



THE EUROPEAN EXPANSION OF TRUECPA GROUP

Arthur Duchamp--Bertrand

Bachelor's thesis
February 2015
International Business

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ABSTRACT

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Bachelor's thesis, 36 pages
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The business world is in constant evolution, including when it comes to the different actors and their locations. As the economies of the Northern world have been slowing down, as it has been seen in North America, Europe and Japan, the developing economies have taken more and more importance, and have naturally started expanding out of their home countries. Most of these expansions have taken place in other developing countries, as they present more opportunities, but some have also expanded towards developed economies. This process remains new, but is likely to become more common as more companies take this step.

TrueCPA is a Chilean company that has decided to expand into Europe. They have first settled in Spain, and are planning to open new branches elsewhere on the Old Continent. The crucial point it is reaching right now begs the question of how to properly expand into Europe? While TrueCPA has already expanded, their experience can be useful for their future expansions, and to the eventual future expansions of other similar South American companies expanding into Europe.

To settle the question, both the expansion of TrueCPA into Spain, as well as that of three benchmarking companies have been studied. Those benchmarking companies are similarly from developing countries but have expanded to Europe in the past. The Thesis found that many different factors enter into account, such as the past of the company and its clients, the characteristics of the target market, in its regulations, size, culture and history, as well as the potentials of the home market in the industries and competitors it possesses.

Key words: expansion, culture, legal system, benchmarking, economy, branch, local, employee, europe, european union, currency, language barrier

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1 INTRODUCTION

1.1 Background

TrueCPA Group is a Chilean counselling and services company founded in Sao Paulo, Brazil in 2010. Its headquarters were moved to Santiago de Chile where it remains today. The company provides its clients with various legal and financial services, its main one being auditing.

While TrueCPA Group is located in Chile, it has offices and branches all over Latin America: in Argentina, Brazil, Peru, Venezuela and Mexico. Recently, a branch was opened in Barcelona, Spain, making it the first European brand of the company. One of the main advantages of the company is its multinational network, which gives it an inside knowledge of the countries involved, providing with better and more adapted advice and services. As such, the company is mainly contracted by multinationals which wish to keep close partners internationally and be supported in their expansion across different cultures.

However, the markets that have been entered so far are from countries that share a common history and that have similar cultures. While it can for now keep entering other Latin American markets and enabling a bridge between Spain and those markets, its projects are too soon enter a new European market that will not share such cultures and history.

And while French Guiana, Guyana and Suriname are geographically part of South America and were colonized by respectively France – to which it still belongs today – the United Kingdom and the Netherlands, their histories and cultures have very little in common with the rest of South America, so much so that both Suriname and Guyana are part of the Caribbean Community. As such, an expansion to France, the Netherlands and the United Kingdom would still be considered to be one to a different market. Also, while the Barcelona branch has authority to cater to clients in those three countries due to the European Union and its Common Market, the geography of Europe renders it difficult, with strong necessities for an office in those countries.

1.2 Objective

The objective for this study will be to study the implementation of TrueCPA Group when expanding to Spain, and compare it the experience of similar companies when opening branches not only in Spain, but in all of Europe in order to pinpoint the strong points and the weak points of the past European expansion of TrueCPA Group, in order

to facilitate and eventually amend the future spread of the company on the Old Continent.

1.3 Research Question

As such, the guiding questions for the thesis can be formulated as follows. As the previous expansion of TrueCPA Group in Europe will be studied and the benchmarking of several similar companies in their European expansions will be used, what would be the elements of a successful expansion of TrueCPA Group to Europe?

Hence, the elements that TrueCPA Group has had during its first expansions, both in Europe and elsewhere need to be determined. Secondly, the benchmarking companies will provide with other elements that have proven successful for them in their expansions. But what were these elements? Then, among these elements, does TrueCPA Group have any or several of them? And finally, what elements will TrueCPA need in their future expansions in Europe?

The research question for the thesis will be divided into several other questions. First, what steps and what methods were used by TrueCPA Group when expanding to Spain? What were the cultural, legal and economic difficulties it had to face during its expansion? In what ways could the expansion have been ameliorated?

Secondly, the same questions will be asked to several of the companies that have executed such a move. Moreover, it is worth wondering if a specific model applies for this kind of expansion. Also, how difficult are the cultural differences in the different countries of the European Union difficult to overcome?

Finally, given the past of TrueCPA Group and its experience on the European market, how can the experience of the other companies be profitable to it? Which countries would be more applicable to its products and experience? And what are the difficulties to be expected during the future expansions of the company on the European continent?

1.4 Method

The thesis will be done as a constructive research, bringing a solution to the new problem that is the development of a company from a developing market – albeit, in this case, one reaching the end of its development – towards an already established and developed market.

The research was also done in a qualitative manner, as opposed to a quantitative one. The data for this thesis were collected through interviews and two questionnaires sent

by email in the case of TrueCPA Group. However, in the case of benchmarking companies, the data was collected through an online survey composed of multiple choice questions so as to take as little time to answer as possible. The data collected from the benchmarking companies was then analyzed and compared to that provided by TrueCPA Group. From this comparison, a conclusion was then reached to provide with an overview of TrueCPA's expansion and their future.

1.5 Limitation and Structure of the Study

The thesis will be geographically limited to expansions towards the European domestic market member states, which is to say all of the European Union members as well as Switzerland, Norway and Iceland. Eastern Europe, while still considered by some to be developing economies, have mostly recovered from the Communist rule they were facing during the Cold War, and are in some cases stronger than some of Western Europe economies. The study will be structured so as to include in the first chapter an analysis of TrueCPA Group and its past expansion to Latin America and later to Spain.

The second chapter will be dedicated to analyzing previous expansions in Europe from other companies, preferably coming from developing economies, but not limited to, as the phenomenon is still mostly recent. The third chapter of the thesis will be confronting data from the two parts and explaining how TrueCPA Group can profit from the experience of all of these companies. And finally, a conclusion will be reached concerning the previous expansion and the future of TrueCPA in Europe. It should be noted that not all companies managed to expand on the long-term to the European domestic market, and some of them have failed. They will also be included in the thesis as they can provide examples as to what should be avoided in entering a new market.

