

# DUE DILIGENCE AND LOCAL BUSINESS CONSORTIUMS: THE UNTAPPED RESOURCE IN TRANSNATIONAL BUSINESS EXPANSION

Christopher Jay Walker\*

## INTRODUCTION

Any law firm facilitating a business's expansion into a foreign market must perform a due diligence investigation.<sup>1</sup> The purpose of this research-based task is to evaluate the current legal and business environment of the target foreign market and to establish contacts with members of that market's business community with an eye toward cultivating useful business relationships for the client. The end product of a due diligence investigation includes an extensive report and evaluation of the business practices, regulations, and legal standards of the target market. By compiling information on a foreign country, its legal and tax structures, incorporation procedures, and other country-specific business and legal standards, the representing firm can provide its client with a comprehensive vantage point from which to begin making crucial business judgments.<sup>2</sup>

Unfortunately, the breadth of the due diligence inquiry may cause representing firms to overlook one of their most important resources—the business consortium. Business consortiums are organizations, such as chambers of commerce, trade-specific alliances and institutions, professional associations, councils, federations, and unions that build networks among existing businesses operating in the same geopolitical market. The benefit of contacting and utilizing

---

\* FLAS Fellow with Harvard University's David Rockefeller Center for Latin American Studies and a joint-degree candidate in law and public policy from Stanford Law School and the John F. Kennedy School of Government at Harvard; also currently president of the *Stanford Law & Policy Review*. Thanks to Professor Kristie Seawright of Brigham Young University's Marriot School of Management for her creative feedback and constant support; Beatriz Segni of the Argentine Businesswomen's Association for her help in interviewing business owners and entrepreneurs in Argentina; and David Rudd of Ballard Spahr Andrews & Ingersoll, LLP for his insights into transnational business law. Additionally, thanks to the Kennedy Center for International Studies and the BYU Honors Program for generous financial support of the field study.

<sup>1</sup> See generally Thomas M. Federico, *International Alliances: A Guide to Due Diligence*, in A-765 COMMERCIAL LAW & PRAC. COURSE HANDBOOK SERIES 295 (1998) (providing detailed instructions on how to create country-specific reports and perform other due diligence activities for international transactions).

<sup>2</sup> *Id.*

consortiums is clear: these organizations can help a business more quickly tap market resources and professional services in aid of its start-up or expansion activities. Furthermore, with the emergence of the virtual marketplace, business consortiums can be accessed and utilized from the personal desktop; some websites even provide directories to thousands of consortiums within a particular country.<sup>3</sup> However, literature concerning the specific benefits of business consortiums and empirical data on their effectiveness in assisting business development is not widely available. Scholars apparently have not begun to research the effects of consortiums on transnational business expansion, much less the role these organizations can play in a law firm's due diligence investigation.

This article will outline the primary functions of business consortiums abroad and demonstrate why such entities are crucial to new business development. Further, this article explores the role consortiums play in business development—as illustrated by a qualitative case study in Buenos Aires, Argentina—and seeks to answer the following questions: (1) What assistance do consortiums provide to businesses expanding into foreign countries; (2) What roles do business consortiums play outside of the United States; and, (3) Why do representing firms fail to fully utilize consortiums when helping clients expand into foreign markets?

Part I briefly discusses why consortiums are often overlooked by business leaders and lawyers during the due diligence process and business development stage. Part II explores the various benefits of consortiums for new ventures and for businesses expanding into foreign markets.

## I. WHY BUSINESSES EXPANDING INTO FOREIGN MARKETS UNDERUTILIZE THE BUSINESS CONSORTIUM

While the primary purpose of this article is to outline the roles of business consortiums in advancing new business development, the underutilization of the consortium merits discussion. Expanding businesses underutilize foreign business consortiums for two reasons: (1) business literature has not focused on the functions and benefits of business consortiums; and (2) business leaders and their lawyers misperceive the relative utility of foreign business consortiums because the consortium's domestic counterparts are not as proactive.

---

<sup>3</sup> See, e.g., Website of *Guía Senior*, <http://www.guiasenior.com/> (last visited July 5, 2003) (providing directory information on over 300 consortiums in Argentina); Website of the Marketing Resource Center, Concept Marketing Group, Inc., at <http://www.marketingsource.com/associations/> (last modified on July 7, 2003) (providing listings for over 35,000 consortiums).

First, the role of consortiums in facilitating business development is relatively unexplored in business periodicals and texts. Foreign business consortiums, and the roles they play in their respective markets, have not been thoroughly addressed and analyzed in business or business law literature. While countless business consortiums exist in each country—hundreds of thousands in the United States alone<sup>4</sup>—scholars have not extensively analyzed the consortium's role in transnational business development and early-stage operation. This lack of discussion contributes to the continued ignorance of business leaders and their lawyers concerning foreign business consortiums.

Another reason that businesses engaged in transnational expansion do not effectively use consortiums is that American consortiums play a less significant role in business development than their foreign counterparts. Practitioners working in the area of transnational business expansion often incorrectly assume that foreign business consortiums are of the same ilk as their local chamber of commerce. This assumption that foreign consortiums are nothing more than detached dispensers of general information makes expanding businesses less interested in learning about consortiums' resources.<sup>5</sup> While American business consortiums often offer useful networks and perhaps occasional training at conferences and workshops, they do not serve as the gatekeepers to industry information as do their foreign counterparts.<sup>6</sup> This misconception of the nature of the foreign consortium creates a lack of demand for information concerning the role of the foreign business consortium.

