

A Work Project presented as part of the requirements for the Award of a Master's degree in Management from the Nova School of Business and Economics.

**THE INTERNATIONALISATION CASE OF YUNIT CONSULTING, LDA
IN-DEPTH COUNTRY ANALYSIS – ITALY**

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List of Abbreviations

AI – Artificial Intelligence

CAGR – Compound Annual Growth Rate

CAPEX – Capital Expenditure

CAPM – Capital Asset Pricing Model

CEA – Classification of Economic Activities

CSA – Country Specific Advantages

DCF – Discounted Cashflows

DFL – Degree of Financial Leverage

EC – European Commission

EU – European Union

FCF – Free Cash Flows

FSA – Firm Specific Advantages

ICT – Information and Communications Technology

IFL – International Filed Lab

IRR – Internal Rate of Return

M&A – Mergers and Acquisitions

MC – Management Consulting

MRP – Market Risk Premium

NPV – Net Present Value

NWC – Net Working Capital

SG&A – Selling, General and Administrative Expenses

SME – Small and Medium-Sized Enterprises

VRIO – Value, Rare, Imitable, and Organisation

WACC – Weighted Cost of Capital

1. Abstract

Yunit Consulting is a Portuguese management consulting company wishing to expand its business. This report, being part of an extensive internationalization plan, aims at evaluating the attractiveness of Italy, one of the identified potential target markets. As such, the country is thoroughly assessed through a PESTEL analysis, a forecast of the industry and company's sales potential, and the evaluation of the market entry conditions. In addition, a comprehensive list of contacts and an analysis of the competitive landscape were also included. Despite having some perks, Italy was not the chosen destination for Yunit, as Spain (Catalunya) was considered more attractive.

Keywords: Internationalization, Consultancy, Strategic Analysis, Market Selection, Contacts, Competitors, Italy

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2. Introduction

“A strategy utilized by many small firms to achieve their growth objectives is one of geographic expansion [...] particularly well suited for firms that cannot expand in their present location but believe that their products or services may be appealing to consumers in other markets” (Barringer and Greening 1998). On this note, Yunit Consulting, a Portuguese management consulting company, has applied to the International Filed Lab (IFL) from Nova SBE looking for an internationalization plan that may resolve its unstable financial situation, improve local competitiveness and ultimately launch a presence beyond Portugal. A team of five students, supervised by Professors Emanuel Gomes and João Pedro Delgado, has joined efforts and, in the form of a work project, produced such plan, in three sections.

The first one will focus on a strategic analysis of Yunit’s current situation, providing a better insight into the firm’s resources and capabilities, its specific competitive advantages, and the diagnosis for internationalization. It also includes an analysis of the Portuguese market and its advantages, the local consulting industry, and its trends and opportunities.

The second part will comprise the market selection for the international expansion, with a preliminary screening of markets, followed by both clustering and ranking analyses. Such will enable the choice of the five highest potential markets to be subject to an in-depth analysis (conducted by each team member as their individual contribution to the work project). Based on that, the highest potential market is selected, and an international entry strategy is suggested.

Finally, the last chapters will be centred around the implementation of the internationalization plan, where a marketing plan was developed, including the setting of objectives, a segment, target and positioning analysis and marketing mix. In addition, a financial forecast was put together, a crucial step in assessing the project’s viability and future generation of profits.

3. Literature Review: International Market Selection – Service Industry

Generally, IMS is known as a process that begins after the decision to initiate or extend internationalization and come to an end when it is decided whether to act upon the results of the selection process (Papadopoulos & Denis, 1988). As such, both the complexities and the importance of IMS are exacerbated, since market selection and targeting decisions are closely interrelated with several other decisions that are part and parcel of the expansion process (Papadopoulos & Martín Martín, 2011).

For instance, the IMS is closely related to the buildup of international competence, including knowledge of entry modes and marketing programs, especially in the early stages of a firm's internationalization. IMS is also interrelated with the selection of methods for serving international markets and which products to export, according to the company's specific skills, capabilities and goals. In addition, the selection of a specific market could result in opportunity costs should the entry attempt fail or should the market turn out to be unprofitable (Andersen & Strandskov, 1998).

The follow-up of this literature review will focus on the internationalization process of the services companies, more specifically in the IMS. This industry has been growing rapidly, accounting for more than 64% of the global GDP (World Bank, 2019). Companies are specialize in the creation, validation, and application of knowledge to solve client problems, and Its competition is driven by an imperative of flexibility and learning (Empson, 2001). Therefore, it is comprehensible that an increasingly number of service firms is looking to internationalize to seek market share, critical resources, cost efficiency or strategic assets (Glückler, 2006).

Generally, the IMS decision is affected by external factors such as political, economical, and demographic situation of the targeted countries, and internal factors such as product fit, resources, and experience of the company. However, service companies' network of partners

such as current or potential clients, competitors and/or other business partners can determine the selection of the market (Lommelen & Matthyssens, 2004). At the same time, other studies show that service companies prepare their international market entry very consciously. For instance, (Yip et al., 2000) discovered that firms active in service sectors perform better if they take a systematic approach to new internationalization by considering many alternative countries and entry modes.

Another study found that “To be successful in a foreign market it is not always sufficient to offer services which have clear competitive advantages; neither is it sufficient to have financial resources that can handle losses during several years”. According to this study, the crucial factor is to build up confidence among potential customers and to prove the services provided have great quality and dependability. However, service quality is difficult to measure. References by satisfied customers, open house and demonstrations, educational courses and seminars can help overcome this problem and establish stronger business relations (Edvardsson et al., 1993).

In conclusion, although conventional methods of IMS might be acceptable and sufficient for regular goods companies, the same does not apply to service firms, as external relationships and social networks have a huge impact in the decision. A study suggests that service companies, in specific management consultancy ones, should “focus more on the context of inter-firm relationships in order to overcome some of the too mechanical arguments about the process of firm internationalization” (Glückler, 2006).

4. Research Methods

Though the IFL envisions close work between students and a company, and with it develop a sound internationalization plan, the fact is that great difficulty has been experienced in setting up an efficient channel of communication with Yunit's management. With the team not initially being able to meet with its CEO, Mr Bernardo Maciel, a paramount contact to gather accurate information and align the company's interests with the team's research, alternative forms of collecting data had to be found. Only later, when reaching the end of the semester, were the authors able to establish contact with Yunit, which, at that stage, provided some clarifications. Due to the above mentioned, the present work project was built mainly through the collection of **secondary data**. This includes the financial results gathered from ORBIS, industry studies and reports from Euromonitor, and statistical information from The World Bank and Statista. In addition, the team had to resort to newspapers interviews with Yunit's CEO, LinkedIn, and blog posts for further information on the company. Moreover, Professor João Pedro Delgado provided close support to the team to mitigate the difficulties risen from the inexistence of direct communication with Yunit. Regarding **primary data**, only two meetings took place with Yunit's CEO, where feedback and clarifications were given. Though further assistance for the marketing and financial plans was requested, no actual support was given.

5. Strategic Analysis of the Company's Situation

5.1. Firm Overview and Project Background

Profile and Management

Yunit Consulting, Lda. is a Portuguese business and management consultancy company established in 2010. Its founder, Mr Bernardo Maciel, is its global ultimate owner and director-general, with Yunit taking the legal form of a private limited liability company. Headquartered in Lisbon, the company has already established a fully owned subsidiary in Porto (ORBIS 2021). With 39 employees, the company integrates vast experience in project supervision and

consulting. Their mission is “to support Portuguese SMEs so they are well prepared, [...] more competitive, equipped with specific solutions focused on growth and efficiency” (Yunit Consulting, n.d.). To guarantee its mission, Yunit focuses on taking advantage of existing market conditions, in a specialised and innovative manner, and through a vast array of analytical and support services, to allow the expansion of the clients’ business model.

Business Portfolio

Yunit offers several solutions, discriminated in **Table 1**, broadly set up to help companies deal with the many challenges they face in such a global world, with growth and efficiency in mind.

Table 1: Service Offer

GROWTH SOLUTIONS
Investment Incentives: Yunit supports companies in creating or expanding their businesses by guiding clients in capturing funds from many investment incentive systems and community funds. It provides strategic analysis, identifies the best opportunities, prepares applications, and offers consulting in the execution of programmes. It has, for instance, under the Portugal 2020 scheme, completed 1 167 applications, with a €444 million applications value, i.e., €880 thousand of average value per project (Yunit Consulting, n.d.). As it will be further discussed, community funds stand as Yunit’s best-known sector and where it presents its strongest expertise.
Internationalization: With the economic globalization and the enlargement of emerging economies, internationalization is the doorway for many companies. Yunit, committed to its clients in conquering new markets, offers thorough support throughout the whole expansion process. This is done not only through comprehensive international business consulting but also through internationalization planning, offering analysis, selection and study of external markets. Consequently, the company makes sure it sets up a strategy of success for its clients by counting on the necessary means and guaranteeing the required experience.
Mergers & Acquisitions (M&A): Yunit provides professional consulting services, regarding the sale or takeover of companies, through the analysis of strategies, research and selection of target businesses, the coordination of meetings and relations between the parties involved as well as the advice on the execution process. With rigorous analysis and strategy definition, Yunit Consulting commits itself to maximise transaction value and identifying the best deals in the market.
Economic-Financial Evaluations: Yunit conducts economic-financial evaluations of its clients to allow them to improve their decision-making process (e.g., during changes in company/shareholder structure, analysis of investments/disinvestments), and exhaust emerging opportunities. Thus, Yunit considers all factors that determine a business development: products and services, human resources and customers, assets, suppliers and the ability to generate value. This specialised work is done by defining presuppositions for the evaluation, applying methodologies and, finally, determining the company’s value.
EFFICIENCY SOLUTIONS
Cost Optimization: To make a SME grow and support cost optimization, Yunit engages in both creative and innovative analytical processes as well as communication methods. Firstly, it attempts to draw a full picture of the client, its objectives, by offering a myriad of consulting services on strategy, brand, marketing,

content, and communication. Then, with the outlining of objectives, the development phase sets up needs, techniques and actions for its achievement, through creative conceptualization and definition of tone and brand voice. Finally, the company executes and implements the plan, with the necessary fine-tuning of unresolved issues. Such phase comprises the establishment of a brand visual identity and its activation.

Certification: Quality, social responsibility, innovation and cybersecurity must be ensured through adequate management certification systems. Throughout the whole implementation process, Yunit offers diagnosis on quality, assistance on implementing the whole certification scheme, auditing, and teams training. All this to promote greater accountability and efficiency.

Tax Benefits: The complexity and ever-mutating tax systems are assessed, looking out for advantages of tax measures, mainly tax benefits. In particular, Yunit offers support regarding the Investment Tax Code and the Portugal 2020 community funds, which covers instruments like the Retained Earnings Reinvestment Tax Benefit and the Tax Regime to Support Investment. Such support is offered through the identification of the best available tax tools, the preparation of applications, and consultancy in the execution of programs.

Source: Author's elaboration, based on Yunit Consulting (n.d.)

Operations, Positioning, and Strategy (Generic and Growth)

Considering the aforementioned, the industry in which the firm operates can be defined, following the Portuguese Classification of Economic Activities (CEA) (INE 2007), as **Business and other Management Consultancy Services**. This sector is widely fragmented, encompassing consultancy services in a vast number of fields (e.g., operations, financial management, firm restructuring). Within it, Yunit has a clear focus and a strong revenue source (approximately 50% of total turnover) on supporting businesses in the sphere of **Investment Incentives**, in which it capitalizes on its great level of expertise. In this sector, only 2% and 35% of micro and small enterprises, respectively, submit applications. These figures are typically larger for medium and large enterprises. Also, the first usually attain lower approval rates than the latter, by 8 and 23 percentual points, correspondingly (Executive Digest 2021).

Even so, the firm believes that, by being a small company itself, unrivaled proximity in their relationship with small and medium enterprises is achieved, making them Yunit's obvious target. As to better signal its target clients, Yunit has founded, four years ago, the award scheme Heróis PME ("SMEs Heroes"), which holds the primary objective of spotlighting notable small and medium enterprises that have demonstrated a strong sense of courage and ambition and, ultimately, rewards the SMEs with the most compelling story (Heróis PME 2018).

Alongside its clients, Yunit intends to be a supporting agent from the initial strategic thinking to the final project execution. In effect, Yunit operates under a **holistic approach**, meaning that it offers a comprehensive range of services to its clients, serving as a “one-stop-shop”. In line with this strategic positioning, the company has partnered with banks and investment funds, mitigating its client’s pain point of securing a source of funding (Blidarus 2021). Specific and illustratively, Yunit has partnered with Banco de Investimento Global (BIG) in the Capitalizer initiative, which connects SMEs with professional investors either to raise capital or find the right investor to sell their company (Yunit Consulting 2021).

From the previously mentioned factors, it is possible to conclude that the company is, on the first hand, serving the broad Portuguese entrepreneurial sector, especially considering that SMEs account for more than 99% of Portuguese companies and that the consultancy firm does not focus on a particular sector of activity. On the second hand, the firm undertakes a differentiated approach, offering a wide range of services that are both complementary and comprehensive. Thus, it follows that the firm pursues a strategy of **differentiation**, as defined by Porter and further discussed in chapter [FSA - CSA Matrix and Porter’s Generic](#).

Nonetheless, the generic strategy pursued by the company is not yielding healthy profit margins, which may indicate some degree of price rivalry and that Yunit is not being successful in differentiating its offering through the creation of superior value to its target clients. To foster growth, Yunit has begun exploiting different services, namely in corporate finance, within the same target market. As an example, the firm has recently concluded an acquisition within the Technical Testing and Analysis sector, in partnership with the PRA - Raposo, Sá Miranda & Associados - Sociedade de Advogados, RL law firm (Yunit Consulting Blog 2021). In accordance with the Ansoff Matrix (1957), Yunit is pursuing a **product development** growth strategy, as it is adapting its range of services to cater to its existing market.

Financial Overview

SMEs typically exhibit a more domestic focus and are more exposed to financial constraints than large enterprises (Pacheco 2019). Hence, a thorough financial analysis is imperative in evaluating the viability of the internationalization process, especially in what concerns the company's ability to finance its expansion and to attract foreign investors or secure foreign creditors, if necessary. To conduct such analysis, Yunit's financial information (see [Exhibit 1](#)¹ for the Income Statements and [Exhibit 2](#) for the Global Ratios) was retrieved from ORBIS (2021), whereas the information on the sector was gathered from Banco de Portugal (2019).

Since its foundation, Yunit has exhibited an inconsistent pattern of financial results, registering a major turnover surge in 2012 – circa 806% year-on-year growth relative to 2011 – and an accentuated slowdown by 2014. From this point onwards, it has not fully recouped its early financial results, contrarily to the stable growth pattern followed by the industry (Banco de Portugal 2019). It should also be noted that Yunit revealed a certain difficulty in maintaining a positive net income. This can be explained by the considerable revenue instability over the last 10 years (see [Exhibit 3](#)) and the presence of significant labour costs (in concordance with the industry average cost structure), which prevented the maintenance of a stable net profit margin.

In fact, such difficulty has affected the firm's **profitability**. Firstly, the net profit margin has been mostly negative or close to zero, despite its recent improvement (5,2% in 2020). Secondly, the **ROA**, which, in 2020, equalled 11,4%, has been mostly below the industry average. The **ROE**, on the other hand, despite having reached 57,3% in 2020, has been extremely volatile over the firm's course of activity and low in certain periods, owing to the negative operational results and the further negative impact on shareholders' equity (see [Exhibit 4](#)). Lastly, the **ROCE** has also fluctuated significantly over the last 10 years, having reached 29,3% in 2020.

¹ **Note:** To navigate to and from exhibits, hyperlinks have been added to the "[Exhibit #](#)" within the main body of the work project and, in the appendices, to the "[Back to page #]"

Overall, the firm's profitability has improved in 2020, despite its past underperformance.

To assess the firm's **cash generation**, the free cash flows over the last 10 years were computed (see [Exhibit 5](#) and [Exhibit 6](#)). From the results, one concludes that there is an inconstant pattern in the firm's capability of creating cash, partly due to the company's long average collection period and a significantly shorter average payment period (see [Exhibit 7](#)). Yet, in 2020, this gap has narrowed, lowering the cash conversion cycle (see [Exhibit 8](#)).

Considering that the firm has revealed difficulty in maintaining positive operational results and in generating cash, it is of vital importance to assess the short and long-term positions of the firm vis-à-vis its debtholders. In terms of **liquidity**, Yunit exhibited, in 2020, a **current ratio** of 1,62 (i.e., the company holds €1,62 in current assets for each €1 in current liabilities). This ratio has been consistently increasing over the firm's lifespan, indicating that the company has been improving its position to meet its short-run obligations and, hence, mitigating potential liquidity risks. It is, then, safe to assume that the firm is in a stable short-term financial situation, especially considering that this stability does not depend on the liquidation of inventories.

Even so, Yunit's long-term financial situation is more complex. To assess **solvency** risks debt to equity (D/E) and debt to assets ratios were computed. In 2020, the company presented a **D/E ratio** of 4,02, whereas the **debt to assets ratio** equalled 0,8. One concludes that the degree of financial leverage (DFL) of the company is fairly high, as debt exceeds equity by more than four times, while 80% of the company's assets have been financed by debt. The company is thus in a dangerous degree of leverage, meaning that elevated debt's interest expenses could compromise future profits (see [Exhibit 9](#)).

Overall, the firm's underperformance, especially regarding profitability, can be partly explained by the degree of rivalry within the industry. Yunit does not have the funds and means to independently expand internationally, at least not as of now. Additionally, by being already in

a dangerous degree of financial leverage, further indebtedness may compromise the company’s future. Nonetheless, considering that going international may mean larger and more stable revenues and better profit margins, some internationalization strategies can still be considered. Such will be developed in the chapter [7. International Entry Strategy](#).

5.2. Market/Industry Analysis

Macro-Environmental Factors - Portugal (PESTEL Analysis)

Today’s society is an ever-changing environment. Globalization and technological advancements, by enhancing the interaction between individuals from distinct geographies, are key players in the obliteration of boundaries. The value of goods and services produced abroad has increased, making international competition consequently more important. Adapting to this changing and competitive setting has become paramount so that management is efficient, and a business prosper. That same environment, on a macro level, will present itself as both opportunity and threat, independently of the company and industry (Yüksel 2012).

With the above, the PESTEL analysis stands out as a valuable framework by enabling “a manager to identify the key macroeconomic factors that may have an influence on the future development of the business” (Marmol, Feys, and Probert 2016). This tool, whose output presents in Table 2, comprises the evaluation of six categories of macroeconomic factors. By, on a second stage, allowing a manager to better predict the strategic decisions necessary to guarantee the appropriate development and sustainability of the business, the conduction of such analysis is then useful (whose comprehensive version can be seen in [Exhibit 10](#)).

Table 2: PESTEL Analysis

POLITICAL
Portugal, dominated by progressive governments, enjoys socialised health care and reasonable social security (Haswell 2018).
Simultaneously, it is amongst the countries with the highest positions in the governance indicators, in Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness,

Regulatory Quality, Rule of Law, and Control of Corruption (Kaufmann and Kraay 2019). Nonetheless, it has become a flawed democracy, 15th in Europe on the democracy index, mostly due to COVID-19-related restrictions (The Economist Intelligence Unit 2021, 50).

ECONOMIC

With a GDP (PPP) per capita at current prices of 34 495 GK\$ (The World Bank 2020), the 42nd highest in the world, and facing a Real Growth Rate of GDP of 3,9% (below the EU average), Portugal stands out as a highly developed country (IMF 2021).

As a result of the pandemic, having reached the highest deficit since the financial crisis, 5,75%, (Statista 2021), it is expecting until 2024 €16 643 million from the NextGenerationEU stimulus package (European Commission, n.d.). Moreover, the European Structural and Investment Funds (ESIF), amounting to €299 billion, for the 2014-2020 period was put together in Portugal under the Portugal 2020 programme. The European Regional and Development Fund (ERDF), the largest ESI fund, allocated to the country €16 531 million, while the decided amount escalated to €27 119 million, and the spent amount has reached so far €11 244 million. Portugal stands, then, as the Member State not only with the highest absolute planned, decided and spent funds, but also with the second highest share of executed amount (68%, behind Czechia, with 69%) (see [Exhibit 11](#) and [Exhibit 12](#)).

In terms of fiscal policy and investment incentives, the Portuguese corporate income tax is levied at a 21% rate and the country offers several public-support mechanisms in the form of grants and repayable subsidies, incentives involving lower taxes and tax exemptions (Connect Americas, n.d.).

SOCIAL AND CULTURAL

Portugal presents a decreasing and elderly population (Index Mundi 2019), with the top 10% richest earning 30,6% of total Post-Tax National Income, whereas the bottom 50% only account for 24,7% (World Inequality Database, n.d.).

Predominately Catholic, Portuguese people are, on a personal level, socially conservative (Pimental, n.d.). Even though its literacy rate is 97,4 in 2018 (UNESCO Institute for Statistics, n.d.), only 26,3% of the population have tertiary education (Statista 2021). It shows a high proficiency in the English language, the 7th highest amongst 100 countries (Education First, n.d.).

TECHNOLOGICAL

Portugal ranks 19th in the EU Digital Economy and Society Index 2020, though lagging behind its counterparts in digital literacy and use of internet services (ITA 2020). Also, when it comes to technological discoveries, Portugal is a prominent producer of software platforms, implemented all over the world (EGAPI Technologies, n.d.).

A new trend has emerged in the consulting sector with consultants increasingly resorting to cutting-edge technologies to be more efficient and productive while reducing costs. Portugal has witnessed the proliferation of innovation consultants (Flag 2020).

ENVIRONMENTAL

Environmentally, even though the country has made significant progress on decarbonising electricity production, its energy mix is still fossil fuels dominated. Energy and climate policies pushing carbon neutrality have been set up, with the electrification of demand and expansion of renewable energy (IEA 2021). It abides by the recent European Climate Law, committing to achieving net zero greenhouse gas emissions by 2050 (EC 2021).

LEGAL

Finally, on the legal category, the Portuguese Competition Authority conducts an intense enforcement activity, with investigations of prohibited practices, specifically cartels, prioritized (Pereira, Marcelino, and

Torres 2021). While ranking 39th in Ease of Doing Business and 38th in Enforcing Contracts, it ranks 60th in Starting a Business and 119th in getting credit. Portugal is, though, among the best country in trading across borders (The World Bank 2019).

Source: Author's elaboration, based on several sources

Competitive Dynamics (Porter's Five Forces Model)

Porter (1979) introduced a framework – Porter's Five Forces Model – widely recognized and respected in the academic and business environments. The framework aims at analysing the competitive dynamics that shape an industry's profitability. The five forces include: the competitive pressure exerted by substitutes to the industry's offerings (Threat of Substitutes); the bargaining power exercised by suppliers and buyers (Powerful Suppliers and Buyers); the imminent threat of new entrants, which can erode individual profitability (Threat of Entry); and finally, the degree of competition between effective industry participants (Rivalry Among Existing Competitors) (see [Exhibit 13](#) for the graphical representation of the forces' strengths).

In order to accurately apply this framework, the industry's boundaries must be properly defined. According to Ghemawat et al. (1999), industry boundaries can be defined along three dimensions: horizontal scope, across customers segments/product markets served; vertical scope, which defines the buyer chain's boundaries; and geographical limits.

For the purpose of this analysis, the considered sector is, in unity with the Portuguese CEA, **Business and Other Management Consulting Activities**², Yunit's primary activity³, and the relevant geographic market is the Portuguese territory. Also, and bearing in mind that its clients are mainly small enterprises, the analysis excludes large players of the management consultancy industry (e.g., McKinsey International, Inc; Deloitte & Associados, SROC S.A.; etc), as these target a different customer segment and, hence, face dissimilar competitive dynamics. The inclusion of such companies would bias the analysis and render it irrelevant.

² Corresponds to CEA 70220

³ The firm is also present in the sector of Accounting, Bookkeeping and Auditing Activities, Tax Consultancy (CEA 69200).

The first force under analysis is the **threat of substitutes**. The closest substitute to the industry's offerings is primarily internal consulting departments assembled by clients. Though the possibility of backward integration, SMEs do not have the expertise nor the incentive to perform in-house consulting, being heavily reliant on external consultants' expertise. This stems from the fact that the need for consulting services from SMEs is more sporadic (when compared to large companies), which renders in-house consulting a less attractive option. This is further reassured by State and European grants (e.g., Vale Economia Circular), that guarantee SMEs access to consultancy services. Overall, the intensity of this force is low.

When analysing the threat posed by **new entrants**, one must definitely consider the industry's barriers to entry, i.e., the cost that firms must borne to operate in the industry (Bain, 1956). In this particular sector, the most relevant barriers to entry are related with network effects and reputation. Established consulting firms can benefit from a strong brand image and a good track record, as well as the establishment of favourable channel relations. Nonetheless, one must also consider that capital requirements are extremely low when entering this industry. Also, from an institutional or legal point of view, the process of starting operations in this sector is fairly undemanding. Overall, the threat of new entrants is **moderate**, which is further confirmed by the number of players entering the industry in Portugal every year.

To evaluate the strength of the **supplier power**, one must first refer that the key suppliers of this industry are ICT providers. As a first remark, the ICT wholesale sector in Portugal is a concentrated market. In fact, in 2019, the top 20 firms operating in this sector accounted for 95,3% (Banco de Portugal 2019) of total revenue generated by the industry. In addition, the market is dominated by 8 large enterprises, which represent around half of the industry's revenues. Consulting firms face costs in switching suppliers ("switching costs"), either through early termination charges of abandoning contracts or by having operations in standby during the switching process, which raises suppliers' bargaining power over consultancy firms.

Nonetheless, it is also worth mentioning that forward integration from these suppliers is unlikely, which mitigates supplier power. Even so, the overall strength of suppliers is **high**.

Eligible **buyers** of this industry are SMEs, which, in 2019, totalled 99,9% (DG Internal Market, Industry 2020) of the companies in Portugal. The fact that potential buyers are numerous and operate in all types of sectors reduces their bargaining power over the consulting firms. Additionally, as already mentioned, there is not a credible threat of backward integration of these clients. Nonetheless, the designated buyers face no relevant switching costs when shifting service providers, which augments their bargaining power over consulting firms. However, buyers may face more expressive switching costs if they are in a long-term contract or relationship with the firm, since this would entail the loss of a well-established trust relationship, as well as the payment of early termination charges. It follows that the overall strength of this shaping force is **moderate**.

Lastly, one must also evaluate the degree of **industry rivalry** between existing competitors. As a result of low barriers to entry, the market is largely fragmented (see [Exhibit 14](#)), with a strong presence of small firms. In 2019 Portugal had registered a total of 431 small enterprises and 13 618 micro-companies operating in this sector (Banco de Portugal 2019). This fragmentation typically intensifies industry rivalry; however, the possibility of differentiating through specialization in a specific industry may alleviate competition across firms. Even so, the recent pandemic situation has negatively impacted the industry growth, further intensifying rivalry between existing competitors. Overall, this force has **high** strength.

Demand Trends and Forecasts

The management consulting sector has been suffering from new demand pressures, shaped and enlarged, to a greater extent, by the COVID-19 pandemic. The industry has even shrunk in 2020 by 15% and is expected to further contract in 2021 (Beroe Inc. 2021). To this, trends that

emerged prior to the pandemic have now to be faced in light of the current climate.

Exacerbated by the new paradigm, consultancies have been expected to improve its **value-based performance**, looking for an ever-higher value offering coupled to cost-effective solutions (instead of expensive analytical methods). Worryingly, it has been the case that some clients have terminated relations with consultancies that conduct operations more traditionally. By offering more customized and measurable value metrics to clients, consultants will align strategies with operational realities and provide quantifiable results (Wood 2020).

Notwithstanding the industry downturn, together with the global recession, the need for consultancy services will remain. Though, the increased current uncertainty has strengthened the need for **strategic assessment and planning**, with a particular demand for contingency and scenario planning, and business strategy, a trend in 2021 that will continue in 2022. Though, the need for risk sharing will increase and with it the realization of **strategic partnerships** between company-clients and consultancies. These ventures will force consultants to shift their own business models, prioritizing the operation of a scalable business instead of focusing on billable hours. This interest in partnering will not only include consultant firms, but also encompass expert firms so that a more personalized service is offered (Taylor 2020).

The COVID-19 pandemic has given way to important supply challenges, an obstacle faced across many industries and that evolved shipment of raw materials, intermediary and final goods, between business and directly to final consumers. A common answer to this **disruption of supply chains and inventory support** was competently given by online trading platforms. Nonetheless, considering that these issues can rapidly damage reputation and performance, consultancies have been asked for assistance in the drawing of recommendations and enhanced supply chain models that envision mitigation of future possible disruptions (Cairns 2020).

Multiple sectors have been disrupted by the ongoing pandemic. These disruptions, together with

prior emerging demand trends, stand as obstacles to management consulting companies. Recovering and dealing with their impacts, by devising various work opportunities and mitigating threats (an issue to be later developed in the chapter [Consulting Industry: Trends, Opportunities and Threats](#)), will be essential in the post-pandemic scenario.

Key Industry Success Factors

The concept of critical success factors, first coined by Rockart (1979), is “*the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department or organization*”. The author identified four primary sources of critical success factors: the structure of the industry; competitive strategy; environmental, and temporal factors. In another definition, key success factors are described as “*skills and resources with high leverage on customer perceived value and relative costs of a business*” (Grunert 1992).

Success, within the context of this particular industry, shall be assessed through profitability, growth and market share (Kumar et al 2000). These indicators were preferred as they broadly capture the financial and competitive performances of the firms operating in this market. From the Porter’s Five Forces analysis, several elements of the industry with implications on the aforementioned indicators were identified and shall be discussed infra.

As a first remark, the industry is largely fragmented, with a clear presence of small and micro-sized firms, favouring rivalry which may challenge individual profitability. This threat is further enhanced by the sector’s fairly low barriers to entry. To lessen such effects, consulting firms must **differentiate offerings**. Differentiation can be attained through reputation, experience (Salvador et al 2019), or the scope of the firm’s activities (McCalman and Lory 2002).

In effect, McCalman and Lory (2002) identify **corporate reputation** (or a strong brand) as a key source of competitive advantage and differentiation for SME management consultancies. Specifically, emphasis is placed on the importance of a clear definition of the **brand kernel**,

i.e., the core or essence of the brand (Kapferer 2012). Glückler and Armbrüster (2003), on the other hand, identify a specific type of reputation – “**network reputation**” (circumscribed to a network of business clients, who constitute a more credible, trustworthy source of information) – as a key factor of growth in this sector. The importance of reputation in the management consulting business stems from the fact that the quality of the service cannot be inferred a priori by the client, who bears the primary risk in the transaction, and there is not a legal framework regulating professional standards in this sector. A solid reputation, especially within a trusted and credible business network, ensures a degree of risk mitigation to the customers.

A strong brand is also important in attracting **talent** to the firm, which McCalman and Lory (2002) claim to be a vital success factor in any management consultancy. In fact, McKinsey also concludes that the productivity gap between average and high performers increases with the complexity of the tasks performed, reaching a peak of 800% for jobs with very high degree of complexity. Thus, investing in top performers assumes extreme importance in knowledge-intensive sectors, as is the case of management consulting (Keller 2017). Differentiation can also be attained through the **firm’s scope of activities**. As an illustration, Salvador, El Asraoui, and Akbaraly (2019) concluded that SMEs consider, as an important buying factor, consultancies’ specialization in their sector of activity.

As a second take on the industry competitive dynamics, it should be noted that clients face low switching costs, rendering customer retention vital in securing profitability. This can be guaranteed by securing a sound relationship with costumers. As a matter of fact, it has been collected evidence on Portuguese SMEs suggesting that customer retention is indicative of the creation of a consultant-client relationship (Lopes da Costa et al. 2021).

There is, in fact, extensive research pointing towards the importance of a **well-established trust relationship** between consultant and client in improving project successfulness and customer

satisfaction (Kumar, Simon, and Kimberley 2000). There is also evidence on the role of trust in mitigating, from the side of the client, the transactional and institutional uncertainties associated with this sector (Glückler and Armbrüster 2003). A trustworthy relationship is the building block towards effective collaboration, communication and, ultimately, project success.

Consulting Industry: Trends, Opportunities and Threats

As previously seen, the management consulting sector must battle to improve performance in the next years. To recover from the negative impact of COVID-19, advantages must be taken from emerging opportunities while mitigating the difficulties risen from threats.

Remote working is a practice that consultants were already used to before the pandemic, with many spending 80% of their lives away from home. The pandemic merely accentuated the need for it. Nonetheless, working with businesses engaging in such kind of work requires the development and usage of new virtual consulting platforms where virtual and digital consultation may offer the same outcome as in-person interactions. This first opportunity can also be enjoyed while, e.g., conducting recruitments, interviews, or internships (Taylor 2020).

In addition, and importantly, the **acceleration of digital disruption** must be addressed. New technological developments and digitization are focussed on what neologistically has been called “Consulting 4.0”. According to the Boston Consulting Group, *“in sectors where both the potential for digital disruption and the amount of financial distress are high, businesses should treat investing in digital resilience as a matter of urgency”* (Close et al. 2020). Consultancies are thus called to be resilient, develop agile operations, empower employees to cooperate effectively, enhance cybersecurity and strengthen financials. They can also do so through digital innovation, by increasing the modularity and availability of core IT infrastructure and democratize data. New digital tools can then alter clients’ basic work processes, with AI technology analysing ever-larger amounts of data, more than an average

human, paving the way for computerised decision making and predictive analytics.

Negatively, **cybersecurity** can stand as a major danger. With consultancies handling clients' confidential information, from strategic and commercial to personal data, they tend to become obvious targets for hackers. Not only may the client's sensitive data end up leaked, but also the consultancy's valuable in-house knowledge accumulated with experience (McKenna 2020). Consequently, following the best cybersecurity practices, while strictly obeying the new General Data Protection Regulation, becomes paramount.

The generalization of **collaborations between different professional service firms** stands also as an opportunity. Expertise in all spheres is particularly difficult for a consultant company to internalize. With clients becoming increasingly demanding in both breadth and depth expertise, as analysed in [Demand Trends and Forecasts](#), larger consultancies have engaged in several partnerships with other firms, such as cutting-edge tech start-ups, independent consultants, or experts on niche topics (Wood 2020). This multisource may even sometimes be required by clients themselves so that their strategic goals may be reached. Consultancies thus have the opportunity of providing more customized offerings instead of rigid, pre-packaged services. *“Indeed, consulting firms would do well to embrace working with a variety of competitors in order to serve common clientele”*, according to Acuity Knowledge Partners (Methi 2018).

Variouly, with digital-savvy business structures being deployed, **new players** are emerging. Besides the increasingly specialized service offering, independent consultants have become a major competitive threat. Unlike larger companies, SMEs, having no overhead costs, are able to charge well below the prices most companies can endure. The wide access to freelancers has even *“eliminated the need for professional services companies to act as intermediaries, [...] a lucrative part of their incumbent business [for most consultancies]”* (CM Jornal 2020).

Finally, considering Yunit's expertise in dealing with community funds, an opportunity and

simultaneously a threat has emerged. The Portugal 2020 programme has reached its end, with the last applications having been submitted already. Even so, a **new investment incentive scheme** has already been put in motion, the Portugal 2030, for the 2021-2027 period, focusing on demography and inclusion, innovation and digital transition, climate transition, and resource sustainability (Eurocid, n.d.). Also, the NextGenerationEU stimulus package, as a counteract to COVID-19, in Portugal as the Plano de Recuperação e Resiliência (PRR), sets to *“mitigate the economic and social impact of the crisis, capable of promoting economic convergence and resilience, contributing to ensure long-term sustainable growth and to respond to the challenges of transition to a greener and digital society”* (Recuperar Portugal, n.d.). Yunit, though facing the termination of the incentive scheme it has been working with for the last years, enjoys now the opportunity to work with new investment programmes.

In this difficult period, opportunities for transformation must be exhausted. Consultancies ought to realize the need for change by adopting business models that harness digital opportunities and new demand needs (Consultancy.uk 2019). By doing so, and not allowing such opportunities to become threats, better outcomes will be enabled.

Country Specific Advantages (Porter’s Diamond Model)

Michael Porter (1990) attempts to explain why companies or sectors in certain countries are more competitive in the global market than those in others. The author believes that a company’s ability to compete in the international market is based mainly on an interrelated set of location advantages possessed by some industries in different nations. If favourable, domestic companies are forced to constantly innovate. The resultant competitiveness is useful and even necessary when going international and battling the world’s largest competitors.

Factor conditions refer to the natural, capital, and human resources available in a country. Portugal is one of the lower-paying countries in the EU in terms of salaries (EXPATICA 2020).

Nevertheless, due to excellent superior education, skilled graduates in the fields of business and engineering are the rule. Combined, these two factors create an appealing labour force to consultancies which can cost-effectively hire talented professionals. Moreover, Portugal is not only in a strategic geographic location for foreign companies to establish a presence in Europe, but also, as a member of the EU, allows the easement of any type of business with the rest of the members. The country has also good trade relations with the USA, Brazil and Africa (Réfega 2018). Together with the great weather and quality of life, Portugal stands attractive for entrepreneurs and foreign investment, resulting in more potential clients for Yunit.

On a different note, the Portuguese business sector is dominated by SMEs, most with fewer than 10 employees and generally concentrated in traditional industries (Wayman 2019), for which knowledge gaps, in terms of managerial expertise and capability to innovate and integrate technology, are common. This contributes to an urgent need for consultancy services, especially on digital transition – in effect, by 2019, circa 40% of Portuguese SMEs did not possess any digital technology (Wayman 2019). Hence, Portugal, still lagging behind other EU countries in productivity, digital adoption and competitiveness (Wayman 2019), creates valuable conditions for firms operating in the management consulting sector. In particular, regarding investment incentives, Portugal emerges as a market with a large potential. In fact, it ranked 7th in absolute value of total budget allocated within the ERDF, was amongst the countries with highest execution rates, and planned to allocate 45% of funds to fields related to the Competitiveness of SMEs (23%) and Research & Innovation (22%) (EC 2021) (see [Exhibit 15](#)).

