Bureau de Eventos: Internationalization of an Emerging Country

Service Company

Abstract

This teaching case presents the trajectory of a Brazilian services company specialized in the organization of corporate events. The case explores the potential for the company's international expansion, and the vision and engagement of the entrepreneurs, despite several barriers the company needs to overcome: liabilities of emergingness, liabilities of smallness, inconsistent public policies, and a heavy tax burden. The case can be used in Entrepreneurship and International Marketing courses, both at graduate and undergraduate levels. It can also be used in training seminars for executives of tourism and events planning companies, and for employees of export promotion agencies.

Introduction

In May 2016, Ilda de Oliveira Brito, one of the managing partners of Bureau de Eventos, a small Brazilian firm specialized in the organization of corporate events, participated in the OTC (Offshore Technology Conference) fair in Houston, United States. She was particularly pleased with the way the meeting was organized and planned by the Brazilian Committee: “The fair in Houston was much better organized than other fairs in which we have participated: there was a meeting in Brazil before the event, we got all the information we needed and a list of participants in advance. It was easier to develop our own planning and make all the contacts before the event started.” She also anticipated positive business outcomes from the participation in the trade fair.

Back to Brazil, Ilda had a meeting with her partner, Magda Pereira de Souza. Although they were used to be in international fairs every year, this time the company had achieved better results, mainly due to better organization of the event on the Brazilian side. Besides, since all international fairs currently have an online “matching” system linking buyers and sellers before the fair starts, firms usually try to pre-schedule a meeting with potential clients. After Ilda’s detailed report on the positive outcomes of the fair, both entrepreneurs agreed it was time to expand the firm’s international operations, and to
increase its portfolio of international customers. They believed they had the skills and competencies required to be successful. Therefore, it was a matter of planning, pursuing their goals, and implementing an effective strategy.

The entrepreneurs’ long-term vision is to open a subsidiary of Bureau de Eventos abroad. They believe that personal contact and personal selling can make the difference in marketing their type of services abroad. Therefore, a commercial office abroad could be a very effective strategy to conquer new international customers. Nevertheless, several other steps should be implemented before establishing physical presence in another country.

**Company History**

In the mid-1980s, college friends Ilda de Oliveira Brito and Magda Pereira de Souza were graduating in Tourism in Rio de Janeiro. As a final mandatory requirement, they had to complete an internship of six months. At the end of the internship, they had to present their work to a business committee consisting of firms from the segments of tourism and events planning. One of the members of the committee was a representative of one of the most important convention and exhibition centers in Brazil, Riocentro, located in Rio de Janeiro. This executive liked Magda and Ilda’s work and hired both of them soon after graduation. Riocentro was a joint venture established by private and public investments. As a result, this company was particularly sensitive to political changes, leading to structural and management changes. Accordingly, with the election of a new mayor, Ilda and Magda were dismissed along with more than half of Riocentro’s workforce. However, they saw a positive outcome from this experience. Ilda told one of the case writers: “One day, they called all employees into a large auditorium and gave the breaking bad news. Magda and I were the only ones who screamed ‘yes!’.

We were happy, because it was our chance to start our own business!”

At that time, they had already learned a lot about events planning; they had traveled extensively, participated in several events, and visited other convention centers across Brazil. In addition, they had had the opportunity to work with influential individuals in the tourism industry, such as the director of the Anhembi Center in Sao Paulo. They had also learned about the differences among regional markets, met suppliers, and worked on major events such as the Rio Eco 92. The experience had expanded their vision of the business, and helped them to accumulate know-how on the organization of events. Magda and Ilda believed that with their experience and network they could create their own company.
In September 1993 an unexpected situation helped the two friends to start their own business. Ilda’s father, who had a real estate company in downtown Rio de Janeiro, was closing the company and offered them the office space to start their business. He would not charge any rent for a pre-stipulated period of six months. This was the kickoff to open Bureau de Eventos.