---

<sup>4</sup> While no formal study documenting the plethora of business consortiums in the United States has been published, an evaluation of various directory websites indicates that the number of American business consortiums clearly reaches the range of hundreds of thousands. *See, e.g.*, Website of the Marketing Resource Center, at <http://www.marketingsource.com/associations/> (last modified on July 7, 2003) (containing over 34,000 consortium listings, 90% of which are in the United States); Website of Business.com, at <http://www.business.com/> (last visited July 5, 2003) (containing listings of over 100,000 consortiums and organizations); Website of the United States Chamber of Commerce, at <http://www.uschamber.com/default> (last visited July 6, 2003) (providing listings of all local Chambers of Commerce within the United States, for which there are 187 local chapters in California alone).

<sup>5</sup> *See* Interview with David R. Rudd, Partner, Ballard, Spahr, Andrews & Ingersoll, L.L.P. (June 25, 2003) (commenting on how his expertise in Latin American business has revealed that Latin American business consortiums play a much more significant role in business development than their American counterparts). While this appears to be the case, the distinction between American and foreign consortiums merits further research and discussion in order to quantify and qualify such differences.

<sup>6</sup> *See infra* note 6 and accompanying text (discussing the findings of this case study); *see also* LIDIA HELLER, *LAS QUE VIENEN LLEGANDO* 32-33 (Nuevohacer 1999) (explaining the importance of business consortiums in Argentina) (hereinafter HELLER, *LAS QUE VIENEN*); *see also* Robert D. Hisrich, *Women Entrepreneur: Problems and Prescriptions for Success in the Future*, in *WOMEN-OWNED BUSINESS* (O. Hagan et al. eds., 1989) (emphasizing the importance of business consortiums for female business owners in the United States).

Thus, no scholar or scholarly body is supplying information on foreign business consortiums, and no practitioner's group is demanding it. This lack of supply and demand for information, in turn, has unnecessarily cloaked these invaluable resources in a veil of secrecy. Part II of this article will attempt to lift this veil and demonstrate the ways in which the foreign business consortium can be a beneficial partner to the transnationally expanding business and its attorney.

## II. ROLES OF THE BUSINESS CONSORTIUM IN FACILITATING NEW VENTURE DEVELOPMENT & EXPANSION INTO FOREIGN MARKETS

Mainstream business literature has yet to uncover the roles that business consortiums play in assisting new and expanding businesses. In order to evaluate the business consortium's impact on new or expanding ventures in foreign markets, we must identify these roles. To that end, this article will draw on the results of a qualitative case study of business consortiums in Buenos Aires, Argentina.<sup>7</sup> This

---

<sup>7</sup> This case study, conducted in April, 2001, involved interviews with seventy business owners and managers from Buenos Aires who were involved, to varying degrees, with numerous local business consortiums. In addition to the individual interview process, 298 Argentine business consortiums were evaluated via on-site visits and Internet consultations to ascertain the breadth and depth of their services and membership.

The case study was primarily conducted for thesis research on gender issues in Argentine business. Christopher Jay Walker, *Gender Issues in Argentine Entrepreneurship: "La Clave Es Participar Para Cambiar Algunas Cosas"* (2002) (unpublished A.B. honors thesis, Brigham Young University) (on file with the Harold B. Lee Library at Brigham Young University). While this article examines collateral findings on Argentine business consortiums, such research was not the focus of the previously-written thesis.

The reference data on Argentine business consortiums were initially collected in April 2001 with the assistance of *Guía Senior*, which provides leadership directories for various consortiums in Buenos Aires, Argentina. Website of *Guía Senior*, at <http://www.guiasenor.com> (last visited July 5, 2003).

The findings of this study provide many avenues for further research and discussion. Myriad factors and variables merit further examination and evaluation before the roles of business consortiums can be completely understood. Additional research should be undertaken to verify that Argentina is not atypical with respect to the roles of business consortiums. Global studies may help determine whether consortium roles and their effectiveness in facilitating business development vary between countries and world regions and whether there are universal functions that consortiums perform regardless of geographical location. Further research may quantify the impact of consortiums on businesses and measure the extent to which such consortiums are utilized by lawyers in due diligence and by business leaders in transnational expansion efforts.

case study, supplemented by existing literature,<sup>8</sup> provided data from which to derive the primary functions of consortiums in assisting business development.

The primary functions of business consortiums<sup>9</sup> in assisting business development can be compartmentalized into five major aspects: (1) training on legal, financial, marketing, and other general business practices, (2) collaborating on projects and legislative lobbying within a given business sector, (3) coordinating forums for sharing ideas and experiences, (4) facilitating opportunities for networking with other businesses, and (5) providing additional resources for assistance and support. The following table summarizes these five functions and provides examples of each:

---

<sup>8</sup> See, e.g., INSTITUTO APOYO, WOMEN BUSINESS OWNERS IN ARGENTINA: A SOURCE OF ECONOMIC GROWTH 43 (2000), available at <http://www.womensbusinessresearch.org/pressreleases/8-23-2000/ArgentinareportEnglish.pdf> (last visited July 5, 2003) (presenting the results of a study on businesswomen in Argentina, which identifies several activities that assist entrepreneurs in achieving business success); HELLER, LAS QUE VIENEN, *supra* note 6 (detailing some of the general benefits of consortiums for Argentine businesswomen); LIDIA HELLER, POR QUE LLEGAN LAS QUE LLEGAN (Feminaria Editoria 1996) (further elucidating the benefits of business consortiums in Argentina).