2 TRUECPA GROUP AND ITS PAST GROWTH

2.1 Introduction to the Company

TrueCPA Group is a services company headquartered in Santiago, Chile. It provides various services for companies, among them being auditing, accounting and legal advisory. It employs about thirty persons in Chile, one hundred in Brazil and up to a dozen in each of their international office. The company focuses on both the domestic markets and the international markets. While the accounting and auditing processes are done to any clients of the company, whatever their target market and focus, the advisory teams tend to specialize in expansions and international operations. Thus, the company has opened many offices throughout South America, but also in Europe, in order to get inside knowledge of each market, but also in order to follow the client companies in their expansions and eventually, build a network that will work to their advantage when helping any client company with any possible expansion.

2.2 History of the Company

TrueCPA Group was created in 2010 when Carlos Jeria and Luis Santander, two KPMG employees left their current company in order to create their own. The company was founded in São Paulo and head-quartered there, with an international office in Santiago. The goal of the company was to provide legal and accounting advising to Chilean companies wishing to extend their operations to Brazil, and Brazilian companies wishing to get into Chile. The company quickly encountered success, and opened its third office in Buenos Aires, Argentina, in July 2011. At the end of the year, the company headquarters were also moved to Santiago, and the company started its main operation for the following years: auditing. During the next year, they opened several branches all over Latin America: in Mexico, Venezuela, Peru, and three new offices in Brazil, in Rio de Janeiro, in Brasilia and in Belo Horizonte. Finally, in August 2013, TrueCPA opened its first branch on the Old Continent, in Barcelona, Spain.

2.3 The Latin American Growth of the Company

The order of the countries will be redone according to the order of expansion. Chile and Brazil are grouped together as they were the two countries in which the company was founded. After a safe implementation in both of those countries, an objective for

expansion over Latin America was fixed. Only after the completion of those goals could the expansion to Europe actually start. Four other countries were selected: Argentina, Peru, Venezuela and Mexico. Each country was selected for different reasons, most of the time economic reasons will be explained more in detail in each and every one of the parts attributed to each country.

At the start, each Latin American team is composed of one associate, one manager, one director, four senior staff members, four ordinary staff members, in addition to assistants, supervisors and trainers, all of which in an undefined number. The associate and the senior staff must have experience in the company, whether it is in any of the two main branches, or any of the international branches.¹



PICTURE 1. The Branches and Operations of TrueCPA Group

The rest of the team, however, can either be older employees of the company, experienced locals or even brand new employees, locals or not. The only prerequisite for those employees is to either have experience or have a diploma in auditing, accounting or economics.

In total, the company employs around 200 employees all over Latin America. The number for each country will be detailed in their respective parts.

¹ Appendix 2

Each branch enjoys a relative independence, depending on the subject matter. In terms of management and working of the branch in itself, each branch remains very autonomous, enjoying the experience and the visibility needed to make decision on the field.

The branch and its employees are still required to follow accounting and auditing standards as dictated by the headquarters and their respective trade unions². On the other hand, when it comes to strategy and core aspects of the company, the branch still have autonomy but are directly accountable to the main offices, who still keep the last word on it. Any disagreement is resolved by a face-to-face meeting between the associate of the branch and the associates of the company as a whole.

2.3.1 Argentina

Being the second economy in South America, Argentina could not be ignored. The Argentine business history has been marked by imperialism in its early days. British and French companies were dominant, especially in railways, which were a major transport industry in the nineteenth century. In the twentieth century, however, the economy was marked by the third-way policies of Juan Peron, many of which are either still in use or still have effect on the economy today. This sets Argentina apart from other developing economies in that it was not dominated by either Marxism or a completely free market economy like the rest of South America. Indeed, Peronism tried to instate an economy that would be very heavily controlled by the State, while also attracting foreign investment. However, after the military coup d'état against Isabel Peron, who succeeded her late husband, most of these policies were undone, scaring away foreign investment, and instating economic instability that eventually led to the downfall of the regime and that still affects the country today.³

Hence, while the Argentinean economy is still shaky and unstable, though not to the levels of the economic crisis of 2001, it remains a very dynamic economy, and is somewhat attractive to foreign companies. Besides, most of the foreign investments in

² Appendix 2

³ (Dávila C. & Miller R., 1999)

Argentina used to come from Europe and the United States⁴, and TrueCPA could provide for a way to expansion in Argentina for other Latin American companies.

As such, it was chosen as the country to which TrueCPA made their first expansion. In July 2011, the first international branch of the company opened in Buenos Aires. The team is composed of twenty persons, with the senior employees being from previous TrueCPA branches, and the rest of the employees being locals.

2.3.2 Peru

Peru was then chosen as the next destination for its large population and its rapidly expanding economy. Its proximity to both Bolivia and Equator also helped in the need for an assignment in these countries was to arise. The Peruvian business history has historically been marked by openness and attractiveness to foreign investors, though sometimes weakened by times of political instability. This instability has been in part due to many inequalities in the economy that nowadays tends to lower.

The Peruvian economy is also notable for having had to change its focus dramatically at the end of the nineteenth century, after the War of the Pacific.⁵ During said war, Peru lost some of its territory to Chile, ceding what had now become the Arica y Parinacota region and the Tarapacá region of Chile. Being very heavy in mineral resources, Peru lost its main drive in the economy, and consequently shifted their focus to other areas.

Because of this, the Peruvian economy has become very heavily influenced by foreign investments and foreign companies, making it attractive for other Latin American companies wishing to invest into the country.

The new offices opened in 2012 in Lima, and the Peruvian team is composed of forty employees with, once again, the senior employees coming from previous branches and the rest of the team being local.

2.3.3 Venezuela

TrueCPA also decided to open a branch in Caracas, Venezuela during the year 2012. Venezuela was chosen for different reasons. The first one was that the chairman of the company, Mr. Jeria, had experience with this country, having worked in an auditing company there during the 1980s. The second one was that very few companies are now expanding to Venezuela, especially financial companies.