Only three months later, the two entrepreneurs were already paying rent. Their first customers were a group of fifty Japanese executives of a multinational Brazilian mining company that were visiting Brazil. The new firm offered them services of inbound tourism. Yet their purpose was to organize events in Brazil, not to be a tourism operator. To implement their goal, however, they needed to develop a set of services. The two entrepreneurs did not want to get involved in the design of stands, as they knew by previous experience that this type of activity required specialized know-how, and they were neither architects nor designers. Thus, they decided to establish partnerships with firms that designed stands. Nevertheless, some years later, another unexpected event changed this decision; the entrepreneurs met two architects of a large stand design company that was closing. These architects convinced them to include stand design services in their portfolio.

A large contract with a major telecommunications operator fueled the firm’s growth. A top executive of this firm had become aware of Bureau de Eventos’s portfolio in an international fair and contacted the company afterwards. He requested a budget that was immediately approved, and became their first large domestic project. After the successful completion of the first contract, many others were signed with the same client. From there on, the company gained increased visibility and several new customers.

Present Situation

The domestic corporate event market had changed substantially since the year before due to a severe recession and political turmoil in Brazil. Large companies started to use their own structure to organize corporate events. As a result, several small suppliers in the industry ceased activities, or went bankrupt. In the midst of this turbulence, Bureau de Eventos managed not only to survive, but also to achieve growth. By 2016, the company is firmly established in the market and has a strong network of local and regional clients and suppliers. Trustworthiness, commitment and service quality are differentiators that helped the company to start and grow. Flexibility is a key characteristic of Bureau de Eventos; the firm operates with six permanent employees, and hires freelancers for each project.
The company has a long-term strategic plan and well-defined goals. The entrepreneurs believe that business planning is more critical in times of political and economic changes. Therefore, at the end of 2015, the firm acquired a business planning software and adapted its strategic planning to this new tool. Bureau de Eventos has also good financial control, running balance sheets in a monthly basis. Currently, the working capital is below target, covering less than three months of fixed costs.

In spite of being a small company, Bureau de Eventos implements corporate social responsibility actions. Sustainability is an important issue for the entrepreneurs; the company actively participates in sustainable projects, such as Mulheres Arteiras, a local women’s craft cooperative to whom they send all canvas no longer used.

**Products and Services**

The company site lists the following services offered (http://www.bureaueventos.com.br/en/estandes/):

- Integrated stand design with marketing campaigns
- Conceptual design of stands, kiosks, and settings
- 3D projects for stands, kiosks, and settings
- Scenic lighting for stands and settings
- Assembly and disassembly of stands, kiosks, and settings
- Marketing solutions for the stands
- Technological solutions for stands at fairs and events
- Graphic design of promotional and visual communication at fairs
- Development of games and entertainment for events
- Hiring of support services (such as catering, simultaneous translation, etc.)
- Legalization of stands, kiosks, and events
- Coordination of on-site, pre- and post-event production.

These services aimed mostly Brazilian companies participating in fairs and exhibitions in Brazil or abroad, and foreign companies organizing or participating in events in Brazil.
The International Market for Corporate Events

Although the international market for events can be segmented using different criteria, such as type of participants, meeting size, or purpose, the main criterion used is whether it is a corporate or non-corporate event. Corporate meetings are classified in three types: internal, external, and both (ICCA, 2015). Among the most common types of corporate events are trade shows and fairs, conferences and seminars, team building, incentive and networking events, and product launches. Large corporations tend to have their own events planning staff, but they also hire external consultancy and support, especially for larger events. Smaller-sized companies typically allocate this responsibility to the human resource department.

According to the International Congress and Convention Association (ICCA), until 2014 the U.S. was the country holding the largest numbers of meetings, followed by Germany, Spain, and the United Kingdom. Brazil was number 10 in the world ranking. The U.S. was also the leader in number of participants in meetings around the world, followed by Spain, Germany and France. Brazil held the 12th position in number of participants in the global ranking. Paris led the worldwide ranking of total number of participants by city, followed by Barcelona, Madrid, and London. Rio de Janeiro was number 26 and São Paulo 35 in number of participants by city (ICCA, 2015).

Major drivers of industry growth are corporate profit, disposable income, and employment. During 2008-2009, firms in the corporate events planning industry of developed countries faced a noticeable reduction in the number and size of corporate events due to the global recession (Ibisworld, 2016).

