services tailored to optimize processes and strategies uniquely designed for MotorCar Group. Unlike other consulting firms, MotorCar Services Consulting stands as a key partner in empowering the Group's brands, leveraging its industry-specific expertise, competitive pricing, and its internal insights on the specific needs and strategies of MotorCar Group"*.

8.4.2 Positioning map

The positioning map is a visual representation of how MCC differentiate itself from competitors in the United States (see Figure 21). The two key variables analyzed are the Services Portfolio, indicating its breadth and comprehensiveness, and Internal Expertise, representing the depth of knowledge and information confidentiality within the MC Group.

Figure 21 - Positioning Map in the United States



Brand G Consulting emerges as the main competitor. To remain competitive compared to Brand G Consulting, MCC generally offers more cost-effective services, pricing its offerings at approximately half the rate of Brand G Consulting's services (Tashakori and Valverde 2024).

8.5 Marketing Mix

Companies develop marketing strategies focused on four primary areas, commonly known as the 4 Ps of marketing: product, promotion, pricing, and distribution (Rugman and Collinson 2012). Together these factors provide a comprehensive framework for effectively delivering MCS Consulting's services internationally (Bhasin 2023).

Product: MCC offers specialized consulting services tailored to the unique needs of MC brands, including project management, IT consulting, and sustainability initiatives. Their services are designed to enhance operational efficiency and strategic execution, leveraging in-depth industry knowledge and innovative methodologies. In international marketing, product strategies vary depending on the specific characteristics of the product and the target market segment. Some products or services may not require any specific modifications to be successfully marketed in the target market (Rugman and Collinson 2012). The services provided by consulting firms are specialized services, that seek to differentiate themselves and gain a competitive advantage by emphasizing the uniqueness of the service, whether in terms of service function or superior expertise (Välikangas and Lehtinen 1994). This definition of specialized services aligns well with the services offered by MCC. Therefore, theory suggests no specific modifications or adaptations are necessary to enter the US market, and MCC can continue to uphold its expertise in its areas with no alterations. However, certain considerations specific to the US market must be addressed. Given the highly competitive environment that characterizes the United States, MCC needs to highlight the competitive differentiation of its services, based on internal knowledge that applies universally to all countries where MC brands are present. Therefore, the business unit can promote its services in the US by emphasizing its distinctive features, which stem from MCC's comprehensive consulting services crafted specifically for MC brands, and its internal nature. Furthermore, research indicates that American consumers prioritize speed, convenience, knowledgeable assistance, and friendliness in services (PWC 2024). Therefore, it is crucial for MCC to emphasize these qualities when marketing their services in the United States.

Place: Place refers to the distribution channels through which the service is delivered. For MCS Consulting, this is its network of physical offices as well as digital platforms, such as its website. To determine the most suitable location for establishing the first office, several factors need to be considered. Proximity to clients is important for MCC as it can reduce travel expenses and facilitate collaboration with partners (Bhasin 2023). Therefore, the two best options for MCC are Chattanooga, Tennessee, where one of the largest MC production plants is located, or Reston, Northern Virginia, close to the Corporate Headquarters of MC Group of America (MC Group of America 2024). Both locations offer high potential due to their large workforce, numerous projects, and decision-making centres. However, the manufacturing plant in Tennessee has 5,500 employees, 55% of the total workforce of MC Group of America (MC Group of America 2024), compared to 1,000 employees in Reston (MC US Media Site 2020). Additionally, MC Group has already a strong commitment to promote the economic growth of Chattanooga, fostering community development innovation, with more than USD 4.3 billion invested in the area since 2008 (MC Group of America 2024). Moreover, Chattanooga's central location in the southeastern US, advanced logistics infrastructure, entrepreneurial and technological focus, and business-friendly environment make it a strategic hub for MCC to effectively serve clients across the country (Greater Chattanooga Economic Partnership n.d.). Therefore, the recommended entry location for establishing the first office in the US for MCC is Chattanooga, Tennessee.

Price: In terms of pricing, MCC currently employs a competitive pricing strategy. Competitive pricing entails evaluating the prices of comparable products or services provided by competitors to establish one's pricing strategy (Deland 2022). For MCC, this means comparing its rates with those of internal competitors, such as Brand G Consulting, to establish pricing for its services.

Within competitive pricing, MCC adopts an aggressive pricing strategy, aiming to maintain a price gap between itself and its competitors (Deland 2022). This translates into offering services at a lower rate compared to competitors. In Germany, MCC's consulting service rates typically range between €700 and €1000 per day of work, exclusive of additional expenses such as travel costs and VAT (Tashakori and Valverde 2024).

Given the analogous internal competitive landscape in the US and the presence of numerous MC brands, which indicates significant demand, it would be appropriate for MCC to persist with a pricing strategy akin to its approach in Germany. MCC can employ a value-based pricing strategy that emphasizes the superior value and unique benefits of its consulting services. This approach involves analyzing the prices of comparable services offered by competitors, such as Brand G Consulting, and setting rates to reflect the added value MCC provides through its deep industry expertise and internal insights. Specifically, MCC will adopt an aggressive pricing model, offering services at approximately 10-15% lower rates than key competitors like Brand G Consulting. Adapting this strategy to the US market, competitive rates will be set in a way that reflects local market conditions, even though there is little publicly available information on rates charged by consultants in the US (Consulting.us 2023), they are expected to be between $800 and $1,200 per day, to account for higher operational costs and market expectations in the US. This pricing strategy will help penetrate the market effectively and build a strong client base among MC brands.

Promotion: Considering the significant role brand loyalty holds within the consulting industry, it is imperative for MCC to invest substantial efforts in promotion to establish a strong presence in the market. To increase its brand visibility and attract new clients within the Group’s brands, MCC can adopt several promotional strategies, before and after establishing its presence in the country. A traditional marketing approach that can be adopted involves speaking, presenting and sponsoring industry events around the country. Since the state of Tennessee is very famous for its automotive and manufacturing industry, it hosts many industry events that offer network opportunities for MCC to connect with potential partners and stakeholders. For instance, the Southern Automotive Conference is a famous event that attracts major OEMs (Southern Automotive Conference 2024). Additionally, the company can leverage internal communication channels within the Group, utilizing the company's intranet and internal newsletters to promote its services. Organizing targeted meetings with department heads and business unit leaders of MC Group of America can also be beneficial. These meetings will allow MCC to gain insights into the specific needs, challenges, and priorities of the different business units within the Group and explore potential project opportunities. Integrating digital promotion strategies is also essential for improving brand visibility. By implementing search engine optimization (SEO) strategies, MCC can improve its website's ranking in online search results, making its content more accessible to the Brand Eence (Ellis 2023). Additionally, establishing a strong presence on social media platforms, like LinkedIn and Twitter, offers an opportunity to broaden MCC's reach and interaction, by regularly sharing relevant content and engaging with followers. Furthermore, since potential clients may have previously entrusted consulting projects to competitors, building new trust relationships is paramount. To demonstrate the credibility of its services, the business unit could promote previous case studies showcasing successful projects undertaken in the past and the significant benefits they provided to clients.

9. Financial forecast

9.1 Assumptions

Financial forecast covers financial estimates, projections, and analysis for the business unit across a 6-year period ranging from 2025 to 2030. The new company's operation is assumed to be conducted in a 2000ft^2 office, in the city of Chattanooga Tennessee, home to one of the largest manufacturing plants of MotorCar Group consisting of 5,500 employees (MC Group of

America 2023). It is assumed that the new consulting division will initiate with 10 full-time employees with a constant addition of 5 full-time employees in each of the following years, who will be compensated as per the average consulting industry rate prevalent in the state of Tennessee (Indeed 2024). The compensation will comprise basic pay with gradual increments along with mandatory contributions to every employee's respective retirement account (Carry 2024)**.** Employee addition and retention are key to growth in the sale of services and building a strong clientele. It is assumed that the company will commence operations in the 1st quarter of 2025 after the completion of necessary incorporation and compliance procedures. No loans will be needed to finance the expansion, as it is expected that the MC Group will finance the internationalization efforts.