⁴ (Dávila C. & Miller R., 1999)

⁵ (Dávila C. & Miller R., 1999)

Indeed, the state has taken more and more importance since the year 1998 and the election of Hugo Chávez as the president of the country. In the last few years, and especially since the death of Mr. Chávez, the Venezuelan has taken a turn for the worse, and most of the foreign companies have been scared off the country.⁶ Not helping is the fact that the Venezuelan economy is mainly oil-based, but the oil prices recently have plummeted, further damaging the economy. However, the few companies already present in the country still have a need for auditing.

The offices are in Caracas, and the team is composed of five employees.

2.3.4 Mexico

The last country to which TrueCPA expanded was Mexico. The Mexican economy is one of the largest in Latin America, and is very heavily influenced by the United States. In fact, the Mexican economy has often acted as a passageway between the United States and the rest of Latin America, with many United States companies expanding to Mexico before expanding elsewhere in Latin America, or the contrary. As such, with Latin America developing rapidly, it is obvious Mexico will become a major hub for business.

However, the business history of Mexico remains radically different from that of the United States. While the United States have focused on free market and property since their independence, Mexico has gone through phases of nationalization and liberalization, with such periods expanding into the twentieth century. Those times of instability also take their source in part in the influence wars that have taken place in Mexico, originally between Spain and the United States, then the United and France, and finally between the United States and Communist Cuba⁷.

Nowadays, however, and contrary to that of the United States, the Mexican economy is still achieving a steady growth, though that growth has slowed down in recent years due to the global recession and the various political problems that have occurred in the country, most notably the War on Drugs.

The offices are located in the Federal District of Mexico, the capital city, and the team is composed of twenty employees.⁸

⁶ (Dávila C. & Miller R., 1999)

⁷ (Dávila C. & Miller R., 1999)

⁸ Appendix 2

2.4 The Spanish Expansion

The first European branch of TrueCPA was opened in August 2013 in Barcelona, Spain. It has the Sociedad de responsabilidad limitada status, or SRL, equivalent to a Limited Liability Company status, and it has five employees in total.

The expansion took place over three months in total, since the beginning of the plan until the start of the first operations in Spain. The Chairman of the company, Mr. Jeria, oversaw the whole process, from the establishment of the plans until the opening of the branch.

The Spanish expansion was also made necessary because of the traditional closeness the Chilean economy enjoys with the European continent.⁹ Since 2002 and the EU-Chile Association Agreement, Industrial products of either side do not need to pay any tariffs in order to be imported either in Chile or in the EU, and Agricultural products are 97% free of tariffs.¹⁰ As such, it was obvious that following this agreement, many European companies would expand to Chile and many Chilean companies would expand to the European Union. The specialization of TrueCPA towards advising and auditing expanding companies would therefore benefit those companies immensely in their expansions on both sides of the Atlantic, and made the need for a European expansion evident.

2.4.1 The Plan

Once the objective for Latin America was reached, further expansion was needed. Spain was chosen for cultural and linguistic similarity.

The process began in 2013, and was closely monitored by both of the associates of the company and a Spanish Catalan employee, set to become the head of the branch once opened.

A home city also had to be chosen for the branch, and several Spanish cities were available. Madrid appeared to be an obvious choice, being both the capital and largest city. Barcelona was also available, being a large financial and business center not only for Spain, but for the Mediterranean area in general. Valencia, Bilbao and A Coruña, being important regional cities could also qualify. In the end, Barcelona was chosen

⁹ (R. Crane, C. Rizowy, 2011)

¹⁰ (European Commission, 2003)

because the future head of the Spanish branch is Catalan. His knowledge of Catalonia and its language have proven most useful to TrueCPA and its clients.¹¹

2.4.2 The Process

The team was assembled with one senior member of the company from Catalonia but who had worked with TrueCPA in the Chilean branch for some time before the expansion, and four new Spanish employees.

All in all, since the end of the planning to the start of the operations in Barcelona, the whole process took three months. Those three months were spent carefully recruiting new employees, selecting the offices and legally setting up the branch in Barcelona with the help of the Chilean Chamber of Commerce in Spain, among others.

The company purchased some offices in downtown Barcelona after the senior employee visited them and they were assessed by the company according to their price and their proximity to the client companies with operations in Spain.

The selection of employees was made primarily on their relation towards auditing. Those who had been taught or had received experience in the domain were prioritized over the others. In the end, four of them were chosen and are now working under the supervision of the senior employee.

The company has five client companies, all working around Barcelona. Should a new client company be found elsewhere in Spain or in Europe and a previous one expand, TrueCPA will likely follow it in opening a new branch if it is found to be necessary.

Due to the small number of employees and the very few shareholders, despite its international nature, the company was built with an SARL status (Sociedad a Responsabilidad Limitada), a limited liability company.¹²¹³

2.4.3 The Spanish Branch Today

Today, the Spanish branch has settled in Barcelona and on the Spanish market. The company has started getting new clients since its expansion.

¹¹ Appendix 3

¹² Appendix 2

¹³ (Boletín Oficial del Estado, 2010)

For now, the future of the branch, whether it is to remain in Barcelona, or if it is to be the only branch in Europe, is still undecided and will be discussed in a later part of the thesis.

3 European Expansions in Similar Companies

3.1 The First Company

3.1.1 Introduction

The first benchmarking company has asked for its name not to be disclosed in this thesis. It is a limited liability marine insurance company from Turkey, headquartered in Istanbul.

The company needed to expand to Europe given the proximity of Turkey and the European Union on the marine and shipping market. As such, the company chose to expand to London, in order to be closer not only to their clients, most of which had offices in London, but also to the Lloyd's of London, one of the biggest insurance markets in the World. London also acts as a financial hub for Europe and the European Union, and the fact that London has the English language as its official language keeps the language barrier away, for the most part.

3.1.2 The Plan

The expansion took place in 2012 after an entire year of planning. The team was first formed with two employees, one senior British employee who had worked in the Turkish offices and had experience with both the market and the company, and a new hire.

