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Mexican Market Entry Business Plan

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PRESENTED BY:

Marin Anicama, Mónica Giuliana

Advisor: Sandro Sánchez Paredes

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Dedications

I dedicate my thesis to my parents Hector Marín and Giuliana Anicama, who with love and comprehension, have been my unconditional support at every step I had taken in my life; I owe them all my achievements.

To my son, Rodrigo Alvarez, who is the most important person in mi life; I will always try to make him proud of his mom. Also, to my sister Liz Marín, who has always guided me with her priceless advices.

Abstract

Bigmond is a Peruvian company dedicated to the search of top executives offering a superior value proposition in the market. Given the great acceptance in Peru, the firm is keen to expand its commercial activities to Mexico to become a multinational company. The objective of the project is to develop a viable business plan for Bigmond's entry into the Mexican Executive search market. An external market analysis was carried out to identify opportunities and threats that could influence the success of the project. In addition, an industry analysis to assess Porter's Five Forces was carried out. After identifying the key factors, a qualitative and quantitative study of the Mexican market was conducted to define the target market of the project in which Bigmond should focus. The historical development of Mexico's industries, the growth forecast, the demand for talent by sector, the provision for outsourcing services in companies, the concentration of potential companies at the regional level and the main market trends were taken into consideration for the assessment. Results showed that the target market should focus on the central region of Mexico and on the development of the technology industry in each of these four main economic sectors: Marketing and Communications, Manufacturing, and Financial Services and Construction. Within a next step opening a branch in Mexico City has been identified as the most suitable entry strategy for Bigmond. Then, the implementation plan included the marketing mix, which showed that one of the key success factors will be the development of brand equity. Finally, the financial analysis indicated a resulting economic TIR of 102.5% and a NPV of US \$ 309,000. In addition, a sensitivity analysis assessed the expected market share. Findings of the nine scenarios showed an expected minimum IRR above 15% and a NPV greater than zero. This leads to the conclusion that establishing a commercial activity in the Mexican market is a feasible option with a promising outlook for Bigmond.

Resumen Ejecutivo

Bigmond es una empresa peruana dedicada a la búsqueda de altos ejecutivos con una gran propuesta de valor en el mercado. Dada la gran aceptación en el Perú, la firma tiene mucho interés en extender sus horizontes y llevar su propuesta de valor a México. El objetivo del proyecto es desarrollar un plan de negocio viable para la entrada de Bigmond al mercado de Executive search en México. Para ello, se realizó un macro análisis de mercado para identificar oportunidades y amenazas que podrían influenciar el éxito del proyecto. Además, se realizó un análisis de la industria a través de las cinco fuerzas de Porter. Luego de identificar los factores claves, se realizó un estudio cualitativo y cuantitativo del mercado mexicano para definir el mercado objetivo del proyecto en el cual Bigmond debe enfocarse. Se tomó en consideración el desarrollo histórico de las industrias de México, el pronóstico de crecimiento, la demanda de talento por sector, la disposición por los servicios outsourcing en las empresas, la concentración de potenciales empresas a nivel regional y las principales tendencias del mercado. El resultado definió que el mercado objetivo se ubica en la región central de México y debe enfocarse en cuatro principales sectores económicos: Marketing y comunicaciones, Manufactura, Servicios Financieros y Construcción, con un gran enfoque en el desarrollo de la industria tecnológica en cada uno de los sectores. A continuación, se desarrolló la estrategia de entrada que tuvo como resultado crear una sucursal en la ciudad de México. Luego, se llevó a cabo el plan de implementación través del marketing mix el cual desplegó que el principal factor clave de éxito será el desarrollo del valor de marca. Finalmente, el estudio financiero dio como resultado un TIR económico de 102.5% y un VAN de 309 mil dólares americanos, además se realizó un análisis de sensibilidad con la cuota de mercado y el crecimiento del negocio, los nueve escenarios desplegaron un TIR superior al 15% y un VAN mayor a cero. Lo cual permite concluir que el proyecto de entrada al mercado mexicano es viable y factible.

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Chapter I: General Situation of the Organization

1.1 Presentation of the Organization

Bigmond is a Peruvian company specialized in the Executive Search business. The current CEO is Fernando Gonzalez. Its main office is situated in Santiago de Surco, Lima and currently employs six people. Since the company's foundation two years ago, it has developed a promising competitive positioning within the market. The company employs a divisional structure, focusing on the search and acquisition executives, middle management, and entry level applicants, respectively. Clients include large players in almost all major industries such as Sony, Ripley, Newmont and Jockey Plaza. Following its vision to provide equal labor opportunities to all, Bigmond's core principles guiding all areas of operations are equality, quality, passion and responsibility. Core competencies are the company's strong focus on operating responsibly and promoting environmentally friendly business operations, which is shown by its support of the UN Global Compact, carbon neutral local operations, and ISO 9001 accreditation. Hence, the company has committed to employing the highest possible governance standards in order to maximize customer satisfaction while guaranteeing responsible business operations. Moreover, the company provides superior service level to its international clients which exceed the sole Executive Search and Acquisition but also provides follow-up onboarding and coaching as part of the service package. While the company operates in Central America, Europe, South American countries such as Chile and Brazil, as well as the Asian market the company currently has shown interest in exploring new markets and establishing its first commercial operation overseas. One of Bigmond's favored markets to enter in order to turn the company into a multinational is Mexico. Whether Mexico can be regarded as a promising and feasible location

for establishing commercial operations will be assessed in the following section. Therefore, an analysis of the competitive environment, macroeconomic, social, legal, political and environmental market environment will be provided. Moreover, an internal analysis of Bigmond's strengths and weaknesses will be provided within the following section. Within this analysis, widely recognized tools such as the Porter's Five Forces Analysis, PESTLE Analysis and an AMOFHIT Framework will be employed.

1.2 Industry Analysis

The purpose of the following section is to examine the effects of Porter's forces on Bigmond entering the Mexican market. Hence, an assessment of the external competitive environment, which is crucial to determine the feasibility of the Mexican market, will be provided in the following section.

1.2.1 Questions to address

The following questions will be addressed when applying Porter's Five Forces: How does industry rivalry, according to Porter's five forces affect Bigmond? If new entrants enter the market, what is the threat of this to Bigmond? Answering these questions will help to identify potential obstacles and opportunities within the competitive environment. These are crucial factors to consider in determining market entry feasibility as well as in selecting the most promising entry mode.

1.2.2 Scope of Porter's five forces

Due to Bigmond's request to enter the Mexican market, the following analysis will focus on the assessment of rivalry and the competitive market environment within Mexico. Findings will be used for further investigation in order to define the most suitable division to enter the

market and to find the most promising segmentation, target customer and entry mode in order to best face the external environment. To Bigmond specifically, there will be a strategic focus on entering the market as an executive search firm with high operating standards. The selection of executives will be solely in the senior level management bracket and the company will continue to do thorough background checks with companies to ensure that operation within the company abide by Bigmond standards.

1.2.3 Top competitors in Mexican market

Cornerstone International Group. It is a company specialized in the attraction, selection and evaluation of senior executives. It has been awarded in the 2016 ranking by Forbes as one of the most important companies in the Executive Search sector (Forbes, 2018). It is a member of the association AESC (Association of Executive Search Consultant), whose main mission is to promote best practices in the search for talent. Its main services are Executive Search, Leadership Assessments and Board search. According to a sales executive of Cornerstone, the main differentiations are (a) Deep Market analysis (b) Specialized teams by industry and functions (c) Delivery of candidates at 20 working days (d) On-boarding process by 5 sessions during the first 6 months (D. Cubas, personal communication, August 10, 2018). Also, Cornerstone International in Mexico offer a guarantee period without cost if the employees decide to quit their job or are fired from the company. For senior positions it is 18 months and for middle management it is 9 to 12 months. The investment applied for senior and middle management are demonstrated in Table 1.

Table 1

Executive Search Services Fee of Cornerstone International

	Gross Monthly Wages	Investment
Senior positions	Between 115,000 y 170,000 MXP ^b	20% of GAW ^a
	More than 170,000 MXP	25% of GAW
Middle positions	Between 25,000 – 45,000 MXP	12% of GAW
	Between 45,001 – 80,000 MXP	14% of GAW
	Between 80,001 – 115,000 MXP	16% of GAW

Note. Services Fee of Cornerstone International. This information was retrieved from personal communication with Cornerstone executive in August 10, 2018. ^aThe gross annual wage (GAW) considers 13 monthly gross wages in the year. ^bValues represented in Mexican pesos, exchange rate 19MXP/USD.

According to Cornerstone International Group (n.d), the fees are billed in the following manner: 50% upon acceptance of the proposal and 50% upon hiring the candidate or delivering the market mapping. If there is an increase or decrease in the final remuneration agreed with the candidate, the fees are adjusted in the final invoice. Considering positions with more variable monthly fixed remuneration, the sum of the fixed remuneration plus the average monthly variable remuneration is considered.

In other hand, the company does not count with any certification in quality, care of environment or a distinct of social responsible company.

Korn Ferry. Korn Ferry was considered Top 1 in the Best Executive Recruiting Firms Ranking of Forbes (Forbes, 2018). Their main differentiations are based in the years of experience and the customizing of their services. The main segments are (a) Executive Search, (b) Hay Group and (c) Futurestep. (a) Executive Search focus in find the best talent for the companies, especially in top senior levels, with high expertise in financial services, industrial, healthcare, technology and education (Korn Ferry, 2018). The Executive research process has a duration of 60 to 90 days in middle positions but in senior level the duration is from 90 to 120

days (E. Ceballos, personal communication, August 10, 2018). Also, they have a guarantee period of 12 months for both levels (b) Hay Group is a segment that focus in align employees to the strategy of the companies developing and engaging employees to retain talents. (c) Future step includes flexible services such outsourcing, recruitment process, professional search, talent consulting and employer branding. Overall, the company has high expertise in every field related to human resources, however, it does not possess any certification in quality, environmental and social responsibility.

The prices considered for Executive Search depends on the level position of the candidates, the investment is presented in Table 2.

Table 2

Executive Search Services Fee of Korn Ferry

Level	Investment
Senior positions	30% of GAW ^a + 12% Administrative costs
Middle positions	27% of GAW + 12% Administrative costs

Note. Services Fee of Korn Ferry. This information was retrieved from personal communication with a Korn Ferry executive on August 10, 2018. ^aThe gross annual wage (GAW) considers 13 monthly gross wages in the year.

Alto Partners. Alto Partners is an Executive Search company with 30 years in the Mexican market and with 60 offices in 38 countries around the world. It is part of AESC (Association of Executive Search Consultant) for 10 years. It has two segments: Executive Search and Leadership Consulting. Leadership Consulting include eight products such Board Effectiveness Assessments, Compensation Surveys, Human Resource Due Diligence, Interim Management, Leadership and High Potential Assessments, Leadership Development, Leadership Onboarding, Organizational Development and Succession Planning (Alto Partners, n.d.). Executive Search is a process to select the best executive talent but with customized proposal, it

processes has a duration of 6 weeks in senior positions and 4 months in middle management level. It has a guarantee period of six months or one year depending of the candidate's performance (E. Falcon, personal communication, August 9, 2018).

Executive search prices depend on the level position of the candidates; the investment is presented in Table 3. Its fee payment is divided in 3 parts: 33.33% at beginning of the service, 33.33% at presentation of three candidates, 33.33% at signature of the hiring contract.

Table 3

Executive Search Services Fee of Alto Partners

Level	Investment
Senior positions	27% to 30% of GAW ^a
Middle positions	27% of GAW (Minimum 400,000 MXN ^b)

Note. Services Fee of Alto Partners. This information was retrieved from personal communication with Sales Executive of Alto Partners. ^aThe gross annual wage (GAW) considers 13 monthly gross wages in the year. ^bValues represented in Mexican pesos, exchange rate 19MXP/USD

On other hand, the company does not possess any certification in quality, environmental and social responsibility. They consider AESC membership as a distinct of quality and best practices in Executive Search consulting.

Signum. Signum is a global firm with 60 years of experience in the Mexican market and is in 30 countries in Latin America. According to a sales executive of Signum, in Executive search services, the main differentiation is the customization of their services, they adapt its services depending of what exactly require the customer, in terms of time, guarantees, on-boarding post services, etc. The group of characteristics will set the final price; however, the standard price is shown in the Table 4.

Table 4

Executive Search Services Fee of Signum

Level	Investment
Senior positions	30% of GAW ^a
Middle positions	25 - 28% of GAW

Note. This information was retrieved from personal communication with Sales Executive of Signum. ^aThe gross annual wage (GAW) considers 13 monthly gross wages in the year.

The process has a duration of 60 days in senior and middle positions, but the payment is divided in three phases: 33.33% in the acceptance of the services, 33.33% in the presentation of the candidates and the final 33.33%. Its guarantee period is one year, it is only in lack of performance cases.

GOSECO International Executive Search. GOSECO is a boutique international Executive Search company with headquarters in US but operations in Mexico. The company are member of AESC since 1959 and firmly follows quality and ethics required from the association (GOSECO International, n.d.). According to Gabriel Gonzales-Saavedra, president and CEO of GOSECO International, affirm that the main differentiation in Executive Search segment are the years of experience and the specialization by sectors and functions, and the detail process that they have. The service includes a deep analysis to find the best three candidates and the service finish with the hiring, they do not have on-boarding process included (G. Gonzales-Saavedra, personal communication, August 9, 2018). Its prices are shown in Table 5.

Table 5

Executive Search Services Fee of GOSECO International

Level	Investment
Senior positions	27 - 30% of GAW ^a
Middle positions	27 % of GAW

Note. This information was retrieved from personal communication with Sales Executive of GOSECO International.

^aThe gross annual wage (GAW) considers 13 monthly gross wages in the year.

The process has a duration of 60 days in senior and 30 in middle positions. Its payment is divided in two phases: 50% in the acceptance of the services and 50% in the presentation of the candidates. Its guarantee period can vary from 1 to 6 months depending of the customer requirements (G. Gonzales-Saavedra, personal communication, August 9, 2018).

Barbachano. Barbachano is considered by Forbes as one of the best executive search firms in America and has a dominant standing in Mexico (Barbachano International [BI], 2018). It was founded in 1992 to help multi-national companies cope with their recruitment needs and HR in Mexico and Fernando Ortiz-Barbachano is currently the president of the company (BI, 2018). Fernando has been recognized as an industry expert by the Wall Street Journal (BI, 2018). Currently the industries that the company are in right now are manufacturing, private equity, consumer goods, medical devices and life sciences, automotive, aerospace and defense, energy and chemicals, electronics, industrial products, software and high tech, telecommunications, food and beverage, executive management, operations and plant management, engineering, quality and opex, materials and supply chain, IT and tech, sales and marketing, accounting and finance, HR, administrative, production, and customer service (BI, 2018).

The services that Barbachano provides are recruiting, executive search, executive coaching, and outplacement (BI, 2018). The scope of the company is San Diego, Tijuana,

Mexico City and offices in Sao Paulo, Bogota, Buenos Aires, Santiago de Chile, Lima and many in the USA (BI, 2018). The reach of company is global (BI, 2018).

HR Consulting Mexico. This company has over 16 years of experience in the Mexican market and the industries it participates in are IT, telecom, automotive, electronics, metal-mechanics, electric, aerospace, consumer products, capital equipment and retail (HR Consulting Mexico [HCM], 2018). The services that the company provides are recruiting support to American and European companies with operations in Mexico who are looking to bilingual and bicultural executives for their key positions in Mexico (HCM, 2018). Service includes, executive search and selection process, recruiting of executives, interview arrangements for either phone or face interviews with candidates, ongoing professional coaching on the Mexican market, industry and salary ranges, monitoring and helping both parties, the company and the prospect candidate throughout the whole process (HCM, 2018). They work on a contingency basis and you do not have to pay until the candidate is onboard (HCM, 2018). The scope of the company is Mexico City, Guadalajara, Monterrey, Toluca, and Cities Along the Border such as Mexicali, Tijuana, Ciudad Juarez, Reynosa for Maquiladoras (HCM, 2018). Typical positions that the company hires for are general managers, country managers, plant managers, chief executive officers, finance directors, controllers, commercial directors, sales directors, sales managers, HR directors, HR managers, engineering, production, specialized technicians and IT engineers (HCM, 2018).

Russell Reynolds Associates. Russell Reynolds Associates opened their Mexico City office in 1994 (Russell Reynolds Associates [RRA], 2018). The industries the company reaches are business and professional services, consumer, education, energy and natural resources, financial services, healthcare, industrial, nonprofit, private equity and technology (RRA, 2018).

The services the company provides are assessment, board and CEO advisory group, culture advisory, digital, diversity and inclusion, executive search, family businesses, succession planning at the CEO level (RRA, 2018). Typical positions that the company hires for are board of directors and chief executive officers, corporate affairs officers, data and analytics leadership, financial officers, human resources officers, legal officers, regulatory officers, compliance officers, marketing officers, operations and supply chain officers, risk officers, and technology officers. There is also a pool of 451 consultants that they offer from 46 offices worldwide (RRA, 2018).

Alder Koten. Alder Koten operates out of Mexico in Monterrey, Mexico City and Guadalajara (Alder Koten, 2018). They specify on senior-level management and have 26 consultants, six offices in three countries (Alder Koten, 2018). The industries that they cater to are aerospace, defense and marine, construction, energy and chemicals, life sciences, professional services, technology, automotive and land vehicles, consumer markets, equipment and industrial products, renewable resources, transportation and logistics, building products, education and non-profit, financial services, mining and metals, and sports (Alder Koten, 2018). The services that they offer are recruitment, advisory and talent stewardship. In the recruitment stage they do a board search, executive search, professional and middle management search and project recruitment (Alder Koten, 2018). In the advisory stage they have board services, leadership and talent assessment, organizational culture, and inclusion and diversity. In the talent and stewardship stage they have onboarding, internal transition, outplacement and coaching (Alder Koten, 2018).

Table 6

Bigmond Competitors in the Mexican Market

Competitor	Main differentiation	Duration	Senior		Middle Management			Certifications
			Guarantee	Services Fee	Duration	Guarantee	Service Fee	
Cornerstone International Group	Deep Market analysis Specialized teams by industry and functions Delivery of candidates at 20 working days On-boarding process by 5 sessions for first 6 months	20 working days	18 months	20 - 25% Annual wage	20 working days	9 - 12 months	12 - 16%	No
Korn Ferry	Years of experience in the Market Customizing of their services	90 - 120 days	12 months	30% Annual wage + 12% Administrative costs	60 - 90 days	12 months	27% Annual wage + 12% Admin. costs	No
Alto Partners	Years of experience in the Market Customizing of their services	42 days (10 weeks)	6 months	27% to 30% Annual wage	28 days (4 weeks)	12 months	27% Annual wage	No
Signum	Customization of their services	60 days	12 months	30% Annual wage	60 days	12 months	25% to 28% Annual wage	No
GOSECO International Executive Search	Years of experience and the specialization by sectors and functions 12 steps of a detail process	60 days	1 - 6 months	27% to 30% Annual wage	30 days	1 - 6 months	27% Annual wage	No

Note. This information was obtained through personal communication with sales executives from each firm.

1.2.4 Porter's five forces

Supplier power – LOW. With operation in the Mexican market, supplier power in relation to Bigmond entering the market is low. This is the market of inputs and an assessment of how easy it is for suppliers to drive up prices (CGMA, 2013). It is driven by the number of suppliers of each essential input; uniqueness of their product or service; relative size and strength of the supplier; and cost of switching from one supplier to another (CGMA, 2013). The bargaining power of suppliers in this industry can be considered very low because it is not dependent on a sourced product (CGMA, 2013). Furthermore, there is not much fluctuation in prices in the Mexican market.

Suppliers are also considered offices and can act as a means in which a company will operate in another location by using an office in the existing country (Itzkowitz, 2010). When working with a supplier, it is important to use caution and seek an opportunity to expand, with an effort to nurture the relationship (Itzkowitz, 2010). Additionally, firms must continue to apply supplier selection processes that are methodical and align with company culture and values (Itzkowitz, 2010). To have a supplier be an office operating in another location, a good relationship needs to be developed between the company and the supplier so that a cohesive bond will be formed which will lead to additional benefits for both (Itzkowitz, 2010). Bigmond is currently using supplier offices and the exploration of doing this in Mexico will be presented in the following chapters. General services are also a form of supplier power and this could be interloped with combining relationships with an office.

In addition to offices, another form of a supplier is a freelancer. Producing a high-quality service is not the only thing to consider when operating a company (Irimia and Gottschling,

2016). It is also important to make sure that the cost of optimization and the supply chain is effective and efficient (Irimia and Gottschling, 2016). Thus, it is critical that a business sources the right type of supplier and this process can become easier by allocating the work of supplier sourcing to a freelancer (Irimia and Gottschling, 2016). Considering freelancing for Bigmond would mean that Bigmond would have to give up some power in operation and an analysis in the following chapters will explain an entry strategy best fit for Bigmond and if hiring a freelancer would be a good option to pursue or if there are better recommendations available. Overall, supplier power still remains low for Bigmond entering the Mexican market because the current goal is to maintain ownership in Mexico.

Buyer Power – LOW. Buyer power in the market is low because of set wage brackets in Mexico. With Bigmond focusing specifically on senior level management, these managers will fall into a wage bracket, specific to qualifications. There is little price fluctuation which keeps buyer power low. Buyer power is the assessment of how easy it is for buyers to drive prices down (CGMA, 2013). This is driven by the: number of buyers in the market; importance of each individual buyer to the organization; and cost to the buyer of switching from one supplier to another (CGMA, 2013). If a business has just a few powerful buyers, they are often able to dictate terms (CGMA, 2013).

The number of customers varies depending on the demand of the companies that need positions filled. Gaining more clientele will drive the number of customers up. The size of the customer orders also depends on the demand of the companies that need positions filled. Each competitor varies depending on size of the company and the volume that the company is able to handle. Competitors to Bigmond are mainly focused on opportunity in the senior-level and middle-management positions and are located mainly in the Mexico City and Guadalajara areas

(World Bank, 2017). Differences in the companies are the services that are provided and the industries they cater to.

Price fluctuation is not common because of the set wage levels in Mexico (World Bank, 2017). Each tier of management will be based on a similar pay structure abiding by the wage level tiers and the position. A buyer can choose a company that suits them best which is why Bigmond will have to differentiate in the market to find the niche that it will capture market share and a customer base. A buyer has a lot of access to information. They are able to contact a company directly and have easy access to quick information. In relation to price sensitivity, switching costs are not common.

Competitive Rivalry – HIGH. It is easy for a company to enter the Mexican market so competitive rivalry remains high for Bigmond. It will be important to find a target area to focus on to grow the business against competitors. The main driver is the number and capability of competitors in the market (CGMA, 2013). Many competitors, offering undifferentiated products and services, will reduce market attractiveness (CGMA, 2013).

There are current competitors in the market and Barbachano International (BI, 2018) and HR Consulting Mexico have been in the industry the longest with 16 years of experience (HCM, 2018). Russel Reynolds Associates follows with 14 years of experience and the other companies are fairly new to the Mexican market (RRA, 2018). Each competitor has found a specific area of the market to concentrate on, whether it be specifying in finding senior management versus middle management or focusing on certain sectors to accommodate. The field is very diverse in that each competitor offers services that set them a part in the playing field.

This industry varies in its concentration because each company focuses on specific industries and services. Bigmond will be competitive in the market because of its value proposal and the diversified onboarding process. There is high potential for industry growth because the barriers of entry are low. This means that there is potential for an increased number of competitors in this market.

Quality is determined by company standards and values. Each company has a different set of standards that will then drive quality. Quality can also come from the managers that are used to fill the positions. For example, a manager who fills an Engineering management position has to have prior education and will have to have previous work experience. The quality of the employee is then determined by these measures. There is brand loyalty because companies will associate themselves with whoever they have established trust with and will continually use whoever has been the most successful and has given the best results. The barriers to exit are very low. Bigmond would only face its own investment losses on the amount it invested in entering Mexico. There are no switching costs.

Threat of substitution – LOW. There is very little threat for substitution for an executive search company entering the market because of the specificity of the services provided. Bigmond will offer additional services that will differentiate themselves from other companies. Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases (CGMA, 2013). This reduces both the power of suppliers and the attractiveness of the market (CGMA, 2013).

Most of the substitute products will be from the services offered. Bigmond will have a distinguished service because of only working with companies that give value and use practices

of social and environmental work. Also, there is a value proposal that includes a six or nine-month onboarding process with constant evaluation and quality control (Bigmond, 2018). A buyer's propensity to substitute would come if the buyer experienced something negative or was looking for a service that is not provided by Bigmond. The prices of substitute would depend on the type of service required and the level at which it would have to be executed. There is product differentiation in the industries offered and services provided.

Threat of new entry – MEDIUM. There is always a threat of new entrants, so this category would be ranked as medium because of the ease of entering the market as a new company. Profitable markets attract new entrants, which erodes profitability (CGMA, 2013). Unless incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability will decline to a competitive rate (CGMA, 2013).

There are very little barriers to enter this market and Bigmond would be able to enter it easily. It is a benefit they Bigmond currently operates in Peru and has associates in Chile, Columbia, Argentina, Brazil, Ecuador, U.S.A., Europe and Asia (Bigmond, 2018). This will help them in expansion and entrance into the Mexican market. It is also a benefit that they share a common language. There are companies that have cost advantages due to their size. The top two companies to keep in mind would be Barbachano and HR Consulting Mexico because of their existing presence and knowledge in the Mexican market.

Brand loyalty will be based on existing partnerships and delivery of a service. Each company has an established customer base and it is important to gain a large customer share. Capital required would be the cost to enter the Mexican market and to continually operate in the

country. A capital investment would be the cost of having an operational office or offices located in Mexico. Bigmond would have to compete with existing companies that have around 16 years of experience. Investing in marketing and exploring a partnership will be important tactics to gain an edge on existing competitors.

Capital moves freely across the Mexican border (World Bank, 2017). As of January 2012, there is not a fixed amount of minimum capital needed to organize a corporation (World Bank, 2017). It is required that there are at least two shareholders to organize an entity and all of the stakeholders of the corporations that qualify to be fully foreign owned may be formed by foreign investors that could be corporations or individuals (World Bank, 2017). There can only be a maximum of 50 shareholders (World Bank, 2017). There is a registry run by the federal tax authorities that require all tax payers to apply for a registration number and an Advanced Electronic Signature Certificate. Most of the states have their own registries for local tax (World Bank, 2017).

Bigmond should explore expanding the current Executive Insider channel to Mexico. This will help in getting their name in the Mexican market. It will provide great insight to best practices and will be a good stepping stone to progress. Additional marketing tools would be to have a webpage specific to Mexico, create a Facebook and Instagram account, and begin to do articles or Podcasts.

MEDIUM	LOW	LOW	LOW	HIGH
Threat of new entrants	Bargaining power of suppliers	Bargaining power of buyers	Threat of substitute products or services	Rivalry among existing competitors
<ul style="list-style-type: none"> - Barriers to entry - Economies of scale - Brand loyalty - Capital requirements - Cumulative experience - Government policies - Access to distribution channels - Switching costs 	<ul style="list-style-type: none"> - Number of suppliers - Size of suppliers - Uniqueness of each supplier's product or service - Focal company's ability to substitute - Switching costs 	<ul style="list-style-type: none"> - Number of customers - Size of each customer order - Differences between competitors - Price sensitivity - Buyer's ability to substitute - Buyer's information availability - Switching costs 	<ul style="list-style-type: none"> - Number of substitute products available - Buyer propensity to substitute - Relative price performance of substitute - Perceived level of product differentiation - Switching costs 	<ul style="list-style-type: none"> - Number of competitors - Diversity of competitors - Industry concentration - Industry growth - Quality differences - Brand loyalty - Barriers to exit - Switching costs

Figure 1. Porter's five forces of Bigmond. Data from *Porter's five forces*, by B2U, 2016, Retrieved from <https://www.business-to-you.com/porters-five-forces/>

1.2.5 Corruption and target market

Corruption – MEDIUM. Corruption still exists in the Mexican market, so it will still be a factor that Bigmond has to consider. Background checks on companies will still have to be performed to verify that the company is not corrupt and abides by the high standards of Bigmond. Corruption is an additional factor added because it is a part of the valuation system in Bigmond. Mexico has a new National Code of Criminal Procedures (CNPP) established in 2014 and states that all legal entities will be responsible for crimes committed (World Bank, 2017). This includes corruption and will be subjected to penalties (World Bank, 2017). There is a specific anti-bribery and corruption regulation that is defined as bribery, the influence peddling to induce the authority, the use of false information and collusion (World Bank, 2017). There are

administrative penalties and a fine for up to two times the benefit obtained or 150,000 times the daily value of the Measurement and Update Unit (World Bank, 2017).

Target market. In the following chapters, a more in-depth analysis will be performed on the target market. To incorporate this tailored to Bigmond on the competitive landscape, a look at the factors surrounding the target market will be considered. These additional considerations are price, promotion, people, process, physical evidence, product and place. In relation to Porter's Forces an overview will be done with each.

Price will be determined based on the wage bracket of senior level management in Mexico as well as considerations of industry. There will not be much fluctuation as it is focused specifically on senior level management. Promotion will come in the form of advertising, recommendations and networking. Bigmond will have to select a marketing strategy to gain a customer base. Exploration of the use of the Executive Search YouTube channel catered to Mexico will be considered.

The people that will run the operations in Mexico will be determined based on how Bigmond enters the Mexican market. The process of operations will be focused on executive search and quality service. Physical evidence will be analyzed in the following chapters that will determine the best entry strategy for Bigmond and if an establishment is feasible based on the financials. Since this is a service company, there is not a product factor. The determination of the place that is best to enter the market as an executive search company focused on senior level management will also be found.

1.3 External Analysis (PESTE) – Opportunities and Threats

1.3.1 Political

Mexico has a robust democratic setup. Formal government institutions are defined by the constitution drafted in 1917, which is regarded as an expression of popular opinion that ensures civil and labor rights, electoral democracy, and national sovereignty (Flannery, 2016). The drafters of the constitution, inspired by social and liberal political philosophy, prescribed a republican system of government with separate powers for the executive, the legislature, and the judiciary (Flannery, 2016). They further recognized a broad range of political and social rights including the right to freedom of expression, the right to unionize, and the right to conduct peaceful protests against the authorities (Flannery, 2016).

1.3.2 Economic

Mexico is among the world's 15 largest economies and is the second largest economy in Latin America (Kesseli, 2017). The country is nevertheless highly dependent on the United States, its largest trading partner and destination of 80% of its exports (Kesseli, 2017). In 2017, growth was moderate (+2.1% compared to +2.3% in 2016, IMF) and even contracted in the third quarter, mainly because of the two earthquakes that hit Mexico City in September (Kesseli, 2017). Domestic demand was the main driver of Mexican growth (Kesseli, 2017). In 2018, the presidential elections and the ongoing renegotiations of the NAFTA could hamper investment. The IMF expects a growth of 1.9% of GDP for 2018 (Kesseli, 2017).

The country has around 44 Free Trade Agreements in place with several countries and other parties, including Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan and Peru (Villarreal, 2017). More than 90% of Mexico's trade falls under FTAs. FTAs

have substantially liberalized the country's trade regime (Villarreal, 2017). The agreement is expected to open up a lot of new markets for Mexico and will reduce its dependence on the US (Villarreal, 2017). The country has accelerated talks at the beginning of 2018 to update a free trade agreement with the European Union as part of the strategy to decrease its reliance on the United States, which accounts for 80% of its total exports (Villarreal, 2017).

Domestic demand remains the key driver of this growth. This demand has been reinforced by the recent structural reforms, which have led to the decline for consumer prices, especially on electricity and telecom services (Trading Economics, 2018). The reforms are also hedging a low inflation environment while pushing up the credit expansion, which has boosted the real wage and employment levels in the economy (Trading Economics, 2018). Declining peso has made its non-oil exports competitive in the international market (Trading Economics, 2018).

Gross Domestic Product (GDP) growth slowed to 2 percent in 2017 as uncertainty, including that arising from the ongoing North American Free Trade Agreement (NAFTA) renegotiations and the electoral process, depressed investment. Significant tightening of fiscal and monetary policy in recent years also weighed on domestic demand. Private consumption, however, has held up reasonably well despite the fall in real wages associated with an inflationary spike in 2017 (Trading Economics, 2018). A strong recovery of external trade created a vigorous contribution to GDP growth (Trading Economics, 2018). Increased external competitiveness derived from the accumulated currency depreciation and strengthened U.S. industrial production have been invigorating Mexican exports (Trading Economics, 2018).

As mentioned above, since the year 2013 Mexico's economic growth has averaged 2% annually, falling short of private-sector expectations governments sweeping reforms would bolster economic prospects (CPH Group, 2018). Growth is predicted to remain below potential given falling oil production, weak oil prices, structural issues such as low productivity, high inequality, a large informal sector employing over half of the workforce, weak rule of law, and corruption (CPH Group, 2018). Mexico's economy remains vulnerable to uncertainty surrounding the future of NAFTA and to potential shifts in domestic policies following the inauguration of a new president in December 2018 (CPH Group, 2018).

1.3.3 Social

Mexico has a high level of investment opportunities, yet the country's failing education system at different levels is a major source of concern (Dudley, 2008). It seems that the high spending goes mostly toward paying the salaries of teachers, and little is done for building and maintaining the infrastructure in schools (Dudley, 2008). As a result, the students suffer, as they are deprived of basic infrastructure facilities such as electricity, potable drinking water and toilets (Dudley, 2008). Furthermore, corruption in the system has enabled the buying and selling of teaching jobs in the country (Dudley, 2008). Some individuals receive jobs even with low qualifications, reducing the quality of instruction (Dudley, 2008).

The government has also worked on improving its healthcare and welfare services for the aged. In November 2010, the country sought the help of the The World Bank to tackle poverty in the country, by increasing financing for the "Oportunidades Program," which will help over five million low-income families, or 25 million people. The country has received \$366.7 million for its Program of Quality Schools (Programa Escuelas de Calidad) to undertake school

improvement plans, monitoring, supervision, and evaluation. The government has proposed a universal social security scheme and passed an education reform bill seeking to improve the quality of education in schools (Randall, 2006).

Although Mexico has achieved universal health coverage, still the quality of healthcare needs to be improved. The government remains committed to improving the healthcare and education infrastructure. Another area of concern is drug related violence, though the government has taken steps to curtail it. Moreover, the country suffers from high inequality of income, which should come down in the future as new opportunities open up due to liberalization of various sectors (Maddison, 1992).

In other hand, the government is promoting a movement of an inclusive Mexico, which means promoting equal opportunities for all Mexicans and reducing gaps in education, access to basic services and jobs that currently exist in the Mexican market. The government has special focus in non-discriminatory policies and equal treatment (EY, 2017). Also, policies are being developed to regulate the fair competition of companies in the market and avoid agreements between them that could harm Mexicans (EY, 2017).

1.3.4 Technological

Mexico has a strong technical workforce, which has encouraged multinational companies to open manufacturing centers across the country (Heng, 2011). Mexico also boasts of an aerospace sector that is among the most vital engineering industries in the country (Heng, 2011). However, the level of innovation in Mexico is low, as can be seen from the small number patents granted by the United States Patent and Trademark Office in 2015 (Heng, 2011).

Mexico boasts of an aerospace sector that is among the most vital engineering industries in the world today. Over 260 Mexican companies provide aerospace engineering services and equipment (Heng, 2011). Due to the strategic importance of the US-Mexico borders, many aerospace companies are developing in that region (Heng, 2011). In fact, Mexico's aerospace sector, which began as an assembly industry, has grown to manufacture sophisticated aero-parts and fuselages (Heng, 2011). The industry is well supported by specialist education and training programs (Heng, 2011).