9.2 Market size and market share estimation

Previously, an analysis was conducted to determine the market sales potential and market share, revealing figures of 7.3 million and 0.033%, respectively (refer to Figure 16, chapter 6). The analysis involved certain assumptions, particularly regarding the correlation between MC's car sales and the demand for MCS Consulting. As such, the stronger MotorCar's presence in the US, the greater the revenue potential for MCS Consulting. However, it's crucial to acknowledge a decline in MC car deliveries to the US in 2023 (MC AG 2023), which impacts obtainable revenue projections for this market. To estimate the internal market share, group revenues from the Iberian market (Spain and Portugal), where MCS Consulting operates, were used. Yet, considering the global clientele, estimating market share solely based on Iberian data poses challenges. Additionally, it was assumed that MCC could replicate this market share in the US almost immediately, even though it took several years to reach 2.5 million in revenues in the Iberian market.

To address variations in our assumptions and data, a two-factor sensitivity analysis was conducted. This analysis revealed a worst-case scenario, where a lower market share of 0.02% and reduced car deliveries in the US could lead to a possible obtainable revenue of 3.8 million (Figure 22).

Figure 22 - obtainable revenue in the United States sensitivity analysis

		Vehicles sold in the US				
		550000	600000	**631610**	700000	750000
Internal Market Share	0.020%	3,860,049	4,210,962	4,432,810	4,912,789	5,263,703
	0.030%	5,790,073	6,316,443	6,649,215	7,369,184	7,895,554
	0.033%	6,369,081	6,948,088	**7,314,136**	8,106,102	8,685,110
	0.040%	7,720,098	8,421,925	8,865,620	9,825,579	10,527,406
	0.045%	8,685,110	9,474,665	9,973,822	11,053,776	11,843,332

9.3 Operational plan

In the operational plan, financial aspects of the business unit's overseas expansion strategy will be explored involving revenue and cost estimates, and a detailed income statement. The analysis not only presents a comprehensive evaluation of financial outcomes but also includes an operational risk analysis summarizing any potential changes and uncertainties faced while conducting daily business activities and operations.

9.3.1 Revenue estimation

Due to the internal nature of the business unit, and the lack of information regarding specific revenue streams, an estimation of revenues from sales for the next 6 years (2025-2030), was conducted. Consulting services, project-based fees and retainer agreements were considered potential revenue streams for MCS Consulting. Project-based fees would entail the bulk of the business of MCC in the United States. These fees would be charged to clients on a project basis and could change based on the scope, complexity, and duration of the project. Clients may pay a fixed fee for the entire project or an hourly/daily rate for the consulting services provided. Reflecting historical MCS Consulting practices, it is assumed that projects are billed daily to clients at a rate of $1100 per day (1000 euros accounting for currency exchange), with a team size of 5 individuals per project and a standard project duration of 2 months, encompassing 36 working days (Loos 2023). Based on these assumptions, MCC is forecasted to realize revenues of $475,200 in the initial year exclusively from project-based fees (See Figure 23).

Figure 23 -Revenue estimation

Year/revenue stream	2025	2026	2027	2028	2029	2030
Consulting fee (daily)	$30,000.00	$35,000.00	$40,000.00	$45,000.00	$48,000.00	$52,000.00
Project-based fee						
Assumed Average Daily rate as fee	$1,100.00	$1,265.00	$1,518.00	$1,897.50	$2,428.80	$3,206.02
Average Duration in Days of a Project	36	36	36	36	36	36
Total Cost per project	$39,600.00	$45,540.00	$54,648.00	$68,310.00	$87,436.80	$115,416.58
Increase in rates	-	15%	20%	25%	28%	32%
Average number of Projects in a Year	12	18	24	30	36	42
Total project-based fee	$475,200.00	$819,720.00	$1,311,552.00	$2,049,300.00	$3,147,724.80	$4,847,496.19
Retainer Agreements	-	$15,000.00	$20,000.00	$25,000.00	$28,000.00	$35,000.00
Total revenues	**$505,200.00**	**$869,720.00**	**$1,371,552.00**	**$2,119,300.00**	**$3,223,724.80**	**$4,934,496.19**

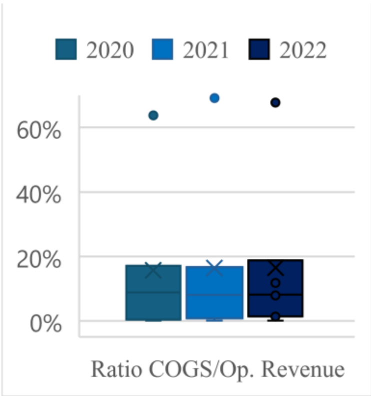
In addition to project-based fees, consulting fees represent another significant revenue stream for MCS Consulting. These could come from providing advisory services to clients and offering specialized expertise to address specific business challenges. These consulting services range from a broad spectrum of services beyond project-based ones. Anticipating either fixed-rate or hourly-rate arrangements, it is projected that MCC could accrue $30,000 in the first year primarily through the delivery of advisory services to its clients (See Figure 23).

Beyond the initial year, retainer agreements emerge as a pivotal revenue stream for MCC, promising consistent income while fostering accessibility and sustained engagement with clients (Investopedia 2024). Retainer agreements offer various structures, ranging from hourly retainers to comprehensive consulting contract retainers, facilitating ongoing communication and fostering enduring partnerships with clients (Williams 2023). It is projected that in the second year of operation within the United States, retainer agreements will contribute $15,000 to MCS Consulting's revenue stream, reflecting the growing emphasis on establishing long-term client relationships and ensuring continual value delivery.

As the business unit solidifies its presence in the market, it is estimated that there will be an increase in staff numbers leading to an increase in projects, mirroring the growth trajectory witnessed in the Iberian region. This would increase the average number of projects in a year to 42 in 2030. Moreover, daily rates would be expected to increase, resulting in 4.8 million in project revenues alone. Additionally, with an increased reputation and an expanding client base, both consulting and retainer revenues are expected to increase, leading to a projected total revenue of 4.9 million dollars in 2030 (See Figure 23).

9.3.2 Cost estimation

Figure 24 - ratio COGS/operating



In the cost estimation process, analysing the Cost of Goods Sold (COGS) is crucial. Given the unique internal dynamics of the business unit, which sells services, COGS can exhibit significant fluctuations among firms. With limited internal financial metrics available, it was analysed the competitors' COGS to determine a median value applicable to MCC. Our analysis focused on key competitors in the US market, including the big four consulting firms (Deloitte, PwC, KPMG, EY), as well as McKinsey & Company, Roland Berger, and MCC's direct US competitor, Brand G Consulting. It was calculated the ratio of Operating Revenue to COGS for the years 2020 to 2023 using Orbis. A box and whisker plot was employed to identify outliers and determine the mean value suitable for MCS Consulting (see Figure 24). This resulted in a ratio of 8.67%. The cost estimates reflect all possible capital and operating expenses that will be incurred by the business unit to operate its business in the US market. On average, the company is expected to spend $17,000 on compliance and setup costs. These costs will include all kinds of compliance activities and procedures involving filing for operating agreements, articles of incorporation and commencement of business, attorney and services fees, company and employee Identity numbers, tax registration, among others (Raj 2023). Following the incorporation, the business unit is expected to establish its office in Chattanooga, Tennessee to operate with the manufacturing base located in the city. The estimated office costs in 2025 are expected to be $304,200 which will involve office space, rent, insurance, and interior design. The office space will be 2000ft^2 with an average rental and fit-out of $24.5 (Commercial Cafe 2024) and $127.00 (Cushman & Wakefield 2023) per square foot. The company will incur a 1-

time cost of $254,000 on fit-out and interior followed by an annual insurance of $1,200. To support the business activities, the company will employ 10 people in the 1st year with a steady increase of 5 employees each year till 2030. The employee's salary structure will involve basic pay and employer contribution to $401,000 ranging between 4 and 6% as per the government regulation. Furthermore, these employees will be provided with a dedicated laptop system and IT support that would amount to $35,000 per year (Outsource 2022). All the essential utilities such as gas, water, electricity, heating, and the Internet (Anna 2023) are expected to cost the company $27,428.57 in 2025. Advertising and Marketing activities will comprise of social media advertisement, email marketing and SEO resulting in an expenditure worth $34,200 in the initial year of operations (WebFX 2021). All employees will be provided with a reimbursement on any business travel associated with client meetings and conferences, as a result a budget of $10,000 is created as part of travel expenses. It is believed that $5,000 will be spent annually on office stationery and supplies. Additionally, corporate federal (PwC 2023) and Tennessee State taxes (Tax Foundation 2024) will be levied on the profits remaining post adjustment of depreciation. Furthermore an 8 to 10% estimate increase per year on all costs except office supplies and COGS has been assumed given the level of cost margin and inflation prevalent within the US market.

