

**Colombia: a human sourcing hub for international consultancy firms offering
software implementation services in the financial sector.**

Sebastian Parilli Ocampo

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Profesor: PhD. Juan Carlos Diaz Vásquez

**EAFIT University
Department of International Business
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Abstract:

Existing literature tackles the dynamics of the consultancy industry and its evolution, but, little has been produced on the industry as such. The fundamentals, policies for trade, investment and labour mobility and promotional policies are seen as the factors that depict the quality of the service industry. However, for the purpose of this research the focus laid on the fundamentals or factor endowments. They include human capital, human skill, telecommunication development and institutional framework. Using a case study method design, conclusions highlight the need to offset labour market imperfections; between the labour skills the market requires and those provided by the local education system. Although the size of the resource pool available for this particular case was very limited, there were signs of incrementing tendencies. Telecommunication infrastructure is not of significance for exporting of services, this was supported by the prosperous Indian export services in a country where there is low internet penetration. The consultancy industry does not have an institutional framework which is, in essence, creating a more difficult environment where progress is stagnant and consumers are not been protected. Real industry development requires a collaborative effort between the private sector, the public sector and the education system to balance out the labour market imperfection.

Title:

Colombia: a human sourcing hub for international consultancy firms offering software implementation services in the financial sector.

Introduction:

“There are challenges going global but the risk are even greater in waiting for globalization to reach the local market and having to deal reactively with the consequences” (Wilson, 2006). Services are intangible products that have distinct characteristics to the traditional manufacturing products. They are seen as the key component in the channelling of new technologies into the continuously changing business reality. Existing literature explores the idea of services as a significant contributor to economic prosperity as it generates employment, guarantees specialized knowledge transfer and can promote good work ethics. Consultancy is a process of diagnosing and discovering a problem, designing and preparing a solution and if needed, implementing that solution. These types of services rely heavily on reputation derived from quality and reliability. Firstly, consultancy, a type of service, has evolved to become a combination of problem solving and solution implementing activities which are said to consequently affect other areas of an economy positively. Software implementation consultancy in the financial sector is a mix of business and computer services, according to the GATS. It exists because the business reality is constantly evolving as a consequence of technological and communication advances (Özeroğlu, 2014). Additionally, the lack of information, standards, norms and institutional framework make this a very sceptical industry.

The case study design composes of a triangulation analysis using three main sources: semi-structured interviews, participant observation and existing documentation. The case study was chosen to better understand the business reality of this particular service firm's experience entering the Colombian market. As well as, an analysis of the local market conditions for those firms operating in similar positions when entering this market. In order to answer the research questions, four main objectives are proposed: characterizing consultancy for the financial sector, this characterization applied to a Colombian context, the presentation of the case and, lastly, the synthesizing of strategy components for firms in the same sector; using the discoveries of the initial three objectives. Findings include the importance of the fundamentals. This is a term used by Goswami, which refers to the combination of human capital, human skill, telecommunication infrastructure and entrepreneurial ability (Goswami, Mattoo, & Sáez, 2012). Conclusions call for a more proactive role to improve the business conditions necessary for local and international firms to transfer knowledge which is currently not present in the Colombian market.

Literature review:

Services are a vital organ within an economy. They are a direct source of labour productivity and also stimulate its levels of growth; furthermore, they are known as poverty reduction components (Goswami & Saez, 2014). The service industry is explored to compliment most other industries, "Service imports serve as a transmission channel for new technologies, which is subsequently reflected through improved service export performance in skill-intensive industries, thereby increasing the value added of manufacturing exports" (Francois & Woerz, 2008; Hashai, Asmussen, Benito, & Petersen, 2010). Currently, trends in services that stimulate global production and employment are likely to continue to increase due to the consistent transmission of new technologies, the tumbling of international borders and regulatory reforms in particular industries (Daniel & Serapio, 2014).

According to the „General Agreements on Trade in Services“, trade in services is defined as the supply of services: mode 1 is cross-border supply, mode 2 consumption abroad, mode 3 is having a commercial presence and mode 4 is the presence of natural persons (Organization, 2016). Erramilli and Rao suggest that there are two options for a service firm when internationalizing: client-following or market seeking (Erramilli & Rao, 1990). The incorporation of technology to this argument leads to a counter argument by Dr Christian Gronroos that embraces the idea of really unique service offerings. He goes on to confirm that in some cases the evolution of technology has opened up the doors to new theories stating that firms are not the decision makers when internationalizing (Grönroos, 1999).

Rather, the uniqueness of the product offering suggests that local firms have to go outside of local borders in order to find the specific service that is needed and that when found, then, expect the firm to be able to provide these services in the searching clients home country (Grönroos, 1999). In order for a firm to enter a new market and have success in this market, it must go to great lengths to make this product accessible in this desired market (Erramilli & Rao, 1990; Grönroos, 1999). According to Valikangas and Lehtinen, there exists three different types of service provision: generic for example airplane services, specialized services for example website development and customized, for example software implementation (Erramilli & Rao, 1990; Valikangas & Lehtinen, 1994). Generic and specialized services are hard services due to the fact they do not require any physical presence at the client sight and production and consumption can be separated. A customized service however, also referred to as a soft service, is the only one that requires a local presence due to the nature of the product offering and the requirement of client involvement in the service provision (Grönroos, 1999; Valikangas & Lehtinen, 1994). In other words, these services are client orientated models that focus on the client needs (Özeroğlu, 2014). In order for a country to serve as a hub, it must provide access/facilitate the supply of services.

A service industry, as explored by Goswami and Saez, has three components that define its environment: the fundamentals also referred to as factor endowments; policies affecting trade, investment and labour mobility and promotional policies in services. Ultimately, these are what define the quality of a service sector (Goswami & Saez, 2014). The success of service sectors rests on the available resource pool

and the quality of the latter. Countries with low skilled labour were found to have low levels of success in services (Goswami et al., 2012). The industry is skill intensive and requires high levels of investment on forming of the human resource. Systematic and market liability result in uncertainty in the eyes of the client with regards to the quality of the service been received(Grönroos, 1999). For this reason, clients can be said to be sceptical in investing in such potentially beneficial services. Also, because of the perception that demand in these service provisions are associated with corporate weakness (Özeroğlu, 2014). Regulatory institutions transmit a sense of accountability, transparency and quality of services been offered in the industry. According to the European Federation of Management Consultancies Associations (FEACO), the taxonomy for consultants ranges from: Business consulting, information technology, to corporate strategy, change management, human resources and marketing (FEACO, 2016).