On the other hand, technology has advanced so fast that there is a tendency to automate many processes, which would require professionals to be increasingly competent to maintain a key position in companies. Research in robotics and machine learning is being developed for the future and it is assumed that it could be dangerous for people considered level B or C, that is, they are not properly prepared for development of analysis but rather have operational positions (Korn Ferry, 2017). Machine learning will automate some functions and that will cause the creation of new jobs and the elimination of others, but in spite of being a great tool it will still require highly skilled people to work in the automation process (Korn Ferry, 2017). The demand for high skilled professional will increase in the future.

1.3.5 Environmental

Mexico is one of the top five countries in terms of biodiversity. Air pollution is a major concern in Mexico, with Mexico City considered one of the most polluted cities in the world (Sustainable Governance Indicators, 2017). Research studies in Mexico City point to the growing threat of heart ailments due to high concentrations of suspended particulate matter (Sustainable Governance Indicators, 2017).

In 2012, Mexico received a loan of almost \$400 million from The World Bank and the FIP (Forest Investment Program) to develop a stronger forest protection plan (World Bank, 2017). As part of the Strategic Climate Fund, the FIP aims to fight deforestation and prevent the degradation of forests by wildfires (World Bank, 2017). The money will go towards funding programs that provide instrumental knowledge and resources on global climate change and deforestation (World Bank, 2017). The money will help in protecting the lands from natural disasters and in creating a more sustainable Mexico (World Bank, 2017).

1.3.5 Summary

Table 7

Mexico PESTE Analysis Summary

Political	<ul style="list-style-type: none"> • Mexico has a robust democratic setup • Freedom of expression, the right to unionize, and the right to conduct peaceful protests. • Recent elections AMLO.
Economic	<ul style="list-style-type: none"> • Mexico is among the world's 15 largest economies. • 44 Free Trade Agreements. • Mexico's economic growth has averaged 2% annually since 2013.
Social	<ul style="list-style-type: none"> • Country's failing education. • Corruption in the system (Jobs) • Promotion of equal opportunities, education and jobs by Mexican government • Promotion of fair competence between Mexican companies by government
Technological	<ul style="list-style-type: none"> • Mexico has a strong technical workforce. • Level of innovation in Mexico is low. • Increasing demand of robotic and machine learning threat permanency of old jobs but create new opportunities.
Environmental	<ul style="list-style-type: none"> • Air pollution is a major concern (Mexico City) • Stronger forest protection plan.

Note. Data from Flannery (2016), Kesseli (2017), Villareal (2017), Trading Economics (2018), CPH group (2018), Dudley (2008), Randall (2006), Maddisson (1992), Heng (2011), Sustainable Governance Indicators (2017), World Bank (2017), EY (2017), Korn Ferry (2017).

1.4 Internal Analysis

One of the primary purposes of any organization is to create value. This ability to create value is determined by the unique company structures, culture and the particular execution of the underlying business functions. In the case of Bigmond the objective of value creation exceeds the sole objective of maximizing short-term financial profit. Instead, it recognizes the importance of simultaneously creating value for the environment and the society while adapting superior governance standards. Throughout the following AMOFHIT Analysis, the company's areas of internal strengths and weaknesses within the areas of Administration and Management (A), Marketing and Sales (M), Operations and Logistics (O), Finance and Accounting (F), Human Resources (H), Information Systems and Communication (I) and Technology- and Innovation Development (T). Hence, the analysis provides an important overview regarding the company's current areas of excellence and possible areas for improvements which might become crucial in determining the success of the company's future operations.

1.4.1 Administration and management

Strengths: Developed Management Capabilities and Expertise, ISO Certification. Within the functional area of administration and management' developed competencies can be seen as a major strength. These competencies have a personal as well as professional nature. Examples for management's personal competencies are its recognition of the importance of social responsibility as a determinant for workplace culture and design. This responsible workplace culture and design is supported by the enforcement of the principles tolerance, diversity and equality by all managers and employees. Moreover, the above-mentioned integrity and engagement in social and environmental initiatives is also reflected in the company's various

accreditations. One example is Bigmond's ISO 9001 Certification. This certification ensures that all processes and actions the company takes are compliant to the underlying requirements and contribute to the overall aim of increasing customer satisfaction. On a professional level, all managers are required to have several years of experience within corporations. Hence, each manager enriches the company with market-, management knowledge and the ability to emphasize with clients.

Weaknesses: High CEO Dependency. A potential weakness within the administration and management operations is the high dependency on the CEO due to its expertise in all functional areas. Moreover, the employed process within the client relationship maintenance stage tends to include the CEO as the sole responsible for follow-up customer relationship communication. Hence, this stage can be seen as a bottle neck in the current processes.

1.4.2 Marketing and sales

Strengths: Various Sales Channels & Superior Service Consumer Relations. One of Bigmond's key strengths is its close consumer contact within the entire sales acquisition and sales process. Within this process the development of interpersonal trust is created through integrity and a focus on long-term relationship-based collaboration with consumers. This leads to a high rate of re-engagement with previous customers who prefer Bigmond over other executive search firms. Bigmond's strong focus on maintenance of the client-company relationship after the initial sales process is a further point of strength. Weekly interactions with customers increase the understanding, development of interpersonal relationships and early recognition of future business opportunities or problems. Furthermore, Bigmond enhances its competitive positioning through offering executive search services which do not end with the employee

acquisition but include an onboarding training. Within this up to nine months training, cultural adaption and the achievement of performance goals is facilitated. Hence, overall customer and employee satisfaction are increased. Another strength is Bigmond's employed marketing strategy. One of the employed strategic marketing initiatives is the CEO's YouTube format Executive Insider. Being the first and only human resource video channel in Peru, Executive insider uses interviews with industry experts and highly recognized company owners in order to inform consumers and share best practices. Hence, the video channel can be regarded as an important marketing tool in order to increase brand awareness as well as general awareness about the importance of social and environmental responsibility in business.

Weaknesses: Bigmond's Network and Maintenance Process. A weakness faced by Bigmond in the area of Marketing and Sales concerns its underlying network. While the company has been able to build a network based on recommendations from previous customers, it currently lack the access to a high profile and prestige- based network. Within traditional market development, this social-class based sales network has been recognized as an important source for operational success in the Peruvian market. Having a high-class network can become specifically become relevant for Bigmond as the company targets the biggest and most prestigious partners in growing industries to which are often hardly achievable. Moreover, a high-class international network can facilitate market entry in times of strategic expansion. A drawback of the Maintenance process is the lack of standardization, the high dependence on the company's CEO, as well as the required time commitment.

1.4.3 Operations and logistics

Strengths: Organizational Division Structure, Flexibility and Quality. Due to its small firm size, Bigmond benefits from its operational flexibility. This flexibility allows the company to quickly adjust to changing market conditions in a highly dynamic market. Its low degree of underlying bureaucratic structures allows the company to make timely decisions which in turn lead to its ability to become a first mover within the market. The underlying operational principles of flexibility is also represented in the employed divisional company structure. At Bigmond the organization is divided into three different executive search division, namely the Executive Division, Middle Management Division, and the Entry Level Division. Hence, Bigmond's organizational structure promotes low hierarchies and an increased decision-making freedom. Operations are directed by the Director/ Division Manager. While the Divisional Manager is responsible for taking strategic and operational decisions, all functional areas work collaboratively in order to reach the company's operational objectives. Another benefit of employing the divisional model is the insurance of high quality services as well as a high service level. This aim is reached through direct client communication processes between the Division Manager per Executive Search category and the respective clients. From a logistical perspective, a major strength is the company's ability to operate as the only carbon-neutral Executive Search company within the region.



Figure 2. Executive search operational model. Adapted from *Servicios*, Bigmond, 2018, Retrieved from <https://bigmond.com/servicios-2>.

Weaknesses: Limited Strategic Options and Hampered Risk-Taking Opportunities. One of the weaknesses regarding the firm's operations business unit is its restricted ability to pursue a wide variety of strategic action. This is primarily due to Bigmond's small firm size and the resulting limited access to resources, which constrains the company's ability to engage in big-scale strategic initiatives. Hence, Bigmond's operational focus can be regarded as being risk-averse due to the larger amount of resources required in order to engage in high risk high return activities.

1.4.4 Finance and accounting

Strengths: Superior Accounting Standards and Internal Control Systems. Bigmond's focus on quality, responsibility and transparency is also reflected in the company's Finance and Accounting operations. In order to achieve the goal of following financial objectives while

simultaneously maintaining a responsible way of operating, Bigmond operates according to internationally recognized accounting standards. Hence, the company places high importance on accurate accounting procedures and flawless documentation. Imposed fraud controls and feasibility checks are executed in order to reinforce accountability for financial transactions and accounting and to guarantee compliance.

Weaknesses: Small Profit Margins and Firm-Size Based Resource Constraints. Due to its small firm size, Bigmond is subject to a size-based resource constraint. Instead of being able to receive external funding, the company can solely rely on its internal financial resources. This puts the company in a disadvantageous position as larger multinational companies which operate in the Peruvian market benefit from cross-financing possibilities between sub- business units and beneficial access to external financing sources. Moreover, the company has to accept relatively small profit margins in order to still be able to offer competitive pricing for its services.

1.4.5 Human Resources

Strengths: Promotion of Equality and Diversity within the Workplace. As a supporter of the UN Global Compact, Bigmond commits to best practices in the areas human rights, labor rights and equality. Therefore, the company encourages responsible workplace design. One of Bigmond's strengths within the Human Resource business function is the company's strong focus on equality. Employment opportunity is open to anyone meeting the required professional and social capabilities regardless of the applicant's demographic characteristics. The first example is gender. Bigmond provides equal career and employment opportunities for men and women. Hence, there are no wage gaps between female and male employees, women can hold any position within the company, and there is a zero-tolerance policy regarding gender- or any

other kind of discrimination at the workplace. Another core principle which goes hand in hand with equality is diversity. As Bigmond values diversity within its workforce, the company guarantees equal employment opportunities to all applicants regardless of their ethnicity, sexual orientation or disabilities. The core principle of promoting equality and diversity is not only represented within the company's internal Human Resource structures, but also builds the company's overall vision of "Promoting the Equality of Employment Opportunities" (Bigmond, 2018). This overall guiding principle is also applied within the Bigmond's external business execution and makes up a unique core competency in terms of market positioning within the Peruvian market.

Weaknesses: High CEO requirements for Strategic Expansion. Bigmond is currently pursuing the goal of an international expansion to the Mexican market. Due to its sole commercial presence within the Peruvian market and the small company size, the company currently lacks the access to a potential CEO for its Mexican commercial activity. The CEO is not only required to possess deep market and industry knowledge but also need to possess knowledge of all underlying business functions. This broad knowledge base is a pre-requisite for handling the maintenance process, which can be regarded as the core priority within the entire sales process.

1.4.6 Information systems and communication

Strengths: Bigmond Digital. A strength Bigmond possesses is that they have Bigmond Digital, a digital technology that they offer on their website. If you enter into Bigmond Digital, an array of options become available and more about the process after an executive is found is explained on this site. A client will get more knowledge by entering into this site.

Weaknesses: Resource Constraints limiting Information System Potential. Based on its previously mentioned financial resource constraints the company faces a disadvantage compared to large multinational enterprises. This is due to the fact that an implementation of a company-wide for state-of the art information systems requires high financial investments and therefore might not be approved due to feasibility concerns.

1.4.7 Technology and innovation development

Strengths: Sustainable Innovation Capabilities and New Product Development. A major strength is Bigmond's innovative capacity which allows the company to follow an unconventional and dynamic operational approach. A first aspect of their success through innovation development is the employment of digital technologies and so called "E-skills" (Bigmond, 2018). Due to is development of E- skills Bigmond fosters sustainable innovation as mean to create value for its consumers. A second aspect of their deeply embedded innovation capability is the development of new products which are unique in the executive search industry. One example is "Bigmond Digital", a digital online sales system. Benefits of this innovative sales system are a facilitated, secure and faster approach compared to the conventional sales process.

Weaknesses: Limited Scope of Innovation due to Resource Constraints. Compared to many of its multinational competitors Bigmond is only able to realize a limited scope of its full innovation capabilities. This is due to the previously mentioned differences and size and access to funding which is required for big scale R&D operations. Therefore, some of the company's innovation concepts might not be pursued further based on feasibility concerns.

A	<ul style="list-style-type: none"> • Management's Developed Competencies, ISO Certification • High CEO Dependency within Key Processes
M	<ul style="list-style-type: none"> • Bigmond's Network and Maintenance Process • Positioning, Executive Insider & Strong Client Support Structures
O	<ul style="list-style-type: none"> • Organizational Division Structure, Flexibility and Quality • Limited Strategic Options and Hampered Risk-Taking Opportunities
F	<ul style="list-style-type: none"> • Superior Accounting Standards and Internal Control System • Small Profit Margins and Firm-size based Resource Constraints
H	<ul style="list-style-type: none"> • Promotion of Equality and Diversity within the Workplace • High CEO requirements for Strategic Expansion
I	<ul style="list-style-type: none"> • Highly diverse communication channels • Resource Constraints limiting Information System Potential
T	<ul style="list-style-type: none"> • Sustainable Innovation Capabilities and New Product Development • Limited Scope of Innovation due to Resource Constraints

Figure 3. AMOFHIT of Bigmond. Adapted from *Servicios*, Bigmond, 2018, Retrieved from <https://bigmond.com/servicios-2>.

1.5 Conclusion

In conclusion, it has been established and decided that Bigmond will enter into Mexico as a top Executive Search company hiring senior level management. When entering the Mexican market, Bigmond will only work with companies that share in the same core values of equality, quality, passion and responsibility and will continue to do background checks of all companies that they work with. In the Porter's Five Forces analysis, it was found that there are existing competitors in the Mexican market that would result in competition for Bigmond, but entering the Mexican market is feasible because of the ease of doing business and low barriers of entry. In the following chapters there will be an illustration of quantitative and qualitative data analysis

that will determine the specific city that the potential Bigmond office will be situated. Moreover, with the PESTEL analysis, it was learned that entry would be favorable because of the existing Pacific Alliance and current economic standing. Additionally, although not a goal of Bigmond, entering into Mexico would also allow the gain of NAFTA which has both positive and negative effects to doing business. Furthermore, with the AMOFHIT analysis, the internal strengths and weaknesses of Bigmond were found. Strengths that Bigmond possesses are its professionalism, customer contact, sales process, onboarding training, flexibility, quality, accounting standards, internal control systems, and equality and diversity within the workplace. The company does have room for improvement, such as improving innovation and expansion which will be addressed in the following chapters to provide a clear analysis on how these factors can be improved for a successful entry to Mexico. Overall, a thorough analysis has been provided to assess the competitive, macroeconomic, social, legal, political and environmental environments. Moving forward, key opportunities and problems will be identified along with a literature review of supporting documents. Main findings are presented in the following SWOT framework, see Table 8.

Table 8

SWOT Analysis

<p style="text-align: center;"><u>Strengths (Internal)</u></p> <ul style="list-style-type: none"> • Organizational flexibility. • High innovation capabilities. • Commitment to doing responsible business and ISO certification. • High management capabilities and experience. • Superior service offer. • Focus on promoting equality. 	<p style="text-align: center;"><u>Weaknesses (Internal)</u></p> <ul style="list-style-type: none"> • Financial and resource constraints • Limited risk-taking opportunities • High CEO dependency. • Manual maintenance process. • Short forecasting time frames. • Lack of an international high-class network. • Lack of international brand recognition.
<p style="text-align: center;"><u>Opportunities (External)</u></p> <ul style="list-style-type: none"> • Need for executive top talent due to low educational standards. • Need for high innovation capabilities. • Increasing commitment to doing responsible business. • Emerging industries. 	<p style="text-align: center;"><u>Threats (External)</u></p> <ul style="list-style-type: none"> • Low Mexican wage level. • NAFTA uncertainties. • Corruption rates. • High number of local or large multinational competition. • Currency volatility.

After presenting the internal, external analysis and the SWOT analysis, it is necessary to define what would be the main competitive advantage of Bigmond in the market:

Certifications of Social Responsibility, Non-corruption and Human rights. Due to the great tendency of the Mexican market to create an inclusive environment, in which equal opportunities are promoted for all Mexicans, in terms of education, access to basic services and hiring. This represents a great opportunity for Bigmond, since unlike other competitors, part of its differentiation is to maintain the certifications of equality, non-corruption, socially responsible company and human rights in the Mexican market.

Certifications in quality based in ISO 19001. The development of the selection processes will also allow a differentiation compare to the competitors, who has been investigated through

the personal interviews and they do not present a clear differentiator of what they consider as a competitive advantage. They are based on years of experience or specialization, but there is no document to prove it.

Certifications in Environmental Activities. - In the same way, the environmental certifications will also allow Bigmond to remain aligned with the efforts of the Mexican government in its plans to conserve the environment.

All these certifications will allow Bigmond not only to differentiate himself from his competitors but to align himself with the government's plan to promote these good initiatives and the creation of new laws related to these movements. This will bring an advantage to Bigmond in every way, since it will be prepared for what is being implemented for the future of Mexico, this will help it to position itself quickly in the market while the competition will be migrating to these guidelines. It will give you time to create value and acquire market share in Mexico. The processing of certifications is a difficult and expensive process, as well as an effort to maintain the conditions of the certification. That is why it is considered a competitive advantage because it could be considered a barrier for competitors to imitate the processes.

Chapter II: Key Opportunity

2.1 Identified Opportunity

While Bigmond has been able to build up a substantial client base within its first years of operation on a local level, the company aims to engage in international expansion in order to become a multinational player within the near future. Currently, the company is mainly competing against large multinational companies who benefit from a larger access to resources, external financing possibilities, and a high-profile network due to its international brand recognition. Therefore, the company is trying to accomplish a multinational presence in form of a commercial operation within a country in order to extend its high-profile client network, increased resource access, increase its international brand recognition, and access to a large target market with new target customers. One of the challenges faced within entering a new market while maintaining a responsibility focus and highest quality standards is the dependence on a highly qualified, socially responsible, and experienced CEO with general knowledge in all major business areas. Within the Peruvian market his function is currently employed by the CEO Fernando Gonzalez who cannot leave his position in Peru in order to become the director in the within the commercial operations abroad. This relates to the values and mission of Bigmond, to ensure equality within the company and to hold companies that they work with to the same standards. Standards are guaranteed within companies that Bigmond works with by doing a necessary background checks in each company that they work with. Hence, not being able to find a top executive with the pre-defined requirements could negatively impact the establishment of the commercial activity and jeopardize the previously established high quality and responsibility standards.

2.1.1 Motives to enter

There are many ways in starting a business in Mexico. If Bigmond explores starting a business in Mexico City, there are specific procedures, time conditions and cost conditions to consider. A thorough analysis is given on the summary of time, cost and procedures in starting a business in Mexico City that will be considered (Appendix Table 2.3).

2.2 Identified Challenges

2.2.1 Research and learning

A point to acknowledge when identifying challenges is that there are not specific cases of an Executive Search company entering Mexico. The research presented in this paper is to exclusively identify Bigmond entering into Mexico as an Executive Search company hiring senior level managers. Research previously done has not included the time spent gathering information. This will be the task of the Bigmond Centrum consulting students and the following report.

2.2.2 NAFTA

NAFTA is the North American Free Trade Agreement (NAFTA) between Mexico, Canada and the United States. NAFTA's purpose is to encourage economic activity between these three countries. In 1993, the Clinton administration signed NAFTA and believed that it would create 200,000 new jobs in the United States within two years and one million in five years due to economic growth. Supplements of NAFTA included two additional regulations; the North American Agreement on Labor Cooperation (NAALC) and North American Agreement on Environmental Cooperation (NAAEC). The intent of both of these agreements were intended to prevent businesses from relocating to other countries to gain lower wages, more lenient health

regulations and little environmental standards. Due to NAFTA, Mexico, Canada and the United States have all experienced economic growth, increased trade and higher wages.

Addressing the last point, an identified challenge with Bigmond entering Mexico are the higher wages generated because of NAFTA. This could present a challenge for Bigmond because of the adjustment in wage brackets from a senior level management position in Peru to a senior level management position in Mexico. Also, wages of employees in Mexico would differ from wages in Peru and this will be another adjustment the company will have to adapt to.

2.3 Key Opportunity

2.3.1 Substance and expansion motives

In order to be considered a multinational company, Bigmond is required to enter the new market through the establishment of a commercial activity. This will entail entering solely as an executive search company hiring senior-level management in order to provide a manageable problem scope. One of the benefits provided through this kind of market entry is access to a new market. Hence, the company can approach new target customers and increase its international brand recognition. Besides generating a new revenue stream, a commercial operation in the new target market can facilitate possible future expansion plans in order to expand international presence even further. Another benefit is that the parent company can share its resources and expertise which has been built within its previous operations in the Peruvian market. Another important benefit is that the parent company can continue to provide guidance and remain in control. This is especially important in order to ensure strategic alignment with the locally established business. Which has been mentioned as a major area of concern by the CEO.

2.3.2 Location

The establishment of a commercial business unit requires the entire organization, as expertise from all functional areas is required. Therefore, the location of the opportunity/challenge is organization-wide. Due to the fact that current commercial activities and future activities will be taking place in different geographic location, which are Peru and Mexico, location does not only include Bigmond as a local firm but also the Mexican market. Mexico is classified as the Latin America and Caribbean region with its income category being in the upper-middle income level. It has a current population of over 127 million and deems for very large market potential. As the previously mentioned motive of entering the Mexican market is become a multinational company, Mexico provides one of the best prospects for doing business due to its cultural similarity and geographic proximity. Mexico currently ranks 93rd out of 190 economies on ease of starting a business. The business environment is inclusive of around seven procedures and indicators are set to do business in the largest cities like Mexico City and Monterrey (Appendix A, Figure 2.1). An advantage of Bigmond is that they share a common language and have current market knowledge for the industry they will enter. To enter the following is a summary of time, cost and procedures for starting a business specifically in Mexico City (Appendix A, Figure 2.2).

2.3.3 Ownership

Bigmond will be the sole owner when entering to Mexico. There will be no partnerships considered, no acquisitions and no mergers. Fernando Gonzales will remain the company CEO while the head of the company in Mexico will still have to be appointed. Moreover, a new office will be established, and company employees will be hired for the Mexican office.

2.3.4 Magnitude

The problem is important as establishing a commercial activity in Mexico requires a substantial amount of risks, resources and working time. The magnitude and time and resources required are additionally increased through Mexico's large market size. In order to ensure that it is manageable entering into Mexico, the focus will be on a growing and emerging industry, specifically executive search specifically for senior level management. The focus will solely be on senior level management in order to guarantee profit margins. One office will be established, and the exact city will be determined as further research is done on the best city to enter for Bigmond. The analysis will conclude with the best city to enter in Mexico. Additionally, when starting a business, it takes an average of 8.4 days to enter Mexico. Entering the Mexican market is a tremendous opportunity as it determines the company's future prospects of establishing a multinational presence which fosters market based- and reputational advantages. The opportunity/ challenge is highly relevant for Bigmond as a whole because an unsuccessful execution might turn the firm into financial distress and risk a loss of quality. Moreover, its reputation for employing highest governance standards and social responsibility might be at stake and lead to customer distrust which will negatively impact sales.

2.3.5 Time perspective

The time perspective of entry into Mexico will be determined by Bigmond. This initial document will provide Bigmond with research and will act as a kick-off to the initial process of Bigmond entering Mexico. In the short-term, a description of the regulations and market entry facts will be provided to Bigmond which will allow a strategy to be implemented and developed.

A long-term mission for Bigmond will be to enter into Mexico with the standards and accreditations that Bigmond values and requires as a mean to establish multinational presence.

Table 9

Opportunity Identification

Substance	Global expansion in order to receive Access to a new target market, Foster international Brand recognition and generate new sales
Location	Company-wide, involves the Peruvian Office as well as the Mexican market
Ownership	Company's CEO and the selected director of the Mexican subsidiary
Magnitude	High strategic importance, high resource, time and monetary commitment
Time Horizon	Consulting Project as "Kick-Off" for a Feasibility and Prospect Analysis Afterwards a detailed quantitative analysis is initiated Medium-to-long-term: establishment of the Commercial Operations in Mexican Market

Chapter III: Literature Review

3.1 Literature Mapping

The literature framework will focus on the following main topics: (1) Marketing Strategy (2) Entry Mode, (3) Marketing Plan. These topics will help to provide a general overview of what concepts will be applied during the development of the proposing case. The Marketing Strategy will include: (a) Segmentation, (b) Targeting, (c) Differentiation, (d) Positioning. The entry mode tactics will present the different strategies to enter into the Mexican market depending on the level of involvement and integration of the company. There will be four concepts developed: (a) Exporting, (b) Strategic Alliances, (c) Joint Ventures, (d) Ownership of a Subsidiary. Furthermore, the marketing mix will develop the seven P's focused specifically on services: (a) Product, (b) Price, (c) Place, (d) Promotion, (e) Participants, (f) Process, (g) Physical Evidence.

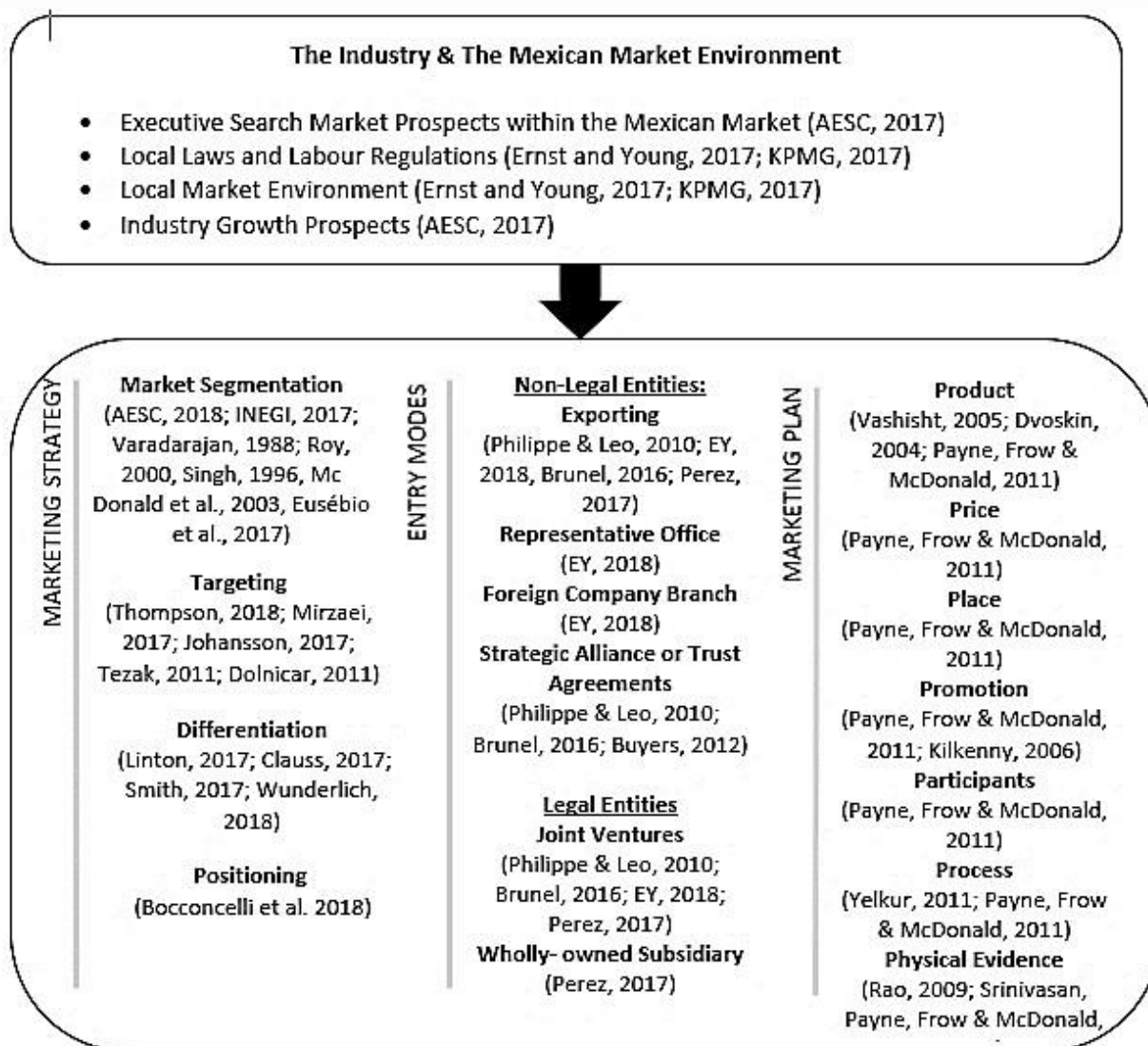


Figure 4. Literature map

3.2 Marketing Strategy

Marketing strategies consider an overall plan to reach the highest amount of people and aim to convince these people to become customers and buy the service that is being offered in the market (Varadarajan, 1988). The next section will evaluate the effectiveness of the most important marketing points which are the segmentation, targeting, differentiation and positioning (Varadarajan, 1988).

3.2.1 Segmentation

The segmentation of markets is a key part of the marketing strategy (Roy, 2000). It consists of dividing the market into a series of subgroups or homogeneous segments with respect to one or several variables, through different statistical procedures (Roy, 2000). This would allow for applying specific marketing programs that complement the subgroup or segment (Roy, 2000). This will help to effectively meet the needs of the customer and align with the company's objectives (Roy, 2000).

Benefits of market segmentation. There are several benefits on segmenting the market. It is important to identify the wishes of consumers and develop basic knowledge for the design of the product or service because this will help to determine the need of the market (Singh, 1996). In addition to that, it is helpful to facilitate and identify the target segment or the cluster (Singh, 1996). The target segment or cluster is defined as a homogeneous group internally and preserves the difference in competition that will therefore identify what the company will focus on (Singh, 1996). Furthermore, there will be optimization of available resources that will allow the company to obtain maximum efficiency and profitability in their marketing actions (McDonald et al, 2003). Finally, it is important to find intelligent allocation of commercial and marketing resources to each of the identified segments in which the company will work (McDonald et al, 2003).

How to segment the service market. The service market is considered an important sector of a country's economy (Eusébio et al, 2017). The service of goods or products of intangible nature will satisfy a growing demand (Eusébio et al, 2017). New technologies and the introduction of the Internet and e-commerce have an important role in the economy of the

country, and the service market (Eusébio et al, 2017). The main features of the service market are: (1) They give greater prominence to the concept of quality, (2) Services cannot be stored, (3) There are hardly two totally equal services, (4) Increasing importance in the application of the different variables of the marketing, (5) The human factor acquires a great prominence, (6) The added value is the one that marks the differential of the good, (7) Its development can replace, in a balance of payments of a certain country, the lack of raw materials (Eusébio et al, 2017).

3.2.2 Targeting

The concept of a target market must be contextualized in the field of marketing and also in the sphere of entrepreneurship (Hill, Lamberton & Swartz, 2018). The target market is understood as the profile of potential buyers (Hill et al., 2018). In other words, to whom a product or service is directed (Mirzaei, 2017).

How to select a target market. There are several steps on selecting a target market and the first step would be to identify a segment of the population and this group of individuals must be divided into groups or segments (Johansson, 2017). This classification process is called segmentation, and this is defined as, the grouping of potential clients according to a series of factors (geographical, demographic factors, income levels, lifestyles and cultural expectations) (Johansson, 2017). All these variables help to specify a target market for clients or potential clients in the executive search market, the market that Bigmond will focus on in Mexico (Johansson, 2017).

In order to effectively address a target market, you have to know the circumstances of each sector (Težak, 2011). For example, women who work have little time and, therefore, need types of food like precooked food or easy-to-make foods. Another example would be if a food

company establishes itself in Mexico or Peru, it must consider that both Mexicans and Peruvians prefer spicy food (Težak, 2011).

It is important to must bear in mind that each client looks for something specific, some seek quality in the service and others needs affordable prices (Dolnicar, 2011). There are also clients who value aesthetic aspects (Dolnicar, 2011). In a marketing study to define a target market, the study determined that it is necessary to incorporate very diverse variables (Dolnicar, 2011). These variables are the psychological needs of consumers, the economic and social reality, the customs of a place and fashion trends (Dolnicar, 2011).

3.2.3 Differentiation

Marketing differentiation refers to a characteristic of a service that differentiates and distinguishes from the competition (Linton, 2017). The objective of having differentiation is to provide an original service, which is both novel and unique, that will allow it to stand out from the rest of the competition, and that will push consumers to select this service over another (Linton, 2017). The definition of differentiation is a marketing strategy based on the creation of a perception by the user that differentiates it from those of the competitors, stimulating a certain preference (Linton, 2017).

A company should use different strategies of differentiation, that will aim to achieve the preferences of consumers (Linton, 2017). However, it is important to keep in mind that a differentiating feature creates the risk of being copied by others, hence it is important to provide something original that will allow the differentiation in the market (Clauss, 2017).

How to differentiate from competitors. The objective of any market-oriented company should be to create a product or service offering that is different from other competitors' offers,

that is difficult to copy and that offers greater value to some segment of the market (Smith, 2017). The key is to make a product or service that is irreplaceable in the opinion of consumers, while focusing on the service aspect (Smith, 2017).

To offer a product or service that is different from the offer of the competition, it is necessary that this product has a differential advantage that can justify the act of purchase and make a difference (Wunderlich, 2018). The key to a competitive advantage in a market-oriented sector is to understand consumers and purchasing decisions better than competitors (Wunderlich, 2018). It is important to know what the expectations of consumers are to be able to produce products that can be sold instead of simply selling products (Wunderlich, 2018).

3.2.4 Positioning

In the business world, positioning is a strategy that gives excellent results, especially in the current globalized world, in which the competition is presented constantly with greater aggressiveness in the products offered and a company's eagerness to conquer markets (Bocconcelli, 2018). This is resulting to a series of changes in the market that the common man had never imagined (Bocconcelli, 2018). Each consumer has different preferences and each time this consumer wants a product, the consumer will measure the pros and cons of the product (Bocconcelli, 2018). As competition increases in markets, it is crucial that a company position itself clearly to cater to the potential consumers (Bocconcelli, 2018). Catering to consumers is becoming very important in the market today (Bocconcelli, 2018).

Strategy for positioning. Differentiation is an important factor in positioning (Bocconcelli, 2018). Positioning the company with the majority does not usually offer any advantage (Bocconcelli, 2018). In order to obtain the best result from the strategy, the strategy

must be focused on positioning that is not imitable (Bocconcelli, 2018). If the competitors can imitate a product or service in the short term, the opportunity to differentiate oneself will be lost (Bocconcelli, 2018). Moreover, the positioning of Bigmond's brand will have to provide benefits that are relevant to the consumer.

It is important to ensure the integration of the positioning strategy within the company's communication (Bocconcelli, 2018). Towards the end of the positioning strategy the position that Bigmond will want to achieve must be profitable. Finally, the positioning of Bigmond's brand should be understood as a process of improving the brand and increasing the added value while seeking competitive advantages.

3.2.5 Other considerations

Labor Regulation. The Federal Labor Act of Mexico is the document where considerations about employment relationships are established and controlled such rights and obligations of both parties (Bocconcelli, 2018). Each act represents the relationship between the employer and employee in terms of exchanging services for a salary (Bocconcelli, 2018). There are hiring rules established for foreigners that are hired to work in the Mexican Market and Mexican citizens that are hired to work abroad (Bocconcelli, 2018).