With both employees being British, the branch has the advantage of already having knowledge of London and the British market and, up to a certain point, the European market. It does not, however, have complete autonomy in their decisions and heavily relies on the head company for most of their decisions. The head company does take their advice into account, but they ultimately have the final word, and all decisions must be reported to Istanbul before being acted. ¹⁴

The company does not have any plans to expand further in Europe, but it has however expanded outside of Europe. At the moment, no more expansion has been planned.

¹⁴ Appendix 1

3.1.3 Analysis

The first company has opted for an expansion into a hub in Europe, without any partnership, instead setting up their own branch directly in the destination country. While London was chosen for its central position in European exchanges, especially when it comes to insurance, it has other advantages. Turkey and the European Union both share the Mediterranean sea, meaning an insurance company from Turkey may have a substantial advantage over other insurance companies in that should an incident happen in Turkish waters, the company would not only be competent but could actually intervene. This would have proved to be impossible had the company expanded in a non-member of the European Union, as it would have not have been possible to set up such operations for European Union members.

Furthermore, both employees being British is a fact that is certain to benefit the company in its operations in the United Kingdom and in the European Union in general. However, also assigning some Turkish employees could have been beneficial for the company. While the British employees are knowledgeable about the Turkish market, they may not be as much as some Turkish employees may have been, which would have proven to be an advantage should one client company have wanted to be insured in its operations in Turkey and looking for information. Besides, having some Turkish employees used to British business culture could have been useful shall the company decide to expand further either in Europe or in a market similar to that of the United Kingdom.

3.2 SBI Capital Markets

3.2.1 Introduction

Our second benchmarking company is SBI Capital Markets, a limited liability Investment bank from Mumbai, India. It is a subsidiary of the State Bank of India, and employs around 600 across India and over the World.

SBI Capital Markets currently has two branches outside of India: one in Singapore and one in London, England. The focus is going to remain on the latter branch of the

company. Their European expansion occurred in 2005 after about a year of planning, with the establishment of SBICAP UK Ltd. which was given an authorized capital of £200,000.

3.2.2 The Plan

London was chosen for various reasons. The first one was that they could follow their customers and client companies since most Indian companies expanding to Europe choose London. Also, the United Kingdom and India share a lot of their history, and some of their culture, since English still acts as the lingua franca of India. The widespread use of English hence kept away the language barrier and made the United Kingdom a prime choice for SBI Capital Markets' expansion.

London was also chosen according to its hub status for financial exchanges and financial companies in Europe, welcoming the headquarters and offices of a lot of financial companies of Europe.¹⁵

3.2.3 Analysis

Similarly to the first company, London was chosen for its financial hub in Europe, something hugely important for a financial company such as SBI Capital Markets. However, it was also chosen since it is the location of SBI's client companies. Just like TrueCPA, they have followed their clients into their expansion into Europe.

SBI also tried to maintain its identity and uniqueness on the market by having employees come from both the United Kingdom and India. Such a multicultural composition of the staff enabled the company to have a workforce that can adapt to both markets, and therefore enable the company to act as a bridge between the United Kingdom and India.

Indeed, while it has followed some of its client companies into the United Kingdom, it also aims to help some British, or even simply European, companies starting their operations in India. Their Singaporean branch could also help them expand into this last country should the need arise.

¹⁵ Appendix 1

3.3 Mirae Asset

3.3.1 Introduction

Our third benchmarking company is Mirae Asset, an investment company from Asia. While the company was founded and started its operations in South Korea, it later moved its headquarters to Hong Kong.

As such, Mirae Asset has undertaken many different expansions to widely different markets, enjoying quite some international experience, including while expanding to Europe. Its European expansion can therefore be seen as a base in order to expand to other similar markets.

3.3.2 The Plan

Mirae Asset has opened branches all over the World, in Asia, North America, South America, Australia and finally, in Europe. The South American branches were opened in São Paulo, Brazil and in Bogotá, Colombia.

In this, a difference can clearly be seen in that while Mirae Asset is an Asian company that has expanded to South America, hence from a developing country to developing countries, TrueCPA has no such ambition, at the very least for now.

The European branch has opened in 2007 in the City of London, in the United Kingdom after six months of planning and preparing. London was chosen, once again, according to its central position in Europe when it comes to financial transactions and business. Moreover, since the company is headquartered in Hong Kong, most of their business are conducted in English, and therefore, most of the employees in the company have a good proficiency in that language. As a consequence, the potential language barrier between the two countries has become negligible.¹⁶

3.3.3 Analysis

The company's history is somewhat similar to TrueCPA in that it started in a first country before moving to a neighboring country to follow its operations, like TrueCPA did by starting in Brazil before moving to Chile.

However, Latin American market and the East Asian market are more dissimilar than they are with the European market, despite both being developing. South America has been more politically stable than Asia was, being consistently democratic until the

¹⁶ Appendix 1

1950s and again since the 1980s, while Asia as a whole has democratized only since the 1980s and has now yet ended its democratic transition.¹⁷ Yet, the economies of East Asia have expanded extremely rapidly, but at different times.¹⁸ Besides, in Latin American democracies, Third Way politics, especially economic policies, has been very present and is still a common trend, best represented by Argentina's Justicialist Party, inherited by Juan Perón's policies while in power ; East Asia, including South Korea, Japan, Taiwan and Hong Kong, have been more traditionally divided into left and right. Finally, Latin America has been more traditionally influenced by the United States, whether it is politically or economically, while its influence over East Asia has been more subtle.

Also, the company has now established a vast network of branches across the World. When it comes to employees, certain multiculturalism was important in order to keep some cohesion and group feeling across the whole company, and avoid having the employees in a certain culture be completely isolated from those in another. The headquarters being in Hong Kong and the company originating in South Korea, it is natural that those countries would provide for most of the employees and the most represented culture in the whole group. Some locals were also employed in the branches but they were put in multicultural teams to familiarize them with the diverse nature of the company, and ease international operations.

