



Consulting, engineering and other business services

An impulse with added value to go abroad

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Professional business service firms have approached internationalisation following their customers. No matter their branch, they are companies with no big human resource structures but a competitive advantage that makes them attractive to larger ones: their trust and competitiveness. It is precisely this added value what has allowed many companies to successfully enter foreign markets. The range of professional services is almost endless, from technological services to legal counselling, process automation, systems engineering, architecture and consulting.



Case studies: Spin, GTD, Leitat, Roca Junyent, Alonso Balaguer i Arquitectes Associats, THR

Opening to foreign markets is not free from risk. However, many Catalan small and medium-sized companies join this venture requiring consolidation of the business before taking this decision, awareness of strengths and weaknesses and finding the appropriate partners and synergies with other companies to pave the way.



Spin is one of these companies having gone international following its customers. Dealing with manufacturing process automation in industries like chemistry, pharmaceutical, food and automobile, it is now in the United Kingdom, where it followed Ford from its Valencia plant to become their global engine supplier, and Malaysia, where it went with **SGL Carbon**, one of its main customers they work with virtually from their very start. In 2009, more than 60% of its turnover came from abroad. Its managing director, Josep M. Ginès, explains that «ours is a proximity business. Apart from providing value to the customer, we've learned how to manage such a company and what we try to do is going into specific cases or geographical areas, but keeping the same management processes.»

Service companies follow their customers, providing added value and increasing their competitiveness. In business services, human capital is a key item for success in internationalisation.

To Àngel Ramírez, president of **GTD**, a company doing consulting, engineering and programme and machine development for the aerospace, security, energy and defence industries, the key is the human team. 35% of the GTD staff is foreign, basically from Europe and Asia. «The human factor in the service sector is crucial», he says. GTD started in the car industry, designing and assembling plants for multinationals like Volkswagen and Opel. 50% of its business currently comes from Spain and the

rest from abroad, where it had to open offices to provide direct service to customers. The car division, sold in 2004, opened the doors to other industries like space, where 100% of turnover comes from export. «In practice, all we provide is intellectual capital», Àngel Ramírez states. «The goal is that 70% of our yearly 35 million turnover comes from abroad.»

Leitat, an advanced technology centre with its headquarters in Terrassa providing scientific and technological services to companies, has much of its staff from outside Spain. Francesc Xavier Roca, who is in charge of technology policies, points out that nine languages are spoken at this site, «a very important thing in foreign projects». Leitat was created as a lab catering for the textile industry in 1906. It currently coaches Catalan firms in their internationalisation, certifying and providing innovation and added value to their products in order to be more competitive. Some 900 companies come back to Leitat periodically to demand their research services. «Our good internationalisation record is partly due to the fact that we are international ourselves. Our DNA has become richer, it has changed and been able to adapt to change. Our reference are international technology centres», Mr Roca says. At GTD «we complete it by integrating local people into our working teams. There is no other way to me», the president says.

Far from being a mere footnote, the language is doubtless one of the main issues in going abroad. Francesc Segura, vice-president of **Roca Junyent lawyer firm**, states that «it's obvious but fundamental to be able to understand each other, but not at conversation level but to deal with highly legal or technical matters. And it's here where misunderstandings due to poor language skills become apparent.»

Roca Junyent started in 1996 with the merger of three Barcelona lawyer firms. In its first five years, over 90% of its customers were local. However, diversification and the size acquired by the company allowed it to enlarge its portfolio. This led to its climax three years ago, when



it became a partner of the TerraLex international group, allowing it to offer its services all over the world. Currently, about 25% of its customers are foreign or Spanish and Catalan companies having subsidiaries abroad.



Yet language is not the only obstacle companies find. The barrier is often intangible. To Lluís Alonso, founding partner of the Alonso, Balaguer & Associats architect studio, «we aren't proud enough of what we're doing. We have so many ancestral complexes and feelings of inferiority... And when you go abroad, you feel that things in Catalonia are done extraordinarily well. The architecture business has a bright future, but we're filling it with clouds because we aren't launching the right concepts regarding either business or outsourcing.» Lluís Alonso criticises the «crafty and very local-minded» feeling characterising the architecture business in Catalonia, which prevents going abroad from being regarded as a true opportunity for development. «The biggest difficulty», the president of Spin adds, «is the fear of going international. Once you've gone abroad for the first time, you're better prepared.»