Mexican Citizens outside Mexico. (a) Indefinite term. By default, this type of contract must be applied to hiring Mexican citizens that will work outside Mexico doing permanent activities (EY, 2018). Also, this contract can be used for a trial period or as a training contract (EY, 2018). The trial period contract represents an agreement that consists of 30 calendar days that verifies if the employee has the enough skills to demonstrate successful results (EY, 2018). Employees are evaluated with consideration to previous experience on similar tasks (EY, 2018).

The contract may be extended to 180 days for managerial positions or technical specialized workers, and this is dependent on the employer (EY, 2018). In the case that the individual does not achieve company's expectations, the employer can terminate the contract without further liability (EY, 2018). Training contracts differ from trial period contracts because they offer training for non-experience resources in order to give the employee new skills to work in the company and also gives the employer, at the end, the decision power to keep the employee in the position or not (EY, 2018).

Specific Projects. This agreement is only for specific activities that will be developed during a short period of time (EY, 2018). When the activities are completed the contract is terminated (EY, 2018).

Specific Terms. This contract is specific to a certain period of time and usually is in the case of temporary replacement (EY, 2018).

For foreign employees in Mexico. The individual contracts mentioned before can also be used for non-Mexican citizens who intend to work in Mexico, however, there are other considerations to factor in (EY, 2018). The maximum percentage of foreign employees by law in a Mexican entity is a maximum ten percent, taking into consideration that technical activities must only be developed by Mexicans (EY, 2018). Some exceptions are allowed in the case of a specific and specialized work requirement (EY, 2018).

The payment of non-citizens in Mexico needs to be approved by the National Immigration Agency (INM). So, after hiring a foreign employee, employers must accept the obligation with the Immigration Office of Mexico to verify the information related to the activities and status of the foreign employee (EY, 2018).

Employment Benefits. The common employment benefits in Mexico are:

Vacations. After one year of regular paid work, employees have a period of vacations, not less than six days (EY, 2018). Each subsequent year employees can gain two additional days, having eight working days in the second year of service. In calculation there is an allotted twelve working days off after four years of service, and an employee can gain two free days for every five years of service (EY, 2018). Employees receive an extra payment of 25% of the basic salary for each year of service.

Bonus for Christmas. Employees receive annual bonus before December 20th (EY, 2018). The amount is equivalent to fifteen days of work (EY, 2018).

Days off. After six days off from work an employee will earn one day off, not including legal holidays (EY, 2018). Payments on holidays are equivalent to three days of work ((EY, 2018).

Profit sharing. Employer gives benefits to employees to contribute with the profits for the year (EY, 2018). The benefits depend on the number of days of service in the year, position and the amount of salary. This amount must be divided by employees and accounts for ten percent of the profit obtained in the current year, being paid on May of the subsequent year (EY, 2018).

Payroll taxes and Contribution in Mexico. Employers are obligated to pay income taxes and social security contributions. The Payroll tax (ISRTP) is the tax to the income perceived by an employee that has worked in Mexico. The social security represents a protection of its rights by accessing to health and medical services, pension guarantee by the government in the future,

among others (EY,2018). In the Table 10, it is presented the ranges of each contribution in percentage.

Table 10

Contribution Percentages

Contribution	Percentage
Payroll tax (ISRTP)	Between 2% and 3% from basic wage
Social Security Contributions	
Occupational Risk	Between 0.54% and 7.59% (exact percentage depends on the employee's activity)
Health and maternity leave	Between 20% and 23%
Disability and life	1.75%
Retirement	5.15%
Social Welfare benefits	1%
Federal housing financing agency	5%

Note. Data from *Pacific Alliance business and investment guide 2017 / 2018* by Ministry of Foreign Affairs Peru, 2017. Retrieved from http://www.rree.gob.pe/Documents/2017/Pacific_Alliance_Business_and_Investment_Guide_2017-2018.pdf

Employers are obligated to retain income taxes and contributions of employees in the range of around two percent to thirty-five percent for income taxes and from two percent to three percent for social security contributions (EY, 2018).

3.3 Entry Strategies

A concern in an international expansion strategy of a company is the selection of the entry mode in the market (Philippe & Leo, 2010). This usually involves two considerations: the location of facilities and the level of control or ownership advantages in the foreign market. (Philippe & Leo, 2010). Entry modes have a high importance because they establish the types of relationship with the customers, define which transactions are involved and which ones has more costs, also, the level of risk and the returns on profits (Philippe & Leo, 2010). The different entry strategies and their characteristics are listed in Table 11.

Table 11

Characteristics of Foreign Entry Options of the Services Sector

Entry Mode	Involvement/ Control	Cost	Dissemination Risk	Returns
Licensing / Franchising	1	Low	High	Low
Exporting	2	Low	Low	Low
Management contract / Strategic Alliance	3	Low	Moderate	Low
Joint Venture	4	Moderate	Moderate	Moderate
Sole ownership	5	High	Low	High

Note. Adapted from Influence of entry modes and relationship modes on business services internationalization, by J. Philippe & P. Leo, 2010, *The Service Industries Journal*, 31(4), 643-656.

Before choosing an entry mode, it is necessary to differentiate what product will be in the new market, and if the product will be a good or a service (Philippe & Leo, 2010). Due to the nature of the business, the strategy is focused on a type of entry mode for B-to-B activities specific to services (Philippe & Leo, 2010).

To develop the strategy, it is important to take into consideration and acknowledge the growing trend of services as part of international trade (Philippe & Leo, 2010). The General Agreement on Trade and Services (GATS) and the North American Free Trade Agreement (NAFTA) have caused a real interest in export or import services between markets (Philippe & Leo, 2010). Now, governments are more aware and are analyzing and considering assets in the international market exchange (Philippe & Leo, 2010). Also, other important factors are the development of communication technologies and e-business, which has brought a wide range of new opportunities in the service sector (Philippe & Leo, 2010). This allows a company to deliver its services remotely without a physical place and to expand their operations in an international market, achieving new networks (Philippe & Leo, 2010).

Furthermore, the entry to the Mexican market produces many vital considerations. One consideration is the importance of the creation in building stronger relationships with customers, because as a consulting company Bigmond has to adapt to the requirements of the Mexican market and become more flexible (Philippe & Leo, 2010). Bigmond has a type of delivery where its clients do not “move.” Bigmond has to “move” according to their clients. This may be an opportunity to introduce a strategy based in remote communication.

Entry modes can be classified by level integration, which means the level of ownership of the entry mode (Philippe & Leo, 2010) (Figure 5). Non-integration modes mean using intermediaries such as a franchisee, partnership or joint venture. Additionally, it can be differentiated by legal independency from the parent company, a legal and non-legal entity (Philippe & Leo, 2010). Also, they can be categorized if they are equity-based or not, joint venture or subsidiary are equity-based modes, and from the non-equity side are exporting modes or contractual agreements (Philippe & Leo, 2010). According to the level of internationalization, Bigmond might fit in two of its four categories: Internationalization by establishing in the customers such joint ventures, international agencies and partnerships, or establishing international transactions where the provider has to deliver the service located in the country (Philippe & Leo, 2010).

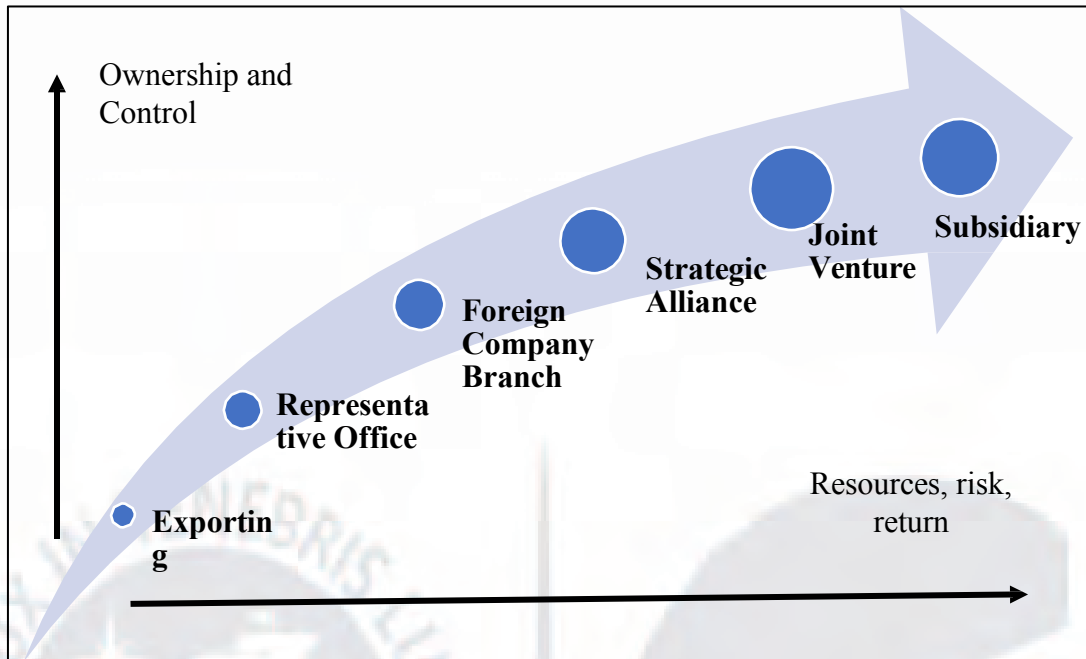


Figure 5. Entry mode strategies

Mexico had different options of structure of foreign investments to start a business. A main consideration is the legal involvement of each opportunity as it has two main types: (1) Non-legal entities such as exporting, Representative office, Strategic Alliance and Branch, (2) Legal Entities like Joint Ventures and Subsidiaries (EY, 2018).

3.3.1 Non-legal entities

Exporting. Exporting is an entry method where the firm sells and delivers their service in the foreign country but keeps operations in the domestic country (Philippe & Leo, 2010). The business activities and its revenue stem from the central office (Philippe & Leo, 2010). The entry mode based on exported services means that the delivery of the service will develop from sending consultants from Peru to visit Mexican customers (Philippe & Leo, 2010). This involves staying in the foreign country for a long period of time (Philippe & Leo, 2010).

Another option may include the use of technology advantages to offer remotely services or at least include this as a part of the process (Philippe & Leo, 2010). This would be the less expensive option, but it is an option that considers the trust of the customers in a remote service and its feasibility (Philippe & Leo, 2010). Its main advantages are direct sales without intermediaries, so profits are greater (Philippe & Leo, 2010). This allows to have a better control of the services, as they are owners of each stage of the services and to also know their customer needs better by building closer relationships through creating brand awareness and trust (Perez, 2017). Moreover, there will be improvement in relationships because face-to-face interaction is more effective in developing strong relationships (Philippe & Leo, 2010). In regard to disadvantages, this mode represents high costs of travel expenses because they must stay in the country (Philippe & Leo, 2010). Also, communication is not the same as having a local agent because the provider is not available all the time the customer needs, and it is more difficult to manage the logistics of the service from outside (Perez, 2017). This method requires high expenditures and involves risks of not to be available for the customer and could potentially increase prices (Perez, 2017).

Representative Office. Similar to the exporting entry method, the option of a representation office is a type of investment allowed in Mexico (Perez, 2017). A representative office is established in the country only for commercial purposes, and the activities of the office is limited because every decision belongs to the central business (Perez, 2017). Moreover, it cannot be considered as a Mexican legal entity because they are not generating its revenues individually (EY, 2018). Another disadvantage is the strong dependency from the parent company where the process of decision making can be struggle for late responses due to its lack of independency (Perez, 2017). Also, it involves the cost of business facilities in the case of

renting an office (Perez, 2017). The advantage is being closer to customers and building stronger relationships (Perez, 2017).

Foreign Company Branch. In Mexico, foreign companies can easily establish in the market for commercial purposes, such as a branch, as its permanent establishment (Perez, 2017). In contrast to a representative office, it generates its own incomes from the operations and it is recognized as a Mexican-domiciled entity which are obligated to pay regular taxes of its commercial activities in the foreign country (EY, 2018). The main steps to register a branch are: a) Obtaining authorization to include the firm in the Registry of Companies which is authorized by General Foreign Investment Office (DIGE) of the Ministry of Economy of Mexico b) Add the branch to the National Foreign Investors Registry (RNIE) c) Formalize by a notary public both previous documents d) Register the articles of incorporation of the foreign company to the Register of Companies. The main disadvantage is that do not have legal independence from the parent company unlike a subsidiary (EY, 2018).

Strategic Alliance or Trust Agreement. A strategic alliance or trust agreement represents the creation of partnership between two or more companies to obtain a common business opportunity in the market and learn from each other (Byers, Slack & Parent, 2012). A Strategic Alliance entry method is adopted by firms to hence competitive advantages in the market (Byers et al., 2012). An option would be for Bigmond to make a strategic alliance with another executive search company in the Mexican market or with a company in Peru that already has operations in Mexico.

The advantages are high ROE (return on equity) and ROI (return on investment), because it allows fast access to the market, advantages and learning of the position in the market of the

alliance companies, increase of sales and opportunity to share costs (Byers et al., 2012). The main disadvantages include less management control, market insulation, among others (Perez, 2017).

3.3.2 Legal Entities

The most common legal entities or corporations that foreign companies can apply to start business in Mexico are: a) Joint-stock company (Sociedad Anónima – SA in Spanish) b) Limited liability company (Sociedad de Responsabilidad Limitada – S.R.L in Spanish). These legal entities are used for joint ventures companies (based on partner of Mexico or Peru) and for a wholly owned subsidiary, they are managed under the Mexican Corporations Act (LGSM) (EY, 2018). Having consideration that exist restrictions in some areas depending on the Foreign Investment Act. Also exist Limited Partnership (Sociedad Civil in Spanish) and Non-Profit organization (Asociación Civil in Spanish) but are used more for charities, providers and professional services. Before explaining the main features of the characteristics of legal entities available in Mexico, we will present the definition, advantages and disadvantages of Joint Ventures and Subsidiaries (EY, 2018).

Joint Venture. This is a group of two or more companies from different countries that decide to create a new business together where one of them are the foreign firm and decide to establish and start operations in the foreign country or two foreign companies where one of them has already operations in the foreign country (Byers et al., 2012). Based on the case of Bigmond, it might be applied to a Mexican company in the same industry. The main advantages are the fast learning, access to partner resources such capital, knowledge, expertise, technology, and physical assets (Perez, 2017). Also, much more adaptation to the market and the scenario where company

foreigner has more control in its own operations in the international sector (Perez, 2017).

However, some disadvantages are the risk of adaptation between companies, lack of synergy and more risk of capital investment and resources (Perez, 2017).

Owned Subsidiary. The entry mode with a highest level of involvement in the market and control of the company is a subsidiary, which means to start operations in the foreign country based in their regulations, opportunities and characteristics of the market (Perez, 2017). It represents high capital investment, high control of delivery of services, face to face relationships, increase of risk due to uncertainty of the market, cultural distance issues, among others (Perez, 2017).

3.3.3 Legal considerations

The first four investment options are available in the Mexican market but are not considered as legal entities, however, these are attractive modes for foreign companies that want to incorporate their operations in Mexico (EY, 2018). The most common legal entities or corporations that foreign companies can apply to start business in Mexico are: a) Joint-stock company (Sociedad Anónima – SA in Spanish) b) Limited liability company (Sociedad de Responsabilidad Limitada – S.R.L in Spanish). These legal entities are used for joint ventures companies (based on partner of Mexico or Peru) and for a wholly owned subsidiary, they are managed under the Mexican Corporations Act (LGSM). Having consideration that exist restrictions in some areas depending on the Foreign Investment Act. Also exist Limited Partnership (Sociedad Civil in Spanish) and Non-Profit organization (Asociación Civil in Spanish) but are used more for charities, providers and professional services (EY, 2018).

Joint-Stock Company. This type of legal entity can be applied to Joint Ventures and Subsidiaries because requires independency from the Parent Company (EY, 2018). Its approval, validation and control are under of National Foreign Investments Commission of Mexico (EY, 2018). For applying to Joint-Stock structure, the company has to ensure that each firm's activity has to be allowed in the Foreign Investment Act, in that case the firm can be wholly owned by foreign investors (EY,2018). The main features to take in account are (a) Capital: Members must indicate minimum capital stock of the entity, it is not necessary a specific amount but at least 20% must be registered and paid-up in cash, (b) Governance: The entity must have a Board Directors or one manager, (c) Liability: Managers are responsible of four main activities: (1) the management of capital, (2) Compliance and legal requirements about dividends payments, (3) Submission and verification of activities required by law such accounting, audits, registrations, information systems, among others. (4) Compliance of act agreements in the shareholders meetings, (d) Supervisory: The company has the responsibility to have statutory auditors that may be internal as partners inside the firm or external auditors, (e) Transferring shares: Each transfer of shares must be previously approved by Board of Directors (EY, 2018).

Limited liability Company. Like Joint-stock company must be apply only to Joint-Ventures or Subsidiaries and their activities must be accorded to Foreign Investment Act. It must have a minimum of 2 members and a maximum of 50 members (EY, 2018). The main features to take in account are: (a) Capital: Corporation papers must include capital stack divided in equal or different values but with the condition of being multiple of one Mexican Peso, (b) Governance:

The government structure can be a board of managers, single manager or do not have governance structure, in the last case members must take the decisions of the firm. The managers are not necessary to be a member which means to have a share of the company. The members as

owners of the company, have many vote rights as many Mexican Pesos has their contributions, (c) Supervisory: No obligation to have supervisor bodies, (d) Limitation: The company cannot make public obligations or bonds (EY, 2018).

3.4 Marketing Mix

According to Philip Kotler “Marketing Mix is the set of controllable variables that the firm can use to influence the buyer’s response” (Yelkur, 2000). The general framework of marketing mix has four elements closely related to support the development of a unique selling proposition, positioning of the brand, achieve enterprise objectives and how the company will face the development in the market: Product, Price, Place and Promotion. The framework considers the needs and features of the target market (Yelkur, 2000); however, it varies from one organization to other specially when the final product is a service. A service is intangible process difficult to standardize and where the main input is the customer (Yelkur, 2000). The framework of the marketing mix needs to be adjusted to services industry including three additional factors: physical evidence, participants and process (Yelkur, 2000). Knowing the seven element of marketing mix is essential to build an overall marketing mix strategy to ensure a synergy (Yelkur, 2000).

3.4.1 Product

In consulting services, the product is the service provided to the customers to satisfy their needs. The customer must perceive the value of the product therefore is important to define levels of product in order to develop the best offering for the customer (Yelkur, 2000). The hierarchy has five dimensions: a) Core benefit: represent the customer need in its most fundamental level. It represents exactly the benefit of what the customer is acquiring b) Generic

Product: the level represents the core benefit transformed into a generic product c) Expected product: It represent the generic product with a set of minimum attributes and conditions that the customer expect, a lack of them cause dissatisfaction (Vashisht, 2006). d) Potential product: is the way that the company keep the loyalty of the customer, it represents the competitive advantage of the company (Dvoskin, 2004).

A key of successful is to link the potential product to the building of the brand. In the growing service sector, it has created more awareness of the development of the brand as a source of sustainable strategy (McDonald, Frow & Payne, 2011). Branding is one of the most important approaches in the services sector, the key is to build a corporate identity as strategy to achieve a well-stablish service in the target market (McDonald et al., 2011).

3.4.2 Price

A pricing strategy must be analyzed in detail because it can have an impact on revenues and influence in the demand (McDonald et al., 2011). The pricing levels in services, particularly consulting, can vary from one customer to other given the nature of the service (McDonald et al., 2011). The price in services can represent a signal of information about what customers will receive in terms on quality, time, scope and accuracy (McDonald et al., 2011). That is why is a sensitive point of analysis, it might consider prices in market, level of product differentiation, added product value and all the considerations as possible. The main pricing methods for services are a) Survival: in bad market conditions companies fixe a price focused only to keep competing in the market b) Profit maximization: Ensuring of maximization of profits c) Sales Maximization: Pricing to obtain market share d) Prestige: Companies use pricing to stablish as

exclusive service e) Return on Investment: Focused only to bring returns on investments (McDonald et al., 2011).

3.4.3 Place

The location and channel for services define how the service is going to be delivered and where is the adequate place. Both considerations must represent a competitive advantage because they mix level of service and the cost implied (McDonald et al., 2011). Locations are related to the nature of the service, it must define the interaction between provider and the customer. It may categorize in three cases a) Customer move to the service provider: the location turn to be an important feature, it represent a physical infrastructure and suggest costs considerations b) Provider moves to the customer: the location become less important, the provider must adapt to the customer requirements without discretions c) Transaction business at arm's length: location is not important, it might ensure a suitable communication infrastructure, offerings through digital services. The channel strategy is as important as the location, it must be related to the customer needs and what do they prefer, what is the criteria of buying or how easy for them is one channel or other. Exist three main strategy for channels: a) Single channel: interaction is only in one-way b) Activity-based strategy: use different channels such for example internet, direct sales force and call center c) Segmentation channel strategy: offering through different channels for each different groups of customers (McDonald et al., 2011).

3.4.4 Promotion

Promotion represents all the activities that can be made by communication channel to persuade customer decisions (McDonald et al., 2011). It can be divided by interpersonal communications or face-to-face channels, both communications can use separately or together

depending on what information want to provide (McDonald et al., 2011). Each has their advantages and disadvantages, for example, face-to -ace communication encourage the dialogue but can represent high costs (McDonald et al., 2011). The election of channel must be based in four main factors: Target audience, what customers need to know, what are the cost-benefit of the alternatives and if is it possible to make it (McDonald et al., 2011).

The communications process plays an important role to capture a customer and to keep its loyalty (McDonald et al., 2011). It is a complicated process that can be achieved in different ways depending on the nature of the service (McDonald et al., 2011). It must ensure a clear understanding of the service, what to expect and at the same time be attractive (McDonald et al., 2011). Currently, exists easier access of tones of information in advertisements, therefore customizing has become a tool of success specially in services where is relevant to create strong relationships. Most of the companies work towards having integrated view of the customer, in consulting for example, the process of relationship can be identified by steps of customer interaction to customize each channel used in each stage (McDonald et al., 2011). For example, stages might be “recognize opportunity”, “make contact”, “initiate offering”, “exchange of information”, etc. In each stage of sales process, the communication must turn different, while more advance in the stages stronger and more customized must be the offering (McDonald et al., 2011).

3.4.5 Participants

One of the main concerns of company services is to ensure a standardize quality services in every delivery (McDonald et al., 2011). Maintaining high standards during the pre-sales, the delivery of the service and the post-service depends mostly of the work force in the company

(McDonald et al., 2011). The use of people is the main differentiation between delivering a physical product or a service (McDonald et al., 2011). The work force of the company is the key of success in every services company, is very important to have a carefully analysis on how the people is selected, which trainings are taking, and how they are motivated (McDonald et al., 2011). Its main asset can be a critical factor of success. People can be categorized in four roles:

a) Contractors: people that is the face of the company, usually involved in sales, delivering and customer services positions. They represent a key role of marketing and brand awareness in the company since how they interact with the customer, how they dress, how they speak, etc. every aspect is analyzed by the customer to create a stereotype of the company (McDonald et al., 2011). They must be well-trained frequently and recruited based on special skills to achieve customer satisfaction

b) Modifiers: people that are not directly involved with the customer but has a little contact such receptionist, credit and collection departments, etc. They also must be aligned with the marketing strategy of the company and have skills to be responsive to customer's needs

c) Influencers: they usually do not have contact with the customers but as every person in the organization have an important role to accomplish the marketing strategy. They must be people with high potential of customer responsiveness.

d) Isolated: people with no contact with the customer either related to marketing activities. As a support team, they must be aligned to the overall marketing strategy, know what the objective of the company is and how their functions can contribute on the strategy (McDonald et al., 2011).

3.4.6 Process

The service process is a relevant factor in the marketing mix because it represents how the customer perceive the delivery system. A process is a sequence of activities where the input is the customer who pass for each stage and at the end the output is the satisfied customer

(McDonald et al., 2011). In the same way that people play an important role in services, the performance of the overall service also represents a key of successful, if the service runs well the company get a competitive advantage. Every activity, task or procedure must be really analyzed to offer a good service, also it must consider schedules and management of times. In order to analyze in detail a process, it has been divided in three steps: a) Disaggregate a process in activities and tasks considering sequence b) Identify critical activities and its complexity. What is the consequence if something goes wrong, delays and choices c) Set a slack and tolerance possible, alternatives solution or implement prevent activities to ensure the activity done (McDonald et al., 2011).

Employees frequently apologize when a service delivery has failure or delay for some reasons, however in services there is not second opportunities, it might have a negative impact on the image of the company (Yelkur, 2000).

3.4.7 Physical evidence

As the nature of the service is intangible, the customer has less resources to deal with it, that is why they are careful in acquiring a service, especially when it is from a remote distribution channel for example sales by digital platforms. In order to overcome this problem, companies have to give a physical evidence to improve the trust gap (Srinivasan, 2014). The role of evidence in service marketing shape the first impression, generate trust, facilitate quality service, improve branding, provide sensorial stimulations, etc. (Rao, 2009). Tangible evidence refers to external and internal features, and this, for example, can be a business card, billing statements, reports, and employee appearance (Srinivasan, 2014).

3.5 Conclusions

In conclusion, the literature review has given beneficial insight to strategies for Bigmond's entry to Mexico. Focus points will be on creation of a marketing strategy and an entry mode. Details to support this documentation will include segmentation, targeting, differentiation, and positioning. To enter the market, it has been determined that Bigmond will enter as a sole owner as an Executive Search company targeting senior-level management. Also, the determination the seven P's play an important role to define the plan to capture the market niche because it can help to define in more detail what is going to be the offering. In the next chapters, the literature review will be used to support the methodology of the analysis.

Chapter IV: Qualitative and Quantitative Analysis

The market analysis includes qualitative and quantitative perspective of the Mexican market to identify which factors can be considered when selecting the potential market to expand Bigmond's operations. The qualitative factors will support the main findings inside the market and consider defining the final target market. In the quantitative analysis, the segmentation of the market will begin to identify which industries are currently growing in the Mexican market, and the analysis will be based in the historical growth of GDP from the last five years and the outlook for the coming years, both sources of information will allow to define in what sectors Bigmond should focus and which one has becoming a niche to develop its main entry strategy. Then, the analysis will continue with the selection of top growing industries and segmentation of customers which are the companies currently operating in each sector. The segmentation will include only large and medium companies for each sector, where are the main business opportunities for Bigmond. Finally, will consider the number of companies in Mexico that are in the market to analyze if it is a fragmented market or which ones are the leaders in the sector, to consider for the targeting market.

4.1 Qualitative Analysis

4.1.1 Executive selection market

Mexico has agreements with more than 45 countries around the world, it has position Mexico as one of the highest markets to invest becoming a complex market with high competition especially in the executive talent. Currently, the country has a lack of talent with enough skills and competences that are required for the companies in the market. The main concerns from the main firm's business executives are (a) Business Continuity: there are not

enough executives well-trained to take the lead positions in the industries. (b) Talent Pipeline: Due to lack of well-trained executives the companies have start their own pipeline of talent to create its own talents inside the firm. (c) Agility: the market has changing very fast and is a key factor of success to adapt to the new conditions, being flexible and agile to the new market trends. Also, impact in politics, strategies and external factors needs quick learning skills to respond successfully. (d) Innovation: one of the main requirements in the executive selection is the capacity of innovation of the resources to improve and propose new strategies. (e) Succession planning: companies are looking for new generations with high adaptability, digital expertise and leadership capabilities to lead the industries. They want to ensure their future by being sustainable (Association of Executive Search Consultants [AESC], 2018).

The executive selection companies have identified other aspects that the customer value, besides their more sophisticated consultancy and the skills and competencies matches with the vision of the company. They need advisory in (1) Find an attractive talent: is the basic services of an executive research firm (2) Do an executive coaching: it represent an added value to the customer because it implies coaching, evaluation and monitor of the hired talent (c) Marketing Insight & analytics (d) Leadership Development: Firms in Mexico are looking for executive companies to help them to find leadership assets that they already have (e) Talent Mapping: it permits to identify talents, recognize skills and competences that will work in higher positions in order to develop a career track for resources that are already inside the company. It will help to the company to incubate talent for their succession planning (AESC, 2018).

Most of the large business in Mexico are looking for new option to minimize risk and at the same time maximize opportunities (AESC, 2018). That is why most of the firms, in this segment, are expecting to obtain not only a reactive service such recruitment process, also they

need a complete service that ensure the capture of the perfect talent for the company objectives that at the same time reduce risk, time, cost of failures and invest of efforts (AESC, 2018).

Other trends in the sector include the demand for talent with an international perspective with a multinational education that can create competitive advantages in the market and boost innovation in the company (AESC, 2018). Some considerations at the executive level are the expectations of a manager being bilingual and know multiple languages (AESC, 2018). The most required language proficiency is the ability to speak English (AESC, 2018). Moreover, the importance of the networking is a key factor for growth in the segment. Executives need to establish a relationship with the customers and strategic partners as not only a job opportunity but also think what the value added will be to the search of a new candidate (AESC, 2018).

According to Korn Ferry (2017), exist the following industry trends in the long-term that must affect the industry:

Retiring of “baby boomers” and enter of millennials. People that has born between 1945 until late 1960s period, and millennials are taking managerial positions in the market. It can imply a gap of skills in the market.

Increasing of talent mobility. In the companies as a way to retain employees, they are offering much more professional developing opportunities. Persons are more interest in their own careers and has made a power balance.

Succession planning. More attention in succession planning due to the lack of talents in Mexico and globally. CEOs are focus in growth and making more attention in systemic governance.

More demand of Leadership. Increasing demand from professionals with leadership style, values and motivations to satisfy the company's requirements.

4.1.2 Recruitment agencies in Mexico

Recruitment agencies in Mexico had a revenue growth of four percent in 2015, and this was lower than previous years because domestic recruitment agencies have obtained less qualified labor and has increase the competition from social networks (Euromonitor International [EI], 2018). The strong growth of this sector has been in the automotive, electronics manufacturing and aerospace sector but in these segments the industry has identify a possible replacement of manual labor by robots (EI, 2018). In other industries, recruitment agencies have estimated a high growth with an annual component growth rate (CAGR) of three percent during the period 2018 to 2020 due to new labor regulations (EI, 2018).

4.1.3 Salaries

The amount of monthly salary depends on what the education level the employee holds (EI, 2018). In 2018, only 38% of the working people in Mexico segment achieved medium or superior education; 34% have complete the Highschool; 17% has Primary completed and 11% haven't even finish the basic level (EI, 2018) (Table 12).

Table 12

Education Level of Employed Population by Company Size

Size	No Education	Basic	Medium-Superior	Superior
Micro	4%	52%	30%	15%
Small	3%	46%	30%	21%
Medium	2%	51%	29%	18%

Note. Data are from <http://www.inegi.org.mx/est/contenidos/Proyectos/ce/ce2014/doc/tabulados.html>. Copyright (2018) by Instituto Nacional de Estadística y Geografía, 2018.

The actual monthly minimum salary in Mexico is 2686 Mexican pesos that is approximately 134 USD. From the actual working people, the 29% work for at least two minimum salaries; 18% lives with two to three minimum salaries; 13% with three to five minimum salaries; 4% more than five minimum salaries but 16% with one minimum salary.

Table 13

Wage Differentiation by Management Levels

<i>Industries</i>	C-Suite				Senior				Middle Management			
	<u>M</u>		<u>L</u>		<u>M</u>		<u>L</u>		<u>M</u>		<u>L</u>	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
Banking & Financial Services	80	160	100	200	80	100	90	120	55	60	60	75
Sales	140	170	170	210	120	145	145	165	100	115	115	130
Engineering & Manufacturing	100	180	115	230	65	90	80	130	65	90	80	120
Marketing & Digital	100	140	130	200	80	110	110	140	80	110	100	130
Supply Chain & Procurement	100	135	135	260	72	105	105	155	58	78	82	155
Tax & Legal	120	125	170	250	90	120	120	160	70	100	80	130
Retail	120	140	200	220	115	130	150	170	60	74	80	92
Oil & Gas	95	130	130	180	85	100	100	150	90	110	110	130
Insurance	160	170	170	215	80	90	135	150	50	60	65	75
Healthcare & Life Sciences	120	150	165	220	75	90	85	135	60	75	85	105
Property & Construction	80	140	150	250	80	120	120	200	65	105	110	145
Human Resources	170	160	130	280	60	80	70	100	45	85	70	120
Information Technology	135	160	135	160	70	90	90	110	60	65	65	70

Note. Data are from “Estudio de Remuneración [Remuneration Study],” by Michael Page, 2018. Retrieved from <https://www.michaelpage.com.mx/contenidos/investigaciones-y-encuestas/estudio-de-remuneraci%C3%B3n-2017>

4.1.4 Economic activities

The Mexican GDP is leading by six main economic activities: Services, Manufacturing Industry, Trade, Real estate and leasing services of personal property and intangible assets, Construction and Mining and Transportation, mail and storage services (EI, 2018). These six industries concentrate almost 80% of the Mexican GDP (Figure 6). From the primary sector, the main activities are oil extraction, mining, livestock and agriculture of sugarcane, maize, oranges, bananas, tomatoes, lemons, mangos and potatoes as main products (EI, 2018).

The secondary sector includes the automotive industry sector (EI, 2018). In 2011, Mexico was recognized as the eighth largest producer and fourth exporter of vehicles around the world. Also, petrochemistry, construction and food and beverages sector are leading Mexico's economy (Ernst and Young [EY], 2017). In the tertiary sector the activity with the most influence in the economy is Tourism (Figure 6).

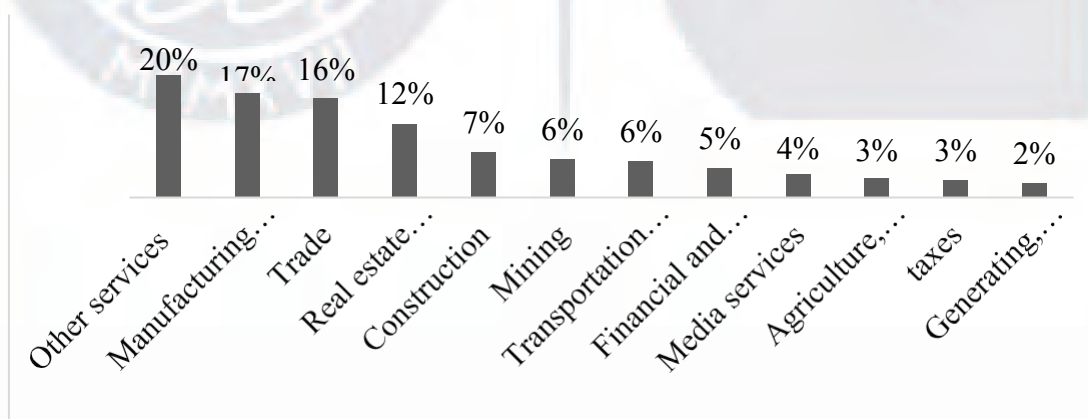


Figure 6. Distribution of GDP between economic activities in Mexico. Data from *Censos economicos*, Retrieved from <http://www.inegi.org.mx/est/contenidos/Proyectos/ce/ce2014/doc/tabulados.html>. Copyright (2018) by Instituto Nacional de Estadística y Geografía

An overview of the historical growth in the secondary economic activities in Mexico in the past six years is demonstrated in Figure 7, the decrease of the mining sector, in 2015 was close to -4.6 and in 2016 and closed with an annual percentage change of -6.4% (Instituto Nacional de Estadística y Geografía [INEGI], 2017; EY, 2017).