9.3.3 P&L statement

The P&L statement for the period spanning across 6 years (2025-30) reflects the comprehensive financial performance of the business unit. During the given period, several changes comprising of market dynamics, operational adjustments and growth prospects have been considered (Figure 25).

Figure 25- P&L statement

Year	2025	2026	2027	2028	2029	2030
Sales/Revenue	$505,200	$869,720	$1,371,552	$2,119,300	$3,223,725	$4,934,496
COGS	-$43,801	-$75,405	-$118,914	-$183,743	-$279,497	-$427,821
Gross Profit	**$461,399**	**$794,315**	**$1,252,638**	**$1,935,557**	**$2,944,228**	**$4,506,675**
Salaries & Wages	-$463,334	-$729,750	-$1,041,110	-$1,405,499	-$1,855,259	-$2,424,205
Utility Expenses	-$27,429	-$29,897	-$32,588	-$35,521	-$38,718	-$42,202
Office Supplies	-$5,000	-$5,000	-$5,000	-$5,000	-$5,000	-$5,000
Technical & Subscription Expenses	-$35,000	-$37,800	-$40,824	-$44,090	-$47,617	-$51,426
Advertising & Marketing	-$34,200	-$36,936	-$39,891	-$43,082	-$46,529	-$50,251
Regulatory and Compliance Costs	-$17,000	-$18,360	-$19,829	-$21,415	-$23,128	-$24,979
Travel	-$10,000	-$11,000	-$12,100	-$13,310	-$14,641	-$16,105
Office costs	-$304,200	-$64,216	-$68,553	-$73,238	-$78,297	-$83,760
EBITDA	**-$434,763**	**-$138,644**	**-$7,257**	**$294,402**	**$835,040**	**$1,808,747**
Depreciation	-$23,362	-$23,362	-$23,362	-$23,362	-$23,362	-$11,362
EBIT	**-$458,125**	**-$162,006**	**-$30,619**	**$271,040**	**$811,678**	**$1,797,385**
Tax Deducted	-	-	-	$74,536	$223,211	$494,281
Net Income	**-$458,125**	**-$162,006**	**-$30,619**	**$196,504**	**$588,466**	**$1,303,104**

It is estimated that during the commencement of operations, the costs incurred to operate business activities are higher than the sale of services thereby projecting a negative net income of $458,125. However, with the increase in the number of clients and consulting rates, the business unit is expected to show steady revenue growth achieving a compounded annual growth rate of 46.21% across the 6 years with a positive net income of $1.3 million in 2030. The growth is primarily driven by having multiple revenue streams involving general consulting services, retainer contracts with existing and new clientele, and project-based fees. MCC also remains committed to optimizing operational efficiencies and cost management initiatives throughout the period. The expense section of the statement comprises of several operating expenses such as advertising and marketing to capital expenditures involving office expenses and tech support. Additionally, corporate federal and Tennessee state taxes will be levied on the profits remaining post adjustment of depreciation. In conclusion, the P&L

statement for the 6 years reflects the company's adaptability and commitment to sustainable growth and profitability and ensures value creation for the parent organization.

9.3.4 Operational risk analysis

It is essential to assess the risks that MCC may face when entering the US market, attributed to differences in business environments and regulations (Kubíčková and Toulová 2013). Revenues are expected to increase mainly due to an increase in the number of projects, as observed in Iberia. However, MCC faces the risk of not achieving its sales potential due to higher competition in the US market and unpredictability (Insureon 2022), posing a threat to profitability and directly impacting profit margins. Therefore, MCC should implement a robust monitoring system to regularly assess its actual performance and make necessary adjustments to future projections accordingly. Moreover, the business unit may face challenges in recruiting and retaining skilled employees in the competitive US job market (Kubíčková and Toulová 2013). Despite the company's strong internal hiring structure and its good reputation as a subsidiary of the MotorCar Group, salaries aligned with Tennessee averages may not be sufficient to attract top talent. To mitigate this risk, MCC should consider adopting competitive compensation, attractive benefits for employees and opportunities for career advancement (Liberty Mutual insurance 2022). Additionally, office expenses and utility costs may increase more than the estimated rate, leading to an increase in operating costs, negatively impacting MCC's bottom line. To address the risk, the company could invest in energy-efficient solutions to reduce utility costs and negotiate long-term rental agreements to stabilize expenses. Finally, MCC's unexpected legal and compliance risks may emerge from evolving regulatory landscapes (Gartner 2024). Lawsuits, breaches of contracts, or policy changes can lead to substantial costs, underscoring the necessity for the company to continuously monitor legal updates and look for local expertise of legal advisors to effectively navigate regulatory frameworks (Gajendrakar 2024). In Appendix 11, the total risk was determined by multiplying the potential impact of each risk on MCC's profitability by the likelihood of its occurrence (Evrin 2021), resulting in a total risk of 10.5% (Appendix 11).

9.4. Investment plan

This section aims to propose a functional investment plan for MCC internationalization in the US market, with a clear focus on the several financial components of this project.

9.4.1 Capital expenditure

A detailed CAPEX analysis was conducted to identify the main components on which the company will be required to allocate its funds to successfully pursue its expansion. Considering an average fit-out cost in Tennessee of $127 per ft^2 (Statista 2023) and assuming that MCC will be renting office space close to 2000 ft^2, the main CAPEX category is represented by fit-out costs and interior design which have been estimated to reach $254,000. Further expenses stem from computers and IT hardware, utility purchases, and office stationery amounting to a total of $329.000 CAPEX as presented by Figure 26.

Figure 26 - CAPEX component breakdown

Fit Out cost per Sq ft in Tennessee	$	127.00
Assumed Office Space size in Sq ft	$	2,000.00
One Time Cost for fit-outs and interior design	$	254,000.00
Office Stationary Supplies	$	5,000.00
Utilities purchase and installation fees	$	10,000.00
IT hardware & Computers	$	60,000.00
Total CAPEX	**$**	**329,000.00**

9.4.2 Investment in net working capital

As a consulting service provider, MCC plans to expand its operations in an overseas market and since the business unit is internal to the MotorCar Group any contribution related to financing operations and investments abroad will be borne by the holding company. The parent organisation will provide all possible financial support to ensure the subsidiary’s success and facilitate its growth. Hence, there is no computation of working capital in the P&L statement.

9.4.3 Salvage value

Depreciation was calculated by adopting the straight-line method through the rates provided by the IRS (IRS 2024). Figure 27 shows the total amount of annual depreciation for the first 5

Figure 27 - Annual depreciation plan using SLM

	Depreciatable CAPEX		Depreciation rate	Annual Depreciation	
Portion of fit-out and interior design costs	$	76,200.00	14.29%	$	10,885.71
Utilities purchase and installation fees	$	10,000.00	4.76%	$	476.19
IT hardware & Computers	$	60,000.00	20.00%	$	12,000.00
Total	**$**	**146,200.00**		**$**	**23,361.90**

years of operation that will be equal to $23.361,90, after which it will drop to $11.361,90 (since IT hardware & computers will be fully depreciated) and will remain constant for the following 2 years. As MCC's investment is not bound by a finite asset useful life, meaning that the firm will not sell the latter at the end of the period, salvage value will be equal to zero considering straight-line depreciation.