With respect to the **demand conditions**, the management consulting market size in Portugal, measured by revenue, is €3,9 billion in 2021. Despite a negative growth of 1,9% in 2021, mainly due to the Covid-19 pandemic, the market has grown 5,5% per year on average between 2016 and 2021 (IBIS WORLD 2021). The demand for Portuguese management consulting services is then driven by customer's budget and confidence, two closely interconnected factors related

to the overall national economic situation. It was seen that economic and political instability has been constantly working against Portuguese consultancy. Uncertainty on the overall market emerges and leads to clients avoiding long-term projects and internalizing consulting needs. On the other hand, these negatives effects result in the rise of demand for innovation-related, productivity-oriented and cost-reduction consulting services. In addition, the existence of some highly competitive market players in the sector of consumer goods, wholesale and retail, have led to an increase in demand for consulting from these industries in Portugal (Ischenko 2011).

Related and supporting industries provide the foundation on which the focal sector can excel. For consulting companies like Yunit, information and technology providers stand out as the biggest supporting sector. According to the EU Digital Economy and Society Index 2020, Portugal ranks 19th out of the 28 EU Member States. Though having not improved since 2018, there have been positive developments over the last two years in areas such as digital public services and connectivity (ITA 2020). In 2019, the government launched several initiatives promoting digitalization to increase the levels of digital literacy in businesses, expanding cyber-infrastructure and establishing cooperation agreements with other EU countries. In addition, cybersecurity, internet of things, big data, cloud computing, smart social business platforms, integrated systems, virtual and augmented reality and digital factory, could have a huge impact on the consulting industry in the next few years.

The context in which companies operate greatly determines how they are created, organized and managed: it affects their **strategy** and how they **structure** themselves. Though the high fragmentation and **rivalry** of the Portuguese market (Banco de Portugal 2019), companies can stay competitive due to the prospect of specializing in specific industries or services.

5.3. Firm Specific Advantage

Resources and Competences (Porter's Value Chain Model)

A firm specific advantage (FSA) may be defined as a “*unique capability proprietary to the*

organisation. It may be built upon product or process technology, marketing, or distribution skills” (Rugman, Oh, and Lim 2012). Complementarily, Porter (1985) explains that *“competitive advantage stems from the many discrete activities a firm performs in designing, producing, marketing, delivering, and supporting its product”*. To identify Yunit’s resources and competencies, the Porter’s Value Chain model is used (whose simplified matrix can be seen in [Exhibit 16](#) and, for a more detailed explanation, refer to [Exhibit 17](#)).

Two broad categories compose the model: the **primary** and the **support activities**. The first involve the creation of the product or service, its sale and transfer to the buyer, as well as after-sale assistance. These refer to inbound and outbound logistics, operations, sales and marketing, and service activities⁴. Complementarily, support activities assist the primary activities to improve the value offered by the company. Such include technology, human resources, procurement, and other purposes related to specific primary activities (Porter 1985, 38).

Operations

First, Yunit relies on data collection and analysis which enable in-depth clients’ assessments. By endorsing the evaluation of the client’s resources and competencies, Yunit can identify which ones are a source of competitive advantage. Such is useful to realize the relationship between strengths and weaknesses, acknowledge the company’s resources and forecast the future of the company-client relation. Secondly, project design is the main element of their operations, together with resource planning and analysis of capabilities needed to take on a new client. In addition, Yunit must analyse the client’s needs and expected outcomes to draw feasible solutions that ought to be, finally, executed in a way to meet client’s expectations.

Yunit offers companies several services and resources to analyse, create, and implement their solutions (as described in more detail in the chapter [Business Portfolio](#)). These can be

⁴ As a consulting company, Yunit’s primary activities are only related with Operations, Sales and Marketing, and Service Activities.

categorized into two major strategies: **growth solutions** which include investment incentives; internationalization plans; M&A; and evaluation of companies, and **efficiency solutions** in optimizing costs, certification systems, and tax benefits.

Sales and Marketing

According to the company's CEO, SMEs are their target segment, and Investment Incentives their key source of revenues. Yunit has a major success rate in supporting companies in finding investment from either European and/or national funds, private investors, and banks. These success stories, from previous clients, generate channel relations, increase demand and, as a result, company's revenues (Executive Digest 2021). In addition, with the award scheme Heróis PME, Yunit can raise brand awareness, exhibit capabilities and outcomes, while demonstrating the impact it holds over these companies (Majithia 2021).

Next, Yunit offers and takes part in a series of webinars where it exposes some of its expertise and capabilities on specific topics (e.g., environmental sustainability, management and project implementation, accounting, and finance, governance during open capital procedures, European funds, tax benefits). The importance of each of these points is also many times addressed, on how a company can obtain sustainable competitive advantage and win market share, and the importance of fast adaptation in a competitive environment.

Multiple articles on Yunit have also been published in different newspapers, disclosing the company's values, mission, goals, and services. These raise brand awareness and serve as one of their main selling and advertising points. They are featured in Jornal de Negócios, Executive Digest, Exame, and on the Portuguese Chamber of Commerce in the UK (PCCUK) which is group focused on promoting trade and business between the UK and Portugal (Majithia 2021). In addition, the company is highly active on their Consulting Blog, sharing content on, for instance, how to manage a company, what to be mindful about when facing competitive parity, the importance of technological adaptation, amongst others (Yunit Consulting, n.d.).

Service Activities

Yunit can differentiate itself from other consultancies also by providing an excellent “after-sale” experience through partnerships and monitoring the success of their business solutions. The company follows up on their clients, even after the project finalization, ensuring the proper execution of the solution offered and meeting client’s expectations (Executive Digest 2021).

Procurement

For Yunit to carry out its operations, the company needs to procure highly specialized consultants and office equipment, such as computer hardware and software. In addition, the company has different partnerships with banks and investment funds for its clients to better qualify to their requirements and be granted investment plans, as disclosed by the CEO in an interview to Executive Digest (2021).

Technology Development

It should be emphasized that one of today’s crucial aspects of obtaining a sustainable competitive advantage, is through the technological adaptation that Yunit must provide their clients in an efficient manner. These include digital transformation, innovative and effective managerial procedures, contributions towards the SDGs and environment, and improvements towards a circular economy (Executive Digest 2021). However, Yunit lacks the skills to provide an efficient technological adaptation as it does not have any experts in the field.

Human Resources

Yunit invests in the development of its personnel which is, not only one of the biggest competitive assets of the company, but also the major reason why the company is able to survive in such a competitive environment. It recruits highly specialized staff that master the fields of economics, management, financing, and engineering to carry out their projects in the most efficient and productive way (Jornal de Negócios 2021).

In early 2019, the company went through a restructuring process where human resource competencies were revised. More precisely, a stronger investment was attributed to employee

training with emphasis on flexibility and adaptation to clients' needs. As mentioned by the CEO in an interview to *Jornal de Negócios* (2021), the company is constantly investing in their employees' capabilities, either by optimising recruitment processes or by hiring collaborators who may increase the value offered to the clients. Moreover, by gathering teams of heterogenic technical competencies, Yunit can take on a project in a holistic way.

Organisation

The company is organized in different departments, based on employees' capabilities. Yunit presents multiple areas of expertise, covering economics, finance and accounting, management, and engineering. Thus, depending on the client's needs and requirements, the company will "deploy" the most adequate department to carry out the project. Often, as it follows a holistic approach, more than one unit is deployed at once to satisfy customer's needs and guarantee the expected outcomes and results (*Jornal de Negócios* 2021).

Firm Specific/Competitive Advantage (VRIO Matrix)

One may now identify the different resources and competencies that are source of sustained competitive advantages and the factors that distinguish the company from its competitors. The VRIO framework can identify internal strengths and weaknesses (Barney and Hesterly 2005). According to Barney (1991), reaching sustained competitive advantage must depend on following four major attributes: it must be valuable, rare, imperfectly imitable, and organised in the most efficient manner to exploit all resources of the firm (see [Exhibit 18](#) for further explanations on the framework and its application).

After evaluating these 4 attributes, one can understand which are the company's specific resources that are source of sustained competitive advantage (see [Exhibit 19](#) for further explanation on the resources), but also what makes the company unique or different when compared to its competitors. Once all resources are identified, the VRIO framework categorizes them between competitive parity, temporary competitive advantage, unused competitive

advantage, and sustained competitive advantage.

Financial Resources

As on the [Financial Overview](#), since its slowdown, in 2014, Yunit has not recouped its early financial results, contrarily to the industry's stable growth pattern. It has been struggling to maintain a positive net income due to revenue instability and labour costs. These obstacles manifest themselves in the company's profitability: net profit margin has been negative, ROA is below the industry benchmark, and ROE has been low and volatile due to its operational results and negative impact on shareholder's equity. In addition, Yunit presents inconsistent capability of raising cash. More importantly, with the company having debt that greatly exceeds equity, such high degree of liquidity may compromise future profits. Nevertheless, Yunit has experienced a high degree of liquidity, meaning its short-term financial situation is stable. Hence, even though it has positive results in short-term liquidity and that profitability has improved in 2020, Yunit lacks the financial resources to expand the company.

Human Resources

As previously mentioned, Yunit, with 39 collaborators, has different teams for different areas of expertise, according to the employees' competences. In addition, since 2019, it has also been investing in optimising its recruitment process and staff training. Also, by bringing in people from prestigious universities, Yunit ensures that its employees have the requirements to carry out the firm's projects and operations. With such expert and diversified team, Yunit can provide the desired holistic approach to its projects, a source of competitive advantage and differentiation (Jornal de Negócios 2021). In fact, as Porter (1985) describes, human resources affect the competitive advantage of a company by influencing the skills and motivation of employees as well as the costs of hiring and training.

Material Resources

By being a consultancy company, material resources are not required to carry out operations.

Instead, it depends mostly on the experience, know-how and intellect of its employees. Thus, one must assume that, besides essential equipment, Yunit does not possess any material resources that could be considered a source of sustained competitive advantage.

Organizational Resources

Due to the organisation of its resources, the company can provide a holistic approach to the projects it faces. This is a consequence of having such a robust and expert team in the areas of economics, financing and accounting, marketing, and engineering. This, according to its CEO, constitutes a specific resource through which it can differentiate itself from competitors and gain competitive advantage (Majithia 2021).

Furthermore, Yunit has been able to establish other partnerships and relationships with important stakeholders, either in the consultancy sector or the Portuguese business world. Paramount example of such collaborations includes the Investor's Circle setup with the PCCUK, where British investors are introduced to *“established Portuguese SMEs and fast-growing companies who may be seeking an industry sale, fresh capital, new shareholders, a succession plan for family-owned businesses, or strategic alliances”* (Majithia 2021). Also, having launched the award scheme Heróis PME, with TSF and Dinheiro Vivo, and by partnering up with the Câmara de Comércio e Indústria Portuguesa (CCIP), Yunit has secured a direct channel of access to its client segment - SMEs (Yunit Consulting, n.d.).

After carefully analysing the firm's specific resources and evaluating if any of them is a source of sustained competitive advantage (see [Exhibit 20](#) for the **VRIO Matrix**), one must conclude that Yunit Consulting does not possess any specific advantage that would be the root of sustained competitive advantage. Even though it possesses some specific resources that distinguish them from competitors, which act as competitive advantage, none of these is a source of sustainable competitive advantage. In addition, another factor that is source of competitive parity is that Yunit is unable to support its client-companies with digital

transformation and digitalisation, as the firm does not demonstrate the sufficient know-how to do so. With this said, the company may be in a competitive parity position where it struggles to survive the severe level of competitiveness of the consultancy market.

5.4. Diagnosis for Internationalization

Motives for Internationalization

One conceptualization for internationalization may be the “*outward movement in an individual’s firm or larger grouping’s international operations*”. However, by broadening such definition to “*the process of increasing involvement in international operations*” (Welch and Luostarinen 1988, 36), both inward and outward movements are included. Yet, others have formulated it differently. For Calof and Beamish (1995, 116), it is the “*process of adapting the firm’s operations (strategy, structure, and resources) to the international environment*”. For Lu and Beamish (2006, 28), on the other hand, it represents a multidimensional construct whose most prominent avenues are exporting and foreign direct investment. The importance of internationalization is hence strengthened by these two definitions and may allow competitiveness, the achievement of long-term profitability and competitive success, all in spite of being time consuming and an arduous process.

Even though having international clients, Yunit Consulting is still not internationally exposed and operates solely in Portugal. In fact, it focuses on the Portuguese market instead of trying to reach new markets. Adding to this, with Yunit being a SME itself, one must also consider that “*SMEs are known to be an important determinant of economic growth and employment and their potential in terms of innovations is evident too*” (Kubíčková et al. 2014). Also, according to the European Parliament (2012), “*although not all SMEs operate in foreign markets, they all need to realize that due to the ongoing globalization the international competition is inevitable even in the domestic markets*”. Hence, the process of internationalization is not easy for SMEs, which face many more barriers than larger companies. To be successful, as suggested by

Hutchinson et al. (2006), SMEs must employ “*a differentiation strategy or involvement in networks, because networks can act as “catalyst” in the expansion of the international market*”.

Different studies have analysed different motives for internationalization. Hollensen (2008, 35), for instance, explains that there may be proactive and reactive motives for internationalization, where proactive ones may be defined as triggers for attempting strategy change, based on the company’s desire to capitalize unique competencies, such as specialized technological knowledge, or market opportunities. On the other hand, reactive motives may suggest that the firm adapts to pressure or dangers either in its home market or in international ones, by adjusting actions over time in a passive manner (see [Exhibit 21](#) for further clarification on both motives).

In the case of Yunit, having itself shown inconsistent results, its strongest motive to internationalize is the market itself. Its low economic results are hence a proactive motive for internationalization as the firm is attempting to counter its negative tendencies by finding new regions in which to usefully apply its knowledge. Thus, Yunit Consulting is seeking internationalization mainly to increase profit and growth. As its knowledge relies mostly on how they manage the access to community funds, many companies may be interested in learning from them, which represents an advantage when compared to firms without this sort of experience. Adding to this, by internationalizing, Yunit would also profit from economies of scale – by maximising its know-how – which is also a proactive motive for internationalization.

In addition, according to Dunning (2000), four general motives for internationalization can be recognized: resource seeking, strategic resource seeking, efficiency-seeking, as well as market seeking. In the case of Yunit Consulting, expanding to new countries would not compulsorily give them access to new resources. In fact, Yunit will likely continue to operate with its own contacts and knowledge on European funds, which is why this driver should be classified as secondary to the market seeking initiatives. The high competitiveness of the consulting sector, the saturation of the Portuguese market, and Yunit’s unsatisfactory financial results are motives

for the company to leverage on its knowledge and operate in other markets. Thus, market seeking motives stand out from the remaining.

However, the internationalization process is not an easy one and three major risks must be considered: market, commercial and political risks. Yunit Consulting, by being a SME, may be more vulnerable to these risks as it has less resources to defend itself, being the reason why the firm should be particularly aware of these jeopardies.

SWOT Analysis

The SWOT analysis is a framework used to evaluate the Strengths, Weaknesses, Opportunities and Threats in an organization, through an internal analysis – in which the organization’s strengths and weaknesses are identified – and an external one that helps recognizing critical threats and opportunities the organization may face. By being *“a simple but powerful tool for sizing up an organization’s resource capabilities and deficiencies, its market opportunities, and the external threats to its future”* (Thompson et al. 2018, 97), this process *“can be used effectively to build an organizational strategy and competitive strategy”* (Gürel and Tat 2017).

In detail, strengths are resources or capacities the organization can effectively use to meet its objectives. Weakness, on the other hand, is a *“limitation, fault, or defect in the organization that will keep it from achieving its objectives”*. In addition, an opportunity can be defined as any favourable situation in the organization’s environment, whereas a threat will encompass any unfavourable situations that are potentially damaging to its strategy (Luo and Qin 2012).

Having defined the framework, and based on information gathered previously, one can now apply it to the particular case of Yunit (see [Exhibit 22](#) for the SWOT Matrix).

Strengths

Yunit Consulting’s value proposition, according to its CEO, *“involves a holistic approach, in a one-stop-shop logic in what are the management support services”* (Jornal de Negócios

2021). It does so through its long-established expertise in dealing with community funds, establishing a bridge between companies and banks, but also in supporting innovation and bringing robust and competent solutions to companies. On this note, it must be added that the company presents a particular advantage regarding its privilege experience in helping its clients getting access to community funds, such as the Portugal 2020 (the Portuguese scheme established under the ESIF). In addition, their partnerships and collaborations with banks and private stakeholders, such as the Investor's Circle setup with the PCCUK, the award scheme Heróis PME, in partnership with TSF and Dinheiro Vivo, and the partnership with the CCIP, allows Yunit to secure a direct channel of access to its client segment - SMEs.

Weaknesses

Yunit has exhibited an inconsistent pattern of financial results since the very beginning, with no stable growth being followed since its major turnover surge in 2012. This revenue volatility, combined with high labour costs, has prevented the company from reaching a stable net income and net profit margin (mostly negative, improving in 2020). Moreover, the company is on a dangerous degree of financial leverage, even though experiencing high liquidity. Yunit, thus, appears to be in a fragile financial situation.

In addition, the company seems to be, instead of specialized in numerous fields, focused and expert mostly on offering services regarding community funds (situation analysis, support on applications and, after fund attribution, support on project and plan enforcement). This is particular poignant as one of the most important demand trends relate to the need for customized and specialized services across all fields. Such does not seem to be the case of Yunit. Even though they prioritize following an “on-stop-shop logic”, the required level of knowledge and know-how is clearly insufficient. On the same note, with an important opportunity relating to the accommodation of digital disruption, the company does not gather, to the author's understanding, the necessary knowledge and expertise in digital innovation.

Opportunities

The major disruption across all industries regards to digital and technological innovations. By increasing the modularity and accessibility of core IT infrastructure and democratize data to allow data-driven and AI-enabled decisions, Yunit would be up to date with the new digital ecosystem. This could enable, for instance, the analysis of data faster and more efficiently (Close et al. 2020). On the same note, further committing to taking its business online, through, e.g., remote working and virtual meetings, will positively affect the organization internally and its interaction with external players, namely clients and other stakeholders (Taylor 2020).

Secondly, engaging in collaborations, e.g., with the PCCUK and the CCIP, and through the Heróis PME, certainly contributes not only to the establishment of contacts within the industry, but also to the acquirement of knowledge Yunit would otherwise find difficult to internalize. This further relates to the increasing demand for specialization and knowledge on niche topics where only by offering personalized and customized services will clients find their strategic goals met. Participating in partnerships may indeed be the opportunity to gather uninternalized expertise and bring together different experiences, all to serve common clients (Methi 2018).

Finally, the Portugal 2030 (Eurocid, n.d.) and the NextGenerationEU stimulus packages (Recuperar Portugal, n.d.) set new investment incentives and funds for companies. Yunit, though facing the termination of the Portugal 2020, enjoys now the opportunity to work with new investment programmes and offer its clients the services they require.

Threats

The fact that Yunit deals with an enormous volume of confidential and sensitive information, cybersecurity may stand as a threat in such an ever-increasing digital work structure. By handling strategic and commercial information, it becomes a target for hackers and data breaches. In addition, software security vulnerabilities also pose a danger to the valuable in-house knowledge accumulated with the company's experience.

Therefore, a side effect of such digitalization emerges from the fact that these new ecosystems and platforms have created digital-savvy business models. Not only do new players (mainly independent consultants) enter the market, but they also do so by offering specialized services and low prices. Potentially, this may enable disintermediation, i.e., it may make Yunit's services redundant, as clients will be able to directly access professional services without having to go through consultancies as intermediaries (Newton 2021).

FSA - CSA Matrix and Porter's Generic

The two basic building blocks in an international business are the Firm Specific Advantages (FSA) and the Country Specific Advantages (CSA). The FSA are the unique capabilities a company owns, the specific strengths and benefits resultant from contributions from its personnel, technology, or equipment. The latter, the CSA, are the strengths and benefits specific to a country, such as competitive environment, geographic location, government policies, industrial cluster, and labour force (Rugman et al. 2006).

As concluded in [Firm Specific/Competitive Advantage \(VRIO Matrix\)](#) and [SWOT Analysis](#), Yunit has several **firm specific advantages** that differentiate them from their competitors and could lead to competitive advantage. These include the fact that the company can provide a holistic approach to the projects it carries out by having a one-stop-shop logic in what are the management support services. In addition, its experience in helping its clients getting access to community funds and private investments also stands out. This is due to their ability to create solid and reliable relationships which they have mainly gained and endorsed with the Portugal 2020 program managers which allows them to get access to investment funds. Further, Yunit has secured a direct channel of access to its client's segment by having other partnerships with banks and stakeholders such as the Investor's Circle setup with the PCCUK, Heróis PME in partnership with TSF and Dinheiro Vivo, and the partnership with the CCIP. Even though these three resources are source of competitive advantage, as established with the VRIO analysis,

they are not attributes that guarantee a sustainable competitive advantage. Thus, these firm specific advantages must be considered **weak** firm specific advantages.

Regarding the **country specific advantages**, in more detail in chapter [5.2. Market/Industry Analysis](#), the Portuguese consultancy industry stands out from many others. It offers, for instance, an appealing labour force, with consulting companies able to hire talented professionals for cheap. In addition, Portugal is in a good strategic location for companies wanting to establish a presence in Europe as it is an EU Member State. Furthermore, given the rise in demand in innovation, productivity, and cost-reduction consulting services, mostly due to economic and political instability and the rise of highly competitive market players in the sectors of consumer goods, wholesale, and retail, the consultancy sector has been experiencing a boom (with a 5,5% per year on average). Next, Portugal has experienced an increase in the development of digital public services and connectivity through several governmental initiatives to promote digitalization and cyber infrastructures. These will impact the consultancy sector and are an opportunity to gain competitive advantage. Finally, the fact that Portugal, under the ESIF for the 2014-2020 period, has invested 45% of the executed community funds fields related to the Competitiveness of SMEs and Research and Innovation is important to consider. Thus, one can conclude that the CSA are a **strong** factor contributing to Yunit's success. Without them, with the lack of human resources, access to technology, investment funds, and market growth, the company would surely face difficulties operating in this sector.

[Exhibit 23](#) places Yunit Consulting in the most adequate quadrant of the FSA-CSA matrix. From the points mentioned above, the company does not have strong FSAs. However, it has a considerably strong score on the CSAs. Hence, the company is placed on cell 1 of the matrix, meaning that CSAs matter significantly for the international expansion of the company. Thus, when internationalizing, Yunit must give prioritize CSAs.

To complement the FSA-CSA matrix, the company's competitive advantages can be

summarized to understand the competitive strategy it has adopted to survive. According to Porter, through his **Generic Competitive Strategy Matrix**, there are “*two types of competitive advantages a firm can possess: low cost or differentiation. These two, stem out from the industry structure*”, and in turn, they “*lead to three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation, and focus*” (Porter 1985, 11).

As seen above, Yunit has some differentiating resources that are a source of competitive advantage. It can distinguish itself by having a holistic approach to projects. Several partnerships with investment funds, banks, and private investors enhance their capabilities of gathering investment for their projects. In addition, the success of its services is monitored and controlled to guarantee that the clients’ expected outcomes are satisfied. It should also be mentioned that Yunit targets SMEs which, accounting to 99% of all Portuguese companies, comprise a broad competitive scope within the industry. With this said, as demonstrated in [Exhibit 24](#), one concludes that the company follows a differentiation strategy aimed at surviving and competing in the consultancy market through its distinct specific advantages.

Global Readiness

According to the Uppsala Model, the internationalization process is a gradual and incremental one. This model is based on the principle that firms’ involvement and resource commitment on the expansion mode increases as foreign markets’ understanding rises. The model places knowledge, accrued from the enlargement of firm’s activities, as a central and necessary condition to the internationalization process (Johanson and Vahlne 1977). The revised Uppsala Model, on the other hand, acknowledges that the expansion process and the mode of entry depend on the company’s “**network position**”. In effect, the authors place the establishment of a strong business network as essential in the expansion process, as it allows for an improved foreign market knowledge, as well as the ability to identify and exploit opportunities, which is a first step towards internationalization readiness (Johanson and Vahlne 2009).

Yunit already serves international clients, despite its two offices being located in its home country, Portugal. Moreover, the company has demonstrated willingness and carried out efforts to further internationalize its business. For example, the recent partnership with the PCCUK signals Yunit's commitment to establish business relations overseas. Hence, following the revised Uppsala Model, Yunit has already taken the first steps in its internationalization process.

Also, in accordance with Khanna et al. (2015), the company exhibits characteristics that reinforce its readiness to internationalize. According with the mentioned authors, company readiness to globalize can be subdivided into four categories, among which Leadership and Governance (i.e., the commitment of upper management to push a global plan) and Business Capabilities (e.g., go-to-market abilities). Yunit Consulting has already demonstrated **strong leadership capabilities**, by committing to initiatives and partnerships that add value to their business portfolio and strengthen their foreign business network. Furthermore, the development of such network improves the company's go-to-market capabilities, by establishing a presence in international markets and introducing the company to a network of potential clients overseas.

The company should further pursue its foreign network building process, as it possesses robust motives to internationalize. In point of fact, Portugal 2020 – covered by Yunit's Investment Incentives service – is planned to reach an execution rate of 70% (Cavusgil, Kiyak, and Yenyurt 2004), among the highest in the EU, by the end of 2021 (i.e., 70% of the European funds allocated to this programme are planned to be expended by the end of the year) (Jornal de Negócios 2021). Complementarily, Portugal 2030 has still not been placed under public consultation (Jornal de Negócios 2021). These factors combined may represent a future revenue loss, since the service of Investment Incentives is roughly half of Yunit's annual turnover.

The aforementioned factors must be also assessed considering that Yunit is under financial stress, registering low net profit margins (oftentimes negative) and operating under a serious degree of leverage. Consequently, it must resort to foreign markets to improve its current

financial strains and alleviate future demand disruptions in its current geographical market. All factors considered, and as to make the internationalization process as smooth as possible, Yunit Consulting ought to start by expanding its offering of financial services, completing it later on with the many other services included in its business portfolio.

6. International Market Selection

Following the internal and external analyses from the previous chapter, and especially having in consideration the company's relative strengths and weaknesses, a systematic approach to the international market selection analysis was then followed. On a first step, several criteria were carefully chosen to evaluate which countries pose, on a primary screening, the greatest opportunities for a smooth and successful expansion process. Considering the impact on country attractiveness, both country and industry-specific indicators were selected. These variables were then subjected to country ranking and clustering analyses, in line with the proposal by Cavusgil, Kiyak, and Yeniyurt (2004). Data was collected for the most recent years available, mostly from 2019 to 2021.

To complement these methods, and within the context of the company, the present study further proposes an additional analysis, related with the availability and total size of EU community funds. This decision is the result of Yunit's relative strength in working with this type of investment incentives and its importance in the company's revenue generation.

6.1. Country Selection Criteria

On a first note on the selection criteria, the first obvious candidates to the internationalization process were the **EU countries** (27 in total). This stems from the fact that these are the countries eligible for investment programmes carried out by the EU, in which Yunit capitalizes on a prolonged and established experience. Nonetheless, as there is uncertainty regarding the programmes' implementation, other countries with identifiable potential were considered. Firstly, countries that maintain a degree of **affinity with the EU** (through, for example,

monetary agreements) were included in the analysis. This criterion incorporates in the analysis countries like Switzerland, Norway and the United Kingdom. These countries were considered viable owing to their institutional similarity to EU countries and cultural proximity. With this criterion, 13 countries were added to this analysis.

As a second criterion, the team opted to include countries that exhibit a **very high Human Development Index (HDI)**, which distinguishes developed countries from developing and underdeveloped ones. This decision is explained by the fact that Yunit Consulting does not have the experience nor the necessary tools to contract with companies operating in underdeveloped conditions. The shortage of skills, unreliable infrastructures and institutional void were considered as preponderant in ruling out most underdeveloped countries. With this criterion, adding 28 new markets, a total of 68 countries composed the primary list.

Even so, as a **language criterion** was then applied, including 13 countries with English or Portuguese as native languages, a small number of non-developed countries were also considered. This criterion is the result of the importance for a consulting company to secure sound communication in the target country.

Overall, the first screening resulted in a final list of 81 countries (see [Exhibit 25](#)).

To evaluate the market potential of each of these selected countries, a series of variables deemed to have an impact over the expansion success were selected. These variables were grouped under 12 dimensions: *Market Size, Market Intensity, Corporate Environment, Market Receptivity, Social Conditions, Technology, Ease of Doing Business, Logistics and Infrastructure, Political, Country Risk, and Distance to Portugal*. For a detailed explanation of each of the dimensions, please refer to [Exhibit 26](#). Overall, across the 12 dimensions, a total of 44 indicators was set forth (whose comprehensive list, respective brief explanation, data sources and periods of analysis can be consulted in [Exhibit 27](#)). Following the collection of secondary

data for such indicators, the authors concluded that 21 countries ought to be excluded from the analysis, owing to a profound lack of information. For the final list of **60 countries** contemplated in the following steps, [Exhibit 28](#) should be consulted.

To avoid multicollinearity problems, several of the initially considered indicators that presented strong correlations with other variables had to be removed (see [Exhibit 29](#) for the correlations matrix and [Exhibit 30](#) for further considerations). Such was the case for the following variables: *Number of Enterprises, Exports and Imports, Education Index, Mobile Connectivity, Internet Users, Business Environment Risk, Political Environment Risk, Expropriation and Government Action Risk, and Currency Inconvertibility and Transfer Restriction Risk*. It must, nevertheless, be added that these variables were deleted from the analysis not only due to the high correlation to other indicators, but also because causality could be established.

On that note, distinguishing correlation from causality is crucial as correlation does not necessarily imply causality, i.e., an action can correlate to another, or it can cause it (Australian Bureau of Statistics, n.d.). Such nuance was considered by not disregarding indicators that, despite a strong correlation with other variables, did not pose a strict sense of cause and effect (see [Exhibit 31](#) for further considerations). Such was the case of the following indicators: *Average Annual Wage in The Consulting Sector, HDI, English Proficiency, Global Innovation Index, Logistics Performance, Rule of Law and Political Risk Medium Long Term*.

After the above analysis, by ignoring the markers seemed redundant, the final list of indicators gathered **35 different variables** split by **12 categories** (see [Exhibit 32](#)).

6.2. Country Clustering (Hierarchical)

According to Cavusgil, Tunga, and Sengun (2003), marketing across national borders is, because of globalization, imperative for the long-term survival of a company. Nevertheless, there are differences among countries regarding size, language, income, infrastructure, market

access, culture, and other factors. Yet, these differences are the essence in determining which markets are suitable for a firm. Due to the exhaustive list of target countries, the authors propose a two-step procedure in screening for the attractive markets abroad.

The proposed process starts with a country clustering, conducted through the IBM® SPSS® Statistics software, where countries with similar economies, political, cultural factors, and social factors are grouped within the same cluster. This helps managers compare countries and provides the basis for *formulating synergistic international marketing strategies* (Cavusgil, Tunga, and Sengun, 2003). In addition, it *assumes that firms prefer to enter countries from the same cluster in which they have been operating successfully* due to the knowledge and experience gained over the years in a similar market (Johannson and Vahlne, 1990).

As the number of possible clusters was unknown, a **hierarchical clustering** was used instead of non-hierarchical clustering techniques, such as k-means and the two-step clustering methods. Studies have shown that non-hierarchical clustering techniques tend to perform poorly when random initial seeds, i.e., the number of clusters, are chosen (Cavusgil, Tunga, and Sengun, 2003). Additionally, it is crucial to mention that Portugal was included in the clustering as the group wanted to analyse the cluster to which Portugal would be assigned.

To ensure the robustness of the analysis and to mitigate the existence of outliers, three types of hierarchical country clustering were performed. All used the **Euclidean squared distance** for the interval measure and, to ensure that the averages were precise in representing each factor (Cavusgil, Tunga, and Sengun, 2003), the variables with negative factor loadings were reversed through an absolute values transformation. Firstly, the **Ward's method with z-scores standardization**⁵, whose dendrogram can be seen in [Exhibit 33](#), provided a list of 27 clusters.

⁵ The traditional way of standardizing data is through what is most of the times referred to as z-scores, i.e., by subtracting the mean to the variable and divide it by their standard deviation: $Z_{ij} = \frac{x_{ij} - \bar{x}_i}{\sigma_i}$, $n > 30$.

Secondly, again following the **Ward’s method but this time utilizing a mean 1 standardization** procedure (see [Exhibit 34](#)), resulted in 19 clusters. Finally, the third method followed a **Median clustering with z-scores standardization** (see [Exhibit 35](#)), with 50 resulting clusters. Note that the horizontal distances presented in the exhibited dendrograms are associated with the degree of similarity between countries. The horizontal line next to each country indicates how similar or divergent two countries are from one another. The greater the discrepancy between two horizontal lines, the less similar the countries are. On the other hand, if two countries have similar horizontal lines – in terms of length – the more similar they are. Thus, clusters have been formed on the shortest horizontal distance.

By relative comparison between the conducted clustering methods, one ought now to assess which one was able to provide a suitable grouping of the countries evaluated. Firstly, the Median clustering technique was clearly not effective as it provided an extensive list of 50 clusters where 48 of them encompassed only one country. The toughest decision would be opting between the two-clustering analysis following the Ward’s method and whose only methodological difference was the standardization procedure. Even though the mean 1 standardisation produced a lower number of clusters, the effect of outliers is not adequately scaled down, as it is the case with z-scores. For that reason, the authors decided to accept the hierarchical clustering with z-scores standardization and absolute values transformation as the preferred method (whose composition can be seen in [Exhibit 36](#)).

Having identified 27 different clusters, **Table 3** lists some distinctive characteristics. In addition, one must not disregard that the cluster analysis is reliable and accurate due to the clear distinctions between clusters and the similarities between the countries within the same cluster (see [Exhibit 37](#) for coefficient of variation (CV) analysis).

Table 3: Cluster Composition Analysis

Clusters	Northern European countries with a large <i>Management Consulting Market</i> . Nonetheless the
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1 and 2	small size of cluster 2, it represents five times the size of the <i>Management Consulting Industry</i> of cluster 1 (€105 008 and €21 585 million), though presenting a coefficient of variance (CV) three times lower, and some of the highest average <i>GDP per Capita</i> .
3 and 4	Asian Pacific countries, with cluster 4 presenting the highest <i>GDP per Capita</i> amongst all the clusters composed of more than one country (\$61 499 USD).
9 and 11	Eastern European countries with moderate <i>GDP per Capita</i> and <i>Management Consulting Market</i>
12 and 13	Cluster 12 unites Canada and Israel and cluster 13 unites Cyprus, Chile, and Iceland, all with similar levels of average <i>GDP per Capita</i> , \$42 099 and \$40 080 USD. However, it is worth mentioning that cluster 13 presents significant level of heterogeneity on the size of the <i>Management Consulting Market</i> (with CV of 152,4) and <i>Number of SMEs</i> (120,6).
15, 18 and 19	Gather Middle Eastern countries which base their economies mostly on the production and exportation of natural resources and have a high <i>GDP per Capita</i> (except for cluster 19).
20 and 21	Combines Belarus with Russia mostly due to their cultural similarities, with one of the lowest average <i>Management Consulting Markets</i> (€551 million, for a CV of 18,4). This is also the case for cluster 21.
22 and 25	Gather Latin American countries (Brazil and Uruguay), and African countries (South Africa and Kenya), both with low <i>Management Consulting Markets</i> averages, though a high CV (124,1 and 131,0).
5, 6, 7, 8, 14, 16, 17, 23, 24, 26 and 27	Composed solely by one market, they are: USA (cluster 5), Luxembourg (6), Malta (7), Ireland (8), Greece (14), Costa Rica (16), Qatar (17), Argentina (23), Panama (24), India (26) and Nigeria (27). This is explained by the different characteristics these markets possess, which prevents them to be grouped with other countries.
10	Cluster in which Portugal is included along with Croatia, Poland, Italy, Czechia, Spain, and Slovenia. As mentioned before, and considering the preference for companies to enter markets within the same cluster, these six countries are of great importance. This cluster is characterized by a moderate-sized <i>Management Consulting Market</i> with an average turnover of €11 037 million (though the great heterogeneity, with a CV of 112,55) and <i>GDP per Capita</i> of 34 422 US\$ (with a low CV, 12,82). The cluster average for the <i>CAGR Value Business and Management Consultancies</i> presents an equally moderate value of 4,73%. Nevertheless, it must be emphasized that the cluster presents a somewhat high variability in the number of SMEs, with a CV of 86,73.

Source: Authors' elaboration

6.3. Country Ranking

An additional methodology the team found worthwhile using is to rank countries on some meaningful indicators of market potential (Liander et al. 1967). By deriving country preference based on the chosen dimensions and variables, an evaluation of the overall market potential and attractiveness of all the 60 countries was built. Also note that, as in the cluster analysis, Portugal was again included so to assess its position and attractiveness through the lens of this tool.

Firstly, and more immediately, a z-score was used for standardizing the datasets through the

transformation $Z_{ij} = \frac{x_{ij} - \bar{x}_{ij}}{\sigma_{ij}}$. The result was a standard score measuring the number of standard deviations a given data point is from the mean. This score can be either positive or negative, with a positive score indicating the country's indicator data point is greater than the mean and a negative point indicating the opposite, that it is lower than the mean.