Also, the categories including manufacturing, construction and generating, transmitting, and distributing electricity, distribution of water and natural gas to end consumers through pipelines, has shown a continued to grow in the past six years (INEGI, 2017; EY, 2017). It can be helpful to identify which sector has a positive outlook in the future where Bigmond has high opportunities to enter.

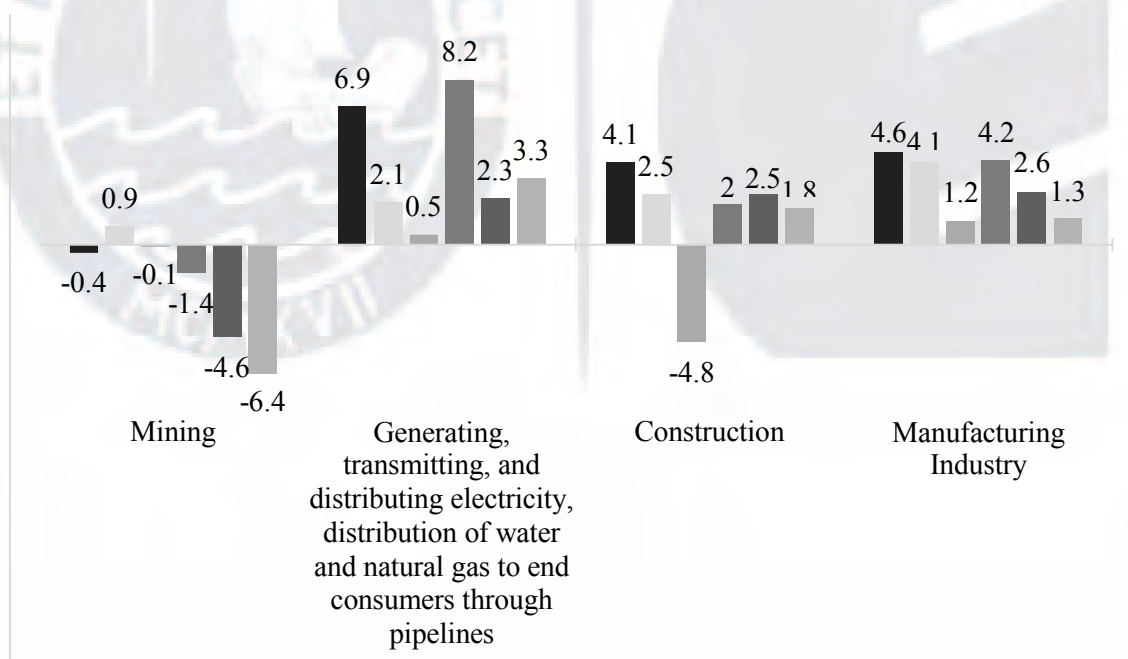


Figure 7. Primary Activity: Historical annual percentage change of GDP by economic activities. Data from “Pacific Alliance business and investment guide 2017 / 2018,” by EY, 2017 (http://www.rree.gob.pe/Documents/2017/Pacific_Alliance_Business_and_Investment_Guide_2017-2018.pdf).

The marketing sector accounts for 14 economic activities, and the media services and financial sector is the segment that presents the highest growth in the last five years (INEGI, 2017; EY, 2017). Media services has presented the highest growth between all sector with 7.8% in 2015 and 10.1% in 2016 (INEGI, 2017; EY, 2017). Financial services have an increasing rate due to the growth of fintech companies.

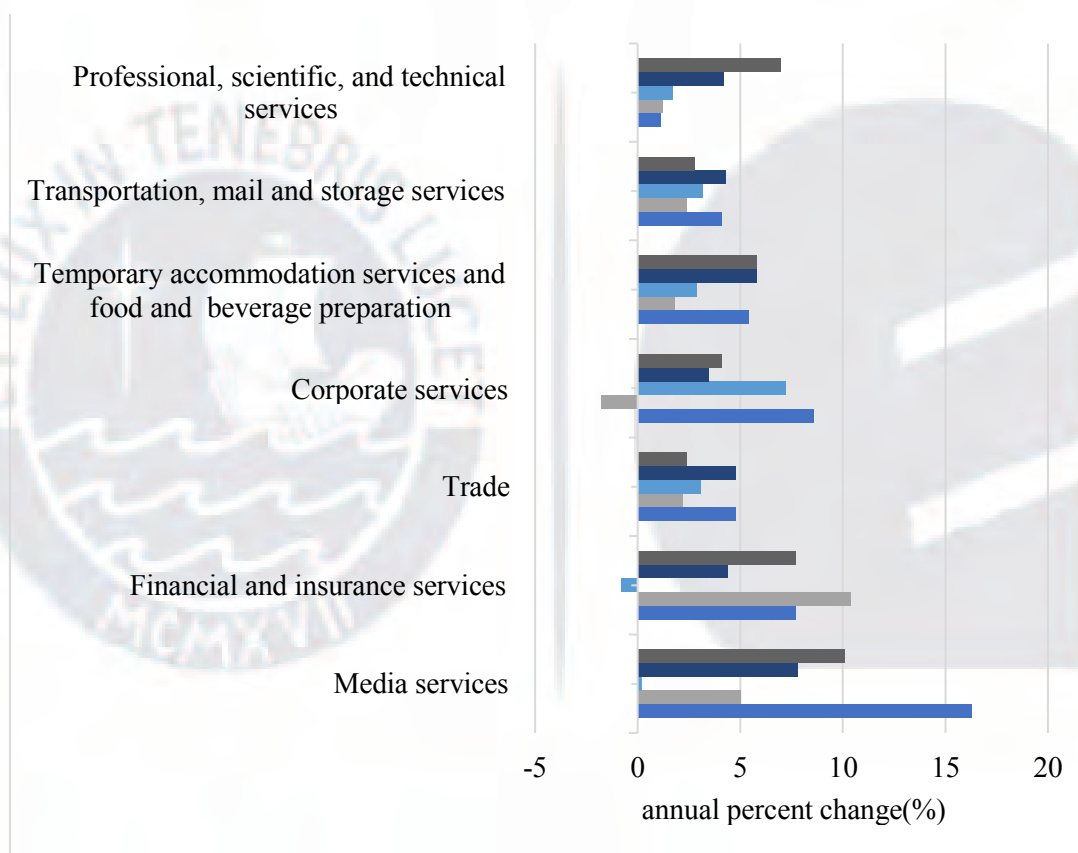


Figure 8. Secondary activity: Historical annual percentage change of GDP by economic activities. Data from “Pacific Alliance business and investment guide 2017 / 2018,” by EY, 2017 (http://www.rree.gov.pe/Documents/2017/Pacific_Alliance_Business_and_Investment_Guide_2017-2018.pdf).

After analyzing the contribution of each economic activity to the GDP and their annual percent growth during the last years, the secondary activities have the most interesting industries including manufacturing, generating, transmitting, and distributing electricity, distribution of water and natural gas to end consumers through pipelines, and construction (INEGI, 2017; EY,

2017). Due to the continuous decrease of the mining sector, it is necessary to analyze the outlook to see if the sector is still forecasted with lower rates (INEGI, 2017; EY, 2017). This segment might not be considered because the recuperation of the sector remains uncertain (INEGI, 2017; EY, 2017).

From the tertiary activities, media and financial services represent high business opportunities followed by trade, corporate services, food and beverage and professional services (INEGI, 2017; EY, 2017). This trend provides some insight to focus the selection in these sectors, however, the main key of the selection is driven by the future situation of the main industries in the market (INEGI, 2017; EY, 2017).

4.1.5 Future Outlooks

Mining Sector. Though this sector has a high importance in Mexico's economy and supports almost five percent of the GDP, the mining sector is in recession due to the low prices of metals and more regulations in the market (INEGI, 2017; EY, 2017). Also, the deceleration of China's economy has impacted the consumption of copper because they are one of the largest importers and if the demand reduces, the prices also decreases (Expansion, 2018). The total copper production in Mexico declined by four percent in the first quarter of 2018 compared to 2017 (BMI Research, 2018b). Moreover, through the government is open to foreign investment, the high rates of violence with cartels and corruption scandals in this segment has also affected it (BMI Research, 2018a). Furthermore, the outlook for this sector has turned positive, and the new elected president has some considerations in the agenda that might benefit the sector, such as improving security, increasing infrastructure spending and expand bands of internet for remote areas can be helpful for the operating context for miners (INEGI, 2017; EY, 2017). Also, the lead

of domestic miners can reduce uncertainty to the mineral production growth from the coming government (BMI Research, 2018b). The outlook is supported by low operating costs and a project of pipeline in the coming years. It is expected to close 2018 in USD 16.9 billion and USD 18.7 billion in 2026 with a 2.8% of annual growth (BMI Research, 2018b).

Manufacturing. Another important economic activity in Mexico is Manufacturing, which has boosted the economy, leading with aerospace, automotive and pharmaceutical manufacturing over the past two decades (AESC, 2018). Inside this economic activity are many sectors that have grown in the past 15 months such food and beverage, textile manufacturing, electronics and technology sector (INEGI, 2017).

Automotive Sector. In the automotive sector, Mexico represents the third best performing country, having an attractive automotive industry that its drive by its location closest to the American Free Trade Area (NAFTA) and its low labor costs compared to US and Canada (BMI Research, 2018b). In the period 2010 to 2016 the industry had a high growth period with an average rate of 11.6%, even 2016 close with an attractive 18.6% growth in sales, however it expects to decline in the coming years (BMI Research, 2018b) (Table 14). With the - 4.5% rate of growth in 2015, it is expected an increase of sales in the period 2019 to 2022 (BMI Research, 2018b). The sales average growth in this period is estimated only by three percent and is lower than the average growth in the past period (BMI Research, 2018b).

Table 14

Total Market - Historical Data and Forecasts (Mexico 2016-2022)

Indicator	2016	2017e	2018f	2019f	2020f	2021f	2022f
Vehicle production, units, mn	3.61	3.96	4.16	4.27	4.38	4.52	4.71
Vehicle production, units, % y-o-y	0.9	9.8	5.1	2.5	2.5	3.3	4.2
Vehicle sales, units, mn	1.65	1.57	1.6	1.66	1.7	1.75	1.81
Vehicle sales, units, % y-o-y	18.6	-4.5	2	3.2	2.5	3.3	3.1

Note. Data are from “Autos - Industry forecast - Mexico - Q2 2018,” Retrieved from BMI Research database. Copyright 2018 by BMI Research.

Also, there are some concerns in this sector due to NAFTA, the risk of the tariffs applied in automotive products from Mexico, with the US anti-dumping tariffs will be easy to increase prices in auto imports from Mexico, it will have a high impact in Mexico as US is the largest importer of Mexican vehicles (BMI Research, 2018b). Also, other risks involve the possibility international labor norms like minimum wages in the NAFTA agreement (BMI Research, 2018b). This would limit Mexico in conserving their low labor wages which gives them an export advantage in the sector (BMI Research, 2018c).

Pharmaceutical. The pharmaceutical industry has a convenience growth due to the increase of chronic diseases, the aging population and also for the appearance of generic medicines (BMI Research, 2018b). It has expanded in many states, but it is still limited comparing with other countries (BMI Research, 2018b). It is s a segment that is still growing and is an emerging market (BMI Research, 2018b). The value of the market was estimated in USD 10.03 billion in 2017 and is forecasted to growth to USD 19.33 billion in 2027, during the ten coming years the outlook pharmaceutical sales will have an estimated growth of 6.9% in

Mexican pesos, which represents an increase in generic medicine substitution (BMI Research, 2018e).

Food and Beverages Sector. Another growing sector is Food and Beverage, and it is expected to grow because of the existence of increasing demographic and urban middle class (BMI Research, 2018b). The innovation in new products, the positive trend in health awareness and convenience products will be the main factor of growth in the food and beverage sector (BMI Research, 2018b). The total food sales are estimated to increase by 8.2% in 2018 (BMI Research, 2018d).

The food-processing segment has expanded very fast allowing Mexican companies to have a good distribution network around the country and have a good brand positioning in the market (BMI Research, 2018b). In this segment there also exists small companies that produce artisanal products for local consumption and for exportation (BMI Research, 2018d).

In food services, there are more than 515,000 food-service establishments in which 10% are led by big chains and franchises (BMI Research, 2018b). Small and independent restaurants are the highest share in the market, and this is a very fragmented market (BMI Research, 2018b). In the meat segment, Mexico produces less than 65% of the consumption of the market, due to NAFTA, Mexicans consume more exported products than local ones (BMI Research, 2018b). Similar situations include the dairy sector and even though Mexico is a big dairy market, they are importing products from US and Canada (BMI Research, 2018d).

In the beverages sector, the non-alcoholic drink segment is expected to grow by 5.6% in 2018, especially mineral and spring waters with 10% growth (BMI Research, 2018b). Consumption in the alcoholic segment is estimated to increase in 3.9% in 2018 (BMI Research,

2018b). The alcohol segment is dominated by beer in 90%, and the main companies are AB InBev and Heineken (BMI Research, 2018b).

Petrochemical. The petrochemicals sector represents a high influence in the Mexican economy and is dominated by Pemex Petroquímica (PPQ), with a state-owned Pemex's petrochemical subsidiary (BMI Research, 2018b). This sector consists of very few companies related to the industry (BMI Research, 2018b).

IT Technology. The IT industry has become one of the most important sectors in Mexico and is a segment that has grown very fast in the last decade and driven by innovation that has submerged Mexico into a new digital economy (BMI Research, 2018e). The spending in IT technologies has an estimated rate of 6.4% during the period 2018 to 2022, and this growing sector is driven by enterprise investments in software and services solutions for modernization (BMI Research, 2018b). The software segment has been forecasted by eight percent and IT services in 6.4%, it has high demand in intensive verticals such IT, communications, financial services and manufacturing (BMI Research, 2018e). The main verticals that have more demand in the future 2022 of IT technologies, and with high-level of opportunities, are financial services, communications and manufacturing (BMI Research, 2018b). Also, the national government has interest in implementing solutions to improve tax collection efficiency, education, health services, security and trade (BMI Research, 2018e).

Table 15

IT Market - Historical Data and Forecast 2016 - 2022

Indicator	2016	2017e	2018f	2019f	2020f	2021f	2022f
IT market value, MXNmn	209,754.3	219,429.4	230,287.8	244,696.9	260,619.2	277,395.7	295,101.3
IT market value, % of GDP	1.1	1.0	1.0	1.0	1.0	1.0	0.9
Computer hardware sales, MXNmn	82,851.9	83,742.4	85,536.4	87,849.7	90,177.0	92,249.6	94,053.1
Personal computer sales, MXNmn	37,094.6	37,576.8	38,178.0	39,247.0	40,306.7	41,072.5	41,524.3
Software sales, MXNmn	21,573.4	23,195.7	25,060.7	27,461.5	30,317.5	33,531.1	37,152.5
Services sales, MXNmn	105,329.0	112,491.3	119,690.8	129,385.7	140,124.7	151,615.0	163,895.8

Note. Data are from “*IT computes - Industry forecast - Mexico - Q2 2018*,” Retrieved from BMI Research database. Copyright 2018 by BMI Research.

In the next four years, the high values of growth in the IT market are expected in the category of software with an average forecast of growth of 9.5% and in the services category with 7.6% of market growth (See table 14). The software market has the most positive outlook in Mexico and is expected to have a high growth in the middle-term to 2022, especially driven by firm’s investments in cloud, cybersecurity and data analysis (BMI Research, 2018b).

Construction. In the construction sector the forecast for 2018 is positive but with a slow growth rate (BMI Research, 2018b). It is expected to have an accelerated rate in 2019 with a rate of 2.35% due to private investment and improve of policy environment and keep the trend to 2026 with an average rate of growth of 2.9% (BMI Research, 2018b). This outlook is supported by an increasing demand for new infrastructure, residential and no-residential buildings (BMI Research, 2018).

Table 16

Infrastructure - Construction Industry forecasts (Mexico 2017-2027)

Indicator	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f	2026f
Industry value, MXNbn	1,573	1,714.5	1,891.9	2,078.4	2,276.8	2,494.5	2,742.0	3,015.8	3,314.6
Value, Real Growth, % y-o-y	1.08	2.35	3.03	2.73	2.84	2.94	3.05	3.05	3.06
Value, % of GDP	6.8	6.9	7.0	7.1	7.1	7.1	7.1	7.1	7.0

Note. Data are from “Infrastructure - BMI industry view - Mexico - Q3 2018,” Retrieved from BMI Research database. Copyright 2018 by BMI Research.

Tourism. The tourism in Mexico is highly dependent on US visitors but in general is forecasted to increase arrivals by 6.2% in 2018 (BMI Research, 2018b). It represents a smaller growth rate compared to 2017 that closes with a rate of 11.6% (BMI Research, 2018b). Tourism demand is expected to increase by 5.6% in 2019 and 5% in 2020 due to an expansion and diversification of the tourism market (BMI Research, 2018b).

Media Services. In 2016, the industry of media services and communications has generated USD 22.8 million with a growth rate of 5.1% (PWC, 2016). It is an industry with high potential of growth and with a continuously change that bring new opportunities for investment in the Mexican market (PWC, 2016). The consumer features have transformed from a traditional consumer to a consumer with more awareness of what is happening in their country (PWC, 2016). The consumer likes to give an opinion and prefers to gain experiences instead of only obtaining information (PWC, 2016). In 2015, the value of the market is 191,449 million of Mexican pesos that is 0.05% of the Mexican GDP, this industry has created more than 1.7 million jobs with more focus in internet with 15.9%, events and promotions 10.6% and public

relationships 10.6% (PWC, 2016). The main concern in this market is piracy, and twelve countries that conform the Transpacific Alliance (TPP) have acted towards this problem (Hernández, 2016).

Financial Services. One of the main reasons of the increasing growth in the financial services segment is due to bank penetration caused by a labor and financial reform, said Alejandro Cervantes, economist of Banorte (Martinez, 2017). Although, Mexico services is one of the most developed industry in Latin America mainly dominated by subsidiaries of US or European entities, its penetration is relatively low compared with other countries because Mexico has a high rate of unbanked population (Martinez, 2017). It allows to think with the opportunity grow, and that is why having a positive long-term outlook, due to the growing middle class, can boost the economy and set a strong regulatory framework that will support future development in the market, especially with innovative and sophisticated products (BMI Research, 2018). It also boosts the development of the fintech that appears to threat the traditional institutions to invest in innovation and also represent a new opportunity of a market niche (Martinez, 2017).

The technology in the financial sector is a constant feature that has made a revolution in the financial structure with the appearance of the fintech. Currently there exists more players in the market, such as the traditional bank, government institutions and the new player is the fintech (Martinez, 2017). These entities have to be adjusted and regulated to have a sustainable growth in the market (Martinez, 2017). The fintech is a strong environment in Mexico, even more than US (Martinez, 2017). It has expanded due to the access of technologies and because the population is open to new ideas (Vizcaino, 2017).

4.1.6 Sectors that generate more jobs in Mexico

According to Online Career Center (OCC), the economic sectors in Mexico with more demand of jobs in 2017 were Manufacturing 24%, Financial Services 19%, Repair and Maintenance 16%, Technology systems 15%, Commerce 9%, Health 5%, among others. Comparing the results with 2016, Manufacturing and Financial services still leading the ranking with 22% and 19% respectively. Also, Repair and Maintenance with 14%, Technology systems 13%, Commerce 10%, Health 4% and Construction, Education and Services 3% (Martinez, 2018).

In other hand, the federal states with more demand of jobs in 2016 are centralized in Mexico City with 42%, Jalisco 8%, Mexico state 7%, y Quetaro (4%) (Martinez, 2018). At the same in 2017, the demand is concentrated in 25% in Mexico City, 17% Mexico state, 9% Nuevo León, 7% Jalisco, 4% Veracruz, 3% Puebla, Guanajuato y Querétaro (OCCMundial, 2017). Considering the high demand in the center region, it might be the potential place to locate the target market.

4.2 Quantitative Analysis

The quantitative analysis includes a segmentation process showed in the Figure 11 that use gather information obtained from the qualitative analysis and numerical data for the market. The potential economic sectors are obtained from historical data of industries that are growing in Mexico considering the variance of GDP in the last years, the future expectations of the industry in order to know its continuity of growth in the future that will allow making stable business projections. Moreover, the Online Career Center (OCC) of México has presented their compiled data for job applications throughout Mexico. It is a source with a true sample of the Mexican

market that allows identifying the sectors with more dynamism and with greater demand for talent. For the segmentation, the data from the last two years 2016 and 2017 has been used for the analysis.

Then, once most attractive sectors to start the business have been obtained, its added the total number of companies in Mexico classified by sector. Gathering this information, we can get the number of companies in each potential economic sector. Given the nature of Bigmond, it is proposed to target only large companies considered with more than 250 workers and median-size firms that consider 50 to 250 employees. Micro or small companies is a sector that Bigmond is not willing to attack. Due the extensive market of Mexico is necessary to identify a specific region; the region is selected also considering the demand analysis of OCC in Mexico. Finally, the target market will involve the specific region in Mexico, its number of large and medium-size companies in each potential sector, the rate of companies that usually outsource services and the qualitative considerations of the trends in the market to shape the final target market.

México is a market that accounts for 124 million of the population, with 32 federal states (Martinez, 2017). The high population represents a great business opportunity but also a big challenge for new entries (Martinez, 2017). The population in age of work with more than 15 years represents 75% of the total population close to 92 million (Martinez, 2017). From that segment, the economically active group is 44% of the total population, which its actual working people is 52,876,916 persons (43% of the total Mexican population) (Martinez, 2017). This portion is the number of persons able to work that are currently working in the market. (Martinez, 2017) They would represent the potential group of individuals that would be able to move between companies or would be consider for new positions (Martinez, 2017).

The Mexican enterprise market is covered by more than five million firms classified by four categories: Micro, Small, Medium and Large Companies. Micro, Small and Medium Companies (Pymes) are the spine of the Mexican economy, they represent almost 99% of the total generating 72% of employment and 52% of Mexican GDP (Martinez, 2017). Micro companies are the largest sector with 95.9% and accounted for more than 8 million jobs, followed by Small and Medium firms with 3.8% of participation, gathering 156,504 business units and responsible for 4.5 million jobs (Martinez, 2017). Table 17 shows the considerations for each category in the Mexican market, for example, in the Manufacturing Sector, a company is considered a small firm when it has a total number of employees between 11 to 50 employees and a sales amount in the range of \$4.01 to \$100 million of Mexican pesos (Martinez, 2017).

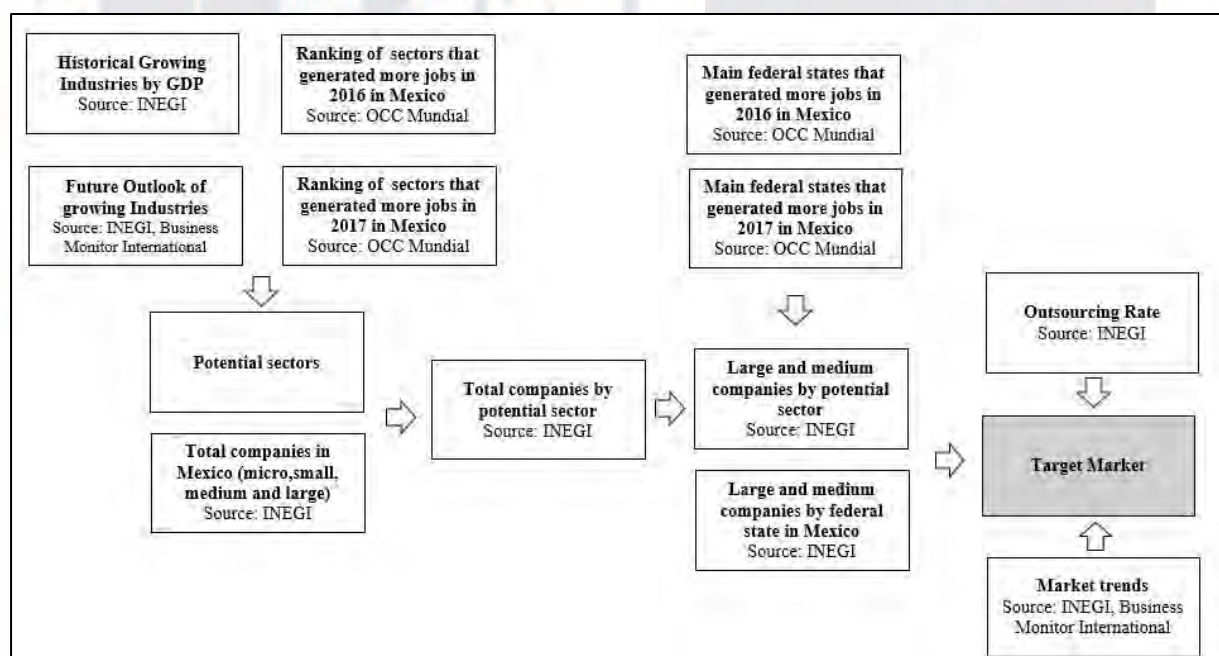


Figure 9. Market segmentation

Table 17

Features of Company Sizes

<i>Sector</i>	<u>Micro</u>		<u>Small</u>		<u>Medium</u>	
	<i>Employees</i>	<i>Sales (mp)</i>	<i>Employees</i>	<i>Sales (mp)</i>	<i>Employees</i>	<i>Sales (mp)</i>
Manufacturing	0 – 10	Hasta 4 \$	11 - 50	\$ 4.01 \$ - \$ 100	51 – 250	\$ 100.1 - \$250
Commerce	0 – 10	Hasta 4 \$	11 - 50	\$ 4.01 \$ - \$ 100	51 – 250	\$ 100.1 - \$250
Services	0 – 10	Hasta 4 \$	11 - 50	\$ 4.01 \$ - \$ 100	51 – 250	\$ 100.1 - \$250

Note. Data retrieved with permission from <https://www.condusef.gob.mx/Revista/index.php/usuario-inteligente/educacion-financiera/492-pymes>. Copyright (2018) Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros.

The Mexican market is cover with 5,513,954 firms, where the main concentration of firms is in commerce followed by private services with no financial (Martinez, 2017). The target market is a component in which accounts for large and medium firms that represent only 1.06% of the total companies (Martinez, 2017), it is shown in the Table 18. This group is going to be segmented by the potential growing sectors developed in the previous section, in order to identify the number of potential firms that Bigmond must contact to offer its services.

Table 18

Number of Companies by Size Category and Economic Activities

<i>Economic Activities</i>	<i>Large</i>	<i>Medium</i>	<i>Small</i>	<i>Micro</i>	<i>Total</i>
Commerce	841	10,988	53,432	2,468,198	2,533,459
Manufacturing	3,553	7,630	22,470	572,001	605,654
Other Economic Activities	1,134	5,992	26,304	81,799	115,229
Private Services no financial	2,250	9,679	66,558	1,810,660	1,889,147
Public Services	<u>2,683</u>	<u>13,434</u>	<u>78,881</u>	<u>275,467</u>	<u>370,464</u>
Total general	10,461	47,722	247,645	5,208,125	5,513,954

Note. Data are from <http://www.inegi.org.mx/est/contenidos/Proyectos/ce/ce2014/doc/tabulados.html>. Copyright (2018) by INEGI, 2018.

The economic sectors are Media Services, Manufacturing Industries, Financial Services and Construction. The total companies are 14,695 firms that have operating in the potential market for Bigmond in all Mexico's states (Table 19).

Table 19

Number of Companies by Company Size and Economic Activities in the Selected Sectors

Economic Sectors	Large	Medium	Total
Construction	284	2,078	2,362
Financial and insurance services	105	294	399
Information in mass media	116	635	751
Manufacturing Industries	3,553	7,630	11,183
Total general	4,058	10,637	14,695

Note. Data are from <http://www.inegi.org.mx/est/contenidos/Proyectos/ce/ce2014/doc/tabulados.html>. Copyright (2018) by INEGI, 2018.

The ease of a service company is that it can cover a larger geographic territory because their main resources are knowledge and people (Martinez, 2017). Services can also establish a remote service supported by technology to avoid moving from one state to another (Martinez, 2017). However, since the Mexican market is very large, it is divided into five geographical zones that allow to select one group of states and focusing work efforts on that sector. Mexico has 32 federal states that are divided by five regions: Center, Center West, North East, North West and South East. South East includes the federal states of Campeche, Chiapas, Guerrero, Oaxaca, Puebla, Quintana Roo, Tabasco, Veracruz de Ignacio de la Llave and Yucatan (Martinez, 2017). The Center West region is represented by Aguascalientes, Colima, Guanajuato, Jalisco, Michoacán de Ocampo, Nayarit, San Luis Potosí y Zacatecas. The Center region includes Distrito Federal, Hidalgo, México, Morelos, Querétaro y Tlaxcala. Northeast region

concentrates Coahuila de Zaragoza, Chihuahua, Durango, Nuevo León y Tamaulipas and North West is represented by Baja California, Baja California Sur, Sinaloa y Sonora.

Table 20

Number of Companies by Economic Sectors by Company Size by Region

Economic Sectors	Region	Large	Medium	Total
Construction	Center	83	398	481
	Center-West	71	528	599
	North-East	40	431	471
	North-West	31	284	315
	South-East	59	437	496
Financial and insurance services	Center	83	143	226
	Center-West	6	50	56
	North-East	11	47	58
	North-West	1	24	25
Information in mass media	Center	64	204	268
	Center-West	8	123	131
	North-East	24	129	153
	North-West	8	53	61
Manufacturing Industries	Center	945	2,500	3,445
	Center-West	675	1,885	2,560
	North-East	1,164	1,619	2,783
	North-West	476	772	1,248
	South-East	293	854	1,147
Total general		4,058	10,637	14,695

Note. Data are from <http://www.inegi.org.mx/est/contenidos/Proyectos/ce/ce2014/doc/tabulados.html>. Copyright (2018) by INEGI, 2018.

Construction companies are almost equally distributed in the five-region but more concentration in Center, Center-West and South-East regions (Martinez, 2017). The financial sector has a high concentration in Center region equal to Media services that most of the companies are in the Center, North-East and South-East. The manufacturing companies are more centralized in Center, Center West and North-East (Martinez, 2017).

Given that all economic sectors have the highest concentration in the central zone, this will be the potential market to start operations in Mexico. It is important to consider that the segmentation of this area is not a limitation to consider other states during the capture of the market. This only allows to focus the efforts and perform a more detailed analysis for Bigmond's entry into Mexico.

Considering the Center as the potential market that include Federal District of Mexico, Hidalgo, México, Morelos, Querétaro and Tlaxcala, the target market has 4,420 companies where 1,175 are large firms and 3,245 medium companies (Table 21).

Table 21

Target Market

Economic Sector	Region	Large	Medium	Total
Construction	Center	83	398	481
Financial and insurance services	Center	83	143	226
Information in mass media	Center	64	204	268
Manufacturing Industries	Center	945	2,500	3,445
Total		1,175	3,245	4,420

Note. Data are from <http://www.inegi.org.mx/est/contenidos/Proyectos/ce/ce2014/doc/tabulados.html>. Copyright (2018) by INEGI, 2018.

4.3 Conclusion

The industry with an attractive future outlook in Mexico is technology sector with a high rate of growth in sales of software and services (Martinez, 2017). Also, the financial services are boosted by technology with the development of the fintech's where Mexico represents a high development market over US (Martinez, 2017).

The manufacturing sector will be crucial in 2018, especially with focus in the automotive industry due to the demand of US, as this sector not only represents the largest companies of

production vehicles but also includes all the related suppliers that boost the industry (Martinez, 2017). That segment will be the focus of Bigmond in the automotive sector. Also, in the food and beverages segment there are big business opportunities due to the increasing demographic and urban middle class with focus in health awareness and convenience products that will improve the growth to 8.6% in 2018 (Martinez, 2017). Bigmond should focus in the manufacturing sector with a special focus in that segments. Media services also represent a great opportunity because there has been a high rate of growth in the past years with a 10.1% in 2016 (Martinez, 2017). The outlook shows big opportunities of expansion and growth in the sector. The main industries that Bigmond should focus on should be Media Services, Financial Services, Automotive Sector with focus in suppliers of the industry, construction, food and beverage manufacturing and the technology sector.

The potential market includes 122 companies in the Center region of Mexico in four main sectors: Media Services, Manufacturing Industries, Financial Services and Construction. The segmentation and the calculation of the target market will allow to make a customize value proposition for that specific sector into the Mexican market.

Other considerations for the market are the looking for the business continuity of the company by searching the best talent with innovative capabilities that can adapt to the fast changes in the market, flexible and capabilities of leadership. Moreover, the customers are looking for a complete service of executive research that not only provide the selection of the talent with the competences required, also the customer expect to work with a strategic partner to achieve a succession plan for the business with less risk, time and cost of failures. It will achieve by the best selection of talents, coaching, identification of talents inside the company and talent mapping strategies.

Chapter V: Root-Cause Analysis of the Problem

5.1 Identified Causes

The following chapter will analyze the root-causes of the identified obstacles and will use a fishbone analysis to assess the valuation of the causes. It is important to note that these root-causes will be the backbone to giving the final recommendation based on a thorough quantitative and qualitative analysis and will describe and create a visual demonstration to categorize and identify what the most important items are to focus on. The list of causes is displayed and presented in Table 22 below. Essentially, the root-causes for Bigmond entering the Mexican market are reduced to five main points: (a) limited amount of local human capital, (b) identification of emerging industries, (c) currency variance, (d) geopolitical risk, and (e) timing and opening of Bigmond office. To establish a basis and explanation of the root-causes, the Fishbone diagram in Figure 10 below, show the main problem and highlights key factors of each.

