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Letter from the Managing Editor

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This new issue of *Harvard Deusto Business Research* brings together research and studies on the use of the game theory to analyze customers' decisions after receiving online relational marketing campaigns by email, on the management of services as a means of assimilation of ICTs in organizations, about the similarities between the leadership styles of some modern leaders and lessons of Machiavelli, and on growth strategies for companies providing legal services.

In the article that opens this issue, professors Javier A. Sánchez Torres, Julián A. Rivera González and Lambert de Maestrich Jorba, using the game theory, analyze customers' decisions after receiving digital relational marketing campaigns by email for two types of products: clothing and electronic-music-video products. Through the analysis of the promotional and relational emails, the goal is to discern which of the two types is more effective to achieve short-term marketing objectives in business.

In the following article, professors Roberto Osorno Hinojosa, Lucinio González Sabaté and Antoni Olivé i Tomàs consider information and communications technologies as essential in the development and competitiveness of small and medium-sized enterprises. The aim of this work is to understand the way in which an organization learns to use ICTs in an environment influenced by service management, and to propose an intervention model that reduces barriers to learning.

The purpose of the third article, by Maite Ibarretxe, is to explore the similarities that can be found between the Renaissance era and the present day. At both times, the ways of doing things from the previous era were no longer valid in order to face the new challenges that the world had to offer. The study of some modern leaders, such as Barack Obama and Steve Jobs, shows important similarities between their leadership styles and the lessons of Machiavelli.

Finally, professors Niels Ketelhöhn and Octavio Martínez Argüello focus on growth strategies for companies providing legal services, since in this type of business, growth can cause problems such as loss of focus on the strategy, structural alignment and staffing imbalances. Their article proposes a process through which a law firm can plan for its future, defining a strategy of differentiation and selecting avenues of growth.

Once again, I would like to thank the authors for their effort and the inestimable collaboration and professionalism on the part of both the members of the editorial committee and the referees, as well as the warm reception by the readers of *Harvard Deusto Business Research.* Thank you very much to everyone.

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What Kind of E-Mail Information Is More Effective in Communicating with the Client? Application of Game Theory

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Abstract

Using game theory, this study analyzed clients' decisions after receiving digital relational marketing campaigns via email for two types of products: apparel and electronics-music-video. The objectives were to analyze the promotional and relational e-mails to discern which of the two is most effective in achieving marketing objectives and short-term business objectives. A cross-sectional study was carried out, with samples from Spain and Colombia, starting from a total of 400 surveys, a game based on the Nash Theory was proposed, having as a more important result, regardless of the type of email received by the client, the last action of the client will be marked as "spam". Likewise, differences were found by country and by gender depending on the type of product and no conclusive differences were found on which type of communication (promotional or differential) is better received by the client.

Key words

E-mailing, promotional marketing, differential marketing, theory games, purchase, gender, internet.

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E-mail marketing can entail different actions, promotions, information and services, viral marketing, personalized e-mail and CRM

1. Introduction

Unconventional marketing, called direct marketing, has been very important over the last decade because it allows for personalizing marketing actions towards the client, building a long-term relationship between brand and consumer (Jonker, Piersma & Potharst, 2006). Nevertheless, on the internet, the traditional physical strategies of advertising cannot be applied as the behavior of the consumer on the internet may differ (Mahajan & Venkatesh, 2000). New virtual actions are required such as promotional mechanisms including: e-mail display advertisements and social media (Kannan & Li, 2016; Bruce, Murthi & Rao, 2017; García, 2015).

The use of e-mail as a direct marketing tool is an attractive choice for companies, when they have a database of their potential customers as it allows them to have direct communication with the customer at a low cost and with high rates of return (Jackson & DeCormier, 1999). E-mail advertising has a very low budget (De Haan, Wiesel & Pauwels, 2016). E-mail spending represented only 1% of the budget allotted for advertising in Europe, with 1 euro spent for every 2,500 e-mails sent (De Haan et al., 2016).

E-mail marketing can entail different actions, promotions, information and services, viral marketing, personalized e-mail and customer relation management (CRM) (Golbeck & Hendler, 2004). These can be grouped into two types of mailings: 1) promotional character and 2) engagement character (MacLuhan, 2002). The promotional information mailing seeks to promote advertising discounts on the sale price of one or several products with a limited period for their use. Engagement mailing is based on the previous experience of the client and seeks to consolidate the relationship between customer and brand in a long lasting way (Gázquez Abad & De Cannière, 2010). In addition to studies on the optimal frequency of mailing, or aspects that generate greater impact on the client (Jonker et al., 2006).

Another line of research has focused on data mining as a key element for this type of marketing (Bell, Ledolter & Swersey, 2006). This is supported by Jonker et al. (2006), who found the use of specialized programs and tests causes higher response rates, lower costs and higher profits. With the emergence of the internet and e-mails, a new direct marketing channel has been created called e-mailing and mobile mailing (Chittenden & Rettie, 2003).

Thomas, Feng and Krishnan (2015) analyzed the case of mailing in the acquisition and retention of donors to ONG's, finding that different emails must be sent depending on the action that is required and that these will cause different effects depending on the characteristics of the donor. However, according to Gázquez Abad and De Cannière (2010), there are few studies that analyze the effect of the business activities of personalized mailing on the customer's purchase behavior, or the consumer's response to the types of mailing (promotional and relational). Finally, there is little research on the new forms of digital relational marketing, highlighting the need to analyze the customer's buying responses to e-mailing.

Considering this gap in the literature, this article presents an empirical study that contributes to the knowledge within relational marketing, analyzing the behavior of the client with respect to the type of e-mails sent (promotional and relational). In particular, this paper aims to: 1) analyze the immediate effect of the activities of personalized e-mailing on the behavior of the electronic consumer, for two products with different characteristics (clothing/textiles and electronics/mobile telephony products); 2) offer a differentiated analysis of promotional and

This study uses a mathematical analysis as a tool for analyzing the efficiency of information that must be sent by e-mail to customers as an action to boost sales

differential e-mailing with the purpose of determining which of the two is more effective in achieving the objectives of digital marketing (visit to the website, acceptance of the information and purchase); and 3) to establish which of the two e-mails encourages the achievement of short-term commercial objectives.

Finally, and to achieve a larger analysis, this article presents an empirical cross-study between two countries (Spain and Colombia), in which we intend to discern different reactions to the communication strategy, depending on the cultural differences between the two countries, as well as the possible differences between gender.

This study uses a mathematical analysis, drawing on the theory of Nash, as a tool for analyzing the efficiency of information that must be sent by e-mail to customers as an action to boost sales. Analyzing from the calculation of the "payments" the existence of strict dominations, weak dominations and strategies (Mailath, 1998). We seek to determine the best strategies that must be established in the use of this commercial communication channel.

2. Review of the Literature

2.1. Direct Marketing Route E-Mail

According to Chittenden and Rettie (2003), e-mail marketing must generate three actions in the client: 1) the client must be able to open the e-mail, 2) the e-mail must keep the customer's interest in the information sent, and 3) persuade the customer to respond positively to the action of the e-mail. Therefore, the words in the e-mail header that are displayed in the client's inbox, the content of the e-mail and the characteristics of the recipient influence the effectiveness of the e-mail.

It is important in e-mailing campaigns to have a defined database of customers, as this shapes whether the information that is sent will be well received or on the contrary will be taken by the recipient as non-utilitarian, annoying information known as "spam" (Abrahams, Chaudhary & Deane, 2010; Chittenden & Rettie, 2003). It is therefore referred to as "Trust Mail" to messages that pass automatic filtering of e-mail servers and which present reputation characteristics to the client (Golbeck & Hendler, 2004).

According to Chittenden and Rettie (2003), the following steps should be considered for an optimal e-mail marketing campaign:

- The design should be planned based on the strategy that the campaign should be used, Categories (geographical, purchase pattern, a.o.), also, the type of information to send, plain text or HTML formats, images, videos, a.o., and finally, database of potential customers, data mining is necessary to determine the characteristics of the consumer and from this establish different contents, messages, periodicity, shipping schedule, a.o., according to the interests of the established marketing campaign (García, 2015; Jonker et al., 2006).

- The production function, where the entire technological system of communication mail, platforms, automation of shipments and responses is built.

- The test function, it is necessary to do pilot tests with all the segments to see the answer according to its characteristics (gender, age, a.o.).

Game theory it is a research method for strategic situations of interaction between people and/or companies, which have different consequences for each player, depending on the strategies taken by all players

- The deployment function, it is required to manage all the responses that integrates e-mailing, complaints, suggestions, unsubscribe requests, and positioning to Trust mails.

- Tracking function, gathering important information related to marketing objectives and measuring the effectiveness of the campaign.

- Finally the function of analysis and reporting, with the information collected generate analyzes and reports on the campaigns to optimize the relationship with the client (MacLuhan, 2002).

Ellis-Chadwick & Doherty (2012) conducted a research to different companies that use e-mailing, they was found among the most important aspects for a mailing campaign the following:

- Frequency and time of sending, this includes also define hours and days of sending mails.

- The "Subject line" should clearly define the initial content that will appear in the customer's inbox, so two components must be taken into account: the "e-mail sender" identified as a reliable sender, usually Include the institutional name of the company and the "subject matter" should use appealing words, that is, offer an incentive in the "Subject line".

- "Headline" must be distinctive and motivate the customer to continue reading the entire e-mail.

- The extension of the e-mail, if it only contains alphanumeric information or also images, video or sound.

- Hyperlinks should be the least possible so that the client does not feel overwhelmed or lost browsing in them.

- Include interactive functions, that is, providing instant actions to customers to perform such as: customer service, store locators and places, or frequently asked questions.

- Animation, online advertising allows for using animated effects to capture the attention of the receiver.

- And finally personalization, although it is difficult to be able to address the customer by its name or another type of distinctive of its own.

Thus, the following hypotheses are proposed:

- H1: e-mailing campaigns that contain a subject line focused on promotional marketing will have better results than e-mailing campaigns that contain a subject line focused on relational marketing.
- H2: The gender of the client will influence the effectiveness of the e-mailing campaign.
- H3: The cultural characteristics of the client will influence the effectiveness of the e-mailing campaign.

2.2. Game Theory

Game theory studies human behavior in conflict situations; it is a research method for strategic situations of interaction between people and/or companies, economic actors have different behaviors in the market, which have different consequences for each player, depending on the strategies taken by all players (Mailath, 1998).

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> **The Nash model can be used by a company to determine the behavior of agents in strategic decisions making; each company has a combination of strategies and knows that the other player will respond with other strategies**

The Nash model can be used by a company to determine the behavior of agents such as customers, competitors, government, a.o., in strategic decisions making; each company has a combination of strategies and knows that the other player will respond with other strategies. The Nash equilibrium is reached when the best "rewards" are obtained after the game occurs (Pepall, Richards & Norman, 2006).

Although there are few studies on the relationship between buyers and sellers, only Neslin and Greenhalgh (1983) have proposed an experiment on bargaining power relations using Nash's theory to prove it.

3. Methodology

First, we describe the mathematical model to be used, constructing the game proposed for the case study, defining the players, strategies and possible payments. Then the empirical work, which includes the construction of the questionnaire, the data collection, and finally the result of the payments generated as proposed in the model are described.

3.1. Finite Game - Pure Strategies

Given a strategic game in which the players are represented by J_1 and J_2, the sets of strategies for each player are S1 and S2 respectively and the payment functions of each player are:

$$\begin{array}{lcl} u_1: S1 \times S2 & \rightarrow & R \\ (s_1,s_2) & \rightarrow & u_1\,(s_1,s_2) \end{array} \quad y \quad \begin{array}{lcl} u_2: S1 \times S2 & \rightarrow & R \\ (s_1,s_2) & \rightarrow & u_2\,(s_1,s_2) \end{array}$$

Given two strategies s'_i and s''_i of player J_i, we say that s'_i strictly dominates s''_i "when for any strategy s_k of the other player J_k it is true that player J_i earns more strictly with s'_i that with s''_i, that is: $\forall s_k \in S_k$, $u_i\,(s'_i, s_k) > u_i\,(s''_i, s_k)$.

In a game in which each player has a strictly dominant strategy, the solution of the game is clear, since each player will continue with the dominant strategy. Because a rational player will never choose a strictly dominant strategy, we can seek the solution to a game by iteratively eliminating dominant strategies.

We say that strategy s'_i dominates weakly to strategy s''_i "when for any strategy s_k of another player J_k it is fulfilled that the player J_i wins more or equal with s'_i that with s''_i, and the strict inequality is reached at least for a player strategy and J_2 that is: $\forall s_k \in S_k$, $u_i\,(s'_i, s_k) \geq u_i\,(s''_i, s_k)$ y $\exists s_k \in S_k$, $u_i\,(s'_i, s_k) > u_i\,(s''_i, s_k)$.

In a game whose players are represented by J_1 and J_2, the sets of strategies by S1 and S2 respectively and in which the payment functions of each player are: u_1 and u_2, the strategic combination (s^*_1, s^*_2) is a Nash equilibrium if the following is true: $\forall s_1 \in S1 u_1\,(s^*_1, s^*_2) \geq u_i\,(s_1, s^*_2)$ y $\forall s_2 \in S2$, $u_i\,(s^*_1, s^*_2) \geq u_2\,(s^*_1, s^*_2)$.

In other words, s^*_1 is a solution of the optimization problem $\max_{s1 \in S1} \{u_i\,(s_1, s^*_2)\}$ and s^*_1 is a solution of the optimization problem $\max_{s2 \in S2} \{u_2\,(s^*_1, s_2)\}$.

3.2. Description of the Problem

Player J1: company that sends e-mail to potential clients.
Player J2: recipient of the e-mail sent by the company.

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In this study, we hypothesize that when mail is sent to a set of potential customers (real situation, since it is meaningless for a single potential customer), we must open the door to the possibility that although a specific strategy may be more favorable to the company

Player 1 shares (G1):

- (OD) offer a discount in the sent e-mail.
- (ND) Do not offer a discount in the e-mail and simply to display information.

Player 2 shares (G2) (We will distinguish the gender of the second player):

- (NOW) Do not open the e-mail, but do not unsubscribe the reception of new e-mails.
- (ONF) Open the mail, do not click on the link to the company website, but do not unsubscribe the reception of new mails.
- (OGW) Open the mail and click on the link.
- (NOS) Do not open the mail, do not click on the link to the company website and unsubscribe the receipt of new emails, marking the email as spam.

3.3. Evaluation of the "Payments" to the Company

The evaluation of payments to the company must be made considering the actions carried out by a certain number of individuals of the same sex. However, we must also consider a factor that introduces the "positivity" or "negativity" of the payment. Thus, if for example: 60% of the recipients of the e-mail decide not to open the link and to unsubscribe from the mail distribution list (ONF) and instead 30% of the recipients of the e-mail click the link (OGW), then, it would not be correct to take as payment to the company the value 0'6 corresponding to 60% (ONF), and give as payment to the company the value 0'3 corresponding to 30% (OGW). This would mean a better payment to the company when the situation is worse. These situations could be solved by introducing negativity in cases that actually present an undesirable situation for the company.

If we raise the problem with two players, on the one hand the player G1 which is the company and on the other hand a client receiver of the mail, G2, the matrix of the game with the payments to the company we will consider (Table 1).

Table 1
Matrix payment to the company

		G2			
G1		NOW	ONF	OGW	NOS
	(OD)	.0	.0'5	.1	-.1
	(ND)	.0	-0'5	.1	-.1

In which there would be no differences, in reference to the payments for the company, if the mail contains discounts or if it does not contain them. This situation changes when the mail stops being sent to a single possible client and is sent to a set of possible clients.

In this study, we hypothesize that when mail is sent to a set of potential customers (real situation, since it is meaningless for a single potential customer), we must open the door to the possibility that although a specific strategy may be more favorable to the company if the mail is sent to a single potential customer, when the mail is sent to multiple recipients, it can generate different responses.

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The reaction of potential customers if offered a discount or if no such discount is offered, are different

Suppose the company sends the email without offering a discount to a number (N) of possible customers. We represent this in the following:

- N_1 is the number of mail recipients that do not open e-mail (NOW).
- N_2 is the number of recipients that open the e-mail, do not click the link and do not unsubscribe the reception of new e-mails (ONF).
- N_3 is the number of mail receivers that open the e-mail and click the link (OGW).
- N_4 is the number of recipients that do not open the mail, do not click the link and unsubscribe to receive new mails (NOS).

Is fulfilled $N_1 + N_2 + N_3 + N_4 = N$.