Subsequently, since all the chosen variables were displayed in different units and scales, and for the sake of comparability, a re-scaling method was due to be applied. A 1-100 scale was chosen and the formula $X'_{ij} = \frac{x_{ij} - \min_i}{R_i} \times 99 + 1$, with R_i being the range of the variable, was thus used. It is also worth mentioning that while some indicators positively impact the final score, others do so negatively. Thus, all the variables included in the Country Risk and Distance to Portugal dimensions were inverted according to the formula $X'_{ij} = \left[1 - \frac{x_{ij} - \min_i}{R_i} \right] \times 99 + 1$.

The final grade was then computed as the weighted sum of the country's standardized and re-scaled score for each variable (following the weights discrimination in [Exhibit 38](#)). The relative ponderation of all the indicators was done according to the authors' attributed relative importance, considering the industry and the company's challenges. More significantly, greater weight was attributed to the dimensions *Market Size* (18,5%), with the indicators *Management Consulting Market* (9%) and *Number of SME* (7%) standing as the most important variables. Also, particular heavy weights were allocated to *Gross Enrolment in Tertiary Education Ratio* (4,5%) and *English Proficiencies Index* (4,5%), included in the *Social* dimension (12%), given their significance in Yunit's access to qualified labour force. On the opposite, *Logistics and Infrastructure* (2%) and *Country Risk* (3%) were considered, in relative terms with all the other variables, the least important and, hence, were attributed the lowest weights.

This approach, whose ranking can be assessed in [Exhibit 39](#), propose that the **United States** stand as the most attractive country for Yunit Consulting to expand to, followed by **France**,

Germany, Singapore, and Ireland.

6.4. Further Ponderations

Considering Yunit's strong expertise in dealing with investment community funds, namely in what comprises evaluation, application, and execution, one could not but to further assess the robustness of the cluster and ranking analyses conducted before. As such, the country allocation of two of the most significant European funding schemes, i.e., the ERDF and the NextGenerationEU, will now be included. It would be reckless, however, not to register the fact that both funds are only available to the EU Member States and, consequently, such analysis will not encompass all the non-EU-countries shortlisted previously. The team is assured, nonetheless, that given the fact that the majority of the best-ranked countries are indeed Member States, this analysis will not be worthless.

Analysing the graphical representation in [Exhibit 40](#), one is able to apprehend more clearly the combined analysis of funds availability, ranking and clustering. Nonetheless, understanding which markets stand as optimal in such ponderation remains an arduous task. Such difficulty may indeed arise from the fact that the community funds setup by the EU are destined to countries with particular fragile economical situations. This is obvious when understanding that countries like Italy (24th), Portugal (25th) and Poland (34th), while having been allocated great sums of funds, position themselves in the lower rank levels.

Nonetheless, considering the allocation of the European community funds may, though, stand as a flawed analysis. This is due to the fact that such funds may face several delays in its allocation, distribution and in the acceptance of company's applications. A particular proof of such possible setbacks comes from Hungary and Poland, where the current political and judicial battles between national governments and the EU has led the European Commission (EC) to withhold and delay the initial disbursements of the much-needed COVID-19 recovery funds (Sparks 2021). Thus, though valuable, Yunit Consulting ought not to evaluate market potential

solely or significantly on the allocation of community funds.

6.5. Selection of the Five Highest Potential Markets

Having conducted the ranking and hierarchical clustering analyses, one must assess their suitability and relevance. Firstly, a company that desires to “*standardize offerings and marketing strategy across different markets*” should attribute more importance to the cluster analysis as it “*provides insights into structural similarities among markets*”. On the opposite side, establishing the best possible markets can only be achieved through the ranking approach. Consecutively, combining both approaches stands as a preferred choice, as it provides “*unique and highly valuable information that does not overlap*” (Cavusgil, Kiyak, and Yeniyurt 2004).

Overall, combining the two technical approaches together with the availability and allocation of the European community funds, one can now establish a list of the five highest potential markets, which are **France** (2nd in the ranking, cluster 2), **Germany** (3rd, 2), **Spain** (11th, 10), **Italy** (24th, 10) and **Lithuania** (20th, 11). By choosing countries with relatively high positions in the ranking, belonging to three different clusters and presenting the strongest opportunities in the community funds allocation, the team finds such choice as the best attainable compromise between the conducted analyses. The following in-depth assessments will now understand in detail the potentiality of each market.

6.6. In-Depth Market Analysis - Italy

Country Overview

To have a better grasp of the overall environment of Italy, as a potential destination for Yunit Consulting, it is crucial to examine the external variables that could affect the company’s performance. With this, it is important to perform a PESTEL analysis as “The analysis of macro environment of the enterprise enables the management to realize especially the relations and

links among individual factors and also opportunities and threats on which the enterprise should concentrate on". (Dockalikova & Klozikova, 2014)

Italy has a parliamentary democratic system of government, led by the President and PM. It also has agreements with several world's leading institutions, facilitating trading of goods and services with most countries in the world (World Population Review).

In addition, Italy is a country with strong economic performance, being the world's ninth major economy, with a GDP of 1.630 trillion Euros in 2020 (World Bank). The services sector, where Yunit is inserted, accounts for almost three-quarters of the country's total GDP and employs around 65% of the country's total workforce (Focus Economics).

The Italian market can also be characterized by its highly educated citizens, with 66,05% of the population enrolling in tertiary education (World Bank). However, the population's English level is just average (Jonny Simpson, 2019).

On a different note, Italy is considered one of Europe's top four technologically developed countries, counting with more than 105,000 high-tech companies (Fratta & Sabatini, n.d.). Despite its rising trend, digitalization rates are quite low as the majority of SMEs are far from embracing the Internet. Therefore, flaws slowing down the progress of the digital revolution need to be addressed. For instance, in 2018 Italy only invested 1,4% of the country's GDP in R&D, below the world's average of 2,2% (World Bank).

Summing up, Italy is a regional and great power in terms of the global perspective, with significant influence on the world economy, military activities, cultural trends, and diplomacy. Despite having some threats and challenges in the upcoming years, these are largely outnumbered by the benefits that the Italian market can provide to companies like Yunit. A more detailed PESTEL analysis can be seen in [Exhibit A].

Contacts

It is extremely important for Yunit Consulting to have relevant contacts in the targeted country, as they will make the internationalization process much smoother. For instance, government entities can help mitigate risks and assist with legal affairs and international fairs and conferences which are a great place for networking and meeting potential new clients and keeping up to date with the latest news and technologies of several industries (some examples taking place in Italy at the beginning of 2022 are presented in [Exhibit B]). Other contacts with entities like data providers, universities, banks, law firms, international fairs, or even venture capital firms, can help the company to get all the required resources to perform their daily operations, further reducing the impact of the transition to another country. [Exhibit B] presents a list of several potential contacts that could support and accelerate Yunit's presence in the Italian market.

Competitor Analysis

In 2020, the Italian management consulting market was worth 23 billion Euros, with 191 716 companies operating in it. This is a very fragmented market, led by big consulting companies like Accenture, KPMG, McKinsey, Deloitte, and BCG that account for 5,7 % of the total market share, with the other 94,3% being distributed between SMEs that Yunit will have to compete with if they go through with the decision of expanding to Italy.

To proceed with competitor analysis, it is important to define which companies might be directly competing with Yunit. After analyzing several cities, Milan stood out given that it is Italy's financial capital, hosting its only stock exchange, and it is a prestigious and well-known city where a lot of other consulting companies are also established. Therefore, the following table contains an analysis of consulting companies focused on SMEs that offer a similar range

of services to Yunit’s and whose headquarters are in Milan. Given the lack of data, it was not possible to analyze their market share or make comparisons between their services’ prices.

Vanguard Hub
<p>A data-driven digital transformation consulting firm, that helps organizations embrace the digital disruption to secure short-term revenues while building long-term sustainability through tech innovation. Their primary services are:</p> <ul style="list-style-type: none"> • Digital strategies – exploration of areas of opportunity to deliver digital transformation strategies; • Data Driven Business Accelerator – delivery of startup minded executable roadmaps to quickly generate growth and ROI; • Digital and Tech Innovation - creation of digital products and new business models to fit the new digital economy framework (Vanguard Hub).
Broggini
<p>Founded in 1999, Broggini is a company specialized in assisting companies interested in expanding into new international markets. With a team 28+ multilingual professionals, they provide a broad range of consulting services to support international businesses, including management of cross border operations, international expansion plans, legal and fiscal advisory, market strategy assessment and human resources and marketing (Broggini).</p>
B-Team Consulting
<p>A consulting firm with 40 employees and fifteen years of experience in the world of marketing, communication, and management in various sectors of activity. They take advantage of the LEAN and AGILE vision as a method of transformation and innovation. Their services include:</p> <ul style="list-style-type: none"> • Marketing Strategy – use of frameworks and analyses to elaborate a strategic marketing plan according to the company needs • Temporary Management – a temporary manager is assigned to the client for a defined time, with the aim of achieving the various company objectives • Digital Transformation – support companies through scenario analysis, problem/solution analysis, digital and strategic objectives, application of AI, and analysis of big data and marketing performance (B-Team)
Forthalia
<p>Forthalia is an all-round consulting firm which aims to bring value to its customers thanks to the long field experience of its professionals. They provide a wide range of services such as Strategy Consulting, Organizational Consulting, Merges and Acquisitions Practices, Sales, Marketing & Communication Consulting, Internationalization Services, and IT Professional Services (Forthalia).</p>
GEB Consulting
<p>GEB Consulting offers strategic and organizational consulting services, with an orientation to change management, from the identification of needs to the implementation of operational interventions. The services offered by this company include: (GEB)</p> <ul style="list-style-type: none"> • Strategy and business modeling • Merges and Acquisitions • Change Management • Finance and Administration • Pricing Adjustments • IT Solutions

Table A: List of Competitors

Source: Author’s elaboration, based on several sources

Market Sales Forecasting

The market sales forecast is a crucial step to understanding the possible profitability of Yunit's expansion to Italy. Therefore, a comprehensive analysis of the Italian management consulting market overview and industry trends and opportunities will be performed to understand the potential of Yunit's expansion.

Market Overview

Business and management consultancies industry turnover in Italy was about 23 billion Euros, which ranks it ninth in the Western Europe region. The industry's turnover is forecast to recover fully from the COVID-19 pandemic in 2022 and is forecast to keep ranking ninth in 2025. In terms of absolute industry turnover growth, Italy is forecast to rank 13th in the Western Europe region. This indicates weaker B2B demand potential from the business and management consultancies industry in Italy in comparison to other regional countries. Industry costs decreased by 8.1% in 2020. The change was largely impacted by B2B costs, which represented 54.7% of total industry expenditure in 2020. Productivity of the industry decreased over the year, as turnover per employee was € 214,619, a decline of 6.6%, making it smaller than labor costs growth. Slower growth in turnover per employee in comparison to average salary growth indicates that the industry may not be capable of maintaining its competitiveness and cannot compensate for cost increases through increased production output. The industry's profitability increased in 2020 and reached 21.7%. Italy ranks fourth in the Western Europe region in terms of the business and management consultancies industry's profitability (see Exhibit C for further analyses and benchmarking).

Industry Trends

The Italian lifestyle has long been related to a balanced working and home-life equilibrium, a formula which if applied correctly generates satisfaction in the office, a self-fulfilling career,

and enough leisure time to enjoy hard work. This combination is also a concept within the consulting industry that is in high demand. In recent years, this industry has begun applying flexible working schedules to tackle long hours.

Considering the source of the money, Consumer and Industry dominate the Italian setting, totalling over a third of total client expenditures on consultants (see Exhibit D). The high level of this base arises from the defined Italian industrial sector, one of the nation's highest-grossing economic outputs, driven by international demand for high-quality Italian goods. Financial Services is one of the principal contributors to MC development.

The factors arising from Industry 4.0 technologies such as automation and FinTech have already found their way into the Italian marketplace. This is evident by analyzing the numbers and to the root of the consulting expenditure. The research suggests that the Manufacturing and Financial Services sectors alike have been hit by the global drive towards digitalization. Over 75% of consulting companies, including all of the big names, are increasingly invested in projects which support customers in their adoption of new digital technologies, including mobile technologies, big data, and the growing dominance of e-commerce and artificial intelligence (Consultancy).

Methodology

Given the lack of data, it was not possible to obtain a value for how much Italian consulting companies charge for their services, and consequently compare it to Yunit's. The chosen method, used to calculate the approximate value Yunit charges for its services, consists in dividing a company's turnover per number of employees and then dividing it by the number of working hours in a year, resulting in the revenue that each employee generates to the company in one hour, which would be a close approximation to the value that companies charge for their services. However, after analyzing several Italian companies, these revenue per hour per

employee values were very discrepant, leading to inconsistent results that were not worthy to be further analyzed. Therefore, the approximate value of how much Italian consultancies charge, was calculated using the average turnover per employee in 2020 (stated above in the market overview) and then divide by the number of working hours in a year (see Exhibit E).

After calculating the turnover per employee per hour for both Yunit and the average of the Italian consulting market, one can compare them and observe that it is 4.54 times bigger in the Italian market. Therefore, assuming that Yunit would maintain the same number of employees, to estimate the potential turnover it could have in Italy, its 2020 turnover was multiple by 4.54, resulting in an estimated turnover of € 8,370,141.

Nevertheless, this is an extremely optimistic scenario, given that it considers that Yunit Consulting would have the same structure and number of employees in Italy after five years of operation, which is highly unlikely. In addition, to calculate the factor that compares Italian companies' turnover per employee with Yunit's, the average of all consulting companies operating in Italy was used, which might be misleading given that this includes big consulting companies like McKinsey and Deloitte that charge a lot more for their services than smaller companies like Yunit. Therefore, the Italian average is not a real measure of how much Yunit will be able to charge if they move to Italy.

Market Entry Conditions

Before analyzing the market entry conditions, it is important to understand Italy's market entry barriers as they could compromise the decision to go forward with the expansion:

- Italy's growth is behind the European Union average
- Italy has a complex regulatory environment that often lacks transparency, clarity, efficiency, and certainty observed in other developed economies.

- Despite its rising trend, digitalization rates among Italian firms are quite low, and most SMEs are far from adopting the Internet (Privacy Shield).
- Despite being one of the world’s biggest economies, Italy only ranks 58th out of 190 countries on the Ease of Doing Business Index of 2020. By analyzing some of the categories that compose this index, one can see Italy ranks 98th in Starting a Business, 119th in getting credit, and 128th in paying taxes (Doing Business).

Thereafter, the company must assess the market entry conditions of Italy to understand how appealing establishing Yunit’s business in this particular country could be. The following section comprises a detailed analysis of the conditions and requirements that the company should acknowledge.

Tariff and Non-Tariff Barriers	Both Italy and Portugal are member of the European Union, meaning they benefit from free movement of goods, services, people, and capital. Therefore, tariff barriers are not applied and since the same regulations are imposed among the EU countries, the non-tariff barriers are lower than usual (European Parliament).
Legal System	The legal system is based on civil law. The primary source of law is written, and provisions are contained in four codes (civil, penal, civil procedure and penal procedure) and acts. Supreme Court decisions are also an influential source that guide judges in subsequent decisions (ICLG).
Forms of Business Vehicles	Generally, a subsidiary can be set up as either a private limited company by quotas (società a responsabilità limitata, Srl) or a public limited company by shares (società per azioni, SpA). Srls are considered more flexible and customizable companies. However, generally, because of the higher minimum capital requirement, SpAs are often preferred for corporate image purposes (ICLG).
Employment	The maximum working week is set at 40 hours and overtime must not exceed 48 hours. There is no government-regulated minimum wage in Italy. Instead, the minimum wage rate is determined by collective bargaining agreements on a sector-by-sector basis. Foreign employees that are not citizens of an EU country must have a residency permit to work. Employees or their employers can request the permit (sportello unico per l'immigrazione). Both parties to the employment contract can terminate the employment relationship on written notice of termination, which may provide for a notice period or not depending on the reasons for the termination (ICLG).

Taxes	<p>Italian residents are taxed in Italy on their worldwide income. Non-residents are taxed only on income of an Italian-source. An individual is deemed to be resident in Italy if they are resident or domiciled in Italy for more than 183 days in a year.</p> <p>Income from employment is ordinarily subject to taxation at source (at progressive tax rates).</p> <p>Employers must contribute to social security to obtain pension benefits and contribute to welfare to cover risks related to accidents.</p> <p>The corporate income tax, known as IRES, is rated at 24% (PWC).</p>
Intellectual property	<p>Patent applications can be filed through the Chambers of Commerce or with the Italian Patent and Trademark Office. The invention is protected from the date the patent application is filed. For third parties, protection starts from the date the application is published. The exclusive right on the invention is granted for 20 years and for 10 years on utility models (ICLG).</p>

Table B: Market Entry Conditions

Source: Author's elaboration, based on several sources

6.7. Selection of Target Market

Having conducted the in-depth analysis of the markets with shown highest potential - France, Germany, Spain, Italy, and Lithuania - one must now comparatively assess the appropriateness of these markets. Such analysis may be performed by relatively evaluate each country according to the five dimensions they were individually examined, i.e., Macro-Environmental Factors (PESTEL), Contacts, Competition, Market and Company Sales Potential, and Market Entry Conditions (see **Table 6** for the following evaluation).

Different weights were attributed to the dimensions according to the perceived (by the authors) relative importance, with each being then evaluated on a scale of 1 to 5, with 5 denoting the best position. The two dimensions attributed the greatest weight, 25% each, were Competition and Market Entry Conditions, as it is not only paramount to assess the degree of competition, but also the barriers and procedures Yunit must bear when entering the market. Though Market and Company Sales Potential ought to be, amongst the several dimensions, the most important, the fact is that, given the great difficulty experienced in achieving realistic and expressive

forecasts and estimations, such factor was only attributed 15%. Contacts was allocated the same weight. Finally, the Macro-Environmental Factors, evaluated through a PESTEL analysis, were given 20%, considering their low variability and expression between the five markets.

Table 6: Market Selection

	FRANCE	GERMANY	SPAIN	LITHUANIA	ITALY	Weights
<i>Macro-Environmental Factors (PESTEL)</i>	3,5	3,5	4	4	4	20%
<i>Contacts</i>	4	4	4,5	3,5	4	15%
<i>Competition</i>	2	2	2,5	3	2,5	25%
<i>Market and Company Sales Potential</i>	5	4	3,5	3	4	15%
<i>Market Entry Conditions</i>	4,5	4	4,5	4	2,5	25%
Total	3,675	3,4	3,75	3,525	3,25	100%

Source: Authors' elaboration

Firstly, according to the PESTLE analysis, all five countries share a common ground on their **Macro-Economic** status, cemented by being EU Member States. Despite the generalized economic downturn experienced with the pandemic, particularly in the consulting sector, Spain, Lithuania and Italy have recovered strongly. The high allocation of the ESIF to these countries, the future provision of the NextGenerationEU, further contributes for their good grading.

Then, regarding the availability of relevant **Contacts**, Spain, with a much stronger cultural proximity, stands out from the remaining. The excellent diplomatic and institutional relations, manifested through the close contact between both countries' chambers of commerce, and the great availability of, e.g., international fairs, universities and talent acquisition players in Catalunya (the evaluated targeted region), further potentiates such grade. On the opposite side, Lithuania, with the sparse availability of institutions and relevant stakeholders with English as their working language, has been downgraded.

Referring **Competition**, the French and German greatly saturated markets, with particularly fierce rivalry, deters Yunit's entrance. On the other hand, Spain (Catalunya), Italy, and, with greater emphasis, Lithuania present shortage of supply in business and management consulting services. A transversal opportunity across all markets resides on the lack of EU community

funds-related service offering.

On what concerns **Market and Company's Sales Potential**, one may assess Yunit's revenue potential based on the price estimates computed through the in-depth analyses. Though Italy was estimated having the largest prices and potential turnover, the fact is that, as discussed in its in-depth analysis, such estimates do not stand robust, hence not being the country with the highest grade. In turn, France, with €5 773 181 of potential turnover, and an estimated price of around €74, leads the way. Germany, Spain and Lithuania, with potential revenues between €2 to €3 million, with Lithuania on the lower end, are evaluated relatively.

Finally, in the **Market Entry Conditions** dimension, France and Spain (and Germany, to a lesser degree) stand out with a straightforward legal process for the establishment of a company, with a greatly qualified workforce, advanced technology, and governmental measures fostering (foreign) investment. Lithuania, with a deeply centralized management and allocation control of the EU community funds, by the central government, is negatively scored.

All in all, from the independent individual assessments and subsequent relative evaluation, **Spain** has been found to be the most attractive target market. Even though the country was not ranked the highest, when compared to the remaining four countries, the in-depth analysis ought to be regarded more highly.

7. International Entry Strategy

7.1. Theoretical Background: International Entry Mode Selection for SMEs

Past literature on international selection of entry mode has demonstrated that adopting the best strategies while entering foreign markets is vital both for a company's survival and for an efficient performance in the new market (Sestu, Majocchi, and D'Angelo 2018). However, only a few studies have exclusively focused on SMEs (Laufs and Schwens 2014). Though some argue that both large and SMEs tend to follow the same logic when deciding on the best entry mode (Brouthers and George 2004), others, like Krishna, Erramilli, and D'souza (1993), have

refuted such hypothesis by claiming that companies' size explains the difference in uncertainty on the choice of entry mode, situation further conditioned by the capital intensity of the industry in which the firm operates.

In addition to the previous, it has also been shown that SMEs prefer to enter markets with the support of local partners (as these may provide local knowledge) and opt for countries culturally similar to their domestic market. Such is contrary to large players that prefer a stand-alone strategy based on self-reliance such as M&As (Li and Qian 2008). Importantly, SMEs tend to lack the resources and experience for such ventures, making them more vulnerable to environmental and institutional changes in the host countries and preferring to enter a more limited number of foreign markets with high potential (Nakos and Brouthers 2002).

Moreover, the clear scarcity of both financial and human resources may potentiate SMEs to follow different approaches when choosing an entry mode strategy (Bruneel and Cock 2016). For instance, pursuing an investment entry mode, that involves high capital spending, would be very difficult for a SME. In addition, with the lack of human resources and experience, a crucial asset for sustainable growth, SMEs are likely to seek out potential partnerships that can provide them with local knowledge of the host country. Indeed, according to Spence, Manning, and Crick (2008), alliances in the form of collaborations could be the best strategic option for firms to internationalize their services by searching for complementarities to increase their resource base and potentiate stronger competencies and competitive advantages. Even though risky, collaborations may lower transaction costs, overcome certain operational weaknesses (such as the lack of know-how and the potential clients in the new market), and reduce competitive risks while benefiting from synergistic effects.

Considering the above, one must now evaluate the many entry modes available. Such analysis will facilitate the decision of the most adequate choice of internationalization strategy for Spain.

7.2. Analysis of Alternative Entry Modes

For any corporation establishing an internationalization strategy, the choice of entry mode has significant implications for the level of control, expenses and risks incurred in the potential new market. As a result, the company must strike a balance between its risk aversion and its desire for control in the foreign country (Huang and Sternquist 2007). Export, intermediate and hierarchical entry modes are the three general strategies.

Adding to the fact that **export** entry modes involve low cost, they also constitute the fastest way of entering or withdrawing from a market, allowing for high flexibility. Though assuming less risk of know-how loss and creating less dependency from its home market, such modes are sensitive to trade barriers and involve less market knowledge and adaptation capacity. However, being a company that operates with international clients, Yunit Consulting's goal from an internationalization strategy would be to profit from new contacts and relationships overseas. Hence, it would not be suitable for Yunit to opt for an export entry mode. By expanding through a **hierarchical** entry mode, companies will avoid import and transportation costs. They will also have access to first-hand information, data about the market as well as to local management with significant context (Wach 2014). Finally, **intermediate** entry modes stand as a better alternative by, in addition to involving low capital requirements, allowing for a cost reduction by spreading costs across partners. These entry solutions may also be used to overcome ownership restrictions. Despite the just mentioned advantages, intermediate entry modes grant low levels of control and involve risks due to knowledge transfer. Moreover, misalignment of interests and the risk of creating a potential competitor may be involved. [Exhibit 46](#) lists the strategies distinguishable within each category of entry mode.

7.3. Entry Mode Selection

Before deciding on the adequacy of each strategy, the current state of the company, its experience, and the available **internal and external resources** it controls must be considered

(Johanson and Vahlne 2009). From previously, Yunit is not in a stable financial situation to pursue a costly international expansion strategy such as a hierarchical entry mode, though being the strategy that grants the maximum level of control. As such, a mode involving fewer financial commitments ought to be preferred. In addition, Yunit aims to develop relationships in the Spanish market, justifying why an export entry mode would not be advisable, leaving Yunit with no choice but to pursue an intermediate entry strategy.

Also, one may not forget how the company differentiates itself from its competitors in Portugal. Firstly, Yunit has an extensive experience in dealing with community funds and a considerable high success rate in obtaining funds and private investment. The firm is also able to provide a holistic approach to their projects through its high qualified labour force. Finally, it possesses a direct channel of access to clients through partnerships with banks, chambers, and other relevant stakeholders, which, indeed, may prove to be difficult to achieve in the Spanish market.

Regarding specific advantages of the Spanish market, the country stands as favourable in what concerns the ESI funds allocation. The country is dedicating €60,7 billion in promoting Economic Growth and the Competitiveness of SMEs (EC 2021). Though the expected growth of the Spanish consulting sector, especially in the sectors of financial services and digital transformation consulting services (Bailey 2019), Spain presents itself as a rather competitive market, the biggest threat to be faced by Yunit.

Thus, it would be interesting to look over a possible strategic alliance with a player that does not share Yunit's expertise, i.e., the holistic approach to their projects and the great success and knowledge in dealing with community funds and private investment. Such strategy would benefit Yunit in getting a direct access to future clients and partnerships by taking advantage of operational synergies between both companies.

With the technological sector increasing exponentially in Spain, and particularly in the

consulting business, a strategic alliance with an IT company stands as the best option, with both parties benefitting from operational synergies. One would complement its resource base through the access to private investment and community funds, and Yunit would strengthen its position in the realm of digital transformation. Furthermore, both companies would be provided with an easier access to clients both in Spain, for Yunit, and in Portugal, for the allied company.

Dynamic Quality Services Consulting Group SL (DQSconsulting), a company specialized in digital innovation, data management, and outsourcing, stands, by the authors, as a preferred alternative for Yunit to ally with. The company enhances the value of their clients by providing digital solutions in every industry, in the sectors of marketing, finance, optimization systems, human resources, and data analysis (DQSconsulting, n.d.). Having actively grown in the past 5 years, it reported, in 2020, a turnover of €1 673 197, with over 20 employees (ORBIS 2020).

On a first stage, and upon negotiations with the partner, Yunit would have its collaborators (one business manager and two senior consultants, to begin with) working at the partner's offices, while welcoming at its own installations in Portugal the partner's team. In case of no agreement on such issue, Yunit could, in turn, make use of co-working spaces or rent its own office (a more dispendious alternative). Regarding revenue sharing, two alternatives stand. The two companies would charge each other a commission on the final project value if the other has taken a role of mere referral. In the case of both engaging in active participation in the project execution, they would, instead, charge the client the sum of each company's work. From now on, Yunit Catalunya will be used when referring to Yunit Consulting's operations in Barcelona.

8. Marketing Plan

When entering a new and unfamiliar market, a sound marketing strategy must be designed. Such plan ought to not only incorporate a segmentation, targeting and positioning (STP) analysis, but also set up the company's marketing mix. Likewise, considering that Yunit's main motivations for expanding concern its financial needs and the company's desire to strengthen

its international network, marketing objectives must be defined accordingly.

Moreover, and following the company's intents, expressed by its CEO, Mr. Bernardo Maciel, Yunit Catalunya's budget for marketing related activities may be set at €40 000 for the first year of operations, with a growing rate of 5%. Also, the company's marketing will be, during the first year, conducted in Portugal and only transferred to Catalunya by the second year, with the employment of its first Spanish marketing officer. Such details will be important to bear in mind specially when laying down the expansion project's [9. Financial Forecast](#).

8.1. Marketing Objectives

Yunit's expansion process stems from a revenue seeking necessity. Hence, marketing efforts are to be primarily directed at maximizing the company's reach through the development of a strong business network, and increase sales. Specifically, in terms of sales volume, the company sets the target at 150 annual projects⁶ by the fifth year of operations. Furthermore, as Yunit intends to decrease its dependency from DQSconsulting throughout the years, the percentage of shared projects is anticipated to decrease at a rate of 20% per year and the share of referred projects at a lower rate of 5%. Following these objectives, the company is expected to reach 76 fully owned projects by the fifth year of operations.

To attain these objectives, Yunit Catalunya ought to extend its reach by **developing strategic partnerships** in the Spanish market. Specifically, the company should be able to establish relationships with the Spanish Chamber of Commerce within the first two years of operations, given the importance of developing a robust network within the Spanish business community.

On the long run, the company ought to **expand to other regions in Spain** (e.g., Comunidad de Madrid), provided that the right partnerships are secured, and that the company can count on a robust network that promotes client attraction. Yunit Catalunya is also expected, from the

⁶ Comprising projects shared with and referred by partner DQSconsulting and fully owned projects.

synergies developed with the partner firm, to **strengthen its capabilities in digital transformation projects** and, ultimately, include them in its Portuguese service portfolio.

8.2. Segmentation

Consulting firms typically face four different segments, distinguishable by the type of services they require and their willingness to pay. Furthermore, the level of digital incorporation, considering the nature of the strategic alliance Yunit is pursuing, was deemed especially relevant, thus contributing for the segmentation of the market.

Firstly, **SMEs'** consulting needs typically involve assistance in accessing finance, building an entrepreneurial environment and developing managerial know-how (Kurochkina et al. 2019). This segment naturally exhibits lower willingness to pay for consulting services, a characteristic reinforced by the existence of several State grants supporting the access to consulting services (ICEX 2016). These grants typically focus on finding business angels and accessing venture capital funds, European Funds, and improving SMEs competitiveness (through, for example, business model development, processes and digital transformation). Spanish SMEs also display insufficient digital skills, lagging behind the European average in terms of cloud services and big data analysis usage. In fact, only 24% of Spanish companies are regarded as highly digitized (EC, n.d.). The pandemic has emphasized the importance of digital transformation for these companies, as e-commerce stands as an unexploited opportunity in Spain (MAEYTD 2021).

The **public sector and Governmental institutions**, on the other hand, face increasing pressure on social and ecological challenges, optimizing cost structures, and retaining talent (NovaDays, n.d.). This segment typically demands projects on the design and execution of public policies, as well as solutions for improved public infrastructures and agency transformation (BCG, n.d.). In terms of digitalization, the Spanish public sector is in a position of strength relative to other EU countries, ranking 2nd in the EU on digital public services (Gobierno de España 2021).

Social enterprises stand as the segment more financially constrained, thus revealing a lower willingness to pay for consulting services. It follows that a common practice in the consulting market is to provide pro bono services to this segment, as it holds a positive impact on corporate reputation. The type of services demanded by this segment relates to fundraising strategies concerning project, resource management, and social innovation (Bencheva, Stoeva, and Todorova 2018).

Finally, **large enterprises** typically demand strategic, financial and tax advisory services from medium and large-sized consulting firms (Stumpf and Edgcumbe 2018). For this segment, as the client-consultant relationship tends to be more prolonged in time, relationship management assumes greater relevance for the consultancy company. For example, more experienced consultants and top management may be required to actively participate in the projects. This segment is characterized by a relatively high level of digital incorporation. In effect, 45,4% of Spanish large corporations were regarded as being highly digitised. Nonetheless, this value is fairly below Europe's average for large companies (62%) (EC, n.d.).

8.3. Targeting

After having segmented the market, one must now evaluate the segments' attractiveness and define which are the most profitable for Yunit to target (Kotler et al. 2005, 415–17; Hunt and Arnett 2004, 7–25). Despite the lack of formal evaluation procedures, such assessments have been made based on factors, among which, size, prospective growth, best fit with the company, low market coverage, and potential loyalty (Gupta 2014; Markey, Ott, and Toit 2007).

In Spain, more than 75% of managers say that digital transformation will be a lever of change in their organizations, even though data shows that only one third of companies are able to cope with such evolution (Roland Berger 2016). Aligned with European digital agendas, several **Spanish** governments have adopted programs for digital progress, envisioning the facilitation of the country's digital development. Spain, compared to the remaining EU Member States,

ranked, in 2020, 11th on the digital economy and society index, and 2nd on digital public services. Even if the COVID-19 pandemic has accelerated the digitalization process of Spain, this progress has been limited, especially to SMEs.

Having this said, as the majority of SMEs in Spain presents low digital capabilities, Yunit's target segment in the new market would remain SMEs, given its shown potential on digital transformation. At an initial stage of the expansion, Yunit should, then, focus on SMEs aiming to access funds to digitalize their operations. This would result in an ideal symbiosis between the partnered firms, as the alliance would serve as a one-stop shop for these target clients. Once a strong network of contacts has been established in the Catalan market, other services can be safely added to its business portfolio, with Yunit Consulting being now able to not only explore other appealing subsegments, but also to study the expansion to the remaining Spanish market.

8.4. Positioning

Generally, brand positioning is not only the crucial introduction of a product/service in a new market, but also the process of setting the business apart in such a way that preference over competitors is built. Also, it envisions the association of the company with an idea or category through the establishment of a sustainable competitive advantage (Gwin and Gwin 2003).

Though positioning strategies may take several forms, not all are suitable to professional services players. According to Frederiksen (2021), companies can follow five strategies: **cost-driven positioning**, if the player has an inherent cost advantage, **niche service specialization**, when the services provided are not widely available through competitors, **industry specialization**, a positioning characterised by a strong expertise on a particular sector and similar businesses, **role-focused specialization**, where a particular function or cohort of people within the organization-client is targeted instead of the particular industry or service, and, finally, **quality service positioning**, one of the most common strategies, though least effective, with the company positioning itself as the one offering the best quality and customer service.

Overall, one may now elaborate on the most appropriate strategy to follow in Spain. Firstly, by providing specialized services on investment incentives, particularly regarding EU community funds and private investments, Yunit can meet a strong demand for such niche offering. Also, with this service not widely available from current competitors, only the entrance of new players could deter Yunit’s success. This, given the required expertise and knowledge (which Yunit possesses), would take longer to occur. In addition, the company may also position itself as the one offering the highest quality services. Such strategy, though common, may indeed stand ineffective as the ubiquity of such messages may utterly fail to impress clients.

Value Proposition & Positioning Statement

According to Janiszewska and Insch (2012), a positioning statement “*synthetically captures brand vision to turn it into the basis of tactical and operational efforts*”. For such to be accomplished, comprehensive analyses and studies are required, further contributing to the brand’s robustness and value. The main objective of this tool, they continue, is “*to inspire and motivate an organization to pursue activities resulting in growth*”. In addition, other literature detects four important elements of the positioning statement: the target group, the frame of reference, the point(s) of difference and parity, and the reason(s) to believe (Kotler et al. 2005).

Table 7: Brand Positioning

Target Market: SMEs with low digital capabilities, aiming to access funds to digitalize their operations.
Frame of Reference: Yunit in Catalunya offers services focused on access to investment funds, be it private or public, and consulting for digital financing and transformation.
Points of Difference: One-stop-shop for services related to investment incentives and digital transformation.
Points of Parity: All players offer services catered and personalized to their clients and adapt such offering on the basis of market trends and business’s needs.
Reasons to Believe: Yunit collects strong praise and positive networking from current and former clients, the highest execution rates on the access to European community funds projects, and a solid communication and relationship access with SMEs.

Source: Authors’ elaboration

Having established and understood the components above in **Table 7**, one may now proceed to the formulation of the positioning statement, being: *For SMEs with low digital capabilities*

[Target Market], Yunit Catalunya offers consulting services focused on the access to investment funds and digital transformation **[Frame of Reference]**, being the only brand following a one-stop-shop approach **[Unique Value Claim]**, collecting strong praise and positive networking from current and former clients, the highest execution rates on projects concerning the access to European community funds, and a solid communication and relationship access with SMEs **[Reasons to Believe]**.

In addition, consequently to the upscale of operations in Catalunya, Yunit ought to enlarge its service offering and provide the many complementary services centred around growth and efficiency, that it already provides in Portugal. Yunit may not be able to do so right from the beginning as it will not be able to establish comprehensive operations, with the necessary team of consultants, in the initial phases of setting up in Spain.

Positioning Map

Positioning maps, as according to D'Aveni (2007), allow companies to “*pinpoint the benefits that customers value, locate unoccupied or less competitive spaces, identify opportunities created by changes in the relationship between the primary benefit and prices, and allow companies to anticipate rivals' strategies*”. If considering a price-benefit positioning map, one may draw the relationship between the benefits offered through the products/services and the prices practised in a given market. The creation of such mapping involves three stages: the definition of the market, the choice of the pricing strategy, and the determination of benefits. Only then can one plot the positions and draw the expected-price line (D'Aveni 2007).

Having analysed competitors' prices in [Exhibit 47](#), [Exhibit 48](#) depicts a positioning map where both Yunit, DQSconsulting and other seven players (representing the relevant competitive landscape) were analysed in what concerns price estimate and areas of services provided. One may thus conclude about the existence of market opportunities to be better explored if Yunit is then able to attract in Catalunya clients looking for a combination of services on digital

transformation and investment incentive programs (mainly EU community funds) for a middle price range.

8.5. Marketing Mix

Product (Service)

A product or service is anything that is offered in a market that can satisfy a client's needs (Kotler, Armstrong, and Opresnik 2017). In specific, Yunit, in Catalunya and Spain, would endow its target clientele (SMEs) with support not only on the access to investment funds (and then on a later phase of the expansion process, on other general consulting services), but also on what regards digital transformation and innovation, services which will be provided through their strategic ally. Having clarified this, one understands that Yunit's offer revolves around providing a holistic approach to their clients with both growth and efficiency solutions in a wide range of sectors, focusing on the access to community investment funds and private investment, while simultaneously delivering digital solutions through its new partner. Adding to this, [Exhibit 49](#) defines the different product (service) levels, these being: the core benefit, basic product/service, the expected service, augmented service, and the potential service.