9.5 Financing plan

The international expansion of MCC into the United States will be funded by the German branch. They will allocate financial resources and offer financial security to cover potential losses during the initial years of expansion. Subsequently, the aim is for the business to become self-sustaining.

9.6 Financial viability

9.6.1 Profitability ratios

Based on the mentioned assumptions, different profitability ratios were calculated to assess MCC's ability to generate profit in the US. Firstly, strong relevance should be placed on the

Figure 28 - profitability ratios

Profitability Ratios	2025	2026	2027	2028	2029	2030
EBITDA Margin	-86.1%	-15.9%	-0.5%	13.9%	25.9%	36.7%
Return on Sales	-90.7%	-18.6%	-2.2%	12.8%	25.2%	36.4%
Net profit margin	-90.7%	-18.6%	-2.2%	9.3%	18.3%	26.4%

year 2028 since this constitutes a turning point for the firm as it will start operating on a profit and hence all the presented indicators will be exhibiting a positive trend from there onwards. In fact, both EBITDA Margin and Return on Sales show a negative performance in the first three years of operation and reach approximately 13% in 2028 while peaking at roughly 36% in 2030. These two indicators behave similarly because of the low impact that Depreciation and Amortization make on the EBIT. Additionally, the Net Profit Margin presents a similar trend in terms of a positive sign change in 2028 with an expected increasing roadmap by 17 percentage points from 2028 to 2030 (See Figure 28).

9.6.2 NPV

To assess the profitability of MCC's international expansion, Net Present value (NPV) analysis was used. NPV is a crucial metric that represents the total present value of future cash flows,

Figure 30 - NPV, IRR and payback period calculations

Year	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Sales/Revenue		$505,200	$869,720	$1,371,552	$2,119,300	$3,223,725	$4,934,496
Gross Profit		**$461,399**	**$794,315**	**$1,252,638**	**$1,935,557**	**$2,944,228**	**$4,506,675**
EBITDA		**-$434,763**	**-$138,644**	**-$7,257**	**$294,402**	**$835,040**	**$1,808,747**
EBIT		**-$458,125**	**-$162,006**	**-$30,619**	**$271,040**	**$811,678**	**$1,797,385**
Net Income		**-$458,125**	**-$162,006**	**-$30,619**	**$196,504**	**$588,466**	**$1,303,104**
Depreciation		$23,362	$23,362	$23,362	$23,362	$23,362	$11,362
Operating CFs		**-$434,763**	**-$138,644**	**-$7,257**	**$219,866**	**$611,828**	**$1,314,466**
CAPEX	$329,000						
Investment CFs	**-$329,000**	-	-	-	-	-	-
Free Cash Flow	**-$329,000**	**-$434,763**	**-$138,644**	**-$7,257**	**$219,866**	**$611,828**	**$1,314,466**
Discount Rate	8.64%						
Discounted FCF	**-$329,000**	**-$400,187**	**-$117,469**	**-$5,659**	**$157,834**	**$404,279**	**$799,486**
NPV	**$509,283**						
IRR	**20%**						
Payback period	**5.06 years**						

both inflows and outflows, associated with the investment. A positive NPV generally indicates that a project is financially viable, while a negative NPV suggests that the project may not be worth undertaking (Fernando 2024). In conducting the analysis, the Weighted Average Cost of Capital (WACC) was initially calculated and then used as the discount (Hargrave 2024). Since the firm will be financed by MCS Germany, a debt-free structure was assumed, and the cost of equity was used as a proxy for the WACC. To estimate the cost of equity, the average 10 year U.S. Treasury yield of 4.5% (Niedens 2023) served as a proxy for the risk-free rate, while the US Equity Risk Premium of 4.6% (NYU 2024) was used as the market risk premium. Additionally, an unlevered Beta of 0.9 (NYU 2023) was considered to measure the market risk. Overall, the WACC resulted to be 8.64% (See Figure 29). Next, operating, investment, and free cash flows, were calculated considering the projected revenues and associated costs and the free cash flow was then discounted using the determined WACC (Figure 30). The resulting NPV amounted to $509,283, meaning that the investment is profitable and financially feasible.

Figure 29 - WACC estimations

	WACC
4.50%	10 Year US Treasury Bonds
0.9	Unlevered Beta Business and Consumer Services
4.60%	US Equity Risk Premium
8.64%	**Cost of Equity**

9.6.3 IRR

The Internal Rate of Return (IRR) represents the discount rate which makes the NPV of all cash inflows and outflows of the investment equal to zero (Ganti 2024). Together with the NPV, the IRR is used to evaluate the profitability of a project, by comparing it to the cost of capital. In the case of MCC's expansion into the US market, the IRR resulted equal to 20%, exceeding the company's WACC of 8.64%. This means that the project is considered feasible, as it is expected to generate returns higher than the cost of capital (Figure 30).

9.6.4 Payback period

Another measure to evaluate an investment's profitability is the payback period which indicates how much time it takes for an investment to generate enough cash flows to recover its initial cost. Investments with shorter payback periods are generally considered more attractive (Ungvarsky 2023). For MCC's expansion, the payback period is projected to be 5.06 years, meaning that the company will fully recover its initial investment by the start of 2030 (see Figure 30).

9.7 Sensitivity and scenario analysis

Considering the numerous assumptions based on the financial assessment of the expansion plan, a comprehensive sensitivity analysis was conducted to estimate the impact of varying key variables. Initially, a one-factor sensitivity analysis was conducted to examine the NPV in response to fluctuations in the discount rate. The discount rate, approximated by the WACC excluding debt considerations, ranged from 4.5% to 10.5%. Notably, the NPV remained positive across this spectrum (Figure 31).

Figure 31 – one-factor sensitivity analysis NPV – WACC

Discount Rate	
4.50%	806,346
5.50%	727,079
6.50%	652,845
7.50%	583,288
8.64%	**509,283**
9.50%	456,925
10.50%	399,539

Figure 33- sensitivity analysis: impact of variations in CAPEX on NPV

		Capex				
		229,000	279,000	**329,000**	379,000	429,000
Revenues 2025	300,000	420,403	370,403	320,403	270,403	220,403
	400,000	512,450	462,450	412,450	362,450	312,450
	505,200	609,283	559,283	**509,283**	459,283	409,283
	600,000	696,544	646,544	596,544	546,544	496,544
	700,000	788,591	738,591	688,591	638,591	588,591

Figure 32 -sensitivity analysis: impact of 2025 revenue variations on NPV

		Revenues Year 2025				
		355,200	455,200	**505,200**	555,200	655,200
Discount Rate	3%	789,904	886,991	935,535	984,079	1,081,166
	6%	547,846	642,186	689,356	736,525	830,865
	8.64%	371,213	463,260	**509,283**	555,307	647,354
	12%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	15%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	18%	-60,[illegible]91	23,[illegible]55	66,[illegible]28	108,[illegible]1	193,[illegible]7

Figure 34- sensitivity analysis: impact of number of employees on NPV

		Number of Projects 2025				
		10	11	**12**	13	14
Employees 2025	8	521,679	558,130	594,580	631,031	667,482
	9	479,030	515,481	551,932	588,382	624,833
	10	436,382	472,833	**509,283**	545,734	582,185
	11	393,733	430,184	466,635	503,085	539,536
	12	351,085	387,536	423,986	460,437	496,888
	13	308,436	344,887	381,338	417,788	454,239