We define the function U1 of payments to player J1 in the case of N possible clients, when the company does not offer discounts as follows:

$$U_1\ (OD, NOW) = 0^*\ N_1/N$$
$$U_1\ (OD,ONF) = .0'5^*\ N_2/N$$
$$U_1\ (OD,OGW) = 1^*\ N_3/N$$
$$U_1\ (OD;ONF) = -1^*\ N_4/N$$

Next, suppose the company sends the email offering a discount to M number of potential customers. We represent this as follows:

- M_1 is the number of mail receivers that do not open the e-mail (NOW).
- M_2 is the number of receivers that open the e-mail, do not click the link and do not unsubscribe the reception of new e-mails (ONF).
- M_3 is the number of mail receivers that open the e-mail and click the link (OGW).
- M_4 is the number of receivers that do not open the e-mail, do not click the link and unsubscribe to receive new mails (NOS).

Is fulfills: $M_1 + M_2 + M_3 + M_4 = M$.

The U2 function of payments to player J1 in the case of M possible clients, when the company offers discounts would be:

$$U_1\ (ND, NOW) = 0^*\ M_1/M$$
$$U_1\ (ND,ONF) = .0'5^*\ M_2/M$$
$$U_1\ (ND,OGW) = 1^*\ M_3/M$$
$$U_1\ (ND,NOS) = -1^*\ M_4/M$$

Note that the N and M values do not have to coincide, but the definition is based on a situation of proportionality, which allows us to make comparisons between both situations. Also note that it is expected that the reaction of potential customers if offered a discount or if no such discount is offered, are different.

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We will determine the "payments" to the client using the theory of the opportunity cost, assigning a positive value to the client when he or she accepts and opens the mail and a negative value when he or she does not

Example 1

Suppose the company sends hundred men an e-mail offering a discount and imagine that we have obtained the following response:

- 25 people have not opened the e-mail (NOW).
- 35 people open the e-mail, do not click the link and do not unsubscribe the reception of new mails (NGOs).
- 30 people open the e-mail and click the link (OGW).
- 10 people open the e-mail, do not click the link and unsubscribe the reception of new e-mails (NOS).

For this, the matrix of the game in which we only show the payments to the company in the table 2.

Table 2
Matrix payments to the company

		G2			
G1		NOW	ONF	OGW	NOS
	(OD)	0*25/10.0	.0'5*35/10.0	1*30/100	-1*10/100
	(ND)				

Understanding that in the case where the company sent an e-mail without offering a discount, the possible actions by the receiver would be the same as the payments to the company, but this would change the values obtained in the sample. We could assume that when the company sends hundred and fifty men an email without offering a discount, we have obtained the following responses:

- 30 people have not opened the e-mail (NOW).
- 50 people open the e-mail, do not click the link and do not unsubscribe the receipt of new mails (ONF).
- 45 people open the e-mail and click the link (OGW).
- 25 people open the e-mail, do not click the link and unsubscribe the reception of new emails (NOS).

This would complete the payments to the company as follow matrix (Table 3).

Table 3
Matrix payments to the company

		G2			
G1		NOW	ONF	OGW	NOS
	(OD)	(0*25/10.0?)	(.0'5*35/10.0?)	(1*30/10.0?)	(-1*10/10.0?)
	(ND)	(0*30/150 ,?)	(.0'5*50/15.0?)	(1*45/15.0?)	(-1*25/15.0?)

Namely the table in which the payments have not been included to the recipient of the e-mail, it would be table 4.

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Table 4
Matrix payments to the company

G1		G2			
		NOW	ONF	OGW	NOS
	(OD)	(0 ,?)	(0’175,?)	(0’3,?)	(-0’.1 ?)
	(ND)	(0 ,?)	(0’167,?)	(0’3,?)	(-0’167,?)

3.4. Valuation of Payments to the Possible Client

The valuation of the payments to the potential customer cannot depend on the number of clients that have chosen a particular action (unless the company imposes a limited number of discounts). We refer, for example, to when we talk about the payment that the possible client receives, it is indifferent if 55% of the receivers of the mail does not open the mail, or if it is 65% that they do not open it.

We will determine the “payments” to the client using the theory of the opportunity cost, assigning a positive value to the client when he or she accepts and opens the mail and a negative value when he or she does not. In addition, taking into account someone opening the mail but preventing new offers entails the loss of opportunities to obtain new discounts, we should penalize this situation compared to simply not opening the mail.

We define the utility function U2 of payments to player G2, which as mentioned, does not depend on the number of recipients of the mail, when the mail offers a discount, taking into account:

- If the prospective client does not open (NOW), he or she loses the opportunity cost, but does not close the door to future opportunities.
- If the prospect opens the mail, does not click on the link and does not prevent the receipt of new mails (ONF), we believe that it would gain the opportunity cost of knowing the discount, whether or not to use it in the future.
- If the prospect opens the mail and clicks on the link (OGW), we consider that you would gain the opportunity cost of knowing the discount, in addition to visiting the website and could make a purchase by taking advantage of this discount.
- If the prospective client does not open the mail, does not click the link and does not allow the receipt of new mails (NOS), you will lose the opportunity cost of knowing the discounts forever.

In this way the payment function to J2 player, when the company offers a discount, could be:

$$U_2\,(OD,NOW) = 0$$
$$U_2\,(OD,ONF) = 1$$
$$U_2\,(OD,OGW) = 1$$
$$U_2\,(OD,NOS) = -1$$

If the mail does not offer a discount, the U2 function of payments to player J2 must take into account that:

- Regardless of whether the prospective customer does not open the mail, or if he or she opens it, he or she does not give up receiving new emails (NOW, ONF, OGW), he or she

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The analysis has been based on the study of non-cooperative and simultaneous games, the combinations that give rise to Nash equilibrium are not those that maximize the utility of both players, but are those strategic combinations in which neither player has the incentive to unilaterally change his or her choice

does not lose or gain the opportunity cost of obtaining an immediate discount and he or she does open the doors to the possibility of future discounts in subsequent e-mails.

- If the customer opens the mail and gives up receiving new mail (NOS), he or she lose the opportunity to receive further discounts.

The G2 player payments feature when the company does not offer discounts could be:

$$U_2\ (ND,NOW) = 0$$
$$U_2\ (ND,ONF) = 0$$
$$U_2\ (ND,OGW) = 0$$
$$U_2\ (ND,NOS) = -1$$

Under the assumptions described in Table 4 we can complete the matrix of the two-dimensional game by adding the payments to the second player and we will obtain the final matrix of payments (Table 5).

Table 5
Final matrix of payments

		G2			
G1		NOW	ONF	OGW	NOS
	(OD)	(0 ,0)	(0’175,1)	(0’3,1)	(-0’.1 -1)
	(ND)	(0 ,0)	(0’167,0)	(0’3,0)	(-0’167,-1)

3.5. Sample and Questionnaire

The data were collected through a questionnaire that was constructed by a group of university students that allowed for assessing and modifying questions that were not understood or biased. The questionnaire was finalized and distributed online, whose population filter was only that they could do it (People who had a personal e-mail and received communications from brands or companies with whom they maintained continuous relationships of purchase). The survey was carried out in two countries: Colombia and Spain, since they are countries that show great differences in the development of electronic commerce (Sánchez-Torres & Arroyo-Cañada, 2016). Since each population will be analyzed, a statistical sampling was not taken into account. Finally, data were collected for 97 men and 121 women living in Colombia and 105 men and 77 women living in Spain, for a total sample of 400 valid records.

3.6. Game Development and Analysis

The answers were grouped by taking the statistical mean to generate the values of each action, for each of the questions about the attitude they would take after receiving emails, to each of the e-mails (the one that promotes the sale offering discount and the other that is about communication of the brand without offering discounts).

Remember that the possible actions by the recipient of the email are: Do not open the mail (NOW), open the email, do not click the link and do not unsubscribe the reception of new mails (ONF), open the mail and click the link (OGW) and finally, do not open the mail, do not click the link and unsubscribe the receipt of new emails (NOS).

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When the play is to send direct communication of promotions, Nash equilibrium for male clients in Colombia, while in Spain, in addition to this “equilibrium game”, also clients opening and reading the e-mail and visit the web

The analysis has been based on the study of non-cooperative and simultaneous games, the combinations that give rise to Nash equilibrium are not those that maximize the utility of both players, but are those strategic combinations in which neither player has the incentive to unilaterally change his or her choice (Julmi, 2012).

4. Results

Overall, in all situations, the strategy to not open the e-mail, to not click the link and mark as spam by player G2 (client) is strictly dominated by any of the other strategies of the same player G2. In addition, Player G1 (company) does not have strictly dominant strategies. This result means in general terms the effectiveness of direct marketing via e-mail, that for this study, the general customers will prefer to do any action before they mark as spam (unsubscribe) the mails that send their favorite brands.

4.1. Product Analysis Clothing - Men - Countries

The first table applies the theory of games exposed in the survey conducted to the 97 men living in Colombia to which clothing has been promoted (Table 6).

Table 6
Matrix game theory (Colombian men - clothing)

		G2			
G1		NOW	ONF	OGW	NOS
	(OD)	(0,0)	(0’227,1)	(0’299,1)	(-0’062,-1)
	(ND)	(0 ,0)	(0’124,0)	(0’38.10)	(-0’124,-1)

Nash equilibrium is obtained in the strategic combinations (OD, ONF), (ND, NOW) and (ND, OGW).

The second table corresponds to a situation analogous to table 6, promoting men’s clothing but among those from Spain (Table 7).

Table 7
Matrix game theory (Spain men - clothing)

		G2			
G1		NOW	ONF	OGW	NOS
	(OD)	(0,0)	(0’152,1)	(0’362,1)	(-0’048,-1)
	(ND)	(0,0)	(0’033,0)	(0’2,0)	(-0’114,-1)

Nash equilibrium is obtained in the strategic combinations (OD, ONF), (ND, NOW) and (OD, OGW). Regarding the analysis focused on direct communication with the client for the case of companies that sell apparel, men behaved in the same way when they received an email with promotional contents. In both cases, a Nash equilibrium was found when the strategic action of the client was to open the content of the email and know its content. However, in

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Colombia, male customers did not carry out more actions in general, while in Spain, another equilibrium is presented, having to read the information, finish visiting the website and perhaps buying with that offer is another of the resulting possibilities.

Regarding direct communication of the brand without discount information, for both countries, a Nash equilibrium occurred when customers did not open such e-mails, although in Colombia there is also this equilibrium, another, where they also open the message and also visit the web page, being more interesting for both parties this result.

4.2. Electronic Products and Music Analysis - Men - Countries

The next matrix shows the game that is deduced from the survey of men living in Colombia receiving e-mails about electronic items (Table 8).

Table 8

Matrix game theory (Colombian men - electronic products)

G1	G2				
		NOW	ONF	OGW	NOS
	(OD)	(0,0)	(0’227,1)	(0’309,1)	(-0’04.1-1)
	(ND)	(0,0)	(0’134,0)	(0’402,0)	(-0’082,-1)

Nash equilibrium was obtained in the strategic combinations (OD, ONF), (ND, NAM) and (ND, OGW).

The next matrix represents the game obtained from men living in Spain receiving e-mails about electronic items (Table 9).

Table 9

Matrix game theory (Spain men - electronic products)

G1	G2				
		NOW	ONF	OGW	NOS
	(OD)	(0,0)	(0’129,1)	(0’448,1)	(-0’076,-1)
	(ND)	(0,0)	(0’014,0)	(0’4,0)	(-0.048,-1)

Nash equilibrium was obtained in the strategic combinations (OD, ONF), (ND, NOW) and (OD, OGW).

Regarding what happens in the game between company and clients male, when e-mail is about electronic products and music, when the play is to send direct communication of promotions, Nash equilibrium for male clients in Colombia, comes when these open the email and read the information, while in Spain, in addition to this “equilibrium game”, also presents another, when in addition to opening and reading the e-mail, continue and visit the web.

For the case of direct communications on information without promotions, the same “equilibriums games” are repeated as in the case of the clothing product, the equilibrium is found when the company sends this type of communication and the action of the clients for both countries is not open the email, except in Colombia where there is also another equilibrium, when in addition to opening it, they visit the web.

4.3. Product Analysis Clothing - Women - Countries

The next table represents the game obtained from the survey of Colombian women receiving e-mails about clothing (Table 10).

Table 10
Matrix game theory (Colombian women - clothing)

G1	G2				
		NOW	ONF	OGW	NOS
	(OD)	(0,0)	(0’248,1)	(0’347,1)	(-0’025,-1)
	(ND)	(0,0)	(0’095,0)	(.0’529,0)	(-0’058,-1)

Nash equilibrium was obtained in the strategic combinations (OD, ONF), (ND, NOW) and (ND, OGW).

The next matrix represents the game that obtained from the survey in which women living in Spain received e-mails about clothing (Table 11).

Table 11
Matrix game theory (Spain women - clothing)

G1	G2				
		NOW	ONF	OGW	NOS
	(OD)	(0,0)	(0’273,1)	(0’273,1)	(-0’078,-1)
	(ND)	(0,0)	(0’07.10)	(0’429,0)	(-0’13,-1)

Nash equilibrium was obtained in the strategic combinations (OD, ONF), (ND, NOW) and (ND, OGW).

The analysis of equilibriums with the clothing product for the female group, present in the first place, that when the company sends a direct communication with promotions via e-mail, Nash equilibrium has been the same in both countries, having as equilibriums, that When receiving email with offers, women open and read the information, even if they do not visit the website.

Second, the Nash equilibrium when the company sends e-mails with information without discounts, for the two countries there were also not differences between women by country, the equilibrium is found when women do not open the mail and another when They open it and visit the web.

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4.4. Electronic Products and Music Analysis - Women - Countries

The next matrix represents the game obtained from the survey of women in Colombia receiving e-mails about electronic products (Table 12).

Table 12
Matrix game theory (Colombian women - electronic products)

		G2			
G1		NOW	ONF	OGW	NOS
	(OD)	(0,0)	(0’202,1)	(0’413,1)	(-0’05,-1)
	(ND)	(0,0)	(0’136,0)	(0’405,0)	(-0’083,-1)

Nash equilibrium was obtained in the strategic combinations (OD, ONF), (ND, NAM) and (OD, OGW).

The final matrix represents the game obtained from the survey in which women in Spain received e-mails about electronic items (Table 13).

Table 13
Matrix game theory (Spain women - electronic products)

		G2			
G1		NOW	ONF	OGW	NOS
	(OD)	(0,0)	(0’143,1)	(0’182,1)	(-0’221,-1)
	(ND)	(0,0)	(0’071,0)	(0’182,0)	(-0’299,-1)

In the case of electronic and music products, Nash equilibrium for companies’ actions when they send discounted communications to women for the two countries, are generated when clients receive the e-mail, open it and read it And also appears when they open, read the e-mail and visit the website.

When it comes (e-mail) to only information without a promotional campaign by the company, for both countries, the “equilibrium game” happens when women do not open the e-mail, although in Spain there is another “equilibrium game”, when women open the e-mail, read the information and go to the website.

5. Conclusions, Limitations and Future Research

The objectives of this study were to: 1) analyze the immediate effect of the actions of personalized e-mailing on the behavior of the electronic consumer, for two products with different characteristics (clothing/textiles and electronics/mobile telephony products); 2) offer a differentiated analysis of promotional and differential e-mailing with the purpose of determining which of the two is more effective in achieving the objectives of digital marketing

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For women, Nash equilibrium has been the same in both countries when the company sends a direct communication with promotions via e-mail, having as equilibriums, that when receiving email with offers, women open and read the information, even if they do not visit the website

(visit to the website, acceptance of the information and use); and 3) establish which of the two e-mails encourages the achievement of short-term commercial objectives.

We conducted an empirical study and collected data from two countries with pronounced differences in the development of e-commerce (Sánchez-Torres & Arroyo-Cañada, 2016). Spain has a greatly developed commercial channel, while Colombia has begun a very slow process of growth in e-commerce. In addition, we analyzed the data for men and women separately, since previous studies of e-commerce show differences in attitudes and behaviors on the Internet (Chan, Cheung, Shi, & Lee, 2015; San Martín & Jiménez, 2011).

First, Nash's game theory was applied to the two products selected (clothing and electronic products), for all groups analyzed (countries and genders), the use of campaigns Of e-mail by the companies, will be received by its clients in a positive way, understood as in the worst case, clients will not read the e-mail but, the results indicate that they will not send these communications to the Spam what, it is assumed as the acceptance of the client to continue receiving this type of direct communication. This result is in line with previous studies on the effectiveness of e-mailing as a means of direct communication with customers.

For the second objective, this study failed to determine substantial differences between the effectiveness of promotional e-mailing and differential e-mailing, since in some cases clients did not read the e-mail with discounts and may read the emails alone Contain differential communication, in other cases, clients read the promotional communications and end up visiting the web, and the opposite happens with the differential communication e-mail, being unread.