Place

Place is where a company delivers value to its clients through the management of distribution processes, such as channel design (marketing channel), channel partner relationship, and retail management. In fact, a firm's success depends mainly on *"how well its entire marketing channel competes with competitors [by allowing] the delivery of a superior value to customers"* (Kotler, Armstrong, and Opresnik 2017).

Yunit Catalunya's channel distribution depends mostly on their own employees and on how well they can persuade, motivate, and advertise their target market in contracting their services. Thus, the company would need to establish a Catalan office where it could operate (provide services, organize a team, and plan projects) closer to its target market. If the option of, in the

initial phase of the expansion, sharing the partner's office happens to be not viable, Yunit ought to favourably position its office in a high-work environment, where multiple companies are also established, to increase brand awareness (e.g., Incubator, Europa Building Barcelona). In addition, with a strategic alliance, the new partner, by allowing the access to future clients through positive network and collaboration, stands as another marketing channel. Thus, Yunit Catalunya ought to be in close contact and communication with its new partner. Yunit Catalunya, must also be willing to dislocate its teams to client's offices to understand their operations more closely. Finally, importunately, Yunit Catalunya can and should always be in close contact with their Portuguese headquarters for the accomplishment of their future projects as well as for the knowledge transfer across departments.

Overall, Yunit Catalunya would pursue a multichannel marketing with four distribution channels: its Spanish and Portuguese offices, the partner's office, and the client's office. Such would allow the execution and to support their projects in the closest and most efficient fashion.

Promotion

Promotion refers to a series of activities used both to communicate the merits of the product or service sold by a company and to persuade target customers in buying it. Several methods may be used for promotion, namely, direct and digital advertising, personal selling, sales promotion, and public relations (Kotler et al. 2005, 38:78). As promotion is employed to raise awareness, adapting it to the culture of the target market is vital. Considering that the cultural distance between Portugal and Spain is not significant, such adaptation would not stand as an impediment for Yunit.

In Portugal, the company uses its **partnerships** as a major promotion channel. It undertakes partnerships, not only with banks and other investment institutions, but also with other relevant stakeholders, such as chambers of commerce and commercial associations, representing a strong competitive advantage for Yunit. Following the same approach, the establishment of

partnerships, in Catalunya and Spain, with similar institutions will stand as an important asset. In line, Yunit, as according to its CEO, has already secured a partnership with the Banco Santander Totta, S.A. in Portugal and may indeed be able to expand such collaboration to the neighbouring Spain, given the strong presence of Santander in the Iberian Peninsula.

Firstly, Yunit must adapt its **website** to the Spanish market, adding a version in both Spanish and Catalan to improve the communication between the company and its potential clients. Also, it ought to setup a **LinkedIn** account in Spanish and, together with its new partner, regularly share information and content on the services they co-jointly provide and communicate the companies' accomplishments. Also, **Google Ads** may stand as an interesting tool in promotion. One must be reminded that, by pursuing a strategic alliance, both companies can benefit from reduced costs in raising brand awareness. Such may be due to the unnecessary of large investments in advertising or promotion as both would benefit from their existing client portfolio.

With the internationalization strategy encompassing an alliance, potentially, with DQSconsulting, Yunit could profit from the **contacts** of its new partner firm to start its promotion strategy. The company would thus be given access to not only the Spanish market (through, first, the Catalan one), but also to its partner's target sector, which, being a company specialized in digital innovation and data management, is not the same as Yunit's.

To attract Spanish clients, the participation in **fairs and conferences** would also be relevant for Yunit's internationalization marketing plan and for its exposure to the market. Hence, fairs such as [BizBarcelona](#) – that generated business opportunities, facilitates networking and puts business tools and financing opportunities within reach – or the [International Conference on International Business](#) – that supply a network of connections with important stakeholders and private investors – should also be at the top of Yunit's expansion plan.

Another important vehicle of promotion would be to create an **award scheme**, in similarity with *Heróis PME*. This award should be in line with the firm's positioning in the Spanish market and should be established only once the company has developed a more robust business network. Such programme, in Spain to be called *Héroes de las PYMEs*, could also tackle global issues such as sustainability. Hence, suggestions for the first editions of the programme could be awarding SMEs that used innovation to survive the COVID-19 pandemic or to support sustainability measures. After the expected success of the first edition of the programme, others should also be developed to increase the firm's visibility.

Finally, Yunit should invest in its presence in **business newspapers**. Such promotion strategy will allow the company to increase its visibility in the Spanish market and raise brand-awareness, hence attracting clients.

Price

According to Kotler et al. (2005), the company may follow a pricing approach based on **cost**, where a standard mark-up is added to the labour cost (the only relevant cost directly associable to the service offered), on **value**, charging clients according to their perceptions of value, and, finally, based on **competition**, with clients grounding its judgment on the competitors' prices. In addition, with Yunit Catalunya positioning itself as *"the only brand with a one-stop-shop approach for services related to investment incentives and digital transformation"*, its innovativeness may be reflected on its pricing strategy. In the end, only clients will decide whether a price is right, hence the importance of having price decision buyer oriented.

Considering all the above, by looking at the historical estimate prices Yunit Consulting and DQSconsulting have been practising, together with the associated labour costs, one may design a pricing strategy (see [Exhibit 50](#)). Yunit is currently charging a price (€22,29) well below both the one practised by DQSconsulting (€41,21) and, to a lower extent, the one charged by the industry (€32,20, as evaluated in the in-depth analysis on the Catalan market). As such, and

bearing in mind the particular importance on the client perception of value and the influence of network forces within the sector, the company ought to set a price based on value, not below the price charged in Portugal. Also, given the uniqueness of its value proposition, with unrivalled service offerings, the company may indeed charge a price above the industry benchmark. Thus, one finds the optimal pricing range between €32,20 and €41,21 per hour, per consultant.

One must not disregard the flexible nature of the pricing strategy, with Yunit having to monitor not only competition, but also the demand reaction to the price charged and its value perception. Moreover, with the alliance between Yunit and DQSconsulting not materializing, but with another company, the pricing strategy above ought to be reviewed.

9. Financial Forecast

Yunit's expansion will be assessed through a five-year forecast, with the estimation of **operational cash flows**, i.e., total cash generated by the core business (revenues, costs and expenses, and corporate tax), **investment cash flows**, i.e., cash used in the purchase of long-term assets to deliver value in the future, namely capital expenditure (CAPEX) and investment in net working capital (NWC), and, finally, **financing cash flows**, i.e., necessary funding. Furthermore, by estimating the cost of capital through benchmark, incremental cash flows may be discounted and the net present value (NPV), the internal rate of return (IRR), and the payback period of the project computed.

9.1. Initial Assumptions

To provide the most reliable financial forecast and project viability for Yunit Catalunya, a series of factors and conditions had to be generally assumed. Such includes, as indicated by Yunit's CEO, the **volume of projects** the company is expecting to reach by year 5 (150 projects, starting at an estimate 30 projects, meaning a compound annual growth rate (CAGR) of 49,53% per annum), and the turnover per project in Spain. Concerning turnover, one must emphasize that,

with the alliance between Yunit and its Catalan partner, four different categories of revenue streams must be accounted: the **shared projects; projects referred to Yunit** (by its partner), **commissions** (from projects referred by Yunit to its partner), and **fully owned projects**.

In addition, notwithstanding the pricing scheme designed, according to the company CEO, Yunit is currently charging a value of around €5 000 per project. As such, for the sake of simplicity, and considering the impracticality of forecasting turnover based on a price per hour and per employee metrics, which would require the raising of an arbitrary number of hours per project, the authors computed annual turnover as a function of €7 443,95 (which incorporates a 49% increase due to higher estimate price charged in Catalunya⁷).

[Exhibit 51](#) presents not only the evolution of the number of projects (overall and by category), but also the value charged per category. It was assumed that for every shared project a 50/50 revenue split would be applied (with the final cumulative value charged per project increasing by, assuming, 20%), and that shared projects and projects referred to Yunit decreased at 20% and 5% rates, respectively, while fully owned projects grew conversely.

Considering the above, **Table 8** presents the evolution of turnover, per category of project.

Table 8: Evolution of Turnover

	2022	2023	2024	2025	2026
Shared Projects	80 394,62 €	96 174,40 €	115 051,41 €	137 633,59 €	164 648,18 €
Projects Referred to Yunit	61 970,85 €	88 034,64 €	125 060,36 €	177 658,42 €	252 378,23 €
Commissions	7 537,00 €	10 706,92 €	15 210,04 €	21 607,10 €	30 694,65 €
Fully Owned Projects	22 331,84 €	78 475,64 €	172 402,35 €	325 257,55 €	569 336,96 €
TOTAL TURNOVER	172 234,30 €	273 391,58 €	427 724,16 €	662 156,67 €	1 017 058,03 €

Source: Authors’ computations

⁷ The factor is the division the (estimate) price charged by the Catalan competition (€33,2) by Yunit (€22,3).

9.2. Market Size and Market Share Estimation

To estimate market sizes and Yunit Catalunya's forecasted market share, the **relevant market** (i.e., composed of companies that effectively exert competitive pressure over Yunit) was considered. This market comprises companies registered in Barcelona, comparable to Yunit in terms of yearly turnover (specifically, between €1 and €4 million) and number of employees (between 10 and 40). Controlling for these parameters, a list of 45 relevant competitors was gathered through ORIBIS. Between 2015 and 2020, this market grew at a CAGR of 2,5%, totalling €43 044 742 in 2020. Assuming a constant growth rate, the market is forecasted to reach €49 931 689 by 2026. Considering Yunit Catalunya's projected turnover for 2026, the company's estimated market share attained by this year would be circa 1,95% (see [Exhibit 52](#)).

It should be noted that, if the general market is considered, comprising an estimate of 8 237 companies in the Catalan region, the market share that Yunit can expect to attain is insignificant (below one percent), given the large fragmentation of the market. However, it is unlikely that the totality of these companies will exert competitive pressure over Yunit Consulting (i.e., impacting the company's decision on prices, sales volume, marketing expenses, etc.).

9.3. Operational Plan

Cost Estimation

Since Yunit is a consultancy company, the most relevant costs directly associated to its operations are based around human resources. As indicated by Mr. Bernardo Maciel, Yunit Catalunya ought to start, in the first year, with 3 collaborators, two senior consultants and one business manager. The team will be then reinforced with new hirings and internal promotions, reaching 18 collaborators by the fifth year. [Exhibit 53](#) not only prescribes the evolution of the number of collaborators, but also salary expenses, per job position.

Furthermore, selling, general and administrative expenses (SG&A) have also been estimated. Though, preferably, Yunit Catalunya would take advantage of its partner's office, for the sake

of robustness, the renting of an office with the start of its operations has been assumed. According to the company’s CEO, a 65m² office would suffice. However, given the inadequacy of such space as the team grows, a 100m² office would be rented by the fourth year to accommodate all its collaborators. [Exhibit 54](#) presents not only such transition, but also other SG&A expenses.

Operational Risk Analysis

Several operational risks may be accounted when taking this expansion project. Moreover, such risks may be categorised, as according to **Table 9**, under People, Processes, Systems, External Events and Legal Risks (Risk Management Initiative, n.d.), with respective mitigation measures aimed at reducing the effects of the potential threats faced by Yunit.

Table 9: Operational Risks and Mitigation Measures

Risk Description	Mitigation Measures
PEOPLE RISK	
The key operational risk linked with human capital relate with talent attraction and retention, since the company’s operations rely heavily and almost exclusively on its personnel.	To mitigate these risks, Yunit should offer industry-level competitive benefits (salaries, bonuses, insurance policies) to secure talent attraction. The company should also invest in marketing alongside universities (e.g., presence in career fairs). To promote talent retention, the company should delineate a clear and categorized career plan for its employees and set targets for career progression, supported by organized feedback.
PROCESS RISK	
The major process risks Yunit may face include (1) the failure of the alliance with the partner firm, and (2) the inability to adapt to local market conditions (e.g., failure in building solid client consultant relationships owing to cultural barriers and failure to acquire market knowledge).	To mitigate the risk of the alliance with the partner failing, a robust business plan supported by a detailed contract that explores both firms’ commitments and benefits must be built (Hughes and Weiss 2007). Also, the strength of the relationship should be reinforced through periodical meetings. To maximize market knowledge and avoid cultural barriers in their business processes, Yunit should hire, from an early stage of the expansion process, consultants that count on extensive and relevant experience on the Spanish market.
SYSTEMS RISK	
One can distinguish the risks of viruses, hardware and software failure, malwares and cyberattacks.	Yunit should invest in solid software and robust data protection mechanisms (e.g., double validation in email access), as well as antiviruses installed in all collaborators’ personal laptop.
EXTERNAL EVENTS RISK	
An important risk faced by the company is the possibility of a delay in the availability of the funds contemplated by the different EU Programmes.	Yunit should be prepared for the necessity of expanding its remaining service portfolio at an earlier stage. To protect the interests of the company, the alliance agreement should foresee such contingencies.

Risk Description	Mitigation Measures
LEGAL RISK	
Legal Risks may involve the company's failure either in meeting tax requirements or general legal requirements, related with labour or business establishment concerns.	An external advisor (e.g., jurist, accountant) should be consulted to avoid situations of legal infringement, especially for the process of hiring personnel. Though, this risk is minimum given the proposed entry mode.
Source: Authors' elaboration	

9.4. Investment Plan

Capital Expenditure

It was assumed that the only required investment, i.e., CAPEX, regards equipment: a computer per employee (assuming a €1 000-computer, including software licenses), two printers (costing €100 in year 0 and €500 in year 2), and other equipment (e.g., office furniture, cafeteria appliances...). Moreover, all the equipment has an assumed 5-year useful life, depreciating at a 20% rate, with no salvage value.

Investment in Net Working Capital

The investment in WC is solely based around the account receivables and payables of the company, as no inventory is held. While the first were assumed to regard service payments by its clients, with a three-month collection period, the latter refer to other SG&A expenses, with a one-month payment period (according to information provided by the CEO). A 23% of value added tax (VAT) rate was considered in the computation of the investment in WC. [Exhibit 55](#) presents a detailed statement of both the required CAPEX and investment in WC.

9.5. Financing Plan

Despite Yunit's current financial situation being fragile and the contraction of more debt not advisable, its robust liquidity indeed allows the company to use only equity to finance the low required initial investment. Such includes €6 600 in CAPEX required at the beginning of the expansion and €27 149 to support the first year of operations. After this period, Yunit Catalunya will start generating positive cashflows, thus not requiring any additional financing investment. Furthermore, considering the indebtedness of Yunit Consulting, currently operating with 55%

of debt and expected to maintain this level for the upcoming years, Yunit Catalunya will benefit from tax shield (assuming it will run at the same level of debt).

9.6. Financial Viability

Firstly, to maximize the sum of both operational and investment cash flows, the free cash flows (FCF) of the project must be evaluated. Then, the viability of the project can be assessed through the NPV, the sum of all the projected discounted FCF, the internal rate of return (IRR), representing the profitability of the investment, and the payback period, the amount of time it takes to recover the cost of the investment. For this, discount rates before and after tax will be estimated (Brealey, Myers, and Allen 2019).

Profit and Loss Statement

A primordial method of analysis of the (expansion) project's ability to generate sales, manage expenses, and create profits is summarizing revenues, expenses and profits or losses through a profit and loss statement (CFI, n.d.). As such, **Table 10** presents the profit and loss statement, without, considering interest expenses. Such will be solely considered further on when assessing the interest tax shield.

Table 10: Profit and Loss Statement

	2022	2023	2024	2025	2026
Turnover	172 234,30 €	273 391,58 €	427 724,16 €	662 156,67 €	1 017 058,03 €
COGS	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
GROSS PROFIT	172 234,30 €	273 391,58 €	427 724,16 €	662 156,67 €	1 017 058,03 €
Salaries	114 000,00 €	163 434,00 €	194 434,00 €	357 336,00 €	507 336,00 €
SG&A	47 325,60 €	50 045,60 €	52 865,60 €	60 353,40 €	66 268,65 €
EBITDA	10 908,70 €	59 911,98 €	180 424,56 €	244 467,27 €	443 453,38 €
Depreciation ⁸	1 320,00 €	1 320,00 €	1 620,00 €	1 520,00 €	2 920,00 €
EBIT	9 588,70 €	58 591,98 €	178 804,56 €	242 947,27 €	440 533,38 €
Corporate Tax ⁹	2 013,63 €	12 304,32 €	37 548,96 €	51 018,93 €	92 512,01 €
NOPLAT	7 575,08 €	46 287,67 €	141 255,61 €	191 928,34 €	348 021,37 €

Source: Authors' computations

⁸ Assuming a depreciation rate of 20% and no salvage value.

⁹ At the Portuguese corporate tax rate of 21%.

Discount Rate

An adequate proxy for the discount rate is the weighted average cost of capital (WACC),

$WACC^{\text{after tax}} = \frac{E}{E+D} \times r_E + \frac{D}{E+D} \times r_D \times (1 - T)^{10}$. Considering the tax rate levied in Portugal

(21%), and Yunit's current (as of 2020) equity and debt structures, with 45,49% equity and 54,51% debt, one must now proceed to estimate both the costs of equity (r_E) and debt (r_D).

Firstly, to estimate the **cost of equity**, one ought to resort to the capital asset pricing model (CAPM), which formulates that $r_E = r_f + \beta_U(r_m - r_f)^{11}$ (Brealey, Myers, and Allen 2019).

Consequently, to compute the company's **unlevered beta**, which measures the market risk affecting the company accounting with no debt and given the fact that Yunit is a privately held company, some benchmarking must be conducted. Evaluating five public companies from the sector, Yunit's potential unlevered beta was set at **0,56**, as the average of the unlevered betas of the considered players weighted, as a proxy for equity, on their market capitalization (see [Exhibit 56](#) for the detailed computation). One must now turn to the **market risk premium (MRP)**, i.e., the difference between the market expected return and the risk-free rate.

Considering the 5-year period of the project, the US Treasury Bills with 5 years maturity and the S&P500 adjusted closing prices for the past 5 years (both assessed on a monthly basis), were collected to estimate the annual risk-free rate and the annual market expected return, of 9,59% and 16,39%, respectively. Such findings yield an annualized MRP of **6,25%** (see [Exhibit 57](#)). Through the CAPM, one reaches an estimated cost of equity of **13,12%**.

Secondly, the **cost of debt** may be estimated by dividing the interest expense by the debt value.

Due to the increased difficulty in finding accurate and sensible data on the interest paid by Yunit, and its total amount of debt, such cost was computed only considering the interest paid

¹⁰ Where E = Equity Value, D = Debt Value, r_E = Cost of Equity, r_D = Cost of Debt and T = Tax Rate.

¹¹ Where r_E = Cost of Equity, r_f = Risk Free Rate, r_m = Market Expected Return and β_U = Unlevered Beta, with $r_m - r_f$ = Market Risk Premium.

and amount of loans in 2020, yielding a rate of **5,61%**.

Altogether, the WACC stands at **9,03%**, decreasing to **8,38%** when taxes are considered (see [Exhibit 58](#) for all the components).

Net Present Value

Having computed an adequate discount rate, one may now turn to the NPV of the expansion project to, as part of the decision-making process, assess the project's viability. This analysis first starts with the computation of the FCF as the sum of the operational and investment cash flows (considering, as previously explained, the nullity of the financing cash flows). Then, with the initial investment occurring prior to the first year of operations, and the remaining FCF being counted at the end of each subsequent year, the CF may be discounted. The cumulative sum of all the discounted cashflows (DCF), the NPV, computed through
$$NPV = \sum_{n=0}^N \frac{CF_n}{(1+WACC_{after\ taxes})^n}$$
¹² and considering the WACC after taxes, as if the project was financed solely by equity, stands as **€343 547,67**. By being positive, it would indeed add value to the firm.

IRR and Payback Period

The **IRR** is used as a tool for decision-making by managers as a criterion suggesting that a project may only be accepted if the IRR is greater than the cost of capital. Moreover, when deciding about which project to take, from a variety of different ones, the higher a project's IRR, the stronger its robustness (Magni 2010). Such rate may be computed when equalizing the sum of all the DCF to zero, with the IRR as the discount rate, i.e., through the formula $0 = NPV = \sum_{n=0}^N \frac{CF_n}{(1+IRR)^n}$. Applying, the IRR for the expansion project is **145,1%**. By being (much) larger than the discount rate considered (9,03%), green light may be given.

The **payback period** is the amount of time to recover the cost of an investment made. It is the

¹² Where CF_n is the cash flow for period n and r is the discount rate, in this case, r_E .

time required to reach the break-even point of an investment. A short payback period translates as an attractive investment to be made. It is calculated by dividing the amount of capital invested in a project by the annual cash flows (Farris et al. 2010). The planned expansion project shows a payback period of **2 years and 3 months**, a considerably short period, when compared to other similar projects, thus making this investment attractive (see [Exhibit 59](#)).

9.7. Sensitivity and Scenario Analysis

To improve the robustness of the conducted financial assessment, a sensitivity and scenario analyses, contemplating potential circumstances with both positive and negative impacts on the expected financial results, ought to be performed.

With respect to the **sensitivity analysis**, three variables, given the company’s motives to internationalize, were considered crucial in the projected financial results and success of the expansion process. Firstly, the value charged by Yunit Catalunya, and the sales volume growth rate were considered. **Table 11** lists the results of such analysis.

Table 11: Sensitivity Analysis - Sales Volume Growth Price per Project

		x(1-25%)	x(1-15%)	x(1-10%)		x(1+10%)	x(1+15%)	x(1+20%)	
NPV		5 582,96 €	6 327,35 €	6 699,55 €	7 443,95 €	8 188,34 €	8 560,54 €	9 304,93 €	
Sales Volume Growth	-30%	20%	-381 631,83 €	-303 321,15 €	-264 165,81 €	-185 855,13 €	-107 544,45 €	-68 389,12 €	9 921,56 €
	-20%	30%	-267 264,25 €	-173 704,56 €	-126 924,72 €	-33 365,03 €	60 194,66 €	106 974,50 €	200 534,19 €
	-10%	40%	-133 096,74 €	-21 648,05 €	34 076,29 €	145 524,98 €	256 973,67 €	312 698,01 €	424 146,70 €
		50%	15 420,28 €	146 671,24 €	212 296,71 €	343 547,67 €	474 798,63 €	540 424,11 €	671 675,07 €
	+5%	55%	110 449,81 €	254 371,37 €	326 332,15 €	470 253,72 €	614 175,28 €	686 136,06 €	830 057,62 €
	+10%	60%	204 160,99 €	360 577,38 €	438 785,57 €	595 201,96 €	751 618,35 €	829 826,54 €	986 242,93 €
	+15%	65%	304 682,56 €	474 501,83 €	559 411,46 €	729 230,72 €	899 049,99 €	983 959,62 €	1 153 778,88 €

Source: Authors’ computations

It should be noted that a positive scenario (i.e., price per project 20% higher than expected and sales growing at 65% a year) would entail a NPV of **€1 153 779** (three times the forecasted turnover), while twelve of the contemplated scenarios involve a negative NPV. It can also be understood that sales volume growth stands as a critical metric as, if the volume of services

does not grow at the expected rate or higher, the project may indeed yield a negative NPV, even with high prices being charged. Thus, Yunit should heavily invest in promotion and establishment of partnerships. As the gradual independency from DQSconsulting is deemed relevant for the success of Yunit Catalunya, the percentual decrease of the proportion of shared projects in total projects carried by Yunit has been considered. **Table 12** presents such results.

Table 12: Sensitivity Analysis - YoY Decrease in % of Shared Projects
Price per Project

		x(1-25%)	x(1-15%)	x(1-10%)		x(1+10%)	x(1+15%)	x(1+20%)	
NPV		5 582,96 €	6 327,35 €	6 699,55 €	7 443,95 €	8 188,34 €	8 560,54 €	9 304,93 €	
YoY decrease in % of shared projects	-15%	-61 212,75 €	59 820,48 €	120 337,09 €	241 370,31 €	362 403,53 €	422 920,14 €	543 953,37 €	
	-10%	-32 638,33 €	92 204,81 €	154 626,38 €	279 469,52 €	404 312,67 €	466 734,24 €	591 577,38 €	
	-5%	-7 178,54 €	121 059,24 €	185 178,13 €	313 415,92 €	441 653,70 €	505 772,59 €	634 010,37 €	
		20%	15 420,28 €	146 671,24 €	212 296,71 €	343 547,67 €	474 798,63 €	540 424,11 €	671 675,07 €
	+5%	25%	35 400,49 €	169 315,48 €	236 272,97 €	370 187,96 €	504 102,95 €	571 060,44 €	704 975,43 €
	+10%	30%	52 993,20 €	189 253,89 €	257 384,23 €	393 644,91 €	529 905,59 €	598 035,93 €	734 296,61 €
	+15%	35%	68 418,24 €	206 735,60 €	275 894,27 €	414 211,63 €	552 528,98 €	621 687,66 €	760 005,01 €

Source: Authors' computations

From the above, one can conclude that the price charged is more relevant for the projected financial results than the gradual independency from DQSconsulting. It follows that, in the short run, it may be profitable to compromise independency from the partner firm, if the added value from the alliance can be permuted into a higher price charged per project. Nonetheless, this decision should be weighed against the long run business perspectives, especially in what concerns building an individual client portfolio.

Finally, the possibility of the alliance breaking from the second year onwards has been considered. Entailing a decrease in the number of yearly projects marketed by Yunit Catalunya, it was assumed that the number of fully owned projects would remain the same, under the condition that Yunit incurs in extra marketing expenses beginning at the second year. In specific, Yunit would need to double its expenses in fairs, conferences, and press. It was also assumed that the company would now hire a lower number of consultants, with no collaborators being added to the team in Portugal, since these would not strengthen the business expansion

in the Spanish market. Furthermore, the number of consultants hired in Spain would also be reduced, although lower than proportionally to the reduction in the number of projects. This scenario would yield a negative NPV, as according to [Exhibit 60](#).

10. Overall Conclusions and Recommendation

Yunit Consulting differentiates itself by providing a holistic approach to their projects and by having an extensive experience in the access to community and private investment funds, essential for the development of their consulting projects. However, to survive such an intense domestic market, an internationalization strategy stands advisable as it would enable Yunit to increase its portfolio of clients and services, expand its source of revenue, and, ultimately, grow. To do so, and considering their internal and external contexts, a strategic alliance stands as the recommended strategy when expanding to the Spanish market, firstly through Catalunya.

From previous assessments, one can deduct that Yunit's internationalization plan would be feasible and entail value-added to the company. However, marketing efforts should accompany such internationalization strategy and must not be neglected, as they envision the company's stronger visibility in the foreign market.

As a further proposal, one must not disregard that, though Yunit Consulting already has an extensive experience in dealing with investment incentives, that would not be the initial case of Yunit Catalunya. As such, the company ought to employ, from the first instance, consultants with experience in this area and arrange relationships with stakeholders that possess the expertise in the access channels to the EU funds and related bureaucracies.

Yunit Catalunya should also consider maintaining close contact with their Portuguese office in the development of new projects, for the purpose of knowledge transfer, efficiency gains and productivity. The company's office in Lisbon has considerably more experience in dealing with its target market, facilitating the access to community funds, and establishing new partnerships with private investors and stakeholders.

As a final recommendation, the company ought to consider a merger with its future strategic partner, after capturing a strong client portfolio and achieving brand resonance, i.e., a strong sense of loyalty towards the company. At this point, sufficient brand awareness would have been achieved, justifying the merger of both companies. By doing so, a more significant market presence can more rapidly be achieved.

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12. Appendices

Exhibit 1: Yunit Consulting's Income Statements for the period 2011-2020 [Back to page [11](#)]

	2020	2019	2018	2017	2016
Operating revenue (Turnover)	1 738 910	1 823 212	1 991 586	2 188 927	2 361 660
Sales	1 643 347	1 594 088	1 953 655	2 078 440	1 755 131
Costs of goods sold	n.a.	n.a.	n.a.	n.a.	n.a.
Gross profit	n.a.	n.a.	n.a.	n.a.	n.a.
Other operating expenses	n.a.	n.a.	n.a.	n.a.	n.a.
Operating P/L [=EBIT]	123 047	3 584	77 340	50 780	231 618
Financial P/L	-1 095	0	0	0	0
Financial revenue	n.a.	n.a.	n.a.	n.a.	n.a.
Financial expenses	1 095	n.a.	n.a.	n.a.	n.a.
P/L before tax	121 952	3 584	77 340	50 780	231 618
Taxation	31 661	19 474	48 656	34 045	65 237
P/L after tax	90 291	-15 890	28 685	16 735	166 381
Extr. and other P/L	n.a.	n.a.	n.a.	n.a.	n.a.
Extr. and other revenue	n.a.	n.a.	n.a.	n.a.	n.a.
Extr. and other expenses	n.a.	n.a.	n.a.	n.a.	n.a.
Net Income	90 291	-15 890	28 685	16 735	166 381

Source: ORBIS (2021)

(continues on the following page)

	2015	2014	2013	2012	2011
Operating revenue (Turnover)	1 938 131	1 997 441	4 729 871	4 181 023	461 321
Sales	1 919 464	1 949 763	4 685 253	4 176 508	461 321
Costs of goods sold	n.a.	n.a.	n.a.	n.a.	n.a.
Gross profit	n.a.	n.a.	n.a.	n.a.	n.a.
Other operating expenses	n.a.	n.a.	n.a.	n.a.	n.a.
Operating P/L [=EBIT]	-431 281	3 044	13 397	-114 947	-115 877
Financial P/L	-709	0	-235	0	0
Financial revenue	n.a.	n.a.	n.a.	n.a.	n.a.
Financial expenses	709	n.a.	235	n.a.	n.a.
P/L before tax	-431 989	3 044	13 162	-114 947	-115 877
Taxation	17 052	1 899	4 561	4 574	n.a.
P/L after tax	-449 042	1 145	8 601	-119 521	-115 877
Extr. and other P/L	n.a.	n.a.	n.a.	n.a.	n.a.
Extr. and other revenue	n.a.	n.a.	n.a.	n.a.	n.a.
Extr. and other expenses	n.a.	n.a.	n.a.	n.a.	n.a.
Net Income	-449 042	1 145	8 601	-119 521	-115 877

Source: ORBIS (2021)

Exhibit 2: Global Ratios [Back to page [11](#)]

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
PROFITABILITY RATIOS										
ROE using P/L before tax (%)	77,4	5,3	87,7	85,3	541,4	n.s.	21,8	102,5	n.s.	n.s.
ROCE using P/L before tax (%)	40,2	1,4	n.a.	91,7	560,3	n.s.	3,5	8,1	n.a.	n.a.
ROA using P/L before tax (%)	15,4	0,5	8,7	4,5	17,8	-30,4	0,2	0,5	-4,4	-29,9
ROE using Net income (%)	57,3	-23,6	32,5	28,1	388,9	n.s.	8,2	67,0	n.s.	n.s.
ROCE using Net income (%)	29,9	-5,7	n.a.	34,5	407,8	n.s.	2,2	5,4	n.a.	n.a.
ROA using Net income (%)	11,4	-2,3	3,2	1,5	12,8	-31,6	0,1	0,3	-4,6	-29,9
Profit margin (%)	7,0	0,2	3,9	2,3	9,8	-22,3	0,2	0,3	-2,8	-25,1
EBITDA margin (%)	7,4	0,2	4,1	5,0	13,0	-19,7	2,7	0,4	-2,8	-25,1
EBIT margin (%)	7,1	0,2	3,9	2,3	9,8	-22,3	0,2	0,3	-2,8	-25,1
Cash flow / Operating revenue (%)	5,5	-0,9	1,6	3,4	10,3	-20,6	2,6	0,3	-2,9	-25,1

Source: ORBIS (2021)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OPERATIONAL RATIOS										
Net assets turnover (x)	5,6	6,6	14,4	36,8	55,2	n.s.	13,6	28,7	90,7	n.s.
Interest cover (x)	58,0	10,1	n.a.	13,4	28,7	n.s.	1,5	57,0	n.a.	n.a.
Stock turnover (x)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Collection period (days)	122,0	111,0	125,0	120,0	89,0	190,0	128,0	110,0	178,0	197,0
Credit period (days)	11,0	27,0	20,0	32,0	29,0	89,0	94,0	76,0	175,0	94,0

Source: ORBIS (2021)

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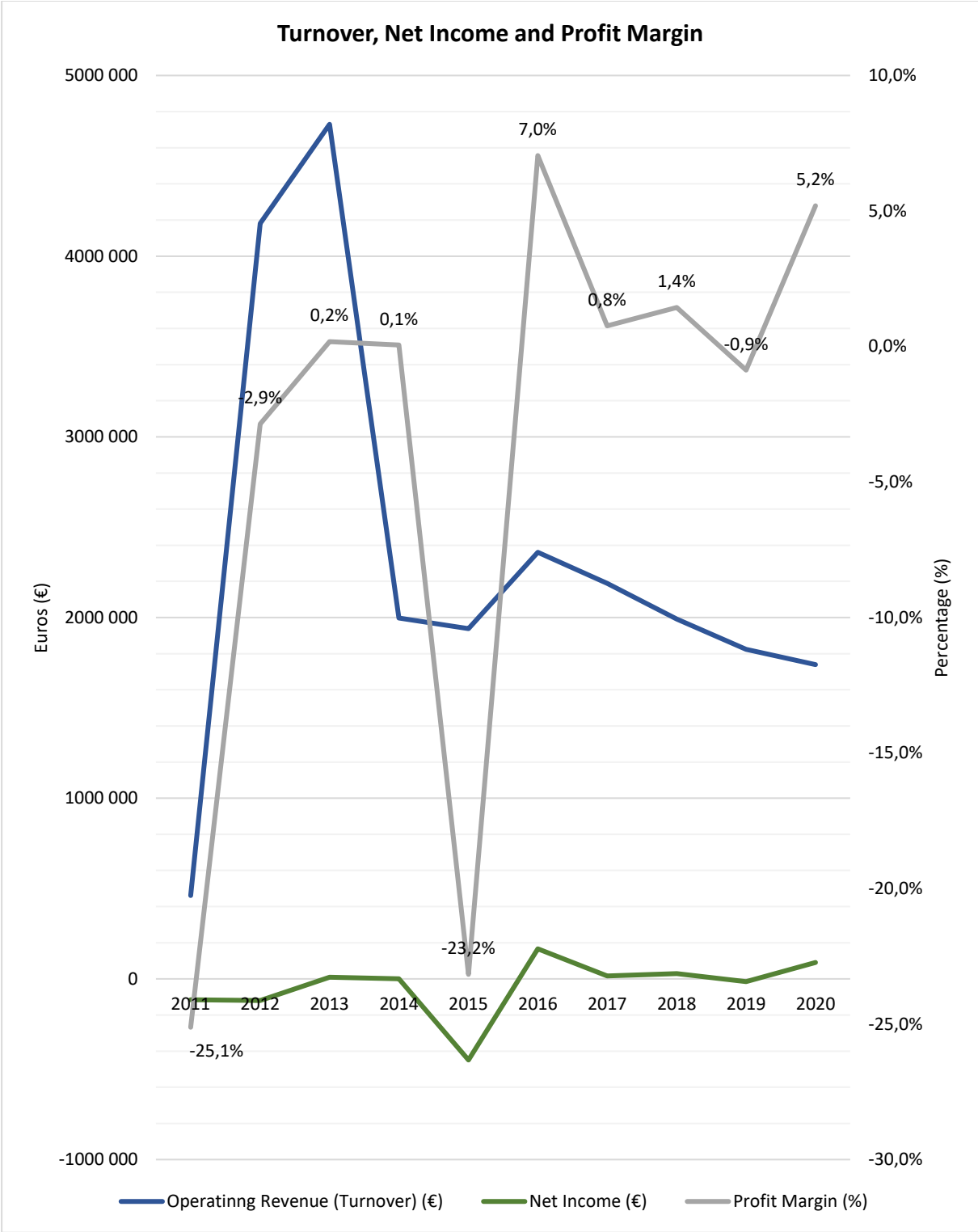
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
STRUCTURE RATIOS										
Current ratio (x)	1,6	1,6	1,2	1,1	1,0	0,9	0,7	1,0	1,0	0,8
Liquidity ratio (x)	1,6	1,6	1,2	1,1	1,0	0,9	0,7	1,0	1,0	0,8
Shareholder liquidity ratio (x)	1,0	0,3	1,8	n.s.	n.s.	n.s.	0,1	0,1	-0,8	n.s.
Solvency ratio (Asset based) (%)	19,9	9,6	9,9	5,3	3,3	-10,9	1,0	0,5	-8,9	-28,7
Solvency ratio (Liability based) (%)	24,9	10,7	11,0	5,6	3,4	n.s.	1,0	0,5	n.s.	n.s.
Gearing (%)	119,8	382,3	195,3	456,6	n.s.	n.s.	950,7	n.s.	n.s.	n.s.