The market for corporate events is very competitive. However, there are no dominant global competitors holding a large market share. According to the entrepreneurs, the main domestic and international competitors are large advertising agencies that have their own corporate events area, such as GL Events and Artplan. Both companies have large portfolios, competing in the domestic and the international markets. GL Events is a French company, with operations in more than 20 different countries (including Brazil), approximately 4,200 employees and a 2015 revenue of almost one billion dollars (company site). Artplan is a Brazilian advertising group with around 600 employees, which plans and organizes the Rock in Rio Festival in Rio de Janeiro and Lisbon. In fact, Bureau de Eventos had just lost a bid to organize the House of China in the 2016 Olympic Games to a large advertising agency that has its own corporate event area.
The Internationalization Process

As the business developed, the entrepreneurs noticed that several international companies were interested in hiring professional corporate events planning services in Brazil. They also observed that the services delivered by existing companies were often below the client’s expectations; their quality was very poor. Magda explained: “Sometimes the foreign exhibitor arrived and was not properly assisted, or was assisted, but with poor service quality.” Ilda, who had lived in the United States for some years, then suggested to the partner: “We both speak good English, we have gained relevant experience in the corporate event planning sector, and have the skills and competencies to offer good quality event planning. Why don’t we export our services?” Magda had never lived abroad, but had an international orientation; she had enrolled her two daughters in a German school in Rio de Janeiro, because she wanted to give them an international education.

The two entrepreneurs were open to international business, but also feared the uncertainties associated to doing business abroad: "How do we get the payment from abroad? What guarantee can we have that we will be paid? We don’t know the clients, how do we charge for our services abroad?" They realized that they needed to learn how to do business abroad, so that the company would not face unnecessary risks, which had the potential to jeopardize its future. The first step was a visit to a local bank manager to learn about foreign remittance procedures and forms and how to deal with exchange rates. They then decided that in their first international contracts they would charge the clients in advance to avoid any bad surprise.

The learning process was gradual, as trust developed between Bureau de Eventos and the foreign customer. The knowledge gained included the understanding of the customer’s organizational structure and routines, and the history of compliance with the contracts signed. Once mutual trust developed in the relationship with the client, Bureau de Eventos’ owners became much more relaxed and started to accept different forms of payment. Referrals from satisfied customers helped the firm to build a reputation with other potential international customers. Although adopting a passive attitude towards internationalization, the company developed a solid position with its clients, providing customized high-quality services.

The first international contract was signed with a software company from the U.S. Shortly afterwards, a German company specialized in billing processes for telecommunications services providers contacted Bureau de Eventos. A Chinese bank
was the next client. Interestingly, this client came by referral of a domestic customer, Banco Central do Brasil (the Central Bank of Brazil). The South African government was also one of the first international clients of Bureau de Eventos. All these services were performed in Brazil. By 2016, U.S. clients are the main contractors of Bureau de Eventos. The entrepreneurs believe that Brazilian service companies have an easier access to the U.S. than to other developed markets. In fact, over the years, the perception that the entrepreneurs had of their North American clients in terms of reliability and trustworthiness has not changed much. However, they are less confident of customers from less developed markets. In spite of this, they believe that as trust develops and relationships with customers become solid, the country of origin becomes less of an issue.

The entrepreneurs perceive several barriers to the company’s internationalization. Some of these barriers relate to being located in an emerging market, Brazil. First, they believe Brazil has not yet developed a reputation of reliability and service quality, making it difficult for service companies to sell abroad. Second, they see a lack of commitment of many freelancers hired for special tasks in a project. They do not understand that lack of commitment is not acceptable in other cultures; agreements have to be kept, and timing is critical in the organization of events. According to Ilda, international customers are not as flexible as Brazilians are. From her perspective, however, “flexibility is a competitive advantage of Brazilians”, who find unexpected solutions for a problem: “Whenever something goes wrong, we solve it anyway.” A major threat to internationalization, according to the entrepreneurs, is the recent economic crisis in Brazil, which could make the country less attractive to corporate events. Nevertheless, the devaluation of the Brazilian currency has made local prices more attractive and several international clients still want to organize events in Brazil.