Consultancy is a type of service which has shown to have great impacts at all levels of an economy (Goswami & Saez, 2014; Özeroğlu, 2014). Consultancy is a phenomenon which arises from information asymmetry between a person's business and their business reality. This can be attributed to factors such as advances in technology and communication, which ultimately shape the business reality for all companies. In a business environment, consultancy makes institutions more productive and resilient through the availability of problem solving applications gained from a diverse business experience portfolio (Özeroğlu, 2014). The author, Clementino, states that consultancy surged during the „Glass-Steagall Act“ in the USA; at this point, all banks were prohibited from entering non-bank

activities (Clementino, 2009). It is a service that dates back to the beginning of the last century but has never really had extensive academic support to explore the dynamics, and hence, information available on this industry is very limited. The consultancy industry is said to be exempt from economic fluctuations due to the diversified scope they cover. Ozeroglu supports this argument by clarifying that consultancy has a scope of services that range from political, to economic and social topics (Özeroğlu, 2014). In other words, it can be an alleviating economic component in time of economic downturn. In the study of social sciences, consultancy is regarded as a combination of experiences which are not limited to a single company (Özeroğlu, 2014). Consultancy is define as, “the process that happens when someone with a problem, or difficulty, seeks help from someone who has a special skill related to that problem or difficulty, or a process which will enable the problem or difficulty to be successfully addressed” (Özeroğlu, 2014). Throughout the research, this shall be the definition used for consultancy.

Consultancy has evolved in stages and orientation: the first stage, was focused on consultancy in scientific management, for which requirements included a background in engineering; the second wave, consultancy, was focused on organization and strategy, for which an MBA/Business degree were requirements; and lastly, recent trend diverges consultancy to IT-based networks, for which requirements include IT skills and in-house training. (Clementino, 2009; Kipping & Engwall, 2002). “Consultants are people that find themselves having to influence other people, or advise them about possible courses of action to improve the effectiveness of any aspect of their operations, without having any formal authority

over them or choosing not to use what authority they have” (Özeroğlu, 2014). Clementino adds to this by stating that in some cases they also implement the solutions (Clementino, 2009). Dawes et al express the importance of a reputation and perceived expertise as a key determinant in attributing values to a service (Dawes, Dowling, & Patterson, 1992). Quality and reliability are the two components that give a firm its reputation (Kay, 1995).

Placing a monetary value on expertise and experience is a difficult and dynamic situation for which a concept of „consultant days” was explored as a method of price setting (Özeroğlu, 2014). Additional costs include: general management and administration, marketing and promotional activities, research on behalf of the client itself, product and service development and staff training (Özeroğlu, 2014).

Strategy is the management of the relationship between a particular firm and its external environment (Kay, 1995). In essence, the rationalist approach to strategy is built on the idea of identification of the environment, determining a plan of action which is based on this identification of environment and just as importantly, the execution in implementation of the strategy. John Kay, a prominent English business economist, clarifies that in order for a company to define a strategy it must carry out a strategic audit of: its internal position at this moment in time, the industry of the desired market and the local country environment (Kay, 1995). Instead of focusing on the product, Kay focuses on a company distinctive capabilities and how these capabilities can give rise to a competitive advantage in a given industry. Advances in technology influence the environment constantly and it is therefore very difficult to forecast the future, hence strategies need to be

adaptive and opportunistic; not long run (Kay, 1995). Nevertheless, they must be rational, analytic and calculated. Accumulated experience plays a significant role in a firm, as it allows the identification of trends, weaknesses and strengths. The strategist must describe, understand, and analyse the environment. The second stage involves the senior executives determining a strategy in light of this analysis. Third phase is the implementation of the strategy which requires equally emphasis and commitment for success (Kay, 1995).

In conclusion, according to Clementino and Kipping, the most recent phenomena in consultancy are IT-based networks which deal with key issues related to the internal and external coordination of operations. It was also discovered that the main consultancy firms to dominate the market were previously focused on organization and strategy (Clementino, 2009). This is supported by the epistemological view and definition that consultancy follows a consequential stream: Identification of problem, recommendation of solution and helping with implementation (Rassam, 2001; Özeroğlu, 2014). Overall, Clementino particularized the idea that for consultancy, either one of two types of firms will survive: those who are classified as global and the small „boutiques“ which offer really specialized services.

Methodology

Literature clarifies consultancy to be a service that has limited regulation, alleviating economic components (which transcends along an economy as a whole) and a heavy dependence on human resources (Armbrüster, 1999; Goswami et al., 2012; Kipping, 1999; Özeroğlu, 2014). The objective is not statistical research and the aim is not to produce outcomes that are generalizable to all population firms which offer similar services (Thomas, 2011). It is to analyze in detail the aspects of the case needed to answer the research question and the following objectives:

First, due to the asymmetry in information in this field, the paper characterizes consultancy in the financial sector. These characterizations will then be applied in the Colombian context, to explore Colombia's potential to serve as a resource hub for consultancy in the financial sector. Thirdly, the case and interviews are presented. Lastly, based on all of the objectives above, the fourth objective synthesizes a strategy methodology based on the findings of the previous three objectives. For companies in the same industry, this could be useful in terms of been able to identify the conditions and confront the local environment.