<sup>9</sup> It should be noted that in Argentina the term for “consortium” is “*asociación*,” which literally translates as “association” in English. However, the term “business association” has a different legal meaning in the United States, so consortium is the term of art used in this article. When the interviews were translated from Spanish to English, the word “consortium” was substituted for the literal translation of “association.”

## Primary Roles of Consortiums in Business Development

Consortium Role	Example
Training on Business Operations & Practices	Conferences, workshops, newsletters, guest speakers, Internet self-help programs, publications, legal memoranda, mentoring
Collaborating on Field-Specific Projects & Legislative Lobbying	Interest groups in policy-making process, public relations liaison to media, collective publicity campaigns, joint community projects
Facilitating Forums for Sharing Ideas & Experiences	Dialogue among members, online discussion boards, discussion groups, best entrepreneurial idea contests
Providing Opportunities for Networking	Business directories, association/consortium meetings and socials, online networking websites, discussion groups
Providing Resources for Additional Assistance & Support	Assistance in connecting owners to capital/investment, consulting services, emotional support, practical information/advice

This case study, with a sample group encompassing approximately one-third of all business consortiums in Buenos Aires,<sup>10</sup> is perhaps the most comprehensive analysis on Argentine business consortiums to date. However, it is important to acknowledge the study's limitations. For instance, since multinational companies entering into the Argentine market traditionally have not utilized business consortiums during the due diligence process and business development and expansion stage, most of the findings reflect the consortium's impact on local entrepreneurial ventures. From a practitioner's perspective, the various business consortiums' functions can satisfy the needs of both new local ventures and foreign businesses entering the local market despite the fact that the needs of these ventures are different.<sup>11</sup>

<sup>10</sup> Interview with Lidia Heller, Professor of Business Administration, University of Buenos Aires, in Buenos Aires, Argentina. (June 12, 2001) (stating that there are approximately 1,000 business consortiums in Buenos Aires, Argentina, as of June 2001).

<sup>11</sup> The similarities and differences between the needs of local entrepreneurial ventures and businesses expanding into new foreign markets will be highlighted throughout Part II, but such distinction merits further research and discussion. Still, the evidence presented in Part II provides valuable insight for  
(continued...)

### A. Training on Business Operations & Practices

Perhaps the most obvious role of the business consortium is to provide training concerning issues pertinent to its members. Modern business literature amply documents the degree to which education and training directly impact new venture success.<sup>12</sup> Such training is all the more important to foreign businesses, which often are unfamiliar with a given country's legal and business landscape.<sup>13</sup>

Consortiums utilize various means to educate their members including seminars, guest speakers, legal memoranda, newsletters, workshops, conferences, Internet self-help websites, and other informational publications.<sup>14</sup> Some even provide businesses with professional consulting groups and emergency hotlines to help their members with business-related questions.<sup>15</sup> This informational access is invaluable to all businesses, but proves especially helpful for developing businesses as their managers acclimate to uncharted territory and learn primarily through trial and error. Assistance from experts in the business's specific field can help the manager of the emerging foreign business to avoid common pitfalls and take advantage of the first-hand experience of others. Consortium informational and training materials can also aid lawyers conducting due diligence by providing them with detailed and in-depth information on the foreign business marketplace—information that likely could not be matched in completeness, accuracy, or with equivalent expediency from other sources.

---

(...continued)

lawyers and leaders of businesses expanding into foreign markets, but this exploratory research should be followed up by a more narrowly-focused study.

<sup>12</sup> See PAUL D. REYNOLDS, ET AL., GLOBAL ENTREPRENEURSHIP MONITOR (GEM), 2000 EXECUTIVE REPORT 45 (2000), available at <http://www.gemconsortium.org/download/1058228539720/GEM%20Global%202000%20report.pdf> (last visited July 5, 2003) (reporting global findings on new ventures, which indicate that training and education are key for venture success); see generally EDUCATION AND TRAINING IN THE DEVELOPMENT OF MODERN CORPORATIONS: THE INTERNATIONAL CONFERENCE ON BUSINESS HISTORY (Nobuo Kawabe & Eisuke Daito eds., 1993) (providing a detailed analysis of the importance of education and training in multinational business development).

<sup>13</sup> See Nancy D. Israel, *The International Marketplace*, in 3 MASSACHUSETTS BUSINESS LAWYERING 31, S-31-12 to S-31-26 (1998) (emphasizing the need to understand the foreign legal landscape and listing several legal aspects to analyze within the foreign country).

<sup>14</sup> See, e.g., *infra* notes 16-23 and accompanying text (explaining the various services provided by *Fuerza Empresaria*, an Argentine entrepreneurs' consortium).

<sup>15</sup> See, e.g., *infra* notes 54-58 and accompanying text (explaining the services offered by *Mujerynegocios.com*, an Argentine businesswomen organization that provides onsite consultations, as well as a hotline for immediate assistance with business matters).

*Fuerza Empresaria* (FE) provides an example of an Argentine business consortium that provides this type of training for its members. Established in 1995, FE aims at “strengthening, promoting, and developing businesses through the training and networking of entrepreneurs.”<sup>16</sup> To meet this objective, FE utilizes several instructional methods: business fairs, expositions and conferences, skill-related workshops and seminars, and a website for idea interchange and other general business information.<sup>17</sup> For instance, each month the consortium holds the *FE Desayuno*, which is a training breakfast provided for all members of the consortium. The members meet for several hours to network and receive instruction from an expert in a particular business field.<sup>18</sup> There are over four hundred members in this organization, and about eighty members attend the monthly breakfast.<sup>19</sup>