Other problems associated to the Brazilian context are the excessive bureaucracy and taxation. Magda sees taxes as excessive, but also criticizes the lack of transparency and consistency. She gives a recent example. For the last two years, the company had to pay certain taxes, following the accountant’s advice. Recently, however, the entrepreneurs found out that the company had an exemption of some of these taxes, and recovered almost 40,000 Reais (approximately USD 12,000) they had paid in undue taxes. Taxation was also seen as a serious problem for small companies serving the international market, not only because of its impact on the cost of services, but also because of potential double taxation, due to the lack of bilateral agreements between Brazil and most developed countries.

As to obstacles associated to the firm, the entrepreneurs believe that it was quite difficult for a small service firm to sell its services and present the firm’s professional background to potential buyers in a convincing way. Even to have direct contact
with top executives of international companies was an almost impossible task. In fact, despite active direct mailing to companies abroad, the best contacts came from referrals by chambers of commerce, consulates, or other clients.

The entrepreneurs were actively engaged in export promotion programs, and aware of the several government facilitators and incentives. Magda explained that Sebrae, a private not for profit organization funded by the Brazilian government, has provided substantial assistance to small companies such as Bureau de Eventos. The company was selected for a project that certified leading Brazilian small firms in the corporate event planning business. Managers were sent to London before the 2012 Olympics to learn about the organization of this event, in order to use it as a benchmark to be replicated in the 2016 Olympic Games in Rio de Janeiro.

Currently, Bureau de Eventos is being assisted by Peiex, an export promotion program of Apex-Brazil. The main goal of this program is to promote the export culture among small and medium-sized firms, offering management advice and support to the initiation of international activities. In addition, Magda and Ilda also consider the chambers of commerce, consulates and trade chambers as major facilitators of export activities. The entrepreneurs actively participate in international fairs, such as IMEX America (Meeting and Travel Incentive Exhibition). In fact, Bureau de Eventos was the only company representing the Brazilian corporate events planning sector at ONIP (National Organization of the Petroleum Industry) and in the Sebrae delegation in the latest OTC (Offshore Technology Conferences) fair in Houston.

**Internationalization Planning, Strategies and Tactics**

The company evaluates international marketing trends using specialized media and participating in international events. It is active in the social media, investing in online advertising. Bureau de Eventos has an international website in Portuguese, English, and Mandarin. Magda explained to one of the case writers: “Our website in other languages helps a lot; people see what we have already done and contact us.”

International activities are planned in advance, including the participation in international fairs, and direct mailing to current and potential customers. Active and constant contacts are made with the chambers of commerce, consulates, and the current portfolio of international clients. The entrepreneurs mentioned that Apex-Brazil and Embratur (the Brazilian Tourism Institute) have good international intelligence tools in their sites. Ilda believes that although the marketing investments do
not bring immediate results, it should be considered a long-term investment: “There will always be a new client that will see our material in a fair, and contacts us some time later.”

The negotiation process with international clients is quite similar to the domestic negotiations: the customers is identified and approached in the international fairs. The service is then performed in Brazil. The negotiations after the fair can be via Skype, e-mail, or chat. The proposal is written in English or in the language of the negotiation. The customer approves the design and Bureau de Eventos then sends the invoice. The entrepreneurs consider that virtual negotiations work quite well. Contracts are agreed and signed virtually. International pricing takes into account the exchange rate. The price varies for each project, due to customization to the client’s needs.

Bureau de Eventos also uses international partnerships: “Last year an advertising agency hired us to help them to participate in a fair in Las Vegas ... We then hired several services of an American company and started a new partnership.” These international partnerships may create good opportunities to sell abroad, according to Ilda: “For example, we work for the Russian government in partnership with these companies. These partnerships are limited, but valuable. And as time passes, the relationship is strengthened by the trust that develops between the firms.” On the other hand, she also sees a negative side to these experiences: “However, it is better to serve the customer directly, because these companies are always negotiating with you to get the lowest price possible.” The entrepreneurs believe they bring substantial benefits to their partners: “We provide good opportunities to these companies; we know the market and how it works”, explains Magda.