Source: ORBIS (2021)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
PER EMPLOYEE RATIOS										
Number of Employees	39	44	28	25	24	30	6	8	10	7
Profit per employee (th)	3,0	0,0	3,0	2,0	10,0	-14,0	1,0	2,0	-11,0	-17,0
Operating revenue per employee (th)	45,0	41,0	71,0	88,0	98,0	65,0	333,0	591,0	418,0	66,0
Costs of employees / Operating revenue (%)	64,8	56,0	36,8	36,2	32,1	59,4	12,1	6,5	8,0	31,8
Average cost of employee (th)	29,0	23,0	26,0	32,0	32,0	38,0	40,0	38,0	34,0	21,0
Shareholders funds per employee (th)	4,0	2,0	3,0	2,0	2,0	n.s.	2,0	2,0	n.s.	n.s.
Working capital per employee (th)	14,0	10,0	21,0	21,0	16,0	18,0	32,0	56,0	3,0	19,0
Total assets per employee (th)	20,0	16,0	32,0	45,0	54,0	47,0	226,0	334,0	259,0	55,0

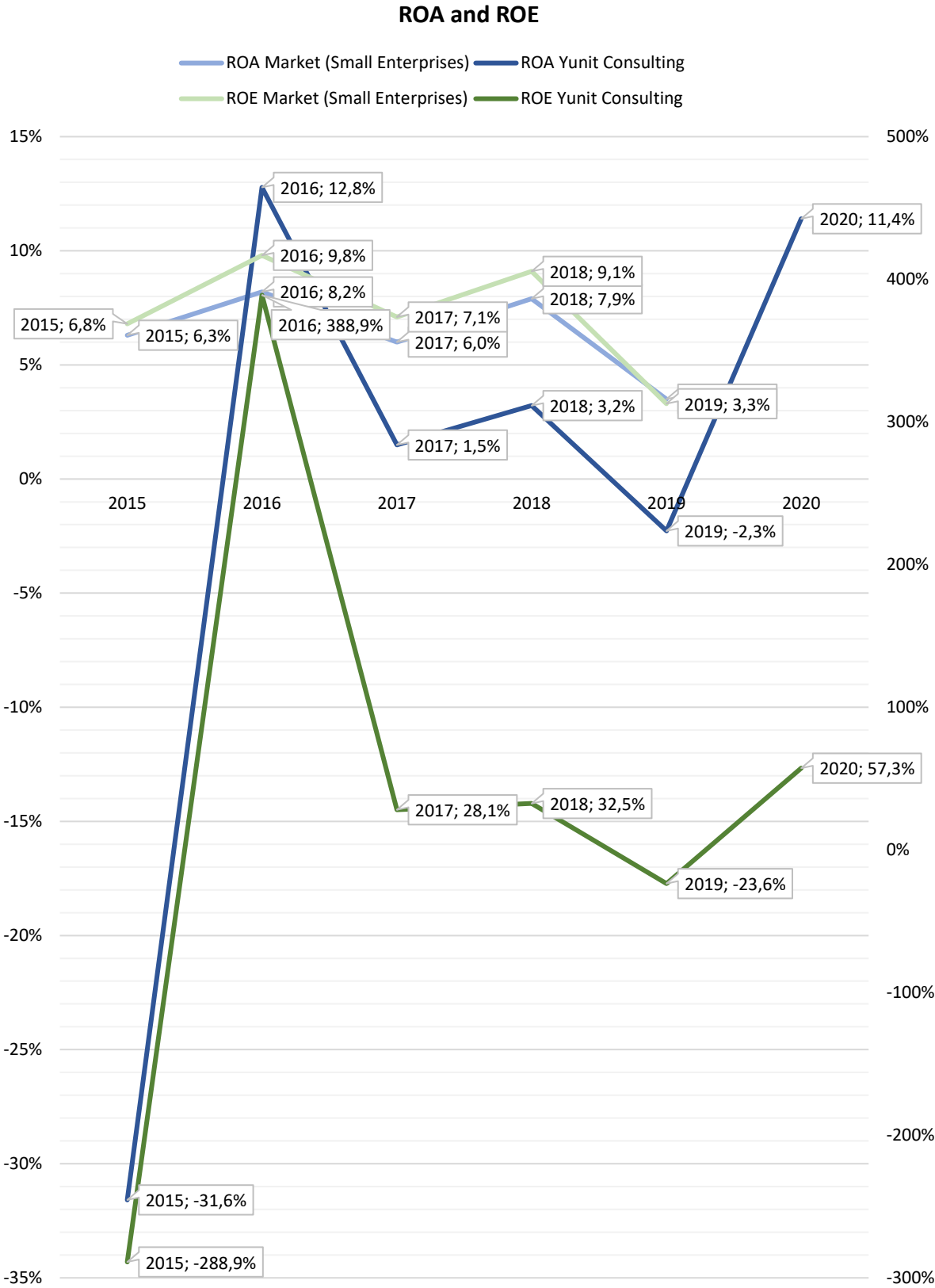
Source: ORBIS (2021)

Exhibit 3: Yunit Consulting’s Turnover, Net Income and Profit Margin [Back to page 11]



Source: ORBIS (2021)

Exhibit 4: Evolution of ROA and ROE at Firm and Industry-Level [Back to page 11]



Source: Banco de Portugal (2021)

Exhibit 5: Calculation of Net Working Capital [Back to page [12](#)]

Year	Current Assets	Current Liabilities	NET WORKING CAPITAL
2011	387 734 €	498 971 €	-111 237 €
2012	2 592 559 €	2 546 971 €	45 588 €
2013	2 522 140 €	2 503 382 €	18 758 €
2014	796 002 €	1 208 688 €	-412 686 €
2015	1 375 527 €	1 577 148 €	-201 621 €
2016	1 190 505 €	1 259 280 €	-68 775 €
2017	1 113 767 €	1 061 745 €	52 022 €
2018	883 398 €	753 732 €	129 666 €
2019	687 665 €	423 913 €	263 752 €
2020	90 290,69 €	5 515 €	58 885,69 €

Source: ORBIS (2021) and authors' computations

Exhibit 6: Calculation of Free Cash Flows [Back to page [12](#)]

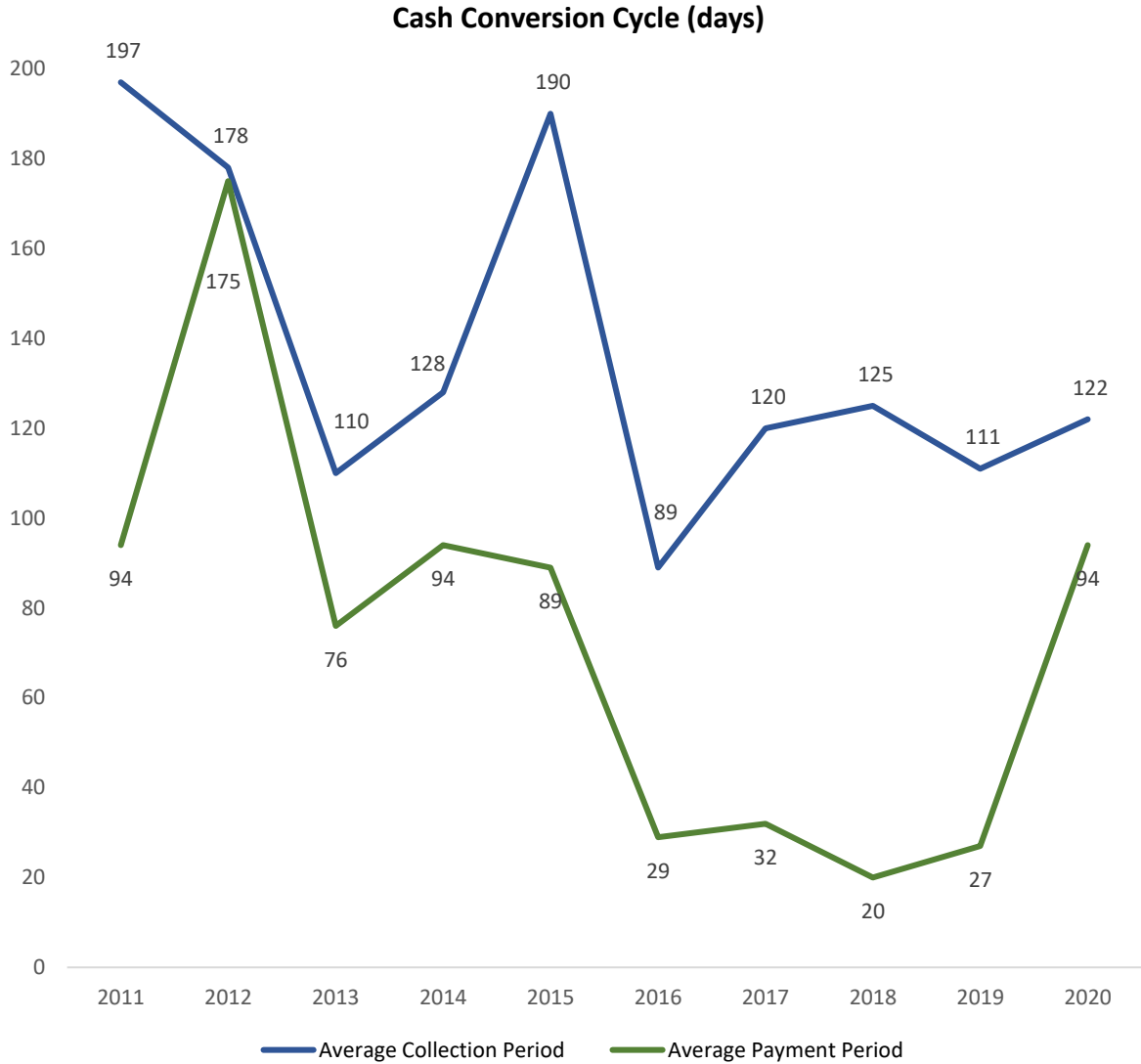
Year	Net Income	Depreciation	Changes in NWC	CAPEX	FREE CASH FLOW
2011	-115 876,95 €	0 €	-111 237 €	0	-4 639,95 €
2012	-119 520,84 €	14 €	156 825 €	0	-276 331,84 €
2013	8 601,24 €	4 339 €	-26 830 €	0	39 770,24 €
2014	1 145,46 €	50 168 €	-431 444 €	0	482 757,46 €
2015	-449 041,63 €	50 334 €	211 065 €	0	-609 772,63 €
2016	166 381,43 €	76 093 €	132 846 €	0	109 628,43 €
2017	16 735,09 €	58 423 €	120 797 €	0	-45 638,91 €
2018	28 684,64 €	3 297 €	77 644 €	0	-45 662,36 €
2019	-15 890,40 €	0 €	134 086 €	0	-149 976,40 €
2020	90 290,69 €	5 515 €	36 920 €	0	58 885,69 €

Source: ORBIS (2021) and authors' computations

FORMULAE

$$\text{Free Cash Flow} = \text{Net Income} + \text{Depreciation} - \text{Changes in NWC} - \text{CAPEX}$$

Exhibit 7: Average Collection Period and Average Payment Period [Back to page 12]



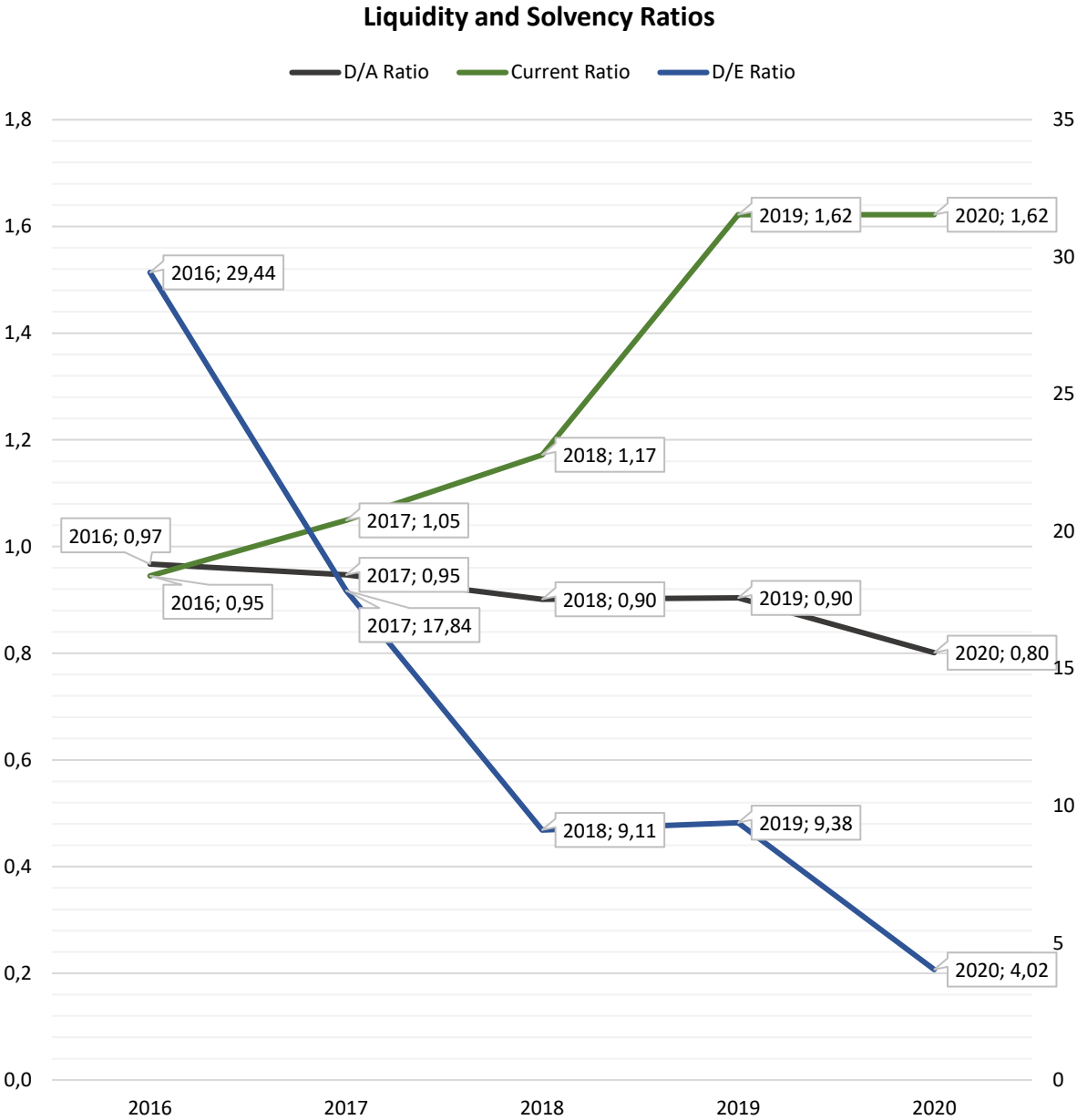
Source: ORBIS (2021) and authors’ computations

Exhibit 8: Calculation of Cash Conversion Cycle [Back to page [12](#)]

Year	Average Collection Period	Average Payment Period	CASH CONVERSION CYCLE
2011	387 734 €	498 971 €	-111 237 €
2012	2 592 559 €	2 546 971 €	45 588 €
2013	2 522 140 €	2 503 382 €	18 758 €
2014	796 002 €	1 208 688 €	-412 686 €
2015	1 375 527 €	1 577 148 €	-201 621 €
2016	1 190 505 €	1 259 280 €	-68 775 €
2017	1 113 767 €	1 061 745 €	52 022 €
2018	883 398 €	753 732 €	129 666 €
2019	687 665 €	423 913 €	263 752 €
2020	90 290,69 €	5 515 €	58 885,69 €

Source: ORBIS (2021) and authors' computations

Exhibit 9: Liquidity and Solvency Ratios [Back to page 12]



Source: ORBIS (2021) and authors' computations

Exhibit 10: PESTEL Analysis on Portugal (Comprehensive Study) [Back to page [13](#)]

POLITIC
<p>General Government: The Portuguese Republic is a unitary semi-presidential republic (Constitute 2020). Dominated by successive progressive governments since the 1980s, it enjoys, for instance, socialised health care and reasonable social security (Haswell 2018).</p> <p>Governance Indicators: In 2019, Portugal was amongst the countries with the highest positions in the governance indicators. With 0 being the lowest percentile rank and 100 the highest, it stood as 89,16 in Voice and Accountability, 90,95 in Political Stability and Absence of Violence/Terrorism, 84,13 in Government Effectiveness, 77,88 in Regulatory Quality, 84,62 in Rule of Law, and 77,40 in Control of Corruption (Kaufmann and Kraay 2019).</p> <p>Democratization process: Portugal, as a consequence of the increased COVID-19-related restrictions of movement (multiple lockdowns and early national curfews), the reduction of the frequency of parliamentary debates (through which the prime ministers is held accountable) and the lack of transparency around the nomination of the president of the auditing court, led to a deterioration in the checks and balances score. Portugal becomes a flawed democracy, as opposed to a full democracy, 26th highest democracy index globally and 15th in Europe (The Economist Intelligence Unit 2021).</p> <p>Relations with International/Supranational Institutions: Portugal is both a member of the WTO and GATT (WTO, n.d.), and a fully integrated member of the EU and the Schengen Area (EU, n.d.). It is also a founding member of NATO and CPLP.</p>

ECONOMIC
<p>National Income: Portugal has a GDP of 231,256 million current US\$ (The World Bank 2020a) and a GDP (PPP) per capita at current prices of 34 495 GK\$ (The World Bank 2020b), the 42nd highest in the world. It has experienced a Real Growth Rate of GDP of 3,9%, below the EU average (4,4%) (IMF 2021).</p> <p>Investment Incentives: Portugal offers several public support mechanisms in the form of grants and repayable subsidies, incentives involving lower taxes and tax exemptions (Connect Americas, n.d.). Other schemes are also in place, e.g., SIFIDE II, Golden Residence Permit Programme, and Start UP Visa (Neomarca, n.d.).</p> <p>Monetary Policy and Inflation: Being part of the EU, the Euro Area monetary policy is conducted to maintain price stability and to protect the purchasing power of the Euro (Banco de Portugal, n.d.). The Portuguese annual percent change was 0,9, below the Euro Area and EU averages, 1,4 and 1,6 respectively (IMF, n.d.).</p> <p>NextGenerationEU: Portugal is expected to receive €16 643 million of the €806 billion of the plan designed as a counteract to the COVID-19 pandemic (European Commission, n.d.).</p> <p>European Structural and Investment Funds (ESIF): The ESIF (€299 billion) covers all Member States and had a strong focus on 4 priority areas: Research and Innovation, Digital Economy, SME Competitiveness and Low Carbon Economy, for the 2014-2020 period. In Portugal, regarding the European Regional Development Fund (ERDF), the largest EU fund and available through the Portugal 2020 programme, though the planned amount to be allocated to the country was €16 531 million, the decided amount escalated to €27 119 million (164% of the planned amount), whereas the spent amount has reached the €11 244 million (68% of the planned). Portugal stands, thus, as the Member State not only with the highest absolute planned, decided and spent amounts, but also with the second highest percentage of spent amount (68%, behind Czechia, with 69%). Also, it must be mentioned that, amongst the several categories, Portugal was planned to allocate 45% of those funds to fields related to the Competitiveness of SMEs (23%) and Research and Innovation (22%) (European Commission 2021).</p> <p>Fiscal Policy/Taxation: Portuguese CIT is levied at a 21% rate, to which may be added a municipal surtax (“derrama municipal”) up to 1,5% levied on taxable profits, as well as a state surtax (“derrama estadual”) of percentage dependant on the taxable profits. Nominal tax rate may reach up to 31.5% for large companies (Portugal Global, n.d.). Portuguese tax resident companies are allowed to deduct from the CIT the value of eligible expenses incurred with R&D (PWC Portugal 2021).</p> <p>Foreign Investment: The country has been recently trending as one of the most successful destinations for foreign investors, with no foreign capital entry restrictions and Portuguese law prohibiting any discrimination of investments based on nationality (Madureira and Ng 2021). It ranks first in Trading Across Borders category</p>

in the World Bank's Ease of Doing Business rankings (The World Bank 2019).

Budget Balance and Foreign Debt: After having achieved a superavit of 0,08% in 2019, as a consequence of the crisis, Portugal is predicted to have reached an astonishingly high deficit of 5,75% in 2020. Estimates also predict the improvement of the balance to a deficit of 3% in 2022 (Statista 2021a). Portugal stands as the 10th country with the highest National Debt to GDP Ratio: 119,46% (World Population Review 2021).

Unemployment: The unemployment rate has been decreasing after having reached a peak of 16,2 in 2013 as a consequent to the financial crisis. Nonetheless, with the pandemic, it has witnessed a slight increase to 7,7%, still below the Euro Area average (IMF, n.d.).

SOCIAL-CULTURAL

Demographics: It has a population of 10 347 892, a 1,9% decrease when compared to 2011 (INE 2021). Its demographic population is decreasing and elderly, where 42,04% have 25-52 years old and 20,26% are older than 85 years old (Index Mundi 2019). Portugal's Post-Tax National Income for the top 10% is 30,6% of total income, whereas the bottom 50% only account for 24,7%. Portugal Poverty Rate (percentage of the population living on less than \$5.50 a day at 2011 international prices) was 0,6% in 2018 (The World Bank, 2018).

Culture: Predominately Roman Catholic, Portuguese people are on a personal level socially conservative, even though the government is not. Lisbon, Porto and Guimarães have been recently designated European Capitals of Culture (Pimental, n.d.).

Education: Even though its literacy rate is 97,4 in 2018 (UNESCO Institute for Statistics, n.d.), only 26,3% of the population have tertiary education, 12 pp below the OECD average (Statista 2021b). It has a very high proficiency in the English language, being the 7th highest amongst 100 countries (Education First, n.d.)

Migration: Even though the country has a highest emigration rate in the EU, approximately 20% (Carrilho and Perista 2016). Brazil is, by far, the leader when it comes to inflows of migrants to Portugal and the UK, Spain and Switzerland the leaders in emigration destination (OECD 2018).

Safety: Being the 4th safest country in the world, Portugal stands behind Iceland, New Zealand, and Denmark and is second among the EU (Institute for Economics & Peace 2021).

TECHNOLOGICAL

Technologic Investment Policies: Portugal ranks 19th in the EU in the EU Digital Economy and Society Index 2020. Improvements have nonetheless been taken in areas such as digital public services and connectivity; however, Portugal still lags behind its counterparts in digital literacy and use of internet services (International Trade Administration 2020). It is also the one of two countries in the EU that has not yet provided commercial 5G services (Pinto 2021).

R&D Support Schemes: The country has setup several instruments to promote innovation through financial and fiscal incentives, e.g., R&TD in Co-promotion, protection of intellectual and industrial property, and the System of Fiscal Incentives to business R&D - SIFIDE (ePortugal.gov.pt, n.d.).

R&D and Innovation in the Consulting sector: A new trend has emerged, with management consultants increasingly resorting to cutting-edge technologies, such as AI, to be more efficient and productive while reducing costs. Portugal has witnessed the proliferation of innovation consultants (Flag 2020).

Discoveries and Patents: Over the centuries, Portuguese technology has been consolidated and developed. Currently, the country is one that uses and implement the most information technology and new tools, ranks first in the world ranking of e-government, e-banking and accessibility to the digital world. Also, Portugal is a prominent producer of software platforms implemented, with special emphasis, on the Lusophone (EGAPI Technologies, n.d.).

ENVIRONMENTAL

Transportation and Energy Infrastructure: A €43 billion of public infrastructure investment plan, with focus on transport and energy, has been announced to be carried out by 2030 (EURACTIV.com 2020). The country has made significant progress on decarbonising electricity production, though, Portugal's energy mix is still dominated by fossil fuels. Energy and climate policies pushing carbon neutrality have been put in place, with electrification of demand and expansion of renewable energy (IEA 2021).

Eco-Innovation: Portugal stands slightly below the EU average when it comes to the integration of environmental policy, as measured by the EU Eco-Innovation Index (European Commission 2021b).

Green Issues: Important steps towards environmental protection and quality of life has been made. The country abides by the recently adopted European Climate Law, committing to achieving net zero greenhouse gas emissions by 2050 (European Commission 2021a).

LEGAL

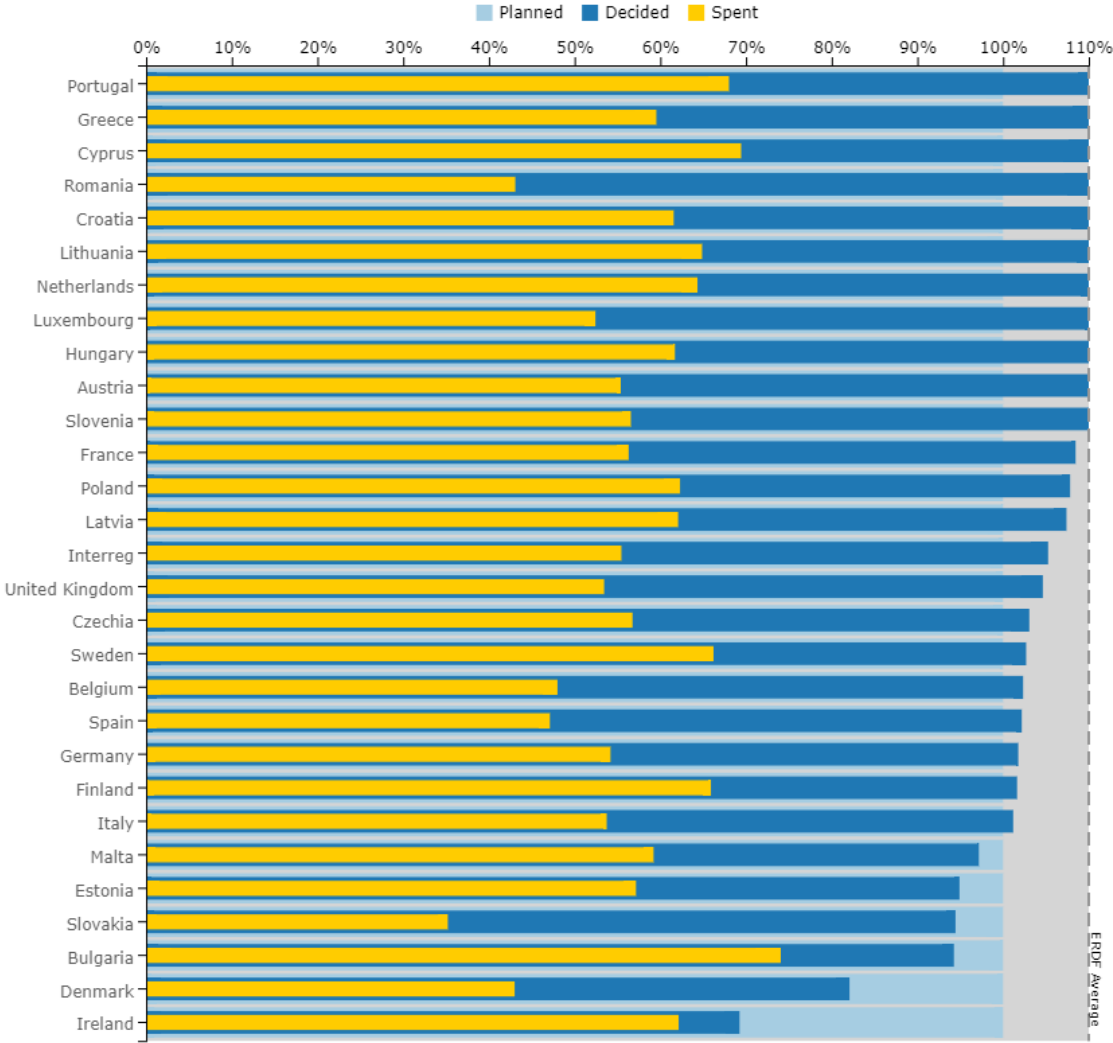
Competition Laws and Regulation: Not even COVID-19 has refrained the intense enforcement activity of the Portuguese Competition Authority. Investigation of prohibited practises, specifically cartels, are prioritized, with record fines having even been imposed, particularly in the telecoms sector (Pereira, Marcelino, and Torres 2021).

Property Rights Protection: Portugal ranks 29th globally in the International Property Index. Though having decreased its Legal and Political and Intellectual Property subindexes, it has improved on Physical Property Rights. It is best at registering property and at patent protection (Property Rights Alliance 2020).

Ease of Doing Business: While ranking 39th in Ease of Doing Business and 38th in Enforcing Contracts, it ranks 60th in Starting a Business and 119th in getting credit. Portugal is, though, the best country in trading across borders (The World Bank 2019).

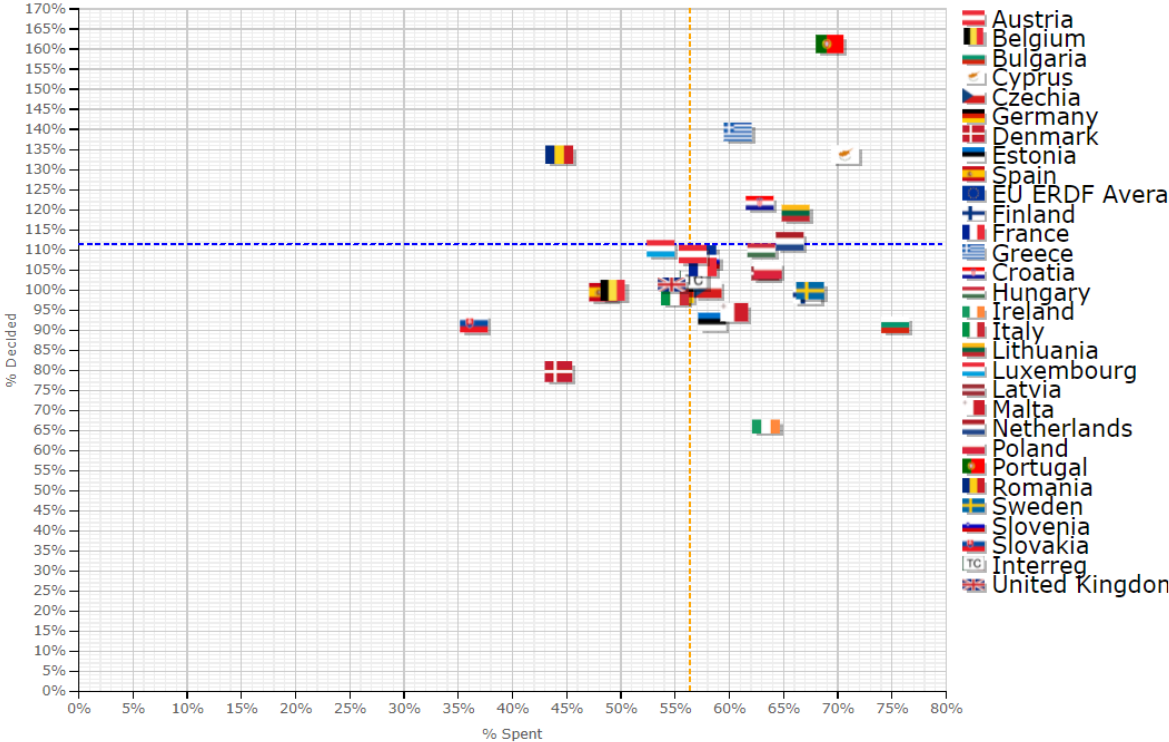
Source: Authors' elaborations, based on several sources

Exhibit 11: ESIF 2014-2020: Implementation by Country for European Regional Development Fund - Total Cost of Selection and Spending as % of Planned [Back to page 14]



Source: EC (2021)

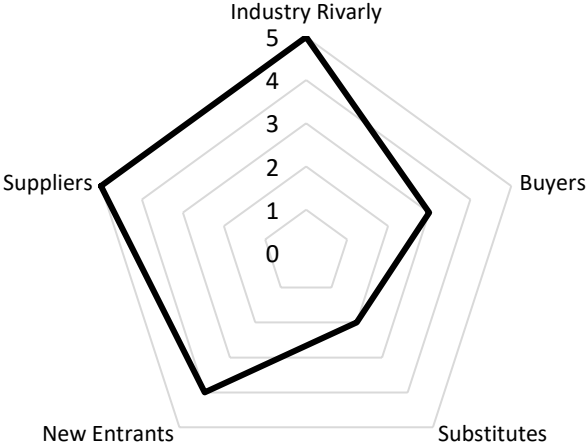
Exhibit 12: ESIF 2014-2020: Implementation by Country for European Regional Development Fund – Total Cost of Selection and Spending as % of Planned [Back to page 14]



Source: EC (2021)

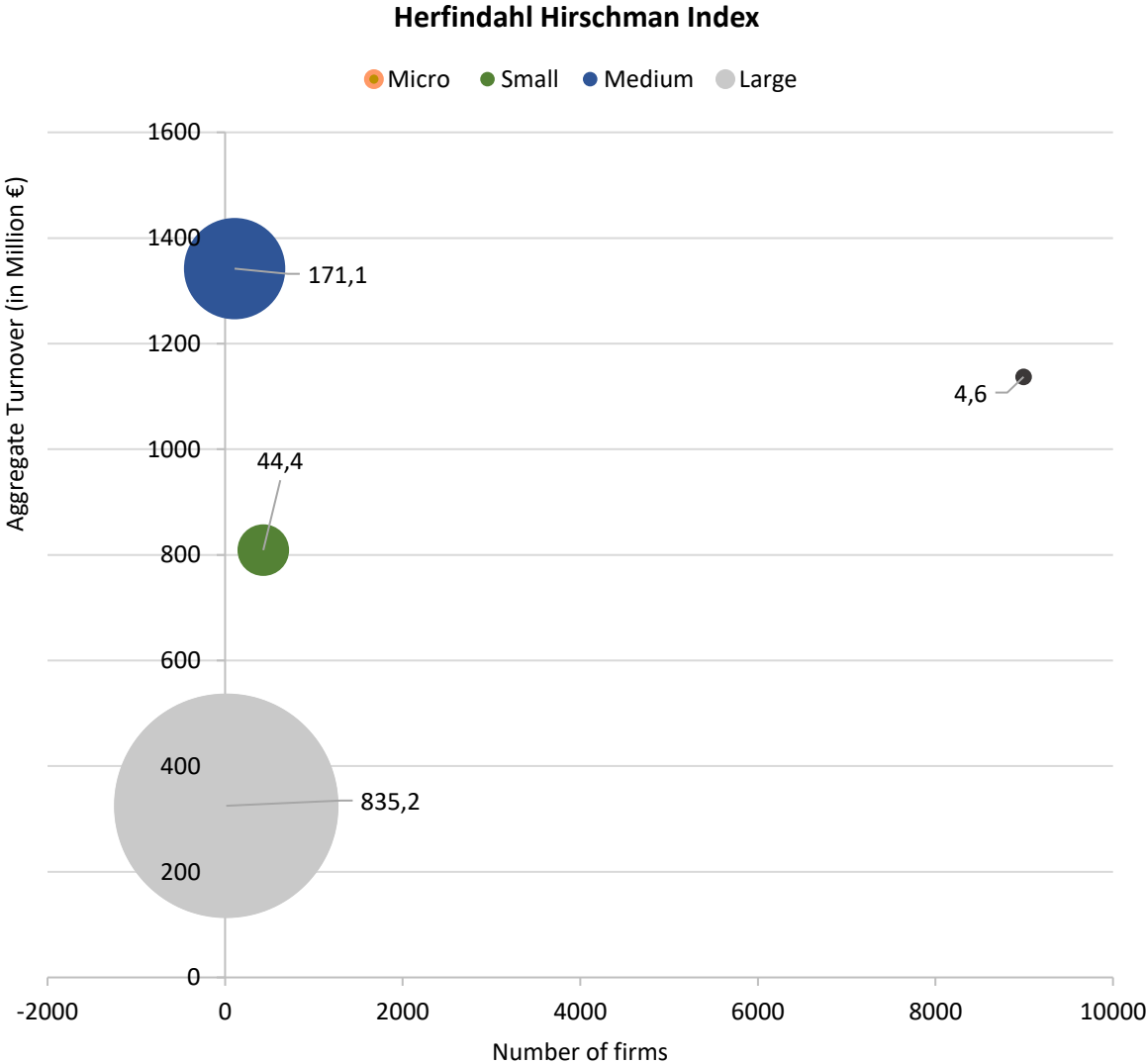
Exhibit 13: Porter’s Five Forces (Consultancy Industry in Portugal) [Back to page [15](#)]

Porter's Five Forces Affecting Yunit Consulting



Source: Authors’ evaluation

Exhibit 14: Market Structure, Segmented by Enterprise Size [Back to page [17](#)]

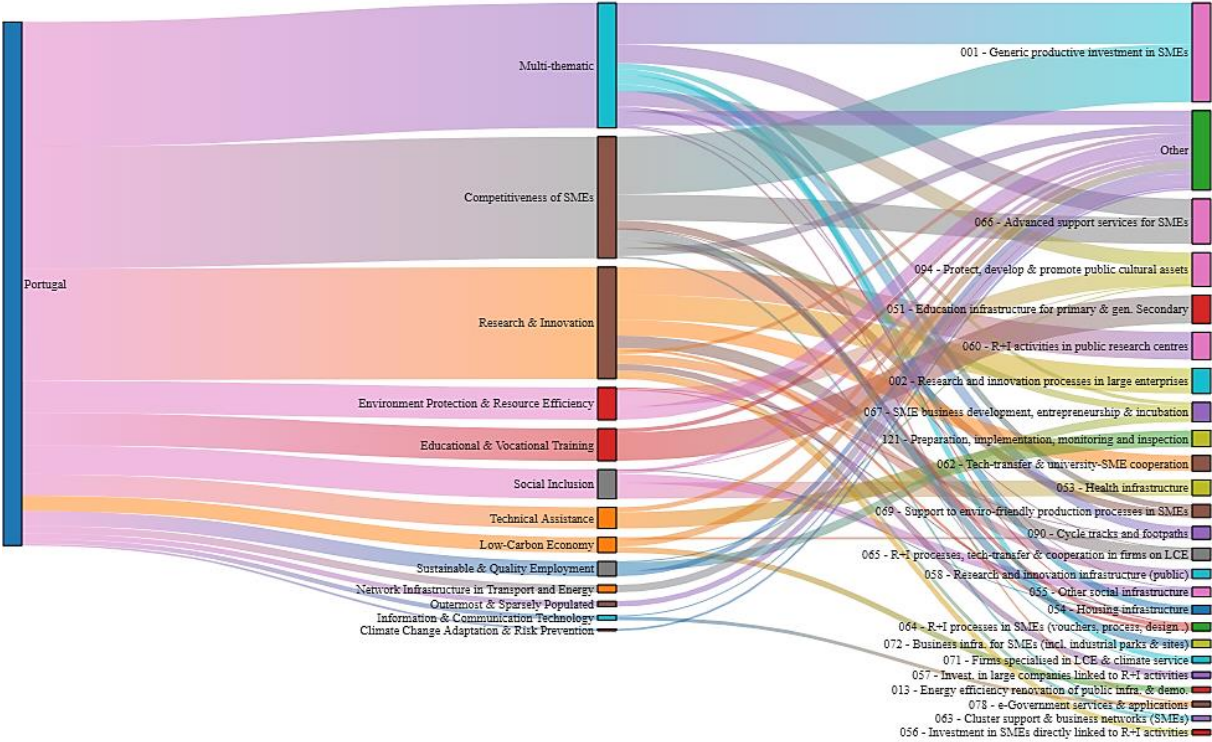


Note 1: The size of the bubbles represents the Herfindahl Hirschman Index of the markets.