Table 22

List of Identified Causes for the Main Problem

-
- Limited local human capital available
 - Finding and attracting talent, weak education system
 - Local shortage of top executives
 - Identifying fluctuating emerging industries, identify market niche
 - Currency differentiation and payment tiers
 - Geopolitical differentiation, NAFTA, Pacific Alliance
 - Entering Mexico market and adaptation
 - Ability to innovate and acquire technology
 - Relationships and access to networks in Mexican market
 - Capacity and competence to effectively market and use necessary marketing platforms
 - Flexibility in terms of a rapidly changing market environment
 - Cultural Similarity of the Mexican Market
 - No identified city in Mexico that Bigmond wants to solely enter, broad playing field
-

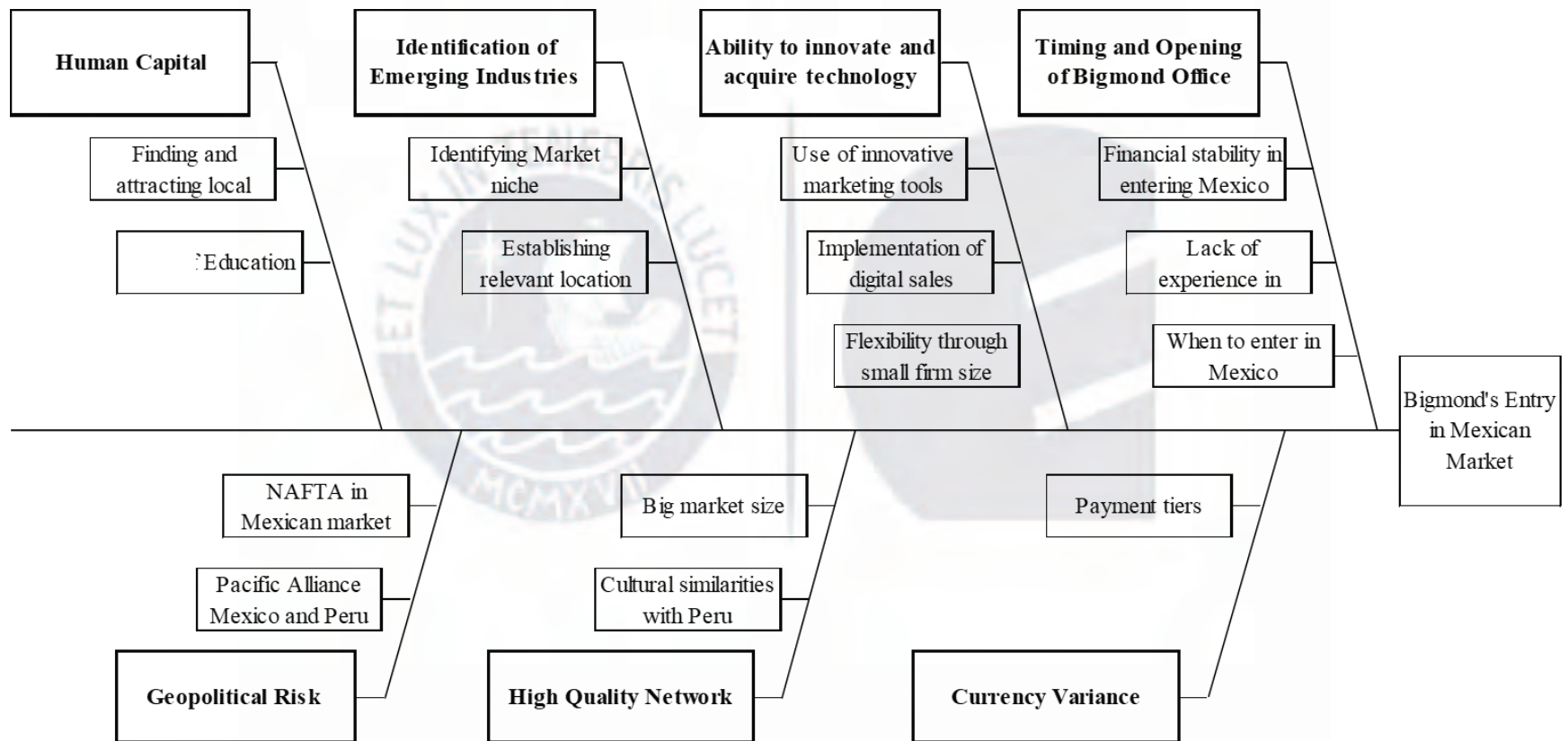


Figure 10. Fishbone Diagram for Bigmond's entry in the Mexican Market

5.2 Root-Causes Analysis of the Problem

5.2.1 Human capital

Human capital is essential to progress in the market and ensure the transfer of knowledge (Huff, 2015). The term can be denoted as the stock of knowledge, social and personality attributes, habits, creativity, embodied in the ability to perform so as to produce economic value (Huff, 2015). The concept stems from the economic model of human-resource capitalism, and emphasizes on improved productivity (Huff, 2015). This is where the economy rests in the capacity of people and organizes its growth by developing learning systems that cause human capital to grow and innovate the future (Huff, 2015). Furthermore, it is beneficial to invest in training, skill development and job enrichment to help meet organizational goals and objectives (Huff, 2015). An emphasis on human capitalism in an organization goes beyond recruiting and compensating, but providing and investing in development, carefully managing them, and providing long term insurance so to retain them and create loyalty (Huff, 2015).

Sub-cause 1: Finding and attracting local talent. Establishing a new office in the Mexican market will cause the need to hire a new team. Bigmond, being small company, will have to find talent to fill the positions needed in creating a Mexican team, especially a new Director, who will report to Fernando, from the Mexican office. Attracting talent in a new market can create instability because the company name is not yet associated with by locals and it is important to hire employees that align with the company culture and values. There has never been a previous need to hire more staff because Bigmond operated solely in Peru and had associations, but not an established office, in other countries. A top challenge of clients in Mexico is developing a talent pipeline, local shortage of top executives and AESC states that

executive talent is in short supply and business leaders are increasingly concerned about business continuity.

Sub-cause 2: Weak education system. In the Mexican market there is weak education system so the pull in top executives are mainly international. With Bigmond focusing on Executive Search specifically for top executives, their search will have to include other international associates as there are not enough local top executives available in Mexico. Please refer to *Table 9* for reference to the education level of the employed by company size.

5.2.2 Identification of emerging industries

As identified in Chapter Four, there are many emerging industries in Mexico, with the technological and financial sectors being the two most promising and having an attractive future outlook (Martinez, 2017). The manufacturing sector has been dominant and will continue to develop, so it would be important to operate in this sector (Martinez, 2017). The food and beverages sector are also increasing as health awareness is becoming more pertinent in society today (Martinez, 2017). Risk is the main cause of uncertainty in an organization and companies have begun to focus more on identifying these risks and managing them effectively (CareersinAudit, 2013). It is a risk to enter the Mexican market, but there proves to be great gain if entered correctly and the ability of a company to manage risk will help on future business decisions (CareersinAudit, 2013). Knowledge will provide insight to how to tackle and solve potential problems (CareersinAudit, 2013). Risk management is important in an organization because it will help to define objectives for the future (CareersinAudit, 2013).

Sub-cause 1: Identify market niche. In analyzing the Mexican market, the results conclude that the best sector for Bigmond to focus on is the manufacturing sector. There should

also be a focus on emerging industries, like the technological and financial sectors. These markets have the best future outlook and would be a good focus point for Bigmond when entering Mexico.

Sub-cause 2: Establishing relevant location to ensure growth. Location is an important factor for Bigmond when entering into Mexico. Through analyzation, it has been found that a Branch would be the most effective way to enter the market or a Representative Office. A location of entry will depend on what selection Bigmond chooses as an entry mode.

5.2.3 Currency variance

There will be a change of currency when entering to Mexico as they will operate under the Mexican Peso (MXN) (XE, 2018). Currently, one Mexican Peso is equivalent to around 0.18 Soles (PEN) (XE, 2018). This variance will have to be considered when operating in Mexico, as wages will have to be paid in the Mexican Peso (XE, 2018). To date, the most popular Mexico Peso exchange rate is USD to MXN (XE, 2018). As one of the oldest currencies in North America, the Mexican Peso was an official legal tender in both the USA (until 1857) and Canada (1854) (XE, 2018). After many years of inflation and devaluation, in 1993, a new currency called the Nuevo Peso was adopted and changed 1,000 old Pesos to one Nuevo Peso (XE, 2018). In 1996, the term Nuevo was dropped, and now the currency in Mexico is referred to as the Mexican Peso (XE, 2018).

Sub-cause 1: Payment tiers. Bigmond will enter to the Mexican market as an Executive Search company focusing on the top tier of management. This means that all payments will be conducted in the Mexican Peso, which is significantly higher than the Peruvian Sol. This will

have to be referenced by Bigmond when conducting operations as managers will also be paid a different salary.

5.2.4 Geopolitical risk

With the advancement of communications and rise of globalization the world has been more intertwined which can cause geopolitical risk (Morrison, 2017). This can have an effect on the amount investors are willing to make as it involves geography and economic influences on politics and the relations between countries (Morrison, 2017). Current geopolitical risk for Mexico includes President Donald Trump and the willingness of the US to separate from traditional foreign policy, including the North American Free Trade Agreement (NAFTA) (Chandran, 2018). NAFTA as well as the Pacific Alliance will be assessed in the next section.

Sub-cause 1: NAFTA in Mexican market. The North American Free Trade Agreement (NAFTA) is a treaty between Canada, Mexico and the United States (Amadeo, 2018). It is currently the world's largest free trade agreement consisting of \$20 trillion in gross domestic product (GDP) (Amadeo, 2018). NAFTA increases investment opportunities by eliminating tariffs and the agreement is over 2,000 pages, with eight sections and 22 chapters (Amadeo, 2018). In reference to migration policies, expansion to the Mexican market significantly affects purchasing power and the Mexican currency, thus lowering its accrual for investment (Lambert, 2018). To date, the Mexican Peso has lost 50% of its market value (Lambert, 2018), and this is explained in the currency root-cause section above. Many multinational companies today conduct day-to-day business using the USD currency (Lambert, 2018). When Bigmond enters the Mexican market, it is important to keep NAFTA in mind when doing business with the United States and Canada.

Sub-cause 2: Pacific Alliance including Mexico and Peru. The Pacific Alliance is an economic and political bloc consisting of Peru, Chile, Columbia and Mexico (Peru Reports [PR], 2018). It was created in 2011 in the Declaration of Lima by the current Presidents' in each country (PR, 2018). The legal framework underlying the bloc defines the alliances objectives and simplifies tourism, financial development, and includes an integrated stock exchange to a common trading platform known as the Latin American Integrated Market (MILA) (PR, 2018). In 2016, trade pacts eliminated tariffs on 92% of commercial products (PR, 2018). In addition, each company eliminated visa requirements and allows member citizens to visit up to six months (PR, 2018). The four countries share consulates and embassies to help expand legal footprints abroad (PR, 2018). There are other countries, including Costa Rica and Panama that are interested to join the Pacific Alliance and their acceptance is pending the fulfillment of membership requirements (PR, 2018). There are also 42 observer countries including the United States, Australia, Austria, Belgium, Canada, China, Costa Rica, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, France, Georgia, Germany, Greece, Guatemala, Haiti, Honduras, Hungary, India, Indonesia, Israel, Italy, Japan, Morocco, Netherlands, New Zealand, Panama, Paraguay, Poland, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, United Kingdom and Uruguay (PR, 2018). Bigmond needs to consider the Pacific Alliance when entering Mexico because of the trade pacts and visa requirements.

5.2.5 Timing and opening of the Bigmond office

Timing is an important strategic tool when companies look to launch a product or service and the timing of entry depends on if the company is able to provide to the needs of the market (Bartlett & Ghoshal, 1987). Depending on the culture and situation of the company, a decision

will be made on whether to enter the market as a first mover or follower and if there is a sure demand (Bartlett & Ghoshal, 1987). There are always risks involved when entering a new market and there needs to be a foundation that is feasible and that entry barriers are assessed before entering. These entry barriers are listed below in Table 23.

Table 23

Entry Barriers in the Mexican Market

• Size of investment	• Vertical integration
• Control of resources	• Distribution channels
• Loyalty	• Government policies
• Inelastic demand	• Advertising
• Intellectual property	• Identity

Note. Data are from *Managing across borders: New strategic requirements*, by A. C. Bartlett & S. Ghoshal, 1987, *Sloan Management Review*, 28(4), 7–17

The market can be considered a “competitive arena” where companies constantly compete to be the best performer (Bartlett & Ghoshal, 1987). Innovation also plays a factor to timing and there is a theory of the first mover and second mover. The first mover theory states that a company has the ability to establish customer loyalty and thereby securing their position in the market (Bartlett & Ghoshal, 1987). It is also important to keep in mind that all industries are different. To determine the right timing of entry, a firm needs to balance the risks of early entry and the missed opportunity of late entry (Bartlett & Ghoshal, 1987).

Sub-cause 1: Entrance as a branch. As described in Chapter Six, it would be most promising for Bigmond to enter the Mexican market as a Branch because of the moderate risk and it would allow for the execution of commercial transactions. It is important to acknowledge risk and the impact of and timing of entering the market. Moreover, it would be important for

Bigmond to focus on a handful of key industries so that there is assurance of future growth of Bigmond in the market.

Sub-cause 2: Financial stability in entering Mexico and lack of experience in Mexican market. Bigmond needs to have the financial stability to enter to the Mexican market to ensure successful market entry. Since Bigmond is new, it is important to establish relationships in the Market to gain insight and allow for knowledge transfer. It would also be beneficial if Bigmond incorporates marketing tactics, such as creating a YouTube channel to cater to Mexico, that will help to expand customer and competitor awareness. Other marketing strategies should also be explored along with creating partnerships with existing executive search companies operating in the Mexican market.

Sub-cause 3: When to enter Mexico. Bigmond's entrance into Mexico will solely depend on the decision of the CEO, Fernando Gonzales, and his decision on an entry mode and the key sectors Bigmond will focus on. Entry will also depend on whether Bigmond is financially stable when entering the market and is confident that the entry will enable growth of the company. Additionally, employees will have to be sought and hired that fit with Bigmond's culture and values and these employees will operate the Mexico location. There also needs to be trust developed between the Director hired for the Mexico location and Fernando and a cohesive relationship needs to exist so that future success can be achieved.

5.2.6 Ability to innovate and acquire technology

The previous analysis of Bigmond's internal strengths and weaknesses has shown, that one of the company's core competencies is the introduction of new innovative products. This ability to provide innovation is requested urgently by clients within the Mexican market (AESC,

2018). Moreover, Bigmond does not only have the capabilities to innovate itself but also allows clients to foster innovation through the acquisition of top talent. Hence, firm's competitiveness depends on technology and innovation capabilities (AESC, 2018). Focusing on long-term value creation, many Mexican companies are looking for top talent which is specialized in digitalization in order to prepare the company for the digital age. In this age, one of the primary factors in determining competitive advantage will be the ability to innovate (AESC, 2018).

Sub-cause 1: Use of innovative marketing tools. Besides the need for innovation within business processes the Mexican market executive search companies in Mexico also lack innovative marketing tools (AESC, 2018). These can become crucial due to the enormous market size which the Mexican market depicts. With regard to this, Bigmond can benefit by transferring its marketing channel executive insider to the Mexican market. This would allow the company to foster brand awareness and connect to recognized industry experts within the Mexican market. Moreover, Bigmond could promote its responsible positioning.

Sub-cause 2: Implementation of digital sales channels. Within the Mexican market environment, the potential number of sales can be increased significantly by employing a digital sales channel. By using digitalization within the sales channel development, a comparative advantage based on increased efficiency and effectiveness of the sales process can be achieved. Thus, Bigmond can benefit under these conditions as the company has already established a digital sales channel which increases the convenience of purchasing the company's services while increasing customer satisfaction (Bigmond, 2018). These are crucial factors to foster brand adaptation rates and increase sales in a new market.

Sub-cause 3: Flexibility through small firm size. The Mexican market is subject to rapidly changing external market conditions (KPMG, 2017). Due to this faced market volatility, only companies which are able to adapt to changing conditions quickly will be able to achieve superior performance in the future. Hence, Bigmond can benefit from its small firm size and low degree of bureaucracy in order to maintain its operational flexibility. This flexibility allows Bigmond to quickly respond to upcoming trends and face potential threats in a timely manner.

5.2.7 High quality network access in the Mexican market

Mexico is home to a high variety of top tier companies (KPMG, 2018; EY, 2017). By establishing presence within the Mexican market, Bigmond can gain access to these top tier clients. This is a crucial step in order to foster a high-class client network which remains to be one of the weaknesses in Bigmond's home market Peru. Hence, establishing this network can pave the way for potential future expansion plans in the South American market.

Sub-cause 1: Cultural similarities between the Peruvian and Mexican culture. The Mexican market can be characterized as being culturally similar to the Peruvian (Hofstede, 2018). Hence, this cultural similarity can decrease the potential barriers of entry and increases the prospects of doing business in Mexico for Bigmond. Important points include a similar perception of long-term orientation, power distance and uncertainty avoidance which are crucial determinants of a successful business relationship. Moreover, a substantial benefit includes Spanish as the shared administrative language which decreases the administrative costs of setting up a commercial activity in the Mexican market and facilitates the access to relevant information (EY, 2017).

Sub-cause 2: Big market size. A final potential success factor of entering the Mexican market is Mexico's big market size (KPMG, 2018). Due to this large market size Bigmond faces increased chances of identifying niche markets which value responsible, long-term oriented and environmentally friendly operations which are not being served by competitors yet. This opportunity allows for the implementation of a niche market in which a commercial presence within the target market is an important touching point between the company and potential clients.

5.3 Conclusion

In conclusion, Bigmond's entry strategy has been assessed pertaining to five major root-causes displayed in a Fishbone diagram. This insight will further allow for a selection of an entry strategy along with the timing of the entry. It is pertinent to remember that there are key factors to keep in mind when entering the Mexican market, such as the amount of human capital, emerging industries, currency, geopolitics and timing. Furthermore, there has been a trend toward a more sustainable and sophisticated Executive Search and this will benefit Bigmond when entering to the market. Also, clients are seeking out longer term relationship, requesting assessments, coaching, development and attracting top talent continues to be in high demand. This is a great attribute to Bigmond because the company offers coaching. Relationships will be built on unique market insights and access to networks, so executives will need to think carefully before reaching out and also have to think strategically. Adaptation is important, and competitiveness is still based on innovation and technology in a new quick changing market. Additionally, when entering Mexico, Bigmond will gain being a part of NAFTA and having relations with Canada and the United States. Firms operating in the Mexican market often suffer from a lack of innovative capacities. This lack of innovation often results from difficulties in

attracting top talent which master's innovation. Hence, by establishing a presence in the Mexican market, Bigmond can benefit from its innovative products and sales processes. Moreover, its ability to help firms to acquire top talent in order to foster clients' innovative capabilities increase the prospects of operating in the Mexican market substantially. When establishing a commercial activity in the Mexican market, Bigmond can benefit from its small firm size and resulting low degree of bureaucracy. These organizational structures will allow the firm to rapidly adapt to changing market conditions and thus will become an important determinant of future operational success. Based on a low degree of cultural, geographic, and social barriers between the Peruvian and Mexican business environment, entering into the Mexican market can be facilitated. One major aspect includes the similar approach towards business relationships as identified by a comparison by Hofstede's national dimensions for both countries. A second key element is Spanish as the shared administrative language which decreases administrative costs and complexity. Finally, Bigmond can benefit from Mexico's big market size as this market will present niche markets for socially responsible clients looking for executive search services. In such a big market it is especially important to have an established target market presence as a touching point between the company and potential customers.

Chapter VI: Assessed Solution Alternatives

6.1 Alternatives to Solve the Problem

Bigmond aims to establish a multinational presence. Advantages include the fostering of international brand awareness and brand reputation while increasing international sales.

Moreover, based on the increasing trend of responsible business operations within the Mexican market, Bigmond's commitment to superior governance standards and responsible operations can be regarded as an advantage which can facilitate its positioning within the Mexican executive search market. While the previous quantitative and qualitative analysis identified the most promising industries and division to enter, the following part will present and assess different alternatives in order to enter the Mexican market.

When determining the most promising internationalization strategy for Bigmond, it is important to consider the company's existing capabilities, resources, as well as its ability to engage in risks. Moreover, other important factors include doing trade-offs between the company's previously defined expectations in order to determine the most suitable entry strategy for Bigmond. These include the expectations to remain at a high level of control, and to introduce the same quality, responsibility and management standards. Furthermore, Bigmond desires to transfer its existing innovative capabilities to its Mexican operations.

There are several kinds of corporations which can be employed by companies in order to start operating within the Mexican market. According to Philippe & Leo (2010) the selection of an entry mode requires a trade-off between the following aspects: the degree of ownership and the resulting degree of operational risk. Therefore, all resulting entry options vary with regard to the required amount of investment, time frame, risk, and commitment (Philippe & Leo, 2010). In

the case of the Mexican market there are five different entry modes for the service sector which have been widely recognized within the international business environment: the establishment of a representative office, a joint venture with a Mexican partner firm, the establishment of a local branch, a joint-stock company, and a limited liability company (EY, 2017; KPMG, 2017). These can be placed across the Risk or Ownership continuum and can be categorized in between low control or low risk to high risk or high control (EY, 2017).

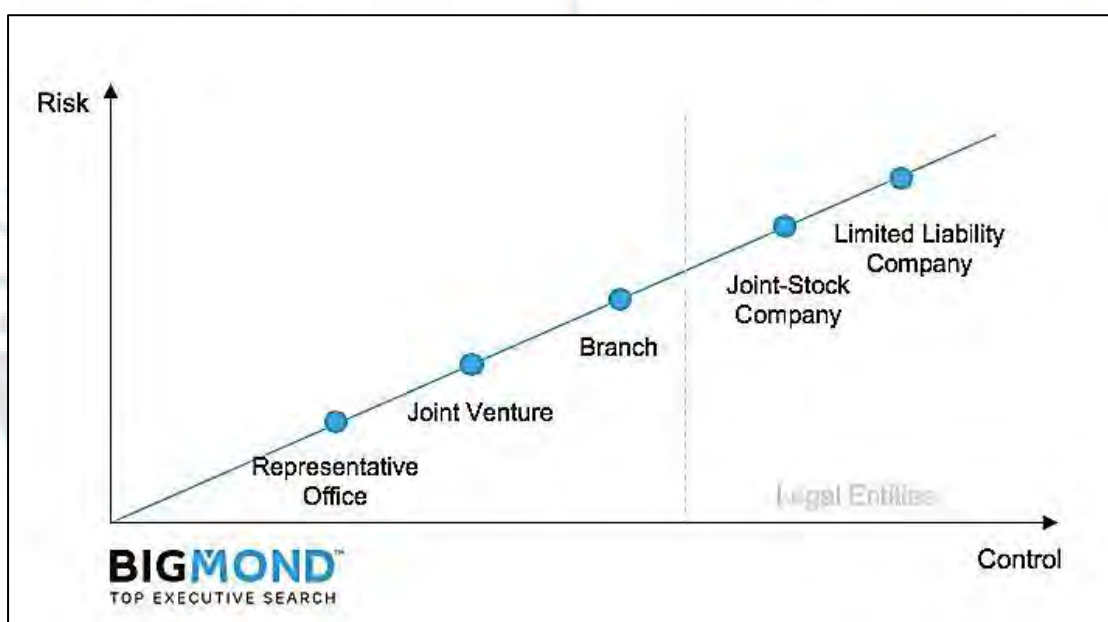


Figure 11. Internationalization strategies to enter the Mexican market.

While the latter entry modes of establishing a joint-stock company or limited liability company are regarded as legal entities and therefore would require the company to become publicly listed, the former entry mode structures such as the establishment of a representative office, joint venture, or a branch are not considered to be legal entities but can still offer substantial benefits. These benefits have been increasingly recognized by international investors worldwide. Throughout the following section, these entry mode alternatives will be assessed. In

order to allow for a better comparison between the alternatives, all alternatives will be assessed based on the pre-defined criteria of Control, Cost, Risk, and Return. After the individual assessment of each respective entry mode, results will be summarized. Moreover, valuable insights into underlying local workforce rules and regulations will be given as these are also important factors to consider when examining the potential feasibility of starting operations in the Mexican market.

6.2 Assessment of Alternatives

Throughout the following paragraph different internationalization strategies will be defined, which can be employed by Bigmond in order to start operating in the Mexican market and these strategies will be thoroughly examined. Within the first section, all entry mode alternatives will be described. In the second section, all respective alternatives will be assessed by employing the criteria of Control, Cost, Risk, and Return as suggested by Philippe and Leo (2010). Moreover, potential advantages and disadvantages of each strategy will be discussed.

6.2.1 Representative office

The establishment of a representative office within the Mexican market is the entry mode which requires the lowest amount of resources and exposes the company to the lowest risk faced. This entry mode is executed by the director or CEO who will be leading business administration and operations in the name of the Mexican representative office (KPMG, 2017). Hence, the CEO is to be held responsible for all executed actions of the representative office. An important limitation of this entry mode is its inability to perform commercial activities (EY, 2017). Therefore, the representative office primarily provides direct access to customers and serves for promotional purposes. Even though Bigmond already has already employed the entry mode of

establishing representative offices in Europe, Asia and South American countries, the company aims to establish a commercial activity within the Mexican market (Bigmond, 2018). Moreover, a substantial degree of control over the Bigmond Mexico is desired which excludes the establishment of a representative office as a prosperous entry mode for the company.

Table 24

Entry Mode Assessment Representative Office

Entry Mode: Representative Office	
Control	Low
Cost	Low
Risk	Low
Return	Low
Advantages	<ul style="list-style-type: none"> • Has already been established in several of Bigmond's markets such as Europe, Asia and South American countries
Disadvantages	<ul style="list-style-type: none"> • Sole promotional function • Not considered as a commercial activity • Low level of control and guidance

6.2.2 Joint venture

In order to enter the Mexican market through a joint venture Bigmond can create a new business with a local executive search company. Advantages of joint ventures include advantage such as capital, knowledge, expertise, technology, and physical assets (Perez, 2017). As previously mentioned joint ventures impose the possible threat of partner selection. It is a crucial element as it determines the company's ability to create synergies and provide organizational excellence. This operational excellence and responsible business is required due to Bigmond's ISO certification and commitment to superior governance standards. Moreover, one of

Bigmond's main priorities is to transfer its high service quality and deep relationship focus to the newly created company. With regard to responsible partner collection the Association of Executive Search and Leadership Consultants (AESC) offers valuable insights. It does so by providing a list of executive search companies, which are committed to the execution of responsible business operations (AESC, 2018). Therefore, the following companies might be high potential partners:

Table 25

Potential Executive Search Partner Companies

• Alder Koten	• Leaders Trust International/AltoPartners
• Allen Austin	• Odgers Berndtson
• Amrop Seeliger y Conde	• Prolaurum
• Boyden	• Russel Reynolds Associates, Inc.
• Cornerstone International Group	• Spencer Stuart
• DeZa Search	• Stanton Chase
• Ezentia Leadership Solutions/ECI Group	• Steinbach & Partner
• GOSECO International Executive Search	• Talengo / TGCL
• Heidrick & Struggles	• TRANSEARCH
	• Zavala Civitas Executive Search
	• Korn Ferry

Note. Data from *AESC global executive talent outlook 2018 summary report* by AESC, 2018. Retrieved from https://www.aesc.org/sites/default/files/uploads/AESC_Global_Executive_Talent_Outlook_2018_Summary_Report.pdf

Descriptions of key partners listed above can be found in Chapter One with references to the industries and levels of hire the companies function within. Another important factor to consider includes Bigmond's firm size. While Bigmond currently benefits from its small firm size as it increases operational flexibility and allows a rapid adaption to changing market developments, forming a joint venture with a company decreases speed and operational flexibility. Even though the company receives access to resources and facilities and faces a lower investment risk, Bigmond might lose its control over its operations in the Mexican market. This

risk is intensified if a large enterprise is selected as a partner. Moreover, it is important to notice that a joint venture will be required to pay the same taxes as a corporation.

Table 26

Entry Mode Assessment Joint Venture

Entry Mode: Joint Venture	
Control	Medium
Cost	Moderate
Risk	Moderate
Return	Moderate
Advantages	<ul style="list-style-type: none"> • Facilitated market entry • Shared costs and risks • Access to market knowledge and host country regulations • Established network
Disadvantages	<ul style="list-style-type: none"> • Partner Selection will be critical due to Bigmond's no corruption policy, responsible operations focus and strong focus on the full implementation of the core values: passion, equality, quality & responsibility in every business function • Culture Alignment • Possibly reduced ability to maintain the superior quality level of the provided services

6.2.3 Branch of a foreign corporation

Similar to the establishment of a representative office, entering the Mexican market through a branch imposes that the director will be guiding and controlling all operations and will report directly to Fernando, the CEO of Bigmond, who will be fully responsible for all actions which are executed within the Mexican branch. Contrary to the representative office, opening a branch of a foreign corporation is not only limited to sole promotional purposes and client access, but also allows for the execution of commercial transactions (EY, 2017). These

commercial activities are guided by the defined requirements within the Code of Commerce, General Law of Commercial Companies, as well as Foreign Investment Law (KPMG, 2017). One of the drawbacks of this entry mode is that it solely allows to exert a moderate degree of control over the commercial activities in the Mexican market. Moreover, this internationalization strategy requires to receive permission from the National Foreign Investment Commission of the Ministry of Economy (KPMG, 2017). The company's request to enter the market through a branch is assessed within 15 working days. In case of an accepted request, the branch's address has to be provided within 30 days. This has to be done in front of the National Registry of Foreign Investments (KPMG, 2017). Finally, a registration at the Public Registry of Commerce will be required within the first year of being authorized (KPMG, 2017).

Table 27

Entry Mode Assessment Branch

Entry Mode: Branch	
Control	Moderate
Cost	Moderate
Risk	Moderate
Return	Moderate
Advantages	<ul style="list-style-type: none"> • Easiness • Lower required set-up time • Lower faced risk while still being able to exert medium control • No legal entity but still considered as being a Commercial Activity
Disadvantages	<ul style="list-style-type: none"> • The firm is not allowed to own real estate in Mexico • Required authorization by the National Commission of Foreign Investment (Comisión Nacional de Inversión Extranjera)

6.2.4 Joint-stock company (S.A.)

A joint-stock company can be labeled as a corporation or a corporation with variable capital (Moore Stevens [MS], 2017). These two forms of joint-stock companies are the most common forms of entering the Mexican market and used by domestic and foreign investors (MS, 2017). Having a joint-stock company requires a minimum of two shareholders, in the form of an individual or a corporation (MS, 2017). To enter the Mexican market as a joint-stock company, Bigmond will have to become a public company and would require stock investors and a board of directors. This route will require the CEO to give up full rights of the company and operations would be much greater in volume. A corporation with variable capital is more flexible out of the two as it allows the increase or decrease of capital stock after the incorporation (MS, 2017). A Notary is required to draft the corporate charter and articles and once approved and signed, a shareholders' meeting will be held. Common Mexican limited companies are mainly labeled as S.A. Investors use S.A frequently, and as its main feature is the capital (MS, 2017).

As a joint-stock company, shares are represented by the contributions of shareholders and the articles will demonstrate the capital amount, as agreed by partners (MS, 2017). If the contribution is done in cash, a minimum of 20% of the share value must be paid. It should also be paid in full (100%) immediately (MS, 2017). Any modification would involve legal entities, such as the Ministry of Foreign Affairs (MS, 2017). These documents need to be approved and signed to be fully legal and with the same effect as the original document (MS, 2017).

There are two forms of management of an S.A company (MS, 2017). One requirement is that there would be to have a board of directors, and the other requirement would be to have a sole administrator who works under a supervisory board (MS, 2017). Within a board of directors,

a selected individual, or several, will be appointed as head of the board and will oversee the company's management (MS, 2017). This individual or individuals are appointed at the general stockholder's meeting and this stockholders' meeting is held to ratify the decisions made by the board and must be held at least once per year (MS, 2017).

Additional considerations include foreign investment legislation and considerations of the government issued "Foreign Investment Law" should be taken into consideration if Bigmond chooses to become a corporation in Mexico (MS, 2017). This law is flexible and foreign investment is welcome, but it is important to keep in mind that this law regulates the percentages of which foreign investors are allowed to invest in Mexico and there are two kinds of investment: direct and indirect investment (MS, 2017). Foreign Direct Investment (FDI) is one of the many types of investment and gives foreigners full rights and obligations in an established entity. Investors are allowed to participate in most sectors directly and there are some restrictions and regulations (MS, 2017). Another type of investment is Foreign Investment in Restricted Zones which states "restricted zones" being land within 100 kilometers of the Mexican border and within 50 kilometers of the coastline (MS, 2017). Foreign Indirect Investment (FII) grants limited rights to foreigners and special procedures have to be followed, for example, if a foreigner invests in a residential facility in a restricted zone, a 50-year trust is required to be established (MS 2017).

The National Foreign Investment Commission (CNIE) grants all authorizations in terms of foreign investment in Mexico (MS, 2017). This commission consists of the following entities: Ministries of the Interior, Foreign Affairs, Finance and Public Credit, Social Development, Environment, Natural Resources and Fishery, Energy, Trade and Industrial Development,

Communication and Transportation, Labor and Social Welfare and Tourism, all headed by a President and an Executive Secretary (MS, 2017).

In relation to corporate tax, tax prepayments are required and should be made prior to the 17th of the month following the one which it corresponds (MS, 2017). In the first year of operation, a corporation will not be obliged to make these advanced payments but will then have to after their year in operation (MS, 2017). A corporate tax return should be filed in the closing of each fiscal period and it should state the company's tax liability and taxable income, along with the profit sharing to employees (MS, 2017).

Table 28

Entry Mode Assessment Joint-Stock Company

Entry Mode: Joint- Stock Company	
Control	High
Cost	High
Risk	High
Return	High
Advantages	<ul style="list-style-type: none"> • Unlimited control and guidance over the subsidiary • Transfer of host country quality standards & certifications • Recognition as legal entity
Disadvantages	<ul style="list-style-type: none"> • Requirement to become a publicly listed company • High amount of resources required • Time-consuming set-up process • Lower operational flexibility

6.2.5 Limited liability company

A limited liability company is similar to the operation as a corporation and is distinguished as an organization of specific persons (MS, 2017). The difference is that it is much

smaller than an S.A as it can be established with just two shareholders, and no more than 50, who are responsible for capital contributions (MS, 2017). If Bigmond decides to choose this route, the company will have to be a public entity as it requires a minimum of two shareholders. Additionally, the CEO will have to give up full ownership of the company. At least half of the capital share is required to be paid upon issue and this is agreed by the partners and stated in the articles of incorporation (MS, 2017).

A Notary Public is responsible for requesting the permit from the Ministry of Foreign Affairs, for the company's establishment (MS, 2017). There is a process that follows and the limited liability company must be registered before The Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público [SHCP], The Ministry of Economy Secretaría de Economía [SE]), The Ministry of Health (Secretaría de Salud), The Public Registry of Commerce (Registro Público de Comercio), The Federal and local tax authorities, The Social Security Mexican Institute (Instituto Mexicano del Seguro Social [IMSS]), The National Housing Fund Institute for Workers (Instituto Nacional del Fondo de la Vivienda para los Trabajadores [INFONAVIT]), and various other agencies depending on the company (MS, 2017).

Table 29

Entry Mode Assessment Limited Liability Company

Entry Mode: Limited Liability Company	
Control	High
Cost	High
Risk	High
Return	High
Advantages	<ul style="list-style-type: none"> • Unlimited control and guidance over the subsidiary • Recognition as a legal entity
Disadvantages	<ul style="list-style-type: none"> • Requirement to become a publicly listed company • High amount of resources required • Time-consuming set-up process • Lower operational flexibility

6.2.6 Underlying local workforce rules and regulations

Every business in Mexico must be included in the Mexican Information System (Sistema de Información Empresarial Mexicano [SIEM]), and the database is updated every year with main data of the businesses (MS, 2017). Throughout the following section local requirements regarding salary, welfare, retirement, legal work day, holidays, vacation, indemnity and severance, as well as sonority will be discussed. These are important factors to consider when assessing the feasibility and prospects of doing business to Mexico.

It is a requirement that all employees are to be paid the minimum daily salary as determined by the Minimum Salary Commission (Comisión de Salario Mínimo [CSM]) (MS, 2017). Additionally, it is important to take into consideration benefits of employees. The Mexican Institute of Social Security [IMSS]) receives quotas from companies and institutions

that are paid by employees, employers and the government (MS, 2017). This social security system accounts for medical care, retirement and insurance and caters to the welfare of workers. It is required by law that all employers have to register their employees in this social security system (MS, 2017).

Founded in 1992, the Retirement Savings System (Sistema de Ahorro para el Retiro [SAR]) provides an employee a retirement fund (MS, 2017). An employer is required to contribute two percent of the monthly salary to the employee's individual bank account (MS, 2017). The employee is allowed to choose the bank account will manage these funds and this system is known as the Administration of Retirement Funds (Administradoras de Fondos de Ahorro para el Retiro [AFORES]) (MS, 2017). Mexican Labor Law also requires that ten percent of the net taxable income is to be shared with their employees (MS, 2017). It is important to note that in the first year of operation, a company is exempt from this rule (MS, 2017).