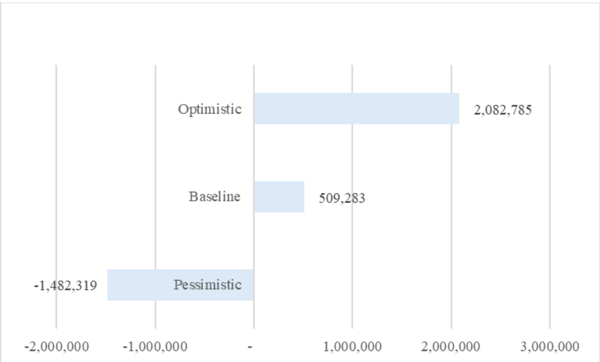
Moving beyond, several two-factor sensitivity analyses were undertaken to account for the potential variability of the discount rate alongside other influential variables. It is important to note that a decrease in the discount rate will always have a positive effect on the NPV. The first two-factor analysis analyzed the impact of varying revenues in the year 2025 on NPV, revealing a significant influence of initial-year revenues on NPV outcomes (Figure 32). It implies the importance of guaranteeing a strong first year of operations. Regarding expenses, the CAPEX mainly considers property and equipment procurement, with a specific focus on acquiring property in Chattanooga, Tennessee. However, it's essential to note that opting for a different location could significantly alter the CAPEX dynamics. It is observed that variations in CAPEX have a substantial impact on the project's NPV. Specifically, an incremental $50,000 in CAPEX leads to an average NPV reduction of $50,000. This sensitivity highlights the direct correlation between CAPEX adjustments and NPV fluctuations, highlighting its pivotal role in project evaluation and decision-making. As such, changes in both the CAPEX and Revenue in the year 2025 at the same time would impact even greatly the NPV (Figure 33). It shows that if revenues don't meet the target in the first year and CAPEX is more than expected, NPV can reduce to less than half. Another expense is the salary of the employees. By reducing one employee, NPV changes by more than $40,000. On the other hand, if the number of employees remains constant, but productivity increases, i.e. number of projects per team increases, it has less impact on the NPV (Figure 34).

A scenario analysis was conducted to account for various potential outcomes, particularly considering the current global instability and the impact it might have on the internationalization plan. Three distinct scenarios were explored: pessimistic, optimistic, and baseline. The analysis focused on three key variables: revenues, salaries and wages, and total costs. In the pessimistic scenario, a 10% decrease in revenues was projected for the years 2025 to 2030, with a corresponding 10% increase in both salaries and wages, as well as total costs. On the contrary, in the optimistic scenario, a 10% increase in revenues was anticipated over the same period, accompanied by a 10% reduction in total costs (Figure 35). It is noteworthy that salaries and wages were kept constant in this scenario, reflecting their fair market value, as any decrease in compensation could potentially deter high-quality personnel. Given the recent instability, probabilities were assigned to each scenario: 15% for pessimistic, 50% for baseline, and 35% for optimistic. Despite acknowledging the potential for adverse developments, recent trends indicate a positive shift, both in financial markets and political stability. Consequently, the baseline scenario carries the highest probability.

Figure 35 - scenario analysis

(% Change)	Pessimistic	Baseline	Optimistic
Revenues	-10%	0	+10%
Salaries & Wages	+10%	0	0
Total Costs	+10%	0	-10%
Probability	**15%**	**50%**	**35%**

Figure 36 - scenario implications on NPV



The various scenarios had distinct implications for NPV (Figure 36). The pessimistic scenario, with its 15% probability, resulted in a substantial -391% change in NPV. Conversely, the optimistic scenario, with a 35% probability, had a notable impact, showing a 309% increase in NPV (Table 1).

Table 1 - scenario implications on NPV

	NPV	% Change
Pessimistic	-1,482,319	-391%
Baseline	509,283	0%
Optimistic	2,082,785	309%

These figures show the importance of considering multiple scenarios and associated probabilities when evaluating financial outcomes and planning strategies. While the pessimistic scenario highlights the risks associated with economic downturns and increased costs, the optimistic scenario demonstrates the potential for significant growth and profitability. However, it's crucial to note that the baseline scenario, with its higher probability, serves as a prudent reference point for decision-making, reflecting current market conditions and trends.

10. Overall conclusions and recommendations

To conclude, the gathered information, insights, and analyses presented in this project depict a promising future for the international expansion of MCC's services across the Atlantic. Over the past years, the company has successfully acquired the expertise necessary to venture into new markets. Strengthened by financial stability, robust brand recognition, and a keen interest in the opportunities that foreign markets present, the company is well-prepared and eager to advance its internationalization efforts. In this project, the internationalization process of MCC was thoroughly analyzed from various perspectives. Maintaining constant communication with the company enabled our team to effectively grasp its strategic intentions, allowing to compare these intentions and aspirations through a comprehensive quantitative and qualitative analysis. Following a detailed examination of the company's current strategic position, an extensive international market selection process was conducted. By combining ranking and clustering analyses, five countries were identified as prime targets for MCC's international expansion: the US, Canada, Chile, Mexico, and Peru. Subsequently, after conducting in-depth market analyses for each of these countries and undergoing a meticulous selection process, the US emerged as the most suitable target market for expansion. This thorough quantitative and qualitative assessment reaffirmed MCC's aspirations to internationalize within the Americas, particularly in Canada and the US. Consequently, our primary recommendation for the company's further internationalization endeavors post-US expansion is to prioritize Canada, followed by the remaining analysed countries, with potential subsequent expansions aligned with the strategic clusters identified. Finally, considering the distinctive attributes of the business unit, the recommended entry mode into the US market is through a Greenfield investment. The subsequent analysis focused on devising a country-specific marketing plan to achieve the company's goals of boosting sales and revenue, and augmenting brand visibility and recognition. To drive sales and revenue growth, the recommendation is to target either the Luxury & Sport segment or Trucks, along with the Advanced segments collectively. Conversely, to elevate brand awareness and recognition, the company should emphasize its distinctive value proposition of "*Empowering MotorCar Group's future with innovative and efficient solutions."* Additionally, it should intensify promotional endeavors by participating in industry events nationwide, leveraging internal communication channels, employing SEO tactics, and engaging in social media marketing.

The internationalization plan targeting the US market stands on solid financial ground, resulting in a positive NPV of $509,283 and a swift payback period of 5.06 years. Moreover, the IRR registers an impressive 20%, surpassing the company’s WACC of 8.64%. This signifies that the project is poised to yield returns surpassing the cost of capital. It's advisable for MCC to prioritize long-term financial sustainability, especially as the initial funding for the expansion will be sourced from the German branch. This entails implementing strategies such as cost-saving initiatives, optimizing cash flow management, and diversifying revenue streams to reduce dependence on external financing.

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Appendix

Appendix 1 - Ratios analysis

RATIO ANALYSIS	2022	2021	2020	2019
LIQUIDITY RATIOS				
Current Ratio (Current Assets/Current Liabilities)	1.84	1.68	1.59	1.52
Cash Ratio (Cash/ Current Liabilities)	0.12	0.01	0.21	0.17
Quick Ratio (Current Assets - Inventories)/ Current Liabilities)	1.84	1.68	1.59	1.52
EFFICIENCY RATIOS				
Inventory Turnover Ratio (Cogs/ Average Inventory)	0.00	0.00	11.17	20.66
Net assets turnover Ratio (Net Sales / Total Assets)	4.11	3.68	3.41	4.27
Average Inventory (Opening + Closing Inventory/2)	1,422.00	2,843.50	5,686.63	11,410.13
Days To Sell Inventory (Average Inventory*360/Cogs)	-	-	32.24	17.43
Average Account Receivables (Opening Acc Receivables +Closing Acc Receivables /2)	1,69,97,299.52	1,69,33,530.40	2,11,66,632.47	2,38,01,691.72
Average Collection Period (Average Account Receivables*360/Net Sales)	93.87	86.87	105.086	134.831
Purchases (Cogs + Closing Stock - Opening Stock)	0.00	0.00	52,131.33	2,35,628.90
Average Account Payables (Opening Acc Payables +Closing Acc Payables /2)	18,77,545.80	16,01,244.31	13,50,561.87	20,95,798.25
Average Payment Period (Average Account Payables*360/Purchases)	10.21	9.77	8.35	6.99
Cash Conversion Cycle (Days to Sell Inventory + Average Collection Period - Average Payment Period)	-	-	128.97	145.27
Working Capitat Turnover (Net Sales/ Net Working Capital)	4.29	4.61	3.67	2.78
PROFITABILITY RATIOS				
Gross Margin %	100.00	100.00	99.90	99.63
ROS: Return on Sales (EBIT/Sales)	0.08	0.07	0.04	0.09
ROA using Net income (%)	10.96	8.44	4.61	11.05
ROE using Net income (%)	22.73	19.37	11.31	29.70
EBITDA Margin (EBITDA/Revenues)	8.60	8.10	5.77	10.23
SOLVENCY RATIOS				
Liabilities to Assets Ratio (Total Liabilities/ Assets)	0.52	0.56	0.59	0.63
Debt- Equity Ratio (Total Debt / Shareholder's Equity)	1.07	1.29	1.46	1.69
Interest Coverage Ratio (EBIT/ Interest Expenses)	98.726	100.959	0.000	n.a.
Net Debt to EBIDTA (Gross Debt - Cash Equivalents/EBIDTA)	2.63	3.64	3.35	3.30