Note 2: Only companies with financial statements of the year 2020 reported on ORBIS were considered.

Source: (ORBIS 2021) and author’s calculations.

Exhibit 15: ESIF 2014-2020: Finances Planned (Detailed): Planned EU Financing by Detailed ERDF Themes (Categorization) [Back to page 24]



Source: EC (2021)

Exhibit 16: Simplified Value Chain Matrix [Back to page [26](#)]

FIRM INFRASTRUCTURE

SUPPORT ACTIVITIES	<p>Procurement:</p> <ul style="list-style-type: none"> — Procuring highly specialised employees — Equipment (computers; printers; offices) — Partnership with Banks and investment funds to qualify for their investment requirements 	<p>Technology Development:</p> <ul style="list-style-type: none"> — Know-how and IP — Technological adaptation — Digital transformation — Innovative managerial procedures — Creating a circular economy 	<p>Human Resources:</p> <ul style="list-style-type: none"> — High recruitment process — Employee Training program
	PRIMARY ACTIVITIES	<p>Operations:</p> <ul style="list-style-type: none"> — Investment incentives — Internationalisation plans — Mergers & acquisitions — Value determination — Cost optimisation — Certification management systems — Tax benefits 	<p>Sales & Marketing:</p> <ul style="list-style-type: none"> — Word-of Mouth — SME heroes — Webinars — High presence in Newspaper articles with success stories — Yunit consulting Blog

Source: Authors' evaluation

Exhibit 17: Porter's Value Chain, Detailed Explanation on the Framework [Back to page [26](#)]

Operations, sales and marketing, service activities, inbound and outbound logistics are the five generic categories that describe the primary activities. **Inbound logistics** refers to the activities that associate with storing inventory, finding and receiving raw materials, material handling, warehousing and inventory control, while **outbound logistics** are those associated with collecting, storing, order processing, and distributing products to the buyers. **Operations** can be defined as the activities that transform inputs into the final product forms. **Sales and marketing** relate to all activities that provide a means by which the end user can purchase the service and motivate the buyer to do so such as advertising, promotion, sales force, quoting, pricing, and channel selection. **Service activities** relate to providing after-sales assistance – such as maintenance, installation/implementation, and adjustments – to increase the value of the service/ product provided to the buyer (Porter 1985, 40).

Further, there are four generic support activities. Firstly, there is **procurement** which refers to the task of finding and purchasing the necessary inputs for the firm's value chain such as supplies, office equipment and buildings. Then, **technology development** can be defined as the know-how, procedures, or technology needed to carry out the primary activities. Thirdly, **human resource management** consists of the activities involved with hiring, recruiting, development, training, and compensation of all the individuals involved in organization. Human resource management supports the primary activities, the support activities, and the entire value chain. In fact, as Porter describes, human resources affect the competitive advantage of a company by influencing the skills and motivation of employees as well as the costs of hiring and training. The author even defines human resources as a *key to competitive advantage* in some industries, such as consulting and accounting. Finally, the **firm's infrastructure** consists of different activities such as general management, accounting, finance, legal, government affairs and quality control (Porter 1985, 42–44).

Once every primary and support activity are identified, they must be classified according to three activity types: Direct; Indirect; and Quality Assurance. Direct activities are associated in creating value to the buyer such as sales force operation, advertising, product design, and recruiting, development of a solution. Indirect activities are the ones that support the possibility of performing the direct activities, these include maintenance, scheduling, and sales force administration. Finally, quality assurance refers to the activities that ensure the quality of the other activities in the form of monitorisation of the services and outputs produced by the company, testing, reviewing, adjusting, and reworking (Porter 1985, 43–44). Next, Yunit's value chain will be identified and described according to the different primary and support activities that make up Yunit's Infrastructure while defining the activity type

Source: Authors' elaboration, based on several sources

Exhibit 18: VRIO, Detailed Explanation on the Framework [Back to page [29](#)]

When addressing value, a company must answer the following question *does the firm have the resources and capabilities that add value and enable it to exploit new opportunities and neutralize the existent threats?* When addressing the topic of rarity, firms should ask themselves if the resources and capabilities they use to gain competitive advantage are common among competitors. If all companies in the same industry possess the same valuable resources, then there is no space for competitive advantage, and this will be a source of competitive parity. Thus, companies must ask themselves *how many competing firms already possess the valuable resources*. Then, there is the question of imitability. If a company is easily imitable, its competitive advantage will not be sustainable. It is hence vital for a company to understand if firms with different resources or capabilities than firms which have a competitive advantage face a cost disadvantage in obtaining it. Finally, there is the question of organisation. Although value, rarity, and imitability of resources within a company are sources of competitive advantage, a firm must be organised to exploit the full competitive potential of its resources and capabilities in the most efficient way. This last point includes management techniques, reporting structures, and compensation policies which are also known as complementary resources (Barney 1993, 50-56).

Source: Authors' elaboration, based on several sources

Exhibit 19: VRIO Framework, Further Explanations on Resources [Back to page [29](#)]

Nevertheless, one must define what are the resources of a company. According to J. B. Barney, there can be four types of resources: there can be **financial resources** which reflect the retained earnings of a company, shares, bonds, debt, equity and so forth. Next, the **human resources** of a firm such as people skills, know-how, risk taking, judgement and training programs. Further, there are the **material resources** which includes facilities, machinery, equipment, land, buildings, and computers, and **organizational resources** such as the history of the company, patents, brand name, organizational culture, relationships, and trust among the players of the industry (Barney 1993, 50).

Source: Authors' elaboration, based on several sources

Exhibit 20: VRIO Matrix [Back to page [31](#)]

	VALUABLE?	RARE?	HARD TO IMITATE?	ORGANIZED?	
Financial Resources	YES	NO	-	-	Competitive Parity
Human Resources	YES	YES	NO	YES	Temporary Competitive Advantage
Material Resources	NO	-	-	-	Competitive Parity
Organisational Resources	YES	YES	NO	NO	Temporary Competitive Advantage

Source: Authors' evaluation

Exhibit 21: Proactive vs Reactive motives for internationalization [Back to page [33](#)]

PROACTIVE MOTIVES	REACTIVE MOTIVES
Profit and growth goals Managerial urge Technology competence/unique product Foreign market opportunities/market information Economies of scale Tax benefits	Competitive pressures Domestic market: small and saturated Overproduction/excess capacity Unsolicited foreign orders Extend sales of seasonal products Proximity to international customers/psychological distance

Source: Hollensen (2008, 35)

Exhibit 22: SWOT Matrix [Back to page 34]

STRENGTHS	WEAKNESSES
<p>Long-established expertise</p> <ul style="list-style-type: none"> — Holistic approach, a one-stop-shop logic in the management support services. — Vast experience in establishing bridges between companies and banks, supporting innovation and bringing robust and competent solutions to companies. — Privilege experience in helping its clients in getting access to community funds, such as the Portugal 2020. <p>Partnerships and relationships</p> <ul style="list-style-type: none"> — Collaborations with important stakeholders, either from the consultancy sector or from the Portuguese business environment (e.g., Investor’s Circle setup with the Portuguese Chamber of Commerce in UK; award scheme <i>Heróis PME</i>, in partnership with TSF and Dinheiro Vivo; and partnership with the Câmara de Comércio e Indústria Portuguesa — Direct channel of access to its client segment - SMEs 	<p>Fragile financial situation</p> <ul style="list-style-type: none"> — Inconsistent pattern of financial results since the very beginning, with no stable growth pattern being followed. — Revenue volatility and high labour costs have prevented the company from reaching a stable net income and net profit margin. — Nonetheless, Yunit has been experiencing high liquidity. <p>Offer not specialized</p> <ul style="list-style-type: none"> — No specialized service across sectors, instead they focus on offering services regarding community funds. — Even though “on-stop-shop logic” is prioritized, the required level of knowledge and know-how is clearly insufficient. — Similarly, Yunit does not gather the necessary expertise in digital innovation.
OPPORTUNITIES	THREATS
<p>Acceleration of digital disruption and technological innovations</p> <ul style="list-style-type: none"> — Modularity and accessibility of core IT infrastructure and democratize data to allow data-driven and AI-enabled decisions. — Efficient and faster analysis of data. — Remote working and virtual meetings. <p>Collaborations with per companies and other stakeholders</p> <ul style="list-style-type: none"> — Further establishment of contacts within the industry. — Acquirement of knowledge that otherwise would be difficult to internalize and meeting demand for specialization and expertise on niche topics. — Personalized and customized services. <p>New investment incentives and funds</p> <ul style="list-style-type: none"> — Portugal 2030 — NextGenerationEU stimulus package — Yunit, though facing the termination of the incentive scheme it has been working with for the last years, i.e., the Portugal 2020, enjoys now the opportunity to work with new investment programmes and offer its clients the services they require in the application process to those schemes. 	<p>Cybersecurity vulnerabilities</p> <ul style="list-style-type: none"> — Yunit deals with immense volumes of confidential and sensitive information. — Risk of becoming targets for hackers and data breaches. — Danger to both client’s data, but also to the valuable in-house knowledge accumulated with the company’s experience. <p>Emerging of new digital-savvy business models</p> <ul style="list-style-type: none"> — New players, mainly independent consultants, i.e., freelancers. — Competitor’s specialized offer. — Low prices — With clients being able to directly access professional services, consultancies suffer from disintermediation.

Source: Authors’ evaluation

Exhibit 23: FSA-CSA Matrix [Back to page [38](#)]

COUNTRY SPECIFIC ADVANTAGES		Strong	1: Yunit Consulting	3
		Weak	2	4
			Weak	Strong
FIRM SPECIFIC ADVANTAGES				

Source: Authors’ evaluation

Exhibit 24: Porter’s Generic Forces [Back to page [39](#)]

COMPETITIVE SCOPE		COMPETITIVE ADVANTAGES	
		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target	1. COST LEADERSHIP	2. DIFFERENTIATION 1. Holistic approach to projects 2. Partnerships with investment funds, banks, and private investors 3. Monitor and control the success of their services
	Narrow Target	3.A. COST FOCUS	3.B. DIFFERENTIATION FOCUS

Source: Authors’ evaluation

Exhibit 25: Countries First Shortlist (81 Countries in Total) [Back to page [42](#)]

COUNTRIES FROM THE EUROPEAN UNION (27)	
Austria	Italy
Belgium	Latvia
Bulgaria	Lithuania
Croatia	Luxembourg
Cyprus	Malta
Czechia	Netherlands
Denmark	Poland
Estonia	Portugal
Finland	Romania
France	Slovakia
Germany	Slovenia
Greece	Spain
Hungary	Sweden
Ireland	

COUNTRIES WITH VERY HIGH HDI NOT IN THE EU OR IN EUROPE (28)	
Argentina	Kuwait
Australia	Malaysia
Bahamas	Mauritius
Bahrain	New Zealand
Barbado	Oman
Brunei Darussalam	Palau
Canada	Panama
Chile	Qatar
Costa Rica	Russian Federation
Hong Kong, China (SAR)	Saudi Arabia
Israel	Singapore
Japan	United Arab Emirates
Kazakhstan	United States
Korea (Republic of)	Uruguay

COUNTRIES WITH AFFINITY TO THE EU (13)	
Albania	North Macedonia
Andorra	Norway
Belarus	Serbia
Bosnia and Herzegovina	Switzerland
Georgia	Turkey
Iceland	United Kingdom
Montenegro	

REMAINING ENGLISH-SPEAKING COUNTRIES (6)	
South Africa	Kenya
Namibia	Nigeria
India	Lesotho

REMAINING PORTUGUESE-SPEAKING COUNTRIES (7)	
Angola	Mozambique
Brazil	Sao Tome and Principe
Cabo Verde	Timor-Leste
Guinea-Bissau	

Note: (Number of countries per group).

Source: Authors' elaboration

Exhibit 26: Dimensions for the Country Selection [Back to page 43]

<p>The Market Size category encompasses, among others, the <i>Number of SMEs</i>, which indicates the absolute number of SMEs operating in the country and establishes a proxy for the number of potential clients in the target nation; and the variable <i>Management Consulting Market</i>, evaluating the size of the market in terms of total turnover, complementarily provides an insight on the market opportunities posed by the country. This category stands, owing to its immediate importance on the assessment of market potential, as one of the most important.</p>
<p>Market Intensity, captured by, amongst others, the variable <i>GDP per capita (under Purchasing Power Parity)</i>, which reflects the general population’s purchasing power and the overall country prosperity and final demand potential.</p>
<p>The category Corporate Environment reflects specific traits of the business environment of each country. In particular, the variable <i>Domestic Credit to Private Institutions</i> indicates the total amount of financial instruments, e.g., loans and non-equity securities, accessed by private enterprises as a percentage of GDP. This variable was selected as a proxy to the ease of private corporations to access funds and assumes particular relevance in the context of this analysis, because consulting projects are typically associated with significant investments, from the side of the consultee, that may require external funding. The <i>CAGR of New Business Density</i> (i.e., the homogenized growth rate of enterprises per 1000 working-aged people between 2015 and 2020) was also included since it reflects the dynamic characteristics of the country’s business environment, as well as the development of market opportunities for Yunit.</p>
<p>The Market Receptivity, i.e., the overall openness of the country’s economy, was assessed through the level of trade across each country’s borders. In specific, the volume of <i>Imports and Exports</i> (as a percentage of GDP), as well as the percentual <i>Growth of Imports and Services</i> were deemed relevant in evaluating the country’s potential for internationalization.</p>
<p>To evaluate the Social Conditions of each nation, a number of indicators were selected. As Yunit operates in a knowledge-oriented sector, education-related variables were regarded as relevant in assessing the market potential. Illustratively, <i>Gross Enrolment in Tertiary Education</i> (as a percentage of tertiary school-age population) was included, as a proxy of the country’s expertise level. On the other hand, the level of <i>English Proficiency</i> was also integrated in the analysis, since English stands as lingua franca, particularly in the consulting industry.</p>
<p>Factors related to Technology were also held relevant in assessing the country’s attractiveness. In specific, the <i>Global Innovation Index</i>, ranking the innovation ecosystem performance of economies around the globe, was deemed as notably important. In effect, this variable reflects the overall country preparedness and inclination towards innovation, which may potentialize consultancy activity.</p>
<p>The inclusion of factors measuring the Ease of Doing Business is justified by the objective of facilitating the process of entering the target country. Favourable conditions in establishing a foreign presence improve country attractiveness. In particular, the ease of starting a business, contracting with the government, and getting credit were regarded as the most relevant within this category. It should be highlighted, under this category, the indicator <i>Protecting Minority Investors</i>, which assesses the level of protection of minority shareholders vis-à-vis corporate directors, as well as the protection of shareholder rights and the level of corporate transparency.</p>
<p>The superiority of Logistics and Infrastructure was also considered as affecting a country’s attractiveness. However, given the nature of Yunit’s offerings, such category does not gather major importance. As a consulting services provider, the company is not heavily dependent on the country’s infrastructures nor</p>

on logistics' performance, a reality further enhanced by the recent remote working trend.

Political factors are also significant when defining the expansion target. There is extensive empirical research on the relationship between political freedom and FDI, placing them as positively correlated (Harms and Ursprung 2002). The same holds for the relationship between political freedom and economic growth (Przeworski and Limongi 1994). As so, it is in the company's best interest to favour a politically stable country. This category also encompasses a *Rule of Law* indicator, capturing the extent to which agents rely in and follow the general rules of society. Rule of law ensures that the legal framework governing citizens and businesses can be relied upon. Importantly, it also establishes reasonable expectations for stakeholders' behaviour, as it ensures that contracts and overall legal obligations are to be honoured.

The overall **Country Risk**, measuring political, commercial, business environment and currency inconvertibility threats, was deemed moderately important in assessing a country's desirability for expansion.

The **Distance to Portugal**, both physical and psychic, is similarly an important factor to contemplate. A more significant importance must be placed on the psychic or cultural distance, as it compares the home country to the target one in terms of structural characteristics (e.g., individualism, masculinity) that define the societal and cultural conditions of a nation. Considering Yunit's modest international exposure and given the importance of consultant-client relationships in business success (which may be hampered owing to cultural conflicts and biases), an expansion to a culturally more similar country appears to be the most adequate option.

General **Economic** indicators, such as the *Annual GDP growth*, were analysed as well. These factors reflect the general evolution of the country's economic activity. Commonly, the more favourable the economic situation, the more robust are the market opportunities posed by the country.

Source: Authors' elaboration

Exhibit 27: Dimensions, Variables and Definitions [Back to page 43]

Dim.	Index/Variable	Definition	Source	Year
Market Size	Number of SME	Number of small and medium companies present in each country.	Statista	2021
	Average Annual Wage in the Consulting Sector (Euro)	The average base salary an employee in the management consulting industry receives per year.	Salary Expert	2021
	Number of Enterprises*	Number of businesses present in each country.	Statista	2021
	Management Consulting Market (Million Euro)	Represents the market size of the management consultancy sector by country expressed in Millions Euros.	Statista	2020
Market Intensity	GDP per capita, PPP (US\$)	Per capita income or total income measures the average income earned per person in a given area in a specified year. It is calculated by dividing the area's total income by its total population. Per capita income is national income divided by population size.	Trading Economics	2020
Corporate Environment Market Growth	Domestic Credit to Private Institutions (% of GDP)	Financial resources provided to the private sector by financial corporations, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment.	The World Bank	Average 2015-2020
	CAGR New Business Density (New registrations per 1,000 people (ages 15-64), %)	Number of newly registered corporations per 1,000 working-age people (those ages 15–64). The units of measurement are private, formal sector companies with limited liability.	The World Bank	2015-2020
	CAGR Value Business and Management Consultancies (%)	Compound annual growth rate of the Management Consulting Sector between 2015 and 2020.	Euromonitor	2015-2020
Market Receptivity	Exports and Imports* (% of GDP)	Sum of exports and imports of goods and services, expressed as a percentage of gross domestic product (GDP). It is a basic indicator of openness to foreign trade and economic integration and indicates the dependence of domestic producers on foreign demand (exports) and of domestic consumers and producers on foreign supply (imports), relative to the country's economic size (GDP).	The World Bank	2019
	Imports of Goods & Services (Annual % Growth)	Annual growth rate of imports of goods and services based on constant local currency. Aggregates are based on constant 2010 U.S. dollars. Imports of goods and services represent the value of all goods and other market services received from the rest of the world.	The World Bank	2019
	Trade in Services (% of GDP)	Trade in services is the sum of service exports and imports divided by the value of GDP, all in current U.S. dollars.	The World Bank	2019
Social	HDI (Value)	The Human Development Index (HDI) is a summary measure of achievements in three key dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.	HDR	2019
	Gross Enrolment Ratio in Tertiary Education (% of tertiary school-age population)	Total enrolment in a given level of education (pre-primary, primary, secondary or tertiary), regardless of age, expressed as a percentage of the official school-age population for the same level of education.	HDR	2014-2019

Dim.	Index/Variable	Definition	Source	Year
	English Proficiency Index (Ranking)	The EF English Proficiency Index attempts to rank countries by the equity of English language skills amongst those adults who took the EF test. It is the product of EF Education First, an international education company, and draws its conclusions from data collected via English tests available for free over the internet	EF	2020
	Education Index* (%)	Education index is an average of mean years of schooling (of adults) and expected years of schooling (of children), both expressed as an index obtained by scaling with the corresponding maxima.	HDR	2019
Technology	Global Innovation Index (Value)	The Global Innovation Index takes the pulse of the most recent global innovation trends. It ranks the innovation ecosystem performance of economies around the globe each year while highlighting innovation strengths and weaknesses and particular gaps in innovation metrics.	WIPO	2019
	Mobile Connectivity Index* (Value)	The GSMA Mobile Connectivity Index measures the performance of 170 countries – representing 99% of the global population – against key enablers of mobile internet adoption: infrastructure, affordability, consumer readiness, and content and services. This data can help the mobile industry and other stakeholders understand where to focus action in order to drive increased mobile internet adoption. It now includes data from 2014 to 2019. A report accompanies the 2020 update to the Index which highlights the key findings and trends.	GSMA	2019
	Global Cybersecurity Index (Value)	The Global Cybersecurity Index measures the commitment of countries to cybersecurity at a global level. As cybersecurity has a broad field of application, cutting across many industries and various sectors, each country's level of development or engagement is assessed along five pillars – (i) Legal Measures, (ii) Technical Measures, (iii) Organizational Measures, (iv) Capacity Development, and (v) Cooperation – and then aggregated into an overall score.	ITU	2019
	Internet Users, total (% of population)	People with access to the worldwide network, as a percentage of total population.	HDR	2018
Ease of Doing Business (value)	Starting a Business	The ease of doing business score helps assess the absolute level of regulatory performance over time. It captures the gap of each economy from the best regulatory performance observed on each of the indicators across all economies in the Doing Business sample since 2005. One can both see the gap between a particular economy's performance and the best performance at any point in time and assess the absolute change in the economy's regulatory environment over time as measured by Doing Business. An economy's ease of doing business score is reflected on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance. For example, an ease of doing business score of 75 in Doing Business 2019 means an economy was 25 percentage points away from the best regulatory performance constructed across all economies and across time.	Doing Business	2020
	Registering Property		Doing Business	2020
	Getting Credit		Doing Business	2020
	Paying Taxes		Doing Business	2020
	Trading across Borders		Doing Business	2020
	Enforcing Contracts		Doing Business	2020
	Resolving Insolvency		Doing Business	2020

Dim.	Index/Variable	Definition	Source	Year
	Dealing with Construction Permits		Doing Business	2020
	Getting Electricity		Doing Business	2020
	Protecting Minority Investors		Doing Business	2020
Logistics & Infrastructure	Global Quality Infrastructure Index	Ranking of 184 Economies according to its quality infrastructure development.	GQII	2020
	Logistics Performance Index (1-low to 5-high)	Logistics Performance Index overall score reflects perceptions of a country's logistics based on efficiency of customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time.	The World Bank	2018 (updated 2021)
Law & Politics	Political Freedom Index (1-34: Not free, 35-71: Partly free, 72-100: Free)	For each country and territory, <i>Freedom in the World</i> analyses the electoral process, political pluralism and participation, the functioning of the government, freedom of expression and of belief, associational and organizational rights, the rule of law, and personal autonomy and individual rights. A score of 0 represents the smallest degree of freedom and 4 the greatest degree of freedom.	Freedom House	2021
	Rule of Law (Rank)	Extent to which agents have confidence in and follow the rules of society.	The World Bank	2019
Country Risk (Number, 1-low to 5-high)	Political Risk Medium/Long Term	A country risk rating measures the risk of non-payment by companies in a given country. This risk is due to conditions or events outside any company's control. Knowing a country's risk, can help you make better decisions when trading internationally. All these variables contribute to the measurement of the country risk. The short/medium/long-term political risk classification measures the likelihood of a risk caused by political and assimilated events connected to cross-border transactions with a risk horizon of up to 1 year (short-term) or beyond 1 year (medium/long term). Risks related to the political situation are also based on quantified indicators.	Credendo	2021
	Political Risk Short Term			2021
	Commercial Risk			2021
	Business Environment Risk*			2021
	Political Violence Risk*			2021
	Expropriation and Government Action Risk*			2021
Currency Inconvertibility and Transfer Restriction Risk*	2021			
Distance to Portugal	Cultural Distance to Portugal (Normalized Value to Portugal)	Culture is defined as the collective mental programming of the human mind which distinguishes one group of people from another. This programming influences patterns of thinking which are reflected in the meaning people attach to various aspects of life and which become crystallised in the institutions of a society.	Hofstede's Insights	2020
	Physical Distance (Km)	The distance between countries, calculated in Km.	Distance To	2020

Dim.	Index/Variable	Definition	Source	Year
Economic	Economic Freedom Index (Number, 1 to 178)	Economic freedom is the fundamental right of every human to control his or her own labour and property. In an economically free society, individuals are free to work, produce, consume, and invest in any way they please. In economically free societies, governments allow labour, capital, and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself.	Heritage	2021
	Annual GDP growth (Annual % Growth)	Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2010 US Dollars.	The World Bank	2020

Note: *Variables not considered in the final analysis due to high correlations.

Source: Authors' elaboration, based on other sources

Exhibit 28: Final Shortlist of Countries [Back to page [43](#)]

FINAL SHORTLIST OF COUNTRIES (60)	
Argentina	Kuwait
Australia	Latvia
Austria	Lithuania
Bahrain	Luxembourg
Belarus	Malaysia
Belgium	Malta
Brazil	Netherlands
Bulgaria	New Zealand
Canada	Nigeria
Chile	Norway
Costa Rica	Oman
Croatia	Panama
Cyprus	Poland
Czechia	Portugal
Denmark	Qatar
Estonia	Romania
Finland	Russian Federation
France	Saudi Arabia
Georgia	Singapore
Germany	Slovakia
Greece	Slovenia
Hungary	South Africa
Iceland	Spain
India	Sweden
Ireland	Switzerland
Israel	Turkey
Italy	United Arab Emirates
Japan	United Kingdom
Kazakhstan	United States
Kenya	Uruguay

Source: Authors' elaboration

4	-0.08	0.36	0.10	0.13	0.29	0.37	0.06	0.07	0.18	0.12	-0.28	-0.18	-0.10	0.15	0.17	-0.15	0.08	-0.03	-0.27	-0.30	24
5	0.18	-0.44	-0.02	0.42	-0.48	-0.38	-0.47	-0.39	-0.30	-0.47	0.64	0.16	0.74	0.33	0.03	0.29	0.39	0.36	0.25	0.30	25
6	-0.09	0.38	0.11	0.13	0.30	0.36	0.08	0.06	0.20	0.14	-0.29	-0.18	-0.10	0.16	0.16	-0.16	0.07	-0.04	-0.27	-0.31	26
7	-0.17	-0.15	-0.16	0.31	-0.37	-0.28	-0.32	-0.28	-0.28	-0.38	0.34	0.25	0.53	0.46	0.01	0.18	0.13	0.42	0.21	0.24	27
8	0.04	-0.59	-0.16	0.38	-0.54	-0.46	-0.39	-0.55	-0.45	-0.54	0.68	0.17	0.59	0.03	-0.12	0.31	0.42	0.27	0.28	0.28	28
9	0.08	-0.46	0.21	0.41	-0.43	-0.41	-0.35	-0.38	-0.28	-0.44	0.60	0.27	0.64	0.27	0.14	0.30	0.39	0.44	0.12	0.20	29
10	-0.19	0.20	-0.04	-0.05	0.25	0.17	0.29	0.28	0.13	0.25	-0.18	-0.27	-0.17	-0.05	-0.02	-0.11	0.04	-0.13	-0.08	-0.13	30
11	-0.28	0.03	-0.33	0.11	-0.23	-0.23	-0.22	-0.14	-0.09	-0.24	0.11	0.29	0.00	-0.07	0.25	-0.09	-0.09	0.11	0.02	0.20	31
12	-0.02	-0.33	-0.27	0.15	-0.28	-0.30	-0.26	-0.24	-0.20	-0.30	0.31	0.12	0.11	-0.23	-0.04	0.10	0.20	-0.02	0.22	0.37	32
13	0.12	-0.15	-0.28	0.13	-0.14	-0.01	0.11	-0.16	-0.05	-0.17	-0.13	-0.08	0.07	-0.11	-0.04	0.16	0.09	-0.04	0.10	-0.08	33
14	-0.01	-0.25	-0.23	0.08	-0.25	-0.26	-0.25	-0.22	-0.12	-0.26	0.29	0.26	0.05	-0.26	-0.05	0.02	0.14	-0.07	0.09	0.23	34
15	-0.12	-0.69	-0.18	0.31	-0.69	-0.71	-0.68	-0.54	-0.52	-0.64	0.79	0.45	0.65	0.24	-0.07	0.41	0.24	0.54	0.34	0.63	35
16	-0.23	-0.22	0.01	0.07	-0.24	-0.31	-0.40	-0.13	-0.28	-0.24	-0.25	0.27	0.30	0.21	0.29	0.08	0.18	0.36	0.21	0.38	36
17	0.17	0.26	0.19	-0.51	0.56	0.49	0.57	0.45	0.46	0.41	0.55	-0.47	-0.76	-0.43	-0.33	-0.14	0.02	-0.58	-0.13	-0.37	37
18	-0.18	-0.61	-0.14	0.37	-0.59	-0.62	-0.60	-0.53	-0.56	-0.53	0.65	0.52	0.51	0.28	0.06	0.32	0.18	0.58	0.41	0.60	38
19	-0.16	-0.63	-0.22	0.60	-0.80	-0.70	-0.62	-0.67	-0.60	-0.65	-0.79	0.81	0.56	0.80	0.47	0.10	0.35	0.28	0.71	0.29	39
20	-0.13	-0.72	-0.11	0.47	-0.79	-0.72	-0.70	-0.64	-0.60	-0.70	0.85	0.45	0.76	0.32	-0.09	0.36	0.31	0.59	0.42	0.53	40
21	-0.06	-0.36	-0.09	0.39	-0.39	-0.24	-0.05	-0.50	-0.34	-0.30	-0.39	0.36	0.48	0.33	0.23	0.23	0.49	0.35	0.47	0.30	41
22	-0.15	-0.65	-0.13	0.21	-0.50	-0.43	-0.37	-0.38	-0.36	-0.49	-0.50	0.64	0.09	0.48	0.01	-0.16	0.37	0.25	0.39	0.33	42
23	0.08	-0.45	0.13	0.16	-0.18	-0.25	-0.05	-0.28	-0.19	-0.23	-0.17	0.33	0.05	0.16	-0.14	0.25	0.15	0.45	0.18	0.34	43
24	0.09	-0.47	0.06	0.24	-0.26	-0.20	-0.07	-0.27	-0.22	-0.26	-0.27	0.33	-0.10	0.20	-0.03	-0.03	0.45	0.37	0.16	0.47	44
25	0.13	-0.07	0.43	0.35	0.02	0.12	0.16	-0.08	-0.07	0.08	0.02	-0.12	-0.03	-0.05	0.14	0.36	-0.11	0.18	0.12	0.16	45
26	-0.15	-0.45	-0.11	0.22	-0.38	-0.38	-0.07	-0.45	-0.29	-0.35	0.37	0.57	0.01	0.32	-0.10	0.08	0.29	0.50	0.28	0.33	46
27	-0.18	-0.37	-0.46	0.18	-0.56	-0.65	-0.61	-0.40	-0.38	-0.54	-0.57	0.52	0.48	0.46	0.30	0.01	0.28	0.05	0.48	0.23	47
28	-0.13	-0.45	0.02	0.29	-0.27	-0.17	-0.13	-0.32	-0.35	-0.22	-0.29	0.27	-0.01	0.20	0.07	0.18	0.16	0.44	0.17	0.38	48
29	-0.15	-0.44	-0.13	0.47	-0.58	-0.61	-0.54	-0.54	-0.52	-0.52	-0.57	0.58	0.54	0.66	0.51	0.18	0.21	0.11	1	1	49
30	0.11	-0.40	0.25	0.34	-0.23	-0.08	0.18	-0.31	-0.22	-0.15	-0.23	0.32	-0.22	0.32	-0.04	0.28	0.36	1	1	1	50
31	-0.02	-0.23	0.03	0.17	-0.25	-0.20	-0.12	-0.21	-0.21	-0.22	-0.27	0.34	-0.02	0.32	0.08	0.03	1	1	1	1	51
32	-0.02	-0.03	0.15	0.21	-0.01	0.05	0.15	-0.01	0.06	-0.04	0.01	-0.03	-0.06	0.06	0.13	1	1	1	1	1	52
33	-0.12	-0.06	-0.01	0.38	-0.37	-0.18	-0.35	-0.16	-0.21	-0.21	-0.37	0.15	0.17	0.58	1	1	1	1	1	1	53
34	0.03	-0.50	-0.11	0.52	-0.69	-0.58	-0.59	-0.53	-0.44	-0.58	-0.69	0.75	0.39	1	1	1	1	1	1	1	54
35	-0.12	-0.36	-0.25	0.28	-0.62	-0.71	-0.73	-0.50	-0.48	-0.56	-0.62	0.60	1	1	1	1	1	1	1	1	55
36	-0.18	-0.75	-0.09	0.42	-0.80	-0.85	-0.66	-0.72	-0.64	-0.73	0.80	1	1	1	1	1	1	1	1	1	56
37	0.08	0.62	0.22	-0.48	0.95	0.78	0.73	0.71	0.61	0.87	1	1	1	1	1	1	1	1	1	1	57
38	0.09	0.68	0.22	-0.30	0.86	0.82	0.69	0.64	0.47	1	1	1	1	1	1	1	1	1	1	1	58
39	0.06	0.50	0.11	-0.49	0.62	0.54	0.46	0.88	1	1	1	1	1	1	1	1	1	1	1	1	59
40	-0.04	0.60	0.17	-0.48	0.73	0.64	0.45	1	1	1	1	1	1	1	1	1	1	1	1	1	60
41	0.10	0.44	0.20	-0.29	0.70	0.79	1	1	1	1	1	1	1	1	1	1	1	1	1	1	61
42	0.21	0.67	0.20	-0.28	0.79	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	62
43	0.08	0.63	0.23	-0.46	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	63
44	0.08	-0.34	0.08	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	64
45	0.18	-0.03	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	65
46	0.04	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	66

Source: Authors' computations

Exhibit 30: Further Considerations on Multicollinearity Problems [[Back to page 43](#)]

With a positive correlation of 0,997 between the Number of Enterprises and the Number of SME, the first variable was eliminated as it usually represents a strong majority of all companies in a country. Exports and Imports and Trade in Services also present a strong positive correlation (0,83). The decision of removing Exports and Imports was based on the fact that Yunit is a consulting company, hence trading services, making the second variable stand as a more important factor. HDI contains the gross enrolment ratio in tertiary education, which is a good proxy for the educational level of a country, hence justifying the decision of deleting the Education Index. As the Mobile Connectivity Index was highly correlated ($>0,7$) with four indicators, it had to be eliminated in order to facilitate the analysis process. Concerning Internet users, as it presents a strong positive correlation with GDP per capita PPP and HDI, the authors' decided to remove that indicator from the analysis. However, as the access to internet and the number of internet users is essential for Yunit to provide its services, the relative importance (i.e., attributed weight) of the variables to which it correlates must increase. Finally, Business Environment Risk, Political Environment Risk, Expropriation and Government Action Risk, and Currency Inconvertibility and Transfer Restriction Risk were also eliminated as they presented strong correlations ($<-0,7$ or $>0,7$) with several other indicators.

Source: Authors' elaboration, based on several sources

Exhibit 31: Further Considerations on Multicollinearity Problems [[Back to page 43](#)]

By definition, the HDI is a summary composite measure of a country's average achievements in three basic aspects of human development: health, knowledge and standard of living. This indicator is hence crucial to highlight differences within countries (WHO, n.d.). The Global Innovation Index takes the pulse of the most recent global innovation trends as it ranks the innovation ecosystem performance of economies around the globe, highlighting innovation strengths and weaknesses and particular gaps in innovation metrics (Zhang 2021). This variable is essential to underlie the rise of new industries, job creation and long-term economic growth, hence being important to consider. Finally, Rule of Law, is the mechanism, process, institution, practice, or norm that supports the equality of all citizens before the law, secures a nonarbitrary form of government and more generally prevents the arbitrary use of power (Choi, n.d.). Hence justifying the decision of keeping this variable, even though the high level of correlation it has with other indicators.