To study these objectives, a qualitative research method has been endorsed. This is due to the inductive, epistemological and ontological positions it manifests on a particular topic (Thomas, 2010). It focuses on specific instances, and then, based on these instances make tentative generalizations which would require further research for confirmation or refutation (Rule & John, 2015; Thomas, 2010). An intrinsic interest is placed on the case study chosen in order to understand if an

international company, acting locally, can use Colombia as a hub for operations for the region (Stake, 2005). A limitation for this research paper could be the involvement of the researcher in the company as part of the workforce. Nevertheless, this is argued by Yin to be a unique position from which to draw information (Yin, 2009, 2013). Other limitations that must be made public include: the lack of: literature on this particular field, resources and the quantity of public information available for firms in this industry and the time constraint (Clementino, 2009; Kipping, 1999; Özeroğlu, 2014).

Interviews are commonly found in case study research (Yin, 2009). According to Yin, this is a short case, structured study which uses interviews to corroborate existing theoretical frameworks on the following topics: consultancy requirements, internationalization, service offerings and competitive advantage based on distinctive capabilities (Kay, 1995; Yin, 2009). Population size was represented by 10 company employees, for the purpose of what is been proposed a small population size is adequate (Yin, 2009). However, with more time and resources an even more extensive industry analysis can be made. The interviews were carried out in one of two ways: face-to-face and through conference call, using a tool known as „gotomeeting“. Time constraints restricted our resource availability and so the all of the interviewees formed part of the company, Yin argues that bringing other perspectives would make it more of a survey research (Yin, 2009). However, the interviewees ranged from: Co-CEO, to head of the Americas, project lead, human resources managers and Chief of finance and accounting and senior consultants; whom represent the different departments in the company: human

resource, head of finance, markets, software implementation and business consultancy. In this case, a customized transcribing method had to be used; whereby the information extracted was the information relevant for the contribution to the theory. In order to quantify them, the interviews were coded according to their category and labeled according to that category. The interview categories are: Architecture, Reputation, innovation, product, service provision, human resources, International management, Internationalization and Psychic distance. Annexed to this document is the matrix that was created as a result of these interviews. From this matrix the answer were given a numerical significance and used as data for analytical support. The labeling divides answers in to positive, negative, neutral and mixed depending on the answers realized by the interviewees. Each interview ranged from 20-45 minutes depending on the answers. Hence, it was a semi structured interview process whereby the information extracted was categorized in the taxonomies mentioned previously. Below is the key that shows the coding used and the definition which explains what symbols represent each definition:

Table 1: Definition and codification labels

Code	Definition
I	Interviewer question
R	Response
Numbers in parentheses	line numbers

Positive	Any comment indicating evaluation of any aspect of each question which is explicitly stated as positive
Negative	Any comment indicating evaluation of any aspect of each question which is explicitly stated as Negative
Neutral	Neutral comments that are neither positive nor negative. This includes descriptive comments about the teaching and learning that do not include an evaluation
Mixed	The evaluation keeps going back and forth. It could be positive, then negative, and then back to positive. It could be presenting both sides and then balancing the good and bad.

Table 1: **Definition and codification labels** Weston, C., Gandell, T., Beauchamp, J., McAlpine, L., Wiseman, C., & Beauchamp, C. (2001). Analyzing interview data: The development and evolution of a coding system. *Qualitative sociology*, 24(3), 381-400.

“There is a reciprocal relationship between the development of a coding system and the evolution of understanding a phenomena”(Weston, (2001)). The symbol will be expressed as I for interviewer questions and R for the interviewee responses. All numbers in parentheses represent the line number of the interview where their statement is evident. R-(numerical value) represents the response to the question number in the interview transcript. Because of the exposure related to bias, poor recall and poor or inaccurate articulation, interviews must be complemented by other sources of data, in this case: participant observation and documentation (Seidman, 2013; Yin, 2009). However, in the future it would be ideal to start the coding process at a much earlier stage, and validate it several times with other researchers or numerous interviews. in order to be able to carry out member checks, so as to improve the quality of the coding system developed (Weston, (2001)).

Table 2: Interview summary

Question no.	Architecture: Internal and external		Total
1	relationship with employees and providers	Positive (distinctive capability)	100.00%
		Negative not a distinctive capability)	
		Neutral	
		Mixed	
	Reputation:		
2	Reputation based on quality and reliability	Positive (distinctive capability)	100.00%
		Negative (not a distinctive capability)	
		Neutral	

		Mixed	
	Innovation:		
3	Importance for the company	Positive (distinctive capability)	70.00%
		Negative (not a distinctive capability)	
		Neutral	30.00%
		Mixed	
	Product:		
4	IFRS influence on product	Positive	90.00%
		Negative	
		Neutral	
		Mixed	0.00%
	Service Provision:		
5	The company's service offering is based on a customized service provision	Positive	80.00%
		Negative	
		Neutral	
		Mixed	
	Local human resources:		
6	Working with local talent (client and providers)	Positive	30.00%
		Negative	20.00%
		Neutral	10.00%
		Mixed	30.00%
	Human resources:		
7	The most important asset is IT know-how	Positive	40.00%
		Negative	
		Neutral	
		Mixed	10.00%
	Formal Training		
8	Formal management training and preparation is adequate	Positive	20.00%
		Negative	40.00%
		Neutral	20.00%
		Mixed	20.00%
	Internationalization		
9	The Internationalization experience of the move to Colombia was	Positive	20.00%
		Negative	20.00%
		Neutral	
		Mixed	60.00%
	Psychic distance		
10	Effect of on projects	Positive	

	Negative	50.00%
	Neutral	
	Mixed	40.00%

Note: adapted from the interviews

These are the summarized numerical values which support the interview questions. The table distinctively identifies the company's distinctive capabilities to be, according to some of their employees, as reputation and architecture. Innovation, although not significantly evident, is seen as crucial to the company's competitiveness. A matrix for specialized know-how across the length of the company was an example of innovation which supports architecture. What are sometimes seen as benefits of innovation are actually just fruit of well-established architecture. It clarifies that the company's service offering is a customized provision where customer interaction is required. The particular software been implemented is a tool for financial institutions to conform to international standards through organizing, processing and delivering reports (both in local GAAP and IFRS).

In summary, the research uses a case study to conclude Colombia's potential to serve as a hub for human sourcing for consultancy in the financial sector. This qualitative method uses a case study, which is composed of a rigorous interview process, and supported by both participant observation and documentation. Complementing the interviews and supporting the research are participant observation and documentation.