In terms of work hours per day, an employee in Mexico is required to work eight hours or less, six days a week, as eight hours is the maximum an employee is allowed to work per day (MS, 2017). It is possible for an employee to work a maximum of nine hours in any week, with an allotted three hours of overtime per day (MS, 2017). Overtime is worth twice the rate of the employee's normal salary and if an employee works six consecutive days, an employee is required to have one fully paid day off (MS, 2017). A common agreement in the workplace is a 40-hour week, Monday thru Friday (MS, 2017).

There are eight celebrated holidays in Mexico, which employees are granted a holiday day-off (MS, 2017). The holidays are as follows: January first New Year's Day is celebrated; February's first Monday for Constitution day; March's third Monday for the birthday of former

President Benito Juárez; May first is Labor Day, September 16th is Independence Day; November's third Monday is Revolution Day; December first every six years when the new President takes office; and December 25th as Christmas Day (MS, 2017).

Next, vacation pay will be discussed and paid vacation in Mexico is granted according to seniority (MS, 2017). A common granted vacation period for an employee is two weeks' paid vacation after a full year of service (MS, 2017). It is also important to take into consideration indemnity and severance payments which means that if an employee is discharged, they are entitled to three months' salary plus an additional 20 days' salary for each year of service with the company (MS, 2017). Also granted is a seniority premium, where an employee receives 12 days' salary for each year of service after 15 years of total service with the company (MS, 2017). A Christmas bonus is required each year and an employer is accountable for paying 15 days' salary to each individual employee prior to December 20th of each year (MS, 2017).

It is important to note that Mexican immigration legislation allows a foreigner to work in Mexico as an immigrant or non-immigrant (MS, 2017). A non-immigrant may enter if he or she has a permit issued by the Ministry of the Interior (MS, 2017). A foreigner must maintain an immigration permit and can enter the country as an immigrant to fill a management position in a Mexican company or institution (MS, 2017). This company must be in operation for a minimum of two years and have a minimum capital stock or a certain net worth (MS, 2017). A foreigner can also enter Mexico as a technician or scientist, researcher in production, technical or with a specialized job in a Mexican company (MS, 2017).

Furthermore, tax structures should be considered when doing business in Mexico. In Mexico, there are both federal, state and municipal taxes, with the main federal taxes being

Income Tax and Value Added Tax (VAT) (IVA is the Spanish acronym) (MS, 2017). The Ministry of Public Finance and Credit (SHCP), levies these taxes and deals with interpretation of the law, authorizations, responses to consultations, and tax audits (MS, 2017). Each year the tax laws are updated and are in the form of main taxes (direct and indirect), miscellaneous taxes, and corporate and income tax structure (MS, 2017). Direct taxes are income tax, taxes on companies that exploit natural resources, and taxes on salaries (MS, 2017). Indirect taxes are value added tax, tax on the production and sale of a specific good or services, duties and customs duties (MS, 2017). Miscellaneous taxes are classified as payroll taxes, real estate acquisition tax and land tax (MS, 2017). A very important tax bracket to consider if moving forward as a corporation would be corporate and income tax structure, which would be classified according to the source. There are different rules that computes these taxes and it would follow the Income Tax Law including general provisions, corporations, non-for-profit organizations, individual, and income obtained by non-resident aliens with a source of income in Mexican territory (MS, 2017).

In the foreign market in Mexico, trade liberalization agreements and free trade agreements have been signed with more than 40 countries (MS, 2017). This enables business relationships with such countries and access to a potential export market of one billion consumers which in turn represents 75% of the global GDP (MS, 2017). Mexico has become one of the most privileged and competitive economies and provides advantages for investors who wish to establish a business in Mexico because 90% of negotiated tariffs are tax deductible (MS, 2017). There is also room for non-payment of customs duties and to obtain these benefits it is important to follow the rules and regulations in the Mexican government stated above (MS, 2017). This chapter has reflected on entry points of Bigmond to the Mexican market and opportunities and weaknesses in each.

Table 30

Entry Mode Assessment Overview

	RO	JV	Branch	JS	LLC
Control	Low	Moderate	Moderate	High	High
Cost	Low	Moderate	Moderate	High	High
Risk	Low	Moderate	Moderate	High	High
Return	Low	Moderate	Moderate	High	High

Note. RO: Representative Office, JV: Joint Venture, JS: Joint Stock Company, LLC: Limited Liability Company

Table 30 presents an overview of the different entry mode alternatives. The criteria have been pre-defined based on an interview with Bigmond. The table indicates, that while a Joint-Stock Company and Limited Liability Company offer the highest degree of control, their requirement to become a publicly listed firm in the stock market and the associated amount of resources and risk exceeds Bigmond's current means. The same accounts for a Joint Venture. Offering a moderate degree of control, the joint venture puts Bigmond into the position to find a fitting partner. This is a complicated and time-consuming process as Bigmond applies its high responsibility and zero corruption policy to all its partners. Moreover, having a partner increases dependency and decreases the degree of control. Hence, a Branch offers the company independency while solely requiring a moderate amount of resources, risk and allows for the establishment of a commercial activity without a previous capital requirement.

6.3 Conclusion

In conclusion, it would be most customary for Bigmond to enter the market as a Branch because it would allow for the execution of commercial transactions. Bigmond will be able to operate in Mexico as a Branch but will not be able to own the real estate. This will be most beneficial because it will keep costs low and prevents the need for the company to go public, which it would have to do if taking the route of a Limited Liability Company or a Joint-Stock

Company. Also, the means to enter the Mexican market as a branch is moderate in all playing fields and does not prevail a high risk. To enter as a Branch, Bigmond will have to receive permission from the National Foreign Investment Commission of the Ministry of the Economy and provide an address in 30 working days. A second option that would be a consideration when entering Mexico would be to enter as a Representative Office. This option has already been established in several of Bigmond's markets such as Europe, Asia and South American countries. The disadvantage to this option would be that it is not considered commercial activity and there is a low level of control and guidance. Overall, Bigmond's existing capabilities, resources, as well as its ability to engage in risks have all been assessed in the previous section to lead the recommendation and proposal of entering the Mexican market as a Branch to be the most successful option thus far.

Chapter VII: Proposal

There are numerous reasons that make Mexico an attractive country to invest in, but it is important to keep in mind the rules and regulations of entering the market as a new entity, making market entry a delicate decision. Some of the greatest challenges in Mexico are the security issues, the lack of effectiveness of the legal system, high corruption rates and bureaucracy (Kaihilahti & Jaakkola, 2013). When Bigmond enters the Mexican market, it is important to be aware of these issues so that there is a smooth market entry.

The market that Bigmond will enter is inclusive of 4,420 firms concentrated in the Center Region of Mexico (Kaihilahti & Jaakkola, 2013). In this vast range of companies, our team proposes to attack the 15% as a final target market. There would be a special focus on the growing industries including Media Services, Manufacturing Industries, Financial Services and Construction. Also, it would be important for Bigmond to focus on the Technology Industry because of its increased growth and it is a segment that spans across many industries making it a more horizontal industry. The specific target will be the companies in the C-suite, which includes all managerial positions. There may be inclusion on middle management, but the focus will be initially being C-suites.

After analyzing the market, a final target market has been determined. This paper provides potential alternatives for the types of entry to the Mexican market. The entry modes take into consideration determinants influencing the market, such as company backgrounds, company concerns and Mexican market characteristics. Due to the experience of Bigmond of having affiliations with representative offices in Europe, Asia and South America, with partners located in these areas, this represents an important limitation of this entry. It is a limitation

because although it allows to have direct access to foreign customers and have vast international alternatives of talents in its executive research operations, there is an inability to perform proper commercial activities. Establishing a branch in Mexico, and excluding the representative office entry, would allow for Bigmond to have high control and provide similarities, close to those of a corporation, including rights and responsibilities, tax liability and access to local courts. The CEO of Bigmond, Fernando Gonzales, will be in charge of guiding and controlling the administrative and operational directions of the Mexican Branch, while an on-site director will guide daily operations and will directly report to Fernando.

Additionally, research in the recruitment industry has proven that Mexico has a high rate of talent shortage with a rate that varies in the range of 40% to 50%. This means that there is an existence of job availability in Mexico and Bigmond would be able to enter the market as an executive search company filling positions in senior level management in the industries stated above. 2018 figures show that talent shortage equals 50% in the Mexican market (Figure 12) (ManpowerGroup, 2018).

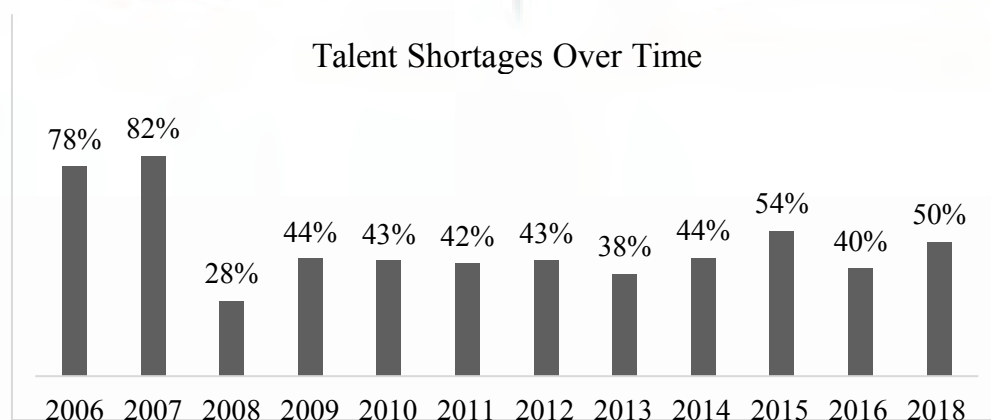


Figure 12. Talent shortages over time in Mexico. Retrieved from *Resolviendo la escasez de talento* [Resolving the talent shortage] by ManpowerGroup, 2018. Retrieved from https://www.manpowergroup.com.mx/wps/wcm/connect/manpowergroup/db65d29b-c8d3-46e9-9af5-fed9ef38a9d0/MG_EscasezdeTalentoMexico2018.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=db65d29b-c8d3-46e9-9af5-fed9ef38a9d0

This trend is due to lack of applicants, shortage of skills and experience, lack of talent, and a lack of payment attractiveness from employers (ManpowerGroup, 2018). This scenario in the market represents a great opportunity for Bigmond to enter with the company's unique value proposal based on their core values of equality, quality, passion and responsibility and its high level of certifications. Moreover, there are additional considerations in order for Bigmond to enter Mexico. Numerous executive researchers in the Mexican market have completed studies on what companies are also looking for besides high-quality service and finding the best person that matches with the objectives of the company. In relation to the characteristics of talent, companies are now looking for innovative people, and are trying to find leaders for the future that have the enough capabilities to adapt in a continuously changing environment. Avoidance in the turnover is important so that Bigmond doesn't incur additional costs of potential turnover. To avoid turnover, Bigmond has a structured onboarding process and a post service that includes their actual hired talent. Due to the market requirements, it is proposed that Bigmond should add a "succession planning kit" that includes the research process, on-boarding and coaching of talent and also a succession plan in the company that can be monitored quarterly. This kit will also include an analysis of employee expectations, skills, capabilities and coaching to improve the hired talent. This will increase service and offer talent mapping for potential future leaders. Bigmond's entry to Mexico will reduce the two main problems currently in the recruitment industry: (a) Lack of applicants: because Bigmond can develop talents and increase the selection range by searching for future leaders and (b) Lack of experience: Bigmond will hire qualified talent to fill the need of positions in the Mexican market.

Once Bigmond establishes a presence in the market, it can begin to work with companies to find hired talent. Bigmond's entry to the market will help companies in reducing time, efforts

and would motivate the employee to work harder and constantly improve because Bigmond will monitor their achievements, capabilities, and skills. Bigmond will ensure success of the employee in the company and will create value in the to the Mexican market.



Chapter VIII: Implementation and Key Success Factors

8.1 Implementation of 7'Ps

8.1.1 Product

Bigmond's value proposition in comparison to other companies in Mexico is ideal, and it is proposed that the maintenance and selection of on-boarding, in which Bigmond conquered the Peruvian market, should be adapted to the entrance into Mexico as well as a few additional components. The executive research product is an account that consists of two main phases.

The first phase is (a) Selection: where Mexican market research will be conducted to select the best executives for the positions required by the clients, followed by the evaluation of the talents in various areas such as personality, intellect, competences and how these talents relate to the company. Finally, a triple is selected so that the client can decide the final contracting. The second phase is (b) On-boarding: once the talent is selected, Bigmond will define the evaluation objectives and metrics with the direct manager in order to carry out an evaluation plan and receive coaching through a specific methodology, that Bigmond implements in the Peru office, to ensure correct adaptation in the company and improve the level of productivity.

Bigmond's value proposition goes beyond the selection process itself as it ensures equal opportunities, works with socially responsible companies and takes responsibility for the environment. The process is carried out using the highest quality standards and Bigmond has several certifications such as ISO 19001: 2008, carbon footprint and ESR (Socially Responsible Company). In addition, Bigmond practices good human rights, labor and anti-corruption practices.

8.1.2 Price

To benchmark the price, benchmarking was used with other Executive Search companies in Mexico. A simple average of the services fee was carried out with the five companies and a price of 20% was obtained for senior levels and 15% for middle-management based on the basic annual salary including benefits and bonuses. In Table 31, it is observed that Korn Ferry has the highest prices, and this is due to their extensive experience and reputation.

Table 31

Comparison between competitors

Competitor	Services Fee (Senior Management)	Services Fee Middle Management
Cornerstone International Group	20 - 25%	12 - 16%
Korn Ferry	30% Annual wage + 12% Admin. Costs	27% Annual wage + 12% Admin. costs
Alto Partners	27% to 30%	27%
Signum	30%	25% to 28%
GOSECO International Executive Search	27% to 30%	27%
Average	20.0%	15%

Note. This information was obtained from personal communication with sales executives of the firms

8.1.3 Place

In reference to consulting services, the mode of delivery becomes less important because Bigmond has to go to the customer offices to provide their services and adapting their team to the customer requirements. Moreover, Bigmond should consider a space to conduct interviews in the case that client does not want them to be in their own offices. Another consideration is traffic and, in relation to Peru's 9am to 5pm traffic, there is also high traffic in the principal cities in Mexico, and it is important to consider that some customers may prefer remote meetings.

Additionally, an identified weakness in Bigmond's sales strategy is that they do not have adequate control of the sales opportunities of the customers. The division of accounts between the sales force is attributed by affinity and this does not follow the standardized tracking process, which makes the forecast based on intuition. This can cause business opportunities to be lost during the process, such as developing an account and creating an adequate relationship to identify and mature future sales opportunities.

Overall, we propose to implement a CRM (Customer Relationship Management) system, which is a methodology used in other consulting services companies, in which they use the "consulting selling process" which consists of a sales pipeline with six stages. Each stage indicates the level of maturity of the sales opportunity. The beginning state is stage 0, with a value of 0% which identifies the opportunity of an account (client) and the presentation of the company is made. Each account can have several opportunities that will be registered with a unique code to be able to do the corresponding follow-up. Then this opportunity will progress to the next stage while the client is showing interest in accepting services, for example, requesting information or new meetings, the client has the budget, has interest in acquiring services, acquiring complementary services, or accepts the service. The process ends at a stage of 100%, when the service is completed satisfactorily. The following figure shows the suggested sales stages for Bigmond.

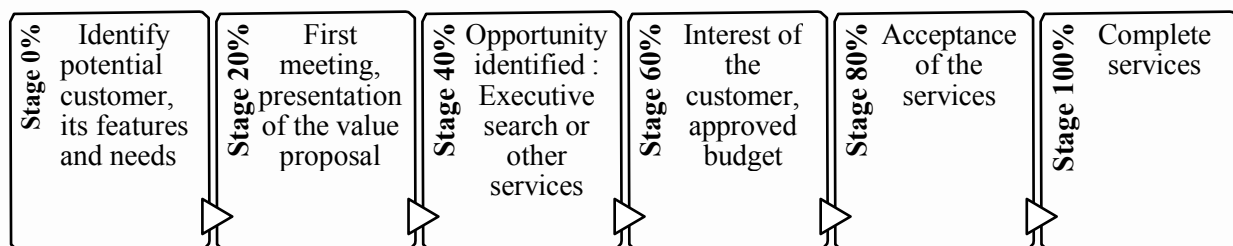


Figure 13. Consulting selling process

As is shown in the Figure 14, the pipeline is a “funnel” management system, that starts with the identification of potential opportunities which are received through web forms, calls, e-mails or meetings as is shown in Figure 15. These are monitored and analyzed throughout each stage of process and all opportunities are reduced by a percentage of sales. Also, there is possible to have report analysis in dynamics dashboards to facilitate the understanding of information as is shown in the figure 16.

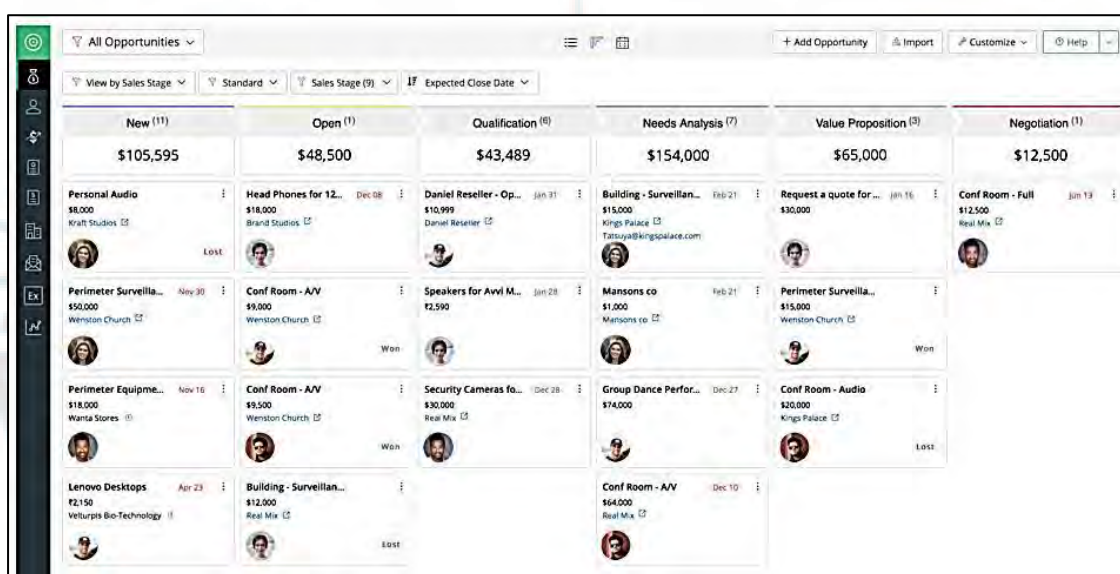


Figure 14. Pipeline in CRM system. Retrieved from <https://www.vtiger.com/sales-crm/>.



Figure 15. Dashboard report. Retrieved from <https://dynamics.microsoft.com/es-mx/sales/role/sales-leaders/>.

This process allows the identification of the speed and development of sales opportunities, and the performance of sales executives because this can be measured through how fast they progress to upper stages which means that they are maturing the opportunity. Also, it can detect problems in each stage and identify what is necessary to pass to the next stage. It might also help with the forecasting of sales because opportunities with more than 60% must be a short-term sale.

8.1.4 Promotions

The main channel of marketing is direct by face-to-face meetings due to the importance of the creation of relationships in Mexican business. Direct communication plays an important role to capture a customer and to ensure loyalty (McDonald et al., 2011). The pipeline of sales that will be implemented will help to have an integrated view of the customer and to identify the process of relationship by steps in order to customize channels used in each stage. In each stage of sales process, the communication must be different, while more advance in the stages of customization, will play an important role (McDonald et al., 2011). During Stage 0, communication is by email or phone call. In the next Stage of 20% and this communication will also include direct contact by face-to-face meetings.

Once a client accepts a service and feel satisfied with the work, word-of-mouth becomes the most powerful influencer in customer behavior and to create a business relationship. In services, word-of-mouth is considered one of the most important communication channels (Keller, 2003). “The personal nature of WOM dissemination makes it more effective in influencing the attitude, perception and behavioral intentions of people. It is trusted by people

over advertising or other sponsored and marketer controlled disseminations” (Mukherjee & Shivani, 2016, p. 11).

As mentioned previously, word of mouth is useful in building relationships in the industry, so this would be interesting to create a channel of communication in which Bigmond can position its brand as a leader in the sector. According to Guillermo Defilippe, a Bigmond partner, Mexicans as well as Peruvians have a business environment that is social in which they share experiences and future contacts. This is why the current strategy of Bigmond to fill the void of social relationship is necessary to conduct business in Peru. The YouTube channel, Executive Insider, should be maintained and executed in the Mexican market, but of course using Mexican leaders. In addition, we propose that Bigmond create workshop sessions of best practices where they can invite great opinionated leaders from the sector or even from other countries that operate in Mexico and invite HR leaders from different companies and create a social environment that would be profitable for them and will lead to a developed relationship and sales opportunity in the future. By doing this, Bigmond will be able to absorb knowledge of the Mexican market while creating contacts and acquiring potential future clients. Also, the online channel will help create brand awareness in Mexico and can be considered as a source of competitive advantage and a valuable asset for any organization (Aaker, 1996; Gray, 2006).

On other hand, Bigmond has already implemented a mailing campaign in which new services or relevant information from the industry are presented to the customer in order to keep the Bigmond brand in the mind of the client. It is proposed to keep this as market strategy but customized through a segmented marketing campaign and each stage of sales must bring specific information about the customer that will allow to delimit which information is relevant for each customer. Also, customers who have already acquired services can receive promotions for

additional services that meet their needs. Products such as talent or talent mapping evaluations that require keeping the client captured until a next sale opportunity must be promoted.

8.1.5 Participants

Services, by nature, are valued when the people are providers. People play an essential role in the commercialization of services and that is why is important to take into consideration all the aspects to provide a better experience for the customer (McDonald et al., 2011). The key consideration is how well-trained the consultants are and who will be responsible for developing an effective service that would be the presentation card of the brand. Bigmond will have to maintain high standards during the sales process since they are using their sales executives until post service. The following will include direct employees and non-direct employees.

Direct employees. people that are the face of the company, such sales executives, directors and the consultants with direct contact with the customer (McDonald et al., 2011). Bigmond should consider a specialized recruitment process to obtain local talent with a wide skill of expertise, knowledge and communication. Once the selection is made, Bigmond should implement monthly trainings to ensure the understanding of the policies and processes, sharing best practices with other participants, trainings about how they can be more efficient in all that they do and time management, improving communication skills and problem-solving workshops. This is to ensure a correct understanding of the business, create brand awareness for the clients and avoid mistakes that can result in loss of market share. “The changing way of life and the consequent time crunch for the consumers suggests that the perceived speed and efficiency of service delivery which is largely a function of the employees is very important” (Mukherjee & Shivani, 2016, p. 12).

Non-direct employees. People that are not directly involved with the customer but has a little contact (McDonald et al., 2011). Other administrative positions and receptionist have an important role because they must have good communication skills, understand policies and be aligned for the overall marketing strategy.

In services, the customers make associations and link the people and first impressions to the brand. This is why Bigmond must be really careful in the selection of their employees or staff in Mexico because they might define the growth of its brand equity (Chernatony et al., 2003).

8.1.6 Process

Internal processes that are deficient may directly impact the brand of the company, causing it to lose credibility and seriousness in the perspective of the client. Deficient processes make it more difficult for the employees who are in contact with customers, which results in low productivity and increase probability of failures. These processes not only refer to the delivery of the services itself but also consider activities such as the internal management of the website, online purchasing, calls to the central office, billing processes, among others. One of the main advantages of Bigmond is that they have the virtual store 24/7 that allows customers to book services on the website at any time, and it is proposed that this be maintained in the Mexican market. It will be a great competitive advantage in a market that values technology and value saving time.

All processes must be error-proof and standardized to ensure proper control. An important point is the quality certification based on ISO 9001 that Bigmond has because its certification requires the proper documentation of procedures and their periodic updating. The quality dimension is important to keep in mind in every process within the company and

Bigmond has to ensure that they receive feedback from the clients in every aspect because quality in services is highly subjective and mostly depends on what the customer perceives as an overall experience (Zeithaml, 1988).

8.1.7 Physical Evidence

The physical evidence refers to all the tangible aspects of the company. It refers to what the client can perceive at the sensory level of the company such office decoration, staff clothing, symbols, logos, presentation cards, reports, etc., “Physical evidence such as environmental design, decor, signage, and business cards/stationery send messages that help establish the firm’s image and influence the customer’s expectations” (Bitner, 1990, p. 72). It is everything that makes the customer's experience tangible and helps materialize the service provided. In the case of Bigmond, keeping the website updated and with updated information can allow customers to perceive the company style.

Following the stages of the sales pipeline, Bigmond must have a deliverable in each of its stages. In the early stages it is important to provide high expectations of customer service so that it can attract attention. Bigmond will have to handle physical brochures with updated information about the general value proposal and a formal but attractive design for the client. As customers move on to the next stages, during meetings it is important to maintain a business presence, updated business cards, notebooks or other merchandising including the Bigmond brand. In the reports of state and final deliverables, Bigmond must respond and be very careful with the information provided, ensuring that it is always updated, accurate and showing professionalism. This is an important part for the development of the presence of the brand.

Moreover, Bigmond must handle physical evidence of the services, formal control reports that will show information about the developing of the services very carefully, since this has a great impact on how customers perceive, and how the company itself and its services are viewed.

8.2 Constitution of Foreign Mexican Company

Mexico has the Foreign Investment Law that favors the entry of direct foreign investment to promote the development of the country. The foreign investment may occur in any proportion in the capital stock of Mexican companies, acquire fixed assets, entered new fields of economic activity or new lines of manufactured products, open and operating establishments, and expanded or relocated existing ones. Moreover, the law explains that foreign companies can carry out economic activities in the country if they are not violating the mentioned restrictions. The procedure that Bigmond must follow for the constitution of a Mexican company is the following:

Register with the Ministry of Economy (SE). This process develops two important procedures to carry out: (1) A request for the constitution of a Mexican Company. It takes place in the offices of the Secretariat of Economy (SE) and is required to be executed in person. The request includes two important subprocesses: (a) The authorization of the use of the social reason (b) The notice of the use of the social reason. This social reason will be the official name of the company and allows Bigmond to register its legal structure and to distinguish it from other firms. (2) Authorization for commercial activities. This second request involves the registration and authorization of the firm's economic activity in the Mexican market. The requirements to start the process are:

- A written request;
- A certification of the constitution of the society;
- Current statutes of the company from the domestic country;

- A Payment of \$ 1,886.00 MXN.

After the approval of the request, the next steps are the registration in National Registry of Foreign Investments, the communication to the General Directorate of Foreign Investment regarding the registration of its statutes in the Public Registry of Commerce, and the communication to the General Directorate of Foreign Investment on the start of the operations of the representation office. It is important to notice that these communications do not allow Bigmond to start commercial activities yet.

Registration in the Public Register of Commerce (RPC). The following process allows Bigmond to start commercial activities in Mexico as it gives firms a legal authorization to execute commercial activities. The requirements to start the process are the following:

- Form M-11 and Form M-4 which involves the registration of a foreign society in Mexico, this form can be acquired in the Public Register of Commerce;
- Declaration of the reasons for the constitution of the company;
- Payment of the registration depending on the share capital of the company.

Registration in Federal Taxpayers Registry (RFC) in Mexico. Every company that will start economic activities in Mexico also has to register in the Federal Taxpayers Registry in order to comply with the payment of their taxes. The procedure requires an representative's presence as it takes place in the office of Decentralized Administration of Taxpayer Services (ADSC).

The requirements to start the process are:

- A certified copy of act;
- A legalized certified copy of the document that approves tax identification number;
- A certified copy of the agreement to open the establishment in the national territory.

Registration in the National Register of Foreign Investments (RNIE). This application involves the authorization of foreign companies to start commercial activities in Mexico. More than 49% of Mexican companies participated in this process. Hence, the requirements to start this registration process are:

- Simple copy of the document that proves the legal representation
- Simple copy of the legal representative
- Simple copy of the immigration document of the legal representation
- Simple copy of the tax ID card

Registration in the Mexican business information system (SIEM). The registration in the Mexican business information system is necessary in order to integrate information of every Mexican company that executes economic activities in Mexico. While the registration aims to improve performance and the promotion of business activities, the cost depends on the size of the company and hence, varies substantially.

Table 32

Prices for Registration in SIEM

Company Size	Price
4 or more employees	\$ 640 MXN ^a
3 or less employees	\$ 300 MXN
2 employees	\$ 100 MXN

Note. ^aValues expressed in Mexican pesos, exchange rate 19USD/MXN. Data retrieved from Secretaría de Economía de Mexico. Data from *Manual de trámites para invertir en México* Secretaria de Economía, 2016. Retrieved from https://www.gob.mx/cms/uploads/attachment/file/202331/Manual_de_tr_mites_para_invertir_en_M_xico..pdf.

8.3. Key Success Factors

The key success factors represent facts that have to be consider in every business in order to accomplish successfully its business objectives. They can have a positively or negative impact depending on the industry, external environment and the dynamic of the market. It helps to enhance action plans to maximize opportunities or reduce risks (Lake, 2017).

8.3.1 Enablers

Capability to build the Bigmond brand. One of the Bigmond's main strategies is to strengthen the brand and to position it as a brand that places quality, ethics, professionalism and expertise at the core of its operations. Due to this reason all activities related to creating brand awareness require a thorough analysis.

Capability to implement a digital Mexican business channel. One of the main challenges for Bigmond is its lack of a prestigious business network of contacts as a facilitator of doing Business in the Mexican market. To fulfill the lack of business and social relationship in its home market Peru, Bigmond has implemented a communication channel on Youtube called Executive Insider. Aiming to increase its customer base and awareness about the importance of responsible practice in Executive Search, the channel shows interview various market opinion leaders in human resources. Hence the channel allows to position Bigmond's CEO Fernando as an opinion leader in the sector while enhancing brand image and a network of contacts which fosters growth. Based on its successful implementation in the Peruvian market, a survey to assess the channel's suitability for the Mexican market has been conducted with a selected sample of premium headhunters operating in Mexico. The following firms have been interviewed and regarded the online channel as an important marketing channel to increase brand exposure and

foster responsible business development in the Executive Search sector: Signum, GESOCO International, Cornerstone, Korn Ferry International, Alto Partners.

In the era of digital transformation, many companies are including digital channels within their businesses to obtain information from their customers, suppliers or other involved business parties. Digital innovation plays an important role as Mexico is considered to be one of the most active countries in Latin America in terms of connectivity (EI, 2018). C-suite are leading company's digital transformation and are developing social media adoption (Whitler, 2017). Although the channel works well in the Peruvian market, a website or a block for industry leaders might be more suitable as the Mexican brand will solely focus on top level executives.

Bigmond should contact Human Resources leaders in all industries and sectors, develop expertise in a particular area. Moreover, the channel or blog is a good way get to know others' perspective on Executive Search best practices while representing a good opportunity to foster brand recognition. Within the implementation period, Bigmond can benefit by using their actual expertise and previous interviews with Peruvian leaders.

Capability to create workshops to create strong relationships. After the implementation of the digital channel that allows interviewing the C-suite as well as opinion leaders in human resources, this channel will be used as a presentation to be able to contact other leaders who are willing to be interviewed with an exclusive audience. The expected public are positions as managers and heads of human resources who will be contacted to participate in a talk. This interview will create a social environment in which both parties perceive an added value, on the side of the interviewee is the exposure and positioning of the personal brand, and for the public,

the valued information and answers they receive. In addition, a social environment will be created in which Bigmond can take advantage to create strong relationships.

Location offices. Bigmond wants to enter as an exclusive brand, with high differentiation, so it needs offices according to the image you want to transmit. The offices will be located in Mexico City in the best business areas, where they can receive clients, offer them the value proposal and provide an attractive customer experience. The marketing mix of Physical evidence developed in the previous chapter, explains the relationship of the brand with the tangibility of the service. The offices as a physical medium must represent in its decoration the culture and values of Bigmond.

Personal brand of employees. The consultants involved in the processes that have direct contact with the client, must also develop a personal brand, in such a way that Bigmond represents an overall brand since their employees. The professional image, of high standards and exclusive must be shown from the first contact they have with the client as well as during the post sales process.

Capability to implement and maintain a CRM. One of the main features in consulting is the close relationship that exists between the services provider and the client. In addition, the process of relationship and control of the account is a critical point for the development of the business. That is why it is decided to implement a CRM that allows to achieve the integration of the customer profile, from the sales pipeline to the post-service control.

“Forging good relationships and keeping track of prospects and customers is crucial for customer acquisition and retention, which is at the heart of a CRM’s function. You can see everything in one place — a simple, customizable dashboard

that can tell you a customer's previous history with you, the status of their orders, any outstanding customer service issues, and more" (Sales Force, n.d.)

The implementation of a CRM depends on the characteristics and modules that company wish to acquire. In this case, Bigmond should opt for (a) sales module, (b) marketing and (c) customer service. (a) The sales module will allow a comprehensive and organized view of the customer, understand the sales pipeline in each stage, identify sales targets, understand customer needs, increase productivity, access information in all places and, above all, automate processes to save time which can be used better to continue selling (Microsoft, n.d.). (b) Marketing module can provide information to do customize marketing campaigns or it is also possible to include some information about the behavior in public social media activity of the customer, it will be a powerful insight to know better the customer. (c) Customer service module can provide a communication channel with the customer, the customer can start a contact in one channel as a request in web, then can switch to phone, conference calls or face-to-face meetings, every history of communication can be in one site (Vtiger, n.d.)

However, CRM is only a tool and its implementation have to be aligned with the objectives of Bigmond. Usually some companies have a fail implementation because they believe that CRM is the solution to their problems without first align and understand their own way to achieve its objectives. According to Vtiger (n.d.), there are three main considerations before an CRM implementation that Bigmond will consider making it successful:

Specific Vision. CRM project must be aligned with specific and mesurable objectives, SMART (Specific, Mesurable, Achievable, Realistic, Time-based) indicators. It will allow Bigmond employees to use CRM's features as a way to achieve their goals. The first part of the

implementation is an operative process of entering data for the pipeline, once the information is set then the big picture of the sales can be display and CRM's functionality will become attractive (Vtiger, n.d.). Bigmond will ensure the align its requirements with the vision of the company.

Upper management support. One of the first concerns in each project implementation is the support of the managing board, every successful system project has the commitment from the top management. CRM is large implementation and it carry a reengineering of the processes and it will impact the routine of involved employees. If managers are not on board, the employees will not trust on it and the project will fail (Dorsey, 2005; Vtiger, n.d.). Fernando, as CEO, will be in charge of the implementation, following every step and making awareness of the benefits.

Recognize CRM as an element of the main picture. No consider CRM as the tool that will solve all, it is a system support. Bigmond will recognize that CRM system is a tool that will be adapted to their own processes to maximize productivity and efficiency but will need the commitment of the team to success.

Updating data. One of the main problems are that once CRM is implemented, the employees do not enter information on time, for example, forgetting to update a stage of a sales opportunity in the platform. CRM is a dynamic platform that needs to be updated in order to obtain real information at every time. Sales executive have to be committed to update the platform once they get new insights, it might ensure an efficient CRM's performance.

In other hand, the cost of implementation always is a concern, it depends on the number of users, volume of data, and selected features. The CRM represent high cost for the company, however is an investment and if Bigmond knows how to manage it, the return of the investment will be higher. Many suppliers as Microsoft CRM Dynamics, CRM's Sales Force, Vtiger, among

others have different interesting offerings in the market. For Bigmond, as a young company, and to the access in a new market, would be better a less expensive option to start. It is suggested Vtiger that include cheap costs and have many attractive features.