The third objective, related to the efficiency of the two types of e-mails in improving the achievement of short-term commercial objectives (i.e., increasing sales), was measured with the equilibriums where it was met that customers ended up visiting the page Web after reading the e-mail, the results do not allow to establish what type of direct communication is more effective since, as in the previous point, this happened for the two types of direct communication.

Finally the differences depending on the control variables that were established, resulted in the most important ones that by gender, for the product clothes and garments, generate the equilibrium of the game and therefore tend to be the common action, open the e- Mail and finish the commercial funnel by visiting the web, while in men the general "equilibrium of game" is simply read said e-mail. In this case, it is clear that clothing can be a product of greater interest for women than for men, which should be taken into account for this type of industry.

Another interesting difference was found for the electronic product - mobile telephony, the opposite happens, the "equilibriums of the games" are established when the men open promotional emails and also when they visit the web; While for women only happens when they open and read the information but do not go to the site, for this, is better for companies to send this type of products to this type of communication to their male clients, since it will have better effectiveness in their Short-term sales target for example.

Regarding differences by country, a trend is clearly seen for men in each country, Spanish men tend to generate the "equilibrium of the game" for promotional e-mail, when they open such communications and go to the page web achieving the company its objectives with the action, whereas the Colombian men in this case generate "equilibrium of the game" only reading the mail but they continue the way to the web of the company, happens this in the two products

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for Colombia. This may be due to the development of e-commerce in Spain, where the purchase of products such as clothing via the internet is massive, in contrast to the Colombian case where despite the development of digital sales portals, society still does not trust this channel. In the case of women, there are no substantial differences.

This study presents major limitations because, first, it is one of the first approaches to use game theory to decipher consumer behavior in relation to business marketing actions. Therefore, the methodology of the game may entail different interpretations or discrepancies in the method, as much mathematical as of the classic marketing. Future research should use the game theory to analyze the actions and final decisions of two players clearly identified in a commercial relationship, on the one hand the company and on the other the client.

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Service Management as a Means to Organizational Assimilation of ICT: A Case Study

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Abstract
Information and Communications Technology (ICT) is essential in the development and competitiveness of Small and Medium Enterprises (SMEs). Its assimilation for better use appears as a recurring theme in the academic literature. Learning has been identified as a means of assimilating ICT in organizations. Learning and intensive knowledge exchange are components of service, according to Service Dominant Logic (S-D logic). The goal of our work is to understand how an organization learns to use ICT in an environment influenced by service management. To accomplish this, we present a case study of a Mexican SME, which has applied service management principles and shows ICT assimilation based on learning processes. The contribution of our research is the identification of service factors, which may be related to the reduction of learning barriers. The identified relationship has allowed us to propose an organizational intervention model that helps ICT assimilation in SMEs.

Key words
Service Dominant Logic, Organizational Learning, Information Technology assimilation, Service Level Agreement

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Our contribution lies in the influence of service on the learning to use technology

1. Introduction

The use and assimilation of Information and Communications Technology (ICT) in small and medium companies (SME) is a widely addressed topic in literature, due to the importance of this sector in the economy and the impact that technology has in the processes and the competitiveness of these organizations (Matthews, 2007; Tarutė & Gatautis, 2014). As technology is considered an influential asset that is incorporated into organizational practices, learning is a means for its assimilation (Akaka & Vargo, 2014; Hock-Hai, Xinwei, Kwok-Kee, Choon-Ling & Lee, 2006). This learning may present barriers, one of them known as *defensive reasoning*, which has been proposed and studied in depth by Argyris (1977; 1985; 1994; 2002). Since the intensive exchange of knowledge and competences is an intrinsic element to services (Grönroos, 2012; Vargo & Lusch, 2016), there are proposals that suggest that when clients and suppliers interact, they are exposed to learning, both between people and organizations. Service Dominant (S-D) Logic proposes to observe the world from a perspective in which products and services are ways of exchanging knowledge and competences between actors (Akaka & Vargo, 2014; Greer, Lusch & Vargo, 2016). Organizational service and organizational learning are moving increasingly closer to one another in the literature and in practice, which invites us to continue with this investigation.

Different proposals have been developed to reduce the learning barriers in the organizations (Argyris, 2002; Holmer, 2014). In addition, there is a growing theoretical contribution concerning the way in which the service's features promote organizational learning. The above notwithstanding, there are few proposals addressing organizational learning when the organization is exposed to the service phenomenon, specifically, the way in which learning barriers are reduced when the actors are interacting within the service logic.

The aim of this paper is to understand the way in which an organization uses ICT with the influence of the S-D logic, with the purpose of proposing intervention strategies to reduce learning barriers. To reach this goal, case study methodology is used with multiple units of analysis in a Mexican SME. The principles of S-D logic are applied and it shows an assimilation process focused on learning.

The contribution of our research consists of the identification of the relationship that S-D logic may have with the reduction of learning barriers, which appears in the changes in evaluation and use that members of the organization implement during the Service Level Agreement process. The identified relationship has led us to propose an organizational learning model based on that proposed by Argyris (1977; 2003). Its core idea is the satisfaction of a client's needs, mitigating the evaluation of the results of the action. This reduces defensive reasoning, identified as an important learning barrier.

2. Review of the literature

2.1. Use and assimilation of ICT in SMEs

The use and assimilation of ICT in SMEs is a topic that has been widely addressed in literature, due to the importance of this sector in the economy (INEGI, 2016; Vandenberg, 2006) and the impact that technology has on the processes and competitiveness of organizations (Matthews, 2007; Tarutė & Gatautis, 2014).

Interesting studies have been conducted on the factors that have an impact on the assimilation of ICT in SMEs and competitiveness. Research by authors such as Pérez Pérez, Martínez Sánchez, De Luis Carnicer & Vela Jiménez (2006) and Hoyos & Valencia (2012) have identified

ICT is essential; its use must be oriented towards organizational purposes

some barriers to assimilation, such as failing to identify the return on investment to the company and potential resistance by personnel, for example. In addition, Harindranath, Dyerson & Barnes (2008) and Khuong, Harindranath & Dyerson (2014) agree, based on a case study, that the lack of knowledge leads people to experience uncertainty that becomes a barrier to the assimilation of these technologies. Finally, Taylor (2015) deals with the detailed study of the factors of assimilation from two theoretical models that he incorporates into his own proposal: firstly, he takes into account leadership and internal and external factors of the organization, and secondly, he considers the characteristics of technology, as well as the state of the market and the organization. The author encourages us to keep exploring the factors and strategies surrounding the adoption of technology. Interesting studies address the relationship that exists between internal innovation and technological progress (Sánchez-Sellero, Sánchez-Sellero, Sánchez-Sellero & Cruz-González, 2015) and the impact the investment has on regional technological advances (Sánchez-Sellero, Rosell-Martínez & García-Vázquez, 2014). Even though investments focused on R&D may have an impact on competitiveness, a key factor is to increase the productivity of companies (Pampillón Olmedo & Pampillón Albert, 2017); here is where the assimilation of ICT is relevant.

Among the assimilation factors, we find that organizational learning is relevant when the company is in a process of technological assimilation. The reduction of learning barriers in organizations during the process of assimilating technology thus becomes an interesting research topic.

2.2. The relationship between ICT and organizations

ICT and its relationship with organizations has been a topic of interest for researchers for some time now (Orlikowski & Iacono, 2001; Shaikh & Karjaluoto, 2015). To interact with technology, people must find some meaning in its use. The reference frameworks are definitions of the organizational reality, and at the same time, they are vehicles for understanding, action and purpose of use (Orlikowski & Gash, 1994; Young, Mathiassen & Davidson, 2016). When the members of the organization share their mental structures and these are oriented towards what the organization wishes to be the product of the use of technology, it can be said that they are engaged in a learning process to use this technology in the desired manner.

As we can see, the use of technology is addressed from different perspectives and we find that there is agreement on the need for this use to be framed in a process of management that provides consistence and alignment with the organization's interests (Laudon & Laudon, 2016; Loh & Venkatraman, 1992; Luftman, 2004; Luftman, Lyytinen & Ben-Zvi, 2015). There are two management proposals that have been most recognized in the literature:

- Governance, understood as a combination of politics and organizational agreements that represent a reference framework to provide accountability (De Haes & Van Grembergen, 2009; Van Grembergen & De Haes, 2016).
- Service management, which has its greatest applications in the practices proposed in ITIL[1] or the management standard for technology services ISO/IEC 20000 (Iden & Eikebrokk, 2013).

Therefore, it is appropriate that the use of technology be framed according to the organization's interests, not only because the decisions and evaluation of the use correspond to

[1] Information Technology Infrastructure Library. Consists of the combination of best practices for the management of information technology services.

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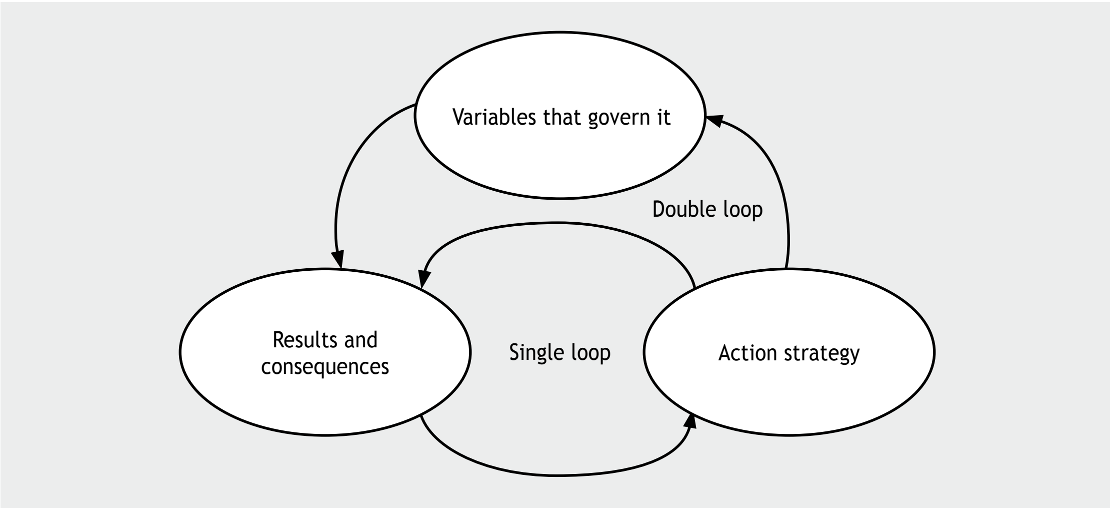
this framework, but also because the change in the members of the organization in relation to what they perceive might correspond more closely to these interests.

2.3. Organizational learning

Organizational learning, understood as the result of the learning by its members (Senge, 2014), is related to the transformation of people's framework of reference (Argyris & Schon, 1974), and it is manifested in the changes that the actions undergo and the way of evaluating its results (Dodgson, 1993; Levitt & March, 1988; Simons, 1995). Depending on how people adjust their actions, they learn from the results and, eventually, they can even challenge the evaluation reference, either in terms of the performance indicators or the expected objectives. The identification of gaps or differences in performance is a catalyst of learning.

In his seminal work, Argyris (1977) introduces a recognized learning model based on two process: the one that people perform in an attempt to reach the goals of their daily actions, recognized as single-loop learning, and the one that people perform when they identify the need to question and adjust measurement indicators and the policies that regulate them, known as double-loop learning (See Table 1).

Table 1
Double-loop learning



Defensive reasoning is one of the main barriers to learning (Argyris, 1985), since people develop a series of mechanisms directly related to the resistance to recognize the mistake or the failure to fulfill the goals established by the organization. Therefore, if it is not possible to recognize the gaps between what people expect and what people achieve, it will not be possible to learn.

If we contemplate the model by Argyris, we will realize that the second learning cycle (the most relevant of the model) depends on the completion of the first cycle, which at the same time, is based on the evaluation of the results. This evaluation is also the trigger of defensive reasoning, which is an important learning barrier. The model thus has as a learning barrier the same activity that triggers it: the evaluation of the results. It is here, in this coincidence, where we find an opportunity for intervention that has not yet been explored.

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Double-loop learning questions the policies and variables that govern the action

The double cycle learning has continued to be an important line of research developed by Argyris (1977; 1985, 1991, 2002, 2003) and studied more recently by Kim, MacDonald & Andersen (2013).

2.4. The service, logic, science and applications

The growth and impact of the services sector in the economy make it a central player on a global level, and in recent years this has generated great academic interest in an aim to understand them in a deeper manner (Fitzsimmons & Fitzsimmons, 2013; Grönroos & Voima, 2013; Gummesson, 2014a; Lovelock, Patterson & Wirtz, 2015; Reynoso, Kandampully, Fan & Paulose, 2015; Spohrer, Maglio, Bailey & Gruhl, 2007).

The lines of research in services have an inflection point in the well-known proposal by Vargo and Lusch (2004; 2008; 2016), called Service-Dominant (S-D) Logic, in which they establish first eight, and then eleven, premises that introduce a new research perspective: products can contain the knowledge and competence of a manufacturer, and are used and evaluated by a client. Among the premises, it is established that the service includes intensive interactions in which there is an exchange of knowledge and in which the participants will necessarily place the focus on the client.

The exchange of knowledge and competences and the client focus are intrinsic elements of the service that stand out and invite us to explore the opportunities that they might offer in the process of organizational learning. It should also be noted that, over the past ten years, the way in which these elements work during the service provisioning has begun to be studied, which offers new perspectives that are interesting for us to explore.

While we find conceptual proposals about the relationship S-D logic might have with learning and innovation (Lusch & Nambisan, 2015), about the interaction and transference of knowledge among the actors that participate in the systems of service (Baldwin & Von Hippel, 2011) or about the way in which organizations learn to adapt in a service environment (Vargo, Wieland & Akaka, 2015), there is little about S-D logic, knowledge management or the reduction of barriers to organizational learning.

We find an interesting opportunity to explore the relationship that might exist between the components of the services and the reduction of organizational learning barriers, drawn from the double loop model proposed by Argyris. For this reason, we focus our subject of study on the search for an intervention model that allows organizations to learn to use ICT, reducing barriers through service.

3. Methodology

We situate our research question in the use of technology mediated by learning in Mexican SMEs: How do organizations learn to use ICT influenced by S-D logic?

This question situates us in the qualitative paradigm with a realistic focus, according to the recommendations of Creswell (2007) and Miles & Huberman (1994). Following the recommendations by Yin (2009; 2012), we used the tradition of the case study, embedded with multiple units of analysis. The author recommends that this methodology is suitable for cases that can be considered extreme or unique. He also argues that the use of units of analysis that behave like embedded crossover cases in a unique context that is difficult to replicate provides for sounder methodology. Gummesson (2014b), for example, makes the well-founded argument for the appropriateness of using case studies as a means for generating new knowledge in the service sector.

The client focus, interaction and knowledge exchange are service components

Strictly following the methodological recommendations, the research question is based on the following theoretical constructs, identified in the analysis of the literature: the use of technology and its evaluation in organizations, organizational learning reflected in the change in how technology is used, and finally, the relationship that the elements of S-D logic can have with the organizational learning process. The three theoretical constructs are built based on the systematic construction of the theory presented in the previous section. From them are derived three proposals for study[2]:

- Proposal 1. The expected value for ICT use is reflected in the way in which the results are monitored and evaluated.
- Proposal 2. Organizational learning is reflected in the change in the way ICT are used and in the change in their evaluation.
- Proposal 3. S-D logic has an influence on the organizational learning in terms of ICT use.

Yin (2009) recommends that in case studies, the learning paths be established that are to be explored instead of hypotheses to be validated, in order to avoid, as much as possible, the deviations an observer might have had throughout the research.

As a case study, a Mexican SME was selected that falls within the 5% of the organizations of this type interested in technology management and that have gradually incorporated service management practices. Mercantil Doméstica de Guadalajara is an SME founded in 1991 that began operation with eight employees in the furniture marketing industry. Its credit-based business model emphasized the need to maintain collection processes and the technologies that support them. The general director has dedicated attention to the planning, monitoring and control processes, particularly to those related to information systems. Given the nature of the business model, the use of information and technology is important for senior management, as the systematic application of practices is derived from it, which can support information system management. To date, the company has 120 employees and is characterized by the consistent application of ICT in its processes and for the novelty of using technology to offer new services to its clients.