Research Questions:

¿Does Colombia have the capabilities to serve as a hub for human sourcing in the software implementation consultancy industry? The researcher was drawn into the mechanics of service firms, their internationalization process and the opportunities that exist for the particular firm used in the case study in Colombia, to make the most of the subsidiary investment. Using the research design, the intrinsic case study aims to also answer the following questions that were the root of the original choice of topic:

- 1. How can an international consultancy firm operating in the financial sector evaluate whether a country has the potential to serve as a hub for regional operations?*
- 2. What are the current conditions in Colombia with regards to the fundamentals?*
- 3. What are the areas of focus, according to the objectives, Colombia must concentrate on to facilitate, stimulate and fortify the consultancy industry for the financial sector?*

Consultancy in the financial sector

The service sector a vital part of the economy because of the labour productivity it generates, the levels of growth it stimulates and its contribution to the reduction of poverty levels. The performance determinants of this sector according to Goswami and Saez are the fundamentals or factor endowments, telecommunication networks and institutional development. As well as trade and investment policies and specific services sector orientated promoting policies (Goswami et al., 2012; Goswami & Saez, 2014). The assumption is that consultancy for the financial sector, is focused on a blend of business, accounting and audit, and computer related services (IT networks). The parameters which define the quality of a service sector, as mentioned by Goswami, include the following taxonomies:

The fundamentals: *or factor endowments which include human capital, human skill and entrepreneurial ability; natural resources and infrastructure, especially telecommunication networks and institutional development in the regulatory environment.*

Policies affecting trade, investment and labour mobility: *are policies affecting cross border trade, e.g. in transport and financial services, consumption abroad e.g. in health and education service; foreign investment and the participation of multinationals e.g. in banking, telecommunication and business process outsourcing; and the movement of individuals across borders e.g. in professional, construction and information technology.*

Promotion policies in services: *are policies designed to promote exports and/or investment, including the creation of special economic zones or privileged access to land, infrastructure and/or imported inputs; fiscal incentives for exporters and investors, in the form of subsidies or tax exemptions; and other forms of trade promotion activities, such as trade fairs and information dissemination.*

This research has focused on the exploration of the fundamentals and will not dive into the specifics of policies affecting trade, investment and labour mobility or promotional policies in services. As supported by Ozeroglu, consultancy and its service costs are associated mainly to the use of human resources. Human Capital within a country, especially in the export services is critical to success in this field (Özeroğlu, 2014). However, certain countries are experiencing a mismatch between skills that the market requires and the skills that the education system offers (Goswami et al., 2012). Human skill, vital to a service industry, can be measured in many ways. This research paper will analyse the possible pool of recent graduate resources the company have available, according to their requirements. A degree in one of the natural sciences with a standard proficiency in English (one which allows free flowing conversation) that can handle special terms and specific vocabulary related to software. The number of firms will give a view of the size of the industry.

Another endowment within the fundamentals is the development in telecommunication infrastructure which is more critical to the service client

environment, not the environment of the company who is exporting the service. This is particular to service exporting. For example, Goswami (2012) explained that India is a country with low internet penetration, yet, service exports are significantly important. Business service exports in Philippines increased due to low labour costs, low telecommunication and internet cost and a large pool of competent and English speaking individuals (Goswami et al., 2012). Since the interest is to study whether Colombia has the capacity to become a hub for human resources in the export of services, telecommunication infrastructure will not be analysed thoroughly. However, future studies can focus their research on the telecommunication infrastructure using quantitative methods, for example the fixed phone service, cellular phone service and internet access regression model (Jeunhomme, 2000).

A service, due the high costs involved, require local contract enforcing institutions to ensure commitment from both parties in a service provision (Özeroğlu, 2014). Lack of contract enforcement deters entry and impedes development in the industry because the risk factor becomes too great. Additionally, Goswami argues that alternating price range between goods and services comes down to the institutional development of the goods arena in comparison to that of services. The rigidity involved in exporting goods is substantially greater than the rigidity required for services and hence the price difference.

Colombian Context for consultancy in the financial sector

Colombia is a developing country which is experiencing positive outlooks: a growing middle class, increased social stability and an internationalization process (T. W. Bank, 2016). It has been a member of the World Trade organization from the 30th April 1995 and the General Agreement on Trade and Tariffs since October 1981. However, with regards to the GATS, Colombia has general agreements on the trade in services on telecommunications, audio-visual and transportation via land only (Organization, 2016). Not business or IT services. In a report by the World Trade Organization, Colombia operate the four modes of trade in services supply: cross-border, consumption abroad, commercial presence and physical presence of human resources in another country (Organization, 2016). According to a report released by the WTO, Colombia is also one of the 23 members of the WTO who is currently under the negotiation process of a Trade in services Agreement (TISA) (Commission, 2016). Hence, it is making proactive steps in the search for special trade zones.

The fundamentals in the Colombian context

The scope for this particular paper uses the requirements for software implementation consultancy, which proved to be: Physics, Chemistry, Mathematics and computer science; according to the interviews. Unanimously, it was made clear that IT-skills were valued as more immediately useful than a financial background (Nathan, 2016). This was true for software implementation consultancy. Additionally, English is an additional requirement for the resources as

in this case it is an international company. Level of English will represent the human skill component of the fundamentals. According to the ministry of education, private and public universities are incorporating English as a prerequisite for graduating from university courses (Educacion, 2015). Some universities require international courses which are widely recognized, e.g. TOEFL, Cambridge, TOEIC to name a few; some universities have their own English proficiency levels integrated into their courses (Antioquia, 2016; U. N. d. Colombia, 2016). From this a generalization can be induced, to ensure demand in the labour market graduates for professional roles require high and specific proficiency levels of English. Regardless of the strategy, certification or qualification, the ultimate goal of these initiatives is to have students graduate with a level of English that allows them to communicate in another language (Educacion, 2015). There seems to be a proactive approach in adjusting resources to the international business world which clearly shows that resources are becoming more skilled. According to the ministry of education, in 2013 there were 157,985 undergraduates. This constituted 45.8% of the total population of graduates (educacion, 2013). Only 1.6% of these were in the mathematics and natural sciences degrees; nevertheless, there was an increase of 7% year on year. This translates to 5,538 graduates in the field of interest for the software implementation based on the company's requirements (educacion, 2013). This is not a significant number with a country of this magnitude. However, it is experiencing growth.