Appendix 2 - Global Readiness test

Questions	Score (0-5)
1. Is the foreign market similar to the domestic market?	2
2. Is the End User of the product in the foreign market the same as in the domestic market?	5
3. Is the product successful in the domestic market?	5
4. Is the product unique?	3
5. Does the product perform the same function in the foreign market as it does in the domestic market?	5
6. Are the product use conditions the same in the foreign market as they are in the domestic market?	3
7. Does the product need modifications to meet the needs of the customers in the foreign market?	3
8. What is the stage of the product's life cycle in the home market?	3
9. What is the stage of the product's life cycle in the international market?	3
10. Does the product require after-sales service?	4
11. Is the company in a position to provide after sales-service to its customers in the foreign market?	4
12.Would export orders hurt domestic sales?	5
13. Does the company have the financial resources necessary for export?	5
14. Does the company have in-house personnel with export related knowledge/experience?	4
15. Is international/global participation part of the Mission Statement of your company?	5
16. Is international expansion a part of the strategic business plan of the company?	5
17. Would the company be willing to investigate export market opportunities?	4
18. Would the company be willing to attend and/or participate in Trade Shows abroad?	5
19. Is the company willing to translate company literature into one or more foreign languages?	4
20. Are the company's top competitors involved internationally?	1
21. Is the industry highly regulated?	4
22. Is the company certified- ISO 9000 or other certification?	5

Appendix 3 - list of countries for IMS

North America	Central America	Caribbean	South America	Home Country
Canada	Belize	Anguilla	Argentina	Germany
Greenland	Costa Rica	Antigua and Barbuda	Bolivia	
Mexico	El Salvador	Aruba	Brazil	
United States	Guatemala	Bahamas	Chile	
	Honduras	Barbados	Colombia	
	Nicaragua	Bermuda	Ecuador	
	Panama	British Virgin Island	French Guiana	
		Cayman Island	Guyana	
		Curaçao	Paraguay	
		Cuba	Peru	
		Dominica	Suriname	
		Dominican Republic	Uruguay	
		Grenada	Venezuela	
		Haiti		
		Jamaica		
		Saint Kitts and Nevis		
		Saint Lucia		
		Saint Vincent and the Grenadines		
		Trinidad and Tobago		
		Guadeloupe		
		Montserrat		
		Martinique		
		Puerto Rico		
		US Virgin Island		

Countries that have been removed due to too many missing data

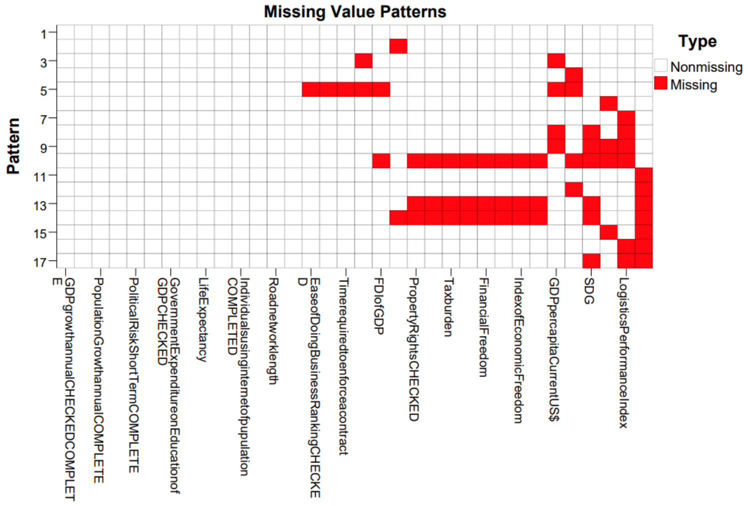
Appendix 4 - variables description

HEADS	COUNTRY SELECTION CRITERIA: VARIABLES	DESCRIPTION
	Population ages 15-64, total	Indicates the percentage of people aged 15 to 64 in the total female population, aligning with Volkswagen Group Services' target demographic. This metric reflects the proportion of its potential customer base.
	GDP per capita, PPP	Measures a country's GDP per capita at purchasing power parity, serving as an indicator of the average income, and purchasing power of the population. This variable is relevant for Volkswagen Group Services as it reflects the economic potential of the target market, influencing pricing strategies and market positioning.
Market Size	**Population Growth**	This variable explains the percentage with which the population of the country is growing. A high percentage increase indicates growing number of potential customers to avail services from the firm.
	GDP Growth	Measures the annual change in a country's GDP, reflecting economic development in terms of goods and services produced and rendered. This variable is highly relevant for Volkswagen Group Services because it provides insights into the country's overall economic footprint.
	GDP PPP	GDP (PPP) measures the economic output of a country, taking into considerations overall economic and potential consumer purchasing power as vital factors. For VWGS analysis of factors such as market size, relative cost of goods, inflation would serve as an important metric for expansion to global markets.
	Ease of Doing Business	Represents the level of regulatory performance in the long term through the comparison of each country's score with the best one. It would be extremely useful for Volkswagen Group Services to consider areas of operations where the process of setup and regulation suits it the best.
Business Environment	**Property Rights**	Points to the legal framework and protections surrounding an individual's or business's rights to own, use, and dispose of property. For Volkswagen Group Services, strong property rights are essential for protection of intellectual property, trademarks, and other assets.
	Getting credit score	Indicates the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. For Volkswagen Group Services. it is important as it would highlight difficulties of countries in lending capital to cover expenses, hire additional staff and conserving cash to cover costs.
	Individuals Using the Internet (% of population)	Indicates the proportion of a country's population that uses internet by means of computer, mobile phone, or other means. For Volkswagen Group Services., this variable is fundamental to assess the potential impact of e-commerce and marketing strategy.
Commercial Infrastructure	**Access to Electricity (% of population)**	This metric provides insights into the overall development and infrastructure of a potential market. Higher access to electricity indicates market readiness accessibility of goods and Services. For operational setup areas with low energy access seems unfeasible for Volkswagen to expand its business operations as it would require significant capital expenditure.