Given the extent of the branches network established by Mirae Asset, big and very different expansions are unlikely to happen. However, the company could still open branches in neighboring countries to those where they are already established.

¹⁷ (Whitehead L., 2002)

¹⁸ (Zou S. & Fu H., 2011)

4 THEORY

The need for an expansion is most often triggered by the need for a physical and psychological closeness to some international partners, whether they are clients, suppliers or even simply competitors, on their most important markets. As such, internationalizing the company's operations can be a very important and needed decision early in the life of a company.

Moreover, some markets can be naturally closer to each others, making the need for an expansion even greater due to its availability and immediate opportunity. Different variables can bring markets closer. It can be culturally, historically or legally. For example, the United States and Ireland share a lot of similarities, with very similar cultures and legal systems, despite their physical distance.¹⁹

4.1 The Culture of the Market

The cultural closeness is by far the most likely to bring different markets together. Culture can comprise the language, the social structure, the religion, the political structure, the economic model, the education system, the customs and the values of a particular country. All of these must be carefully taken into account when planning the expansion, as a way to be certain the company itself does not go against the culture of the destination country. Some food companies, for example, may not be able to sell all their products in all countries, given the wide differences in food habits, and what is considered food or not in the different countries susceptible to welcome the company. Some countries' values do not even accept a foreign expansion into their country, making the situation very difficult for the company wishing to expand there. Similarly, when expanding, a good knowledge of the business culture, and especially of the business customs, is required, so as to ensure smooth operations while in the country.²⁰ Some similarities are likely to appear, though, and it is important that the company exploits them, to create closeness to the market, which can be appreciated by the local business partners. Moreover, changes in customs and values will likely occur, but very slowly, and they are very difficult to control, especially at the same scale of the company.²¹

¹⁹ (Hirsch R., 2010)

²⁰ (Hirsch R., 2010)

²¹ (Hirsch R., 2010)

In order to properly grasp the culture of the country, the company can refer to Hofstede's five cultural dimensions. The first dimension is that of power distance, the distance in the lowest and the highest levels in hierarchy. Power distance is a reflection of the level of inequalities in the businesses of the market, the power the company will have over its employees, and who must be taken into account when negotiating with a company. The second dimension is individualism shows whether the employees have a strong group feeling while employed in a company, or if they put themselves and their family before the company. Countries like the United States and Western Europe have traditionally been more individualistic than other countries like Japan or China, where the group cohesion is stronger. The third dimension is masculinity, which defines the gender roles in society and in business. This dimension is in constant evolution, since gender equality is in many countries defined as the goal of many companies and governments, whereas other cultures do not accept it. The fourth dimension is that of uncertainty avoidance, as in the capacity of a society to accept cultures different from its own. The dimension varies very widely between countries, including among developed economies, and it is one that companies must pay a lot of attention to. And the fifth dimension is that of long-term orientation, whether companies and individuals plan and persevere on a long-term goal or if they plan on continuing traditions that have been implemented before them.

4.2 The Legal Aspects of Entering a Market

The legal aspects also come very much into account when expanding. First, a company can take advantage of trade agreements between two countries in order to expand. Trade agreements have become more and more common, but they are not all equal, and some offer more opportunities than others. It then comes down to the company to choose which one offers the best terms for their expansion.

Reversely, while all of this information may point to a more attractive market, they may also point to which markets should be avoided. Not only can the lack of trade agreements be unattractive, but trade sanctions and embargoes can mark a country as one to be avoided.

In the legal system of the destination country, as well as in the terms of a possible trade agreement, four main issues must be taken into account. First, the allocation of responsibilities, as in how are terms of a contract decided, and does the law give advantage to any side, must be carefully studied to ensure the company will not be at

loss in the event of a legal dispute. Second, the nature of the planning permitted by the legal frame will inevitably have some influence over the future of the company. Can the company simply export, or does it have to open a branch? Will it have to take a partnership, or will it have to stand alone on the market? All of these are questions that must be carefully studied before making the move on a market. The third and fourth issues, the report and control systems and structure, and the degree of standardization may or may not ensure the quality of the products or services the company is bringing in the market according to its regulations, and may be an obstacle to the company if the controls in its home country are looser. The most obvious example is when companies try to expand to the European Union, which has some of the tightest regulations of any markets, keeping many foreign companies from accessing the common market.

However, while those four are the main economic issues, they are not the only criteria to take into account. Other factors have to be mentioned, like the political stability and the cost and quality of the workforce which can greatly influence the attractiveness of the market. The market size, the level of life, poverty rates, inflation and already existing competition are also very important. All of these data can be easier to retrieve in some countries, but not in others, where censorship or a simple lack of institutions keeps the data from being released to the public.

The differences in legal systems can also be of importance. Four legal systems exist: civil law, common law, socialist law and Islamic law. Those different systems will in turn affect the way business is conducted in their markets. The influenced areas that the company should watch out for the most are property rights, whether they are likely to lose their properties or not; contract law, if contracts are protected by law, and to what extent; product safety, like it was already mentioned; and product liability, covering the responsibility of the company after the sale of a product.

On the company side, the past sales, competitive research, the company and employees experience and the discussion with other global entrepreneurs are also to be taken into account.

4.3 The Influence of Politics on the Market

Politics are the last important domain that the company should look out for, and more particularly, the political risks. Ownership risk can be important in some countries, making the company loose its property by a political process rather than through a

business one, like a merger or a buy-out. The Operating Risk, meaning the risk of State interference in the operations of the company, is the most common one. The last risk is that of transfer, a risk affecting the movement of funds, often to protect a country from capital outflow or capital flight following a crisis or a major economic event.

The company may adopt different strategies in entering a market, depending on all of the factors described earlier. The most common one is to create a partnership with a local company in order to enter without much previous experience with the local business world.²² Some companies voluntarily put a limit in time to the partnership to take on the market on their own once they have acquired enough experience, while other choose to make the partnership last since it proves to be fruitful under the particular market conditions they are facing.