The *FE Desayuno* held on June 19, 2001 clearly illustrates the effectiveness of such training sessions. The guest lecturer was Daniel Novegil, the vice-president of SIDERAR, which is one of the largest oil-producing companies in Argentina. Entitled, “How to Do Business with Large Corporations,” his workshop focused on methods smaller businesses could employ to negotiate contracts with larger corporations.<sup>20</sup> Large corporations—seeking to lower overhead costs and remain focused on core business functions—often establish contracts with smaller, local businesses for non-core exigencies such as food services, supplies, entertainment, utilities, and other business needs. This subcontracting provides the framework for extremely beneficial local business partnerships. Large corporations offer stable, collectible business for local service providers. Novegil demonstrated how to create proposals and service contracts, explained the basic legal obligations of both parties, offered advice on how to set up meetings with top executives, and gave tips on how to strengthen the business relationship once established. Novegil also provided information on how to expand current service agreements with large corporations.<sup>21</sup> A question-and-answer session followed the workshop, and Novegil extended an

---

<sup>16</sup> Pamphlet for *Fuerza Empresaria* (2001) (espousing the mission statement of the organization) (on file with author); see generally Website of *Fuerza Empresaria*, <http://www.cdeb.com.ar/fe/> (last visited July 5, 2003) (providing information on the consortium in general, its mission, schedule of activities, and member services).

<sup>17</sup> Website of *Fuerza Empresaria*, *supra* note 16.

<sup>18</sup> *Id.* (listing the past topics of *FE Desayuno* over the last two years).

<sup>19</sup> Interview with Inés de Cinacchi, President, *Fuerza Empresaria*, in Buenos Aires, Argentina. (June 12, 2001).

<sup>20</sup> Daniel Novegil, Remarks at the *FE Desayuno*, in Buenos Aires, Arg. (June 19, 2001).

<sup>21</sup> *Id.*



invitation for those who desired further information to contact him personally. This workshop exemplifies the type of training and information that consortiums can provide to enable business development.

Inés de Cinacchi, president of *Fuerza Empresaria*, believes that business consortiums are essential to provide training on business-related skills, techniques, and practices crucial to new-market businesses.<sup>22</sup> Cinacchi notes that, through the use of consortium resources and events, members have access to invaluable knowledge and experiences that help them to see the forest despite the day-to-day trees—something that is hard to do through trial and error alone.<sup>23</sup> Argentine business leaders agree with Cinacchi: business consortiums are the gatekeepers of the information necessary to effectively venture in the business marketplace.<sup>24</sup>

Business consortiums can be particularly useful sources of information and training for lawyers helping businesses expand into new markets. While statutory research can provide the lawyer with a foreign country's black-letter law, consortiums offer information on the application and procedural implications of the law within particular business sectors; often the law as presented textually varies significantly from how it is applied in practice.<sup>25</sup> First-hand experience with a country's legal system can prove invaluable for lawyers, saving countless hours of research and providing models, forms, and strategies for the lawyer who finds herself in unfamiliar territory. Cinacchi claims that this additional experience gives members of effective consortiums, and their attorneys, a distinct advantage over those who do not affiliate with a consortium.<sup>26</sup>

---

<sup>22</sup> Cinacchi, *supra* note 19.

<sup>23</sup> *Id.*

<sup>24</sup> Walker, *supra* note 7. Of the seventy business leaders interviewed in Buenos Aires, Argentina, as part of this case study, fifty-three mentioned that business consortiums provide information and training that are essential for success in the business marketplace. *Id.*

<sup>25</sup> Rudd, *supra* note 5 (noting that in Mexico, for example, the application and enforcement of particular laws differ greatly from the specific language and legislative intent conveyed by the statute). This common distinction between text and application is evidenced in various legal fields. *See, e.g.,* Kitty Calavita, *Immigration, Law, and Marginalization in a Global Economy: Notes From Spain*, 32 *LAW & SOC'Y REV.* 529, 530 (1998) ("Another theme that runs through much of the academic literature on immigration is the recurring gap between the declared intent of immigration laws and their outcomes."); Elizabeth Mertz, *A New Social Constructionism for Sociolegal Studies*, 28 *LAW & SOC'Y REV.* 1243, 1246 (1994) (asserting that there exists an "inevitable slip between formal rule and practical application, between text and interpretation").

<sup>26</sup> Cinacchi, *supra* note 19.

## B. Collaboration on Field-Specific Projects & Legislative Lobbying

Not only do consortiums provide information on the application, enforcement, and procedural implications of a country's laws, they are also effective lobbyists. Consortiums regularly lobby the country's legislative body for laws more favorable to their members. This role encompasses both the consortium's role as an interest group and as a coordinator of collective efforts. First, consortiums often are called upon to represent the interests of the business community to the government, media, or general public. They protect, uphold, and promote the interests of their members, since the government and public in general are more likely to be swayed by the collective voice of five hundred than by five hundred separate voices. Many Argentine consortiums, such as the *Cámara Argentina de Turismo*<sup>27</sup> and the *Asociación de Bancos de la Argentina*,<sup>28</sup> were initially formed with the sole purpose of lobbying.<sup>29</sup> Both organizations eventually began to offer other services, but the political action wing of these consortiums continues to be a principal function.

As in most countries, lobbying for more business-friendly legislation is an important consortium activity in Argentina. *Instituto APOYO* found that one-third of the 602 Argentine business owners interviewed saw government barriers and interference as major obstacles to success in the business marketplace.<sup>30</sup> Business laws, taxes, and other regulations affect the success of business development, and consortiums, through aggressive lobbying, help to protect businesses from legislation adverse to their members' interests. Voluminous literature documents the role of the interest group in influencing the legislative process.<sup>31</sup> It is sufficient to note that

---

<sup>27</sup> See generally Website of *la Cámara Argentina de Turismo*, at <http://www.camaraargturismo.com.ar/index.html> (last visited July 5, 2003) (providing information on the consortium's history, objectives, and services).