	Container port traffic	Container port traffic refers to the volume of containers (measured in TEUs - Twenty-foot Equivalent Units) that pass through a port within a specific period, typically on a yearly basis. This metric is a critical indicator of the economic activity and trade volume and capacity of a region or country, VWGS can monitor container port traffic and entail insights into market demand and supply chain dynamics
	Logistics Performance Index: Overall	Reflects the perception of logistics processes considering the efficiency, the quality of trade and infrastructures, the ability of tracking and of respecting the scheduled time of delivery. For Volkswagen Group Services., countries that display a high index would minimize efficiencies in the supply chain and be a good target for exporting.
Consulting Industry	**Time required to enforce a contract**	the time required for contract enforcement, can indeed be a significant metric for a company's expansion plans. It involves activities such as Legal Compliance, costs associated with disputes and delay in attaining order. The longer the time more burden in terms of time delay and cost might discourage company to avoid such areas of operations.
Cultural Distance	**Cultural Distance to Germany (Home Country)**	Compares countries based on the six Hofstede's dimensions, namely power distance, individualism, uncertainty avoidance, long-term orientation, and indulgence. The resulting scale reflects the cultural values and identifies the countries that are culturally like Volkswagen Group Services' domestic country (Germany).
	Road Network Length	Road network length is a crucial metric for companies considering expansion, especially those reliant on transportation and logistics. It refers to the total length of roads within a particular area or region, including highways, streets, and other thoroughfares. The analysis of such metric is important for VWGS to determine accessibility of resources, market reach, and operational efficiency.
Economic Overview	**Currency Inconvertibility and Transfer Restriction Risk**	For expansion it is important that VWGS analyses potential areas where the local currency fluctuations do not pose a significant threat while making huge sums of investments.
	FDI	It refers to investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country. This variable reflects overall success and attractiveness of investments made by international players, which can be important to assess risk and growth parameters.
	FDI (% of GDP)	Foreign direct investment are the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor.
	Labour Freedom	Indicates the presence of a well-functioning legal and regulatory framework in the matter of labour market. Volkswagen Group Services could select a country where regulations on minimum wages, laws inhibiting layoffs, severance requirements and restraints on hiring and hours worked are addressed.
Country Sustainability & Development	**R&D Expenditure (% of GDP)**	R&D expenditure as a percentage of Gross Domestic Product, is a metric used to gauge the level of investment in research and development activities relative to the size of the economy. Companies with high R&D expenditure relative to GDP may be viewed favourably by investors, as they demonstrate an initiative-taking approach to staying ahead of the competition and adapting to changing market conditions.
	SDG	SDG stands for Sustainable Development Goals, which are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity. There are 17 SDGs set forth by the United Nations, covering a broad range of social, economic, and environmental objectives to be achieved by 2030. Using this variable as a metric can be strategic for VWGS to determine new areas of businesses that will growth and sustainable practices contribute positively to society.

	Government Expenditure on Education (% of GDP)	Analyses regions and sectors closely tied to education or human capital development. This means a larger talent pool to recruit from, potentially reducing recruitment costs and improving productivity for both existing and new entrants in the market.
	Life Expectancy	Assesses longevity of operations and quality of life, as a metric life expectancy might not be conventional index but surely assists in defining analogies between life and several aspects of business operations and provides valuable insights for expansion strategies and long-term goals.
Standard of Living	**Unemployment Rate (% of Total Labour Force)**	Refers to the percentage of labour force without work, although available for employment. This share would be an indicator for Volkswagen Group Services. to the percentage of population that would acquire non-essential goods.
Automotive Industry	**Registered vehicles per one thousand people**	Essential indicator if the business is associated with transportation, automotive services, or industry. The Management of VWGS can determine level of vehicle ownership and usage within a population. Higher numbers may indicate a larger market for automotive-related products and services.
	Political Stability and Absence of Violence/Terrorism	Assesses the level of political stability within a country. For Volkswagen Group Services, choosing markets with high political stability is crucial to ensure consistent business operations and minimize potential disruptions
	Political Risk Short Term	This index analyses day to day governance within implemented rules and regulations framework. The activities that may be considered are boycotts, strikes, and protests and how local governments deals with such instances.
	Political Risk Medium/Long Term	Factors such as country stability, government policies, geopolitical elements, and legal system play a crucial role in determining long term vision and economic outlook, to convince companies to make substantial investments. By assessing such areas of interest, VWGS can determine the overall political risk and regulatory mechanisms.
	Business Freedom Index	Indicates the efficiency of government regulation in business, considering the difficulty of starting, operating and closing a business. Volkswagen Group Services. should consider this factor when deciding to enter a new market with a foreign direct investment strategy.
	Tax Burden Percentage of GDP	Refers to compulsory transfers to the central government for public purposes. For Volkswagen Group Services., it can signal the level of government control of a given country's economic resources, for which the lowest level of tax burden would be desirable.
Governance Freedom	**Investment Freedom**	It refers to the degree of freedom and ease with which a company can invest in new ventures, markets, or projects without facing significant barriers or restrictions. Ensuring favourable conditions, companies can enhance their investment freedom and pursue expansion opportunities with confidence.
	Financial Freedom	Analyses the efficiency of the banking system along with the level of government control and of involvement in the financial sector. For Volkswagen Group Services, it's fundamental to assess which countries have a minimum degree of government interference, as they would be ideal markets to enter.
	Trade Freedom	Measures the absence of trade barriers and the ease of engaging in international trade. Volkswagen Group Services would benefit from favourable trade freedom, as it facilitates business growth and increase in revenue.
	Index of Economic Freedom	This index, typically produced annually by organizations like The Heritage Foundation and The Wall Street Journal, assesses the economic freedom of countries based on various criteria such as property rights, government integrity, tax burden, government spending, business freedom, monetary freedom, trade freedom, investment freedom, financial freedom, and labour freedom. The score on the index indicates a more favourable environment for business and investment, including factors such as ease of doing business, protection of property rights, minimal government interference, and openness to trade and investment