Other possible means of entry are exporting, either through a purchaser or a local branch ; licensing, as in giving a business partner the right to use the company's patents in exchange for royalties, like the Coca-Cola Company very often does outside of the United States; a turn-key project, meaning building a new completely autonomous branch, with its own production and its own target audience ; taking interests in a company, whether it is a minority or a majority interest, therefore having an already existing local business become a branch of the company ; a merger with a local business, taking advantage of their position and experience on the market ; or a joint-venture, opening a third company with a partner and sharing the equities and interest.

4.4 Multiculturalism in the Workforce

One of the main obstacles the companies have to face when expanding abroad is that of cultural diversity inside the company, since it brings both huge advantages and relative downsides.²³

In multicultural teams, employees can tend dislike and mistrust themselves, especially if they come from cultures that tend to stereotype each others in a way that does not encourage trust between them. Stereotyping can therefore be a big part of that mistrust and can lead to some friction between them. Misunderstandings can also lead to inaccuracy and a decreased effectiveness. In the end, all of these problems can be overcome as the colleagues get to know each others and the cultures they belong to.

²² (Gerdes S., 2003)

²³ (Adler N., 2002)

On the other hand, multiculturalism can lead to non-negligible advantages. As the employees get to know each others cultures, they will accept new ideas, new perspectives and will have improved their communication and their cooperation, making them more efficient in an international context.

Moreover, they will be able to develop new products and get new ideas as they will not all be thinking in the same patterns.²⁴ Self-censorship will also be minimal as they get to know each others, being less limited by their own values and customs. Unanimity will also become more rare, forcing the company to develop and precise their ideas and products as much as possible. Finally, pressure will decrease, as they will not be limited by the patterns of their own cultures.

This needs to be achieved by selecting the employees by their qualifications and their effectiveness, and not only by their culture, so as not to create an artificial diversity that would damage the team more than help it. The colleagues also need to recognize their differences, establish a goal or a vision for them to work on together and that they can all relate to, and not try to give more importance or power to a culture in particular. This will create mutual respect between the employees, but the hierarchy also needs to help by encouraging feedback from those employees.

As such, four types of diversity in teams can be distinguished. A homogeneous team is one composed of employees from solely one culture. A token team is similar to a homogeneous team, save for one employee who will come from a different culture. A bi-cultural team, however, will have two cultures equally represented inside of the team, while a multicultural team will have three cultures or more represented more or less equally inside of the team.

All of these tools can be used by a company when expanding to a different market from their own. The process has in recent years become more and more common, but it remains relatively important for a company to do so.

²⁴ (Chaney L. & Martin J., 2011)

5 LONGITUDINAL ANALYSIS

4.1 Assessment of the Spanish expansion

The Spanish expansion is rather similar to the expansions of all of the benchmarking companies in that it followed the same pattern and reasons. In the second and third companies, London was chosen as their European headquarters for the cultural similarities and historical proximity that the United Kingdom had with their home countries, in occurrence, India and Hong Kong. Besides, even though the first company came from Turkey, and therefore had little cultural similarities compared to the other two companies, the English language remains a business lingua franca, giving London the advantage over Paris or Zurich, where the English is not as widely spoken. London was then chosen since as the capital of the United Kingdom and its most populated city, it already welcomes most of the services companies in the country, whether foreign or not.

TrueCPA chose Barcelona for the very same reasons. First, the cultural similarities between Spain and Chile, as well as the historical proximity of Chile with Europe²⁵, even after its independence, have made Spain the logical choice for TrueCPA. Evidence of that comes from the various association agreements that Chile has signed with the European Union. The choice of Barcelona as its main office, however, may not appear to be obvious. After all, Madrid is the biggest city as well as the capital, and does not have any of the language issues and limitations that Barcelona and Catalonia in general suffer from. However, since the senior employee attached to the new offices is Catalan, he is knowledgeable about Catalonia and its business cultures, and being a Catalan speaker, fits the standards and regulations imposed on the businesses by the Catalan government. The Catalan community law makes the use of the Catalan language in the workplace compulsory at least in part. Moreover, the work contracts as well as the establishing documents of the company need to be in Catalan.²⁶ As such, having Catalan employees, with one having enjoyed previous experience at TrueCPA, turned out to be a huge advantage.

Latin American companies have invested in developed economies in the past, though it was more in the United States than it was in Europe. Most of those investments were for manufacturing, insurance, oil, or real estate.

²⁵ (R. Crane, C. Rizowy, 2011)

²⁶ (Generalitat de Catalunya, 1998)

The industries of investments by Latin American companies have since become more numerous, as the technology has enabled a greater access to more industries and to more markets, especially in the services industry. The difference with past companies and expansions is therefore remarkable.

TrueCPA also differs in that when it comes to expansion, partnership is usually the preferred mode of entry into a market, since it gives a company an ally to strive on the market before potentially taking off on its own. TrueCPA, however, has not needed a partnership, since there was no client to obtain in a first time. Indeed, the company has followed their clients who had expanded in Spain and did not need to acquire new clients. However, once the branch is deemed stable, and has sufficient experience with the Spanish market, they will be able to obtain more clients than they already had.

One last characteristic sets TrueCPA apart from many other Latin American companies is that it did not need rely on its diaspora. Many Latin American companies use the Latin diaspora either as clients or as partners when expanding to a foreign market. TrueCPA, however, did not need to do so, as the employees already had enough knowledge of the market, and there was little to no language barrier.