The area of computer science, responsible for systems management, has demonstrated an interesting evolution in the way in which service is provided to the different areas and service management practices are applied. While instruments are available that enable it to design, monitor and control the services provided to the different user areas, their application has been less than homogeneous: in some cases, they have only been partially applied, and in others, not at all. Furthermore, there seems to be a heterogeneous use and evaluation of the technology within companies. The above led us to select four different areas (Sales, Internal Auditing, Customer Service and General Administration), which were identified as units of analysis (UA). This gave us the information we needed for a maximum variance analysis.

To conduct the research, we collected data at two different moments; first, we retrieved the history of the use of technology and services from the years 2009 to 2012, which was then contrasted with the period 2013-2016. The data collected focused primarily on the processes and the results of the planning of each of the areas involved, on the way in which the ICT was applied to meet their objectives, on the methods and practices used to decide the adjustments and improvements in the ICT and on the relational mechanisms the users employed with the

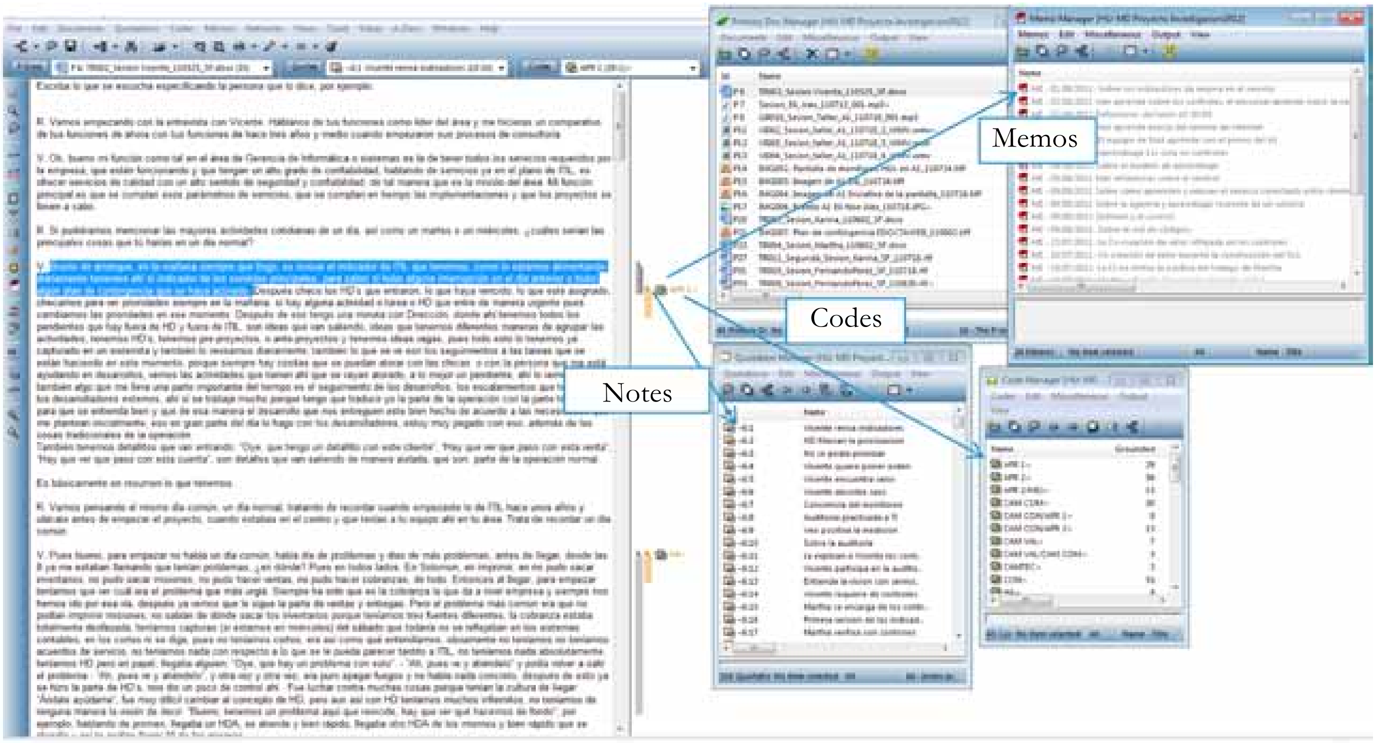
[2] While we might be more familiar with the validation of hypotheses, the case study methodology is clear in that its design is based on what is known as "proposals for study".

IT department. Included were planning documents, processes for requesting services and changes in the ICT, meetings, workshops and performance reviews.

Following the methodological recommendations, information-gathering instruments were designed: interviews, documents to analyze, data to search for and events to record; all of this using as a reference the research question, the research proposals and the first and second level question design. The information from 26 recorded and transcribed interviews was systematized, as were 14 team work and planning sessions, 94 work documents, 48 photographs and 40 hours of video recordings. All evidence was analyzed and coded using ATLAS.ti software (www.atlasti.com), which enabled us to discover the relationships and variance through queries of the codes, notes and memos recorded (see Table 2).

Table 2

Systematization and analysis of the evidence using the ATLAS.ti system

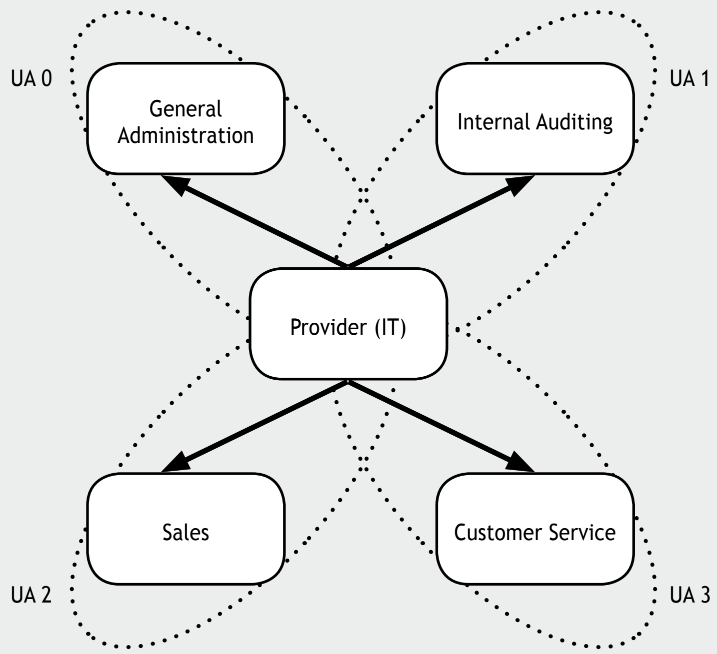


Once the information was systematized, different instruments of reduction and analysis were created, one of which is known as the "event status network," which shows us some of the events that were decisive in the changes in use within the company. Three additional systematization and analysis techniques were added to this instrument: an analysis of the status of the units of analysis, which described the variations in the evidence on the technological use among the different company departments, an analysis of the IT department support trends, and finally, a matrix with the most significant intervention events over the years. The evidence was processed through two stages: the first simply described the events, while the second sought to explain them as the result of the patterns, coincidences and discrepancies found. The explanatory analysis produced the results that were compared with the theoretical framework to then suggest our contribution to the field of knowledge.

4. Results

As indicated, we decided to study the relationship that exists between the department responsible for managing the information technologies (or IT) and four different departments of users of these technologies: General Administration (UA 0), Internal Auditing (UA 1), Sales (UA 2) and Customer Service (UA 3) (See Table 3).

Table 3
The units of analysis (UA) are comprised of the provider (IT) and four user units



4.1. Result 1

We observed that the units of analysis present plausible differences in the way in which the expected value for the technology use was established. These differences stem from two different aspects (see Table 4):

1. The identification strategy. While the units of analysis UA 2 and UA 3 independently establish the expected value of use, both UA 0 and UA 1 do so jointly, i.e., both units collaborate to identify what is expected from the use of the technology. This evaluation is related to the single-loop of organizational learning.

2. The reference used to identify the value. While units of analysis UA 2 and UA 3 use as a reference their own indicators and needs, the units of analysis UA 0 and UA 1 use an external reference, reflected in a client we have called the "third party in question." In this case, the expectation compliance and client satisfaction indicators become the reference to be used. This evaluation is related to the double-loop of organizational learning.

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The qualitative research (case study) paradigm was applied

Table 4
Differences in establishing the expected value for technology use

Aspect	Unit 0	Unit 1	Unit 2	Unit 3
Strategy to identify the technology use value	Jointly	Jointly	Independently	Independently
Reference used to identify the technology use value	Client needs (third party in question)	Client needs (third party in question)	Department's own indicators	Department's own indicators

The results of the information analysis showed us a plausible difference in the way in which the departments evaluate the use of technology: using references linked to internal objectives of each unit versus using references linked to the service objectives to a client, i.e., the indicators established in the Service Agreement and that are aligned with fulfilling client expectations and satisfaction. In the latter case, the participating departments jointly established the criteria to evaluate the use of technology (Result 1).

4.2. Result 2

We observed that the units of analysis also present plausible differences in the way in which the change in the technology use was decided. These differences stem from two different aspects:

1. The strategy to decide changes in use. While the units of analysis UA 2 and UA 3 independently decide the changes in the use of technology, UA 0 and UA 1 do so jointly and in agreement with one another; i.e., both units collaborate in decision related to the changes to be implemented in the technology. This variation is related to the double-loop of organizational learning.

2. The reference used to decide changes in use. While the units of analysis UA 2 and UA 3 use their own needs as a reference, UA 0 and UA 1 do so according to the needs of a third party in question. As mentioned in Result 1, these needs are documented in the Service Agreements and their objectives, which are aimed at fulfilling the expectations and ensuring client satisfaction. This variation is related to the double-loop of organizational learning.

In this case, we could observe a plausible difference in the way in which the departments decided on changes in technology. On the one hand, we found criteria linked once again to the internal objectives of each department involved; on the other hand, we found that the departments involved decided on the corresponding changes together. In the latter case, the reference used to decide was in the compliance with the agreements established with an external client (Result 2).

The factors that show a variation in the units of analysis are, on the one hand, the evaluation criteria (of use), and on the other, the change criteria (of use). These factors coincide with those that are considered in the double-loop model of organizational learning. This suggests to us that the units of analysis are learning to use the technology in different ways within the organization.

4.3. Result 3

The teams observed participated in a set of events characterized by containing elements and tools for service management. Said events are described in Table 5.

Table 5
Intervention events

Name of the event	Description	Elements of S-D logic present
Training on services	Training of participants in service-related concepts and practices.	Not observed.
Quality standard in the service.	Application of service architecture design tools.	Minimal presence of interaction among the participating departments, joint client focus and knowledge exchange.
Service Level Agreement (SLA).	Application of design tools for service deliverables, with stress on compliance with internal objectives.	Plausible presence of interaction among the participants. Knowledge exchange, depending on the negotiation.
Agreement A1	Application of design tools for service deliverables, with stress on an external client (third party in question).	High level of interaction and knowledge exchange. A strong focus on the external client (third party in question).

We can note that in the table above, the events are arranged from less to more according to the elements of S-D logic identified in them: interaction, knowledge exchange and client focus (See Table 6).

Table 6
Participation of the units of analysis in the intervention events

Event	Unit 0	Unit 1	Unit 2	Unit 3
Training on services	Computers and Accessories	Computers and Accessories	Computers and Accessories	Computers and Accessories
Quality standard in the service	Computers and Accessories User	Computers and Accessories User	Computers and Accessories User	Computers and Accessories User
Service Level Agreement (SLA)	Computers and Accessories User	Computers and Accessories User	No participation	Computers and Accessories User
Agreement A1	Computers and Accessories User	Computers and Accessories User	No participation	No participation

We could see that the units of analysis that show changes in the evaluation or in the use of ICT and thus best meet the company's expectations are those that have taken part in the S-D logic and A1, in which interaction, client focus and knowledge exchange are present in a service environment. The units UA 0 and UA 1, the same ones that have intensively participated in these events related to S-D logic, are those that jointly set strategies for evaluation and change in the use of technology.

Our observations suggest that the components of S-D logic (interaction, client focus and learning) could be related to the behavior of the units of analysis UA 0 and UA 1 in terms of the use of and evaluation of ICT.

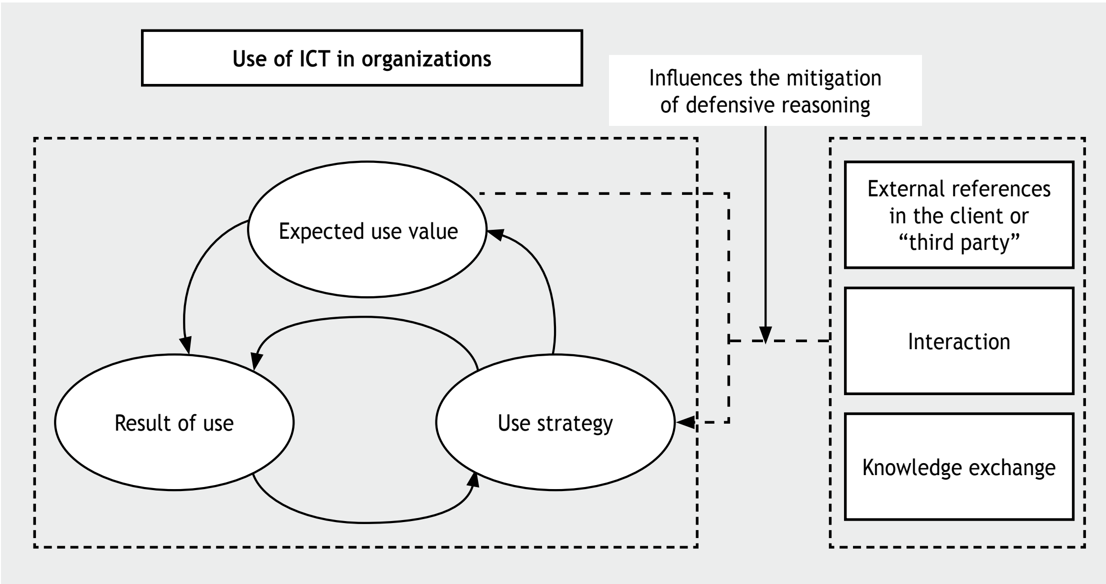
Our results show that, in cases in which people are exposed to events that meet S-D logic criteria, the way in which they evaluate, change and make decisions about technology abides by an external reference. This is related to plausible improvements in the use of information systems and in the changes necessary to take better advantage of it. Using the Argyris model as

The units of analysis evaluate and decide on the change in ICT in a different manner

the basis, the units of analysis are demonstrating this learning when they are subjected to events involving S-D logic.

The lessons learned from studying this proposal constitute our result number 3 (R3). The mechanisms of agreement that arise during the service agreement process are related to the external references and strategies that the members of the organization use during the evaluation and change in the use of ICT (see Table 7).

Table 7
The results indicate that the learning process demonstrates the influence of S-D logic



After reviewing the lessons provided by the study proposals, we can say that, in light of our results, the units of analysis that participate in the events related to S-D logic demonstrate double-loop learning with regard to ICT use.

Since the evaluation of the results is, according to the Argyris model, a crucial element in double-loop learning, we encounter the unexpected finding that the units of analysis are manifesting this type of learning during the Service Level Agreement, without the intervention of the assessment of the action results. This does not necessarily go along with double-loop learning, and it thus suggests that this organization is learning without the evaluation of the results playing a predominant role.

The results shown in Table 8 represent the most significant finding of our work, which leads us to propose a model to reduce barriers to organizational learning.

5. Discussion

Results R1 and R2 suggest that the units of analysis change the evaluation and the use of ICT, which, following the Argyris model (1977), might mean double-loop learning. This learning is characterized by the joint identification of the change in use and its expected value, both based

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There is a relationship between the service components and learning

on a reference that is external to the participants. The above leads us to our first theoretical proposition:

> An organization can learn to use ICT when it jointly establishes the expected value and the strategy of use, with its members having an external reference to decide.

We observe that when the participating departments make it a requirement to satisfy a client's needs, they jointly establish the value of technology and the better way in which it can be used to reach their goals.

Our result R3 suggests that interaction, a client focus and learning, which are essential components of service (Vargo & Lusch, 2016), might be related to the observed learning. This leads us to formulate our second theoretical proposition:

> The features of the Service Dominant Logic might be related to the learning that an organization manifests surrounding the use of ICT.

That is to say, the departments that displayed biggest changes in the use and evaluation of technology were those that were exposed to events related to Service Dominant Logic.

The double-loop learning model has as its central concept the evaluation of results and the consequent adjustment in daily actions (which constitutes single-loop learning) or in policies that regulate the evaluation of the result of these actions (which constitutes double-loop learning). Since the evaluation process might have negative consequences for the participants, there is the possibility of the appearance, during the double-loop learning, of the so-called "defensive reasoning", characterized by concealment, self-referential logic and uncertainty. This behavior is identified as a learning barrier (Argyris, 1977). Thus, if evaluation is the central concept of learning, it is at the same time the trigger of the processes that limit it.