«After several years, one conclusion is that we always look for a local partner everywhere», Lluís Alonso, founding partner of Alonso, Balaguer & Associats says, «as it is virtually impossible to know the dos and don'ts of each country, its way of working and acting, its rules, conditions and prescriptions of any sort.» This architect studio, which will build in Bogotá, Colombia, the highest tower in South America, has hired experts in international trade and encourages professionalisation of architect studios, an indispensable point in going international. «We need to take architecture as an art and a science, but also as a business. Architecture is an extraordinary tool to open new markets for the economy of a country. When we win a tender outside Catalonia, our fees are roughly 6% of the total. The remaining 94% are industrial firms, builders, subcontractors, materials, etc. This 6% opens the door to many more people. And this is very important», he says. 60% of the turnover of this bureau comes from

the Spanish and Catalan market in equal shares, while the remaining 40% comes from abroad, «which is very important for those coming after», Lluís Alonso adds.

Reaching the right size

Francesc Segura, vice-president of Roca Junyent, alerts of the danger of going abroad too early. «If you're small in size, going abroad is first of all very expensive. You don't have a critical turnover mass allowing you to risk all the money for the first investment you need for any move abroad. Either you have a very straightforward relationship with a country and a customer base and know you'll get some return or it's doing it out of the blue.»

The professional business service sector is highly atomised, which hampers its international expansion plans.

Roca Junyent goes with a good example. «We believe it's better to have good relations with experts from other countries, as we like to be counted on when others come over here to work. A Swede, no matter how good a lawyer he may be, will perhaps not feel easy at the Barcelona court, even if he's in good command of Spanish or Catalan», Francesc Segura explains. As opposed to other lawyer firms, Roca Junyent goes for associating with local bureaus «chosen based on their professional level and quality». The Catalan lawyer firm does not plan to open new offices outside Spain in the short term.

In the case of the technology sector, «an industry difficult to enter and also difficult to exit», as the president of GTD explains, «you find competitors with thousands of employees. But we can compete, although we have a staff of 340 as this allows us to keep the level of excellence without any headaches.»

Josep M. Ginès acknowledges that «being a small company slows us down in internationalisation. You need to know the market and have people there. Young people, ready to spend months or years in that market. We need to be close to the customer and that's the only way.»

As Eulogio Bordas, president of the tourism consulting firm THR indicates, «internationalisation is a process entailing risk, difficulties, uncertainty and costs. It's about reducing them to the minimum, so the company needs a clear perception of what its competitive advantages are.»

The president of Spin adds: «You need to raise the value of what you provide, have it work, give ideas and do more than expected for the same price. A great asset is to be ready to go out, coaching your customers in building a plant when they go abroad.» This has allowed Spin to seize new projects through its Malaysia subsidiary Spin Controls, taking advantage of having settled in that country.

To Josep M. Ginès, there are however industries that can directly go abroad based on their high technological and innovation component, no matter their size. «Depending on the sort of product it's convenient to go abroad directly as long as it is companies requiring only one way of commercialisation», Mr. Ginès explains.

Diversification vs. specialisation

Companies supplying others with professional services are caught in the dilemma whether specialising in their offer to differentiate themselves from competition in highly atomised industries or diversifying their business to reduce risk in times of crisis as now. In this respect, size becomes a critical issue. Francesc Segura tells that «when you're growing and have skilled people you get known. If you're known and provide a good service, references work.» International experience basically

brought growth to Roca Junyent. «In a firm of our size, based on talent of our employees and the trust they create, it's obvious that they seize more cases and that leads to growth.» Diversification, an unusual thing in a highly atomised branch like lawyers, has allowed this firm to level its balance sheet as the economic situation led to a decline in financial law (e.g. acquisitions and initial public offerings) while it increased work at labour law departments dealing now with business restructuring and layoff. «Not that all lawyer firms need to be big, but a certain balance of different skills provides more comfort when faced with ups and downs», Francesc Segura states.

Many companies take advantage of being in other countries to enter new local markets, which facilitates their international record.