4.2 Reference for future expansions.

4.2.1 Is the next expansion necessary?

When it comes to Europe, the first possibility that should be taken into consideration is that it may not be necessary to open a new branch. After all, thanks to the laws and directives of the European Union towards its member states, the Spanish branch is able to conduct its business in the whole European Union without opening new branches. Barcelona has good enough transportation towards the rest of Europe to be able to act as a hub, though it is nowhere close to the status Madrid or Paris enjoy with the rest of the Continent. As such, if advisory or auditing must be conducted elsewhere in Europe, teams could fly to the location of the company in order to conduct the business without requiring the company to have an existing legal company in that country.²⁷

However, it appears unlikely that a team of five employees would be able to cope with the number of companies and the distances, as well as the cultural differences in the business world that are sure to arise in this particular case. Should the company choose

²⁷ (Harris, P. & MacDonald, F., 2004)

such a scenario, it would have to hire more employees from very different backgrounds and capabilities, including linguistic abilities, which it would have to reconcile with the rather tight current regulations in Catalonia to protect the Catalan language. Furthermore, it would have to provide for a consequent logistical budget, since their employees would have to move regularly in order to visit the different client companies. It therefore appears that this solution is not a viable one, and that if TrueCPA truly wants to deepen its operations in Europe, it will have to absolutely open new branches in Europe.

4.2.2 Reasons to expand

Now that it is known that if TrueCPA wants to continue further into European business, it will have to open new branches, it also needs reasons to prove that such expansions will be necessary. Some of them have already arisen in the past, and some have already pushed for the first expansion into Spain.

The first and the most obvious reason would be if one of its client companies was to expand by itself, and would need an advising and auditing company in its destination country. This is the reason that has been driving TrueCPA all this time, and it is far from impossible for it to drive the company once again.

The second reason would be if the market was to look especially attractive for TrueCPA, more on its advisory services than on its auditing services. Indeed, Europe is home to many companies in many different industries, many of which are becoming more and more international and transnational due to the ever increasing place that the Information Technologies hold in the business world.²⁸ Latin America and South America are looking especially attractive for these companies, offering a variety of markets with varying sizes, widely different regulations and opportunities. However, still very few of them have already expanded, let alone have gotten experience in those markets. An advisory company with experience in South America would be extremely helpful to many of those companies. Even more so, TrueCPA has experience and branches in more than one market, including Brazil and Argentina, arguably the two biggest ones.

²⁸ (Bonin H. & Segreto L., 2011)

In any case, none of these reasons exclude the other one and TrueCPA way very well be expecting to open a branch in a new market, but simply expecting for one of their clients to expand further into Europe to do so.

4.2.3 The Location

Europe is a very diverse land, and many countries would be appropriate for a future expansion.

The United Kingdom and especially London appear as an obvious choice. The City of London is the financial capital of Europe, if not the World, and many foreign companies already have branches there, including the benchmarking companies that have been selected. The many business opportunities that would be offered to TrueCPA are extremely appealing, but are not the only advantage. The United Kingdom has the advantage of having English as its official language, making the language barrier for companies that are already international negligible. Furthermore, being such a big transportation hub, it also offers the possibility of conducting business and audits elsewhere more easily than from Barcelona or many other locations.

Germany also appears as an appropriate location, but for different reasons. The language barrier would be present, and Germany is by no mean a financial center, but it offers a different kind of appeal.

First, it is by far the most important economy in Europe, and many of its companies are constantly looking for new markets.

Second, the Ruhr region is home to many chemical industries, which may be looking to open branches in countries that could offer either cheap but qualified labor cost, or that offer prime materials. Northern Chile is a mining region, including copper, Iodine and Lithium²⁹, and many chemical companies from Germany would benefit from being closer to their suppliers or even expanding vertically by opening operations in mining. Germany also has a big advantage over the United Kingdom, in that it uses the Euro (€) as its currency, while the United Kingdom uses the Pound Sterling (£). In effect, with its first branch opened in Spain, which also uses the Euro, there would be no confusion and no money loss while converting the different currencies. Besides, many currencies have

²⁹ (Dávila C. & Miller R., 1999)

now been pegged to the Euro, making it a standard, even outside of the European Union.³⁰³¹

A variety of other large hubs could appeal to TrueCPA for very similar reasons as the previous ones, like Paris, Amsterdam, Geneva, Dublin or Milan. However, given the structure of the European Union, choosing a member state of the European Union, even one outside of the Schengen area like the United Kingdom, appears more profitable and simple than a non-member state, like Switzerland. Norway and Iceland are exceptions, being full members of the European Free Trade Area, which makes the difference between them and European Union members negligible for businesses that are not involved in either fishing or agriculture.³²

Indeed, while Switzerland has a thriving banking industry it is not able to do business with the European Union without opening a new branch there, whereas companies from EU member states are able to do so.³³

³⁰ (European Commission, 2014)

³¹ (Hatt S. & Gardner F., 2002)

³² (European Free Trade Association, 2013)

³³ (Harris, P. & McDonald, F., 2004)

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APPENDICES

Appendix 1. Results of the survey for benchmarking company

Question :	Name of the company	Can the company name be disclosed in the thesis?	Origin of the company	What is the legal status of the company?	What is the target audience for the products the company offers?
Legend		1 = Yes	1 = Argentina		
		2 = No	2 = Australia		
			3 = Brazil		
			4 = Canada		
			5 = Chile		
			6 = China (People's Republic of)		
			7 = Colombia		
			8 = Hong-Kong		
			9 = India		
			10 = Japan		
			11 = Mexico		
			12 = New-Zealand		
			13 = Peru		
			14 = Singapore		
			15 = South Africa		
			16 = South Korea		
			17 = Turkey		
			18 = United States		
Respondent 2	[Redacted as demanded by company]	2	17	limited	marine insurance
Respondent 3	SBI Capital Markets	1	9	Limited liability	investment
Respondent 4	Hanover Search	1	18	Private	LLP
Respondent 5	Mirae Asset	1	8	Limited	investment

How many employees does the company have?	Outside of Europe and its home country, in how many countries is the company...	What triggered the need for an expansion?	In what year did the expansion occur?	How long in advance was the expansion planned?
1 = Less than 50				1 = Less than 6 months
2 = Between 50 and 100				2 = Between 6 months and 1 year
3 = Between 100 and 500				3 = 1 year
4 = More than 500				4 = 2 years
				5 = 3 years
				6 = Between 3 and 5 years
				7 = More than 5 years
2	1	For marketing reasons. we wanted to be closer to London market to be able to explain our needs and understand how london market works	2012	3
4	1	need for internationalization and understand european market	2008	3
1				
3	10	Our International experience made the need for this expansion obvious	2007	2