We have also described in the theory that the service features are related to learning, and this is backed by the interaction and the knowledge exchange. In addition, we have seen from the perspective of S-D logic that this exchange has as focal point the satisfaction of a client's needs (Vargo & Lusch, 2016). The Service Level Agreement is identified as a starting point in the service delivery process, in which one participant requires the knowledge of the other to negotiate the terms of the exchange (Chesbrough & Spohrer, 2006).

The results of our research show us that the members of the organization are learning to use ICT without any evaluation. This has been revealed thanks to the changes that they decided together about how they are going to use technology and how to evaluate the results of this use.

Moreover, we find that people who manifest learning like that described above have participated in events in which they identify and negotiate services supported by technology. These events are known as the Service Level Agreement. The foregoing suggests that the features of this process might be related to the manifested learning.

The service components reduce defensive reasoning that limits learning

Our theoretical proposition number one, seen in light of the literature, shows us a change in the reference frameworks that might mean learning, but this does not concur with the initial theoretical model, since in the studied organization, the evaluation of the results is not the trigger of the changes. This behavior does not agree with what was pointed out in Argyris' model. If we consider that the evaluation of the results to which we allude might lead to defensive reasoning, and that we have observed double-loop learning with no apparent barriers, we can deduce that these barriers were reduced.

In addition, we find in the initial theory that the Service Agreement processes have, among other components, interaction, client focus and knowledge exchange. Our theoretical proposition number two and our results coincide with the literature, since in the interaction in which the members of the organization engage to satisfy a client's needs, they learn together around the service and its components.

We can thus state as a contribution of this work that, in line with Argyris (1977) regarding the double-loop learning and Vargo & Lusch (2016) regarding the characteristics of S-D logic, the elements that characterize the Service Level Agreement process may be related to the reduction of the barriers to learning within the organization in the following manner:

- The interaction leads the members to jointly establish the evaluation and the use, as mentioned in the results.
- Knowledge exchange results in the parties learning about the client, the service and its components (among them, ICT).
- The client focus provides those involved a reference to decide upon the use and evaluation that goes beyond their own goals.

The evaluation of the results is not the focal point of the learning process, which suggests to us that the barrier of defensive reasoning is mitigated by the following reasons:

- The risk of protecting and concealing malfunctions is reduced, since without evaluation, there is no exposure to the consequences that the participants could perceive as being negative.
- Self-referential logic is reduced, since the evaluation policies are established jointly.
- Uncertainty is reduced and transparency is increased when the participants know the conditions of evaluation and measurement of results.

All of the above leads us to propose a new model in which, through an interaction among the people who provide a service to a third party, they can exchange knowledge in the interests of meeting the needs of the latter (the third party in question) and participate in a double-loop learning process (See Table 8). We can see that, during the Service Level Agreement process, the IT service client expresses their needs and those of its own client (the third party in question), while the provider establishes the service components, their characteristics, possibilities and rules for use. Both interact and exchange knowledge, establishing or changing the expected value and strategy of use.

In the initial theory, we already saw proposals for organizational intervention aimed at reducing the barriers to learning. We also find a description of the service characteristics; among them, knowledge exchange. In spite of this, until now, no model like the one described here has been proposed, which relates these characteristics to the double-loop learning processes, with the aim of reducing the barriers inhibiting them.

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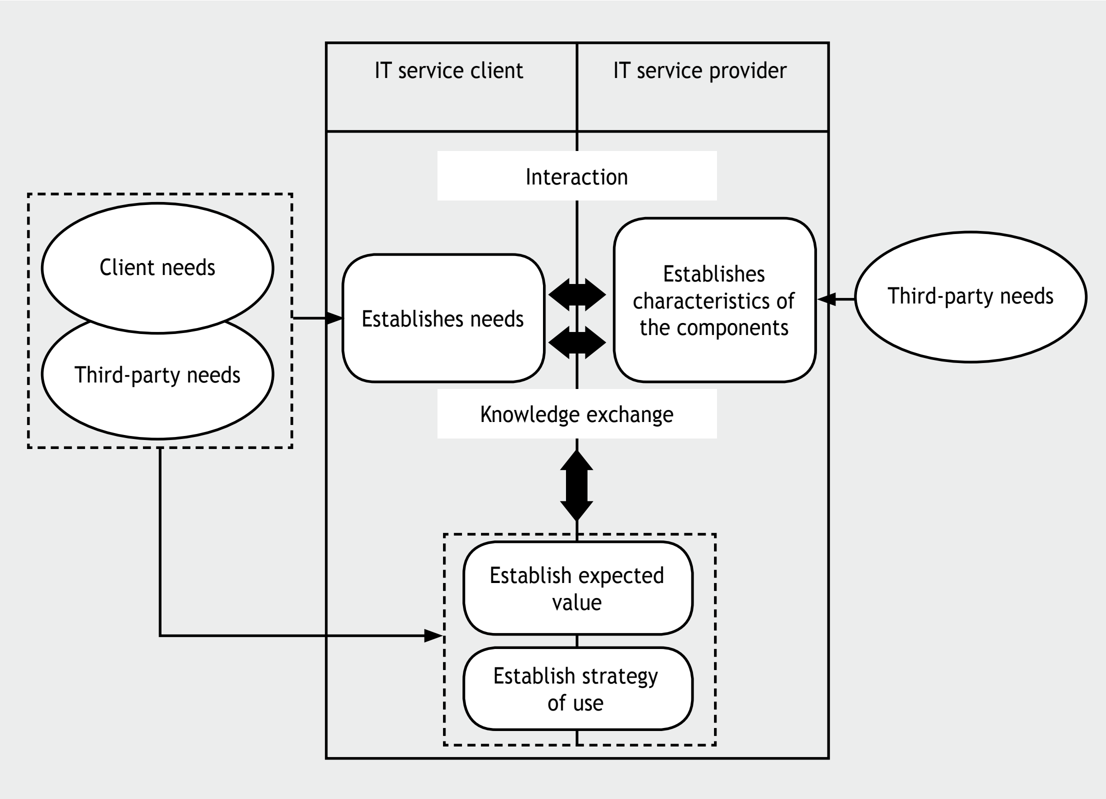
The client focus permits the actors to reduce resistance to evaluation

Table 8
Learning model in an environment influenced by S-D logic



6. Conclusions

ICT, the use of which is related to the processing of information, is of special interest in the development of SMEs in Mexico, as it has a plausible impact on the productivity, management and competitiveness of the organizations. It is for this reason that the use and assimilation of technology constitute the focal point of our investigation.

The literature identifies the change in mental models as a means by which companies can use technology in accordance with their needs. This change is also identified as organizational learning. Models have also been proposed to understand and intervene in said learning. We have also described how the learning process is limited by barriers that are supported by the evaluation of results, and they also prevent the assimilation of ICT in SMEs.

Furthermore, the service is identified as a process that has characteristics related to learning, focused on meeting the needs of a client.

We have proposed the manner in which the components inherent to S-D logic can influence the double-loop learning process, by reducing barriers to learning. Said reduction originates, as previously mentioned, in the transfer of the process to evaluate the results.

Our theoretical proposition can be summarized in the following terms: the intrinsic characteristics of S-D logic, such as interaction, client focus and knowledge exchange, can

Our model offers organizations the means to assimilate ICT

influence the learning process in which an organization engages in terms of ICT use when it mitigates defensive reasoning by leaving the evaluation of results as a secondary process.

Our findings give us a new model of intervention to reduce barriers to learning with regard to the use and assimilation of ICT. This model mitigates defensive reasoning, shifting the evaluation of results to a secondary plane, placing the emphasis on interaction, client focus and knowledge exchange, using a third party in question as a reference.

Our work presents a model that can be useful in organizations, especially in SMEs, so that they can successfully assimilate ICT in the most effective manner, thus increasing their competitiveness.

6.1. Limitations

Our research has been framed within a study of an SME, following the case study methodology with multiple units of analysis, the same units which have played a part in intervention events related to S-D logic. The foregoing leads us to identify certain limitations. The first refers to the possible impact that another kind of non-observed interventions might have on the members of organization learning; the second is the generalization of the results to geographically distant organizations, in which the negotiation is asynchronous.

6.2. Pending research lines

Our future lines of research will focus on the use of the proposed model in other contexts and applications. We mention three that we believe are interesting to explore:

1. Our model is based on the learning of individual technological elements (hardware or software) and could be applied to more complex and interconnected elements that promote learning centered around the technological architecture of an organization.
2. Our model could apply to other technological elements, such as practices and processes. In particular, we refer to the learning that an organization could manifest in the area of objectives, plans and strategies.
3. The exploration of the plan proposed in lines 1 and 2 could lead us to set out a management model for ICT based on organizational learning.

7. Declaration of Conflicting Interests

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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Leadership Lessons from Machiavelli Enhanced with Strategic Orchestration

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Abstract
The purpose of this article is to explore the fascinating similarities that can be found between the Renaissance era and nowadays. In both moments in time, the ways of doing of the era before, were no longer valid for the new challenges the world was having at that moment, and completely new solutions were required. There is an analysis of the Renaissance and Machiavelli and his leadership learnings about appearance, influence, honor and self-ambition, gloria or public recognition, structure and flexibility and about chaos as a trigger for change. Study on modern leaders like Barack Obama and Steve Jobs shows that there are important similarities between their leadership styles and Machiavelli's learnings. However, where Machiavelli leaned on hierarchical power, modern leaders need to enhance his learnings with an orchestrated leadership style rather based upon Influence than power, more suitable for today's environment. Nowadays, like at the beginning of the Renaissance, we appear to be again in a chaos situation marking a turning point to a new era, the transition to which demands increased flexibility carefully balanced with existing and new structures, until a new status-quo is created.

Key words
Leadership, chaos, Obama, Jobs, flexibility, orchestration, influence.

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In periods of change leadership can only be executed through influence

1. Introduction

When comparing the Renaissance era in which Machiavelli wrote his master piece "The Prince", with nowadays, several similarities in the leadership style and in the business challenges can be found. A relation with the complexity theory and chaos can also be acknowledged both when reading either Machiavelli's Prince and when observing some current leaders like Barack Obama or Steve Jobs.

In recent years, some traditional leadership theories have been based on an existence characterized by order and predictability (Bjartveit, 2005). A state of order and structured world, where everything is expected to happen in an organized and linear way.

In the absence of the said order and predictability, everything would be spinning out of control, creating the state of chaos, as the complexity theory (Bjartveit, 2005) describes. Between these two states, we find an area of limited stability, where order and chaos coexist, that is the real world state, in which a not highly-ordered existence full of goals and milestones to be measured, to which most theories apply, nor a completely chaotic state, but something in between. This is referred as "the edge of chaos". It describes how a system, that has been driven toward chaos by deviation, will tend to self-correct and move back towards equilibrium (Bjartveit, 2005).

Leaders today have to be able not only to live in disequilibrium, but also to generate it. Risk, uncertainty, ambiguity and ignorance are everywhere (Osorio, 2010), and leaders have to use it to achieve their objectives. Only through natural or provoked chaos can a situation change (Sull & Ruelas-Gossi, 2010). Therefore, new leaders must be trained to do so, in order to be able to fight chaos and even to generate it in order to create a new status-quo.

When reading the classics from the Renaissance, you come across several references that describe very well this transitional state of chaos and uncertainty. It is a key factor any modern leader should take into consideration when resolving a problem or heading for a new challenge, admitting it as a natural stage to go through.

Also nowadays, at the turning point to a new era, and until then, we have to coexist with uncertainty and ambiguity in all aspects of business and life. We have to balance structure with flexibility, be agile, and understand that in periods of change a leader's power can only be executed through a leadership model based upon Influence (Ruelas-Gossi & Sull, 2006), instead of hierarchical power.

From the Renaissance, "The Prince" from Machiavelli is a top reference in leadership with a lot of learnings that are still applicable today. On top of that, nowadays there are additional challenges, which require collaboration and networking in order to strategically orchestrate all our relationships, externally to assembly the best possible business solution and internally to lead the network of partners. The power is no longer in the firm, or executive leader, but in the network, which make us enhance the leadership lessons of Machiavelli's Prince with an orchestrated leadership approach to lead through influence in the new network environment.

2. A Relevant Leadership Example of the Renaissance: "Il Principe" di Niccolò Machiavelli

In 1513, Niccolò Machiavelli, a 16th century Florentine diplomat and bureaucrat, presents his master book "The Prince" a political landscape where order and chaos coexist, with further

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"The Prince" presents a landscape where order and chaos coexist through the pragmatic exercise of power

similarities with the complexity and chaos theory, a treatise on ruling successfully through the pragmatic exercise of power. Machiavelli began writing "The Prince" (Machiavelli, 1991) as a step-by-step guide for all "Princes" –i.e. leaders–, specifically thinking of Lorenzo di Medici at the time, to maximize and maintain their power. Since then and until today, his lessons and guidance have been followed by thousands of leaders in the world. As a humanist writer, Machiavelli connoted many implications about the human condition in "The Prince", that suggested that humans are eternally disposed to certain, unavoidable natures. Because Machiavelli had no concern for morality, but rather counseled ruthless pragmatism, his name has become a synonym for cunning political manipulation and deceit. However, Machiavelli's clear-eyed understanding of human nature and political behavior, has made his work a world classic.

A "prince" is nowadays regarded as an old fashioned governing body, more often found in less developed countries. However, there is another kind of definition of a "prince", according to Machiavelli: in Machiavelli's terms, a "prince" is anyone that has power. And the book "The Prince" itself, has been variously described as one of the best handbooks in time to analyze the role of the political elite. Fast-forward five hundred years, Lorenzo di Medici could be well possible replaced by any current leader to analyze his or her political success through the theoretical lens of "The Prince". Examples of Today's Princes and his similarities in behavior with many of Machiavelli's Renaissance lessons will be analyze further in this article. First, a short overview on some of Machiavelli's most known statements will be very insightful and revealing, in addition to analyzing his relation with chaos and change.

Machiavelli stated explaining that "Appearances matter" (Machiavelli, 1991, pp. 70-71), so does your reputation. "Try always to keep both polished and look for opportunities to show yourself off". "Everybody sees what you appear to be, few feel what you are".

Machiavelli also taught that "the end justifies the means" (Machiavelli, 1991, pp. 72-73). If a leader is convinced his "end" is good, any "means" necessary to achieve that end are permitted. Machiavelli continued: "Men shrink less from offending one who inspires love than one who inspires fear". "It is better to be feared than loved, if you cannot be both" (Machiavelli, 1991, pp. 66-69). "For injuries ought to be done all at one time, so that, being tasted less, they offend less; benefits ought to be given little by little, so that the flavour of them may last longer" (Machiavelli, 1991, pp. 9-11). Machiavelli also explained how people are inclined to believe lies from their leaders, and the leader's disregard of his promise. "The promise given was a necessity of the past: the word broken is a necessity of the present" (Machiavelli, 1991, pp. 71-72).

Machiavelli promised "change", in order to defeat the establishment or to change the game creating chaos that could lead to a new establishment, and instructed a leader on how to treat his opponents. "Whosoever desires constant success must change his conduct with the times" (Machiavelli, 1991, pp. 100-102). "One change always leaves the way open for the establishment of others".

Machiavelli also talks about Fortuna, the area of partial instability that exists between an ordered existence and chaos (Bjartveit, 2005). "Those who solely by good fortune become princes from being private citizens have little trouble in rising, but much in keeping atop; they have not difficulties on the way up, because they fly, but they have many when they reach the summit" (Machiavelli, 1991, pp. 25-26).

Fortuna enriches our lives with chaos (Bjartveit, 2005). She is the mistress of half our actions, but leaves the other half under our control. If you take her as your companion, she might abandon you. Unpredictability is inevitable whenever power or change is implemented.

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Being virtuous means being able both to fight according to the laws and with force

A leader must be able to restore order and bring Fortuna under control, by managing chaos, tailoring their actions to the situation. However, the most important quality for a leader, besides dealing with Fortuna –unpredictability– in chaos situations, is to survive and behave honorably in a complex and political environment –Virtú (Machiavelli, 1991)–, where men often pursue their own interest –human Ambizione–, often to the detriment of others. To be virtuous does not mean being a picture of virtue. It means being both human and beast. L'uomo e la bestia (Machiavelli, 1991). There are two ways of fighting: one according to the laws and the other with force. The first one is suited to man, the second to animals; because the first is often not sufficient, a prince must resort to the second, if necessary.