For the export market, human resources need to be mobile, especially when offering customized services to customers. This means that the access local

Colombian resources have on the international market is crucial to the analysis. In terms of international access for local Colombian nationals, The Henley and Partners Visa restriction Index, In 2015 the firm placed Colombia at position 71 out of 106 in the ranking; this translates to having access to 66 out of a possible 219 countries. In the region, Chile and Argentina rank joint 18th, whilst Brazil ranks 20th (Partners, 2015). On the other hand, in the 2016 report Colombia moved up to position 50 with access to 103 countries, this could be accredited partly to the lowering of European visa requirements. Chile moved to 19th and Argentina to 22; Brazil moved down to position 21 (Partners, 2016). Regionally, Colombia showed the biggest improvement which can conclude an increasing competitive labour force in the international market. However, locals are still a disadvantage and falling behind in comparison to neighbouring countries (Partners, 2015). The visa restriction index is a global ranking of countries according to the travel freedom that their citizens enjoy (Partners, 2015). However, recent developments in the peace treaty which has seen Colombia take a step in the right direction in the dismantling of its internal conflict; a war which has hovered over the nation for over 50 years.

According to data from the World Bank database, Colombia has an internet penetration of 52.6% which is significantly higher than a service export dominant India (W. Bank, 2014). However, the logic set forth by Goswami argues this does not mean a disadvantage nor an advantage. Another case with regards to Malaysia revealed that success in ICT based exports was less successful; inversely, they had a high internet penetration. The conclusion was therefore that what really matters for a company involved in service exports is the not the technological

development of the home country but of the host/customer country (Goswami et al., 2012). Despite this, since 2008, the Colombian government has put in place two initiatives dedicated to stimulating local use of information technologies and communications (ICT). These investments in ICT, together with non-ICT investment, provide training, a percentage of foreign capital and the number of permanent labour contracts for local human resources in Colombia (Alderete & Gutiérrez, 2012). „El plan national TIC“ (The ICT National Plan) of 2008 and the „Plan Vive Digital“ (Live Digital Plan) were put in place to stimulate the development of information technologies and communications. The first 2010-2014 proved to be a success in terms of high level internet, where the ministry of information technologies (Min Tic) ensured fibre optic and high speed internet access to 96% of the national territory (comunicaciones, 2015). Development programs of this calibre have resulted in countries like Egypt improving the preparation of their graduates to better comply with the needs of the labour market (Goswami et al., 2012).

The Case Study

lfb-group offers services to financial institutions, mainly banks; insurance companies and they also have corporate clients. However, their distinctive niche lies in its ability to compliment business consultancy with IT-solutions when implementing accounting software for big and medium sized banks (Nett, 2016). According to the GATS the firm operates in the business and professional services

sector offering accountancy and computer services to the financial sector (WTO, 2016). Although the company does not itself develop its own software, it uses technological solutions that already exist in the market place, and configures them to the client's needs; for example: SAP, Oracle, Business Intelligence (Hunke, 2016). The company is working on offering the entire service from the initial diagnostics of the problems encountered by financial institutions, or ideal clients, and assist until the after service support (Nett, 2016). There is no existing research to show concrete evidence of whether a firm should use the same provider throughout the length of the consultancy process: identification of problems, the elaboration of a solution and then, if needed, the implementation of that solution; nor what the benefits and drawbacks are of doing so (Özeroğlu, 2014). According to the literature review, they are a company who offer a mix of both soft and hard services; service provisions which require and which do not require local presence. For this particular case, the service being provided is a soft service that requires physical presence, as mentioned in the literature review, because of the role the client must take in the definition of their requirements.

The case study firm is a German multinational company who operates in the global consultancy industry with a workforce of approximately 350 employees. Prior to entering Colombia, the firm had offices in Austria, Switzerland, Luxembourg, Poland , the United States of America and Canada (ifb-group, 2016). Previous attempts at entering developing countries have failed for the company, "establishing an office is a big step, it's a commitment" (Stegmann & Claus, 2016). John Kay adds, this immense commitment can be analysed, strategized, approved

and then implemented in order to increase the opportunities of impacting the foreign market (Kay, 1995). As per the interviews, architecture and reputation were identified to be the company's thriving capabilities. Architecture, the relationship between the firm and its employees was described as low in hierarchy, significant levels of independence to develop tasks are given and consultants receive adequate benefits. Quality and reliability are the two components of reputation, they are the back bone of the service industry (Goswami et al., 2012). For these two distinctive capabilities, the vote was a unanimous positive. With regards to innovation, it is a secondary activity that certain consultants, depending on rank, carry out additionally to their work duties. It was recognized to be important in terms of adapting to new technologies and staying ahead of legislation in order to stay competitive. However, the last distinctive capability, a strategic asset, is the only distinctive capability that can be considered a competitive advantage due to its connection with legislation. It is considered, a false competitive advantage because it need not be an advantage derived from good practices and efficiency. It begs the question, is the company's advantage a combination of its distinctive capabilities or is it simply enjoys the fruits of a legislative change in standards and norms of accounting and reporting.

They are currently only providing in Colombia the implementation consultancy service. The head of operations in north and south America clarified that it was the firm desired more consultancy projects that initiated at the very first stage of consultancy so as to accompany a firm throughout the whole project and not just the implementation offering (Nett, 2016). Initially, the multinational sent expatriates

from the headquarter country for the provision requested, when it ended they were expected to return. For the client, this means: heavier costs due to the price of using expatriates, travel expenses, psychic distance and higher risk of project prolongation.