Another strategy is the one followed by THR, a consulting firm specialising in tourism. It has been providing counselling and technical aid to companies and organisations in the industry for twenty-five years. This specialisation is the basic differentiation point with regard to other consulting firms. «Companies as well as institutional customers are increasingly demanding very specific and focused solutions, as in a setting of increasingly tight competition competitive advantages are created in very specific items in the value chain», Eulogio Bordas points out.

Partnerships to gain in size

Partnerships with local players have consolidated as a way of gaining new markets and business while minimising the risk of direct settling in the country. Yet another great advantage provided by this scheme based on cooperation, personal relationships and professionalism is a better integration into the foreign market.

«In every country», Lluís Alonso says, «the way of introducing yourself and relationship habits are very different», a difference that increases even more in legal relations. The vice-president of Roca Junyent states that the most significant case is China. «They have basic rules and legislation that is not very different from Europe, based on a mixture of the continental and the Anglo-Saxon conception of right. But then, local authorities do their interpretation, so you need to go through all these bits and pieces, but together with somebody knowing these interpretations.»

At the Leitat technology centre, cooperation with foreign partners is also fundamental, and they in their turn «place their trust in us to carry out research and innovation in our country», Francesc Xavier Roca states. Glòria Serrà, head of institutional relations at Leitat, points out that the task of her department includes creating links between its companies and European projects. «It's a very quick way of going abroad. You get used to work in cooperation and this creates synergies and does away with any reluctance that may exist.»

Yet knowing how to search is important. «Finding a partner involves some luck, and if you export technology as we do, the easiest way is necessarily finding local partners. If you go to China on your own, you get faced with the law», Àngel Ramírez, president of GTD adds, as foreign companies are obliged to join local firms in their business in the country. And China is the object of desire at GTD. Its president calls the country incredible. «It's like the United States fifty years ago, full of opportunities for both locals and foreigners. The pity is that I don't have the time to learn Chinese», he complains.

Apart from local partners, at GTD, which holds permanent offices in France and Brazil, they consider that to work abroad comfortably it is crucial «to have some good universities to count on the right people both in quantity and in quality, good export aids, especially to developing countries, big infrastructure with easy

and economical access and taking advantage of the Barcelona brand», like in the case of China, where «everybody has good feelings about Barcelona», Àngel Ramírez says.

Besides skilled staff, personal relationships based on mutual trust are indispensable in this industry.

China and its whole area of influence, together with Brazil and India, are the emerging markets par excellence. «We follow our customers», Francesc Segura asserts. «We don't invent markets, it's our customers who call us to where they need our support, either direct or indirect, but going there is a risky adventure. It would be better to have a relationship with local firms.»

The crisis, a trigger for internationalisation

To the founding partner of Alonso, Balaguer & Associats, «one of the positive sides of the crisis is the need some companies are seeing in going abroad». Alonso remembers that only two years ago, the commercial delegations organised by the Government of Catalonia were attended by three companies from this industry. «Now we're thirty. We've been understood politically, and we're getting clear economic support by the government», he points out. This institutional support is also crucial for Leitat. «At the Government of Catalonia they have pushed technological research and transfer centres, although they are also undergoing a restructuring process», the head of institutional relations says.

«There are cultures like the Anglo-Saxon with a great tradition of going abroad, and they have very automated mechanisms we don't have here. The good thing is to create by and by such mechanisms to support companies in internationalisation», Lluís Alonso states. His architect studio looked towards foreign markets in 2006 after some occasional international projects like

the Balthus sports complex in Santiago, Chile. They are currently working on projects in Chile, Colombia, Peru and Brazil as well as Morocco and Kazakhstan, besides having an own office in Lima.

Internationalisation involves advantages like diversification of markets and reduction of costs, which go beyond a crisis.

«Internationalisation involves advantages like diversification of markets and reduction of

manufacturing costs, which go beyond the specifics of a crisis», the president of THR says. «Many service companies providing support to manufacturing successfully went international in times of expansion.»

In the case of Roca Junyent, «when we talk of going abroad, we always refer to the sort of work we lawyers like best, that is helping create things, developing new projects. There is our action, which is to help solve problems and situations of conflict, and faced with such fait accompli, your added value lies in the fact that the solution is as efficient and quick as possible, allowing customer satisfaction.»



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