2.1. Machiavelli's Lion and the Fox's Metaphors

And which animals should we try to emulate? The lion and the fox (Bjartveit, 2005). The lion because he attacks Fortuna decisively, and the fox because she outsmarts Fortuna (Machiavelli, 1991). The lion embodies courage, no weakness. The importance of self-efficacy, a belief in one's capabilities to organize and execute. Believing that one can accomplish one's goals is enough. The lion defeat Fortuna. The lion represents the opposite to accommodation –Occasione (Machiavelli, 1991). These are the opportunities that sometimes are not easy to recognize. As in the chaos theory, you should take charge of circumstances rather than passively let them shape you. Any leader should be measured by his deeds –vita attiva, not vita contemplative. Delay is worse than death itself. Machiavelli wants leaders that want to achieve something, who have the will and conviction to carry things out to completion.

These princes can lead people and gain their trust and loyalty in their way to acquire nobility and public recognition –Gloria– which is larger than the self and private ambition (Machiavelli, 1991). It is not enough being a lion to succeed. Whoever that knows how to play the fox comes out best and Machiavelli often praises its qualities. It is like a confidence man that reads the social scene well and understand man's fundamental desires and darker sides. Among the main fox-like qualities is the need for manipulation and trickery, and to outwit others. Machiavelli wants foxes that have a few more tricks up their sleeves than lions, to let Fortuna carry on, and wait for her mood to change (Bjartveit, 2005). The fox knows that the world is infinitely more complex than can ever be represented in a matrix. It does not follow a strict plan of attack, it maintains a watchful eye and is prepared to deal with a number of possible eventualities –Fortuna.

3. Strategic Orchestration

Strategic Orchestration is said to be the new paradigm of strategy (Sull & Ruelas-Gossi, 2010). According to this model a firm or leader pursues an opportunity not by leveraging strategic power, but by assembling and managing a network of partners (customers, suppliers, competitors, etc.). This is not about pursuing partnerships for their own sake. In traditional strategies, firms or leaders start with what they control and look for ways to leverage it. In strategic orchestration leaders begin with the opportunity and then assemble the required network along with their resources to achieve it. By definition, they can only manage this network with a leadership style based upon influence and not on hierarchical power. The power is no longer in the firm or leader, but in the network. Control is retained as all relationships with the partners have to be strategically orchestrated by the firm or leader, in this model referred to as the orchestrator node.

It is an allocentric approach (Sull & Ruelas-Gossi, 2010), which means that it incorporates the various resources in the network. Existing strategy theory has an egocentric approach. The

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Who becomes powerful by fortune has little trouble in rising but much in keeping atop

power is in the individual firm or leader that exists to create and capture value, focusing solely on opportunities they can seize alone and often at the expense of other players in the value chain. This power is exercised hierarchically. The allocentric orientation allows executives to seize a whole range of opportunities that can only be pursued by a network. As such, unlimited opportunities are there for nowadays leaders to create new value, as long as there is collaboration between the players in the network and the value proposition is orchestrated in a manner that makes it worthwhile for everyone to participate.

The power needs to be exercised through influence and diplomacy (Sull & Ruelas-Gossi, 2010). All players have to give and receive. If they don't receive, they will leave the network. The orchestration approach requires a new language. We no longer speak of linear transactional relations between customers and suppliers or employees and supervisors, but rather of players or resources of the network. This network needs to be guided with a light touch, not a heavy hand (Sull & Ruelas-Gossi, 2010).

Strategic orchestration requires a shift in how executives deal with partners. They need to come together willingly in order to be able together to create the desired outcome. Leaders often brandish their organization's strategic power to threaten partners into compliance with their wishes. But when value creation depends on partners voluntary participation, leaders can guide a network, but they cannot dictate what partners will do (Sull & Ruelas-Gossi, 2010).

Guiding without power requires executives to exercise diplomacy rather than hierarchical power in dealing with their partners. Part of guiding a network is for leaders dealing effectively with communities rather than engaging in bilateral agreements in which they can leverage power. It is not enough to talk of communities, but leaders also have to treat community members as equals and to delegate key decisions to partners. Networks rely on trust and the lead partner in an orchestrated network must build and maintain trust among members through transparent communication to all members and even sometimes by inviting credible third parties to verify that everyone is playing by the same rules (Sull & Ruelas-Gossi, 2010).

4. Barack Obama and Steve Jobs as Todays' Orchestrating Princes

Since the definition of "Prince" is not limited to time since it clearly states that anyone that has power is a prince (Machiavelli, 1991) according to Machiavelli, then there should be some princes around today.

As described before, there are many leadership lessons from the Renaissance that could be fully applicable today. However, there is a need of enhancing them with an orchestrated, systemic approach in the business solution making and/or in the leadership style to lead the network of partners, based upon influence rather than hierarchical power, as we have also seen from the strategic orchestration learnings.

4.1. Barack Obama

One of the men, amongst others, with most power in the recent past, has been Barack Obama when having been the President of the United States of America. In many of his actions, that we will be illustrating, we could recognize many Prince's type behaviors according to the Machiavellian theory. Obama has also lead the US in an era of change and chaos, where many of the Machiavellian principles could be seen in his behavior.

Sometimes there is the question if Barack Obama (Spolisci, 2012; Cohen, 2009) could be a nowadays Machiavellian Prince? Indeed, there are several of Machiavellian patterns that might

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Nobility and public recognition –Gloria– is larger than the self and private ambition

be observed in Obama's behavior: Appearance and ambiguity seem to have been his hallmarks. In foreign affairs, no one is sure whether he was a dove or a hawk. You might find him the same appearing for the cameras on the White House lawn, characteristically casual, just like one of the Main Street Americans that he represented with his beautiful wife and children. At the same time, American drones have attacked Pakistan, from which only 10 were able to hit their target, killing 14 al-Qaeda leaders, besides 687 innocent civilians.

Machiavelli simply enunciates plainly what most governments prefer to keep secret. "Everybody sees what you appear to be, few ones feel what you are" (Machiavelli, 1991, p. 70). The enigma that was Barack Obama, could not be better summed up. Some conservative political commentators in the US have also made the connection, claiming to find in Obama the charisma Machiavelli called Virtú, a man who exhibits a "confidence so much more than human that he can attain all he desires". A man that behaves and acts honorably. And indeed, Obama has impressed many with his inspirational chant "Yes, we can" (Cohen, 2009). Machiavelli intends the Prince's virtu to be a tool to forge public-spirited communitarism out of rivalry, division and selfishness.

Machiavelli states how praisewhorthy it is for a prince to keep his word and to live by integrity and not by deceit; nevertheless, he also explains, the need for a prince to disregard given promises. This is also seen in examples of our times, where princes who have accomplished great deeds were not able to keep all promises... they have surpassed those who laid their foundations upon "loyalty", in order to achieve their ends, and have disregarded their promises. If comparing this with Obama it is so convincing, since he too, was able during his mandate to achieve round 400 accomplishments from the 500 goals he had (PCTC, 2017). There were of course some of his campaign promises like closing Guantanamo, forcing every employer to give paid sick leave, etc. (Spolisci, 2012), that he couldn't achieved, not because he didn't want so, but because he has seen himself forced to that by political circumstances, which have made him negotiate and orchestrate every single political goal.

He was a democrat President with a majority republican Congress. Americans seem to prefer the balance of power between the two branches of government facilitated by having elected officials from different parties control the Congress and the White House. Contrary to popular belief, most of the time in modern political history (post 1945) the same political party does not control the White House, the Senate and the House of Representatives (Gill, 2017). This makes it very challenging to any president in such a circumstance to achieve his campaign goals. Obama has shown an incredible ability to execute his strategic power with a leadership style based upon Influence, orchestrating with the republican party in the congress in order to achieve as many as possible of the presidential goals for his mandate. Even with the obstacles, especially the Republican Congress, this President has left behind a wonderful legacy (Von Drehle, 2016).

We would understand Obama better if when realizing that once having achieved power –on the way eschewing "unworthy" tactics– a next step for him would be to lead people and gain their trust and loyalty to intent on achieving Gloria – the public recognition (Cohen, 2009), that is larger and last longer than the self and private ambition of Ambizione, as an opposite to Virtú (Machiavelli, 1991).

Due to the fact that Machiavelli is not known for his human style, President Obama preferred to present himself as a not Machiavellian Prince (Spolisci, 2012). Nevertheless, the Machiavellian principles observed in Obama's leadership style are too obvious to be ignored. However, he must be praised for his orchestrated leadership style lead by Influence rather than hierarchical power as demanded by today's environment.

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The power in a network can only be exercised through influence and diplomacy

Another case of today's princes is Steve Jobs, the founder, owner and evangelist of Apple, one of the most advanced design technology company of the last decades.

4.2. Steve Jobs

Steve Jobs, some called him an innovation genius while others called him crazy. He has been part of the change era in the human relation and behaviour with technology. In the words of Camina (2014) and many others, Jobs was a game changer who not only revolutionized the personal computer, music and cellular phone industry, but changed the way people interacted with technology and the world in which they live in. Bridging the gap between the realm of technology and mainstream Americans, Jobs was able to appeal to the general public with his compelling ideas and renowned knack for knowing what the people want, not necessarily what the people need.

Steve Jobs has been active part of that change, going to field to observe how the people were using his products and other technological gadgets to gain the necessary insight. Later, based on these insights and following his fantastic vision and intuition, he has developed in-house revolutionary orchestrated or systemic solutions to serve the users most latent needs. If for something is known Apple is for their innovative iPod and all the other related technology solutions. All these solutions have one common characteristic: they all are orchestrated solutions, in what Apple has clearly been the orchestrator node.

The iPod's success depended not on hardware and software alone, but on the cooperation of record labels and producers of complementary products such as speakers and carrying cases, only made possible through the assembling and orchestration of business partners.

Apple's renaissance began when the newly returned Steve Jobs reframed the company as the hub of a digital lifestyle, rather than a computer maker that had to do everything itself (Sull & Ruelas-Gossi, 2010). From its inception, Apple has aimed to deliver a seamless experience to users, but in the Macintosh era the company tried to do everything itself. With the iPod (and later the iPhone and iPad), Apple has continued to value ease of use but achieved it by stitching together an ecosystem of content providers (singers through iTunes) and accessory makers, including competitors (screens from Samsung) that provide customers with simplicity and a unique value proposition that could not have been achieved on their own (Sull & Ruelas-Gossi, 2010).

Besides his orchestration skills to articulate a complete new value proposition to the market, where Apple was the orchestrator node, we can observe several aspects of Steve Job's personality that show many similarities with a Machiavellian prince. How was Steve Jobs able to get so many employees, customers, partners and competitors to see his vision and buy into his ideas? Steve Jobs leadership style was said to be, at points, very cruel (Camina, 2014). He was by no means a "nice guy" when it came to leading Apple. It is well-known that Steve Jobs (Camina, 2014) could be arrogant, dictatorial and mean-spirited. Yet he was a great leader. This leadership style Jobs used, holds many stark similarities to the leadership style detailed in "The Prince". He would scream at his employees faces: "you guys have no idea what you are doing" or "everything you've done in your life is shit" to either prove his point or motivate them to work (Camina, 2014). By doing this, Jobs was always voicing his opinion and making sure the people within the company knew who was the boss. Both Jobs and Machiavelli believed that in order to be successful and accomplish their goals they could not act very kindly. It is an easy connection with Machiavelli's words many centuries ago: "It is better to be feared than loved, if you cannot be both" (Machiavelli, 1991, pp. 66-67).

All players in an orchestrated network must give and receive, otherwise they will leave the network

There can be found similarities between Steve Jobs' form of "governing" and Machiavelli's theory of being cruel within reason. An additional similar aspect was the question of leading the people in a certain way, to gain their loyalty and trust to intend on achieving Gloria (Machiavelli, 1991), the public recognition that is larger and last longer than the private ambition and perpetuates in time your work. Jobs would scream at his employees and partners and even make personal attacks. So, why did these people continued to work with him? Machiavelli has explored the notion of winning the trust of your "followers" and making them loyal to you, while intending to achieve Gloria, the public desired recognition, that will help perpetuate his work in time, and Jobs was quite good mastering this. Indeed, Jobs has created a system of workers that believed in the mission of Apple. His "followers" loyalty was invested in his cause (Camina, 2014), the company, and not in him as a person or a boss.

Another relevant connection between Jobs and Machiavelli is the idea of "change" and constantly overthrowing the status quo. Machiavelli promised "change", in order to defeat the establishment or to change the game creating chaos that could lead to a new establishment, and instructed a leader on how to treat his opponents (Machiavelli, 1991). Apple has always been years ahead of the game, creating disequilibrium –chaos– (Sull & Ruelas-Gossi, 2010), as a mean to change the game. In some way, Steve Jobs has achieved changing the way society interacts with technology with all his advanced innovations, orchestrating all necessary business partners of the digital ecosystem.

5. Conclusion

In these tough economic times that the world's economy is undergoing, there are still people that behave as if everything continues the same, without realizing that circumstances have changed dramatically and old challenges need brand new solutions. The natural resistance to change and the difficulty to adapt to new circumstances will determine the new set of leaders. As seen in the Barack Obama and Steve Jobs examples before, there are many leadership lessons from the Renaissance that are fully applicable today. However, there is a need of enhancing them with an orchestrated, systemic approach in the solution making and in the leadership style to lead the network of partners.

The current world economic, political and social situation is complex. So, the first step to accomplish, is to look for a piece of stability within the current instability, fortuna, that co-exists between the former ordered existence from the past decade and the current chaos of today (Bjartveit, 2005). To succeed, leaders must learn to coexist naturally in ambiguity, uncertainty, ignorance and risk (Osorio, 2010). Reality is complex and there are no simple answers. The poor economic situation, we are in, is a result of many not honorable behaviors, lead by self-ambition –Ambizione–, the opposite from Virtú (Machiavelli, 1991). Every day we know in the media from new cases of corruption at corporate, local, regional or national level. Still today, and apparently believing they can continue doing the same, leaders go on exhausting in their own interest, without too many scruples, up to the last reminiscent of wealth of the corporate organizations or public bodies they are serving to, leaving them in a terrible pauper state. Leaders today are extremely well prepared for their jobs. There is no worry on that side. They have just to invest in their personal behavior to really change the game and create a new environment with based on solid ethical and honorable foundations.

So, in order to stand and survive this changing age, at a time with the difficulty that already encompasses the daily business performance, new leaders have to be lions, with courage to withstand this transition time, believing in their own capabilities (Machiavelli, 1991) and always being active to catch any possible opportunity, occasione, that may appear to help them

The end of the current economic crisis will become the starting point of a new world's status quo

progress (Machiavelli, 1991). In every economic crisis, there are opportunities bubbling in the air, but one must be attentive, in order not let them pass by. They cannot forget the fox-qualities, to use manipulation at the same time as avoiding it on themselves. The fox knows that reality is a lot more complex than theory. So, new leaders have to have a watchful eye on everything to catch and prevent any possible eventuality –fortuna (Bjartveit, 2005).

As it happened in the Reinassance time, the end of the current economic crisis, can be the turning and starting point for a new world's status quo. The challenge of today's leaders is to lead on the edge of chaos, balancing between structure and flexibility. This is the realm of Fortuna (Bjartveit, 2005), where the sense of controlling the situation is probably just an illusion and the only way for leaders to manage their internal and external relationships, is to know how to use and exercise power with an orchestrated leadership style based upon Influence. No longer can modern leaders count on traditional power execution as in the past decades. Especially, when talking of orchestrated products or solutions, e.g. iPod family, where a whole ecosystem has been organized and orchestrated, or orchestrated relationships, e.g. 400 approved decretes in Obama's time, having a republican Senat and having to negotiate every decision. In strategic orchestration the power is no longer in the firm (Ruelas-Gossi & Sull, 2006) or in the leading person, but in the network, that needs to be leaded. This can only be done through influence, not through hierarchical power. Partnership, negotiation and flexibility are key. It requires a shift in how executives deal with partners. When value creation depends on partners' voluntary participation, firms and leaders can influence the partners and guide the network, but they cannot dictate what partners will do (Sull & Ruelas-Gossi, 2010).

Many of the challenges leaders today are facing, did also happened in the Renaissance time when new rules were needed, after they stated it was no longer possible to continue doing the same way as in the Middle Age, as business and life in general had dramatically changed. Nowadays, leaders have similar challenges with the advantage of the lessons learned from the Renaissance, that just need to be enhanced with an orchestrated leadership approach as the best way to achieve long lasting, unique and successful solutions.

Leaders today have the responsibility and the privilege of having the opportunity, aided by modern technology, to create a New Renaissance Age, that aim to be reference and inspiration for future eras, as the Renaissance has been for them. Will new orchestrated business models arise in many diversified areas? Or new leadership examples find a rich environment to grow? A fascinating era is about to begin.