Appendix 5 - missing value pattern

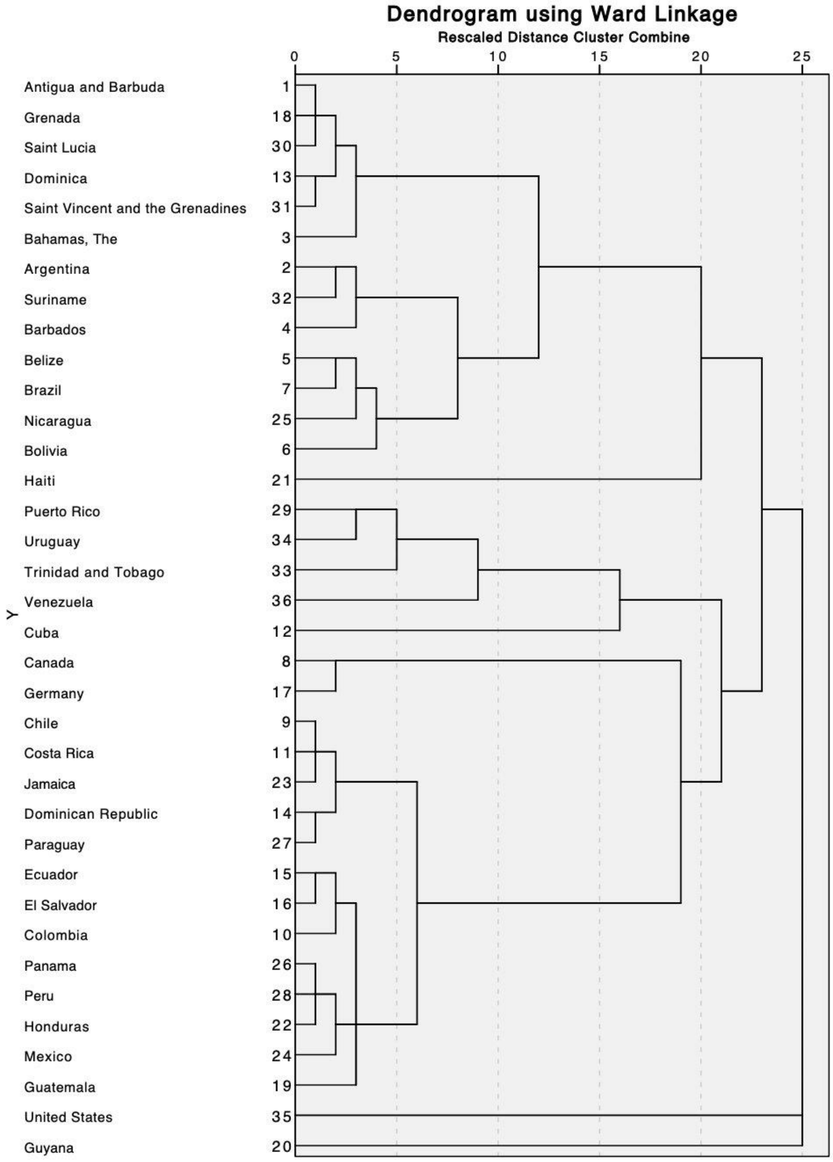


Appendix 6 - GCA total variance explained

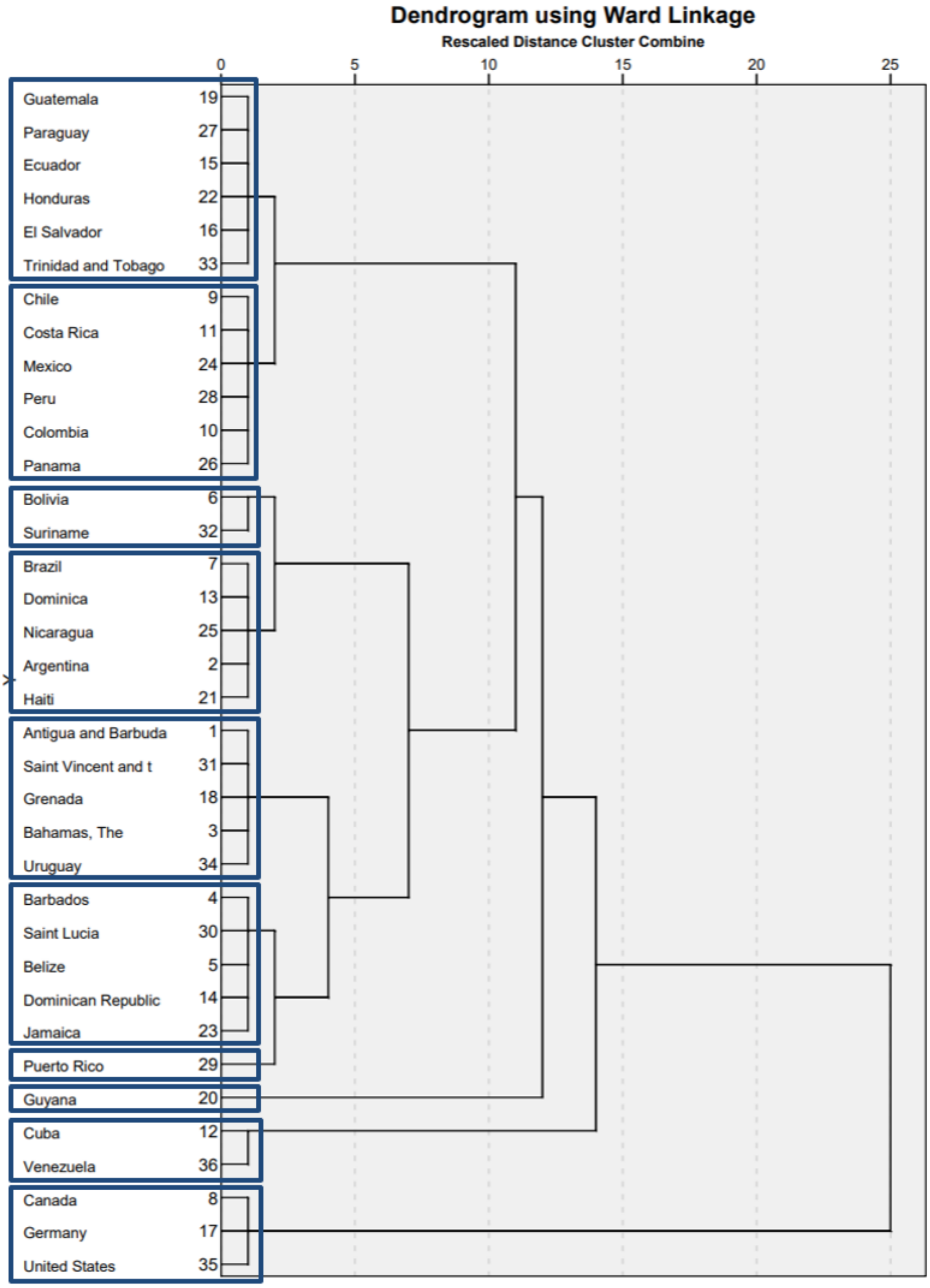
Total Variance Explained

Component	Initial Eigenvalues Total	% of Variance	Cumulative %	Extraction Sums of Squared Loadings Total	% of Variance	Cumulative %
1	11.714	35.498	35.498	11.714	35.498	35.498
2	4.095	12.410	47.908	4.095	12.410	47.908
3	3.669	11.117	59.025	3.669	11.117	59.025
4	3.200	9.698	68.723	3.200	9.698	68.723
5	2.161	6.549	75.272	2.161	6.549	75.272
6	1.345	4.076	79.348	1.345	4.076	79.348
7	1.078	3.268	82.616	1.078	3.268	82.616
8	1.015	3.074	85.690	1.015	3.074	85.690
9	.899	2.724	88.414			
10	.627	1.901	90.316			
11	.568	1.721	92.037			
12	.475	1.439	93.475			
13	.394	1.194	94.669			
14	.321	.973	95.642			
15	.295	.893	96.535			
16	.226	.686	97.221			
17	.202	.611	97.832			
18	.136	.413	98.245			
19	.132	.401	98.645			
20	.094	.285	98.930			
21	.085	.257	99.188			
22	.066	.201	99.389			
23	.057	.173	99.562			

Appendix 7 - Dendrogram using the factors derived from GCA analysis



Appendix 8 - Final dendrogram for cluster analysis



Appendix 9 - Pearson Correlation Matrix Test

		GDP per capita	Business freedom	Index of Economic Freedom	R&D Expenditure (% GDP)	FDI (% GDP)	Cultural Distance to Germany
GDP per capita	Pearson Correlation	1	.479**	.384*	.723**	.011	-.517**
	Sig. (2-tailed)		.003	.021	<.001	.947	.001
	N	36	36	36	36	36	36
Business freedom	Pearson Correlation	.479**	1	.897**	.268	.149	-.333*
	Sig. (2-tailed)	.003		<.001	.114	.387	.048
	N	36	36	36	36	36	36
Index of Economic Freedom	Pearson Correlation	.384*	.897**	1	.241	.098	-.439**
	Sig. (2-tailed)	.021	<.001		.157	.568	.007
	N	36	36	36	36	36	36
R&D Expenditure (% GDP)	Pearson Correlation	.723**	.268	.241	1	-.079	-.662**
	Sig. (2-tailed)	<.001	.114	.157		.646	<.001
	N	36	36	36	36	36	36
FDI (% GDP)	Pearson Correlation	.011	.149	.098	-.079	1	-.227
	Sig. (2-tailed)	.947	.387	.568	.646		.183
	N	36	36	36	36	36	36
Cultural Distance to Germany	Pearson Correlation	-.517**	-.333*	-.439**	-.662**	-.227	1
	Sig. (2-tailed)	.001	.048	.007	<.001	.183	
	N	36	36	36	36	36	36

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Appendix 10 - Final ranking

	Ranking:
1	United States
2	Germany
3	Canada
4	Chile
5	Mexico
6	Uruguay
7	Brazil
8	Puerto Rico
9	Peru
10	Costa Rica
11	Jamaica
12	Colombia
13	Panama
14	Guyana
15	Dominican Republic
16	Antigua and Barbuda
17	Bahamas, The
18	Argentina
19	Barbados
20	Trinidad and Tobago
21	Ecuador
22	Honduras
23	Saint Lucia
24	Grenada
25	Nicaragua
26	Belize
27	El Salvador
28	Paraguay
29	Guatemala
30	Dominica
31	Saint Vincent and the Grenadines
32	Bolivia
33	Cuba
34	Suriname
35	Haiti
36	Venezuela

Appendix 11 - Operational risk analysis

Risk	Probability	Impact	Weighted risk	Mitigation Approach
Revenue Overestimation	5%	50%	3%	Implement monitoring mechanisms to track actual performance against projected revenues regularly; Maintain agility in response to changing market dynamics
Recruiting and retaining skilled employees	5%	75%	4%	Adopt competitive compensation, attractive benefits for employees and opportunities for career advancement
Increase in office expenses and utility costs	5%	20%	1%	Invest in energy-efficient solutions and negotiate long-term rental agreements to stabilize expenses
Legal and compliance risks	5%	65%	3%	Continuously monitor legal updates and look for local expertise of legal advisors to effectively navigate regulatory frameworks
Total Risk			**10.5%**	