Bigmond's value proposition in market. Bigmond will enter the Mexican market with a proposal from an Executive Search company with high standards, with various certifications that the Mexican market lacks. There are other certifications more related to the processes, such as the distinctions of belonging to an association such as AESC for example. However, it does not ensure democracy in the search for talent during the process. Latin American countries suffer a lot from corruption and discrimination, this allows Bigmond to differentiate itself since its brand is related to zero tolerance towards discrimination, corruption and lack of human rights. Bigmond is only willing to work with companies that meet their same principles and values.

Well-defined target market. Market segmentation is one of the most important processes for forecasting business growth. Focus on only a portion of the specific market allows you to take advantage of all its benefits, work together and personalized with customers. A well identified market must be maintained, always updated in the needs, new trends, movements of the target market and of the industries in general. In this way, Bigmond will be able to develop better proposals that allow it to position itself in the sector.

Frequently analysis of brand's competitors. Bigmond will be competing with high Executive Search firms from all over the world due to Mexico is a very attractive market for the volume of users, it makes many companies want to obtain a market portion. That is why Bigmond's competitors must always be analyzed, be aware of possible reactions, possible

strategies, new products, etc. in order to quickly respond to the market. Identifying competitive advantages of competitors' brands to know how make better proposals.

8.3.2 Risks

Cultural challenges

Sales Executive and Representatives should be Mexicans. According to an interview with Guillermo Defilippi, a Bigmond partner with years of experience in the Mexican sector, he considers Mexico as a market that perceives the countries of South America as inferior. Also, affirm that one of the entry strategies of Bigmond will be hiring resources with a well understanding of the Mexican idiosyncrasy. The culture is nationalist, with high admiration of North American and European companies, that is why the entry of a Peruvian firm could be challenging. Bigmond must acquire a local team, who have experience in the market, meet the standards and values of Bigmond, but at same time have the ability to create bond of trust with the clients.

Risk of talent shortage

Mexico has a talent shortage of 50% in 2018 that has made more companies to request specialize firms to find the best talent (AESC, 2016). However, at the same time, it can be a risk. According to a study of Korn Ferry (2018), the high skilled workers, with complete college or postgraduate education, are the most demanded in the world. Mexico has facing a deficit of level A in -185,000 talents considering difference between demand and supply. The outlook for 2030 is -1.5 million which is 8.8% of Level A workforce. According to Eduardo Puig, a client partner in Korn Ferry Mexico, he affirms that companies operating in Mexico today need to be aware

that homegrown Level A talent is getting tighter. Table 34 demonstrates the outlook of deficit in the main sectors of Mexico.

Table 33

Outlook of Deficit of Level A Talent by Economic Sector in 2030

Sector	Deficit of Level A talent in 2030
Finance, Insurance, Real Estate and Business Services	-77,843
Technology, Media, Telecommunications (TMT)	-58,015
Manufacturing	-106,203
Rest of economy	-719,217

Note. Data from *Future work* by Korn Ferry, 2018, Retrieved from <http://www.kornferry.com/future-of-work>

Organizations are looking to talents B, low-level trade college qualification, as a solution. Find into their workers potential high-level roles and invest in their development (Korn Ferry, 2018). Bigmond should mitigate this talent shortage offering as part of the services a succession planning kit, that include mapping of the resources in the organization, analyze them and offer a potential map of future talents A in the company.

Millennials trends

Millennials are a generation that were born amongst 1981 to 1995, so there is a segment already in its stage of expertise considered as level A of talents. 87% of Mexican millennials affirm that professional development is important for their future and they are willing to stay with their employer for a long time. However, 45% of millennials indicate that correct long time is one year, and 85% less than two years. The nature of millennials, future market leaders, is to experience new challenges and are willing to change companies easily and quickly. This could be a problem for Bigmond, since companies could consider that the resource provided has not

stayed more than twelve months in the position, which could be understood as lack of efficiency and expertise in finding the best talent.

For that reason, as part of Bigmond's onboarding process, four perspectives must be merged: company vision, position objectives, talent's skills and capabilities, as well as personal objectives of the talent. Usually greater importance is given to the client, focusing only on the needs of the company, however in the long term that could affect the image of Bigmond. They should focus primarily on the expectations and personal objectives of the talent.

Fluctuation in wages and prices

One of the risks is the fluctuation of salaries, because if there was a downward trend on salaries, Bigmond will obtain a lower fee because the price is considered a percentage of the annual salary. To avoid that risk, it will be controlled with a minimum price for each level of Executive search, senior or middle management, and not consider only a percentage. In other hand, the prices can be affected by inflation or have fluctuations of the exchange rate depending on external economic factors as is shown in the Table 35. There is a feature that needs to be analyzed every specific period.

Table 34

Appreciation of the Mexican Peso Versus USD

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Appreciation / Depreciation	21.10%	6.50%	1.50%	4.10%	-3%	4%	19.20%	17.80%
Inflation	5%	4%	3%	4%	4%	4%	3%	3%

Note. Data from "Pacific Alliance business and investment guide 2017 / 2018," by EY, 2017 (http://www.rree.gob.pe/Documents/2017/Pacific_Alliance_Business_and_Investment_Guide_2017-2018.pdf).

8.4 Implementation Gantt Chart

The project has a duration of 35 weeks starting on September 3th and ending on May 2th. The implementation will start with a strategic planning setting the vision, mission and main objectives of Bigmond Mexico. Then, it will be followed for a market research analysis in situ which means to analyze closer the market, Bigmond team should travel to Mexico to set interviews and do surveys to different companies as well as gather more information about the competitors. Getting this information will allow Bigmond to have better understanding of the business environment and key factors of success. This phase should have at least a duration of 6 weeks because implies a deep market analysis. Then, the financial analysis has to be adjusted with new information to have more accurate performance indicators. After identifying a good business scenario, Bigmond should start the registration process to constitute its Mexican company following its six main steps. Overall registration process has a duration of 8 weeks.

Once Bigmond obtain the authorization of start operations activities in Mexico, the team should start looking for offices and rent the best option. As well as looking for the best talents in the Mexican market that will help to build Bigmond as a leader in the market. Then, they should trainee the team to start the implementation of the branding strategy that involves the execution of workshops and the business digital channel in Mexico. Finally, the last step will be a special trainee to start commercial activities in Mexico. In Figure 16, 17 and 18, the Gantt chart is shown the complete view of the steps.

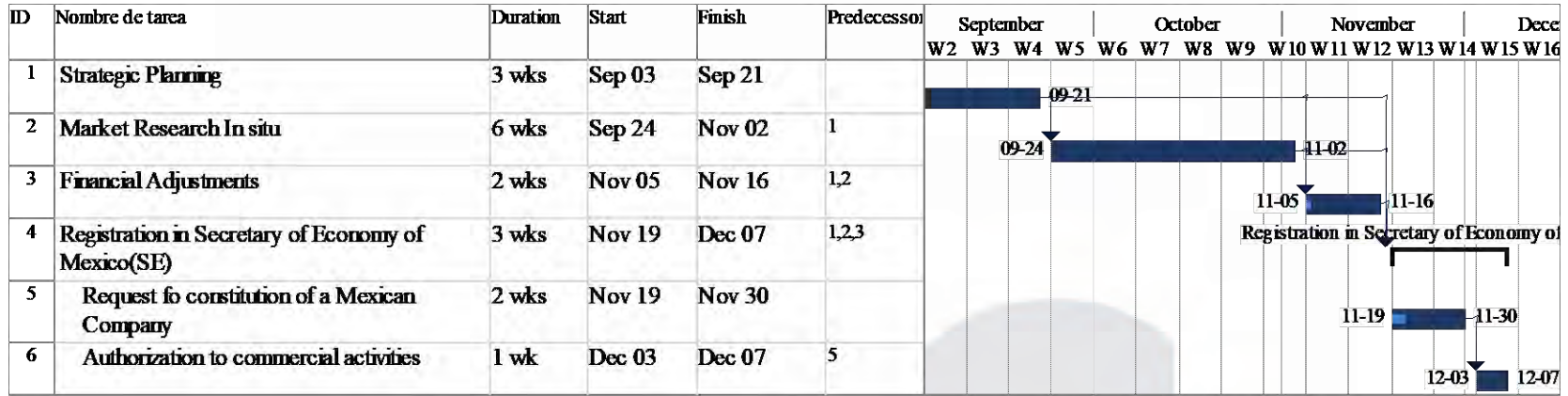


Figure 16. GANTT chart

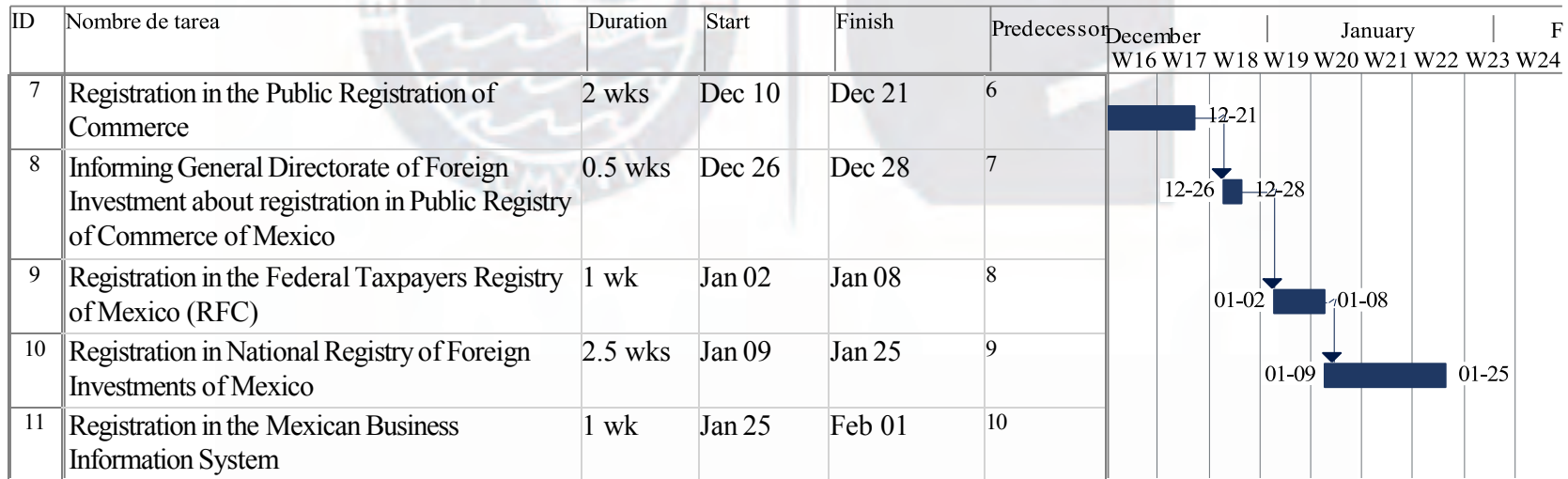


Figure 17. GANTT chart (continued)

ID	Nombre de tarea	Duration	Start	Finish	Predecessor	February		March			April									
						W23	W24	W25	W26	W27	W28	W29	W30	W31	W32	W33	W34	W35	W36	W37
12	Research and Implementation of Business Offices	6 wks	Feb 01	Mar 15	11	01	[Bar chart from Feb 01 to Mar 15]						03-15							
13	Executive Searching of talents for Bigmond Mexico	6 wks	Jan 29	Mar 11	10															
14	Branding Strategy	9 wks	Feb 01	Apr 04	10		[Bar chart from Feb 01 to Apr 04]													
15	Contact of HR Leaders and CEOs	4 wks	Feb 01	Feb 28	10	01	[Bar chart from Feb 01 to Feb 28]				02-28									
16	Implementation of Business Channel in Mexico	5 wks	Mar 01	Apr 04	15															
17	Starting of Commercial Activities	4 wks	Apr 05	May 02	14															

Figure 18. GANTT chart (continued)

8.5 Conclusions

The development of the 7Ps of services has been able to define how Bigmond will perform in the Mexican market, focusing on the human resource since it is an element that cannot be separated from the success of a service. It is important that the mentioned characteristics be taken into consideration in order to achieve the proposed results.

On the other hand, one of the main key success factors is the development of Brand Equity by Bigmond, this will allow the company to create a differentiating image from other competitors. The digital channel and the workshops will play a very important role, which will require a considerable investment in marketing and brand creation skills to achieve success. For that, would be suggest further to hire a Brand Manager to develop the brand Bigmond Mexico.

Chapter VIII: Expected Outcomes

In this chapter, the viability of the proposed strategies and implementations will be analyzed based on a financial analysis. This will provide quantitative results of the main evaluation indicators of projects such as Net present value (NPV) and internal rate of return (IRR). The financial assessment will consider the following aspects: (a) Main assumptions for the financial assessment (b) Historical demand (c) Forecasting demand (d) Key performance indicators. Based on the results of the qualitative analysis and information, the expected outcomes will be presented in short, mid and long term.

9.1 Historical Demand

From the quantitative and qualitative analysis in Chapter IV, it was defined which would be the target market where Bigmond would focus to begin its strategy of entering the Mexican market. It was concluded that Bigmond should segment its market to industries: Banking & Financial Services, Construction, Engineering & Manufacturing, Marketing and digital, and IT. Considering a cover of 20% in that segment of companies, the potential market is comprised by 122 companies in the Center region of Mexico. These companies will be monitored and seen as a target to create good relationships for more demand in the future.

In another hand, an executive sales interview was conducted of some corporate accounts of the same sector, they provided an approximate ratio of selection processes that are carried out in the Central Mexico region. The structure senior / middle-management allows to infer the income structure of the Executive Search sector in each firm, in Table 36 the comparison of ratios is shown of the firms interviewed. The historical demand allows to have information during a specific period, in this case 2012 to 2017, in order to have data to project the values and

make predictions. For the calculation of the historical demand, the following sources are considered: (a) Rate senior / middle-management of a sample of Mexican competitors showed in the Table 36. (b) Remuneration's study by managerial level and industry of Michael Page, this study finds the maximum and minimum salaries that are in the market depending on each position and the economic sector. Given that you have the economic sectors of the target market, you can consider more exact salaries of each sector (See table 37). (c) Growth annual GDP by Industry in the period 2012 to 2015, it is showed in the Table 38 (d) Real demand 2016 and 2017 of jobs in the OCC World in Mexico by industry presented in the Table 39 (e) Contribution by industry to the Annual GDP of Mexico, it is showed in the Table 40. The final historical demand was calculated with the use of all the mentioned sources.

Table 35

Rate Senior / Middle-Management of a Sample of Mexican Competitors

Competitor	<u>Senior</u>			<u>Middle Management</u>		
	Services Fee	Process per year	% Total process	Service Fee	Process per year	% Total process
Cornerstone International Group	20 - 25%	46	39%	12 - 16%	72	61%
Korn Ferry	30% Annual wage + 12% Admin. Costs	85	44%	27% Annual wage + 12% Admin. costs	110	56%
Alto Partners	27% to 30%	62	42%	27%	85	58%
Signum	30%	50	41%	25% to 28% Annual wage	71	59%
GOSECO International Executive Search	27% to 30%	51	47%	27%	58	53%
Average	20.0%	59	43%	15%	79	57%

Note. Data from personal communication with sales executives of each firm.

Table 36

Remuneration's Study by Managerial Level and Industry

<i>Industries</i>	C-Suite				Senior				Middle Management			
	<u>M</u>		<u>L</u>		<u>M</u>		<u>L</u>		<u>M</u>		<u>L</u>	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
Banking & Financial Services	80	160	100	200	80	100	90	120	55	60	60	75
Engineering & Manufacturing	100	180	115	230	65	90	80	130	55	90	80	120
Marketing & Digital	100	140	130	200	80	110	110	140	80	110	100	130
Property & Construction	80	140	150	250	80	120	120	200	65	105	110	145
Information Technology	135	160	135	160	70	90	90	110	60	65	65	70
Average	99	156	126	208	75	102	98	140	65	86	83	108
Wage averages	128		167		89		119		76		96	

Note. Data from “Estudio de Remuneración [Remuneration Study],” by Michael Page, 2018. Retrieved from <https://www.michaelpage.com.mx/contenidos/investigaciones-y-encuestas/estudio-de-remuneraci%C3%B3n-2017>

Table 37

Growth Annual GDP by Industry in the Period 2012 to 2015

<i>Industries</i>	GDP Growth (2012)	GDP Growth (2013)	GDP Growth (2014)	GDP Growth (2015)	GDP Growth (2016)
Banking & Financial Services	7.70%	10.40%	-0.80%	4.30%	7.70%
Engineering & Manufacturing	4.10%	1.20%	4.20%	2.60%	1.30%
Marketing & Digital	16.30%	5%	0.20%	7.80%	10.10%
Property & Construction	2.50%	-4.80%	2%	2.50%	1.80%
Information Technology	1.10%	1.20%	1.70%	4.20%	7%

Note. Data from “Pacific Alliance business and investment guide 2017 / 2018,” by EY, 2017 (http://www.rree.gob.pe/Documents/2017/Pacific_Alliance_Business_and_Investment_Guide_2017-2018.pdf).

Table 38

Real Demand 2016 and 2017 of Jobs in the OCC World in Mexico by Industry

Industries	OCC Mundial 2016	OCC Mundial 2017
Banking & Financial Services	19%	19%
Engineering & Manufacturing	22%	24%
Marketing & Digital	3%	3%
Property & Construction	3%	3%
Information Technology	13%	15%

Note. Data are from “Pacific Alliance business and investment guide 2017 / 2018,” by EY, 2017 (http://www.rree.gob.pe/Documents/2017/Pacific_Alliance_Business_and_Investment_Guide_2017-2018.pdf).

Table 39

Contribution by Industry to the Annual GDP of Mexico

Industries	Contribution to the Mexican GDP (% GDP)
Banking & Financial Services	5%
Engineering & Manufacturing	17%
Marketing & Digital	4%
Property & Construction	7%
Information Technology	5%
	38.0%

Note. Data are from “Pacific Alliance business and investment guide 2017 / 2018,” by EY, 2017 (http://www.rree.gob.pe/Documents/2017/Pacific_Alliance_Business_and_Investment_Guide_2017-2018.pdf).

Calculation of the percentage growth of demand by sector. Sources (c) and (d) were used. Because there is only information on the actual demand for work in 2016 and 2017, the demand must be inferred in the period 2012 to 2015. For this, 2016 is the point to start, since it is the only data in common between the two sources. GDP growth was assumed as a growth trend in demand, for example, in Banking & Financial Services it was considered in 2016 that the real demand of 19% had grown at the same rate of GDP by 7.70%, therefore the Real demand for

2015 is the result of $[19\% / (7.7\% + 1)]$ which gives a value of 18%. This procedure is applied to all the previous years to obtain the real variation of the demand in the period 2012 to 2017, being the year 2016 and 2017 real values (See Table 41).

Table 40

Percentage Variation of Real Demand 2012 to 2017 by Industry

Industries	2012	2013	2014	2015	OCC Mundial 2016	OCC Mundial 2017
Banking & Financial Services	15%	17%	17%	18%	19%	19%
Engineering & Manufacturing	20%	20%	21%	22%	22%	24%
Marketing & Digital	11%	11%	11%	12%	13%	13%
Property & Construction	3%	13%	13%	13%	13%	13%
Information Technology	11%	11%	12%	12%	13%	15%

Once the trend of demand in the period 2012 to 2017 has been calculated as is shown in Table 41, the total average trend of the target market must be calculated. To do this, the source (c) is used to calculate an annual weighted average but this is based on the contribution of each industry to GDP. It is assumed that the greater contribution to GDP represents the industry, the greater will be its influence on the trend of demand in the target market. The final variation of the target market demand is shown in the Table 41.

Table 41

Annual Variation of the Target Market Demand

Industries	2012	2013	2014	2015	OCC Mundial 2016	OCC Mundial 2017	Contribution to the GDP
Banking & Financial Services	15%	17%	17%	18%	19%	19%	5%
Engineering & Manufacturing	20%	20%	21%	22%	22%	24%	17%
Marketing & Digital	2%	3%	3%	3%	3%	3%	4%
Property & Construction	3%	3%	3%	3%	3%	3%	7%
Information Technology	11%	11%	12%	12%	13%	15%	5%
Target Market Demand	5.0%	5.1%	5.3%	5.5%	5.6%	6.1%	38.0%

Once calculated the trend of the real demand of the target market in the period 2012 to 2017. The demand must be calculated in units. The units will be represented by the number of Executive Search selection processes in both the senior and middle-management levels. For this, the source (a) that represents the ratio of selection processes carried out by the competing companies is used and an average of the market is selected. This average obtained is from the year 2017, however, having the percentage growth in demand can be inferred the number of processes of previous years. It should be noted that these processes belong to the central region of Mexico but include all industries and the trend obtained is only for the 5 industries of the target market. So, it is known that the 5 industries of the target market together contribute 38% of the GDP. So, the number of processes in the total market should be adjusted only to the target market, then it is assumed that 38% of the total selection processes correspond to the target market.

With this calculation, we obtain the historical demand for Executive Search selection processes at senior and middle-management levels during the period 2012 to 2017 of the target market, see Table 42.

Table 42

Demand of Selection Process from Executive Search in the Target Market

Executive Search Process	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Total</u>						
Senior Management	45	48	51	54	58	62
Middle-management	58	61	65	69	74	79
<u>Target Market</u>						
Senior Level	37	39	42	44	47	52
Middle-management	49	52	55	59	63	67

Note. Values are expressed in units of selection processes.

9.2 Forecasting Demand

After having the historical demand, the demand of the target market must be projected. In this way you can make a sales forecast and calculate the financial indicators. The forecasting was applied by a regression analysis, once the regression equation was obtained, the values are projected for a five-years period until 2023. Both trends are adjusted by a square polynomial regression because have a R coefficient higher than 98%. In the next figure is shown the regression graphic of each management level.

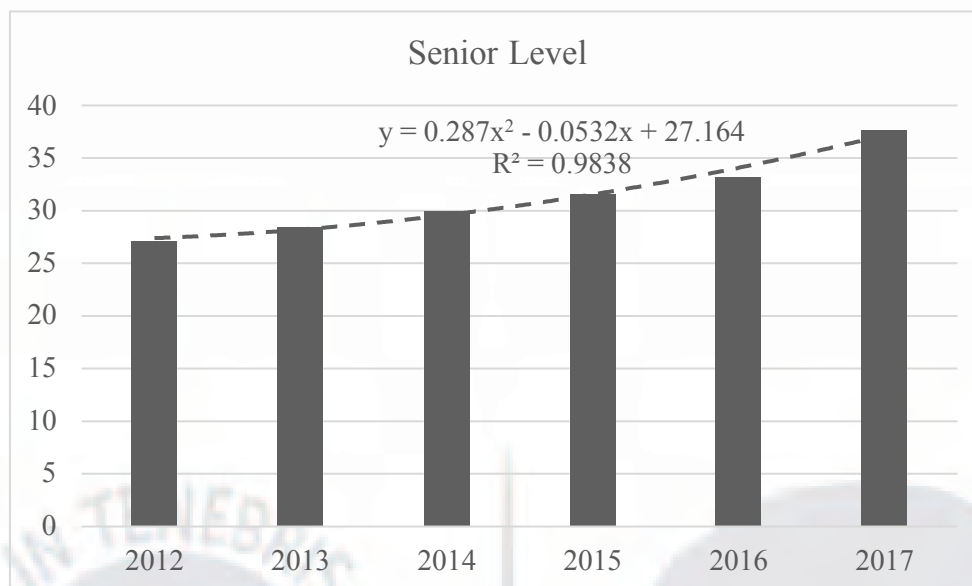


Figure 19. Regression analysis of the senior level demand.

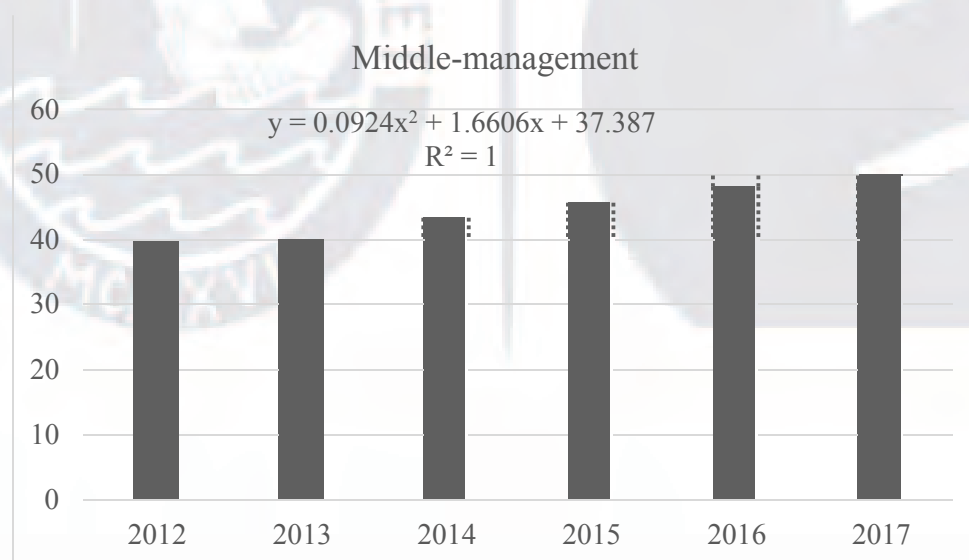


Figure 20. Regression analysis of the middle-management demand.

Table 43

Five-Years Projection of Selection Process of Executive Search in the Target Market

Year	Senior Level	Middle-Management
2012	37	49
2013	39	52
2014	42	55
2015	44	59
2016	47	63
2017	52	67
2018	57	72
2019	62	77
2020	68	82
2021	71	88
2022	78	92
2023	86	98

Note. Values are expressed in units of selection processes.

From the demand of the target market, the market share considered is 32%, given that Bigmond has a very attractive value proposition and different from the other competitors. None of the interviewees has certifications and the high quality that Bigmond offers, that is why a market share of 32% is assumed in both segments. In addition, if Bigmond is correctly positioned in the market, it is easy to expect an annual growth of 11% of demand at both levels.

Table 44

Future Demand of Bigmond in the Target Market

Year	Senior Level	Middle-Management	Total
2019	17	22	39
2020	19	23	42
2021	21	24	46
2022	24	26	49
2023	26	27	53

Note. Values are expressed in units of selection processes.

Bigmond will have a conservative entrance in the market, we estimate few processes but in value they represent a considerable amount of incomes. The strategy of Bigmond is not to stay in that segment, after the second year he will start looking to expand to other industries. It will

allow Bigmond to obtain more selection processes. From this information, a financial analysis can be carried out if the results and strategies in quantitative terms are attractive.

9.3 Financial Analysis

The financial analysis will include the detailed presentation of the income statement and cash flow in order to determine the final profit and the key indicators such as Net Present Value (NPV) and Investment Return Rate (IRR). It will allow to decide if the project is viable in quantitative terms. It should be considered that Bigmond has an opportunity cost with a ratio of 10 to 15%, which means that the IRR obtained must be greater than this percentage, otherwise the company will decide not to invest. It should be noted that the forecasting and financial analysis was carried out of only the main product that is the Executive Search service, so the analyzes presented refer only to one of the business segments. In case all other products are analyzed, the income may vary.

Table 45

Sales Budget

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Sales	\$486	\$617	\$706	\$783	\$894	\$027
Senior	\$289	\$369	\$427	\$468	\$546	\$636
Monthly Wages (\$)	6.4	6.8	7.1	7.3	7.7	8.1
Services Fee (\$)	20%	20%	20%	20%	20%	20%
Services (units)	19	23	25	26	29	32
Middle	\$146	\$186	\$206	\$229	\$254	\$282
Monthly Wages (\$)	4.3	4.6	4.8	5.1	5.3	5.6
Services Fee (\$)	15%	15%	15%	15%	15%	15%
Services (units)	24	28	30	32	34	36

Note. Values are expressed in thousands of American dollars (\$).

In the Table 45, the sales budget takes into consideration an average of the salaries obtained from the remuneration study according to the level of management, using the maximum and minimum of each segment. As well as the forecast of previously calculated selection processes, with both data the annual sales budget is obtained during the period 2019 to 2023. It should also be considered that the average fee obtained from the competitors interviewed is being used, to maintain at the market level.

Table 46

Sales Expenses

	2018	2019	2020	2021	2022	2023
Sales Expenses	\$ 289	\$ 296	\$ 298	\$ 300	\$ 342	\$ 344
Sales Executives	\$ 163.5	\$ 168.4	\$ 168.4	\$ 168.4	\$ 209.0	\$ 209.0
Monthly Wages (\$)	3.0	3.1	3.1	3.1	3.1	3.1
Sales Executives	4.0	4.0	4.0	4.0	5.0	5.0
Variable 15%	0.5	0.5	0.5	0.5	0.5	0.5
Sales Director	60.0	61.8	63.7	65.6	67.5	69.6
Monthly Wages (\$)	4.5	4.7	4.8	5.0	5.1	5.3
Sales Director	1.0	1.0	1.0	1.0	1.0	1.0
Variable 20%	0.9	0.9	1.0	1.0	1.0	1.1
Senior Brand Manager	39.4	39.4	39.4	39.4	39.4	39.4
Monthly Wages (\$)	3.0	3.0	3.0	3.0	3.0	3.0
Brand Manager	1.0	1.0	1.0	1.0	1.0	1.0
Business Intelligence Analyst	26.3	26.3	26.3	26.3	26.3	26.3
Monthly Wages (\$)	2.0	2.0	2.0	2.0	2.0	2.0
Analyst	1.0	1.0	1.0	1.0	1.0	1.0

Note. Values are expressed in thousands of American dollars (\$).

Table 46 demonstrates the sales expenses applied to the business. Given that one of the main strategies of Bigmond is the fast entry into the Mexican market, it is proposed to hire 4

Mexican sales executives that can take charge of the accounts, monitor and generate new opportunities in the 122 accounts of the target market. It establishes a salary of 70,000 MXP that is above the market in order to attract the best talent, in addition they are given an incentive of 15% of wages to motivate them to close sales. In the case of sales director, a salary of 90 MXP is proposed, which is at a high average level of the market. He will be in charge of monitoring all sales opportunities, with his experience supporting sales executives and defining the best strategies to increase of sales volume in the Mexican market. As well as executives, it also receives an annual bonus of 20% in case it meets the company's goals. Also, there is consider a Brand Manager that will be in charge to develop the brand equity of Bigmond, it is in a key position to success.

Table 47

Services Expenses

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Services Expenses	\$ 118	\$ 118	\$ 118	\$ 118	\$ 118	\$ 118
Selection Manager	\$ 46.0	\$ 46.0	\$ 46.0	\$ 46.0	\$ 46.0	\$ 46.0
Monthly Wages (\$)	3.5	3.5	3.5	3.5	3.5	3.5
Selection Manager	1.0	1.0	1.0	1.0	1.0	1.0
Headhunter	36.1	36.1	36.1	36.1	36.1	36.1
Monthly Wages (\$)	2.8	2.8	2.8	2.8	2.8	2.8
Headhunter	1.0	1.0	1.0	1.0	1.0	1.0
Search	36.1	36.1	36.1	36.1	36.1	36.1
Monthly Wages (\$)	2.8	2.8	2.8	2.8	2.8	2.8
Search	1.0	1.0	1.0	1.0	1.0	1.0

Note. Values are expressed in thousands of American dollars (\$).

Table 47 show the services expenses that are related to the employees directly in charge of the delivery of the Executive search. Its structure is obtained similar to Bigmond operations,

because they have close to 70 selection process in the year. So they are employees enough to develop the forecast from the next years.

Table 48

Marketing Budget

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
CRM Implementation	\$1.0	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1
Annual Cost (\$/user)	0.12	0.12	0.12	0.12	0.12	0.12
Access (N° users)	6.0	7.0	7.0	7.0	7.0	7.0
Other access (N° users)	2.0	2.0	2.0	2.0	2.0	2.0
Marketing Expenses	\$25	\$25	\$23	\$23	\$23	\$23
Workshops	20.3	20.3	18.3	18.3	18.3	18.3
Local Rent	14.3	14.3	14.3	14.3	14.3	14.3
Merchandising	4.0	4.0	3.0	3.0	3.0	3.0
Other expenses	2.0	2.0	1.0	1.0	1.0	1.0
Digital Business Channel	1.5	1.5	1.5	1.5	1.5	1.5
Other Expenses	5.0	5.0	5.0	5.0	5.0	5.0

Note. Values are expressed in thousands of American dollars (\$).

The main strategy of Bigmond to enter the Mexican market is to develop its brand to such an extent that it is recognized as a distinctive quality, ethic and professionalism. This will allow Bigmond to position itself in the market, obtain greater sales volume and increase the market share to other industries not considered in the analysis. Mexico is a country of great opportunities but there are many competitors, so you should be conservative with the projections. Bigmond has a great value proposal that is more than likely to scale the market. However, in order to carry it out, it is necessary to carry out activities that allow the development of brand equity, from various phases such as the implementation of an exclusive communication channel in Mexico, to carry out the business workshops that are in fact the tangibility of the videos, just an extension of the well-known interviews conducted by Fernando as opinion leader. It is only to make a plan to carry them out in person and take advantage of the benefits that these business environments

offer. In the Table 48, for the case of the workshops, the implementation includes the communication and follow-up by Fernando or the future CEO of Bigmond Mexico, which does not involve tangible expenses. It also includes the rental of a space of at least 250 square meters that allows interviews with select groups, does not imply a large number of people, on the contrary it is expected little attention, but they do contribute a lot of value. The place must be properly prepared to receive top executives, the brand must be present in everything they see, that is why a budget is designated for merchandising and other expenses for the adequacy of the place. The cost of renting the premises is \$ 19 per m² and these rentals will be made four times a year, that is, quarterly. In Table 48 is shown the details of the expenses.

Table 49

Implementation Costs to Start Commercial Activities in Mexico

<u>Implementation Costs</u>	
Registration in Secretary of Economy of Mexico(SE)	Free
Request for constitution of a Mexican Company	Free
Authorization to commercial activities	MXN 1,886.00
Informing General Directorate of Foreign Investment about registration in Public Registry of Commerce of Mexico	Free
Registration in the Federal Taxpayers Registry of Mexico (RFC)	Free
Registration in National Registry of Foreign Investments of Mexico	MXN 6,714.00
Registration in the Mexican Business Information System	MXN 670.00
Research and Implementation of Business Offices	
Local Rent (first 6 months)	\$ 25,080.00
Other expenses for remodeling	\$ 15,000.00
T&E of Bigmond team to develop market analysis	
Air tickets	\$ 1,350.00
Lodging & food	\$ 11,220.00
Other expenses	\$ 1,000.00
Total Implementation Costs	\$ 58,328.18

Note. Data retrieved from *Doing Business 2018: reforming to create jobs - Mexico* (Publication No. 120975) by World Bank, 2017. Retrieved from <http://documents.worldbank.org/curated/en/224291510040343042/pdf/120975-WP-PUBLIC-DB18-MEX.pdf>

On the other hand, another strategy that should not be mentioned is the implementation of a sales CRM that will quickly manage, control and update business opportunities. Not only reduces time, but it gives you the opportunity to have a comprehensive view of your client in every way and at all times. The cost of CRM is based on Vtiger's solution, which is a free CRM, cheap and easy to manage and implement. You do not need to buy a whole CRM project, you can only pay a monthly amount and get a service streamline. The cost per user is US \$ 10 per month, ideally all workers have it and can review it when they need, however for cost issues it is preferable that the sales team and its managers are those who can take advantage of the system.