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Growth Strategies for Law Firms

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Abstract

Law firms that grow intensively can experience problems with maintaining a strategic focus, structural alignment and a balanced staff. This article proposes a process through which management can plan a law firm's future, by defining a strategy and choosing an avenue for growth. We use a sample of 150 Latin American law firms to describe the differentiation strategies that have been demonstrated in practice. We find that the strategies of "Efficiency," "Grey Hair" and "Brains" are used by 15.3%, 61.3% and 23.3% of our sample, respectively. Additionally, we describe four growth strategies for law firms.

Key words

Differentiation strategies, growth strategies, law firms, service firms, leverage in services.

How to cite this article

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Many law firms in Latin America improvise their future

1. Introduction

Many law firms in Latin America improvise their future. This problem is especially acute in young companies which are successful and experience accelerated growth. Typically, they experience problems such as work overload for the supervising partners, lack of professionals in the areas of the business with the greatest growth and difficulties in retaining the most talented young lawyers. At the same time, it is common to have problems of underutilization of personnel in less relevant areas, as well as unnecessary fixed costs. Growth causes these companies to have complications in maintaining the level of service provided to their clients, who are tempted to change providers, particularly if the lawyers that served as interlocutors have left the firm. In the most extreme cases, these firms can lose focus on their original strategy and positioning in the market.

One of the interviewees in this research exemplifies precisely the problems associated with the lack of growth planning. He is the only partner in a successful firm in the Dominican Republic, specialized in litigation and court-ordered collections. He has twelve associate attorneys who work in a newly-built high-tech three-story building. In 2014 he oversaw more than four hundred cases, in 2015 nearly 500 and continued growth is planned in 2016. In the interview, he confessed: "I'm going crazy! However, I have to continue to grow in order to pay for the building, so I have to take on more cases." We asked if he considered promoting one of his lawyers to partner to help him oversee the work of others. He replied that no one was ready, despite the fact that some lawyers had already been working with him for a decade. This attorney has been very successful as a legal professional and has increased the demand for his services, but he has not planned for the growth of his business. Clients have begun to notice the deterioration of the service, which jeopardizes the future of the company.

In this article, we propose that in order to develop a successful growth strategy, a law firm must answer two basic questions:

- How do we compete? (Differentiation strategy).
- How do we grow? (Avenues of growth).

This article follows the logic implicit in these two questions to propose a process through which the companies providing legal services can define their competitive and growth strategies. In the next section, we describe the generic strategies (brains, "grey hair" and efficiency) that a firm can consider to compete and differentiate itself in the market. We explain the main operational implications of each strategy and we present an analysis of the incidence of these generic strategies in Latin America, based on a sample of law firms in the region that has been collected by the authors.

In the third section, we show the growth patterns followed between 2007 and 2015 by law firms in our sample, including their natural transition between the generic strategies as the companies grew in scale. We also present the four "avenues of growth" (organic growth, diversification, internationalization and mergers and acquisitions) that companies providing legal services can consider to increase their scale, and we discuss the implications of each avenue.

In the fourth section, we summarize the theory presented in the article and highlight the practical implications of its implementation in Latin American firms to improve the management of companies providing legal services, not only in the region, but also in a wide selection of geographical areas on a global level.

There are three generic strategies of differentiation for professional service firms: "brains," "grey hair" and "efficiency"

2. How do we compete?

David Maister (1997), professor at Harvard Business School, suggests that there are three generic strategies of differentiation for professional service companies: "brains," "grey hair" and "efficiency." These positions describe a spectrum along which a company can situate itself to be attractive to customers with different needs.

At one extreme are the companies with positioning in terms of "efficiency," which are the firms specialized in efficiently carrying out common, repetitive jobs, such as the registration of real estate, the keeping of business records, tax payments, court-ordered collections, etc. These firms usually have high levels of leverage[1] and a high turnover of associates. A well-implemented efficiency strategy implies low prices per attorney-hour and requires advanced technology and efficient processes. In the eyes of the client, professional service firms with this positioning have gone through a learning curve that allows them to perform legal tasks in less time and at lower costs than can be achieved by themselves or other providers of legal services.

At the other end of this spectrum are firms with positioning relying on "brains," who specialize in finding solutions to unusual problems. These complicated jobs require a lot of time from the senior partners, and thus the leverage levels tend to be low, accompanied by a low level of staff rotation and high prices per attorney-hour. A positioning based on "brains" involves many hours of customer contact and customized jobs. Clients choose "brain" firms because they seek the services of "star" attorneys who are specialists in their areas of expertise and are capable of finding solutions to complex, unique problems.

Firms with the positioning based on "grey hair" fall in the middle in terms of attorney-hour prices, levels of experience and leverage. The customers of these companies seek to solve unusual problems, but ones that may have been previously faced by professionals with experience (grey hair). It is common for large companies providing legal services not to have pure strategies, because diversification, internationalization and acquisitions can result in mixtures of units with heterogeneous strategies. However, the ratio of associate lawyers to partners (leverage) allows us to infer, in general terms, the strategy of a company and its evolution.

To better understand the incidence of these generic strategies in Latin American legal service firms, we analyzed a sample of companies in the region. The information comes from the journal *Latin Lawyer 250,* a publication with nearly two decades of experience monitoring the main firms providing legal services for international corporations. We selected a sample composed of all companies providing legal services that appear in the journal in both 2007 and 2015. We eliminated very small businesses employing less than ten lawyers. This process resulted in a total of 150 law firms operating in 17 countries in the region (see more details on the sample in the appendix). The results of our analysis must be interpreted taking into consideration the fact that the sample is not random. However, we believe that this is one of the more rigorous sources of systematic information in the region.

In our sample of Latin American companies, we find an average level of leverage of 3.34 associate attorneys per partner in 2015 (3.20 in 2007), with a standard deviation of 1.88 (1.89

[1] We define *leverage* as the relationship between the associate attorneys and partners. A leverage of "3" means that the company has three associates for every partner.

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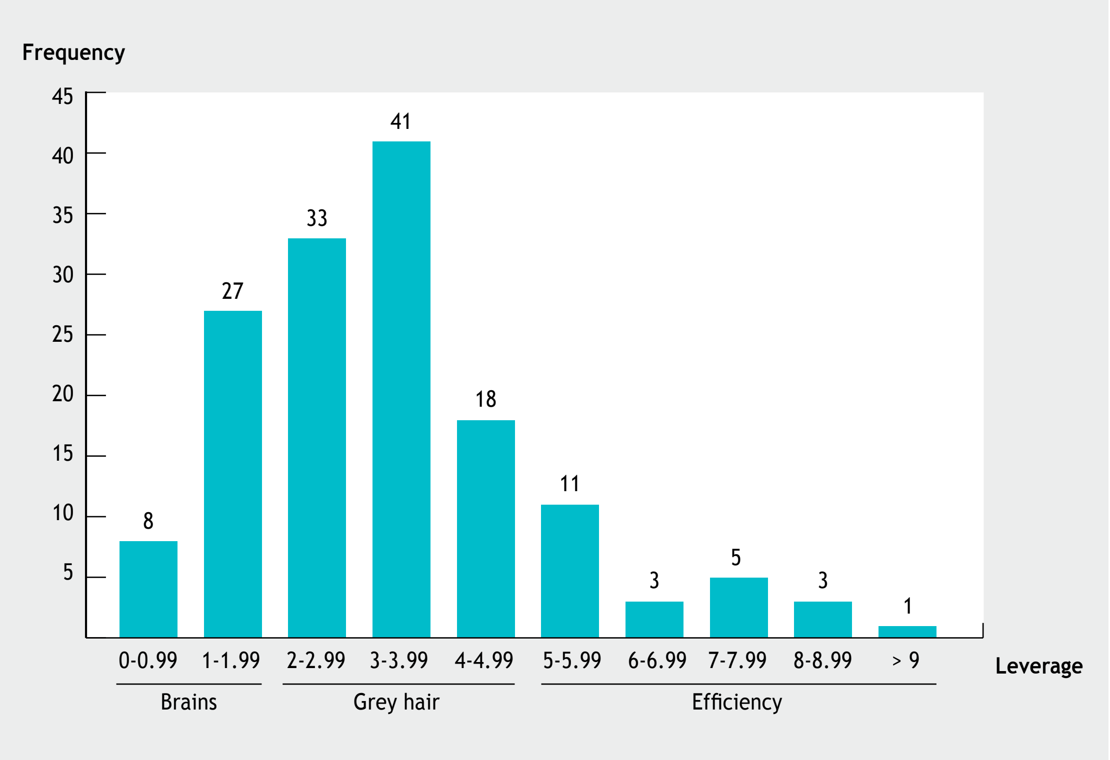
The largest firms tend to have the highest levels of leverage

in 2007). Table 1 shows the histogram of the levels of leverage among the firms in our sample. We defined a level of less than 2.0 as corresponding to a strategy of "brains," and a level greater than 5.0 as representing a strategy of "efficiency." We also defined that the intermediate levels of leverage (between 2.01 and 4.99) correspond to the "grey hair" strategy. Consequently, we found that 23.3% of the sample had a "brains" positioning, 61.3 % a "grey hair" positioning, and only 15.3 % had an "efficiency" positioning. This pattern is consistent with what we find in the United States. The AmLaw 100 reported in 2015 that 8.0% of the top service companies in the United States had a leverage less than or equal to 2.0, and 14.0 % had one equal to or higher than 5.0 (The American Lawyer, 2015).

Table 1
Leverage levels and generic strategies in 2015



Our sample also reveals that the larger firms tend to have higher levels of leverage. Table 2 shows that companies with more than 150 lawyers, with the exception of one, were leveraged at levels greater than 3.0, with an average of 5.6. In small companies (with 30 lawyers or less), leverage was much more variable, with an average of 2.4, up to a maximum of 7.5 and with a minimum of 0.5. The trend line on the chart shows the correlation between size and leverage.

Growth triggers disorder, so the first step in defining the growth strategy is to ensure consistency between the strategic positioning, structure, price levels and the operating systems and processes of the company. If there is a misalignment between the strategy and the organization, the management's agenda must begin by establishing a clear strategy to then define the appropriate organizational settings that will provide the best support for that strategy.

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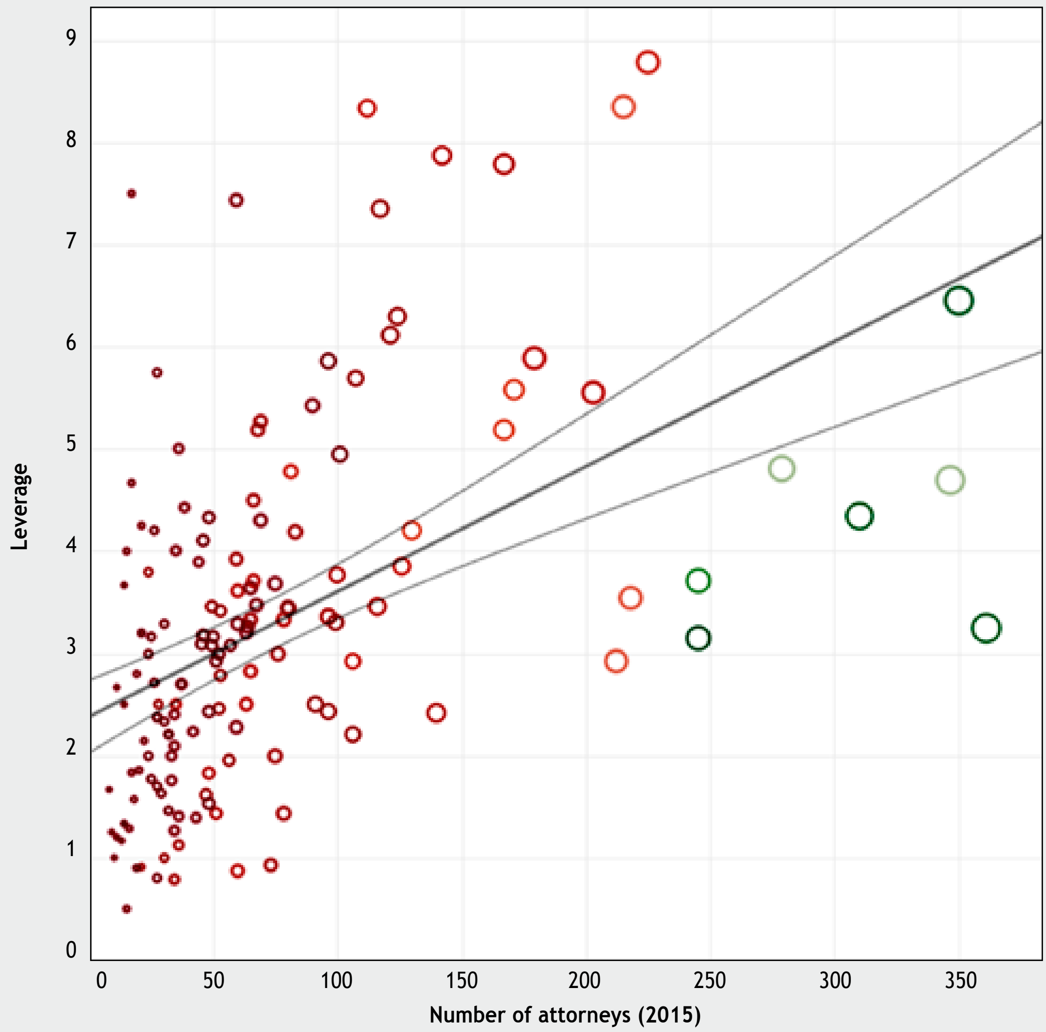
The first step in defining the growth strategy is to ensure consistency between the strategic positioning and structure

Table 2
Leverage versus firm size* in 2015



* Table 2 eliminates from the sample the observation corresponding to the firm Siqueira Castro Advogados, whose extreme leverage and size were such that they did not allow any differences to be seen among the smaller firms.

3. How do we grow?

Growth is important for the creation of value in any organization. Generally, growth makes it possible to increase the bargaining power of the company with both suppliers and clients, as well as to obtain economies of scale that allow it to operate more efficiently and make larger investments[2].

[2] Although in this article we focus on the positive aspects associated with growth, we also recognize that, when this is not well managed, it can generate administrative and operational complications that affect the profitability of the company, as mentioned at the beginning of this article.

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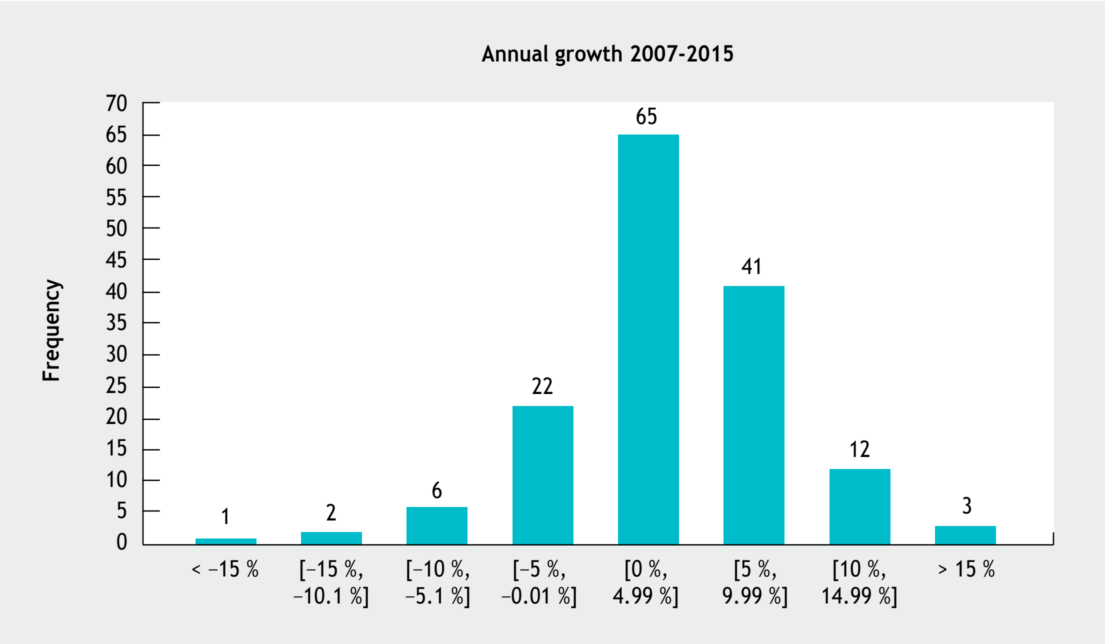
The final size, leverage, structure and positioning result from the growth strategy adopted by a legal service company

For example, as the company grows larger, it becomes more and more visible and attractive as an employer for young talent or the "stars" of other firms. That is to say, the law firm increases its bargaining power vis-à-vis the human capital, the most important resource for the success of any professional service company.