<sup>28</sup> See generally Website of *la Asociación de Bancos de la Argentina*, at <http://www.aba-argentina.com/index.html> (last visited July 5, 2003) (providing information on the consortium's history, objectives, and services).

<sup>29</sup> Of the 298 business consortiums reviewed as part of the case study in Buenos Aires, those entitled "*federaciones*" were typically started with the primary purpose of lobbying the legislature as interest groups on behalf of their specific trade or business sector.

<sup>30</sup> INSTITUTO APOYO, *supra* note 8, at 9 (constituting perhaps the most comprehensive data ever collected about Argentine businesswomen with 602 total business leaders and managers surveyed).

<sup>31</sup> See, e.g., Donald J. Kochan, "Public Use" and the Independent Judiciary: Condemnation in an Interest-Group Perspective, 3 TEX. REV. L. & POL. 49, 79-83 (1998) (discussing Richard Posner's Interest Group Theory of Legislation in the context of condemnation actions); Jonathan R. Macey, *Promoting Public Regarding Legislation Through Statutory Interpretation: An Interest Group Model*, 86 COLUM. L. REV. 223, 227 (1986) ("Interest group theory treats statutes as commodities that are purchased by particular interest  
(continued...)

interest groups have a powerful capacity to gain advantages for, and protect the interests of, their constituents by influencing the legislative process.

The second feature of the consortium's collaborative role entails coordinating special projects that promote members' common interests—projects in which businesses cooperate to accomplish an objective that would be difficult or impossible to achieve independently. For example, the *Asociación Argentina de Empresarias* (ASEM) coordinates an annual art show and innovative entrepreneurial idea contest, which encourages businesswomen to display their work and ideas to the business community.<sup>32</sup> Such projects receive extensive media attention, thus promoting women's role in business.<sup>33</sup> Without the collaborative efforts of consortiums, projects like the art show would not exist; the association of various independent entrepreneurs makes these projects both manageable and feasible.<sup>34</sup>

Consortiums also act on behalf of their members by staging awareness campaigns and events. These collaborative efforts introduce and advertise member businesses to the public on a greater scale than could be attained absent the consortium. The *Asociación de Ejecutivas de Empresas Turísticas de Argentina* (AFEET)<sup>35</sup> is another excellent example of a consortium's role in directing projects. María Cannito, a member of this tourism consortium, explains that every year AFEET outlines an action plan for promoting tourism in Buenos Aires.<sup>36</sup> Each member contributes financially to the publicity efforts, but the consortium directs the funds so that everyone benefits. Cannito explains that such efforts result in many referrals to her agency throughout the year—referrals that she could not have garnered

---

(...continued)

groups or coalitions of interest groups that outbid and outmaneuver competing interest groups.”); Richard A. Posner, *Economics, Politics, and the Reading of Statutes and the Constitution*, 49 U. CHI. L. REV. 263, 265 (1982) (outlining his theory on the role of interest groups in the policymaking process).

<sup>32</sup> Interview with Beatriz Segni, President, *la Asociación Argentina de Empresarias* (ASEM), in Buenos Aires, Argentina. (June 11, 2001).

<sup>33</sup> *Id.*; see also Mariana Perez, “*La clave es participar*,” DIARIO DE CUYO, Apr. 2001 at 11-12 (highlighting Segni and the activities of ASEM) (on file with author); *Un proyecto nace de una necesidad y en este caso es no contaminar*, DIARIO DE CUYO, Jan. 2001 at 14-15 (hereinafter *Un proyecto nace*) (reporting the results of the annual ASEM Best Innovative Entrepreneurial Idea Award) (on file with author).

<sup>34</sup> Segni, *supra* note 32 (noting that there are over one hundred members in ASEM).

<sup>35</sup> See Website of *la Asociación Argentina de Agencias de Viajes y Turismo* (AAAVYT), at <http://www.aaavyt.org.ar/historia.htm> (last visited July 5, 2003) (providing a brief history on AFEET).

<sup>36</sup> Interview with María Cannito, Member, *la Asociación de Ejecutivas de Empresas Turísticas de Argentina* (AFEET), in Buenos Aires, Argentina. (June 13, 2001).

without the consortium's assistance.<sup>37</sup> Cannito attributes this conclusion to the fact that her business would not have had the funding to launch an ambitious marketing and networking campaign on its own. The collaborative effort of the consortium's businesses made the endeavor possible.<sup>38</sup>

These examples of collaborative efforts demonstrate the consortium's effectiveness in creating a level of synergy—by aggregating financial and political resources—that individual efforts could not have achieved. While such collaboration benefits all consortium members, it is particularly important for businesses expanding into a new foreign market.<sup>39</sup> Foreign companies often are viewed as outsiders within the new market, and gaining local acceptance can present a major obstacle.<sup>40</sup> By joining a business consortium and participating in a joint effort in the community, the foreign businesses gain legitimacy in the local market via their association with longstanding local establishments and respected members of the business community. Through this collaboration with consortium members, foreign businesses can gain local acceptance and more quickly establish a reputable presence in the local market. Such acceptance is essential for business development and growth.

Business consortiums by their very nature foster community acceptance. Many consortiums represent the common interests of their members to the government, media, and general public, and they have the power to unite the efforts of each member in order to carry out collaborative projects that promote their common interests. Consequently, due diligence should involve an investigation into whether consortiums in the target market engage in such collaborative efforts and an inquiry into how a business can join the consortiums.