Also, they have to take in consideration the implementation costs before any operation. It will include the costs for the constitution of the Mexican Company and all the steps to follow in order to legalize the company for commercial activities. From the requirements, some forms are free, but others have to be considered in the initial investment. Moreover, there is consider the expenses involve developing a market analysis in situ, it includes the air tickets, lodging and food and other expenses. Bigmond team should travel to gather more information about the market. The total investment is 58,328.18 American dollars, Table 49 shows the details.

9.2.1 Financial Statements

Bigmond has share its income statement for 2017, from there is possible to identify the structure of costs of the business. The administrative expenses represent 22.7% of the sales, it value will be useful to build the income statement for Bigmond Mexico. Due to the nature of the business, a consulting firm have similar administrative expenses because involves offices, administrative staff and other costs related to the daily work in an office, even more if is the

same company. That is the reason to use the percentage of administrative costs 22.7% of the sales in the statements to have a similar structure in Bigmond Mexico (See Table 50).

Table 50

Income Statement Bigmond 2017

Income Statement Bigmond 2017		
	<u>2017</u>	<u>(%)</u>
Sales	1,170,419	100%
Costs of Sales	-	542,122
Gross profit	628,297	53.68%
Sales Expenses		
Administrative Expenses	-	265,627
Total Expenses	-	265,627
Operational Income	362,670	30.99%
Financial Expenses	-	2,682
Income before taxes	362,670	30.99%
Income taxes	-	94,350
Net profit	265,638	22.70%

Note. Adapted from financial statement of 2017 of Bigmond Peru.

Table 51 shows the income statement of the project during the period 2019 to 2023. It statement demonstrate positive profit each year. The profit increase in the next years due to the increase of sales volume having a conservative scenario with a 10% of growth of the business year over year.

Table 51

Income Statement of the Project

Income Statement					
	2019	2020	2021	2022	2023
Sales	590.7	675.6	750.0	855.9	983.7
Costs of Services	315.3	322.0	321.8	323.7	366.4
Gross profit	275.5	353.6	428.1	532.2	617.3
Administrative Expenses	118.1	135.1	150.0	171.2	196.7
Total Expenses	118.1	135.1	150.0	171.2	196.7
Operational Income	157.3	218.5	278.2	361.0	420.6
Financial Expenses					
Income before taxes					
Income taxes					
Net profit	157.3	218.5	278.2	361.0	420.6

Note. Values are in thousands of American dollars (\$).

Table 52 shows the cash flow of the project, it considers the investment for the implementation in the previous year to start the operations. The financial expenses are not considering in this first table because Bigmond affirm that they would have the cash to invest in the project.

Table 52

Cash Flow of the Project

Cash Flow						
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Income Sales		590.7	675.6	750.0	855.9	983.7
Expenses		567.5	593.5	610.2	636.2	707.9
Investments	58					
Administrative Expenses		134.1	153.4	170.2	194.3	223.3
Sales Expenses		289.1	295.8	297.7	299.6	342.2
Services Expenses		118.2	118.2	118.2	118.2	118.2
Marketing Expenses		25.3	25.3	23.3	23.3	23.3
CRM Implementation		0.8	0.8	0.8	0.8	1.0
Net taxable income		23.2	82.1	139.7	219.7	275.8
Taxes (30%)		3.7	13.1	22.4	35.2	44.1
Net cash flow from Operating Activities	-58	19.5	68.9	117.4	184.6	231.7
Financial Expenses						
Investments						
Interest						
Net cash flow from Financial Activities	-58	19.5	68.9	117.4	184.6	231.7
Cash	-58	19.5	68.9	117.4	184.6	231.7

Note. Values are in thousands of American dollars (\$).

However, an additional analysis was carried out to observe the impact of a capital financing on the results. To do this, a comparison of financial entities in Mexico was used to choose an interest rate that applies to the conditions of the investment. As a result, it was obtained that Banco Mercantil del Norte has an average annual rate of 15.85% for business loans requesting a minimum of \$ 1,500 US dollars, see Table 53. The maximum loan term was also considered, in the case of the analysis it was defined 5 years or 60 months. The debt structure was considered 60% own capital and 40% financing during that period.

Table 53

Comparison of Interest Rates in Financial Banks in Mexico

Financial Institution	Minimum amount (MXN)	Minimum amount (USD)	Period	Maximum Rate	Minimum Rate	Average
Banco Nacional de México	MXN 35,000	\$ 1,842.11	From 12 to 60 Months	29.00%	13.25%	21.13%
Banco Mercantil del Norte	MXN 30,000	\$ 1,578.95	From 12 to 60 Months	22.00%	9.70%	15.85%
BBVA Bancomer	MXN 50,000	\$ 2,631.58	From 12 to 60 Months	31.00%	11.30%	21.15%
Banco Base	MXN 3,000,000	\$ 157,894.74	From 12 to 60 Months	15.90%	13.90%	14.90%
HSBC México	MXN 20,000	\$ 1,052.63	From 12 to 60 Months	29.00%	11.85%	20.43%

Note. Interest rates 2018. Values obtained from https://ifit.condusef.gob.mx/ifit/ftb_vista_comparativo.php

Table 54

Financing Details

Features	Values
Capital (60%)	\$ 34,996.91
Debt (40%)	\$ 23,331.27
Annual Rate	15.85%
Payment type	Months
Payment Period (Months)	60
Monthly rate	1.234%

Note. Monthly Rate obtained from compound conversion of annual rate.

Considering these financing details, Appendix B shows the payment calendar for the 60 months in the period from 2019 to 2023 with constant payments. Interest and amortization will be considered to recalculate the new financial statements and performance indicators as is showed in the Table 55 and Table 56.

Table 55

Income Statement considering Financial Expenses

Income Statement					
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Sales	590.7	675.6	750.0	855.9	983.7
Costs of Services	315.3	322.0	321.8	323.7	366.4
Gross profit	275.5	353.6	428.1	532.2	617.3
Administrative Expenses	118.1	135.1	150.0	171.2	196.7
Total Expenses	118.1	135.1	150.0	171.2	196.7
Operational Income	157.3	218.5	278.2	361.0	420.6
Financial Expenses	3.2	2.7	2.1	1.3	0.5
Income before taxes	154.1	215.8	276.1	359.7	420.1
Income taxes	46.2	64.7	82.8	107.9	126.0
Net profit	107.9	151.1	193.3	251.8	294.0

Note. Values are in thousands of American dollars (\$).

Table 56

Cash Flow considering Financial Expenses

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Income Sales		590.7	675.6	750.0	855.9	983.7
Expenses		567.5	593.5	610.2	636.2	707.9
Investments	58					
Administrative Expenses		134.1	153.4	170.2	194.3	223.3
Sales Expenses		289.1	295.8	297.7	299.6	342.2
Services Expenses		118.2	118.2	118.2	118.2	118.2
Marketing Expenses		25.3	25.3	23.3	23.3	23.3
CRM Implementation		0.8	0.8	0.8	0.8	1.0
Net taxable income		23.2	82.1	139.7	219.7	275.8
Taxes (30%)		3.7	13.1	22.4	35.2	44.1
Net cash flow from Operating Activities	-58	19.5	68.9	117.4	184.6	231.7
Financial Expenses						
Investments		3.4	3.9	4.6	5.3	6.1
Interest		3.2	2.7	2.1	1.3	0.5
Net cash flow from Financial Activities	-	58.33	12.8	62.3	110.7	225.1
Cash		12.8	62.3	110.7	177.9	225.1

Note. Values are in thousands of American dollars (\$).

9.3 Key Performance Indicators

The performance indicators of the Project are the economic IRR that has been obtained with a value of 102.5%, well above the opportunity cost expected by Bigmond, which is 15%. As well as an economic Net present value (NPV) of \$ 309,000. Furthermore, Financial IRR considering expenses has a value of 94.4% and NPV of \$286,000, See Table 57. These indicators allow us to consider that the Project is viable. In addition, the Project has a duration of 5 years with a period of recovery o of 3 years and 9 months. See Table 57.

Table 57

Project Key Performance Indicators

Performance Indicators	Value
Opportunity Cost	15%
Economic IRR	102.5%
Economic NPV	309
Financial IRR	94.8%
Financial NPV	286

However, it is necessary to perform a sensitivity analysis to identify if there are factors that could impact the performance indicators: Economic IRR and NPV. In this case, the market share has been analyzed in three scenarios: increasing or decreasing on 10% as is showed in the Table 58. Additionally, these scenarios are compared with the variation of business growth, also with three scenarios: a positive one of 15%, an average of 10% and a conservative 5%. Overall, there are 9 scenarios in which performance indicators remain above the opportunity cost of Bigmond. In the most pessimistic case, with a percentage of the market average of 29% and with an annual growth of only 5%, the IRR is 39% and net present value of 89,910 American dollars. In conclusion, the project is feasible.

Table 58

Sensitivity Analysis

	Percentage of Market Average	35%	32%	29%
Annual Growth 15%	Economic IRR	180%	126%	77%
	Economic NPV	541.14	382.29	223.44
Annual Growth 10%	Economic IRR	152%	103%	58%
	Economic NPV	460.57	308.62	156.68
Annual Growth 5%	Economic IRR	125%	80%	39%
	Economic NPV	379.99	234.95	89.91

Note. Net present value (NPV) is in thousands of American dollars.

9.4 Conclusion

The analyzed competitors concentrate a large part of the market, so it has been considered that the average of executive search selection processes that they carry out per year is the average of the market. Based on this, considering that they have many years of experience in the market, it has been considered that Bigmond could obtain 32% of that average of the sectors of the target market. Given this, a forecast of the incomes of the next 5 years has been obtained and it has been possible to calculate the financial statements. Also, a sensitivity analysis has been presented that has helped to see variations in that percentage as well as possible slow growth by Bigmond. The results were positive in all the scenarios, so it is concluded that the project to enter the Mexican market is viable and attractive.

Chapter X: Conclusions and Recommendations

10.1 Conclusion

Within the previously conducted analysis Bigmond's internal and external environment has been considered in order to determine whether entering the Mexican market can be regarded as a feasible option for the company. The Mexican market can be regarded as a suitable target market as it currently offers high demand for local top talent and innovation due to low local education rates. Moreover, its big market size and occurring trend for sustainable business practices presents a good opportunity to provide superior executive search services to currently underserved market segments. Entering the Mexican market as a mean to foster multinational presence and increase sales, depicts a high magnitude for the company as it presents an increased financial risk and higher amount of required resources. Moreover, it requires company-wide involvement and puts an even higher amount of responsibility and workload on Bigmond's current CEO. Entering the Mexican market is subject to uncertainties as it is a long-term strategic initiative and the Mexican market is a highly dynamic market which is subject to numerous changes in the environment. Nevertheless, findings indicate clearly that establishing a commercial activity becomes a feasible option if the following factors are considered.

In order to be able to successfully establish a commercial activity in Mexico, Bigmond should pay close attention to external risks such as the ongoing NAFTA disagreements. Also, the strong established competitive field should be closely monitored, and pricing structures be adapted in order to foster adaptation rates. There needs to be maintenance of a clear scope in Bigmond's entrance because of the large market size and limited resource availability. Additionally, market entry will have a focus in the Media Services, Financial Services and

Automotive Sectors. Top executives will be hired based on competencies and required education levels to best fulfil service requirements and ensure customer service. Overall, entry as a Branch for Bigmond in this new Mexican market is the best recommended strategy to enable growth and certify a successful future outlook.

10.2 Recommendations

There are several factors which serve as an important of Bigmond's operational success in the Mexican market. As has been determined previously, Bigmond needs to play close attention to its competitors in the executive search industry. The previously performed benchmark showed that the focus on providing responsible executive search- and high-quality services position the firms Cornerstone International Group, Korn Ferry, Alto Partners, Signum, and GOSECO International Executive Search as Bigmond's main competitors. Hence, the company should pay close attention to its competitor's strategic initiatives and pursue a competitive pricing position in order to foster adaptation rates.

Another important risk which has been considered within the decision to enter the Mexican market through commercial activities are the ongoing NAFTA negotiations. While Mexico was subject to a high dependency on the United States from an economic and political perspective in the past, the current unstable relationship and Trump's threatening of ending NAFTA participation for the United States increase uncertainty for firms operating in the Mexican market. Examples include increased currency volatilities and trade tariffs.

A third risk which is important to consider is Bigmond's small operational size. While it allows the company to execute quicker decision-making and to operate more flexible, the company does not possess sources to external funding and has a limited ability to engage in high-

risk activities. Thus, these internal characteristics directly impact the possible choice of entry strategies and resulting returns.

While the analysis identified important risk, which play in important role in determining Bigmond's success of entering and operating the Mexican market, the previous analysis also identified multiple enablers which increase the chances of operational success. The first enabler is the "green movement" which is occurring within the Mexican market. Currently, the Mexican government and many companies which are operating in the Mexican market are engaging in a movement to foster sustainable and responsible business practices. Hence, this recognition of sustainability as a driver for business can be regarded as an important factor for increasing adaptation rates.

Secondly, the country's current educational system and resulting low education rates of the local population increase company's needs for highly educated- and experienced top talent. Thus, as a result demand for international, highly qualified executives will continue to rise as long as no changes in the underlying local education system occurs.

Thirdly, the cultural similarity and resulting low cultural and administrative barriers between the Peruvian and Mexican market serves as an enabler for success. One example is Spanish as the shared operational language which decreases administrative efforts and costs.

The country's need for innovation and technological capabilities presents a further enabler. This is due to the fact that local companies' ability to innovate and become part of the digital revolution highly depends on young top-talent with deep technological expertise. Hence, Bigmond is well positioned as it possesses these high innovative capabilities itself while being able to guarantee quick access to international top-talent with the requested digital expertise.

Finally, the Pacific Alliance depicts an important enabler of success as it allows for close economic ties and market access to important markets such as Japan. These can become an important economic alternative in order to decrease US dependency in case of modifications or interruptions of the previous NAFTA relationship. Moreover, it facilitates access to further alternative in case Bigmond aims to further expand its multinational presence.

Based on the previously mentioned factors, as well as the underlying internal and external analysis, market entry has been determined as a feasible option in the case of Bigmond. The identification of the previous analysis has led to the following recommendations in the execution of a successful entrance to the Mexican market.

The target market for Bigmond's entrance to the Mexican market will be focused on the top tier of management. This is inclusive in ensuring that executives are well trained, have flexibility to a fast-changing environment, and that there is innovation to develop and fulfill new trends in the market. Salary in the target market is based on education level the employee holds, based on a specific percentage as a base. Furthermore, it is important to remember that clients are seeking out a longer-term relationship, requesting assessments, coaching, development and maintaining top executive talent and this will continue to be in high demand.

It is very pertinent that industries be identified prior to entering the Mexican market. The identification of these industries will allow for overall customer satisfaction and promise complete service of competent executive research with less risk of time and cost of failures. All analysis has confirmed that Bigmond should focus on three specific industries, these being Media Services, Financial Services and the Automotive Industry. The most promising jobs that have potential growth are in construction, technology and food and beverage. By focusing on

these industries, Bigmond will achieve the best selection and identification of talent and provide exemplary coaching to gain more market share.

The determinacies of Bigmond's financial statement and the company's high expected growth concludes that it would be best for Bigmond to enter the Mexican market as a Branch because it would allow for the execution of commercial transactions. This will be the best option to enter Mexico because the cost structure best fits Bigmond and entrance as a Branch does not require Bigmond to go public, which means that Bigmond maintains full ownership. Also, entry as a Branch means that Bigmond holds full liability and can operate solely as its own entity without reliance on other entities.

Market entry and timing are important considerations and the analysis has concluded that a Branch entry holds the following timeline requirements. First, a registration authorization needs to be filed with the General Foreign Investment Office (DGIE). Following, a Branch registration is required with the National Foreign Investors Registry (RNIE) with a 15-day period of acceptance of the request and a total of 30 days to file for a permanent address. The third step formalizes the authorization with the local notary public. To complete the process, the registration of Bigmond's company articles of incorporation has to be submitted to the Public Registry of Companies within the first year of operation.

To summarize, the target market, industry focus, division of entry, and market entry have been defined for Bigmond. It is important to mention that Bigmond's actual entry strategy is dependent on the decision of the company to move forward with entry and that the best analysis has been provided so that there is potential future growth for Bigmond in this new market. Considerations of NAFTA and the Pacific Alliance will additionally affect the entry to the

Mexican market and has been explained previously using a risk and enabler assessment as well as an internal and external analysis.

Overall, there is a successful strategy for Bigmond to enter the Mexican market. With the size of the company, a Branch entry would be the best option for Bigmond with the focus in hiring top executives in the Media Services, Financial Services, Construction and the Manufacturing Sectors. Calibration of this success will be based on external and internal factors and it is important for Bigmond to be aware of the everchanging market environment when conducting business in Mexico.

In other hand, once operations started in Mexico, an important recommendation would be to create synergies between both branches: Mexico and Peru, where both will benefit from the search for resources. Sharing practices can help to standardize selection processes and improve the productivity of both offices. The search for executives depends on the characteristics required by the client, it may be local resources, or they may be interested in international resources, that depends on the needs of the company. However, the search process could be transversal, that is, that the researchers of both branches have a pool of global searches and do not belong only to the search of executives of the branch where they operate. Given the advantages of technology, the search could have a remote component that would help boost efforts and would be an increase in productivity for both offices.

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Appendix A: Starting a Business

Figure 2.1 What it takes to start a business in Mexico - Mexico City

Paid-in minimum capital (% of income per capita): 0.0

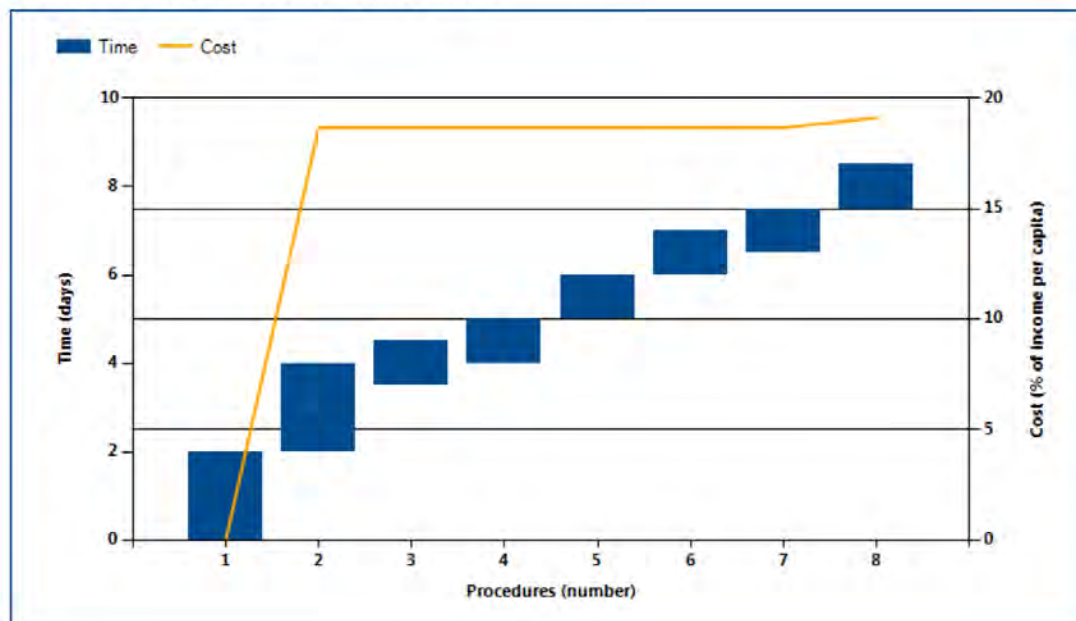


Figure A1. What it takes to start a business in Mexico: Mexico City. Retrieved from *Doing Business 2018: reforming to create jobs - Mexico* (Publication No. 120975) by World Bank, 2017. Retrieved from <http://documents.worldbank.org/curated/en/224291510040343042/pdf/120975-WP-PUBLIC-DB18-MEX.pdf>

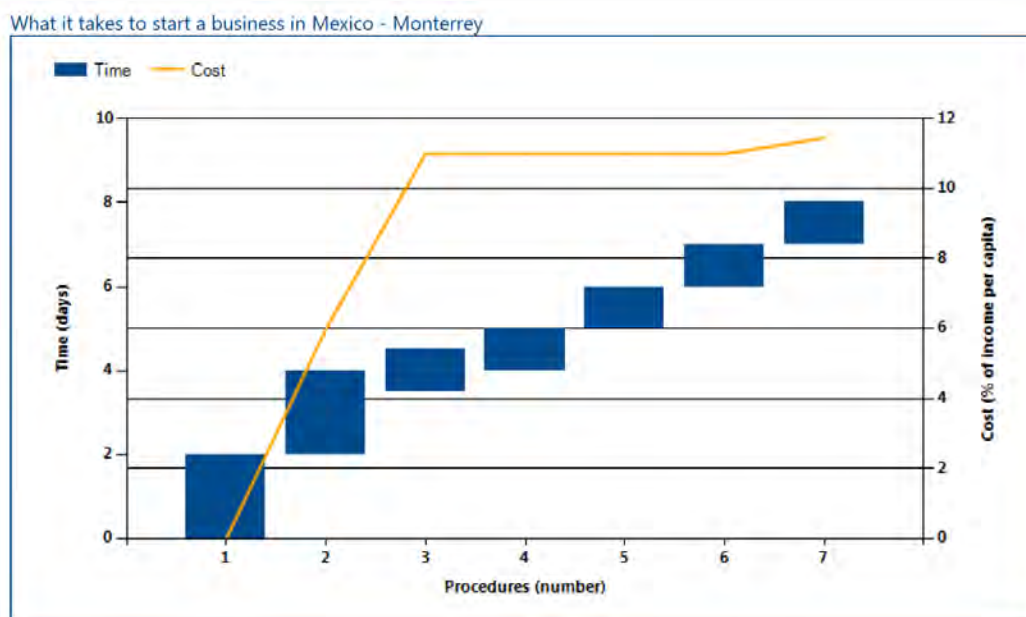


Figure A2. What it takes to start a business in Mexico: Monterrey. Retrieved from *Doing Business 2018: reforming to create jobs - Mexico* (Publication No. 120975) by World Bank, 2017. Retrieved from <http://documents.worldbank.org/curated/en/224291510040343042/pdf/120975-WP-PUBLIC-DB18-MEX.pdf>

Table A1

Starting a Business in Mexico City

No.	Procedure	Time	Cost
1	<p>Obtain the Authorization of Using the Company Name Online</p> <p>The applicant can obtain the authorization of using the company name online at ww.tuempresa.gob.mx. After the registration in the website, the entrepreneur provides the company name it wishes to use. The Secretariat of Economy will first check its availability and then proceed if it complies with the legal framework. The authorization is issued via email and is valid for 2 days.</p>	2 days	No Charge
2	<p>Notary Prepares the Deed and Parties Sign it at the Notary Public</p> <p>This procedure consists in the formalization of the company's charter by the notary. Upon receipt of authorization regarding the company name, the notary proceeds to notify of the use of the corporate name and drafts the articles of incorporation in order to be duly signed by the partners. The founding partners must provide their general personal information and present their official identifications and their Tax IDs. In order to publicize the act of incorporation, companies registered must file the deed of incorporation with the Public Registry of Commerce. The notary public is in charge of making the registration of the articles of incorporation at the Public Registry of Commerce whether in person or through remote electronic means. The following documents are required: (i) a duly notarized article of incorporation (+ a copy) and (ii) a document certifying age above 18 years old. It usually takes the notary 2-3 days for the notary to review the documents and process the final incorporation deed for execution by the relevant parties.</p>	Avg. of 2 Days	MXN 10,500 (notary fees) + MXN 15,950 (registration fees)
3	<p>File the Deed of Incorporation with the Public Registry of Commerce</p> <p>In order to publicize the act of incorporation, companies registered must file the deed of incorporation with the Public Registry of Commerce.</p>	½ a Day (Online)	Included in Procedure 2
3	<p>File the Deed of Incorporation with the Public Registry of Commerce</p> <p>In order to publicize the act of incorporation, companies registered must file the deed of incorporation with the Public Registry of Commerce. The notary public is in charge of making the registration of the articles of incorporation at the Public Registry of Commerce whether in person or through remote electronic means. The following documents are required: (i) a duly notarized article of incorporation (+ a copy) and (ii) a document certifying age above 18 years old. Once the fees are paid the information is uploaded into the Siger system (http://www.siger.gob.mx) the pre-coded forms are filled out with information included in the articles of incorporation, then they are sent to the Public Registry of Commerce and enrollment takes place immediately.</p>	½ a Day (Online)	Included in Procedure 2

No.	Procedure	Time	Cost
4	<p align="center">Obtain Tax Registry Number (RFC) at the Sistema de Administracion Tributaria</p> <p>The company must obtain a tax ID number (Registro Federal de Contribuyentes "RFC") at the Ministry of Finance and Credit, Secretaría de Hacienda y Crédito Público. Notaries are able to obtain it via the online portal (http://www.rfc-sat.com.mx/). He/she submits the information on the company and retrieves the RFC and the Tax Identification Card in pdf format.</p> <p>The entrepreneur can also obtain the RFC but needs to go in person to the service center to obtain an electronic signature.</p>	½ Day	No Charge
5	<p align="center">Register with the Mexican Social Security Institute (IMSS)</p> <p>This is a federal procedure that is performed to enroll at least one worker in Social Security. Information is available in person, by phone and on the agency's website: http://www.imss.gob.mx/ The employer must file AFIL02 format. The application may be pre-submitted online and then visit the agency's office where the entrepreneur will obtain his registry May be performed pre-internet high and then go to the IMSS administrative sub-delegation where the employer and the record high for at least one worker is obtained. The process is regulated by the Social Security Act and the Regulations of the Law on Social Insurance regarding Membership, Business Classification, Collection and Taxation. At the same time the company registers with the IMSS, registration at the National Worker's Housing Fund Institute (INFONAVIT) takes place and individual retirement savings accounts for the employees (Afore) are opened.</p>	1 Day	No Charge
6	<p align="center">Register with the Local Tax Administration (Secretaría de Finanzas del Gobierno del Distrito Federal) for Payroll Tax</p> <p>The company must register with the local tax administration after registering with the IMSS. The local office can be found at www.finanzas.df.gob.mx. The tax registration number and the company's postal code is required to register.</p>	1 Day	No Charge
7	<p align="center">Notify the Local Government (Delegación) Online of the Opening of a Mercantile Establishment</p> <p>The notice of opening a mercantile establishment is fully completed online through the website www.sedeco.df.gob.mx. For low risk activities, the notification record is received automatically in an email.</p>	Less than a Day (Online)	No Charge
8	<p align="center">Register with the National Business Information Registry (Sistema de Información Empresarial, SIEM).</p> <p>Mandatory registration with the National Business Information Registry (Sistema de Información Empresarial, SIEM) has been in effect since January 1997. The company will be registered with the specific chamber corresponding to its corporate purpose or activities. The cost varies with the number of employees and the company's activities as shown below. Fees for industry related activities (maximum fees): 6 or more employees \$ 670, 3 to 5 employees \$ 350, up to 2 employees \$ 150, Fees for commercial and services related activities (maximum fees): 4 or more employees \$ 640, 3 or less employees \$ 300, up to 2 employees \$ 100</p>	1 Day	The Costs Can Vary

Note. Data retrieved from *Doing Business 2018: reforming to create jobs - Mexico* (Publication No. 120975) by World Bank, 2017. Retrieved from <http://documents.worldbank.org/curated/en/224291510040343042/pdf/120975-WP-PUBLIC-DB18-MEX.pdf>

Appendix B: Payment Schedule

Table B1

Payment Schedule of 2019

2019	Debt	Interest	Amortization	Payment	Final Balance
January	\$ 23,331.27	\$ 287.81	\$ 264.83	\$ 552.64	\$ 23,066.45
February	\$ 23,066.45	\$ 284.55	\$ 268.09	\$ 552.64	\$ 22,798.35
March	\$ 22,798.35	\$ 281.24	\$ 271.40	\$ 552.64	\$ 22,526.95
April	\$ 22,526.95	\$ 277.89	\$ 274.75	\$ 552.64	\$ 22,252.20
May	\$ 22,252.20	\$ 274.50	\$ 278.14	\$ 552.64	\$ 21,974.06
June	\$ 21,974.06	\$ 271.07	\$ 281.57	\$ 552.64	\$ 21,692.49
July	\$ 21,692.49	\$ 267.60	\$ 285.04	\$ 552.64	\$ 21,407.45
August	\$ 21,407.45	\$ 264.08	\$ 288.56	\$ 552.64	\$ 21,118.89
September	\$ 21,118.89	\$ 260.52	\$ 292.12	\$ 552.64	\$ 20,826.77
October	\$ 20,826.77	\$ 256.92	\$ 295.72	\$ 552.64	\$ 20,531.04
November	\$ 20,531.04	\$ 253.27	\$ 299.37	\$ 552.64	\$ 20,231.67
December	\$ 20,231.67	\$ 249.58	\$ 303.06	\$ 552.64	\$ 19,928.61
Total	\$ 23,331.27	\$ 3,229.03	\$ 3,402.67	\$ 6,631.70	\$ 19,928.61

Note. Values are expressed in American dollars (\$).

Table B2

Payment Schedule of 2020

2020	Debt	Interest	Amortization	Payment	Final Balance
January	\$ 19,928.61	\$ 245.84	\$ 306.80	\$ 552.64	\$ 19,621.80
February	\$ 19,621.80	\$ 242.05	\$ 310.59	\$ 552.64	\$ 19,311.22
March	\$ 19,311.22	\$ 238.22	\$ 314.42	\$ 552.64	\$ 18,996.80
April	\$ 18,996.80	\$ 234.34	\$ 318.30	\$ 552.64	\$ 18,678.50
May	\$ 18,678.50	\$ 230.42	\$ 322.22	\$ 552.64	\$ 18,356.28
June	\$ 18,356.28	\$ 226.44	\$ 326.20	\$ 552.64	\$ 18,030.08
July	\$ 18,030.08	\$ 222.42	\$ 330.22	\$ 552.64	\$ 17,699.85
August	\$ 17,699.85	\$ 218.34	\$ 334.30	\$ 552.64	\$ 17,365.56
September	\$ 17,365.56	\$ 214.22	\$ 338.42	\$ 552.64	\$ 17,027.14
October	\$ 17,027.14	\$ 210.05	\$ 342.60	\$ 552.64	\$ 16,684.54
November	\$ 16,684.54	\$ 205.82	\$ 346.82	\$ 552.64	\$ 16,337.72
December	\$ 16,337.72	\$ 201.54	\$ 351.10	\$ 552.64	\$ 15,986.62
Total	\$ 19,928.61	\$ 2,689.71	\$ 3,941.99	\$ 6,631.70	\$ 15,986.62

Table B3

Payment Schedule of 2021

2021	Debt	Interest	Amortization	Payment	Final Balance
January	\$ 15,986.62	\$ 197.21	\$ 355.43	\$ 552.64	\$ 15,631.19
February	\$ 15,631.19	\$ 192.83	\$ 359.82	\$ 552.64	\$ 15,271.37
March	\$ 15,271.37	\$ 188.39	\$ 364.25	\$ 552.64	\$ 14,907.12
April	\$ 14,907.12	\$ 183.89	\$ 368.75	\$ 552.64	\$ 14,538.37
May	\$ 14,538.37	\$ 179.34	\$ 373.30	\$ 552.64	\$ 14,165.07
June	\$ 14,165.07	\$ 174.74	\$ 377.90	\$ 552.64	\$ 13,787.17
July	\$ 13,787.17	\$ 170.08	\$ 382.56	\$ 552.64	\$ 13,404.61
August	\$ 13,404.61	\$ 165.36	\$ 387.28	\$ 552.64	\$ 13,017.32
September	\$ 13,017.32	\$ 160.58	\$ 392.06	\$ 552.64	\$ 12,625.26
October	\$ 12,625.26	\$ 155.74	\$ 396.90	\$ 552.64	\$ 12,228.37
November	\$ 12,228.37	\$ 150.85	\$ 401.79	\$ 552.64	\$ 11,826.57
December	\$ 11,826.57	\$ 145.89	\$ 406.75	\$ 552.64	\$ 11,419.83
Total	\$ 15,986.62	\$ 2,064.91	\$ 4,566.79	\$ 6,631.70	\$ 11,419.83

Table B4

Payment Schedule of 2022

2022	Debt	Interest	Amortization	Payment	Final Balance
January	\$ 11,419.83	\$ 140.87	\$ 411.77	\$ 552.64	\$ 11,008.06
February	\$ 11,008.06	\$ 135.80	\$ 416.85	\$ 552.64	\$ 10,591.21
March	\$ 10,591.21	\$ 130.65	\$ 421.99	\$ 552.64	\$ 10,169.22
April	\$ 10,169.22	\$ 125.45	\$ 427.19	\$ 552.64	\$ 9,742.03
May	\$ 9,742.03	\$ 120.18	\$ 432.46	\$ 552.64	\$ 9,309.56
June	\$ 9,309.56	\$ 114.84	\$ 437.80	\$ 552.64	\$ 8,871.77
July	\$ 8,871.77	\$ 109.44	\$ 443.20	\$ 552.64	\$ 8,428.57
August	\$ 8,428.57	\$ 103.97	\$ 448.67	\$ 552.64	\$ 7,979.90
September	\$ 7,979.90	\$ 98.44	\$ 454.20	\$ 552.64	\$ 7,525.70
October	\$ 7,525.70	\$ 92.84	\$ 459.80	\$ 552.64	\$ 7,065.89
November	\$ 7,065.89	\$ 87.16	\$ 465.48	\$ 552.64	\$ 6,600.41
December	\$ 6,600.41	\$ 81.42	\$ 471.22	\$ 552.64	\$ 6,129.20
Total	\$ 11,419.83	\$ 1,341.07	\$ 5,290.63	\$ 6,631.70	\$ 6,129.20

Table B5

Payment Schedule of 2022

2023	Debt	Interest	Amortization	Payment	Final Balance
January	\$ 6,129.20	\$ 75.61	\$ 477.03	\$ 552.64	\$ 5,652.16
February	\$ 5,652.16	\$ 69.72	\$ 482.92	\$ 552.64	\$ 5,169.25
March	\$ 5,169.25	\$ 63.77	\$ 488.87	\$ 552.64	\$ 4,680.37
April	\$ 4,680.37	\$ 57.74	\$ 494.90	\$ 552.64	\$ 4,185.47
May	\$ 4,185.47	\$ 51.63	\$ 501.01	\$ 552.64	\$ 3,684.46
June	\$ 3,684.46	\$ 45.45	\$ 507.19	\$ 552.64	\$ 3,177.27
July	\$ 3,177.27	\$ 39.19	\$ 513.45	\$ 552.64	\$ 2,663.82
August	\$ 2,663.82	\$ 32.86	\$ 519.78	\$ 552.64	\$ 2,144.04
September	\$ 2,144.04	\$ 26.45	\$ 526.19	\$ 552.64	\$ 1,617.85
October	\$ 1,617.85	\$ 19.96	\$ 532.68	\$ 552.64	\$ 1,085.16
November	\$ 1,085.16	\$ 13.39	\$ 539.26	\$ 552.64	\$ 545.91
December	\$ 545.91	\$ 6.73	\$ 545.91	\$ 552.64	\$ 0.00
Total	\$ 6,129.20	\$ 502.51	\$ 6,129.20	\$ 6,631.70	\$ -