The compound annual growth[3] of the firms in our sample between 2007 and 2015[4] showed an average rate of 3.3%. In the histogram in Table 3, we can see how this growth is distributed among the firms. Most of the companies studied grew in the analysis period, although 69.3% of the sample experienced modest levels of growth (at a compound annual rate of between 0 and 10 %). Only 10 % of the sample achieved levels greater than 10 % annually during this period, and 20.6 % decreased in size.

Table 3
Histogram of the growth in employment between 2007 and 2015



The sample reflects a general shift in the continuum of strategies from "brains" to "efficiency" as the firms grow in size. Table 4 represents the position of each firm in two dimensions: the growth rate is shown on the horizontal axis, and the variation in leverage is shown on the vertical axis. We can clearly see that, of all firms that experienced growth (both quadrants on the right), most are located in the right upper quadrant (i.e., they increased their level of leverage). In particular, about two-thirds of the firms that grew in scale also increased their level of leverage between 2007 and 2015. This is consistent with the "Cravath model" (Sherer & Lee, 2002), in which the legal service companies take advantage of the increase in their scale of operation for their partners to specialize in monitoring activities and those with greater added value by assigning teams of associates to carry out less complex activities.

[3] Measured by the change in employment 2007-2015.
[4] As a benchmark, we include the level of growth of 5.3% that AmLaw 100 reported as the average for 2014.

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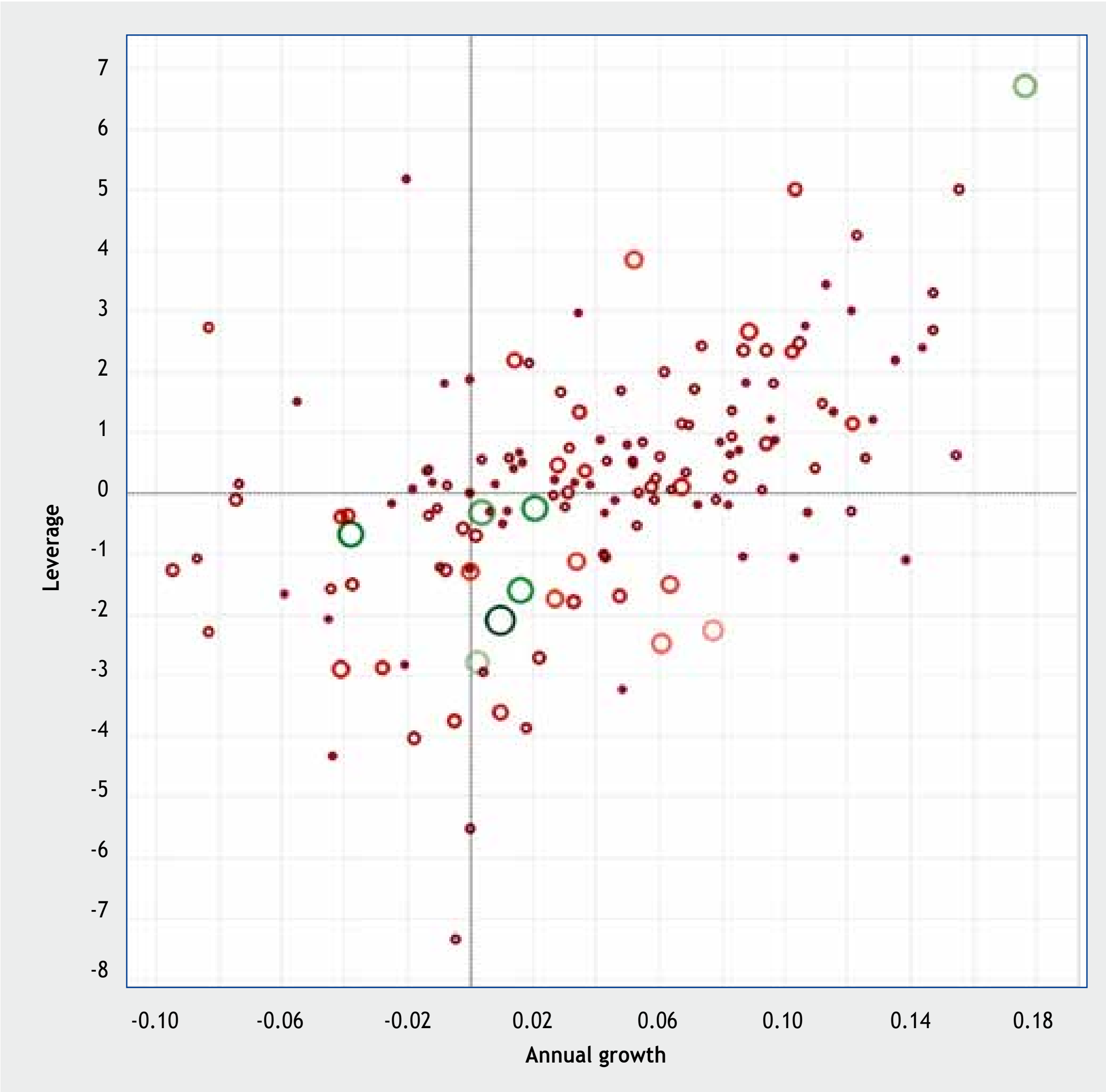
Organic growth strategies are the least risky and easiest to implement, and they result in moderate levels of growth

This pattern is also confirmed as the firms decrease in size. Table 4 shows that, of all the firms which decreased in size (both quadrants on the left), most are located in the bottom quadrant (i.e., they reduced their level of leverage). In particular, it bears noting that almost three-quarters of the firms that decreased in scale also reduced their leverage in the same period. This suggests that companies that experienced a contraction in demand for their services prioritized the retention of key talent and partners, and adapted by reducing the number of associates; that is to say, they experienced a reversal in the continuum between "efficiency" and "brains".

Table 4

Variation in leverage versus growth of the firm (2007-2015)



The final size, leverage, structure and positioning result from the growth strategy adopted by a legal service company. In general, there are four generic growth strategies: organic growth, diversification, internationalization and mergers and acquisitions.

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Organic growth typically involves penetration in existing markets or the development of new markets

3.1. Organic growth

Organic growth refers to the expansion of income through the continuation of the existing businesses. Generally, organic growth strategies are the least risky and easiest to implement, and they result in moderate levels of growth. In addition, they tend to strengthen the current positioning and competitive advantage of the organization. The management of a legal service company should consider organic growth as their first option before considering other alternatives. Here the well-known proverb applies: "better the devil you know than the devil you don't." Organic growth typically involves penetration of existing markets or the development of new markets (Ansoff, 1957).

In penetration strategies, law firms generally seek to increase their sales of services through one of two sources. On the one hand, firms may seek a larger market share in a particular segment of clients through increased marketing investment, improving public relations, intensifying sales management, broadening the client base and winning new clients served by rival firms. On the other hand, organizations can concentrate their efforts on selling a greater number of services to existing customers that currently require only one or a few services.

In their market development strategies, law firms start to venture into new areas of business. These are usually related to new customer segments and/or geographical areas. For example, often we note that as they evolve, firms which initially specialized in clients in an industry (say, free trade zones) or from a specific origin (say, Asian countries), tend to broaden their scope to clients in other industries or countries. In addition, we commonly note that firms that are founded in capitals or big cities in the region eventually expand to other cities within their own country, and even to other cities in neighboring countries. This last step is what we call *internationalization* and is discussed in further detail below.

3.2. Internationalization

It is usual for the domestic market to mature, and consequently, it is no longer sufficient to achieve the growth objectives of a law firm. The management of a legal service company must then wonder if it could exploit its competitive advantages to participate in other countries or whether the international expansion would help to strengthen their competitive advantages as compared to competitors operating in a single country (Caves, 1996).

The most visible examples that have followed this growth strategy are Dentons and Baker & McKenzie, the two largest multinational law firms in the world. Firms that follow this path are uniquely positioned to serve companies with a regional or global presence. This type of client generally seeks service providers not only with prestige and the capacity to provide multi-jurisdictional attention, but also with a high level of administrative sophistication, process standardization and uniformity in services. Therefore, firms with an exclusively domestic presence are at a disadvantage when it comes to winning accounts from these regional or multinational clients.

There are different modalities of internationalization for law firms, including some that do not necessarily involve the ownership of all units of an international business. Since the last decade, the Swiss Verein model of internationalization of law firms has become increasingly popular. According to this model, the law firms in each country are maintained as legally and fiscally independent entities, despite sharing the same "umbrella" brand, competitive strategy and technology investment costs. The two multinational firms mentioned above follow this model of internationalization.

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Decisions about diversification must be made carefully, because they tend to be more risky and difficult to implement

3.3. Diversification

The third growth strategy is diversification. This consists of the addition of new products or services in market segments (Montgomery, 1994). Diversification can be related or unrelated. The first version occurs when a specialized firm (for example, in corporate law) introduces a new legal practice (for example, real estate or criminal law). The second typically comes about when a firm incorporates non-legal services into its business portfolio. These non-legal services are commonly of an accounting-financial nature.

The key questions for a decision-maker evaluating diversification are similar to the questions raised to evaluate internationalization: Can the firm benefit from the competitive advantage developed in the current business portfolio to compete successfully in new services? And does diversification contribute to strengthening the organization's "extended" competitive advantage, as compared to specialized competitors that operate in fewer market segments?

Decisions about diversification must be made carefully, because they tend to be more risky and difficult to implement, especially those involving unrelated businesses. In law firms, these decisions often follow the logic of cross-selling. The firms intend to offer to the same segment of clients one-stop shopping, which will cover a multitude of needs for professional services. However, many times we lose sight of the complexity that the firm must overcome in order to develop new physical and human capacities, work processes and systems of management in order to implement diversification successfully. This complexity is further accentuated when diversification is unrelated, because the new skills and capabilities required are even more distant from those current employed. The situation becomes even more complicated when new services are directed to new customer segments in which the firm is not currently positioned.

In recent years, we have noted that some Latin American law firms very well positioned in the segments of corporate clients and multinational corporations have gone into accounting and financial services to cross-sell to their current client base. However, many of these firms have found that the type of client they serve with legal services prefers to work with large audit firms for their accounting and financial services (i.e., PwC, Deloitte, E&Y and KPMG). Since they are unable to cross-sell to their traditional corporate and multinational clients, some of these law firms have tried to offer their new non-legal services to new customer segments with a "less sophisticated" profile. In some cases, this has resulted in a deterioration of the positioning that the firms had achieved prior to diversification.

On the contrary, some law firms specializing in corporate law that have strengthened their competitive advantage through diversification have done so by incorporating a tax practice (related diversification) along with accounting-financial services specialized in tax issues (unrelated diversification). These firms have successfully taken advantage of diversification, on the one hand, as an avenue of growth and, on the other hand, as a way to strengthen their positioning, as proposed in their generic strategy.

3.4. Mergers and acquisitions

The last method of growth is through mergers and acquisitions (M&A) of businesses currently operating and owned by third parties (Marín & Ketelhöhn, 2007). A merger is the integration of two or more firms of similar size in order to form a single economic and legal entity, while an acquisition is the purchase of one company by the other. Although both modalities are similar, acquisitions generally involve more hierarchical relationships between the acquiring company and the acquired one, as compared to the supposed relations of alliance of the merging firms.

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Even though M&A represent an avenue of rapid growth, they usually involve greater investment, risk and complexity

M&A represent an avenue of rapid growth, albeit one that usually involves more investment, risk and complexity[5]. However, this strategy is attractive under certain conditions; for example, an acquisition may be the most viable option when a market is saturated, when required to start operations on a minimum scale or when developing a new service requires a lot of time.

To grow successfully through mergers and acquisitions, it is necessary to successfully execute all stages of the process: analysis of the strategic engagement between the companies, financial valuation, negotiation, due diligence and integration. It is common for acquiring companies to underestimate the difficulty of integration processes. Many M&As do not generate the expected value precisely because of the "irreconcilable" differences between cultures, processes and incentives between the two organizations[6].

We have observed that the M&A avenue is currently very dynamic in the legal services industry in the Central American region. Particularly, we identified multiple firms in the process of internationalization that are on the road to becoming regional competitors, merging with well-positioned firms in some of the destination markets. A recent example has been the merger of a Central American firm "A", with significant presence in the region, but with difficulty to penetrate into the largest country in the area, with firm "B", with leadership, but operating only in the latter country. In this case, it is expected that the integrated firm (A+B) will create greater value through a stronger regional positioning and new sales opportunities for regional services to the household customers of "B" and for domestic services in the latter market to the regional customers of "A".

4. Conclusions

It is not necessary to grow. Many companies providing legal services can be stable and profitable at the same time. The partners of these firms may receive lesser compensation and avoid higher levels of risk and administrative complexity. Ultimately, the decision to grow is one that reflects the personal ambitions of the partners. However, in the sample of Latin American firms considered in this study, we found that 80 % experienced positive annual growth rates between 2007 and 2015, so that the vast majority of competitors do have aspirations for growth.

The decision to grow must be motivated by the possibility of achieving higher levels of profitability, and consequently, compensation for the partners. If the partners decide to grow, they must do so in a manner that avoids the problems of misalignment between the strategy and the organization. In this article, we have presented three possible generic strategies for them to compete and differentiate themselves in the market. Each brings different organizational and operational implications that should be considered for the effective implementation of the strategy. In addition, our empirical analysis has revealed a natural evolution in the continuum of strategies from "brains" toward "efficiency" that firms should consider in order to manage their growth.

The growth alternative with the easiest deployment is that of organic growth: "keep on doing what the company did in the past." This must be regarded as the first option for growth because of its greater probability of success and the positive effect on the current positioning

[5] The academic literature is divided between those who claim that mergers and acquisitions are generally successful, and those who argue otherwise. For a review of the literature, see Chapter 6 of the work by Marín and Ketelhöhn (2007).
[6] For more information on how to manage an M&A process, see Marín and Ketelhöhn (2007).

It is not necessary to grow; many companies providing legal services can be stable and profitable at the same time

and competitive advantage of the organization. Successful firms develop the skills and systems necessary to compete in the original business and withstand future growth. With the definition of a clear strategic positioning and with a projection of income, it can be mathematically deduced how many professionals must be hired, fired, and promoted.

When the original markets mature or when customers demand diverse or international services, consideration should be given to growth through diversification or internationalization. These are the most difficult to implement, due to the lack of recognition in the market or the additional administrative complexity that is involved when offering a new service or serving a new geographical area. In both cases, an attempt should be made to leverage the competitive advantages of the original business in the new services and geographic areas. Mergers and acquisitions of established companies can be one way to deploy the growth strategy. These tend to be more risky and complex, but also more effective if they are well implemented.

All of the growth strategies can be implemented simultaneously. Furthermore, an acquisition of a foreign company that offers new services provides growth in multiple dimensions. This growth introduces disorder and new challenges for the administration. The future of the company never turns out to be exactly as planned by its managers. However, the clearer the vision of the leaders, the better will be the implementation of the strategy and the closer the reality of the desired future. The future is not destiny. The future of the companies is built by their managers.

5. Appendix. Description of the sample of law firms in Latin America

The journal *Latin Lawyer 250* annually publishes a list of companies with recognized excellence in legal services for international corporations. We used a composite sample of legal service companies that appear in the journal in the years 2007 and 2015, eliminating the companies that only appear in one of the editions; that is to say, we included only the companies whose growth could be studied, as they appear in both editions. We also eliminated very small businesses employing less than ten lawyers. The resulting sample of 150 law firms includes 18 companies from Argentina, 3 from Bolivia, 27 from Brazil, 11 from Chile, 8 from Colombia, 6 from Costa Rica, 5 from Ecuador, 2 from El Salvador, 4 from Guatemala, 2 from Honduras, 21 from Mexico, 2 from Nicaragua, 6 from Panama, 4 from Paraguay, 15 from Peru, 4 from Uruguay and 12 from Venezuela. The sample is not random or representative of the universe of law firms that exist in the region. It is biased in favor of larger, more successful businesses with greater prestige. The sample includes 19 companies that had more than 100 lawyers in 2007; 44 employing 40 or more lawyers, but less than 100 in 2007; and 87 employing more than 10, but less than 40 lawyers in 2007.

As a proxy of growth in revenue, we used growth in employment between 2007 and 2015. Although we know that revenue per employee varies substantially from one company to another, there are no uniform public sources that reveal the revenue of the law firms in the region.

6. Declaration of Conflicting Interests

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