The project is related to data transporting and processing in order to automate processes, a very complex and analytical skill intensive labour, which effectively means very detailed and complex language skills; for which the company used translators, more costs and delay. The specific software implemented was SAP software for banking, called, "Bank Analyzer". In essence, it automatizes certain processes meaning less human involvement, lowering operational risk in the long run. According to the SAP website it states that the product supports overall bank controlling by calculating, evaluating, and analysing financial products (SAP, 2016). These products allow an easier and more cost-effective way to carry out international financial transformation; allowing balance sheet to be extracted in local ColGAAP and IFRS (Schmidt, 2016).

The existence of psychic distance between the German and Colombian workforces is inevitable: culturally, economically and socially. The perception of 50% of the interviewees, negatively answered towards the effects of the psychic distance on operations, representing a validation in this existence. The remaining answered for mixed, which is a combination of positive and negative. Among the barriers were: language, working culture, intercultural mannerisms and time-zones. In an industry where the product offering is a transfer of knowledge and experiences, the payment method manifests itself in consultant days (Özeroğlu, 2014). Each project

has a projected chronogram for which the client is offered a variable or fixed payment contract. Psychic distance creates communication and cultural impediments, like working environment conditions that decrease the pace at which a project is developed. One of the consequences of this is, is that transmitting the requirements, consumes more time; in other words, consuming more consultant days throughout the length of a project. Especially with the fact that it is a customized service that requires significant collaboration from both client and provider (Erramilli & Rao, 1990). More „consultant days“ equals a greater cost of to the project and thus, higher cost for the client. This calls for the need to be able to lower prices to be more competitive in the local market and in the region. Operational costs, and their dependency on human resource, as the main component of their costs, and are fundamental to determining price of the service provision (Özeroğlu, 2014).

The fundamentals

The head of business and implementation consultancy in the Americas, clarified that the requirements for a business consultant and an implementation consultant do differ. This was corroborated by 70% of the population size, who embraced the idea of natural science backgrounds with it skills as ideal candidates. On one hand, business consultants require people with a related background in business, at least a masters and experience, whilst software implementation consultants do not require this recipe. An example was based on the fact that business consultancy is heavily centred on International Financial Regulatory Services (IFRS); for this

topic, it is highly recommended having a background in economics or accounting fields at a Masters levels (Hering, 2016; Nett, 2016; Stegmann & Claus, 2016). Postgraduate education level was a necessary requirement for business consultants, as well as, experience. In the risk area of business consultancy, there is portions of business but strong mathematical skills are required for the modelling (Nett, 2016). On the other hand, and quite interestingly, for implementation consultancy there is a strong vibe for professionals in the field of the natural sciences, specifically: Chemistry, Physics, Mathematics and Computer Science. These roles require analytical skills and a strong ability to learn. Based on the evolution of consultancy, today's consultants are required to have a good level of IT-network knowledge (Clementino, 2009; Goswami et al., 2012; Goswami & Saez, 2014; Nathan, 2016; Özeroğlu, 2014). The ideal human resource target population will therefore be: recent graduates in Chemistry, Physics, Mathematic or Computer Science with certain level of skill with IT-networks and English proficiency.

Both Ozeroglu and Clementino state clearly that a firm's training program plays a big role in development of the resources (Clementino, 2009; Özeroğlu, 2014). Although, it is clear that it is virtually impossible to prepare a software implementer for all tasks he will come across, formal training scored doubtfully in the interview. For initial consultants, it seemed appropriate, although topics such as intercultural adaptation and sales-acquisition training could be useful. In the formal training interview section, 40% was the highest score and it is appropriated to a negative view. Due to the nature of consultancy and the idea of Colombia serving as a hub for the company means, that there needs to be acceptance at the need to think

globally. In this sense, incorporating a second language is not just a complementary skill but a requirement (Hering, 2016; Nathan, 2016; vonTolkacz, 2016). The topic of making the training program for initiating candidates been in English has been discussed but for now it is still in German (Hering, 2016). Ultimately, the quality of the resource represents the firm and its reputation. Thus, in this case part of the responsibility for the learning rests on the employer. "Consultancy practices essentially see person-based services" (Özeroğlu, 2014). In order for international firms to offer competitive prices to local clients, they must be able to reduce their costs. Being able to find local talent that conforms to requirements, and becomes an asset is a key instrument for the establishment of a hub for the Latin American region.

Based on these factors it was concluded that the fundamentals are a strength that has been recognized, not only by local perception but internationally, "We found a very good education system, we have a very good internal training system that we will implement here" (Stegmann & Claus, 2016). Additionally, it was clear to see there are currently proactive moves to the enforcing of English in the education system. Since so much effort is being placed currently, it would be interesting to aim at focusing English to particular needs. Certain certifications provide you with a level of speaking general English but do not necessarily give you the capabilities to work in a complex vocabulary oriented environment like the software implementation industry. It is not mandatory but could feasibly produce positive feedback amongst hiring firms.

The telecommunication infrastructure was explored from the perspective of a firm as an exporting agent and as a foreign company looking to enter the local Colombian market. For an exporting environment it was not necessary to take the local telecommunication infrastructure into account as it was fundamentally more important that client country has appropriate levels of telecommunication infrastructure. Internally, there exists a great deal of focus on the development and introduction of new technologies in the Colombian community. The participating agents include, ministry of education providing more study programs in the field, ministry of communication who is funding the initiative, the Colombian institute for the development of science and technologies, Colciencias (administrative department of science, technology and innovation) and the National Service of learning.