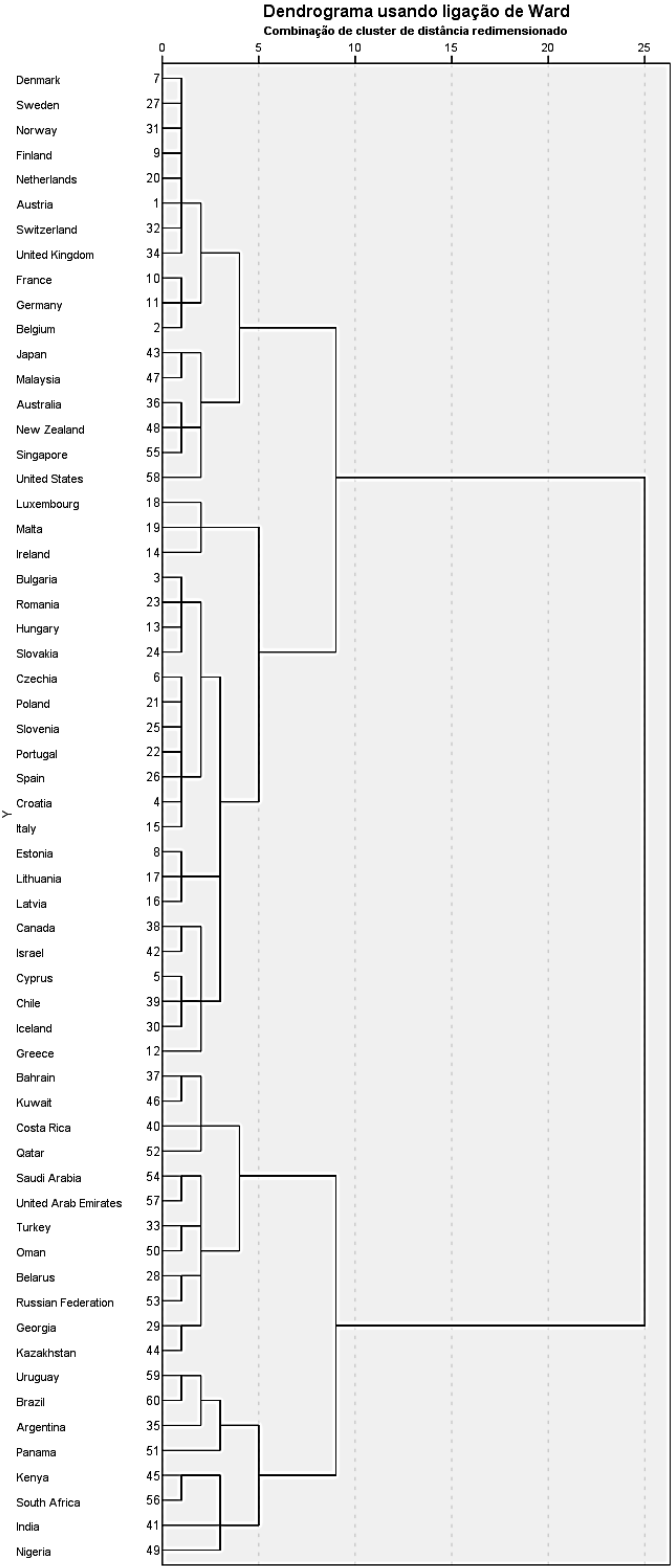
Source: Authors' elaboration, based on several sources

Exhibit 32: Final List of Indicators [Back to page 43]

Dim.	Index/Variable	Dim.	Index/Variable	
Market Size	Number of SME (value)	Ease of Doing Business (value)	Starting a Business	
	Average Annual Wage in the Consulting Sector (Euro)		Registering Property	
	Management Consulting Market (Million Euro)		Getting Credit	
Market Intensity	GDP per capita, PPP (US\$)		Paying Taxes	
			Trading across Borders	
Corporate Environment Market Growth	Domestic Credit to Private Institutions (% of GDP)		Enforcing Contracts	
			CAGR New Business Density (New registrations per 1,000 people (ages 15-64), %)	Resolving Insolvency
				Dealing with Construction Permits
Market Receptivity	Imports of Goods & Services (Annual % Growth)		Getting Electricity	
			Trade in Services (% of GDP)	Protecting Minority Investors
Social	HDI (Value)	Logistics & Infrastructure		Global Quality Infrastructure Index
			Gross Enrolment Ratio in Tertiary Education (% of tertiary school-age population)	Logistics Performance Index (1-low to 5-high)
		English Proficiency Index (Ranking)		
Technology	Global Innovation Index (Value)		Country Risk (Number, 1-low to 5-high)	Rule of Law (Rank)
		Global Cybersecurity Index (Value)		Political Risk Medium/Long Term
				Internet Users, total (% of population)
Distance to Portugal	Global Innovation Index (Value)	Economic	Commercial Risk	
			Global Cybersecurity Index (Value)	Cultural Distance to Portugal (Normalized Value to Portugal)
Economic	Annual GDP growth (Annual % Growth)	Economic Freedom Index (Number, 1 to 178)		
			Annual GDP growth (Annual % Growth)	Economic Freedom Index (Number, 1 to 178)

Source: Authors' elaboration

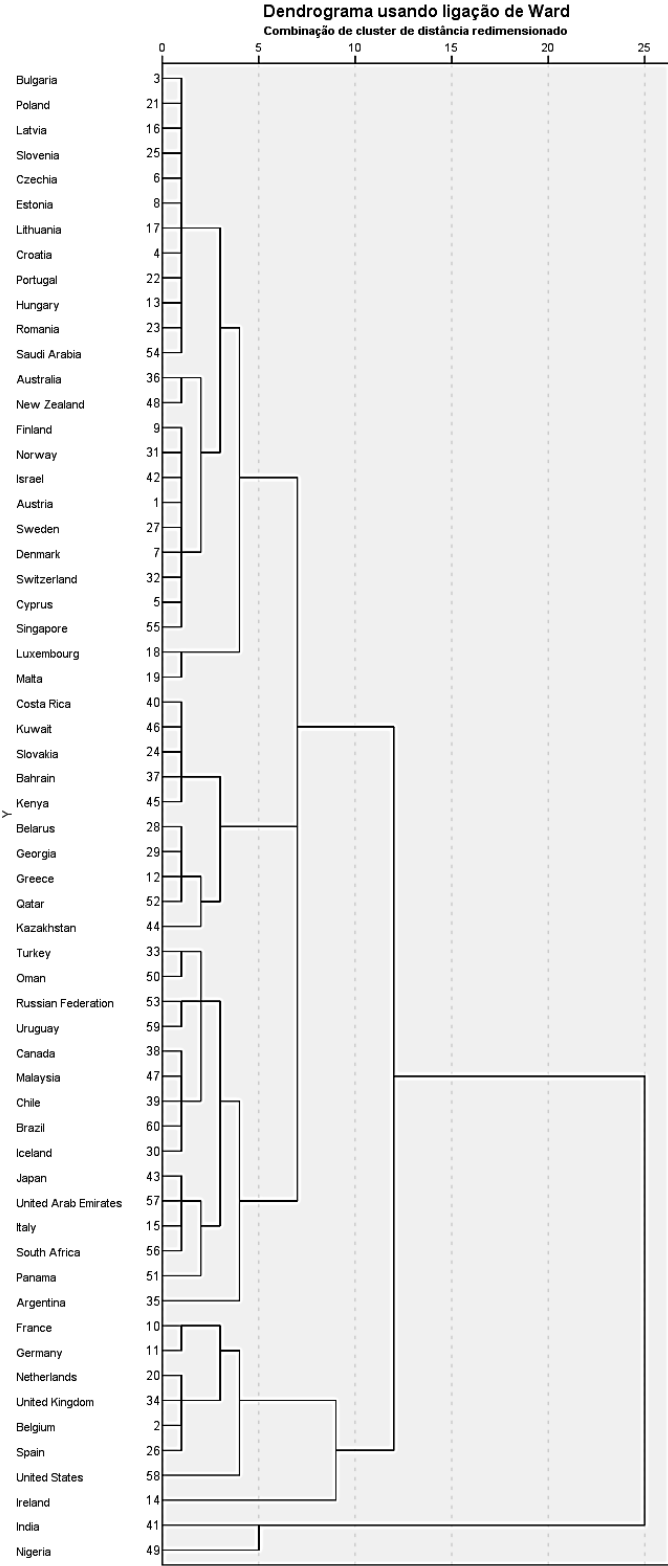
Exhibit 33: Hierarchical Clustering Following Ward's Method [Back to page 45]



Note: Clustering conducted with z-score standardization and absolute values transformation.

Source: Authors' elaboration through the IBM® SPSS® software

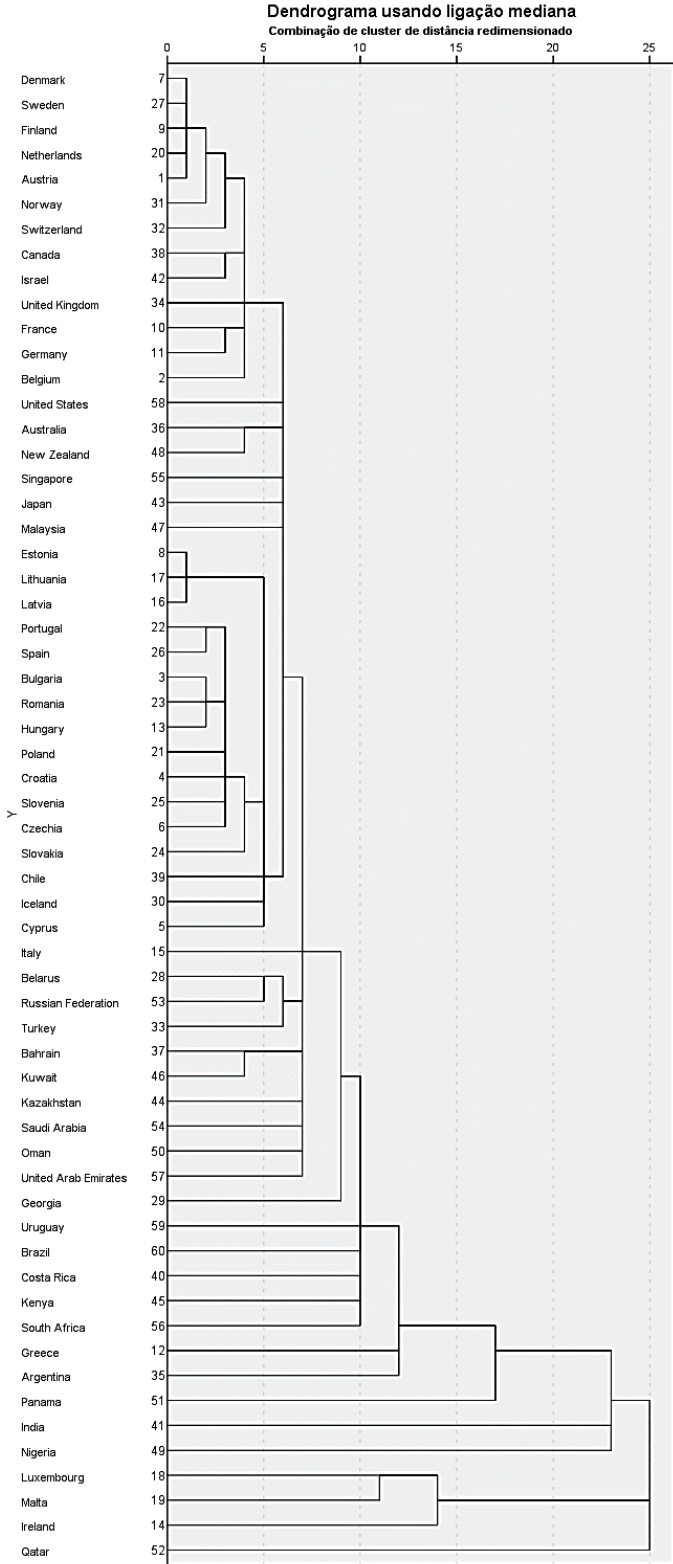
Exhibit 34: Hierarchical Clustering Following Ward's Method [Back to page 45]



Note: Clustering conducted with mean 1 standardization and absolute values transformation.

Source: Authors' elaboration through the IBM® SPSS® software

Exhibit 35: Hierarchical Clustering Following Median Clustering [Back to page 45]



Note: Clustering conducted with z-score standardization and absolute values transformation.

Source: Authors' elaboration through the IBM® SPSS® software

Exhibit 36: Country Clustering [Back to page [45](#)]

Country	Cluster	Country	Cluster
Austria	1	Estonia	11
Denmark		Latvia	
Finland		Lithuania	
Netherlands		Canada	12
Norway		Israel	
Sweden		Chile	13
Switzerland		Cyprus	
United Kingdom		Iceland	
Belgium	2	Greece	14
France		Bahrain	15
Germany		Kuwait	
Japan	3	Costa Rica	16
Malaysia		Qatar	17
Australia	4	Saudi Arabia	18
New Zealand		United Arab Emirates	
Singapore		Oman	19
United States	Turkey		
Luxembourg	6	Belarus	20
Malta	7	Russian Federation	
Ireland	8	Georgia	21
Bulgaria	9	Kazakhstan	
Hungary		Brazil	22
Romania		Uruguay	
Slovakia		Argentina	23
Croatia	10	Panama	24
Czechia		Kenya	25
Italy		South Africa	
Poland		India	26
Portugal		Nigeria	27
Slovenia			
Spain			

Note: As according to the hierarchical clustering following Ward's method with z-score standardization and absolute values transformation.

Source: Authors' elaboration

Exhibit 37: Cluster Averages for Main Variables [Back to page 45]

Cluster	Country	Number of SME (7%)		Management Consulting Market (9%)		GDP per capita, PPP (5%)		CAGR Value Business and Management Consultancies (6%)	
		Cluster Average (Absolute number)	CV ¹³ (Percentage)	Cluster Average (Million Euro)	CV (Percentage)	Cluster Average (US\$)	CV (Percentage)	Cluster Average (Percentage)	CV (Percentage)
1	Austria	1 143 596,13	170,85	21 585,92	96,41	56 775,88	25,18	0,03	62,59
	Denmark								
	Finland								
	Netherlands								
	Norway								
	Sweden								
	Switzerland								
	United Kingdom								
2	Belgium	2 026 413,33	59,55	105 008,53	31,72	47 052,67	9,69	0,06	87,42
	France								
	Germany								
3	Japan	2 325 669,50	71,41	3 115,00	76,05	33 862,50	31,40	-0,03	-167,80
	Malaysia								
4	Australia	1 039 606,00	106,95	24 964,96	91,05	61 499,67	45,21	0,01	184,69
	New Zealand								
	Singapore								
5	United States	30 000 000,00	s.s.	71 200,00	s.s.	60 236,00	s.s.	0,03	s.s.
6	Luxembourg	37 123,00	s.s.	6 201,71	s.s.	110 261,00	s.s.	0,04	s.s.
7	Malta	38 457,00	s.s.	568,40	s.s.	39 222,00	s.s.	0,07	s.s.
8	Ireland	254 228,00	s.s.	12 532,76	s.s.	89 689,00	s.s.	0,09	s.s.
9	Bulgaria	489 286,25	23,23	2 499,86	69,02	28 138,75	14,01	0,03	62,63
	Hungary								
	Romania								
	Slovakia								
10	Croatia	1 478 430,71	86,73	11 037,10	112,55	34 422,57	12,82	0,05	61,06
	Czechia								
	Italy								
	Poland								
	Portugal								
	Slovenia								
Spain									
11	Estonia	132 597,00	51,72	640,63	60,19	34 100,67	10,71	0,05	13,06
	Latvia								
	Lithuania								
12	Canada	878 384,50	51,78	3 588,90	28,81	42 099,00	12,62	0,00	29,90
	Israel								

¹³ The Coefficient of Variation (CV) was computed as $CV_{nj} = \frac{\text{Standard Deviation}_{nj}}{\text{Average}_{nj}}$, for the cluster n and indicator j.

Cluster	Country	Number of SME (7%)		Management Consulting Market (9%)		GDP per capita, PPP (5%)		CAGR Value Business and Management Consultancies (6%)	
		Cluster Average (Absolute number)	CV ¹³ (Percentage)	Cluster Average (Million Euro)	CV (Percentage)	Cluster Average (US\$)	CV (Percentage)	Cluster Average (Percentage)	CV (Percentage)
13	Chile	342 940,67	152,41	601,02	120,56	40 080,00	45,13	0,04	21,31
	Cyprus								
	Iceland								
14	Greece	774 343,00	s.s.	1 025,09	s.s.	27 287,00	s.s.	-0,01	s.s.
15	Bahrain	60 717,50	71,55	151,00	52,45	45 393,50	13,90	0,05	30,28
	Kuwait								
16	Costa Rica	130 000,00	s.s.	544,40	s.s.	19 679,00	s.s.	0,08	s.s.
17	Qatar	24 000,00	s.s.	258,00	s.s.	85 266,00	s.s.	-0,09	s.s.
18	Saudi Arabia	550 887,50	102,43	1 010,00	60,21	55 723,50	28,92	0,00	1 084,85
	United Arab Emirates								
19	Oman	1 576 468,00	136,71	1 569,54	131,87	17 916,50	74,03	-0,00	-3 346,82
	Turkey								
20	Belarus	3 500 607,00	136,93	551,85	18,41	22 802,00	22,66	-0,02	-178,55
	Russian Federation								
21	Georgia	373 140,74	131,78	1 088,55	138,81	19 713,00	40,35	0,00	2 861,62
	Kazakhstan								
22	Brazil	971 050,00	116,66	681,80	124,08	17 836,00	29,91	0,00	-1 424,67
	Uruguay								
23	Argentina	171 120,00	s.s.	429,90	s.s.	19 687,00	s.s.	-0,00	s.s.
24	Panama	46 927,00	s.s.	431,30	s.s.	25 382,00	s.s.	-0,02	s.s.
25	Kenya	4 885 000,00	73,10	743,25	130,98	7 843,00	65,33	0,02	413,38
	South Africa								
26	India	61 210 000,00	s.s.	7 459,44	s.s.	6 118,00	s.s.	0,09	s.s.
27	Nigeria	41 500 000,00	s.s.	984,00	s.s.	4 917,00	s.s.	0,04	s.s.

Source: Authors' elaboration

Exhibit 38: Weights Attributed per Dimensions and Variable [Back to page 47]

Dim.	Index/Variable	Relative Weight		Dim.	Index/Variable	Relative Weight		
Market Size	Number of SME	7%	18,5%	Logistics & Infrastructure	Global Quality Infrastructure Index (GQII)	1%	2%	
	Average Annual Wage in the Consulting Sector	2,5%						
	Management Consulting Market	9%						
Market Intensity	GDP per capita, PPP	5%	5%		Logistics Performance Index	1%		
Corporate Environment	Domestic Credit to Private Institutions	3%	5%	Law & Politics	Political Freedom Index	2%	5%	
	CAGR New business density	2%						
Market Growth	CAGR Value Business and Management Consultancies	6%	6%		Rule of Law	3%		
Market Receptivity	Imports of goods and services (annual % growth)	2,5%	6%	Country Risk	Political Risk Medium/Long Term	0,75%	3%	
	Trade in Services (% of GDP)	3,5%						
Social	HDI	3%	12%			Political Risk Short Term		0,75%
	Gross Enrolment Ratio in Tertiary Education	4,5%						
	English Proficiency Index	4,5%						
Technology	Global Innovation Index	3,5%	6,5%		Commercial Risk	1,5%		
	Global Cybersecurity Index	3%						
Ease of Doing Business	Starting a Business	3%	20,5%	Distance to Portugal	Cultural Distance to Portugal	3,5%	4,5%	
	Registering Property	2%			Physical Distance	1%		
	Getting Credit	3%			Economic	Economic Freedom Index	2,5%	6%
	Paying Taxes	2%						
	Trading across Borders	2%			Annual GDP growth	3,5%		
	Enforcing Contracts	3%						
	Resolving Insolvency	1%						
	Dealing with Construction Permits	1%						
	Getting Electricity	0,5%						
	Protecting Minority Investors	3%						
						100%	100%	

Source: Authors' elaboration

Exhibit 39: Country Ranking (and Clustering) Analysis [Back to page [47](#)]

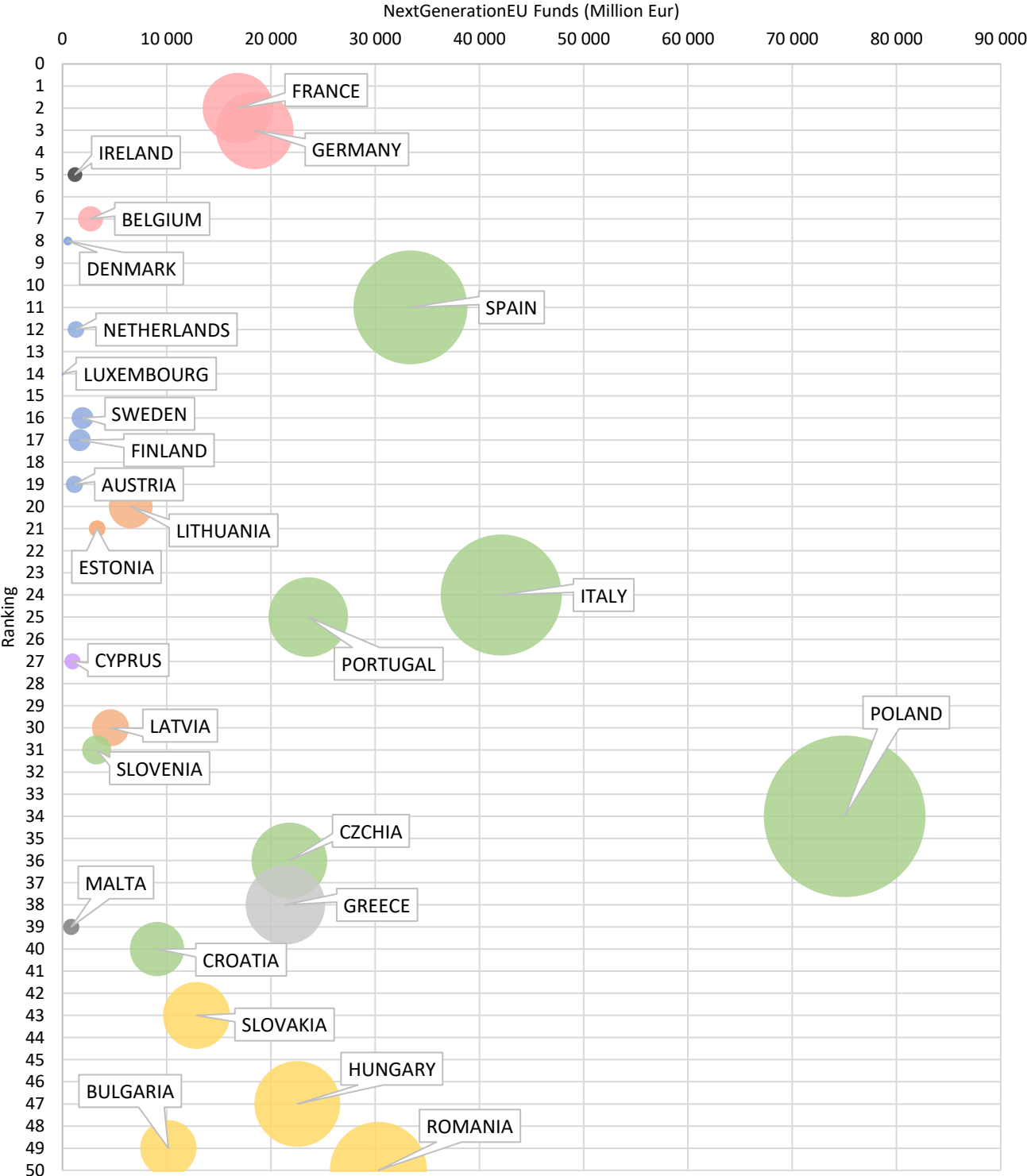
Ranking	Country	Cluster	Ranking	Country	Cluster
1	United States	5	31	Slovenia	10
2	France	2	32	Iceland	13
3	Germany	2	33	Kazakhstan	21
4	Singapore	4	34	Poland	10
5	Ireland	8	35	Chile	13
6	Norway	1	36	Czechia	10
7	Belgium	2	37	India	26
8	Denmark	1	38	Greece	14
9	Australia	4	39	Malta	7
10	Switzerland	1	40	Croatia	10
11	Spain	10	41	Georgia	21
12	Netherlands	1	42	Malaysia	3
13	New Zealand	4	43	Slovakia	9
14	Luxembourg	6	44	Kuwait	15
15	United Kingdom	1	45	Oman	19
16	Sweden	1	46	Bahrain	15
17	Finland	1	47	Hungary	9
18	Canada	12	48	Russian Federation	20
19	Austria	1	49	Bulgaria	9
20	Lithuania	11	50	Romania	9
21	Estonia	11	51	Qatar	17
22	United Arab Emirates	18	52	Costa Rica	16
23	Japan	3	53	Panama	24
24	Italy	10	54	Belarus	20
25	Portugal	10	55	Kenya	25
26	Saudi Arabia	18	56	Uruguay	22
27	Cyprus	13	57	South Africa	25
28	Israel	12	58	Brazil	22
29	Turkey	19	59	Nigeria	27
30	Latvia	11	60	Argentina	23

Source: Authors' elaboration

Exhibit 40: Analysis on European Community Funds (EU and the UK) [Back to page 48]

European Community Funds, Further Analysis

Bubble Size: European Regional Development Funds (Million Eur)



Note: colour scheme as according to the cluster analysis.

Source: Authors' elaboration

Exhibit A – PESTEL Analysis

<p>Political</p>	<p>Italy has a parliamentary democratic system of government, led by the President and the Prime Minister. Three political parties are dominating the country’s political system (World Population Review).</p> <p>Italy is a member or has alliances with the world’s leading institutions like G7, OSCE, WTO, OECD, UN, EEC, EU, and NATO, facilitating trading of goods and services with most countries in the world (World Population Review).</p> <p>However, according to the 2021 ranking, Italy is still one of the most corrupted countries in Europe (World Population Review).</p>
<p>Economic</p>	<p>Italy is the world’s ninth major economy, with a GDP of 1.630 trillion Euros in 2020 (World Bank).</p> <p>The services sector accounts for almost three quarters of total GDP and employs around 65% of the country’s total work force (Focus Economics).</p> <p>The country is divided into a industrialized and developed northern part, where nearly 75% of the nation’s wealth is produced, and a less developed, more agriculture based, southern part, resulting in lower unemployment and higher per capita income in the north in comparison with the south. This will be extremely important to decide the region or the city on where Yunit should settle.</p> <p>Covid-19 has had a severe impact on the Italian economy both in the short and long term. The government promised to increase the spending in the public and private to boost the economy (Focus Economics).</p>
<p>Social</p>	<p>Italy had a population of 59,554,023 in 2020 (World Bank).</p> <p>The population is currently decreasing at a rate of 0.15%, due to death rate exceeding its birth rate and having negative net migration, making it the fastest shrinking country in the world (World Population Review, 2021).</p> <p>Italy has highly educated citizens, with 66,05% of the population enrolling in tertiary education (World Bank).</p> <p>Italians expect and demand high-quality products and services. A good customer service is more important to them than the price. Italy’s English level is average (Jonny Simpson, 2019).</p>

Legal	<p>Italy ranked 56th out of 190 countries in the World Bank's Ease of Doing Business Index. (World Bank).</p> <p>Italy scored 83,15% and ranks 13th in the 2021 International IP Index from GIPC.</p>
Technological	<p>Italy falls under the category of Europe's top four technologically developed countries. It has more than 105,000 high-tech companies, and it is a market leader in robotics in Europe. It has also made excellent progress in Cloud computing (Fratta & Sabatini).</p> <p>Despite its rising trend, digitalization rates among Italian firms are quite low, as the majority SMEs are far from embracing the Internet (Privacy Shield).</p> <p>In 2019, 76,1% of Italian population was connected to the internet (World Bank).</p> <p>Some weaknesses need to be addressed. For instance, poor provision of broadband and lack of training opportunities and facilities concerning advanced technologies are slowing down the progress of digital revolution. In 2018, Italy invested 1,4% of the country's GDP in R&D, less than the world's average 2,2% (World Bank).</p>
Environmental	<p>Italy is home to some of the world's most beautiful places on earth: Milan, Tuscany, Vatican, Venice, Florence, and Rome have remarkable architectures. They stimulate the country's tourism industry.</p> <p>However, the country faces several environmental challenges. The issues that worried Italians the most in 2019 was waste management. Other popular environmental concerns were air pollution, global warming, and water pollution (Simona Varrella, 2019).</p>

Source: Author's elaboration, based on several sources

Exhibit B – Contacts

Government Entities
<p>The Portuguese Embassy in Italy and the Italian Embassy in Portugal can give support in case of emergency, help with legal procedures and document authentication, and give information regarding doing business with Italy (Embaixada).</p>
<p>Camera di Commercio Italiana per il Portogallo supports the Portuguese-Italian business community by providing help and information in internationalization processes, assistance in juridical and fiscal matters, translation services, and start-up guidance (CCIP).</p>
<p>Italian Trade Agency (ITA) is government body whose mission is to foster Italian investment and trade relations with foreign countries, set up a dedicated foreign investment department. The department focuses on giving free assistance to companies and entrepreneurs wishing to set up a new business in Italy (ITA).</p>
<p>AICEP Portugal – Portuguese government entity that supports Portuguese companies in their internationalization process (AICEP).</p>
Data Providers
<p>ISTAT (Istituto Nazionale di Statistica) – provides databases and information systems based on statistical surveys and analyses (ISTAT).</p>
International Fairs and Conferences
<p>International Conference on Economics, Management and Social Study (ICEMSS) - aims to bring together leading academic scientists, researchers, and research scholars to exchange and share their experiences and research results on all aspects of Economics, Management and Social Studies (10 times).</p>
<p>Mostra Convegno Expocomfort (MCE) - MCE offers a complete showcase of the most advanced technologies for comfort, efficiency and energy saving (10 times).</p>

Promotion Trade Exhibition (PTE) – it is a Business Facilitation and Consultancy Services Industry Trade Fair happening annually in Italy (10 times).

Universities

It is extremely important for consulting companies to hire highly skilled graduates if they want to remain competitive. Italy has some of the best universities in the world. **Bocconi University** and **Luiss University** are one of the best in the management field (Financial Times). Regarding engineering and technology, **Politecnico di Milano** and **Politecnico di Torino** are the top ranked in Italy (Top Universities).

Banks

Banca D'Italia - The Bank of Italy is the central bank of the Republic of Italy. It is a public-law institution regulated by national and European legislation (BANCA D'ITALIA).

UniCredit – Provides solutions in Corporate & Investment Banking, Commercial Banking and Wealth Management. It is the bank with most assets in Italy (Unicredit).

Venture Capital Firms

Innogest Capital - is a venture capital firm that invests in seed and early-stage companies in Italy with offices in Turin, Milan, Geneva and San Francisco (Innogest).

Law Firms

BonelliErede is the leading law firm in Italy in terms of revenue (Statista, 2021).

Source: Author's elaboration, based on several sources

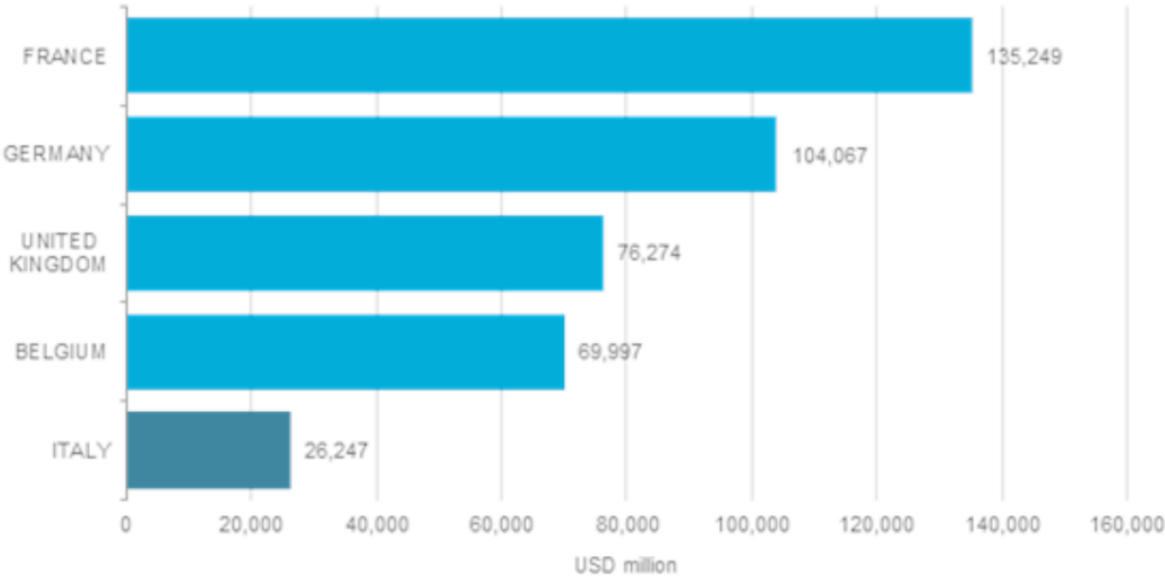
Exhibit C – Consultancy Market Overview and Benchmarking

Exhibit C.1 - Regional Scorecard of Turnover Pillar 2020

Indicator	Regional Ranking (out of 20)
Turnover, 2020	9
Historic turnover growth, % CAGR 2015-2020	17
Future absolute turnover growth, 2020-2025	13
Future growth rate, % CAGR 2020-2025	19
Profitability, 2020	4

Source: Euromonitor International from official statistics, trade associations

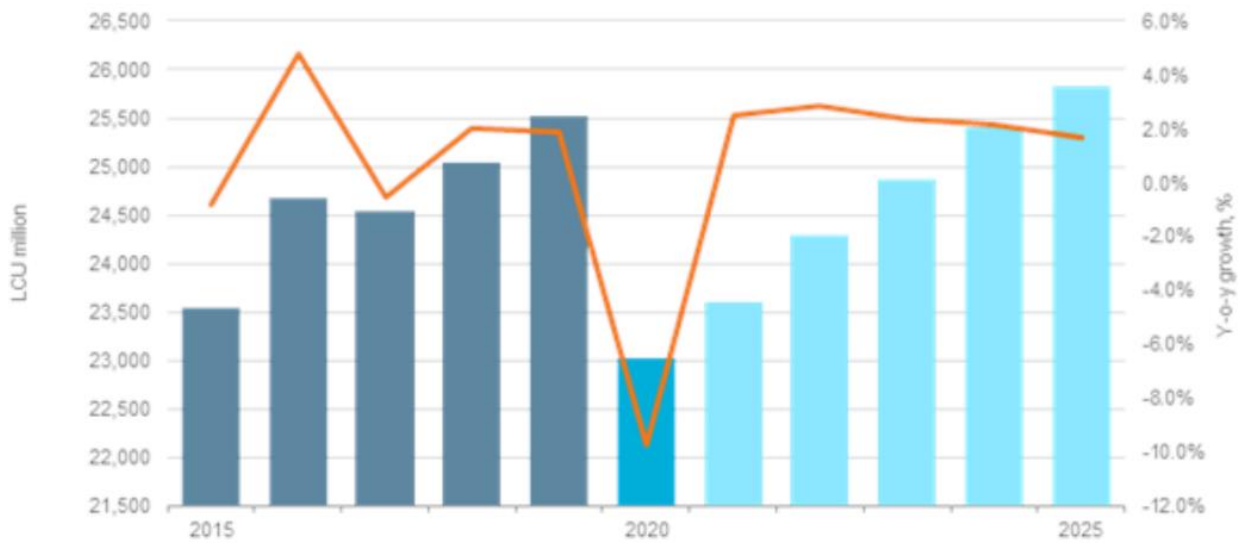
Exhibit C.2 - Turnover Regional Comparison 2020