### C. Forums for Sharing Ideas and Experience

Business consortiums also facilitate forums for the interchange of ideas and experiences. Cleo Laura Miguel, Director of Institutional Relations at the *Instituto*

---

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*

<sup>39</sup> See Israel, *supra* note 13, at S-31-5 (advising corporate lawyers to establish relationships with foreign collaborators as part of the due diligence efforts).

<sup>40</sup> *E.g.*, Interview with Pablo Blay & Mariana Travacio, Founders & Owners, B & T Housing Services, in Buenos Aires, Argentina. (June 13, 2001) (commenting on the challenges of expanding their business into Argentina and gaining local acceptance and how local consortiums assisted in the transition).

*Tecnológico de Buenos Aires*, claims that consortiums are most helpful in providing an arena for idea exchange.<sup>41</sup> She explains that entrepreneurs often fail several times in business venturing before succeeding, because they learn through trial and error. However, consortiums allow members to share what they have learned through trial and error, so that others do not make the same mistake. Regular contact with other business professionals allows consortium members to exchange ideas and experiences, obtaining viable solutions to their current problems by learning from the failures of others while simultaneously sharing their failures and solutions for the benefit of other members.<sup>42</sup> Miguel explains a typical experience at consortium meetings and conferences:

In our monthly meetings, I would often overhear two business owners chatting, and one would say, “I just can’t seem to figure out how to fix this . . . .” and the other would reply, “I had that same problem, and I did this . . . .” They would then discuss in more detail what had happened, and that exchange of information would help the other entrepreneur overcome the current problem.<sup>43</sup>

Although Miguel’s example deals with local entrepreneurs, exchange of ideas can be especially beneficial to foreign businesses, which often are less familiar with the local marketplace.

Consortiums also seek to employ alternative means of encouraging this type of dialogue between their members. For instance, at the *FE Desayuno*, the executive committee selects several business leaders to briefly discuss their business ventures to the whole group, explaining their individual successes and failures.<sup>44</sup> Consortium members then ask questions of the presenters regarding their experiences and offer suggestions to overcome the obstacles. Inés de Cinacchi, president of *Fuerza Empresaria*, believes that creating dialogue between members is essential to maintaining a successful consortium.<sup>45</sup> Whether the consortium promotes this type of dialogue at the beginning of the meetings, through a monthly newsletter, or on an Internet discussion board, Cinacchi notes that the consortium must ensure that such idea interchange takes place.<sup>46</sup>

---

<sup>41</sup> Interview with Cleo Laura Miguel, Director of Institutional Relations, *el Instituto Tecnológico de Buenos Aires*, in Buenos Aires, Argentina. (June 20, 2001).

<sup>42</sup> *Id.*

<sup>43</sup> *Id.*

<sup>44</sup> Cinacchi, *supra* note 19.

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

The recognition programs hosted by the *Asociación Argentina de Empresarias* (ASEM) provide a concrete example of an alternative means for encouraging idea interchange.<sup>47</sup> Each year ASEM sponsors the Best Innovative Entrepreneurial Idea and the Entrepreneur of the Year awards for outstanding businesswomen in the Buenos Aires community. In January 2001, ASEM chose Susana Baños as the Entrepreneur of the Year for her agricultural business start-up that produces earth-friendly fertilizer.<sup>48</sup> There were over one hundred female entrepreneurs considered for the honor, and she received a \$5,000 business development grant, a computer, free Internet connection, and information technology classes to help Baños grow her business.<sup>49</sup> More importantly, Beatriz Segni, president of ASEM, explains that Baños will present the project in a workshop at a future ASEM conference, helping other business leaders understand various successful business practices.<sup>50</sup> Segni explains that each year the entrepreneurial projects are more creative and successful, and she believes such contests boost the entrepreneurial skills of the consortium's business leaders through friendly competition: “[b]esides [the idea sharing], it should be noted that the projects were much more creative than other projects in the capital [city of Buenos Aires], much more.”<sup>51</sup>

Idea interchange within business consortiums is extremely important for those businesses entering into new foreign markets. Because business leaders must adapt to the changing situations and unique aspects of the foreign market, it is imperative that they are able to exchange ideas and practices with local business leaders who are more familiar with the local marketplace. By establishing a connection to a local business consortium, these foreign business leaders can obtain quick answers to basic questions and receive valuable feedback concerning the local ramifications of given proposals, projects, and action plans. The avenues for idea and experience sharing that consortiums can provide prove particularly advantageous for these expanding businesses, and due diligence conducted during business expansion to foreign markets should consequently involve identifying such forums.

---

<sup>47</sup> See *supra* notes 32-34 and accompanying text (explaining ASEM and its activities).

<sup>48</sup> *Un proyecto nace, supra* note 33 (reporting the results of the annual ASEM Best Innovative Entrepreneurial Idea Award).

<sup>49</sup> *Id.*

<sup>50</sup> Segni, *supra* note 32.

<sup>51</sup> Perez, *supra* note 33, at 12 (quoting Beatriz Segni, president of ASEM).