Significant levels of institutional framework are needed to organize and direct the consultancy industry. Asymmetric information that currently exists in this industry and should be area of focus for institutions, include: criteria for the selection of the consultants, the market required education, the direct contracting, consultant registration, the embracing of foreign consultancy services and public expenditure on the transfer of technology (Quintero, 2016). Also, because of the dynamics of the relationship required between service provider and client, an institutional framework is also necessary. The industry is a non-tangible product industry, therefore it is difficult for consumers to corroborate that the service being received is, in fact, a good quality and certified one. The institutional framework is necessary in order to: inspect the service product on behalf of the consumer (Özeroğlu,

2014). In the service industry it is through quality and reliance that a reputation is acquired (Kay, 1995). Nevertheless, companies who have earned and worked hard to gain a competitive advantage through good practices needs to be protected from the damage of the business and professional services provided by non-qualified, bad quality and unreliable firms. There are three main reasons that institutional framework is fundamental for service firms: asymmetry in information, vocational services and contract enforcing institutions (Goswami & Saez, 2014). A consultancy firm needs to ensure that the country has strict contract enforcing institutions. A country"s ability to enforce contracts, contract enforcing institutions attracts foreign direct investment. Not been able to enforce a contract produces risk and creates uncertainty for both the client and provider. Especially in an intangible environment where the only way to hold people accountable and measure results is on contractual agreements for deliverables, terms, conditions and payment (Özeroğlu, 2014). In the literature review, institutional framework was explored to be crucial in the development of the industry. Additionally, institutional framework can work as a catalyst in the stimulation, control and strengthening of this intangible production industry (Özeroğlu, 2014).

Findings:

The previous information highlights points of consideration for the firm, the industry and the nation for the development of the consultancy industry. It has to be made clear that the aim is not to solve the existing issues with regards to business environment impediments but to direct attention to a business reality where there exists very little academic literature; the consultancy industry. A strategy is unique to each independent company and it is based on the business reality and positioning of that firm at that moment in time. Hence, strategies need to be quickly elaborated, approved and implemented (Kay, 1995). Having a long run strategy is very difficult to adopt as there exists a lot of uncertainty with the developments of technology and telecommunications.

“ A firm is defined by its contracts and relationships” (Kay, 1995). In order to increase the chances of effectively entering a market in a foreign country, a strategy must be adopted by a firm. A strategy is fundamentally based on an audit of the firm, the desired industry and the nation according to John Kay, in „Foundations of corporate success“. To re-cap, in order for firms, of any nature, wish to impact a foreign market effectively they must take the steps to identify their distinctive capabilities, the particularities that distinguish them from other companies, and use them to generate a competitive advantage in the identified and studied market, industry and nation.

International Financial Regulatory Standards have been embraced by the local Colombian Government, although it does appear to have had inconveniences as

demonstrated by an external communication (017) of May 10th which approves an extension of 60 days for firms to deliver their reports under the new framework (S. F. d. Colombia, 2016). A strategic asset, the only distinctive capability that can be sustainable on its own, and which gives the company a non-natural advantage due to its direct relationship with government regulation (Kay, 1995). Although, the interviews suggest that the case study firm does have a successfully set up level of architecture and reputation, it also has a strategic asset, in the form of implementation of bank specific software. It is not ideal for the company to disregard effectively combining distinctive capabilities in order to exploit a strategic asset to ensure long run sustainability. This concept of strategic asset gives a false competitive advantage due to its close ties with government regulation (Kay, 1995). In order to achieve a sustainable competitive advantage, the key work here being sustainable, a firm must embrace a combination of at least two of these distinctive capabilities: architecture, reputation or innovation. For the case firm, architecture, the relationship the company has with its internal and external members was identified to be a particularization that motivated and pleased its workforce (Nathan, 2016; Schmidt, 2016; Stegmann & Claus, 2016; vonTolkacz, 2016). Nevertheless, there was a common stream of thought associated to the weakness in ability to: transfer knowledge (internally and provider-client). Despite this weakness its operation in 7 countries, more than 20 years of experience working with over 800 companies supports the argument of having a good reputation (ifb-group, 2016). In terms of innovation, there exist two types, investment in new technologies or the ability to adapt to new technologies introduced in the market.

According to the lead of the Americas and senior consultants, the firm's innovation comes in the form of reactive innovation to existing technologies and changing legislation (Kay, 1995; Nett, 2016; Schmidt, 2016).

Firms that acquire a competitive advantage based from their distinctive capabilities also result in improved welfare for the local nation (Kay, 1995). The nature of consultancy requires extensive levels of knowledge transfer (Schmidt, 2016). What this means is that ultimately, local workforce can enjoy high levels of investment in training. However, from the interviews an issue arose with regards to the training that the employees receive within the company. The initial training was widely approved as having a taste of what will be covered but nothing in depth. After this training, the training is expected to occur on projects. Nevertheless, there were calls to have more training programs related to the transfer of knowledge, in terms of being able to prepare clients for independence from the multinational. This is supported by the whole concept of the service which ultimately will be left in the hands of the client.

The firm, upon which the case is based, considers recent graduates in the sciences – chemistry, Physics, Computer and mathematics as ideal candidates for a career in software implementation. From the results of the pool size graduating in natural sciences, it may suggest that the company could broaden their search to include business related backgrounds. Regardless of the profession, certain levels of IT knowledge are required in the implementation of software. What has been made clear throughout the research paper is that with the ever evolving world of

technology advancements, it is necessary for education systems to adapt to the nature of the professions which are constantly evolving. This is particularly interesting as the product been implemented is for a financial institution (bank), yet, there is no real need to have any financial background; according to the interviewees (Nathan, 2016). This could be a call for incorporation of consultancy in different fields into the education system; as it requires some adjustments involving the infusion of science and IT and science and aspects of finance. The pool of resource is essential to Colombia's capabilities to serve as a hub for consultancy in the region. As the first quote of the research paper states, there must be a proactive approach in dealing with globalization and therefore this serves as a call to educational institutions to adapt to the ever changing business environments. Offering students in the natural science fields the possibility to incorporate some IT-training and the possibility of taking some financial related modules could provide more precise personnel for software implementation consultancy. As a side note, the natural sciences only accounted for 1.6% of graduates in 2012-2013. Without the need to compare with any other country this is a very low percentage of professionals in a core subjects like natural sciences. A possibility of a future profession could be an incentivizing opportunity for the field of natural sciences.

These resources will be a complement to the global potential software industry and for foreign firms who offer such a unique service that local firms have to go outside of local borders to acquire(Goswami et al., 2012; Kay, 1995). Local presence of these international service SME companies with niche markets should be

embraced due to the benefits it comes with: increased quality and quantity of labour force, significant levels of transfer of specialized knowledge and exposure of software industry to the possibility of vertical investment opportunities for these SMEs who do not currently invest in software.