Over what period of time did the expansion occur?	In which country was the first expansion	Why was this location chosen?	At the time of the expansion, how many employees were in the new team?	What percent of those were new hires?	What percent of those were locals?	What is the legal status of the first European branch?
1 = 6 months	1 = Albania			1 = None	1 = None	
2 = 1 year	2 = Andorra			2 = 25% or less	2 = 25% or less	
3 = 2 years	3 = Austria			3 = 50% or less	3 = 50% or less	
4 = 3 years	4 = Belarus			4 = 75% or less	4 = 75% or less	
5 = More than 3 years	5 = Belgium			5 = All of them	5 = All of them	
	6 = Bulgaria					
	7 = Croatia					
	8 = Czech Republic					
	9 = Denmark					
	10 = Estonia					
	11 = Finland					
	12 = France					
	13 = Germany					
	14 = Greece					
	15 = Hungary					
	16 = Iceland					
	17 = Ireland					
	18 = Latvia					
	19 = Liechtenstein					
	20 = Lithuania					
2	39	It is the right place for our business	2	3	5	Limited
1	39	Closer to customers	5	5	4	Limited
1	39	London is a financial center in Europe	7	4	5	Limited

How much does the branch rely on the company as a whole for decision making...	Has any disagreement between HQ and the branch occurred ? If yes, please ex...	Inside the European Union	Outside the European Union	Did the company expand further in Europe ?	If yes, where did the next expansion occur ?	Does the company have any plans for future expansion (in Europe or elsewhere...
1 = Completely, all orders come from the headquarters				1 = Yes	1 = Albania	1 = Yes
2 = Can take care of the less important decisions				2 = No	2 = Andorra	2 = No
3 = Has most of the decisions					3 = Austria	
4 = Completely independent					4 = Belarus	
					5 = Belgium	
					6 = Bulgaria	
					7 = Croatia	
					8 = Czech Republic	
					9 = Denmark	
					10 = Estonia	
					11 = Finland	
					12 = France	
					13 = Germany	
					14 = Greece	
					15 = Hungary	
					16 = Iceland	
					17 = Ireland	
					18 = Latvia	
					19 = Liechtenstein	
					20 = Lithuania	
2	none	1	1	2	0	2
2	no	1	0	2	0	1
2	No disagreement has occurred	1	0	2	0	1

Note: The first respondent has been deleted, since it was only a test answer. The third respondent has not completed the survey, and therefore, was not used for benchmarking in the thesis.

Appendix 2. Results of the first Questionnaire sent to TrueCPA Group

What triggered the need for an expansion in Europe ?

- Hispanoamericano una vez conseguido el objetivo, miraremos a Europa.
- When did the expansion occur ?
- No hubo una expansión solo se abrió en 7 países , Chile, Brasil, Venezuela Perú, España, Argentina y México.
 - How long in advance was the expansion planned ?
 - No se planificó la expansión si no que se definió que la compañía partiera con los 7 países juntos.
 - Over what period of time did the expansion occur ?
 - No aplica.
- Why was Spain the chosen destination ?
- Por ser un país de habla hispana.
- How was the team assembled ?
- Los equipos compuestos son :

Socios

Gerente

Director

Staff (A,B,C y D)

Asistentes

Senior (A,B,C y D)

Semi Senior

Supervisores

Trainer

- How many new employees were hired ?
- Se incorporaron en total en los 7 países: 220 aprox.

- Among these new employees, how many of them were locals ?

Brasil : 100

Perú 40

Argentina 20

Mexico 20

Chile 35

España 5

Venezuela 5

- What were the standards needed to be employed by the company ?

- Los requisitos necesarios es ser contador auditor o economía.

- What is the legal status of the European part of the company ?

- Sociedad de Responsabilidad Limitada

- How much independence does the branch have ?

- 7 países ,

Chile – Santiago.

Brasil – Sao Paulo – Belo Horizonte – Brasilia – Rio de Janeiro

Venezuela - Caracas

Perú - Lima

España - Barcelona

Argentina

México.

- Have any disagreements over policies and methods between the branch and the parent company already arisen ?

- Todos tienen que cumplir normas de Marketing, Auditoria, Impuestos.

Y los desacuerdos se resuelve con el dueño (hay sólo uno)

Forwards in Europe

- After the first European expansion, to which country (or countries) will TrueCPA expand next ?
- Sólo 7 países, todos de una vez
 - How was the location decided ?
 - Por el idioma
- Will the new branch be dependent on the first European branch ?
- Son empresas independientes pero con los mismo socios.
- How will the team be constituted ?
- Todos de una vez
 - How much of the team will have been from TrueCPA before, and how much will be newly employed ?
 - All are newly

Appendix 3. Results of the Second Questionnaire sent to TrueCPA Group

Gabriela Espinosa <gabriela.espinosa@truecpagroup.com>

25 novembre 2014 19:30

À : Arthur Duchamp <arthur.duchamp@gmail.com>

Hola! Ya aquí van ojala que te sirvan y que te vaya bien! Saludos!!

- ¿Cuanto tiempo ha tomado el plan para abrir la sucursal?

El plan para abrir la sucursal duro 3 meses.

- ¿Qué fue hecho en preparación de la expansión? ¿Cuales son las cosas que fueron más preparadas?

No la respondió don carlos ayer apenas vi tu correo le avise y como viajaba a Brasil estábamos con muchas cosas.

- ¿Quién les ayudó en el proceso de expansión? Socio Principal
- ¿Porqué Barcelona fue elegida? ¿Porque no fue en Madrid? Un socio es Catalan
- ¿Cuando ha empezado el proceso de expansión? En 2013
- ¿Cuando ha terminado el proceso de expansión? No ha terminado
- ¿Como fueron elegidas las personas empleadas? Por su profesión de Auditor
- ¿Cuantos clientes tiene la sucursal española? 5
- ¿Quién ha elegido el lugar de la oficina? ¿Como fue elegido? El Socio a cargo de Barcelona.

Saludos!!!

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