#### D. Opportunities for Networking with Other Businesses

A fourth role of business consortiums concerns providing opportunities for networking with fellow business owners. Professor Lidia Heller explains that “[i]n today’s difficult and competitive business world, networking has become an important activity for each individual business owner . . . . [I]t is considered a crucial ingredient for success in any professional field.”<sup>52</sup> Consortiums supply their members with opportunities to establish important relationships with other business owners. These relationship networks can be tapped to secure start-up capital or investment, to obtain a venue for selling and distributing products and services, to establish a social connection to other business sectors, or simply to offer emotional support to the entrepreneur. Support networks are especially important during the initial stages of a new venture or transnational expansion effort when business leaders are looking for ways to establish and develop their businesses in the new market. A new business’s ability to network can have a direct impact on its success rate, and such networks are all the more important for foreign businesses expanding to new territory.<sup>53</sup>

Mujerynegocios.com provides an excellent example of a local consortium’s role in establishing networks between business executives and entrepreneurs. Beatriz Calatayud and Judith Ovidia, the founders of Mujerynegocios.com, recognized the need for businesswomen to network and interchange ideas, services, products, and information. Their solution was an Internet business networking organization hosted on their website, Mujerynegocios.com, which virtually connects businesswomen from all over Argentina and the rest of Latin America.<sup>54</sup> Mujerynegocios.com provides an announcement board that lists upcoming consortium meetings, a virtual registration mechanism for local business workshops, an online consultation forum, and an emergency hotline for instant advice on business matters. Mujerynegocios.com also allows businesses to advertise their

---

<sup>52</sup> HELLER, *LAS QUE VIENEN*, *supra* note 6, at 33.

<sup>53</sup> See Mary L. Azcuenaga, *Structuring, Negotiating & Implementing Strategic Alliances 2000*, 1193 CORP. LAW & PRAC. COURSE HANDBOOK SERIES 457, 465 (2000) (“In order to compete in modern markets, competitors sometimes need to collaborate. Competitive forces are driving firms toward complex collaborations to achieve goals such as expanding into foreign markets, funding expensive innovation efforts, and lowering production and other costs.”); Israel, *supra* note 13 at S-31-5 (arguing that businesses should seek out networks of foreign collaborators when expanding into a new foreign market).

<sup>54</sup> Interview with Beatriz Calatayud & Judith Ovidia, Founders and Owners, Mujerynegocios.com, in Buenos Aires, Argentina. (June 15, 2001); see also Website of Mujerynegocios.com, at <http://www.mujerynegocios.com/default1.htm> (last visited July 5, 2003) (providing information on the company’s history, objectives, and services).

products and services online and acts as a conduit through which business owners can solicit services from others. The website provides information on hundreds of female-owned businesses and associations, as well as training programs for business leaders.<sup>55</sup>

Though each of these services helps female entrepreneurs and business leaders, Calatayud argues that the most important aspect of their award-winning website involves the networking opportunities it offers. Hundreds of women visit the site each day, and many establish important business contacts by browsing through the online business contact directories.<sup>56</sup> Others are able to use these networks to find solutions to current problems or emotional support during difficult economic times. These connections, Calatayud explains, “provide life to struggling ventures, open venues to sell services and products, and help women help each other.”<sup>57</sup> Ovadia adds that such interaction is crucial to business success, noting that without venues to contact others with similar objectives and interests, many businesses would not be able to survive the initial stages of business development.<sup>58</sup>

While networking can be achieved outside of the consortium context, consortium membership expedites the process and magnifies the results. Business consortiums allow their members to interact and cultivate business relationships that directly impact the bottom line. Elena Semeria, owner of Six Travel and member of AFEET, best summarizes the consortium’s importance in facilitating a forum for business networking:

When my son and I first began our travel agency, we started in a small office building not far from here. The initial stages of the business were difficult because we had not yet established a client base, and we did not [have many] connections around town. However, after we joined several travel agency consortiums, we were able to form relationships with other travel agents, and these relationships helped us find clients and improve services. Now our business fills the entire floor of this office building, and we employ over fifty agents. The consortiums opened doors that we could not have opened on our own.<sup>59</sup>

---

<sup>55</sup> Website of *Mujerynegocios.com*, *supra* note 54.

<sup>56</sup> Calatayud & Ovadia, *supra* note 54.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

<sup>59</sup> Interview with Elena Semeria, C.E.O., Six Travel, in Buenos Aires, Argentina. (June 14, 2001).



As Semeria explains, business consortiums can play a vital role in providing business contacts and networks that can help a new venture thrive in the competitive marketplace.<sup>60</sup>

A consortium's networking resources are particularly attractive to businesses new to a foreign market.<sup>61</sup> While expanding businesses can solicit such connections through other means, such as prior business agreements, advertising, or door-to-door solicitation, consortium membership provides direct access to pre-established networks. These networks not only offer information and support, but they also can provide channels for supply and distribution, contacts for funding business development, and a means to recruit a capable labor force. When conducting due diligence investigations of a new foreign market, lawyers should identify these potential connections for the business and evaluate which consortiums would be most beneficial for the particular venture.

### E. Providing Resources for Additional Assistance & Support

A final role of business consortiums is quite similar to the combined effect of networking, idea sharing, and collaborating; however, it deserves special attention due to the emphasis it receives from many consortium business leaders.<sup>62</sup> Beatriz Segni, president of the *Asociación Argentina de Empresarias* (ASEM), claims, "We must view the business sector through the perspective of the [consortiums]."<sup>63</sup> She further notes that the primary role of business consortiums consists of providing emotional, psychological, and financial support to business owners.<sup>64</sup> Stated differently, consortiums provide other forms of assistance and support to their members besides training, collaborative opportunities, idea-sharing forums, and networking connections. Segni explains that this type of general support can range from actual

---

<sup>60</sup> *Id.*

<sup>61</sup> See generally sources cited *supra* note 51 (emphasizing the importance of networking for businesses expanding into foreign markets).