The common denominator in consultancy fields is having IT strengths; whether to be a software implementer or a business consultant who needs to know what solutions to propose. In the case of the firm in the case study, ideally it would be an interesting opportunity to offer their management consultancy and accounting services focused on conforming to IFRS. This would complement the software implementation and allow the firm to offer the entire consultancy process in more favourable conditions. However, local firms will enjoy specialized, reliable and fair priced services at a more competitive local price. Hence, improving the environment on which this particular firm operates will benefit not only the firm but the industry, the country and welfare of the state.

Liberalization, whilst monitoring and setting standards, will be benefiting consumers through a more competitive environment where quality and reliability can be offered and guaranteed at lower prices; and not traded in a foreign currency.

What lies behind institutional framework is the need to establish trust and penalize opportunistic behaviour in a network of relational contracts, which is facilitated if business relationships are supported by a corresponding network of social relationships (Kay, 1995). Companies are less likely to cheat if by doing so they sacrifice a social reputation as well as a commercial one (Kay, 1995). Currently,

both national and foreign employees can work in Colombia; nevertheless, foreign expatriates translate into higher costs. The free market, demand requirements of the market, will strongly incentivize lower cost offering which will drive out the use of expatriates and bring about alternative; either local resources or using technology depending on the nature of the service requirement (Erramilli & Rao, 1990). A study on the service sector and its need for the access to Information communications and technologies concluded that investment in this area made service firms more productive vis a vis those who do not (Alderete & Gutiérrez, 2012). For this reason it is made clear there needs to be a bolder stance in the application of means that incentivize SME"s in investing in these new available technologies.

Most importantly, it is fundamental to stress the need for more academic literature, quantitative or qualitative based, to compliment this service industry which seems to be increasing in demand. International firms that offer such unique services, that local firms have to reach abroad to find, must be integrated into the market not only as a source of employment, and revenue generator but a key tool in the development of new industries (Özeroğlu, 2014). However, there should be industry standards and norms to distinguish a firm who has competitive advantages that arise from a successful balance of distinctive capabilities to those firms who have a competitive advantage from a strategic asset; in Colombia this is the case. This ensures fairness to the final consumer in a market where sunk costs are extremely high. A failed project is equivalent to lost money. Based on the current dynamics of the service export market and its focus on export mode one

and two, it could be assumed that Colombia is not currently been used as a hub for export in services.

The Colombian software industry has world potential and also presents an opportunity not only for industrial and economic growth but also for competitiveness in the world (Martínez Marín, Arango Aramburo, & Robledo Velásquez, 2015). Although the company upon which the case was built is a software implementer, it does not readily invest in software development. However, with the ever evolving realities of the business environment there may be a need in the future to diversify. Colombia's software industry has world class potential and therefore incentivizing more interaction between these two industries can stimulate new technologies through investment in innovations, increase service exports through the channelling of local software through consultancy firms and help output and efficiency across all industries in an economy (Özeroğlu, 2014). For this reason it is concluded that there is a need for the software industry and the consultancy industry to converge and establish networks to promote software and implementation services together.

Conclusion

Colombia is acquiring the perception of a desirable market, due and not limited to: the devaluated exchange rate, the growing educated workforce, the growing middle class and there moves towards creating a peaceful environment after many years of internal conflict. However, regardless of this, there exist non-tariff barriers that impede companies and individuals in investing locally. This research paper contributes to the relatively unknown area of consulting. The consultancy has undergone its own internal transformations and due to the nature of their business, will continue to do so as long as technologies keep advancing. Incentivizing the consultancy industry, specifically firms involved in software implementation consultancy for financial institutions, should be seen as a strategic tool to help smoothen, speed up cost minimize a local firm's move to International Financial Reporting Standards (IFRS). The case study demonstrated that fiscal incentives that have been put in place to draw in foreign direct investment are working, hence the local subsidiary of the multinational. If Colombia wishes to become a hub for consultancy in the Latin American region, which it is in all position to do so, there must be a uniform pro-activeness to be taken by firms, industry and Government.

Colombia is, according to the parameters of this investigation, currently not been used as a hub for human service exports. The case, upon which the study is based, is a company offering customized software implementation services to the financial sector. Local presence exists because of local client requirements and a network relationship with SAP; the software developer. It's architecture and reputation have allowed them to reach the position they are in, making it

sustainable requires consistent investment in preserving this unique distinctive capabilities and the firm should find a way to transfer this to the Colombian market, something not currently been done. A firm's ability to successfully exploit their distinctive capabilities in the desire market determines whether or not a firm has a natural competitive advantage. Ultimately, firms harbouring sustainable advantage (regardless of whether national or international) is shown to contribute to the general welfare of a nation. This can be ensured by the development in institutional framework.

The human capital pool in the Colombian environment, based on the requirements, is relatively small but growing. However, the quality and the skill still exist and are under development from governmental institutions like the Ministry of Education; whom is providing more study programs in the field. Nevertheless, there is still a discrepancy in what the consultancy for the financial sector needs from the labour market and what is currently been offered. This is the case for both business and software implementation consultancy. Although training does ultimately rest on the employer, proactively promoting higher skilled resources makes the industry more competitive (Goswami et al., 2012). Higher levels of emphasis have been appropriated to IT related skills development and IFRS English terminology. The ministry of education and higher learning educational institutions should embrace the idea of adapting courses to the realities of business.

In general there are two ways in which a government can support the internationalization of companies and they circle two broad topics: collecting the right framework conditions and supporting companies through policies and

initiatives. The framework is associated with focus on the improvements on legal and regulatory, trade and investment and education; training and culture. Additionally to an analysis of the fundamentals, a firm should also include an analysis of policies for trade, investment and labour mobility and promotional policies. Taking all of the above into consideration, the local environment in Colombia can serve as a hub and is proactively taking steps to constantly improve it. In terms of guaranteeing success in the local market, it requires an identification of the firm's strengths and their application to the new market. The real test for a company is its commitment in this process of internationalization.

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