**Future Perspectives**

For Bureau de Eventos, internationalization has become an increasingly important long-term strategy, in order to diversify the risk of operating only in the domestic market. According to Ilda, the company faces less competition in the international market than in the domestic market, because few domestic competitors have learned how to serve international customers. In addition, internationalization yields more profits than domestic operations. According to Magda, without international projects, Bureau de Eventos would not have survived the 2015-2016 economic crisis. The entrepreneurs believe that the benefits of internationalization outweigh the obstacles. They also believe they have learned a lot from their international experience and that such knowledge will serve them well in the future. The final step envisaged is to invest in foreign facilities: “Our vision is to have an office abroad.” Yet this vision is still far away. At this point, the firm is being prepared for further international expansion, with the purpose of serving an increasing number of foreign customers.
Case References:


Appendix 1: Worldwide ranking: number of meetings per country

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th># Meetings</th>
</tr>
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<tbody>
<tr>
<td>1</td>
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<tr>
<td>2</td>
<td>Germany</td>
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<tr>
<td>3</td>
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<tr>
<td>4</td>
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<td>7</td>
<td>Japan</td>
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<td>8</td>
<td>China</td>
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<tr>
<td>9</td>
<td>Netherlands</td>
<td>307</td>
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<tr>
<td>10</td>
<td>Brazil</td>
<td>291</td>
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Source: http://www.iccaworld.com
Appendix 2: Worldwide ranking: number of participants per country

<table>
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<th>Rank</th>
<th>Country</th>
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<tr>
<td>1</td>
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<tr>
<td>12</td>
<td>Brazil</td>
<td>127,023</td>
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</tbody>
</table>

Source: [http://www.iccaworld.com](http://www.iccaworld.com)

TEACHING NOTE

This teaching case describes the international trajectory of Bureau de Eventos, a Brazilian company specialized in the organization of corporate events, founded in 1993 in Rio de Janeiro. The case explores the potential for the company's
international expansion, and the vision and engagement of the entrepreneurs, despite several barriers the company needs to overcome: liabilities of emergingness, liabilities of smallness, inconsistent public policies, and a heavy tax burden. The case can be used in Entrepreneurship and International Marketing courses, both at graduate and undergraduate levels. It can also be used in training seminars for executives of tourism and events planning companies, and for employees of export promotion agencies.

CASE OBJECTIVES

The case has the following instructional objectives:

• Understand the internationalization process of a small Brazilian services company in the corporate event planning industry;
• Identify and analyze the barriers and opportunities posed by internationalization to a small services firm from an emerging country;
• Discuss potential avenues for the internationalization of a small services firm from an emerging country;
• Suggest potential actions to be developed by export promotion agencies.

QUESTIONS FOR CLASS DISCUSSION

The following questions can be used to encourage discussion among students:

1. What are the main factors driving the international expansion of Bureau de Eventos?

Several factors can be identified as drivers of international expansion, both external and internal to the firm. Also, some factors seem to have been more important in the firm’s first steps in the international market, while others seem to reinforce the choice of internationalization only after the firm had already started the process.

External factors seemed less relevant to start than later in the continuation of international activities. Risk diversification probably only became a factor when the Brazilian economy plunged into recession in 2015. This is important because Brazil
had two decades of continuous economic growth, and was not particularly hit by the 2008-2009 global economic crisis. Therefore, the entrepreneurs had limited experience, if any, with economic downturns. They recognized that the company would not have survived if it did not have international activities. Also, the higher profitability of international operations could only have been learned after the firm was already serving international customers.

As to the internal drivers of internationalization, they seemed to have played a major role in the initiation of international activities. They included: the professional experience accumulated by the entrepreneurs in their early years that led to the creation of competitive advantages (trustworthiness, commitment, and service quality) vis-à-vis the firm’s domestic competitors; the international experience acquired by one of the entrepreneurs (Ilda) when living in the U.S.; the international orientation of both entrepreneurs and their proficiency in a foreign language (English).