Source: Euromonitor International from official statistics, trade associations

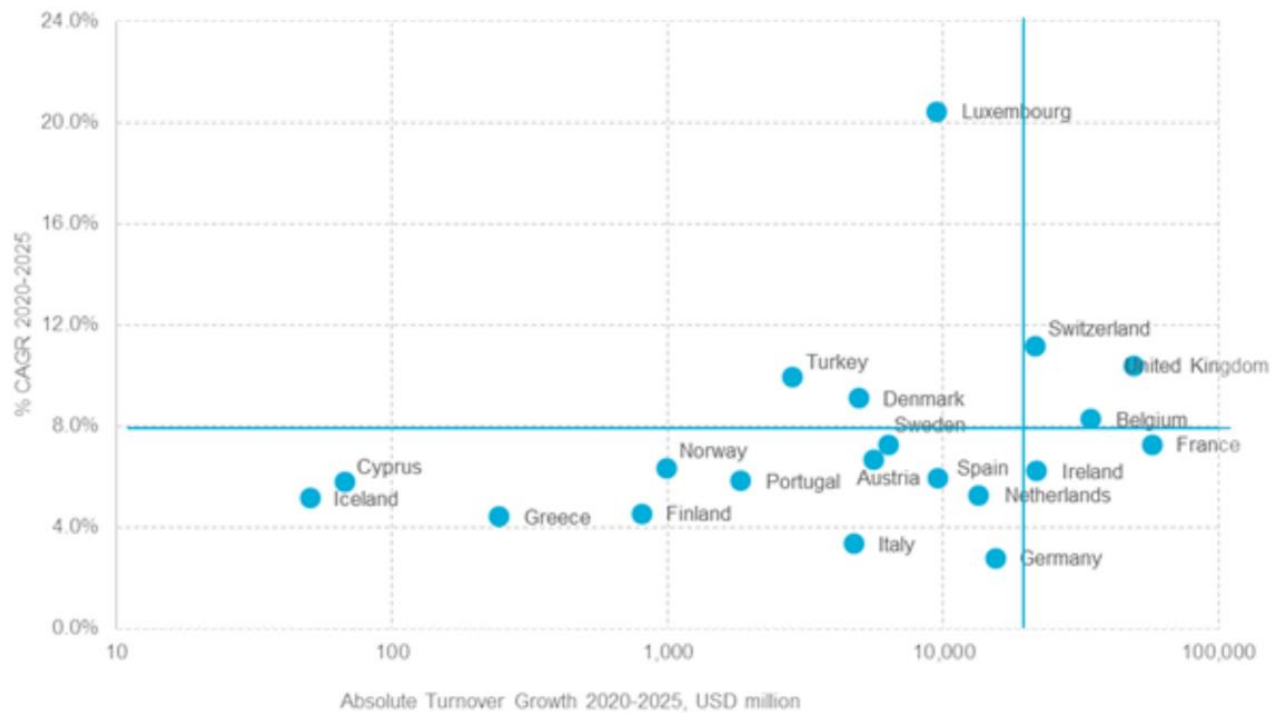
Exhibit C.3 - Turnover 2015-2025

Turnover in 2020 – EUR23,031 million



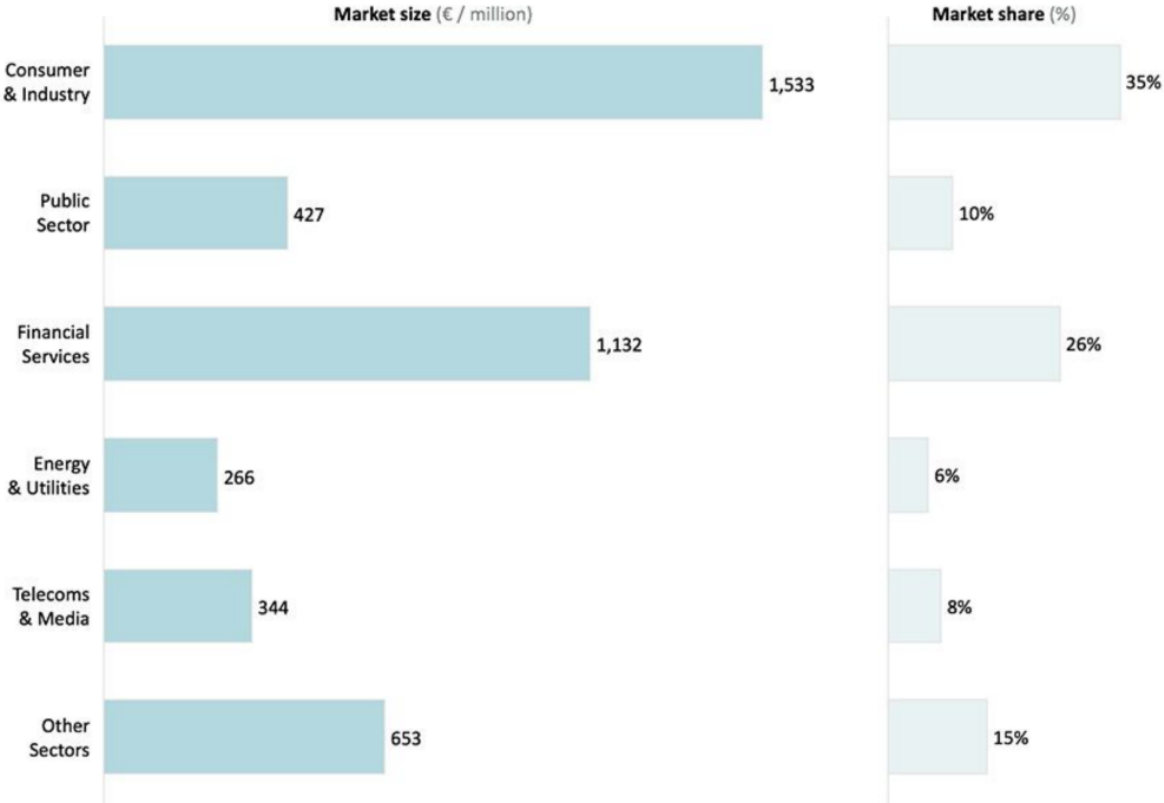
Source: Euromonitor International from official statistics, trade associations, trade press, company research

Exhibit C.4 - Future and Absolute Growth of Turnover Regional Comparison 2020-2025



Source: Euromonitor International from official statistics, trade associations

Exhibit D – Consulting Industry of Italy – sector sizes (2018)



Source: Consultancy.eu analysis, Assoconsult, FEACO

Exhibit E – Market Potential Calculations

	Yunit Consulting	Average Italian Market
Turnover (2020)	€ 1,844,380	-
Employees	39	-
Turnover per Employee	€ 47,291	€ 214,619
Working Hours	262 days * 8h = 2096 h	2096 h
Turnover per Employee per Hour	22,6 €/h	102,4 €/h
Ponderation Factor	453,8%	
Market Potential for Yunit in Italy	€ 1,844,380 * 453,8% = € 8,370,141	

Source: Author’s elaboration, based on several sources

Exhibit 46: Export, Intermediate and Hierarchical Entry Modes [Back to page [61](#)]

<p>EXPORT ENTRY MODES</p> <p>Exporting, either directly or indirectly, is the entry mode that requires less participation, commitment, and foreign market knowledge. It is particularly well suited to SMEs, as these tend to have fewer resources and knowledge bases, and it is a means for the company to expand its size and, more significantly, achieve higher levels of productivity (Vendrell-Herrero et al. 2017).</p> <p>Global sourcing involves setting up production operations in different countries to serve various markets, or buying and assembling components, parts or finished products world-wide (Mol, Tulder, and Beijer 2002).</p> <p>Outsourcing represents the purchase of value-added activities from external suppliers (Twin 2021).</p>
<p>INTERMEDIATE ENTRY MODES</p> <p>Licensing, an agreement in which the property owner - the licensor - gives to another party - the licensee - the right over intangible property for specific time-period, receiving a loyalty fee from the license (Hill 2017).</p> <p>Franchising, where the franchisor allows the franchisee to have access to a particular business activity, such as the selling of a particular good or service, under the franchisor’s business name, in exchange for an initial start-up fee and annual licensing fees (Hill 2017).</p> <p>Management contracts in which a management company is hired to undertake specific tasks in the hiring firm in exchange for an agreed fee. The hired company would have a specific level of operational control, agreed with the hiring company, of the department(s) it would be supporting (Luenendonk 2019).</p> <p>Contract manufacturing when a small company employs another business to manufacture its products. It allows these small business owners to start selling their goods without having to raise the significant sums of money required to develop and maintain a factory (Delaney 2020).</p> <p>Strategic alliance, a collaborative agreement between two or more organizations to achieve their strategic objectives while remaining as independent entities. Some benefits of a strategic alliance are risk mitigation as it is spread and shared with the involved entities, as well as deeper access to knowledge, resources, and capabilities which otherwise firms may lack, and the creation of mutual competitive advantage for both (Carpenter and Sanders 2014).</p>
<p>HIERARCHICAL ENTRY MODES</p> <p>Joint-Venture (JV), in which equity will be owned by two or more companies, with both shared capital and risk (Glover and Wasserman 2003).</p> <p>Wholly owned subsidiary may be an alternative to JV, with the parent company will hold 100% of the common stocks of the subsidiary. Such subsidiary may be established through an acquisition, in which the international player acquires the equity of a local company, which will be helpful to speed up the integration in the local market. In addition, the local partner will give the international company the advantage of having revenues, clients and workers since day one (Øverby and Audestad 2021). On the other hand, the expanding company may choose a greenfield investment, where a new start-up operation to replicate its business model is setup from scratch (Arslan and Larimo 2017).</p>

Source: Authors’ elaboration, based on several sources

Exhibit 47: Price Estimates for the Positioning Map [Back to page [69](#)]

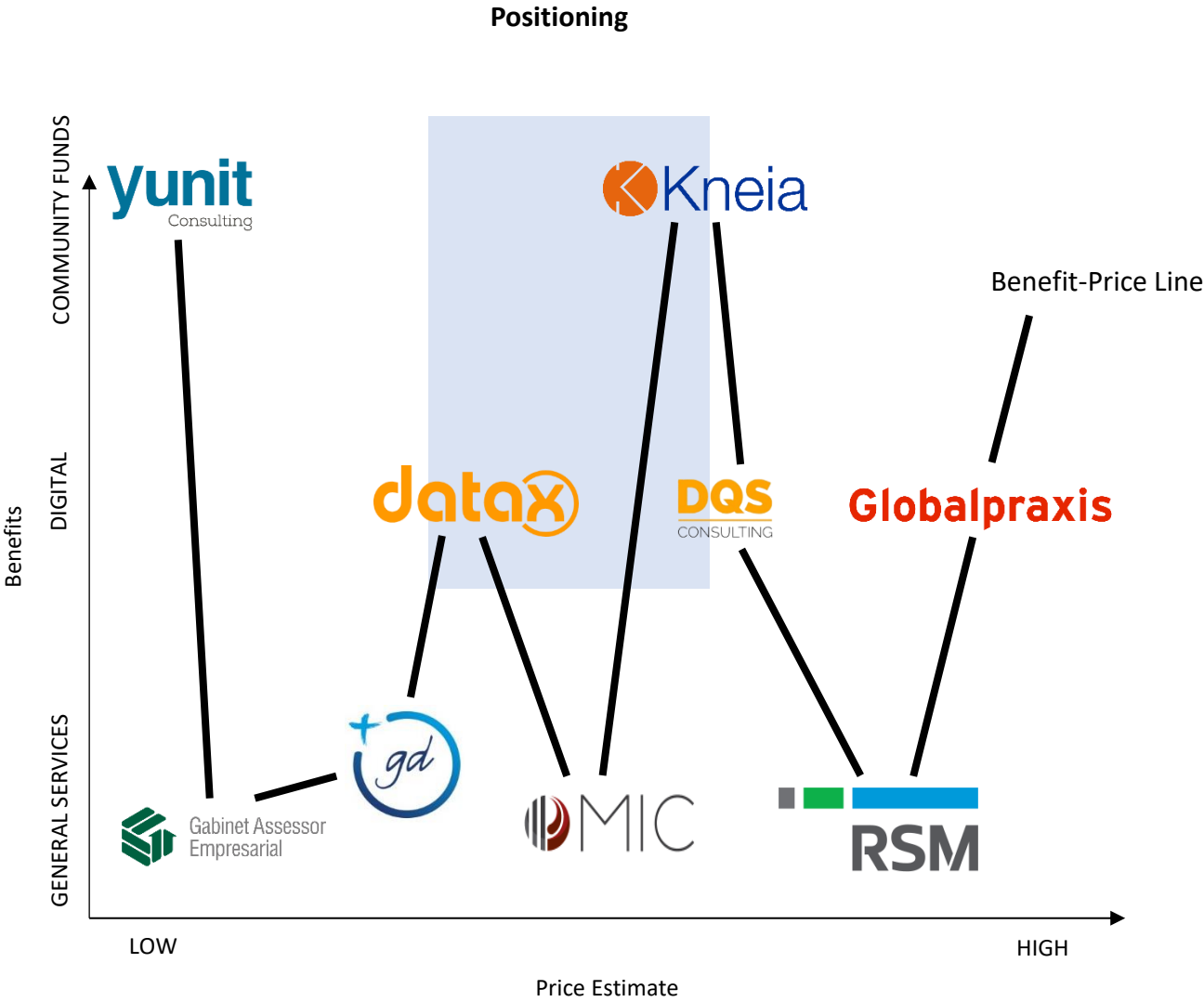
	Last available year	Operating revenue (Turnover) th EUR	Number of employees	Turnover per employee per annum th EUR	Price estimate EUR
Kneia SL.*	2020	0,03	1	n.s.	n.s.
Gabinet Assessor Empresarial SL.	2019	1 716,05	29	59 174,29	€29,59
Gesdocument Y Gestion S.A.	2020	12 478,14	208	59 991,05	€30,00
Proteccion De Datos Datax SL.**	2020	1 462,70	22	66 486,56	€33,24
Management Intelligence Consulting SL.	2020	983,96	13	75 688,85	€37,84
Dynamics Quality Services Consulting Group SL.**	2018	1 648,40	20	82 420,04	€41,21
RSM Spain Consultores SL.	2020	1 605,56	19	84 503,08	€42,25
Global Praxis Group S.A.**	2020	1 617,27	12	134 772,55	€67,39
Yunit Consulting Lda.	2020	1 738,91	39	44 587,44	€22,29

Note 1: Kneia SL., presents, in ORBIS, only one employee, leading the team to the computation of an estimate price clearly not realistic. Thus, the company will be assumed to practice a price similar to the average of the remaining analysed players, i.e., €37,98.

Note 2: * Company offering services on community funds and ** companies offering services on digital innovation and data transformation.

Source: Authors' computations, based on data from ORBIS (2021)

Exhibit 48: Positioning Map [Back to page 69]



Note 1: Benefits to clients, given the particularity of the consulting sector, were considered as the service areas provided by the companies.

Note 2: The area in blue defines the set of benefits and prices as defined previously

Source: Author’s elaboration

Exhibit 49: Product Levels of Yunit’s Services in Spain [Back to page [70](#)]

<p>Core benefit: This relates to what the customer is really buying. Yunit is offering a functional explicit management consulting services based around growth and efficiency solutions</p>
<p>Basic Service: Elements that deliver the benefit such as the access to community investment funds or private investment, digital innovation solutions, and a one-stop-shop consulting firm that s able to have a holistic approach to their consulting services in a wide range of industries.</p>
<p>Expected Service: Attributes a client is expecting to receive when purchasing the company’s services. In this case, the client should expect cost optimisation solutions, investment funds, financial services and advisory, management consulting services, and digital innovation solutions.</p>
<p>Augmented Service: Relates to the attributes that exceed a client’s expectations such as the company’s industry growth, increased revenue growth, an increased capacity in operations, and the increase in competitiveness.</p>
<p>Potential Service: Possible augmentations to the service that might undergo by Yunit and its partner such as the project monitoring and follow up, and an excellent after-sae service by making sure the services implemented satisfy all the customers’ needs.</p>

Source: Authors’ elaboration, based on Kotler, Armstrong, and Opresnik (2017)

Exhibit 50: Pricing Strategy [Back to page [73](#)]

	2015	2016	2017	2018	2019	2020
Yunit Consulting Lda.						
Operating Revenue (Turnover)	1 938 131	2 361 660	2 188 927	1 991 586	1 823 212	1 738 910
Number of employees	30	24	25	28	44	39
Costs of employees	1 150 931	757 770	791 929	732 864	1 021 232	1 127 057
Average Revenue per employee per annum	64 604	98 402	87 557	71 128	41 437	44 587
Estimate Price	32,30	49,20	43,78	35,56	20,72	22,29
Average cost of employee per annum	38 364	31 574	31 677	26 174	23 210	28 899
Average cost of employee per month ¹⁴	2 740	2 255	2 263	1 870	1 658	2 064
Average cost of employee per hour	19,18	15,79	15,84	13,09	11,60	14,45
Dynamic Quality Services Consulting Group SL.						
Operating Revenue (Turnover)	901 146	1 265 595	1 447 246	1 648 401	n.s.	n.s.
Number of employees	6	11	15	20	n.s.	n.s.
Costs of employees	184 336	338 616	456 465	699 106	n.s.	n.s.
Average Revenue per employee per annum	150 191	115 054	96 483	82 420	n.s.	n.s.
Estimate Price	75,10	57,53	48,24	41,21	n.s.	n.s.
Average cost of employee per annum	30 723	30 783	30 431	34 955	n.s.	n.s.
Average cost of employee per month ⁶	2 194	2 199	2 174	2 497	n.s.	n.s.
Average cost of employee per hour	15,36	15,39	15,22	17,48	n.s.	n.s.

Industry Average Price Estimate in Catalunya 32,20

Source: Authors' computations, based on ORBIS (2021)

¹⁴ Computed considering 14 months.

Exhibit 51: Evolution of Number of Projects [Back to page [75](#)]

	2022	2023	2024	2025	2026
Evolution of number of projects					
	30	45	67	100	150
Percentage					
<i>Shared Projects</i>	0,60	0,48	0,38	0,31	0,25
<i>Projects Referred to Yunit</i>	0,30	0,29	0,27	0,26	0,24
<i>Fully Owned Projects</i>	0,10	0,24	0,35	0,44	0,51
Volume of projects					
<i>Shared Projects</i>	18	22	26	31	37
<i>Projects Referred to Yunit</i>	9	13	18	26	37
<i>Commissions (Projects Referred by Yunit)¹⁵</i>	14	19	27	39	55
<i>Fully Owned Projects</i>	3	11	23	44	76
Value charged per project					
<i>Shared Projects</i>	4 466,37 €				
<i>Projects Referred to Yunit</i>	6 885,65 €				
<i>Commissions (Projects Referred by Yunit)</i>	558,30 €				
<i>Fully Owned Projects</i>	7 443,95 €				

Source: Authors' computation

¹⁵ Assumed to be 50% higher than the projects referred to Yunit.

Exhibit 52: Market Share Estimation [Back to page [76](#)]

	Operating revenue (Turnover) (th EUR)					
	2020	2019	2018	2017	2016	2015
CSC SERVEIS INSTRUMENTALS S.A.	1 952	21	3	6	2	2
GESTIO ORGANITZACIO COMUNICACIO, S.A.	1 922	2 984	2 787	2 969	2 642	2 391
CINFROMAS SL	1 879	1 879	1 865	1 863	1 852	1 844
BUSINESS STRENGTHS ENGINEERING SL	1 826	1 911	1 916	1 925	1 667	1 757
CONSORCI DE SALUT I D'ATENCIO SOCIAL DE CATALUNYA SA	1 821	3 446	3 342	3 035	2 352	1 988
AYG ASESORES SA.	1 782	1 074	754	706	694	750
GESTEGICA SL	1 721	2 397	2 316	1 481	494	141
DIVERINVEST ASESORAMIENTO EAFI SL	1 700	1 530	1 334	1 426	951	950
SMART COMMUNITY TRADE CENTER SL.	n.a.	1 832	1 835	1 930	2 176	2 027
RED ARBOR SL.	1 657	2 060	1 426	1 147	942	n.a.
CROWE ACCELERA MANAGEMENT S.L.	1 685	1 226	973	945	223	67
WESTERNACHER CONSULTING SPAIN SL	1 624	1 758	985	904	n.a.	n.a.
GLOBAL PRAXIS GROUP SA	1 617	2 041	1 906	2 547	2 388	2 156
GABINET ASSESSOR EMPRESARIAL SL	n.a.	1 716	1 670	1 662	1 555	1 451
MITANNI CONSULTORES ASOCIADOS SLP	1 569	1 655	1 613	1 457	1 402	1 487
MC ASOCIADOS EXECUTIVE SEARCH SL	n.a.	1 710	1 794	1 774	1 768	1 712
RSM SPAIN CONSULTORES SL.	1 606	1 442	1 346	439	n.a.	n.a.
DYNAMICS QUALITY SERVICES CONSULTING GROUP SL.	n.a.	n.a.	1 648	1 447	1 266	901
NEW STRATEGY IN ACTION SL.	n.a.	1 640	1 269	797	n.a.	n.a.
SOLSONA ASSESSORS SLP	1 499	1 527	1 414	1 365	1 314	1 274
SELLING CONSULT SL	n.a.	1 636	1 310	1 185	1 000	999
ADMINEX SPAIN SL	1 491	1 522	1 506	1 390	1 276	1 167
PROTECCION DE DATOS DATAX SL	1 463	1 475	1 674	979	773	670
USABGAMMA SL.	n.a.	1 593	1 593	1 132	n.a.	n.a.
TSH SOUTHERN EUROPE MANAGEMENT S.L.	1 491	1 656	1 294	1 174	1 581	1 318
ILUSIONA GESTION DE NEGOCIOS SL	n.a.	1 535	1 619	1 241	1 049	800
ADITIO CONSULTORES SL	1 367	1 725	1 531	n.a.	n.a.	n.a.
KENOS TECHNOLOGY S.L.	1 339	895	93	n.a.	n.a.	n.a.
ASESORES CORPORATIVOS SA	1 335	1 403	1 391	1 470	1 160	1 099
ASSESSORIA DEL BAGES SL	n.a.	1 378	1 314	1 202	1 218	1 124
BARTER PARTNERSHIP SL	n.a.	n.a.	1 340	764	692	n.a.

	Operating revenue (Turnover)					
	(th EUR)					
	2020	2019	2018	2017	2016	2015
TRUSTED SHOPS IBERIA S.L.	1 192	394	n.a.	n.a.	n.a.	n.a.
BARNEY MARKETING XXI SL.	n.a.	n.a.	n.a.	1 201	1 112	947
SANT CUGAT CONSULTING SL	1 165	1 167	1 012	793	759	682
PRATMAX 6 SL	n.a.	n.a.	n.a.	1 185	1 138	1 075
AREA JURIDICA Y FINANCIERA S.L.	1 131	1 141	726	562	379	187
ENVIRONMENTAL, HEALTH AND SAFETY TECHNIQUES SL.	1 096	1 204	867	918	721	481
BIPLANO LICENSING SA	n.a.	n.a.	n.a.	1 086	2 068	2 348
INTRACON CONSULTING S.L.	1 044	811	801	n.a.	n.a.	n.a.
SIGNIA CONSULTORS SL.	1 033	954	898	826	474	n.a.
CEASA ASESORES FISCALES SLP	1 030	1 043	991	959	974	923
ASSESSORIA COLL GESTORIA SL	n.a.	1 104	1 097	1 104	1 124	1 056
BARNA CONSULTING GROUP CONSULTORES ASOCIADOS SL	1 009	1 833	n.a.	n.a.	n.a.	1 649
CEINSA CENTRO DE OPERACIONES SL	n.a.	1 055	865	910	856	614
PULLMAN & PUIG ASOCIADOS SL.	n.a.	1 009	809	n.a.	n.a.	n.a.
Total (Market) Turnover	43 045	60 382	54 926	49 904	42 043	38 037

Market Size in 2020	43 044 741,60 €
CAGR (2020-2025)	2,50%
Expected Market Size in 2026	49 931 689,17 €
Yunit Catalunya Turnover in 2025	1 017 058,03 €
Yunit Catalunya Market Share in 2025	2,04%

Exhibit 53: Collaborators and Salaries Expenses [Back to page [76](#)]

	2022	2023	2024	2025	2026
Core (Consultants)					
<i>Number of Junior Consultants in Catalunya</i>	0	0	0	1	3
<i>Number of Junior Consultants in Portugal</i>	0	2	2	3	3
<i>Number of Senior Consultants in Catalunya</i>	2	2	3	4	6
<i>Number of Senior Consultants in Portugal</i>	0	0	0	1	1
<i>Number of Business Managers in Catalunya</i>	1	1	1	2	3
Non-Core (Marketing)					
<i>Marketing Officer in Catalunya</i>	0	1	1	2	2
TOTAL EMPLOYEES CATALUNYA	3	4	5	9	14
TOTAL EMPLOYEES PORTUGAL	0	2	2	4	4
TOTAL EMPLOYEES	3	6	7	13	18
CORE SALARIES	114 000,00 €	143 064,00 €	174 064,00 €	316 596,00 €	466 596,00 €
NON-CORE SALARIES	0,00 €	20 370,00 €	20 370,00 €	40 740,00 €	40 740,00 €
TOTAL SALARIES	114 000,00 €	163 434,00 €	194 434,00 €	357 336,00 €	507 336,00 €

Source: Authors' computations

	Source	Salary
Core (Consultants)		
<i>Junior Consultants Salary in Catalunya</i>	Glassdoor	18 000,00 €
<i>Junior Consultants Salary in Portugal</i>	Glassdoor	14 532,00 €
<i>Senior Consultants Salary in Catalunya</i>	Glassdoor	31 000,00 €
<i>Senior Consultants Salary in Portugal</i>	Glassdoor	27 000,00 €
<i>Business Manager Salary in Catalunya</i>	Glassdoor	52 000,00 €
Non-Core (Marketing)		
<i>Marketing Officer Salary</i>	Glassdoor	20 370,00 €

Exhibit 54: Selling, General and Administrative Expenses [Back to page [77](#)]

	Source	2022	2023	2024	2025	2026
Rent		1 560,00 €	1 560,00 €	1 560,00 €	2 400,00 €	2 400,00 €
<i>Rent per m²</i>	Statista	24,00 €	24,00 €	24,00 €	24,00 €	24,00 €
<i>Area (m²)</i>		65	65	65	100	100
Utilities		1 560,00 €	1 560,00 €	1 560,00 €	2 400,00 €	2 400,00 €
<i>Value per m²</i>	StartersStory	2,00 €	2,00 €	2,00 €	2,00 €	2,00 €
<i>Area (m²)</i>		65	65	65	100	100
Cleaning Services	SalaryExplorer	1 445,60 €	1 445,60 €	1 445,60 €	2 168,40 €	2 168,40 €
Marketing Expenses¹⁶		40 000,00 €	42 000,00 €	44 100,00 €	46 305,00 €	48 620,25 €
<i>Facebook, LinkedIn, Youtube Adversiting¹⁷</i>		6 000,00 €	4 200,00 €	2 205,00 €	2 315,25 €	2 431,01 €
<i>Fairs, Conferences and Press¹⁸</i>		24 000,00 €	25 200,00 €	26 460,00 €	27 783,00 €	29 172,15 €
<i>Google Ads¹⁹</i>		10 000,00 €	12 600,00 €	15 435,00 €	16 206,75 €	17 017,09 €
General Expenses Office²⁰		960,00 €	1 080,00 €	1 200,00 €	1 680,00 €	2 280,00 €
General Expenses Operational²¹		1 800,00 €	2 400,00 €	3 000,00 €	5 400,00 €	8 400,00 €
TOTAL SG&A		47 325,60 €	50 045,60 €	52 865,60 €	60 353,40 €	66 268,65 €

Source: Authors' computations

¹⁶ Assuming the 40 000 budgeted by the CEO Bernardo Maciel for 2022, growing at 5% and allocation of some services through outsourcing.

¹⁷ Assumed to take 15% of first year's marketing budget, and 10% for the subsequent years.

¹⁸ Assuming 60% of each year's marketing budget.

¹⁹ Assumed as the remaining budget.

²⁰ Assuming 50€ of fixed rate and 10€ per employee per month, and only for employees in Catalunya.

²¹ Assuming 50€ per employee per month of expenses related to traveling, food and others while expenses through work, and only for employees in Catalunya.

Exhibit 55: CAPEX and NWC [Back to page 78]

	2021	2022	2023	2024	2025	2026
CAPEX²²						
Computers ²³	3 000,00 €		3 000,00 €	1 000,00 €	5 000,00 €	5 000,00 €
Printer	100,00 €		500,00 €			
Other Equipment	3 500,00 €				4 000,00 €	
TOTAL CAPEX	6 600,00 €	0,00 €	3 500,00 €	1 000,00 €	9 000,00 €	5 000,00 €

Investment in Working Capital						
<i>Investment in Working Capital</i>		36 043,62 €	23 183,81 €	35 450,10 €	53 730,85 €	81 730,13 €
<i>Accounts Payable²⁴</i>		3 713,80 €	3 880,47 €	4 055,47 €	4 439,45 €	4 632,39 €
<i>Accounts Receivable²⁵</i>		43 058,58 €	68 347,90 €	106 931,04 €	165 539,17 €	254 264,51 €
<i>VAT²⁶</i>		3 301,16 €	5 240,01 €	8 198,05 €	12 691,34 €	19 493,61 €
(Net Working Capital)		-36 043,62 €	-59 227,42 €	-94 677,53 €	-148 408,38 €	-230 138,51 €

Source: Authors' computations

FORMULAE

$$(\text{Net Working Capital})_t = -(\text{Accounts Receivables} - \text{Accounts Payables} - \text{VAT})$$

$$\text{Investment in Working Capital} = (\text{Net Working Capital})_t - (\text{Net Working Capital})_{t-1}$$

²² Assuming no salvage value.

²³ Assuming a 1000€ computer per employee and a new one after 5 years, with no salvage value.

²⁴ Assumed to be only one month of rent, utilities, cleaning services and marketing expenses.

²⁵ Assumed to take 3 months to receive payment.

²⁶ Assuming a 23% VAT rate.

Exhibit 56: Benchmark Unlevered Beta [Back to page [80](#)]

	Beta (5Y)	D/E	Effective Tax Rate (2020)	Market Capitalization ²⁷ (Billion USD)	Unlevered Beta
Accenture (ACN)	1,13	1,15	23,5%	228,29	0,60
Booz Allen Hamilton (BAH)	0,72	2,64	16,7%	11,602	0,23
Marsh & McLennan (MMC)	0,93	1,104	30,0%	87,064	0,52
Huron Consulting (HURN)	0,83	0,4929	20,0%	1,075	0,60
FTI Consulting (FCN)	0,4	0,2	21,6%	5,042	0,35
BENCHMARK UNLEVERED BETA					0,56

Source: Authors' computations, based on Yahoo Finance and companies reports

FORMULAE

$$\beta_U^{\text{company } i} = \frac{\beta_L^{\text{company } i} + \beta_D(1 - T)\frac{D}{E}}{1 + (1 - T)\frac{D}{E}} \Rightarrow \frac{\beta_L^{\text{company } i}}{1 + (1 - T)\frac{D}{E}} \text{ if assuming } \beta_D = 0$$

$$\beta_U^{\text{industry}} = \sum \beta_U^{\text{company } i} \times \text{Market Capitalization}^{\text{company } i}$$

where E = Equity Value, β_U = Unlevered Beta, β_D = Beta of Debt, and T = Tax Rate

²⁷ Market capitalization as a proxy for the equity value.

Exhibit 57: S&P 500 and Treasury Yield 5 Years Returns [Back to page [80](#)]

Date	Adj Closing Price		Monthly Return	
	S&P500	Treasury Yield 5 Years	S&P500	Treasury Yield 5 Years
Dec 01, 2021	4 513,04	1,155	98,82%	100,43%
Oct 31, 2021	4 567,00	1,15	99,17%	96,80%
Sep 30, 2021	4 605,38	1,188	106,91%	119,16%
Aug 31, 2021	4 307,54	0,997	95,24%	129,15%
Jul 31, 2021	4 522,68	0,772	102,90%	109,82%
Jun 30, 2021	4 395,26	0,703	102,27%	80,53%
May 31, 2021	4 297,50	0,873	102,22%	110,79%
Apr 30, 2021	4 204,11	0,788	100,55%	91,95%
Mar 31, 2021	4 181,17	0,857	105,24%	91,36%
Mar 01, 2021	3 972,89	0,938	104,24%	120,88%
Feb 01, 2021	3 811,15	0,776	102,61%	175,17%
Jan 01, 2021	3 714,24	0,443	98,89%	122,71%
Dec 01, 2020	3 756,07	0,361	103,71%	99,72%
Oct 31, 2020	3 621,63	0,362	110,75%	95,01%
Sep 30, 2020	3 269,96	0,381	97,23%	140,07%
Aug 31, 2020	3 363,00	0,272	96,08%	103,03%
Jul 31, 2020	3 500,31	0,264	107,01%	122,79%
Jun 30, 2020	3 271,12	0,215	105,51%	74,39%
May 31, 2020	3 100,29	0,289	101,84%	95,07%
Apr 30, 2020	3 044,31	0,304	104,53%	88,12%
Mar 31, 2020	2 912,43	0,345	112,68%	92,00%
Mar 01, 2020	2 584,59	0,375	87,49%	41,07%
Feb 01, 2020	2 954,22	0,913	91,59%	68,85%
Jan 01, 2020	3 225,52	1,326	99,84%	78,32%
Dec 01, 2019	3 230,78	1,693	102,86%	104,44%
Oct 31, 2019	3 140,98	1,621	103,40%	106,43%
Sep 30, 2019	3 037,56	1,523	102,04%	98,19%
Aug 31, 2019	2 976,74	1,551	101,72%	111,50%
Jul 31, 2019	2 926,46	1,391	98,19%	75,43%
Jun 30, 2019	2 980,38	1,844	101,31%	104,89%
May 31, 2019	2 941,76	1,758	106,89%	91,23%
Apr 30, 2019	2 752,06	1,927	93,42%	84,44%
Mar 31, 2019	2 945,83	2,282	103,93%	101,74%
Mar 01, 2019	2 834,40	2,243	101,79%	89,40%
Feb 01, 2019	2 784,49	2,509	102,97%	102,83%
Jan 01, 2019	2 704,10	2,44	107,87%	97,21%
Dec 01, 2018	2 506,85	2,51	90,82%	88,22%
Oct 31, 2018	2 760,17	2,845	101,79%	95,25%
Sep 30, 2018	2 711,74	2,987	93,06%	101,32%
Aug 31, 2018	2 913,98	2,948	100,43%	107,79%
Jul 31, 2018	2 901,52	2,735	103,03%	96,03%
Jun 30, 2018	2 816,29	2,848	103,60%	104,28%
May 31, 2018	2 718,37	2,731	100,48%	102,52%

Date	Adj Closing Price		Monthly Return	
	S&P500	Treasury Yield 5 Years	S&P500	Treasury Yield 5 Years
Apr 30, 2018	2 705,27	2,664	102,16%	95,52%
Mar 31, 2018	2 648,05	2,789	100,27%	108,86%
Mar 01, 2018	2 640,87	2,562	97,31%	96,68%
Feb 01, 2018	2 713,83	2,65	96,11%	104,99%
Jan 01, 2018	2 823,81	2,524	105,62%	114,42%
Dec 01, 2017	2 673,61	2,206	100,98%	102,89%
Oct 31, 2017	2 647,58	2,144	102,81%	106,67%
Sep 30, 2017	2 575,26	2,01	102,22%	104,25%
Aug 31, 2017	2 519,36	1,928	101,93%	112,95%
Jul 31, 2017	2 471,65	1,707	100,05%	93,18%
Jun 30, 2017	2 470,30	1,832	101,93%	97,19%
May 31, 2017	2 423,41	1,885	100,48%	107,84%
Apr 30, 2017	2 411,80	1,748	101,16%	96,26%
Mar 31, 2017	2 384,20	1,816	100,91%	94,14%
Mar 01, 2017	2 362,72	1,929	99,96%	102,61%
Feb 01, 2017	2 363,64	1,88	103,72%	98,53%
Jan 01, 2017	2 278,87	1,908	101,79%	98,66%
Dec 01, 2016	2 238,83	1,934		
Source	Yahoo Finance	Yahoo Finance		

Source: Authors' computations, based on Yahoo Finance (2021)

Exhibit 58: Estimate Cost of Equity and Capital, WACC, and WACC^{after tax} [Back to page [81](#)]

Average Monthly Market Expected Return	1,27%
Average Monthly Treasury Yield 5 Years Rate	0,77%
Annualized Market Expected Return	16,39%
Annualized Treasury Yield 5 Years Rate	9,59%
Average Market Risk Premium	0,51%
Annualized Market Risk Premium	6,25%
Unlevered Beta of the industry	0,56

Cost of Equity	13,12%
Cost of Capital	5,61%
Tax Rate	21%
WACC	9,03%
WACC^{after tax}	8,38%

FORMULAE

$$WACC = \frac{E}{E + D} \times r_E + \frac{D}{E + D} \times r_D$$

$$WACC^{\text{after tax}} = \frac{E}{E + D} \times r_E + \frac{D}{E + D} \times r_D \times (1 - T)$$

where E = Equity Value, D = Debt Value, r_E = Cost of Equity, r_D = Cost of Debt and T = Tax Rate

Exhibit 59: Operating Cash Flows, Investment Cash Flows, FCF, DCF, NPV, IRR, Payback Period and Profitability Index [Back to page [82](#)]

	2021	2022	2023	2024	2025	2026
Turnover		172 234,30 €	273 391,58 €	427 724,16 €	662 156,67 €	1 017 058,03 €
COGS		0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
GROSS PROFIT		172 234,30 €	273 391,58 €	427 724,16 €	662 156,67 €	1 017 058,03 €
Salaries		114 000,00 €	163 434,00 €	194 434,00 €	357 336,00 €	507 336,00 €
SG&A		47 325,60 €	50 045,60 €	52 865,60 €	60 353,40 €	66 268,65 €
EBITDA		10 908,70 €	59 911,98 €	180 424,56 €	244 467,27 €	443 453,38 €
Depreciation		1 320,00 €	1 320,00 €	1 620,00 €	1 520,00 €	2 920,00 €
EBIT		9 588,70 €	58 591,98 €	178 804,56 €	242 947,27 €	440 533,38 €
Corporate Tax (at 21%)		2 013,63 €	12 304,32 €	37 548,96 €	51 018,93 €	92 512,01 €
NOPLAT		7 575,08 €	46 287,67 €	141 255,61 €	191 928,34 €	348 021,37 €
OPERATIONAL CASH FLOW		8 895,08 €	47 607,67 €	142 875,61 €	193 448,34 €	350 941,37 €
CAPEX	6 600,00 €	0,00 €	1 500,00 €	1 000,00 €	8 000,00 €	5 000,00 €
Investment in WC	0,00 €	36 043,62 €	23 183,81 €	35 450,10 €	53 730,85 €	81 730,13 €
INVESTMENT CASH FLOW	-6 600,00 €	-36 043,62 €	-24 683,81 €	-36 450,10 €	-61 730,85 €	-86 730,13 €
FCF	-6 600,00 €	-27 148,54 €	22 923,86 €	106 425,50 €	131 717,49 €	264 211,24 €
DCF (WACC after tax)	-6 600,00 €	-25 048,25 €	19 514,15 €	83 586,93 €	95 448,04 €	176 646,80 €
			WACC	9,03%		
			NPV	334 622,38 €		
			IRR	145,1%		
			Profitability Index	51,7%		
			WACC after tax	8,38%		

Source: Authors' computations

Exhibit 60: Scenario Analysis [Back to page [84](#)]

	Current Scenario	No Partnership from 2023 onwards
Number of Shared Projects		
2023	22	0
2024	26	0
2025	31	0
2026	37	0
Number of Referenced Projects		
2023	13	0
2024	18	0
2025	26	0
2026	37	0
Number of Commissions		
2023	19	0
2024	27	0
2025	39	0
2026	55	0
Marketing Expenses		
2023	42 000,00 €	67 200,00 €
Number of Junior Consultants (Catalunya)		
2025	1	1
2026	3	3
Number of Junior Consultants (Portugal)		
2025	3	0
2026	3	0
Number of Senior Consultants (Catalunya)		
2025	4	3
2026	6	4
Number of Senior Consultants (Portugal)		
2025	1	0
2026	1	0
Number of Business Managers (Catalunya)		
2026	3	2
NPV	343 547,67 €	-198 694,31 €
Profitability Index	51,70%	-28,75%

Source: Authors' computations