<sup>62</sup> Of the seventy business leaders interviewed in Buenos Aires for this case study, thirty-one specifically mentioned that consortiums had influenced their venture in a way not mentioned in the previous four functions. Many described this influence as something intangible or an additional assistance that was difficult to describe. This finding is particularly noteworthy since roughly one-third (twenty-three individuals) of those interviewed did not belong to a consortium and consequently did not comment on how consortiums had assisted them.

<sup>63</sup> Beatriz Segni, *Al sector empresario hay que verlo desde las instituciones, sean masculinas o femeninas*, 9 VOZ EMPRESARIA 104, 26-27 (2001).

<sup>64</sup> Segni, *supra* note 32.

investment in the companies to general business consultation and evaluation, to support during financial crises.<sup>65</sup>

With respect to economic support, Segni explains that some consortiums provide financial assistance to their members in the form of direct investment or financial guidance.<sup>66</sup> For instance, Segni often helps consortium members select and establish relationships with bankers and other potential investors to help them gain access to the financial capital needed for business development.<sup>67</sup> Financial support can prove useful to foreign businesses seeking local investors for their expanding business.

Business consortiums also provide members with general consultation and evaluation, including financial planning, organizational analysis, and references to useful contacts such as marketing and accounting firms.<sup>68</sup> Though most multinational businesses have preexisting relationships with large consulting, marketing, and accounting firms, they often lack connections to local service providers that can evaluate the ramifications of their marketing, operations, and accounting practices under local law more quickly, accurately, and cheaply.<sup>69</sup>

Naturally, the consortium's support role is not as pertinent to the multinational business expander. Even so, this role should not be overlooked because the support small business owners receive helps maintain the vibrancy and strength of the overall market, which is inherently helpful to all its participants. As Segni explains, many businesses fail because entrepreneurs and managers lose their persistence in the face of hardship.<sup>70</sup> Business consortiums offer support, encouragement, and enthusiasm, helping emerging business owners keep a positive

---

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> See, e.g., Website of *Fuerza Empresaria*, *supra* note 16 (offering workshops and references on accounting practices, marketing schemes, and organizational analysis); Website of *la Asociación Argentina de Agencias de Viajes y Turismo*, *supra* note 35 (listing contact information for recommended accounting, marketing, and consulting firms); Website of *Mujerynegocios.com*, *supra* note 54 (providing references for marketing and accounting firms, opportunities for company evaluations, and workshops for organizational analysis and financial planning).

<sup>69</sup> See Israel, *supra* note 13, at S-31-5 (recommending that foreign corporations seek out local legal, accounting, consulting, and marketing counsel in order to adapt their business practices and operations to the foreign market).

<sup>70</sup> *Segni*, *supra* note 32.

yet realistic perspective on their venture's potential. While this type of support is more difficult to measure and evaluate because of its subjective quality, Segni claims it should not be discarded merely because of its intangible nature.<sup>71</sup> Ada Marzorati, president of AFEET, alluded to the importance of this type of support in a speech given during the celebration of AFEET's nineteenth anniversary:

We have to always remember Mother Theresa's words when approaching our business ventures: "[a]fter every achievement, there is another challenge. While you are still living, live. If you miss what you did before, return to doing it. Do not live from the yellowed images of the past. Press forward even though everyone hopes you fail; do not let your steel rust. Live so that instead of shame, people respect you. In years to come when you can no longer run, trot. When you can no longer trot, walk. And when you can no longer walk, use a cane, but never quit." We must continue the fight.<sup>72</sup>

This type of encouragement and support may make the difference between business success and failure.

## CONCLUSION

As discussed in Part I, law firms often overlook one of their most accessible resources for business expansion and development—the consortium—when conducting due diligence in preparation for clients' business expansion into new foreign markets. The case study findings in Buenos Aires, Argentina—as presented in Part II—document the consortium's ability to fill informational, training, and networking voids to complete the representing firm's due diligence investigation and aid the expanding business's development in a foreign market.

First, consortiums offer training on the law, finance, marketing, and other business issues of the specific country. Such information can assist lawyers tasked to due diligence in identifying and understanding the complex, industry-specific legal issues presented by the laws and legal systems of a given foreign market. This information can also provide business executives and managers with insight into the customs and standards of business operations within the local business marketplace. Second, consortiums often facilitate collaboration on joint projects and conduct legislative lobbying within the particular business sector, which can help foreign

---

<sup>71</sup> *Id.*

<sup>72</sup> Ada Marzorati, Remarks at the Nineteenth Anniversary Celebration of *la Asociación de Ejecutivas de Empresas Turísticas de Argentina*, in Buenos Aires, Argentina. (June 12, 2001) (quoting Mother Theresa).

businesses gain local acceptance and protect themselves against adverse legislation. Third, consortiums organize and coordinate forums for idea and experience sharing. Such information interchange is particularly helpful for foreign businesses who are unfamiliar with the local landscape and who could conserve valuable time and resources by utilizing practices that have already proven successful within the particular foreign market. Fourth, consortiums facilitate opportunities for networking with other businesses within the region, providing beneficial contacts for businesses new to a particular market. Finally, consortiums provide additional resources for assistance and support ranging from actual financial support for business development to intangible emotional support for entrepreneurs.

While the roles of business consortiums adopted in this article necessitate further discussion and refinement in order to better portray their impact on business development, it is clear that business consortiums make a difference. They offer valuable resources to new businesses and should be consulted during the due diligence investigation and business development stage of business expansion into foreign markets. Such utilization would undoubtedly result in more cost effective use of time and resources, more complete and accurate information, and more successful business expansion and venturing in foreign countries.