The extant literature on international entrepreneurship has given substantial attention to the international orientation, or global mind-set of entrepreneurs, and its role in the creation and discovery of international opportunities (Peiris, Akoorie, & Sinha, 2012). Entrepreneurs that worked or studied abroad are expected to be more alert to opportunities in foreign markets. Experiential knowledge (knowledge acquired by doing things) has also been seen as crucial to internationalization; knowledge plays a critical role in capability-building, which in turn can impact internationalization.

2. *The international expansion of Bureau de Eventos is characterized by a planned process or is it emerging and opportunistic? Does the firm adopts a passive or a proactive approach to international business?*

This is a very important and interesting question. Firms may take decisions based on planned processes (causation) or decisions may come as a result of emerging events (effectuation). The case suggests that decisions in the beginning of the internationalization process were more effectual, but planning seems to be now a concern of the entrepreneurs. Even so, their planning seems to be at this point more programming than strategic planning. According to Saravasthy (2001), entrepreneurs consider the question “What can I do?”, and use the means at hand to create their business, relying on who they are, what they know, and whom they know. This description perfectly fits the case of Bureau de Eventos. The two entrepreneurs used their skills, knowledge, and network to develop their business.

A different, although related issue, has to do with the adoption of a passive versus a proactive posture in international business. The internationalization strategy used by the company so far is passive: there is room for a more proactive
approach. Bureau de Eventos is still waiting for clients to come based on referrals by commerce chambers and consulates. The personal characteristic of the managers gives them a competitive advantage: they are methodical, interested and engaged. The company uses government facilitators and seeks actively for information and participates on international fairs. They could use these tools to increase their current client base and plan their long-term marketing strategy.

3. **What are the main barriers to the internationalization of the company?**

The main barriers faced by the firm can be grouped in liabilities of emergingness, liabilities of smallness, inconsistent public policies, and a heavy tax burden. The concept of liabilities of emergingness is interesting. It refers to the disadvantages a company faces due to having an emerging economy as its country of origin. These disadvantages are related to problems of infrastructure, bureaucracy, low quality of the workforce, corruption etc. Compared to competitors coming from a developed country, the emerging market firm has to overcome these barriers to be competitive. In addition, there is the issue of country reputation. It is interesting to note that even the entrepreneurs do not trust emerging markets customers at first. As to liabilities of smallness, these are critical in the early stages of internationalization, but become much less important as the firm builds its own reputation. In addition, market uncertainty also plays a role in slowing down the internationalization, as the firm makes cautious steps in the international market (Johanson & Vahlne, 1977, 1990).

4. **What are the main opportunities in the internationalization process?**

Bureau de Eventos has the opportunity to build a solid position in this industry, serving foreign customers in Brazil. Because of the tacit nature of knowledge in this industry, the know-how accumulated by the firm cannot be replicated by foreigners, and there are few domestic competitors that can combine the foreign market knowledge acquired by the entrepreneurs to the skills and capabilities to deliver good services in Brazil.

5. **What is the role of networks in the internationalization of Bureau de Eventos?**

Networking is a key element of Bureau de Eventos’ strategy. The international business literature and the international entrepreneurship literature provide theoretical evidence and empirical support for the role of networks in internationalization (e.g. Coviello & Munro, 1995; Johanson & Vahlne, 2009). Bureau de Eventos used networks since its inception. First,
personal ties facilitate the very foundation of the firm (Magda’s father facilities). Later, business ties provided opportunities, legitimacy, knowledge, access to international fairs, etc.

6. What recommendations should be given to the entrepreneurs concerning the future of their internationalization process?

There is no question that the firm has a future serving international customers. Nevertheless, there are a few issues that need to be dealt with. First, the firm does not have a procedure to actively search for new clients. There is an opportunity to develop a strategy and procedures to maximize its current client base and also to prospect and reach new clients. Second, it is possible that the firm may need to improve its working capital position before implementing an international expansion. Third, at this point the firm is not large enough to have an office abroad. Instead, more frequent visits abroad might be cheaper and consume less resources than an office. A foreign representative could also be helpful, especially if the entrepreneurs could find a partner of similar size that performed comparable services in the foreign country. The partner could sell the services of Bureau de Eventos in Brazil, while Bureau de Eventos could do a similar job for the partner. In fact, Bureau de Eventos seems to be already moving in this direction.

Teaching Note References:


