Glodomestication – IT Works both Ways
The linkage of Indian IT INVs’ internationalization process and creation of a competitive advantage

Felicia Karlsson and Lina Åhl
Abstract

During the past years, the phenomenon of International New Ventures (INV) from emerging markets has been increasingly acknowledged where globalization has facilitated their internationalization into new foreign markets. As a result, this has led to the creation of a more dynamic and global market place, which has increased the need for firms to distinguish themselves through their competitive advantage. Yet, despite the significant presence of Indian Information Technology (IT) INVs, these have not received equal attention in research. Scholars have focused on firms’ internationalization process or creation of competitive advantage respectively, thus making previous studies insufficient to independently explain the linkage in this novel context seen from an Indian perspective.

This study aims to examine the linkage between the internationalization process and the creation of a competitive advantage and explain how the linkage has evolved over time by studying three Indian IT INVs; I-exceed, Technoforte, and Sapience Analytics. The case firms have been examined based on six in-depth interviews held with founders and senior managers. The empirical findings of each case firm have been analyzed in relation to a theoretical framework based on literature of the internationalization process and the resource management of the firm, followed by a comprehensive cross-comparison of all cases.

The key findings propose that the linkage between the internationalization process and the creation of a competitive advantage is an interrelated process of two mutually dependent phenomena, where the correlation and development of them are influenced by particularly three factors: founders’ experience, industry knowledge, and network through global Multinational Corporation (MNC) customers. Further, the findings suggest that the development of the linkage over time follows an interlinked manner through three distinct phases: Identification and Accumulation of Resources and Capabilities, INV Growth through Glodomestication to Create the Competitive Advantage, and Maturity and Stability for Continued Glodomestication to Sustain the Competitive Advantage.

Key words: International New Ventures, International Business, Internationalization Process, Firm Growth, Resource Management, Competitive Advantage, Unique Resources and Capabilities, Indian Firms, Information Technology
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Felicia Karlsson

Lina Åhl
Abbreviations

APAC - Asian Pacific American Coalition
BG - Born Global
CEO - Chief Executive Officer
CPO - Chief Procurement Officer
HPD - Head of Product Development
IB - International Business
INV - International New Venture
ICT - Information and Communication Technology
IT - Information Technology
IP - Intellectual Property
MNC - Multinational Corporation
NASSCOM - The National Association of Software and Services Companies
SME - Small and Medium Enterprise
SMAC - Social media, Mobility, Analytics and Cloud
SVPS - Senior Vice President of Sales
RBV - Resource-based view
RBI - Reserve Bank of India
R&D - Research and Development
VP - Vice President
WMS - Warehouse Management System
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1. Introduction

This chapter introduces the study by presenting a background to the topic followed by a critical discussion of previous research conducted within the field of International Business (IB). In addition, the chapter explains the purpose of the study and the stated research question. Last, the delimitations facing the study are also discussed followed by an outline of the thesis structure.

1.1 Background

Facilitated by the rise of globalization and the emergence of modern Information and Communication Technologies (ICT), the cost of internationalization do not longer hinder Small and Medium Enterprises (SME) to internationalize. Especially after the acceleration of the globalization in the 1980s, an increasing trend of the phenomenon of early and rapid internalization has been witnessed (Cavusgil & Knight, 2015). Studies from the last decades have showed that these companies do not fit the traditional model of gradual internationalization developed by Johanson and Vahlne (1977;1990), and instead internationalize distinctly faster and not in a step-wise manner (e.g., Rennie, 1993; Ovaitt & McDougall, 1994; Madsen & Servais, 1997; Li, Qian & Qian, 2012; Cavusgil & Knight, 2015). This phenomenon has been identified under different names and definitions, where most scholars tend to use the terms Born Global (BG) (e.g., Rennie, 1993; Knight & Cavusgil, 1996; Madsen & Servais, 1997; Andersson & Victor, 2003), or INV (e.g., Oviatt & McDougall, 1994; Coviello & Cox, 2006; Gabrielsson & Gabrielsson, 2013).

During the last decade, BGs and INVs from emerging markets have gained increasing attention among scholars (e.g., Persinger, Civi & Vostina, 2007; Yamakawa, Peng & Deeds, 2008; Karthik, Upadhyayula & Basant, 2015), where past studies have demonstrated a significant presence of these firms in the Indian IT industry (e.g., Contractor, Hsu & Kundu, 2005; Kim, Basu, Naidu & Cavusgil, 2011; Kumar & Yakhlef, 2014). The global demand for knowledge-intensive services has led to the wave of Indian BGs, whom have become increasingly dominant players in supplying these sophisticated services (Kumar, 2013). Recently, India has emerged as the world’s third largest hub for high-tech start-ups by hosting more than 4,200 start-up firms (NASSCOM, 2015a). The country’s recent economic growth and development have also been one of the most significant achievements ever and India is today the world’s second-largest country with its 1.2 billion people inhabitants (World Bank, 2016). The IT industry has played a major role in the country’s development, which has enabled and fostered Indian innovations to a much larger extent (Contractor, Kumar & Dhanaraj, 2015) and changed the image of India on the global arena (Annapoorna & Bagalkoti, 2011). The Indian IT industry, encompassing of 15,000 IT firms
(Government of India, 2016), was estimated to generate revenues of USD 146 billion in 2015, where approximately 67% of these revenues derived from exports. Considering India’s position on the world market and the fact that the nation’s share of the global outsourcing market accounted for approximately 55% in 2014 (NASSCOM, 2016), the remarkable growth of its IT industry is believed to keep fostering new innovative firms like BGs (Kim et al., 2011).

1.2 Problem Discussion

During the past years, the phenomenon of BG firms and their internationalization process have continued to gain increasing attention among scholars within the field of IB (e.g., Gabrielsson, Kirpalani, Dimitratos, Solberg & Zucchella, 2008; Yamakawa et al., 2008; Cavusgil & Knight, 2015). The expressed need for new conceptualizations better reflecting the current and dynamic internationalization process often emphasized by effectiveness, high speed, and wider global reach, have led to advanced theoretical extensions and new conceptualizations of the BG phenomenon. Among these, researchers have tended to focus on small BG firms operating in knowledge and technology-intensive industries and the early stage of their internationalization process (e.g., Gabrielsson et al., 2008; Li et al., 2012; Cavusgil & Knight, 2015).

The increasing attention among scholars to study emerging market INVs the past years have rendered novel insights particularly of how small BGs internationalize into foreign markets, which has led to a predominant focus on the process as such (Persinger et al., 2007; Yamakawa et al., 2008; Knight & Liesch, 2016). Yet, when applied in an Indian context, BGs originating from the country have not received equal attention in research as other emerging markets such as China (Kim et al., 2011). Despite their language advantage and attractive knowledge-intensity, particularly within IT services, Indian BGs have not been very acknowledged by researchers until recently (Kim et al., 2011; Varma, 2013; Kumar & Yakhlef, 2014; Paul & Gupta, 2014). More lately, researchers of Indian BGs have however retained their focus on a more aggregated explanatory level by primarily seeking to understand the capability requirements and firm characteristics as factors affecting the performance and internationalization process of BGs (Li et al., 2012; Paul & Gupta, 2014). This has been especially evident considering capabilities such as innovative capacity, customer relationship management, technological capabilities (Kim et al., 2011), previous experiences (Kumar & Yakhlef, 2014), the importance of human capital (Kumar, 2013), and entrepreneurial capabilities (Varma, 2013).
Thus, the tendency to focus on BG firms’ internal capabilities has in many cases been explained by the Resource-Based View (RBV) of the firm and the knowledge-based view emphasizing the generation of knowledge and the learning process as the main sources of competitive advantage creation (Kim et al., 2011; Bouncken, Schuessler & Kraus, 2015). The well-renowned RBV has extended the understanding of how unique resources and capabilities that are valuable, rare and impossible to imitate may render the possibility to create a sustained competitive advantage (Barney, 1991; Grant, 1991; Peteraf, 1993). The importance of appreciating firms’ internal capabilities and the understanding of how to create and subsequently exploit a competitive advantage have therefore become relevant considerations in the process of entering foreign markets (McDougall & Oviatt, 2000; Kumar & Yakhlef, 2014; Schweizer, 2014; Cavusgil & Knight, 2015).

First of all, the above discussion indicates that the research of BGs in emerging markets and their internationalization process yet prevails as a rather underdeveloped field (Persinger et al., 2007; Yamakawa et al., 2008; Knight & Liesch, 2016), which stress the need for further research. Second, the research gap of emerging markets is particularly evident in the case of India, as a market that has received little attention in the context of BGs (Kim et al., 2011; Kumar & Yakhlef, 2014). Third, since most scholars have had a predominant focus on either firms’ internationalization process (e.g., Madsen & Servais, 1997; Andersson & Wictor, 2003; Gabrielsson & Gabrielsson, 2013; Cavusgil & Knight, 2015) or their creation of competitive advantage respectively (e.g., Barney, 1991; Sirmon, Hitt & Ireland, 2007; Sirmon, Gove & Hitt, 2008), previous studies are insufficient to independently explain INVs’ internationalization process and simultaneously provide an understanding of the linkage to the creation of sustained competitive advantage (Schweizer, 2014). Fourth, the dynamic and constantly changing global business environment of today increases the requirement for the possession of unique resources to survive and cope with competition from multiple markets (Kumar & Yakhlef, 2014; Schweizer, 2014). Thus, the need to understand how competitive advantage is created, sustained, and managed through internationalization, have become increasingly important. Fifth, as the first scholar to integrate the two phenomena through a process perspective, Schweizer (2014) stressed the prevailing research gap by examining how one Swedish INV could create its competitive advantage through internationalization. Nevertheless, the research was based on a single case study of an INV seen from the perspective of a small and advanced market. Therefore, since the topic has been acknowledged in solely one publication to date, the field remains unexplored particularly when considering the lack of multiple case studies enabling cross-comparison and deepening the understanding of the phenomenon. Last, there is also a need to extend the contextual understanding.
by investigating the phenomena from a different and novel angle through the Indian context, whose importance has not been addressed so far.

1.3 Purpose and Research Question

In regards to above background and problem discussion emphasizing current research gaps, this study will contribute to deepen the knowledge of the internationalization process and the creation of a competitive advantage examined in a novel context. Further, the thesis will also contribute to new insights of the linkage by identifying possible patterns and distinctions between INV firms operating in the same industry. Thus, the purpose of this thesis is to examine the linkage between the internationalization process and the creation of a competitive advantage in a cross-comparative study of Indian IT INVs and from a process perspective explain how the linkage has evolved over time. In order to fulfill the purpose of the study, the following research question has been formulated;

*How is the internationalization process and the creation of a competitive advantage linked in the case of Indian IT INVs and how has the linkage developed over time?*

1.4 Delimitations

With the intention to generate as a concise study as possible, some delimitations have been undertaken throughout the research process. Since the aim of the study is to examine the linkage between the internationalization process and the creation of competitive advantage of Indian IT INVs, the study is country and industry specific by being limited to India and the IT industry. This implies that the findings might have differed if studied in another context. Also, the study is based on three case studies, which makes the findings contextual and specific to the selected firms. Further, since the empirical findings are investigated from a process perspective, yet with specific focus on the process of internationalizing and creating a competitive advantage, other factors impacting the process have not received equal attention. For instance, advanced technical details and the allocation of human resources within the firm, irrespective of geographical location, have not been analyzed in detail since these aspects are not the core essence of the study.
1.5 Disposition

This thesis consists of six chapters, including the introduction, and follows the structure outlined below:

**Theoretical Framework**
The second chapter presents a theoretical framework outlining and critically evaluating earlier research within the field of IB and theories of the internationalization process and creation of a competitive advantage. Last, a theoretical summary is presented.

**Methodology**
The third chapter outlines and motivates the choice of research methodology used in the study. Further, it explains the process and techniques used when gathering, presenting and analyzing the data in order to strengthen the quality of the study.

**Empirical Findings**
The fourth chapter presents the empirical findings gathered from the qualitative interviews through an in-depth presentation of each case firm’s process of internationalizing and creating the competitive advantage. Last, a table summarizes the most important empirical findings.

**Analysis**
The fifth chapter combines the empirical findings with the theoretical framework by analyzing and discussing each case separately, followed by a cross-case comparison.

**Conclusion**
The last chapter emphasizes and summarizes the key findings of the thesis. It presents a clear answer to the research question, discusses theoretical contributions of the study and provides suggestions for future research.
2. Theoretical Framework

This chapter aims to provide an overview of previously conducted research within the field of IB and present a theoretical framework. First, previous literature of INVs is critically discussed in relation to the RBV of the firm, which form the basis for following sections. Second, the chapter presents resources and capabilities crucial for INVs’ internationalization and different phase perspectives emphasizing the creation of the firm’s competitive advantage, its growth and internationalization process. Last, a theoretical summary is presented.

2.1 The Emergence of INVs’ Early Internationalization Process

As the first scholars to develop the internationalization process of the firm through their traditional Uppsala Model, Johanson and Vahlne (1977) described internationalization as a gradual learning process where the firm progressively increased its international presence in foreign markets in stages (Johanson & Vahlne, 1977; 1990). The original model was built upon bounded rationality and uncertainty, where physical distance and increased knowledge played a vital role in firms’ choice of foreign market. The larger the psychic distance, the larger was the firm’s liability of foreignness (Johanson & Vahlne, 2009). Since the internationalization process was perceived as risk-adverse and costly causing firms to prevail reluctant to changes, incremental internationalization was undertaken only as relationships and experiential learning grew stronger (Johanson & Vahlne, 1977; 1990). Thus, the exceptions of the model were that additional commitments toward internationalization would be made in small steps, unless market conditions were stable and homogeneous, the firm had gained experience from other markets or possessed very large resources (Johanson & Vahlne, 1977).

For the last decades, there has been an increasing trend to observe the phenomenon of early and rapid internationalization, where studies have shown that these companies internationalize distinctly faster and not in a step-wise manner (e.g., Rennie, 1993; Ovaitt & McDougall, 1994; Madsen & Servais, 1997; Li et al., 2012; Cavusgil & Knight, 2015). Instead, these firms begin with a proactive international strategy, where firms might skip some stages of the international development or where the internationalization process might not even occur in stages at all (Ovaitt & McDougall, 1994; Madsen & Servais, 1997). Ovaitt & McDougall (1994) demonstrated that not even the exceptions mentioned in the Uppsala Model seem to apply to the phenomenon of early and rapid internationalization. In contrast to the traditional model, INVs’ markets are very volatile, their resources tend to be constrained by their young age and usually small size, and the firms have little or no experience from foreign markets (Ovaitt & McDougall, 1994). Also, Madsen and
Servais (1997) found that the characteristics of the founders and BGs’ market conditions were different and did not align with those described in the traditional Uppsala Model.

2.1.1 Definitions of the INV Concept

The phenomenon of early and rapid internationalization has been identified under different names and definitions, where most scholars tend to use the terms BG (e.g., Rennie, 1993; Knight & Cavusgil, 1996; Madsen & Servais, 1997; Andersson & Wictor, 2003), or INV (e.g., Oviatt & McDougall, 1994; Coviello & Cox, 2006; Gabrielsson & Gabrielsson, 2013; Verbeke, Amin Zargarzadeh & Osiyevskyy, 2014). Rennie (1993) was the first scholar to raise awareness of the BG concept, where he discovered the emergence of firms exporting 75% of its total sales within only two years after its inception. Instead, Oviatt and McDougall (1994) defined the notion of INVs as a firm attempting to create a competitive advantage through its presence in several foreign markets. The scholars paid particular attention to the age of the firm, especially newly started ones, and their ability to create value rather than the size of their assets (Oviatt & McDougall, 1994). Further, Knight and Cavusgil (1996) put their emphasis on technology-based SMEs that sought to gain international presence directly from the establishment of the firm. Knight (1997) added some criteria that firms needed to fulfill in order to be considered as a BG; the firms should have the ability to generate foreign sales accounting for 25% or more of total sales, be established after 1976, and have initiated export activities within three years after their inception. However, Madsen and Servais (1997) kept a more broad approach by referring to BGs as firms that simply aimed to enter international markets right from their birth. In later years, additional interpretations and extensions have emerged, where some have been merged together based on two different definitions (e.g., Andersson & Wictor, 2003). Considering the seemingly small differences between the concepts of an INV and a BG, both could be perceived as close to similar also in terms of their criteria (Andersson, Evers & Kuivalainen, 2014). Since the essence of both concepts stress the same phenomenon, i.e. the firm’s early internationalization, the notion of a BG and INV will be interpreted as synonymous in this thesis and with respect to the work conducted by different scholars within the field, the original term will be used.

Yet, considering the purpose of this study and Oviatt and McDouguall’s (1994:49) definition of an INV as “a business organization that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”, this is the most suitable definition that therefore will be adopted in the thesis. First, as the definition stresses a clear emphasis on the ability to build a competitive advantage through the possession of resources and
sales activities in foreign markets, it provides the strongest connection to the research problem of examining the linkage between the internationalization process and the creation of competitive advantage. Second, Oviatt and McDougall’s (1994) well-renowned definition of INVs has been a solid foundation for research of INVs among scholars (e.g., Andersson & Wictor, 2003; Coviello & Cox, 2006; Gabrielsson & Gabrielsson, 2013; Fuerst & Zettinig, 2015). Third, Andersson et al. (2014) also stated that most researchers use the term INV due to its broad and universal interpretation of the phenomenon of early and rapid internationalization.

2.2 The Resource-based View within INVs

In order to examine the motives behind why some firms internationalize, most scholars have studied INVs through the RBV of the firm (e.g., Oviatt & McDougall, 1994; Coviello & Cox, 2006; Zhang, Tansuhaj & McCullough, 2009; Bouncken et al., 2015), a notion developed by the scholar Wernerfelt (1984) explaining firm resources through the tangible and intangible assets semi-tied to the firm. Later researchers have also confirmed that the possession of unique assets internally have been crucial for the early internationalization of INVs (e.g., Knight & Cavusgil, 2004; Li et al., 2012), which further emphasize the importance of studying INVs through the RBV. Thus, the RBV becomes a highly relevant and applicable theory in the examination of INVs’ ability to create a competitive advantage through their process of internationalizing into foreign markets.

As the pioneers behind the INV theory, Ovaitt & McDougall (1994) outlined four distinct and equally significant elements explaining its emergence, where the first three elements form the necessary conditions for the emergence of an INV. However, the fourth element, unique resources, remains a crucial condition for a firm to be able to achieve a sustainable competitive advantage. Once an INV successfully has reached the stage of long-term sustainability, its competitive advantage tends to be strong and thus impedes imitation by competitors. The last stage in Ovaitt & McDougall’s (1994) model emphasizing an INV’s sustainable competitive advantage, is directly based on Barney’s (1991) requirements of unique firm resources. In accordance with Barney (1991:102) “a firm is said to have a sustainable competitive advantage when it is implementing a value creating strategy not simultaneously implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy”. Therefore, in order for a firm to reach this stage, four attributes are important; the resources must be valuable, rare, inimitable, and non-substitutable (Barney, 1991). More specifically, the RBV of building a competitive advantage examines the linkage between a firm’s internal resources and their
performance (Wernerfelt, 1984; Barney, 1991), and aims to examine and explain why firms within the same industry vary in their performance (Kraaijenbrink, Spender & Groen, 2010). In opposite to Porter’s (1980; 1985) analysis primarily focusing on firms’ external environment when formulating a competitive strategy, Barney (1991) retained his focus on internal capabilities, particularly idiosyncratic and immobile firm resources when building a competitive advantage. Therefore, Barney’s (1991) framework was based on two assumptions; first, firms within an industry can be considered as heterogeneous based on the strategic resources they possess and second, these resources are not always perfectly mobile across the firm, which in turn may result in long-term heterogeneity (Barney, 1991).

Consequently, the applicability of the theory in today’s rapidly changing environments has been questioned, whereby the scholar as a part of the response to the criticism agreed that the original theory in fact is more appropriate in static environments (Barney & Arikan, 2001). The RBV has also faced various criticisms from scholars questioning its imprecise definitions and too simplistic perspective, which have resulted in ambiguity (Priem & Butler, 2001; Hoopes, Madsen & Walker, 2003; Kraaijenbrink et al., 2010). Thus, there was a need to respond to these challenges before the purpose of the RBV, to fully explain the creation of a sustainable competitive advantage, could be realized. Built upon Grant’s (1991) view of firms’ accumulation, combination, and exploitation of resources to create value, and as an extension of the criticism facing the RBV, scholars have stressed the need to develop a theory connecting the linkage between resource management and value creation (Sirmon et al., 2007).

2.3 Resources and Capabilities Crucial for INVs’ Internationalization

Knight and Liesch (2016) recently manifested that resources, capabilities, and leveraging strategies have a great influence on BGs’ early internationalization, performance and ability to survive in the long-run. In terms of definitions, resources are tangible and intangible assets that may be valued and traded, whereas capabilities are intangible assets that cannot be valued. Since capabilities are tied to the people belonging to a common organization, they are firm specific and can be exchanged only as a part of a whole unit. Consequently, it is the people and performed practices within a firm that create and represent the capabilities and thereby also the ability to integrate, develop, and deploy resources (Makadok, 2001). In this thesis, we interpret the distinction between resources and capabilities by following the suggested definitions.
In particular, several scholars agree on that below resources and capabilities, i.e. experience (e.g., Oviatt & McDougall, 1994; Cavusgil & Knight, 2015), knowledge (e.g., Knight & Cavusgil, 2004; Fuerst & Zettinig, 2015), international entrepreneurial behavior (e.g., McDougall & Oviatt, 2000; Zhang et al., 2009), network relationships (e.g., Coviello & Munro, 1997; Smith, Ryan & Collings, 2012), technological product (e.g., Andersson & Wictor, 2003; Kim et al., 2011), technological and innovative capabilities (e.g., Madsen & Servais, 1997; Kim et al., 2011) and financial resources (e.g., Li et al., 2012) are factors perceived to be of primary importance for the internationalization of an INV. Since human resources, technological resources, and financial resources together with related capabilities, are considered crucial for INVs’ internationalization (e.g., Oviatt & McDougall, 1994; Kim et al., 2011; Li et al., 2012) the following sections will be divided accordingly.

2.3.1 Human Resources and Capabilities

Human resources are among the most important resources of a firm, which have been recognized as a crucial source of their competitive advantage (Saá-Pérez & Garcia-Falcon, 2002). Human resources constitute of various elements such as the individuals’ experience, knowledge and capabilities (Barney, 1991). Several scholars have argued that INVs’ founders have a large impact on the firm’s internationalization process (e.g., Oviatt & McDougall, 1994; Westhead, Wright & Ucbasaran, 2001; Cavusgil & Knight, 2015). Yet, the founders are not the sole persons impacting the INV’s internationalization process, as both partners and people within the INV’s network (e.g., Johanson & Mattson, 1988; Johanson & Vahlne, 2009) and the management team (e.g., Andersson et al., 2014), have proven to influence the internationalization process.

2.3.1.1 Industry and International Experience

Considering human resources, the INVs’ founders are usually great entrepreneurs with international experience (Oviatt & McDougall, 1994; Madsen & Servais, 1997; Cavusgil & Knight, 2015) that possess both tangible and intangible resources (Verbeke et al., 2014). The majority of the founders’ initial resources are gained through experience and education (Verbeke et al., 2014). Westhead et al. (2001) showed that INVs whose founders had a significant level of industry experience were more likely to expand to new markets. The founders’ industry specific experience provides the INV with industry knowledge and an established network including previous customers and suppliers, which in turn give the INV greater possibilities to identify and capture market opportunities both in the domestic and global market (Westhead et al., 2001; Andersson &
Wictor, 2003). Sirmon et al. (2008) extended that discussion by perceiving industry specific human capital, i.e. critical skills for industry success, as particularly vital and concluded that the firm holding the most valuable industry specific skills has the largest opportunity to achieve a competitive advantage. Additionally, if the founders have previous experience of starting their own business within the same industry, it gives the INV additional valuable knowhow about its business space (Westhead et al., 2001). In terms of global experience, founders’ previous international knowledge and international work experience have been argued to influence the internationalization process and the choice of markets (e.g., Andersson & Wictor, 2003; Zhang et al., 2009; Cavusgil & Knight, 2015), thus reducing the psychic distance to new foreign markets (Madsen & Servais, 1997) and the uncertainties and risks associated with internationalization (Zhang et al., 2009). Further, founders’ international entrepreneurial behavior refers to the composition of three relevant capabilities, namely proactiveness, innovativeness, and risk-taking behavior, which are important components of INVs’ internationalization process (McDougall & Oviatt, 2000; Knight & Cavusgil, 2004; Zhang et al., 2009). Moreover, the management teams’ unique composition of resources, competencies, and capabilities, have also been argued to impact the speed of internationalization since these give the firm the advantage to bundle resources from several markets (Andersson et al., 2014).

2.3.1.2 Specific Knowledge and Knowhow

Another key component of firms’ human resources is specific knowledge, and the consolidation of team members’ individual knowledge by forming the core of firms’ organizational capabilities, together constitute an advantage when entering foreign markets (Knight & Cavusgil, 2004). In this context, Grant (1996) considered especially tacit or imperfectly imitable knowledge to be the most crucial and strategic resource of a firm. However, as BGs’ possess limited resources in the initial phase of their establishment (Coviello & Munro, 1997; Bouncken et al., 2015), they may rely heavily on unique know-how to retain the competitive advantage (Barney, 1991). Further, Fuerst and Zettinig (2015) recently argued that stakeholder interaction and cooperation with partners foster experiential learning and accumulation of internationalization knowledge, which indicate the need to explore the dynamics of building international market knowledge further. Yet, the scholars found that technical knowledge of a product with international or global potential was considered most essential for internationalization, whereas international market knowledge was regarded as a capability that could be acquired later through network partners (Fuerst & Zettinig, 2015).
2.3.1.3 Network Relationships

Network relationships is a core component of the firm and has traditionally been stressed as an enabler to overcome barriers in foreign markets, access crucial knowledge, and facilitate accelerated internationalization (e.g., Johanson & Mattson, 1988; Oviatt & McDougall, 1994; Johanson & Vahlne, 2009). With respect to BGs’ often limited possession of resources and their small size and newness, the existence of network relationships has been particularly highlighted as a key factor impacting the internationalization process in terms of speed and growth but also the decision of what foreign markets to enter (Sharma & Blomstermo, 2003; Smith et al., 2012). Further, business networks may facilitate the internationalization process by providing access to local market knowledge and help INVs to lower their expansion costs, which in turn can lower the risks associated with internationalization (Coviello & Munro, 1995). Further, Johanson and Vahlne’s (2009) model connected network with internationalization and shifted focus from overcoming the liability of foreignness towards overcoming the liability of outsidership through ties to relevant business networks. Instead of focusing on uncertainties, the possibility to capture opportunities by developing relationship-specific knowledge and experiential learning were particularly highlighted (Johanson & Vahlne, 2009).

2.3.2 Technological Resources and Capabilities

In addition to human resources, technological resources and capabilities are important elements of an IT firm’s development. Technological resources include IT hardware, software and linkages (Powell & Dent-Micallef, 1997), whereas technological capabilities are entrenched in the firm’s employees and technical systems, which constitute of experience, knowledge, and skills. Technological capabilities are also the drivers behind the creation of innovative capabilities, which in turn may promote product and process enhancements (Jiang, 2014).

2.3.2.1 Technological Product

As a part of technological resources, the product is often seen as a source of BGs’ competitive advantage, where most tend to offer unique products that are specialized to cater to the needs of a niche market (Kim et al., 2011). In most cases, BGs’ have developed a strong product (Andersson & Wictor, 2003) with the ability to target other market segments than MNCs, whom are incapable of meeting the needs of these markets because of their lack of flexibility, which is an important criteria to rapidly gain market shares (Kim et al., 2011). Another main source of a competitive...
advantage is the ability to internationalize with speed, which may be a key factor to become a first mover of a new product in foreign markets (Gabrielsson & Kirpalani, 2004; Bouncken et al., 2015).

2.3.2.2 Technological and Innovative Capabilities

In order to enable a unique and superior product offering, global technological competence and innovation are crucial capabilities to possess. In turn, global technological advancements allow BGs as small-scale firms to efficiently serve market needs and leverage their ICT, which also facilitate communication with partners and customers (Knight & Cavusgil, 2004). Usually, BG firms are known to compete on quality and value, built upon highly innovative technology, access to crucial Research and Development (R&D) and distinct product design, which enable them to target niche markets (Madsen & Servais, 1997) and to sustain their growth (Andersson & Wictor, 2003). As suggested by Li et al. (2012) INVs’ early internationalization is driven by their ambition to maintain and enhance their innovative capabilities, which is particularly evident in technology industries characterized by short product life cycles and the need to rapidly launch products on new markets before the phase of stagnation. Thus, innovation has the effect of helping INVs to survive competition and their innovativeness may also be significantly improved through a strong customer orientation. By effectively managing their internal technological capabilities based on externally acquired customer information, BGs may therefore strengthen their innovativeness (Kim et al., 2011). Moreover, the founders’ personal traits are other important factors impacting the technological intensity and risk-propensity of a firm, which in turn have implications for its early internationalization (Li et al., 2012).

2.3.3 Financial Resources and Capabilities

A third pillar of the firm’s resource base is financial resources, i.e. the capitalization of a firm, as a critical component affecting the growth and performance of a firm. The composition and level of access to internal or external funding determine the firm’s ability to invest in its business, people, customers, and other stakeholders (Jiang, 2014). Nevertheless, since limited financial resources often characterize BGs during its inception, many tend to rely on intangible and valuable capabilities to enable internationalization (Knight & Cavusgil, 2004). Also, Coviello and Cox (2006) argued that the dependency on financial resources is particularly lower among knowledge-based firms. Yet, Li et al. (2012) claimed that resource scarcity is more problematic for high-tech IT firms, whose businesses require access to considerable financial and technological resources to ensure sufficient levels of R&D.
2.4 Phase Perspectives of Creating the Competitive Advantage through Internationalization

In regards to above discussed resources and capabilities crucial for the internationalization of a firm, the RBV is insufficient to fully explain the creation of a competitive advantage (Sirmon et al., 2007). Therefore, the linkage between the internationalization process and the creation of a competitive advantage will be discussed through relevant phase perspectives, which will provide a framework to explain the processes both from a separated and integrated perspective.

2.4.1 Phases of Creating the Competitive Advantage

As a way to address the criticism against the RBV, Sirmon et al. (2007) extended the RBV by integrating the linkage between value creation in dynamic environments and firms’ resource management activities. By emphasizing the possibility that two competitors may possess a similar stock of resources, the scholars argued that the factor differentiating one from the other is its resource management activities. Thus, Sirmon et al. (2007) stated that resource management actions are critical for a firm in order to build and sustain the competitive in the long-term. Moreover, the researchers suggested that resource management could be described as the process of structuring the resource portfolio of the firm, then bundling the resources in order to build capabilities, and in turn leveraging the capabilities to promote and maintain value creation (Sirmon et al., 2007).
As seen in table 1, the first step of the process, i.e. structuring the resource portfolio, refers to the processes of acquiring, divesting, and accumulating resources. The intention of this step is to capture the resources the firm will need to establish capabilities and sustain value creation. The second step, bundling, involves the processes of stabilizing, pioneering, and enriching, which aim to incorporate and combine resources to create capabilities. The last step, leveraging, encompasses a set of processes such as coordinating, deploying, and mobilizing. This step seeks to enable firm’s exploitation of capabilities in order to capture benefits and emerging market opportunities. Yet, despite that all steps and components of the resource management process are of equal importance, it is even more crucial that the integration of all components are synchronized in order to optimize the firm’s value creation (Sirmon et al., 2007). Further, Sirmon et al. (2007) mean that suitable modifications along the process are necessary and that customer feedback is one of the most crucial factors in order to create the greatest value and gain a competitive advantage. Besides, with respect to external changes that could affect the value creation process within the firm, INVs need to efficiently respond to competitive actions from rivals or uncertainties in their external environment.
by adopting an appropriate leveraging strategy accordingly in order to realize and sustain their competitive advantage (Sirmon et al., 2007; 2008).

2.4.2 Phases of Growth and Internationalization

Within the field of management research, scholars have highlighted firms’ different growth and development phases for several decades (e.g., Greiner, 1972; Kazanjian, 1988; Kazanjian & Drazin, 1989). For example, Kazanjian (1988) examined technology-based new ventures’ growth patterns and the empirical result revealed four distinctive phases of development; conception and development, commercialization, growth, and stability. The first phase is the initial period of a new venture, which is characterized by an entrepreneurial spirit where the firm focuses on the business idea, the development of a technology or product prototype, and the search for funding. The product development intensifies significantly during the next phase, i.e. the commercialization phase, where specific learning in relation to the product or technology becomes very crucial. In the end of the second phase, the firm’s product or technology will be ready to be launched on the market. After that, the firm will enter the growth phase, a period that is characterized by high growth where the firm needs to find the appropriate balance between profit and future growth in order to sustain their operations. At the time the growth rate of the new venture has reached a level equivalent to the market growth, the last phase of stability will occur (Kazanjian, 1988).

Yet, several scholars within the field of INV (Levie & Lichtenstein, 2010; Gabrielsson & Gabrielsson, 2013; Gabrielsson, Gabrielsson & Dimitratos, 2014) have raised criticism toward the previous growth models (e.g., Greiner, 1972; Kazanjian, 1988; Kazanjian & Drazin, 1989). Since the earlier models only emphasize growth in terms of size and not in terms of internationalization into foreign markets, scholars have primarily questioned the absence of an international orientation (Gabrielsson & Gabrielsson, 2013; Gabrielsson et al., 2014). Further, the linearity and the number of stages within the previous growth models have also been criticized (Levie & Lichtenstein, 2010). However, recent scholars have argued that INVs also develop through phases, but by both growing in size and international presence simultaneously (Coviello, 2006; Mathews & Zander, 2007; Mainela, Pernu & Puhakka, 2011).

Gabrielsson and colleagues (2008) extended the pattern of internationalization among BGs by proposing a framework that describes how BGs behave and develop through certain phases, namely the introductory phase, growth and resource accumulation phase, and the break-out phase. The first phase, characterized by the introduction and establishment of the BG, refers to the stage in where
the BG possesses limited resources and a less developed organizational structure but attempts to recognize its opportunities to develop. In this stage, firms tend to rely on unique capabilities and tacit knowhow combined with founders’ experiences and entrepreneurship to source their competitive advantage and develop a unique product offering catered to serve the needs of a global market. Yet, many firms lack financial resources and the international market knowledge needed at this stage, which make the identification of an appropriate network and channel strategy crucial, where MNC collaboration is perceived to have the greatest impact on BGs’ continuous and rapid growth. In the second phase, business partners and members within the network facilitate the BG’s learning process and its ability to accumulate resources. This, together with the firm’s product or service offering, which is often new to the market, impact its ability to grow, its potential to become a global industry player and its level of preparedness to internationalize into global markets. Finally, if managing to reach the third phase, which is emphasized by leveraging the organizational learning and experiential knowledge gained from serving global customers, BGs tend to undertake a break-out strategy with the aim to position themselves as a global market player. In this phase, two crucial and mutually dependent conditions must be considered if the BG will continue to grow as a sustainable and successful firm; its possession of a global vision and ability to manage resources and commitments effectively. Another enabling factor during this stage is the reliance on previously established plans and strategies, which together with the two conditions stress the need to collaborate with customers and acquire additional resources, financed either internally or externally (Gabrielsson et al., 2008).

Nevertheless, Gabrielsson and Gabrielsson (2013) implied the need to extend previous findings of INVs’ phases of growth towards maturity by deepening the understanding of the dynamics impacting their growth and survival. Thus, based upon a study of high-tech business-to-business INVs, the empirical findings of the case firms outlined four stages; INV creation, commercialization and foreign entries, rapid growth and foreign expansion, and rationalization and foreign maturity. Further, the analysis disclosed that the INVs initially have a particular management and foreign business problem, such as the ability to capture the business opportunity, develop their first client-approved product, or access funding or enabling the first revenue, which need to be solved before they can develop to the next phase. Initially, the point of departure is built around the entrepreneurs’ experiences, knowhow, and established networks. In terms of business opportunities, these are developed out of innovation and the product is improved by being tested in foreign markets and co-created with customers to receive their input. When entering the second phase, the managerial problems facing the case firms are primarily successful commercialization
and a strong tendency to rely on network partners. The third phase is characterized by the ability to overcome the challenges of how to enable rapid growth when internationalizing, manage scale efficiency, and continue to expand globally but simultaneously reduce network dependency. In the last phase, the major issue of the firm is the coordination of activities across markets to achieve synergy effects (Gabrielsson & Gabrielsson, 2013).

2.4.3 Integrated Phases of Creating the Competitive Advantage through Internationalization

As a response to address the prevailing research gap of explaining INVs’ internationalization process and simultaneously provide an understanding of the linkage to the creation of sustained competitive advantage, Schweizer (2014), recognized the need to integrate the processes. Based on a case study of a Swedish INV, Schweizer (2014) illustrated how its competitive advantage could develop through instant and continuous internationalization. The research evaluates the resource management activities and processes examined by Sirmon et al. (2007; 2008) and connect these with different phase perspectives (e.g., Kazanjian, 1988; Gabrielsson & Gabrielsson, 2009), where his findings manifest an interlinked process consisting of three phases (Schweizer, 2014). The first phase, i.e. the conceptualization process, is the initial period when the INV understands that an international focus is critical to create customer value and build the competitive advantage, which make the appreciation of required resources and capabilities an important factor. Yet, the length of the first phase varies significantly depending on specific factors and internal capabilities, such as the founders’ and the management teams’ previous experience and the INV’s established network. During the second phase, the INV focuses on creating their competitive advantage by structuring and bundling their resources and capabilities through expansion to foreign markets. Last, the INV enters the third phase, where foreign expansion and new market opportunities are realized through the firm’s process of leveraging its competitive advantage (Schweizer, 2014).

2.5 Theoretical Summary

Based on the discussion of previously conducted research in the field of IB and the outlined theoretical framework, these together constitute an appropriate framework to analyze and examine the linkage between the internationalization process and the creation of a competitive advantage. The main theoretical findings have been summarized in figure 1, which integrates the impact of the firm’s specific and valuable resources and capabilities with the selected phase perspectives together emphasizing the creation of the firm’s competitive advantage, its growth, and
internationalization process. Thus, the incorporated theoretical framework provides a comprehensive foundation applicable to examine the research problem.

**Figure 1: Theoretical Summary of Phase Perspectives and Crucial Resources and Capabilities**

| Kazanjian (1988) | Human Resources & Capabilities
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Growth Phases</td>
<td>Industry and International Experience: e.g., Oviatt &amp; McDougall, 1994; Andersson &amp; Wictor, 2003; Cavusgil &amp; Knight, 2015</td>
</tr>
<tr>
<td>Kazanjian (1988)</td>
<td>Network Relations: e.g., Covello &amp; Munro, 1997; Sturma &amp; Blomsdorff, 2003; Smith, Ryan &amp; Cullings, 2012</td>
</tr>
</tbody>
</table>

| Gabrielsson et al. (2008) | Technological Resources & Capabilities
<table>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Internationalization Phases</td>
<td>Technology Product: e.g., Andersson &amp; Wictor, 2003; Kim et al., 2011</td>
</tr>
<tr>
<td>Gabrielsson &amp; Gabrielsson (2013)</td>
<td>Technological and Innovative Capability: e.g., Madsen &amp; Servais, 1997; Kim et al., 2011</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gabrielsson &amp; Gabrielsson (2013)</th>
<th>Financial Resources &amp; Capabilities: e.g., Li et al., 2012; Jiang, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internationalization Phases (extended)</td>
<td>1. INT creation</td>
</tr>
<tr>
<td>Gabrielsson &amp; Gabrielsson (2013)</td>
<td>2. Commercialization and Foreign Entries</td>
</tr>
<tr>
<td>Gabrielsson &amp; Gabrielsson (2013)</td>
<td>3. Rapid Growth and Foreign expansion</td>
</tr>
<tr>
<td>Gabrielsson &amp; Gabrielsson (2013)</td>
<td>4. Rationalization and Foreign Maturity</td>
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<tr>
<th>Sirmon et al. (2007)</th>
<th>Phases of Growth and Internationalization</th>
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<tr>
<td>Competitive Advantage Phases</td>
<td>Phases of Creating the Competitive Advantage</td>
</tr>
<tr>
<td>Sirmon et al. (2007)</td>
<td>Integrated Phases of Internationalization and Competitive Advantage</td>
</tr>
<tr>
<td>Schweizer (2014)</td>
<td>Integrated Phases of Creating the Competitive Advantage through Internationalization</td>
</tr>
</tbody>
</table>

**Source:** Figure compiled by authors.
3. Methodology

This chapter outlines and motivates the choice of research methodology to conduct the study. The adopted research approach and design driving the research process, the selected research units, and the techniques used to gather data are also presented. Additionally, the chapter describes the chosen strategy to analyze the data and the criteria used to ensure the quality of the study.

3.1 Research Approach

The aim of this thesis is to examine the linkage between the internationalization process and the creation of a competitive advantage, therefore these two phenomena will be studied in relation to each other. Yet, when considering the two concepts, scholars have tended to study them respectively (e.g., Oviatt & McDougall, 1994; Madsen & Servais, 1997; Barney, 1991; Sirmon et al., 2007; Gabrielsson et al., 2008). Thus, there is a prevailing research gap regarding the two phenomena where these previous studies have been insufficient to provide an understanding of the linkage (Schewizer, 2014). At least not to our knowledge, no similar study has yet been conducted in this context and there is thus a need to strengthen research when applying the topic in an Indian context (Kim et al., 2011; Kumar & Yakhlef, 2014). Since this specific study is yet an unexplored field, the thesis will be conducted by an exploratory research approach with the intention to diminish the research gap by contributing with novel insights and a deeper understanding of the linkage. The choice of this approach is also appropriate when the research problem is referred to as less perceivable, which requires flexibility and openness in order to obtain relevant information and subsequently form explanations (Ghauri & Grønhaug, 2010).

In regards to the purpose of the study, the nature of the research problem is more process-oriented, interpretative, and investigative, rather than hypothetical and logical. Therefore, a qualitative method is more suitable in such context, whereas a quantitative method would not enable the same depth of understanding since focus is more on testing and verification of facts (Ghauri & Grønhaug, 2010). Moreover, a qualitative method is especially appropriate in cases when the research question is based on ‘how’ or ‘why’ (Ritchie & Lewis, 2003) and when the researcher attempts to examine complex research problems (Eriksson & Kovalainen, 2008). Further, in regards to the aim of the study, the research process requires flexibility and a critical mindset in order to ensure accurate interpretation, comparison, and analysis of the empirical data, which argue for the choice of a qualitative research strategy.
The qualitative strategy is often dominated by an inductive logic, where theory generation is regarded as an outcome of business research (Ghauri & Grønhaug, 2010). Since the topic is novel and findings remain modest, the empirical data has been the key factor driving the research process and the subsequent development of a theoretical framework in this thesis. Yet, solely an inductive logic is uncommon and the research process often encompasses different types of logic reasoning, where the abductive approach combines the inductive logic with deductive by systematically combining the components of the research process (Eriksson & Kovalainen, 2008). As a starting point, ample research to conduct a literature review was needed to obtain a decent theoretical understanding of the topic before the initial phase of data collection begun. Also, throughout the process of research there has been a pending movement between the empirical findings and the generated theory in order to decide on an appropriate theoretical framework. That is, in order to comply with the empirical data, the theoretical framework has been constantly revisited and modified along the research process as novel findings have been made. For instance, the empirical findings indicated a need to render a deeper understanding of the growth of the firm, whereupon Kazanjian’s (1988) theory was added despite its exclusion of the internationalization element. Therefore, the chosen logic has been abductive, which can be seen as the logical reasoning behind an exploratory research approach (Eriksson & Kovalainen, 2008). This logic is a justified tool to use when seeking to approach the core of the research problem in a gradual manner. The abductive approach is also beneficial when the researcher is striving to capture opportunities to render new and multiple findings of a phenomenon and still be able to make appropriate interpretations and draw relevant conclusions (Eriksson & Kovalainen, 2008).

### 3.2 Research Design

Research design refers to the comprehensive plan and the strategy undertaken to find a solution to the conceptual research problem, hence it also refers to the overall research process in order to reach the empirical findings (Ghauri & Grønhaug, 2010).

#### 3.2.1 Multiple Case Studies

In order to examine the phenomena of how Indian IT INVs manage to internationalize into foreign markets and build their competitive advantage, case studies is a natural choice that facilitate a more detailed and deeper understanding of the topic (e.g., Yin, 1994; Ghauri & Grønhaug, 2010). Further, the case study approach is commonly used in business research (Eisenhardt & Graebner, 2007), where the multiple case study design has been significantly popular (Bryman & Bell, 2011).
Yet, two of the most obvious disadvantages by studying several case studies are the considerably greater time and resource requirements (Yin, 1994) on the same hand as a single case study may provide a deeper level of investigation (Dyer & Wilkins, 1991). However, single case studies often necessitate full access to gather case study evidence (Yin, 1994) and there are many reasons that argue in favor of multiple case studies in our case. First, multiple case studies facilitate the discovery of unique features by studying each case in an individual yet systematic manner. Second, studying the same topic within different case firms enables comparison of findings to disclose different dimensions or common features, which in turn render a better understanding of the phenomenon. Third, multiple case studies also improve the ability to reflect, replicate the phenomenon, and draw conclusions of the empirical results (Bryman & Bell, 2011). Last, if providing a broader scope without foregoing the depth and uniqueness of each case, multiple case studies tend to generate more robust evidence thus strengthening the validity of the study (Yin, 1994).

3.2.2 Research Unit
The empirical findings are based on case studies of three different Indian IT INVs; I-exceed, Technoforte, and Sapience Analytics. All three firms are headquartered in India and have expanded their operations into foreign markets shortly after their inception (I-exceed, 2016; Technoforte, 2016; Sapience Analytics, 2016). Before the initial process of approaching potential case firms, certain criteria were developed in accordance with our research problem in order to find case firms appropriate for the study. These stated that the INVs should; 1) operate in the IT industry and be founded in India after the 2000s 2) already have internationalized, preferably within three years from their inception 3) have some kind of physical presence in foreign markets 4) employ approximately 50-200 people. In addition, the firms needed to be present in Bangalore and able to meet us for face-to-face interviews. During the process of searching for INVs fulfilling these criteria, different channels were used in order to increase the scope and probability of finding a good sample corresponding to the purpose of our study. For instance, we used different webpages listing prominent and young Indian IT firms on the same hand as we approached well-renowned researchers within the field that had established contacts in the Indian IT industry. We also contacted India’s National Association of Software and Services Companies (NASSCOM), with an extensive network of approximately 1,400 firm members. As a result, we managed to list and contact a sampling frame of approximately 50 Indian IT firms with potential fit with our study. Out
of the total respondents accepting to participate in our study, these three specific case firms were selected as the most interesting and suitable ones for our study.

All three firms managed to fulfill each criterion, which argued for their applicability to our study. The outlined criteria also constituted a facilitating tool enabling cross-comparison of the cases, since they all had some similarities in terms of age, size, industry characteristics, and the process of expanding into foreign markets. Besides, all three firms also seemed to possess an interesting process of development disclosing some attributes resembling those of previously studied IT firms, such as the development of an innovative product offering (e.g., McDougall & Oviatt, 2000; Knight & Cavusgil, 2004), which further stressed the importance of studying these firms. Yet, all firms also seemed to have distinct differences and unique features thus making them appropriate for our investigation of the ability to build a competitive advantage through unique resources and capabilities. In terms of the internationalization process, the mere fact that they were IT firms located in Bangalore, India’s own Silicon Valley known for its software INVs and ties to the global market (Kim et al., 2011), made them relevant to study.

3.3 Data Collection Method
Following the nature of a qualitative research method and in accordance to Ghauri and Grønhaug’s (2010) recommendation, the techniques driving the data collection have been selected accordingly by conducting semi-structured interviews, which have been triangulated and complemented with secondary data.

3.3.1 Semi-Structured In-depth Interviews
Considering the purpose of this study, the data collection method requires an identification and examination of the firm’s embedded internal resources and capabilities. Therefore, semi-structured in-depth interviews are the most suitable choice to reach the level of profoundness needed to explore the research problem and ensure sufficient contributions to research. There is also a dominant trend within qualitative methods to use interviews as data collection method (DiCicco-Bloom & Crabtree, 2006; Qu & Dumay, 2011), and the method has several advantages (Bryman & Bell, 2011). First, in-depth interviews is the best way to collect data when it is important to relate certain issues to individual personal circumstances and understand motives behind decisions (Ritchie & Lewis, 2003). Second, semi-structured interviews enable cross-case comparability, since the logic and main questions are the same in all interviews. Third, the method still gives a
great level of flexibility to explore new additional questions that are more company-specific and subjects that the interviewees consider to be important (Bryman & Bell, 2011). Yet, semi-structured interviews also have some drawbacks. Even though the method is considered systematic, comparison of the empirical results can still be difficult since the interviewees may answer open questions based on their own interpretations of the same question (Eriksson & Kovalainen, 2008). As we have been aware of the drawbacks and acknowledged their existence, we have attempted to minimize this effect throughout the interview process by adapting to this accordingly and paying careful attention to how questions have been stated and interpreted.

3.3.1.1 Interview Guide

Prior to the field study, we developed an interview guide in line with Ritchie and Lewis’ (2003) recommendation, in order to conduct the interviews in accordance to the research problem, to ensure that important areas would be covered in the interviews, and to increase the consistency of the interview process. The interview guide was based on a comprehensive literature review to extend our understanding of the topic and examine the areas in relation to the chosen case firms. The interview guide was based on five themes, all related to the research problem, but developed through different perspectives in order to capture the essence of the topic from several angles. The guide was structured in the following manner; 1) the background of the interviewee 2) the company and the industry 3) the uniqueness of the company’s internal resources and capabilities 4) the internationalization process and international partnerships 5) the integrated process of internationalizing and building the competitive advantage. A comprehensive list of the interview questions can be found in appendix 1.

3.3.1.2 The Interview Process

The data collection of the case firms was gathered through two in-depth interviews with each of the three selected companies, which were complemented with secondary data. In order to understand the uniqueness of each case firm’s process thoroughly, without doing a trade-off between depth and breadth, an extensive length of each interview was significant. The first three interviews were conducted in Bangalore, India between the 11th and 17th of March, 2016 and each interview lasted between 90-120 minutes. The choice of firm representatives during the interview process was based on DiCicco-Bloom and Crabtree’s (2006) argument that the selected interviewees should share some crucial similarities in respect to the research problem. Accordingly, the interviewees needed to have a deep understanding of the firm’s internationalization process and embedded internal capabilities, in order to contribute to our research. The participants also needed
to hold a senior management position within the company and had worked at the company since the inception or its first phases of development. As seen in table 2 below, the interviewed representatives were Sanjay Kikla, Chief Executive Officer (CEO) and co-founder at Technoforte, Subhir Babu, Head of Product Development (HPD) at I-exceed, and Ranjit Nambiar, Senior Vice President of Sales (SVPS) at Sapience Analytics. All representatives were included in the firms’ management team and had been part of the companies since their early years of establishment. Later, three more interviews were conducted from Sweden through Skype, between the 15th and 29th of April, 2016. These interviews contributed to new perspectives of the same topics seen from another person’s point of view, completed certain gaps that were discovered after processing the empirical findings, and increased the validity of the research. The interviewees were Yogesh Pathak, co-founder and Director of the Product Group at Technoforte, Sundar Sundararajan, co-founder and Director at I-exceed, and Swati Deodhar, co-founder and Chief Procurement Officer (CPO) at Sapience Analytics.

Table 2: Case Firm Interviews

<table>
<thead>
<tr>
<th>Case Firm</th>
<th>Person</th>
<th>Position</th>
<th>Location</th>
<th>Date</th>
<th>Length of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-exceed</td>
<td>Subhir Babu</td>
<td>HPD</td>
<td>Bangalore, India</td>
<td>March 14th, 2016</td>
<td>102 min</td>
</tr>
<tr>
<td>I-exceed</td>
<td>Sundar Sundararajan</td>
<td>Director &amp; Co-founder</td>
<td>Skype, Sweden</td>
<td>April 27th, 2016</td>
<td>57 min</td>
</tr>
<tr>
<td>Technoforte</td>
<td>Sanjay Kikla</td>
<td>CEO &amp; Co-founder</td>
<td>Bangalore, India</td>
<td>March 11th, 2016</td>
<td>118 min</td>
</tr>
<tr>
<td>Technoforte</td>
<td>Yogesh Pathak</td>
<td>Director of Product Group &amp; Co-founder</td>
<td>Skype, Sweden</td>
<td>April 15th, 2016</td>
<td>63 min</td>
</tr>
<tr>
<td>Sapience Analytics</td>
<td>Ranjit Nambiar</td>
<td>SVPS</td>
<td>Bangalore, India</td>
<td>March 15th, 2016</td>
<td>98 min</td>
</tr>
<tr>
<td>Sapience Analytics</td>
<td>Swati Deodhar</td>
<td>CPO &amp; Co-founder</td>
<td>Skype, Sweden</td>
<td>April 29th, 2016</td>
<td>51 min</td>
</tr>
</tbody>
</table>

*Source: Table compiled by authors*

Additionally, except from those with the chosen case firms, three more interviews were held in Bangalore to gain as deep understanding of the Indian IT industry as possible. As illustrated in table 3 below, one interview was held with the Vice President (VP) of NASSCOM and two interviews were conducted with Geometric Global, a large Indian IT firm. The intent of the
interview with NASSCOM was to obtain a solid foundation for better understanding the topic from an industry perspective and the common attributes that subsequently could be identified from the cross-case analysis, which might be explained by the industry. Considering the interview with Geometric Global, the firm did not align with all our criteria as they were established before 2000 and had more than 200 employees. Yet, the interviews were held to give us a deeper understanding of how another firm within the same industry successfully had managed to capture and sustain their competitive advantage through internationalization.

Table 3: Additional Interviews

<table>
<thead>
<tr>
<th>Organization</th>
<th>Person</th>
<th>Position</th>
<th>Location</th>
<th>Date</th>
<th>Length of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>NASSCOM</td>
<td>K S Viswanathan</td>
<td>VP</td>
<td>Bangalore, India</td>
<td>March 17th, 2016</td>
<td>72 min</td>
</tr>
<tr>
<td>Geometric Global</td>
<td>Priyanka Sahay</td>
<td>Client Partner</td>
<td>Bangalore, India</td>
<td>March 16th, 2016</td>
<td>110 min</td>
</tr>
<tr>
<td>Geometric Global</td>
<td>Vinrod Sharma</td>
<td>Vertical Head</td>
<td>Bangalore, India</td>
<td>March 16th, 2016</td>
<td>43 min</td>
</tr>
</tbody>
</table>

Source: Table compiled by authors

3.3.2 Secondary Data

The in-depth semi-structured interviews were complemented with secondary data that derived from corporate material such as corporate presentations and customer lists, but also information accessed through the firms’ webpages, news articles, and industry reports. The secondary data enabled triangulation of the collected data, which in accordance to Ghauri and Grønhaug (2010) has the benefit of improving the validity of the research. The secondary data collection also enhanced the time efficiency of our study, since the topics that we could identify and examine through secondary data did not need to take significant time from the interviews.

3.4 Data Analysis

As we have followed an iterative process by pending between the empirical findings and theoretical framework throughout our research process, using an abductive strategy during the data analysis was a natural choice. Hence, the data has been collected and analyzed simultaneously to gradually
deepen interpretation and understanding of the research problem, which is a commonly used approach in qualitative research (Ghauri & Grønhaug, 2010).

In order to strengthen the quality of the data analysis, all interviews have been recorded and transcribed, which have been complemented with written notes during the interviews and summaries written as reflections afterwards. With the aim to reduce personal bias and strengthen objectivity during the data analysis, we shifted roles along the process. For instance, the transcription was undertaken by the person previously taking notes and not the interviewer that had been more involved in the interaction with the company, whom often already possessed a deeper understanding of its process of development. After the transcription, the collected data was discussed, analyzed, and compared with previously written notes and recorded data to ensure a thorough interpretation of the case firm and to assure that different perspectives had been taken into account, as a way to triangulate the data through multiple analysis.

To structure and facilitate the analysis process, the data was classified into different categories based on its meaning and theoretical implication thus symbolizing specific themes that had been identified or started to emerge. To illustrate an example, when the interviewee described the process of establishing their first office abroad, the passage was coded as ‘international offices’. Yet, the person could simultaneously and indirectly unfold what internal capabilities that were most crucial during that stage in line with Sirmon et al’s (2007) resource management theory, whereupon that section was coded as ‘accumulation of resources and capabilities’ as well, as a way of triangulating the classification of the data to generate a more holistic view. As such, the classification was done in accordance to the research problem and theoretical framework, where the data was first broken down and coded independently and then compared with the data collected from the other case studies, which strengthened the validity of our study. In regards to the above classification process and the research problem, the empirical findings were structured from a process perspective in a chronological order, where each case firm was presented separately and certain activities, resources, and capabilities, were outlined under each step of the process. The structure enabled a deeper understanding of each case firm and ensured that parts were sufficiently developed in regards to relevant contextual implications, which provided a better foundation to capture linkages between certain resource activities and foreign market expansions in line with the purpose of the thesis.
The quality analysis of the empirics was done in accordance with Eriksson and Kovalainen’s (2008) suggestion of first conducting an within-case analysis of each case to draw a general description of the case firm’s process of development and depict its specific resources and capabilities, followed by a cross-case analysis to disclose differences and similarities and thereby be able to discern patterns, conceptualize, and provide explanations of the process. The analysis chapter has been structured in line with this reasoning, which has enabled a deeper analysis of the findings without risking that important parts have been lost or underdeveloped. Instead of purely presenting a cross-case analysis, this dual approach of analyzing has thereby also strengthened the quality and transparency of our findings and thus rendered a higher level of trustworthiness and validity.

Despite that our topic is studied in a novel context, comparing the data with previous studies also proved useful in the process of finding conceptual linkages and identify common passages. Moreover, as the analysis of the data was initiated directly after each interview, it provided us with valuable guidance when conducting subsequent complementary interviews. To diminish risks of manipulation or bias, additional interviews were conducted with each case firm as an opportunity to ensure that all relevant questions had been asked and that every identified classification had been equally and thoroughly developed in each case study. In turn, the data analysis followed an iterative manner, which enabled us to investigate the similarity of the content and analysis of each case study. Another important aspect strengthening the quality of the analysis is the fact that all respondents’ answers have remained the same as they were initially expressed.

**3.5 Validity and Reliability**

There exist several methods of assessing the research quality and it is crucial that the method is compatible with the nature of the research (Eriksson & Kovalainen, 2008). There have been large disagreements among researchers regarding the relevance of applying the classic criteria of validity and reliability in qualitative research (Eriksson & Kovalainen, 2008; Bryman & Bell, 2011). Some argue (e.g., Lincoln & Guba, 1985) that reliability and validity are not feasible criteria to assess the quality in qualitative research, whereas others (e.g., Ritchie & Lewis, 2003; Yin, 2014) argue that the application of the classic criteria could be done through a qualitative perspective.

In a qualitative context, validity refers to whether the research is correct (Eriksson & Kovalainen, 2008) and consists of two dimensions; internal validity and external validity. The internal validity examines whether the study is portraying the reality (Ritchie & Lewis, 2003). In accordance with scholars’ recommendations to uphold internal validity (e.g., Eriksson & Kovalainen, 2008; Bryman
some critical measures have been taken into account throughout the research process. First, the empirical findings have been verified through respondent validation, where each case firm has received the empirical findings in order to confirm and validate that we have understood and interpreted the data correctly. Through the validation, we have minimized empirical inaccuracies and wrongly interpreted data, which have improved the internal validity. Second, the empirical findings have been triangulated through the use of different data collection methods by combining in-depth interviews with secondary data to ensure a more holistic perspective. Third, in order to gain deeper insights and be able to describe a more realistic picture of our topic supported by others than our case firms, an interview was conducted with the industry organization NASSCOM, which in turn have strengthened the internal validity. Nevertheless, it is important to be aware of the risk of making biased interpretations and the impact we as researchers could have had on the result of the study. For example, by studying the linkage between the internationalization process and the creation of a competitive advantage, we acknowledge that it is an abstract and rather complex topic and interpretation depends much on individuals’ perception of what is considered as unique capabilities. Therefore as the fourth measure, we have critically assessed our position as researchers and attempted to diminish the risk of personal bias by triangulating our roles as researchers along the process in order to compare the findings, capture different interpretations, and to uphold validity. Yet, two other potential risks against the validity are our background and limited experience as researchers examining a specific phenomenon in an Indian context with considerable distance to our own culture. However, if being aware of these risks, we reason that this in fact constitute a greater advantage since we therefore approach the context with great openness and curiosity but without previous perceptions, which have facilitated the ability to improve objectivity.

The second dimension of validity, external validity, refers the study’s potential to be generalized beyond the actual study (Ritche & Lewis, 2003). The case study approach has been argued to have low potential to achieve generalization that would hold for a certain population (Yin, 2014). Nevertheless, Yin (2014) argued that another way of looking at generalization is analytic generalization, which is the generalization of theory. As suggested by Yin (2014), we conducted a thorough literature review prior to the empirical gathering in order to gain a deeper understanding of the research problem and make new contributions to research. Thus, if the empirical findings support either the chosen theory or another theory, theory testing and theory development on a conceptual level can occur where the research has the potential to achieve analytical generalization. Further, the replication logic within the multiple case study approach has also been argued to
enhance the external validity (Yin, 2014), where the three case firms enabled us to conduct an in-case analysis of each case, cross-case analysis of them combined, and a comparison with the theoretical framework. We have thereby been able to disclose dimensions or common features and provide conceptualizations in line with analytical generalization.

The second component of the classic criteria of quality assessment, reliability, refers to the study’s potential to be replicated through the use of similar methods and with equivalent result (Eriksson & Kovalainen, 2008). In order for other researchers to replicate the research process and thus increase the reliability, all interview material, summaries, and field notes, are available for them to take part of. Last, we have also used various forms of triangulation, respondent validation, and examined our role as researchers as measures to secure the reliability of the research.
4. Empirical Findings

This chapter presents the data collected from the interviews with the case firms and complementary secondary data. The intent is to illustrate a legitimate and nuanced picture for understanding how the linkage between the internationalization process and the creation of a competitive advantage may be built within an INV. First, the most relevant data collected from each case firm will be presented separately, followed by timeline of each firm’s process. Then, a compilation of the key empirical findings from all three case firms will be provided to facilitate comparison and understanding.

4.1 The Indian IT industry

Approximately 10,000 of India’s 15,000 IT companies are SMEs or emerging start-ups employing less than 200 people (Interview NASSCOM, 2016). Since the 2000s the Indian IT industry has undergone a rapid change. First, general supportive IT services emerged in India in the 2000s as a response to the global IT systems that required a huge upgrade, referred to as the Y2K issue (Contractor et al., 2015). Later, from 2010 and onwards, the Indian IT industry has changed completely as a result of the digital evolution impacted by the four technologies of Social media, Mobility, Analytics and Cloud (SMAC) (Interview NASSCOM, 2016). In turn, the digital SMAC era has shifted the way global businesses are done and advanced the capability requirements of Indian IT firms, which have enabled Indian IT firms to capture new emerging business opportunities (NASSCOM, 2014). Before, customers sought for scalable skills and sourced people to perform tasks (Contractor et al., 2015) whereas now, people want to source innovation capacity from small Indian IT firms to keep up with the SMAC wave (NASSCOM, 2015b). However, the founders of most Indian IT start-ups are young and despite their technological and innovative capabilities, many lack the industry knowledge generated by experience (NASSCOM, 2016), which is a key factor for an Indian IT firm trying to capture the global digital transformation. According to the VP, “Another feature of the majority of Indian IT firms is their international focus, where few stay domestic at the inception and many choose the US market as their first foreign market because of its risk propensity and openness towards technology and innovation” (Interview NASSCOM, 2016).

4.2 Case Firm A: I-exceed

4.2.1 Company Background and Competitive Advantage

I-exceed Technology Solutions Pvt Ltd is a product technology and service company established in Bangalore, India in 2011 (I-exceed, 2016). The company is headquartered in Bangalore and has
one additional domestic office in Mumbai and two international offices in Singapore and the US. Today, the company employs approximately 170 people across all four locations. During the years, I-exceed have developed their international presence in several international markets such as the Asian Pacific American Coalition (APAC) region, Africa, and the US (Interview I-exceed, 2016). The company operates across two business lines; services and products. Based on I-exceed’s flagship product Appzillon, the company offers two product solutions to their customers. The first solution is a feature rich and flexible cross-platform suited to build apps for smartphones, browsers, and tablets for both end customers and internal users. The second is a pre-build solution developed for the banking industry. The firm also offers consulting services within banking, finance and insurance (I-exceed, 2016).

The main source of I-exceed’s competitive advantage is their core product Appzillion. Their people and their unique capabilities are regarded as a truly differentiating resource, where the ability to retain an experienced core team that has been with the company since the beginning, has been highly prioritized. In terms of I-exceed’s unique core capabilities, their industry specific experience and innovation are the strongest sources of their competitive advantage.

4.2.2 The Internationalization Process

1) The Starting Point (2011)

The company was founded in 2011 by two partners named Joseph John and Sundar Sundararajan. Joseph has an educational background in engineering and Sundar in mathematics and both the founders possess extensive experience primarily from banking and financial services in the IT industry, commonly referred to as financial technologies (Fintech). Initially, both the founders came from a successful Indian IT company, IFlex, where they had been responsible for the product division. The company had a banking product that belonged to the top three banking solutions worldwide, used by over 500 banks across 70 countries. When company was acquired by Oracle in 2008 both of them decided that it was the right time to start something of their own. The initial team joining I-exceed consisted of ten to fifteen people, many of whom originated from IFlex and possessed an established network and valuable knowledge of the IT industry. Already from the inception of I-exceed, the core team was convinced that they were going to remain within the Fintech niche.

The core team of I-exceed was so called ‘top heavy’ where the majority of the team had a similar background, a lot of experiences from senior management positions, and leadership skills. To
strengthen and broaden the internal capabilities of the team further, I-exceed managed to bring fresh graduates with the right IT knowledge onboard their journey. Considering internal resources, the most valuable resource that has remained within the company since its inception, is the people. Also, the initial innovative capabilities, domain knowledge, and product development experiences of I-exceed’s people, have been crucial determinants distinguishing the company from their competitors since its foundation. These initial capabilities have then been replicated within the company and enabled them to develop their product and constantly offer newer features to their customers.

In the process of establishing the company, the founders were the only investors and I-exceed received no external funding. Yet, the company had a vision of developing a product, which would take about two years to develop before commercialization and returns could be expected. Therefore, in order to realize the company’s product development focus, cash flows would be needed from day one to finance the investment. As a solution, I-exceed decided to use their contacts and knowledge within the Fintech industry by starting to offer niched consulting services to fund the product development. The strategy turned out to be effective and the services and product line could complement each other to a certain extent, where the services brought in revenue that enabled further investments to the product development.

2) The Initial Product Development (2011-2013)

When I-exceed started their operations in August 2011, it took around six months to identify the product they wanted to develop. Even though the company had a broader level of understanding and had identified the end-task of the product, the process of creating their own intellectual property (IP) would require a lot of time. In March 2012, I-exceed started to build the product and in late 2013, their product Appzillion was finished and launched to the market.

The most critical capability during this stage was the ability to validate their ideas through their industry network. The core team had some ideas, and after some brainstorming sessions they identified three areas of interest. Thereafter, I-exceed developed simple product prototypes and an initial pro-forma concept explaining the purpose of each area. Despite their own conviction that one idea would be more favored among banks, their industry network of senior managers and decision-makers instead preferred another area, which provided I-exceed with valuable insights that completely changed their initial perception. As the Director stated; “Even though you think you have a very good idea that might not be the reality when you approach the market”.
The second capability for I-exceed that was almost equally critical was their team, a core team that understood product development. According to the firm, there is a distinct difference between the service and the product sight in the IT industry. That is, people with a service background, irrespective of how good they are, will need a lot of time to get used to product development and the process of execution. As the HPD said; “We were a little conscious about the kind of people we wanted to be involved in the product development, because many had to unlearn what they knew from the service line and then learn the product line, so it took some time for us to build the team”.

3) Early Customers: A Global Strategy from the Start (2011)

As the firm pursued a global strategy right from the start, the internationalization process started directly, which was particularly enabled by the global potential of their product. As one of the first markets to enter, I-exceed expanded into the APAC region where one of their first customers choosing the Appzillon platform was the Development Bank of Singapore. Then, the company started to offer their product to the Middle Eastern and African markets, much enabled through their existing private contacts. I-exceed also expanded their presence in the US market, which was facilitated by their good connections with industry organizations. Thus, their previously established network was a key success factor in the US market, where many organizations helped to commercialize the product.

Despite I-exceed’s successful internationalization, the company faced many challenges in their initial expansion process that subsequently changed them internally. A major challenge derived from the industry competition, especially large established players as IBM who offered similar products. Yet, the firm felt that their domain knowledge gave them confidence that they would be able to differentiate their offering. In the beginning, I-exceed also had some doubts when they approached their potential customers, especially regarding the viability of their offering and ability to build a sufficiently large client base. As the HPD expressed it; “While you tried to convince customers about the innovative capabilities of your offering, they would still have that skepticism”. The fact that I-exceed lacked customer references in the initial process together with their internal pressures to successfully implement their product, proved to be challenging.

As a solution, I-exceed’s first client approach was to offer a free proof-of-concept to their potential customers in order to showcase their capabilities and uniqueness. The concept was based on the deal that if the customer was satisfied with the product, they could buy a license of the product and extend their relationship. This approach seemed to work and when I-exceed started to grow their
client base, the focus of the company also started to change and sales became easier and easier. When the ability to refer to real customers had become reality, the confidence in their product was strengthened across the teams. As the Director stated; “Even though we as founders believed in the product initially, the belief in our product changed into conviction when people within the firm started to see the results. Before, the teams had put in years of effort and the moment they started to see some success as a team, this became the key engine driving the teams towards further success. It was a huge change internally, which I believe changed the mindset within our team”.


In line with I-exceed’s global strategy and their conviction that local presence was a crucial factor for sales abroad, the firm opened two international offices, one in Singapore in the end of 2011 and another one in the US in the beginning of 2012. The company had identified four markets where they wanted to have local presence; Europe, the Middle East, Singapore, and the US. The choice to open in the US and Singapore was based on two critical motives. First, I-exceed had employees originating from these markets, and since they considered their team, with experience from previous international implementations as a crucial capability when internationalizing, this would facilitate the expansion to these regions significantly. The second motive derived from the financial point of view and where the firm had identified most revenue potential. In Singapore, there were large opportunities emerging for start-ups on the same hand as customer requirements were low. In terms of the US market, I-exceed considered Europe and the US to be two markets that in fact required a higher level of product maturity, whereas their product was in the beginning of their life cycle. Yet, the company had American employees, the operational costs were lower in the US compared to Europe and they had a limited network established in Europe. Thus, the US market provided greater benefits compared to the European, and postponing the European market until their product had reached a higher level of maturity seemed more beneficial in the long-term perspective. Thus, the chosen markets were those that had the greatest opportunity to sustain profitable operations.

5) Presence in Local Markets Changed the Product (2012-)

Even though the Fintech industry and I-exceed’s product were considered global, the firm perceived it crucial to understand local requirements, an insight the company had gained from the international exposure of their team. Thus, they learnt that it was not possible to pursue one single strategy across all different markets. A more detailed description was given by the HPD: “You have to have a very specific approach for each market and you also need to have people that understand
these markets. Thereafter, you should be able to appreciate the local condition requirements and give confidence to your customers that you will deliver those requirements”.

The presence in local markets also changed I-exceed’s product and internal capabilities, where customer feedback proved to be very beneficial for the company in several aspects. For instance, when I-exceed entered the Middle Eastern market, their local requirements were very complex. From the software point of view, the product needed to be adapted for reading on right to left screens and the language structure had to be changed accordingly. Also, several other areas needed additional adjustments to make sure that they were able to cater to the localized technology in the market. Further, for the last six to nine months, I-exceed have built a close relationship with an UK based bank. The relationship has generated fruitful discussions, which have provided them with an important evaluation opportunity and a better understanding of the requirements of European customers. The company has realized that processes and expectations in terms of product capabilities are very different in Europe, and the possession of that knowledge could help them establish market position in Europe. Therefore, as a result of their interactions with local markets, the company has continuously improved their product.

6) International Partnerships (2012-)

In addition to their local presence, international partnerships have been a crucial aspect in I-exceed’s internationalization strategy. The majority of I-exceed’s market presence is established either through local offices or partnership, and the firm has approximately 35 partnerships in more than eight countries. As it was not possible for I-exceed to gain local and physical presence in all markets, identifying suitable partners with the right capabilities that could sell their product through appropriate channels was important to foster further internationalization. As stated by the HPD: “Either you have strong local presence or extremely good partners that are willing to take the product and offer it to their client base - that is very critical”.

7) The Indian Journey (2014-)

The first two years after the product launch in 2013, I-exceed did not conduct any sales in India and deliberately stayed away from the market as a strategic choice. The firm considered the Indian banking industry as a market with low profit margins and fierce competition in comparison to other countries. Yet, in 2014, the Indian banking sector went through a drastic change both on a regulatory and industry level. The Reserve Bank of India (RBI) granted twenty three banking licenses within the two following years (RBI, 2014; RBI, 2015a; RBI, 2015b; Interview I-exceed,
2016), where the majority was given to smaller financial and payment banks, which were all new entities that had to set up their infrastructure from scratch. The RBI required the organizations to comply with several conditions that had to be fulfilled within 18 months. Thus, the organizations directly had to do something innovative in order to differentiate themselves from existing competition (RBI, 2015a; RBI, 2015b; Interview I-exceed, 2016). I-exceed saw a huge business opportunity in the challenging and limited time frame, where their special offering made them the chosen digital partner for many of these new banks. As a result, the firm’s focus has shifted towards India, which the HPD described as: “We strongly believe that it is more of a once-in-a-lifetime-kind of opportunity (...) If we are able to convert these projects into a big success, then we are confident that it will take us to the next level”.

8) Future International Expansion (2016 and forward)

Even though the company will concentrate on the domestic market to capture the Indian business opportunities the next couple of years, it will not change I-exceed’s global strategy. As stated by the HPD: “We have been concentrating on markets abroad ever since we started our operations, and we want to continue to spend the same level of effort. It is just that we have expanded our strength to address the opportunities that have aroused in the Indian market”.

The internationalization process will continue and now when the growth phase is becoming more stabilized and the product has started to mature, they plan to open an office in Europe in the next coming years. The interactions with the UK based bank have given the company valuable insights that could be useful to capture the market potential in Europe. The relationship with the bank will continue and the company aims to work closely with them for the next one to two years to build product features that are suitable for the European market. To summarize the above process, I-exceed’s internationalization is outlined in figure 2 below.

Figure 2: I-exceed’s Internationalization Process

Source: Figure compiled by authors
4.3 Case Firm B: Technoforte

4.3.1 Company Background and Competitive Advantage

Technoforte Software Pvt Ltd is an Indian IT firm established in Bangalore in 2001. The company is headquartered in Bangalore and today employs approximately 130 people. Over the years, the firm has developed their international presence in the US, Europe, Middle East, and the APAC regions. Today, they have domestic offices in Bangalore, Mumbai, and New Delhi, and an international office in Dubai (Interview Technoforte, 2016). The company has a broad customer base and provides their IT services and products across multiple industry verticals such as manufacturing, supply chain, logistics, and warehousing. Technoforte offers an internally developed product referred to as PALMS Warehouse Management System (WMS) aiming to improve supply chain processes, customer service, and operational efficiency, by fully integrating other business functions. Furthermore, the firm also offers consulting services, IT outsourcing services, customized solutions, and network services (Technoforte, 2016).

The main source of Technoforte’s competitive advantage is their own product PALMS WMS and the core team that has been a part of the company since the inception. The most crucial internal capabilities of their people stem from their previous technological skills and their ability to rapidly adopt the latest technology and understand its change, which differentiate them from their competitors. As the CEO stated: “One of our core strengths is our ability to learn, unlearn, and relearn technology”.

4.3.2 The Internationalization Process

1) The Starting Point (2001)

The company was founded in 2001 by Sanjay Kikla, Shyman Kumar, Suresh Chhajed, and Yogesh Pathak. Sanjay Kikla has a commercial background with experiences in sales and marketing whereas the other three hold engineering degrees. All four founders possessed approximately ten years of experiences in global business management and software development from multiple industry verticals, together with crucial domain knowledge of the IT industry. Initially, Technoforte started with the four founders and one employee. The company commenced their operations by providing supportive IT services, a strategy that was facilitated by the cost advantage India could offer back then that had fostered a growing global demand for their IT services. Another facilitator was the emerging IT hub in Bangalore that provided access to a cluster of engineering talent in the city.
The most crucial resources and capabilities that existed within Technoforte from the beginning were especially their technological capabilities. As the technology started to evolve by shifting into new architecture and web applications, the firm’s core strength became their ability to rapidly adapt to new technological changes and continuously maintain a steep learning curve. The already existing relationships and the insights of building long-term business relationships also proved important for the development of the company. The knowledge of their core team and the founders’ previous experiences, have been other valuable capabilities.

2) The Domestic Market Focus to Reach Early Customers (2001-2004)

The first years from 2001 and onwards, Technoforte primarily targeted the domestic market. The major reason behind that decision derived from the company’s limited resource base and as the CEO stated; “We did not have the capacity to market ourselves outside India, so we focused on global MNCs in India”. Hence, the expansion of many global MNCs into Bangalore enabled Technoforte’s domestic market focus and their ambition to still reach an interesting client base.

Thus, Technoforte’s approach, together with the founders’ previous contacts, enabled them to gain their first big customer Toyota, through the corporation’s establishment in Bangalore during the same time. Technoforte provided them with services and Toyota was a very supportive customer. Through Toyota’s payments in advance, Technoforte managed to finance the continuous development of their business, which also facilitated their transformation into a limited company. Over the years, their partnership grew stronger and as a result of Technoforte’s good delivery in terms of quality and time, the company was entrusted to develop several of Toyota’s systems. Technoforte developed most of Toyota’s local systems in India but they also provided support for general business systems. The strong partnership also had internal implications for Technoforte and the firm started to follow Toyota’s internal processes of how to develop and assess parts and processes. Moreover, Technoforte’s internal management procedures were also influenced by their important client, especially Toyota’s way of structuring their yearly plans and formulating long-term visionary targets, which strengthened Technoforte’s internal capabilities further.

Many of Technoforte’s customers required them to learn and adopt new technology when developing their services, which broadened their technological capabilities and had a very positive effect on their learning curve. According to the Product Group Director; “Some things we learned by experiences, such as functional knowledge and how supply chain works across different industries. But technology is something we continuously need to learn, it is an on-going process of
getting new resources and pursuing new training sessions to get there. Technology keeps evolve so you also need to evolve in accordance to it and with the same speed”.

3) An International Office and International Partnership (2005)

In 2005, Technoforte’s ambition to enter foreign markets and establish an office outside India became reality. They were attracted by the markets of the US and Europe and believed that these markets would have been the right choice. However, the company also had to take resource constraints into consideration by investing in a market they could finance. Therefore, they decided to establish an office in Dubai in 2005, which was a strategically chosen location based on its cost advantage and access to several other countries in the Middle Eastern region. The Middle Eastern market adopted technology fast and its oil-driven economy implied a great purchasing power on the same hand as the cultural similarity and geographical proximity between India and the Middle East were closer. Dubai was also regarded as a hub for procurement with an existing demand for IT services, which was the final reason that argued for their foreign office location. During this time, Technoforte also established a partnership with a company in the US for whom they performed major development work.

The key enabling factor behind the establishment of both the international office in Dubai and the partnership in the US derived from Technoforte’s business network. Already from the inception, the founders had worked through partners and quickly developed relationships out of their businesses. This was crucial in order to build new international market knowledge, which the founders were in need of improving. Thus, the process of strengthening their network and establishing contacts with new customers had an important impact on the success of their company.

4) Learning From a Tough Challenge (2008)

From the start in 2001 until 2008, Technoforte’s had grown well and had become 150 employees. However, during the global recession, the company lost many of their international customers due to a sharp decline in the customer demand, which became a financially challenging situation. The firm then had a lot of valuable internal resources through their talented and technically qualified people, but they suddenly had an abundance of people and could not retain them all. That was the turning point where the company decided to enter the product segment. The competition was also fierce from Indian IT companies, especially larger corporations such as Infosys and Wipro that offered similar services, yet, possessed greater internal resources and capabilities. In order to survive the competition and overcome their loss of contracts, Technoforte understood that they
needed to find their niche, reformulate their business strategy, and restructure their portfolio by developing their own IP. By offering customers their own product they would be able to grow services around it instead of offering purely general IT services on whatever customers asked. Yet, a new strategy in the middle of the financial crisis implied a phase of additional risks and financial challenges when funding a new investment. Therefore, Technoforte made salary cuts for all employees and the management did not take any salary for two years.


Driven by the ambition to develop their own product, Technoforte started the development of PALMS WMS, an IT solution and a supply chain management framework that primarily targeted large companies irrespective of industry. By providing services to larger customers such as Toyota, Technoforte had gained valuable insights from their supply chain processes, knowledge which proved very useful in the development of their product. As a result of their previously gained experience and internal capabilities, Technoforte managed to identify improvement areas in their customers’ mature warehouse functions. In particular, the close collaboration with the firm’s own suppliers and customers, resulted in new technology that was brought into their product. When the product was developed, the company realized its even greater potential; their IT solution had become an application with a much broader scope that could be used crossed verticals for many other industries than intended.

6) New International Customers (2009)

After the completion of PALMS WMS and their new product-driven strategy, Technoforte managed to find new international customers. Panasonic became a major customer of PALMS in 2009, a corporation that also had played an important role during the product development process. Today, the firm has approximately 40 customers using their IT solution PALMS, where many are global MNCs. Since Technoforte entered the product space, their learning curve has been steeper than ever. Despite the intense competition in the product segment, Technoforte have shifted towards a more proactive strategy of finding gaps in where technology and functionality have been lacking. Thus, their aim has been to develop new solutions and add new features to their product that create the greatest customer value. As a part of this strategy and after they learnt that their customers needed an advanced solution for their data systems, Technoforte also entered the analytics segment and started their own analytics division, which enabled them to reach new international customers.

During 2009, Technoforte entered a partnership with a company in Austria, which led to new business opportunities where Technoforte could improve their product further. Their business relationship worked very well, yet, due to financial problems of the parent company, the partnership ended in 2013. However, the relationship with Austria still remains strong and Technoforte also established a similar partnership in Canada in 2014. The partner is responsible for pre-sales, sales and marketing whereas Technoforte provide them with technology systems and development. Currently, Technoforte have served Canada and the US with a majority of analytics services and the concept of ‘Big Data’, where they process a huge amount of data through models.

8) Future International Expansion (2016 and forward)

Regarding future market expansions, especially to Europe and the US, Technoforte will still go through partnerships and their ambition is to build more such partnerships in the future. As a result of their new digital marketing strategy, Technoforte are able to target specific regions abroad and they have started to get inquiries from new markets. Yet, their strategy is still to process each market thoroughly and build a solid base for their product before proceeding with further internationalization, thus making the expansion more stable and less risky. The market choice also comes down to the key drivers and barriers of going to that specific market. The US is a large and interesting market that adopts technology very fast, so Technoforte’s aim is to strengthen their presence in the market through their offering considering products, technology, and functionality. However, the company needs a wider variety of customers from different industries before the product can mature and grow its functionality. In terms of opportunities, Technoforte reason that they have a current technological advantage in comparison to many competitors, since they build their own systems and adopt the latest technology with flexibility and speed. As a reflection of their current vision of becoming a leader in the supply chain space, Technoforte’s aim is to sustain this advantage by continuously evolve their technology, keep building new functionalities that bring value to their customers, and simultaneously reach out to new markets. To summarize the above process, Technoforte’s internationalization is outlined in figure 3 below.

Figure 3: Technoforte’s Internationalization Process

Source: Figure compiled by authors
4.4 Case Firm C: Sapience Analytics

4.4.1 Company Background and Competitive Advantage

Sapience Analytics Pvt Ltd is an Indian software product company founded and headquartered in Pune, India, in 2009 and employs approximately 50 people. The company has two more sales offices in India, in Bangalore and Mumbai, and two international offices in the US. Sapience Analytics have a broad customer base with market presence in Asia, Europe, and the US (Interview Sapience Analytics, 2016). The company’s main software product, Sapience, is a technology-based tool that measures productivity (Sapience Analytics, 2016). The product is offered as a three year license (Interview Sapience Analytics, 2016), and aims to achieve significant productivity improvements within organizations, by helping employees achieve more at work, reduce their stress level, and improve their work-life balance (Sapience Analytics, 2016).

The main source of Sapience Analytics’ competitive advantage is their unique software product Sapience. Since the firm does not have any direct competitors, they possess a significant first mover advantage on the market. The company’s most essential internal capabilities derive from the people within the organization and their related capabilities, most importantly their industry experience and start-up business experiences. Thus, their core team and the ability to retain people within the company are perceived as key elements of their competitive advantage.

4.4.2 The Internationalization Process

1) The Starting Point (2009)

The company was founded by four software developers and entrepreneurs, Shirish Deodhar, Swati Deodhar, Hemant Joshi, and Madhukar Bhatia in 2009 (Sapience Analytics, 2016). All four founders have a professional background as engineers (Interview Sapience Analytics, 2016) and more than 25 years of experience from the software industry in the UK, the US, and India. The majority of the founders also have experience from the start-up business and three of the four founders previously had two companies together, which later were acquired by large global MNCs. All of them have also possessed senior management roles within large global IT companies (Sapience Analytics, 2016).

Since all founders were engineers, the company possessed valuable technical capabilities from the start. The firm also had adequate financial resources from the acquisition of their previous companies. In addition, the founders had a large network within the software industry both in India
and globally. The extensive network and industry experience gave the founders an advantage as they knew the technology trends within the industry. It also facilitated the process of recruiting qualified and experienced people, where even senior people within the founders’ network expressed a desire to work for the company. The company saw their core team as a major strength, and still considers their people as a great source of competitive advantage based on their individual skills and the common culture they bring together.

The company started from the idea of helping people to self-improve and become more efficient at work, which derived from an observed trend showing that work hours were disappearing. When the idea was presented to people within the founders’ network, they received very positive responses. People saw the need and potential of the product, which in turn was the starting point of the company. The company faced ample pressures to start their business in the US, since most software companies grew faster there, on the same hand as the market was more advanced. Nevertheless, Sapience Analytics wanted to prove everyone wrong and therefore started the company in India with a clear vision that they wanted to make the product successful at home before focusing on other markets.

2) The Initial Product Development (2009-2011)

The initial product development of Sapience started in 2009 and the product was launched to the market in late 2011. Prior to the product development, the firm needed to purchase advanced technological equipment to facilitate the development process. Since the firm had an ambition to reduce extensive risks, the product development started with one of the founders and one senior engineer. Later, when the development process needed to gain speed, more people were recruited. The founders themselves, with their technical knowhow and industry experience, were convinced of the yet unknown customer need of their unique product. Throughout the product development process, they also had on-going discussions with industry people both from India and globally to receive feedback, continuously evaluate the development process and relate it to the global market. During the initial development sessions, meeting time with the core team was highly prioritized within the company. The process of gathering the firm’s human resources provided the company with the opportunity to understand different perspectives, challenges, and new ideas. The company believed it was crucial to really understand the customers’ point of view and build the product around it. Therefore, it was important that people facing the customers also were involved in their meetings. For Sapience Analytics, the product development was seen as a continuous process without any end. As stated by the CPO: “We need to continuously add features and enhance the
product. (...) In every level, if we do not innovate, our innovative product will fail. Any new features, any new thought process will have to be innovative. So it is an on-going thing”.

Further, the software product was built to function as a global product, with the same features all over the globe. The background is described by the SVPS: “As many of the Indian MNCs have offices across the globe, they could easily take our product to all these countries. But if there would have been a scenario where the product could not be adopted to other countries, then going international would not make sense. Then the cost of developing it catered to different geographies would skyrocket. We have actually developed a product with a perfect fit globally, in any country”.

3) Early Customers: The Challenge to Create a Market (2011)

When the product was ready to be launched to the market in the end of 2011, the company needed to acquire their first customers. Since the firm had developed their own IP, the product was unique and there were no similar products on the global market. Therefore, the company first needed to create a product need and new market. To acquire the first customers and commercialize a concept that was not adopted by any company, proved truly challenging. Yet, the potential of their product and target markets were at the same time huge. The company’s network was a critical factor to gain the first customers and provided them with great advantages. As further demonstrated by the SVPS: “… there was no brand, no recognition, and no credibility for our product. So, when you need to sell it and get some customers early, then you need to have your network in place, because those are the guys that probably will take a risk on you”.

In order to create a customer base, Sapience Analytics offered the two first customers, their software product for free. The customer feedback enabled them to adjust and improve the product that in turn strengthened their internal capabilities. As the SVPS said: “The last four to five years of customer interaction has given us so much inside requirements that have developed the product to a completely different product. The concept is the same but we have enhanced the product with respect to features, the way we look at features, and the way we do internal calculations in order to understand exact and accurate information. All that we got from the customers”.

After acquiring the two first customers, Sapience Analytics felt that they had developed a successful selling point that paved the way for their continuous process of gaining new customers, which was seen as very critical for the company and its future success. Sapience Analytics had a unique product and in order to be able to capture the first mover advantages, they believed that a
large customer base was the most determining factor. Another challenge that arose in the initial phase of approaching customers was the employees’ resistance towards the product, as they perceived it as a control mechanism that intruded their private sphere. Therefore, as part of the product offering, Sapience Analytics provided their customers with continuous training to all their employees at all levels within the organization. Thus, the firm initially focused on making employees understand the purpose of the product and how to best capture its value. The company also provided on-going training and consulting services each quarter during the three year licensing time, which truly changed the employees’ perception of the product.


Being a small team, Sapience Analytics decided to have a focused strategy where they directed their initial investments to India. Yet, international customers and market presence in several countries were gained already in 2012, where many large MNCs had started to implement the product internally. Thus, several of Sapience Analytics’ customers were large global MNCs with presence in the US, Europe, and Asia, and used the software product in their subsidiaries across various international locations. As Sapience Analytics provided training sessions to all employees that deployed the product, they also gained international exposure through that. Besides, Sapience Analytics had observed an emerging trend of referral business, since people relocated from MNCs that previously had used the Sapience product to new organizations, where they brought the product with them. As a result, Sapience Analytics did not see a need for an office in any other geographical location as acquisitions of international customers still happened and could be handled from India. In addition, in 2013, Sapience Analytics started a global partnership with McKinsey & Company under their Horizon 360 program. This partnership was the starting point where the company realized the great opportunity to reach foreign markets through partners, which in turn became a part of their future expansion strategy. Moreover, to gain new international customers, Sapience Analytics also created the webpage artofworking.net in 2013, as a global digital channel and an indirect way to position the company globally.

5) International Offices in the US (2014)

The decision to open foreign offices was a two year discussion, and it was not until 2014 that the firm decided to hire two people to handle its establishment of two international offices in the US market, one in Dallas and one in California. The company had three criteria that needed to be fulfilled before any expansion would occur, they needed to show a high level of revenue, have a large customer base and great product adaptation. When all those components were in place, the
US market was the natural choice. As the firm’s software product was unique and new to the market, the openness to adopt new products and technology was seen as important market characteristic, and the US was perceived as a fast mover within that field. In addition, the large size of the market and the large geographical distance between India and the US were two essential motives behind the choice of market. Before 2014, Sapience Analytics had employees that traveled to the US, which took significant time and money. Considering the vast time differences between India and the US, to have offices in both time zones enabled Sapience Analytics to cover the whole globe.

Since the possession of the right human resources was seen as a vital factor behind the company’s internal capabilities and the potential success of their expansion to the US, the recruitment process was highly prioritized. The extensive network within the organization was an important enabler in the recruitment, which was used to find suitable candidates. The appropriate candidates needed to be very independent people that possessed both industry and sales experience and have an excessive network within the IT industry. Thus, senior people with many years of experience were most preferable as the company believed that they could deliver results much faster and enable further successful market expansion. The SVPS had very high expectations on the US market for the next coming years: “I see 2016 and 2017 as the years when the US market can represent 50% of total sales and probably beyond that.”

6) Future International Expansion (2016 and forward)

The focus of Sapience Analytics’ future investments will be directed primarily to India and the US. Currently, there is no plan to open any offices in other geographical locations in the short-term perspective since acquisitions of customers still can occur from India and the US. As verified by the SVPS: “…right now I am closing three or four deals with European customers. So we can do it from here ourselves, we do not need to have an office there”.

Sapience Analytics have chosen a focused strategy and want to expand within their existing markets in order to best leverage their resources. However, when the company has generated more revenues, they will definitely expand to new markets. Since Sapience Analytics see great potential in Australia and Europe they have the ambition to open foreign operations in both regions in the long-run. As further demonstrated by the CPO: “You need to ensure that the balance is appropriate, because you cannot keep on taking risks, then the business is not growing. It is about taking the risks at the appropriate time. You should only take high risks, when the return is high.
That is when you gamble”. To summarize the above process, Sapience Analytics’ internationalization is outlined in figure 4 below.

Figure 4: Sapience Analytics’ Internationalization Process

Source: Figure compiled by authors

4.5 Empirical Summary

The key empirical findings from all three cases are compiled in table 4 below. The table highlights the main findings in relation to the purpose of the study, in order to facilitate understanding, cross-company comparison, and subsequently be able to analyze the linkage in the following chapter.

Table 4: Main Empirical Findings and Key Characteristics of the Case Firms

<table>
<thead>
<tr>
<th>INV</th>
<th>Competitive Advantage</th>
<th>Starting Point</th>
<th>Product (Development)</th>
<th>Foreign Offices</th>
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<th>International Partnerships</th>
<th>Market Presence</th>
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Source: Table compiled by authors
5. Analysis

This chapter analyzes the most crucial empirical findings outlined in the previous chapter in relation to the theoretical framework chapter. The analysis will be presented through a framework of three specific phases, which have been identified based on the empirical findings and supported by related theoretical phases. Further, these phases will be compared from a cross-case perspective in order to discuss and present a context of the linkage between internationalization and the creation of a competitive advantage of Indian IT INVs’.

Figure 5: Framework of INVs’ Internationalization Process and Creation of the Competitive Advantage

<table>
<thead>
<tr>
<th>Phase 1: Identification and Accumulation of Resources and Capabilities</th>
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<td>Explains the INV’s establishment and its initial product development. Characterized by the firm’s identification and accumulation of the required resources and capabilities to subsequently create the competitive advantage.</td>
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<th>Phase 2: INV Growth through Glodomestication to Create Competitive Advantage</th>
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<td>Illustrates the INV’s market growth through Glodomestication and starts when the product is launched, which symbolize the creation of the firm’s competitive advantage. Shows how customer and market growth strengthen capabilities within the firm.</td>
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<th>Phase 3: Maturity and Stability for Continued Glodomestication to Sustain the Competitive Advantage</th>
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<tr>
<td>Discusses the maturity of the INV’s product and assess whether the firm has reached a phase of stability in any of its current markets, as factors impacting the continued market growth through Glodomestication and its ability to leverage the competitive advantage.</td>
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</table>

Source: Figure compiled by authors

5.1 Phase 1: Identification and Accumulation of Resources and Capabilities

5.1.1 Case A: I-Exceed (2011-2013)

The study discloses that the accumulation of the most appropriate human resources was one of the first actions undertaken by I-exceed during their establishment, in line with Sirmon et al.’s (2007) resource accumulation. Since the founders regarded acquiring ‘the right people’ as an utmost priority, it is evident that the founders already initially aimed to build a core team that, on the basis of their capabilities, subsequently could constitute a part of their competitive advantage. This confirms Saá-Pérez and Garcia-Falcon (2002) view of human resources as a core of the competitive advantage. Also, when I-exceed validated their three product prototypes, the compiled industry knowledge generated through their network was a sign of resource accumulation. Since the network validation made I-exceed change their initial business idea, it is fair to say that resource accumulation through external parties was a critical component in the first identification phase. Regarding Sirmon et al’s (2007) aspect of divesting resources, the firm argued that divesting specific technological knowhow adapted to services was needed in order to focus on developing
the resources that could render the greatest value and thus a competitive advantage. Nevertheless, since this primarily concerned divesting capabilities and not resources, one may argue that the divesting element appeared differently in I-exceed’s phase of identification. In contrast to Schweizer’s (2014) findings, the results show that I-exceed already in the first phase demonstrated clear evidence of Sirmon et al’s (2007) resource accumulation. The identification of necessary resources was interlinked with the resource accumulation and therefore occurred as an integrated process during the first phase. Yet, the last structuring component, acquiring, was not as apparent in the identification phase, which could be explained by the firm’s limited resource base initially.

As supported by the theoretical framework (e.g., Kazanjian 1988; Gabrielsson & Gabrielsson, 2013), the need for funding is a critical factor in an INV’s initial stage. Since I-exceed’s resources were constrained financially, their strategy to fund their product development through services was a solution to efficiently accumulate sufficient resources without relying on external funding. In turn, I-exceed’s internal financing may explain why the firm carefully attempted to optimize resource utilization, flexibility, and efficiency during the product development, which support Li et al’s (2012) reasoning.

The initial phase was also clearly characterized by strategy identification, which derived from the need to identify the product, business space, and target market. Yet, the most important element during the first phase was I-exceed’s product development as a core behind their competitive advantage, which could be seen as more critical than suggested by Kazanjian (1988), arguing that the product development does not start immediately. This reasoning may also explain why I-exceed expressed a stronger motivation to present the product to customers in an early stage and thereby rapidly be able to modify and improve the product in accordance to customers’ preferences, something that Gabrielsson and Gabrielsson (2013) also found in their first phase. Further, the findings suggest that I-exceed managed to identify their target markets and business opportunities and strived to develop their foreign market presence rapidly, which was reflected in their early internationalization by opening two international offices the first year. Moreover, I-exceed’s early international focus as a strategy to build their competitive advantage verifies Schweizer’s (2014) description of the first phase of conceptualization. As the core teams’ innovative capabilities were seen as a main source of their competitive advantage, it is also fair to argue that I-exceed aimed to maintain and enhance these capabilities, which in accordance to Li et al’s (2012) can be a key driver behind INVs’ early internationalization.
As suggested by Schweizer (2014), the length and intensity of the first phase may depend on several factors, such as the founders’ experience and the INV’s network position. The first phase of I-exceed was rather intensive and it only took two years to identify and accumulate the resources needed to create value to its customers through their unique product offering. The relatively short length of the phase could be explained by the founders’ initially clear vision to develop their own product, the already extensively established network that enabled external resource accumulation, and the internal capabilities of specific knowhow and experience within the core team. That is, one may say that I-exceed knew their industry and market and thus had a thorough understanding of what resources that would be required initially, which explain why I-exceed managed to accelerated many parts in the first phase.

5.1.2 Case B: Technoforte (2001-2009)

The identification phase of Technoforte was not that distinct during the establishment of the firm, which impacted the resource management activities suggested by Sirmon et al. (2007). Taking into account the prospering business environment that emerged in Bangalore’s IT industry back in the 2000s (Contractor et al., 2015), one may reason that the establishment of Technoforte occurred as an ad-hoc response to recognize the arising business opportunities rather than on the basis of their internal capabilities. Therefore, this reasoning would also explain why Technoforte did not express a clearly defined vision or strategy to develop their own product initially. As such, Technoforte’s rather instinctive decision to offer various supporting IT services as their core business does not support Kazanjian’s (1988) first growth phase that strongly emphasizes early development of a product prototype to promote subsequent development of a specific product.

The most distinctive in the context of Sirmon et al’s (2007) structuring of resources, is the impact Toyota had as a key factor enabling resource accumulation during Technoforte’s initial phase. One may argue that the acquisition of Toyota as a customer can be explained by the customer demand that emerged and the use of an appropriate network, which made the process of identifying customers short and efficient. Based on the critical importance the founders’ network had on the firm creation and its ability to gain a customer in the initial phase, the case of Technoforte also supports Sharma and Blomstermo’s (2003) network focus and the first phase of Gabrielsson and Gabrielsson (2013) emphasizing network contacts as a core component during the INV creation.

In line with several scholars (Kazanjian, 1988; Gabrielsson et al., 2008; Li et al., 2012) stressing the need to secure funding in the initial phase, Technoforte also faced an urgency to
finance the growth of their firm. Being their first and largest customer, Toyota thus became a critical source of income that enabled Technoforte to overcome resource constraints and develop their business. Since the firm replicated many of Toyota’s development processes and management procedures internally, the cooperation facilitated Technoforte’s ability to grow, which support Gabrielsson et al.’s (2008) reasoning of MNC collaboration in the first phase. As their customer base grew, the firm’s adaptive approach towards customers also enabled them to develop new knowledge, which could indirectly be seen as a form of resource accumulation in line with Sirmon et al. (2007). Their strategy to learn, unlearn, and relearn technology is an evident example of how they could accumulate knowledge by learning new technology, which has been an on-going process since the inception.

Regarding the identification of their target market, Technoforte’s domestic market focus can be explained by their resource constraints and strong ties to Toyota’s subsidiary in Bangalore. One may say that Technoforte acted upon prevailing opportunities in their domestic market by leveraging contingencies and capturing the business opportunities surrounding them, similarly to what Gabrielsson and Gabrielsson (2013) expressed in their first phase. As such, Technoforte targeted the very same location of their initial customers rather than searching for new customers in foreign markets. Despite local customers’ positive impact on resource accumulation, the study reveals a strong dependency on one specific partner. Considering the financial aspects of having a large customer as Toyota, Technoforte’s reliance on them is understandable. Yet, dependency also poses risks and may in fact have impacted Technoforte’s degree of proactiveness both in terms of targeting markets and developing unique capabilities. Technoforte’s broad services offering initially may in fact be explained by their strong dependency on catering the needs of customers, which however may have traded-off their ability to identify their core business and develop a unique product offering based on their internal capabilities.

In comparison to Schweizer’s (2014) emphasis on an initial international focus as a critical factor to create a subsequent competitive advantage, Technoforte’s international focus was not expressed until the later part of the first phase through their internationalization into the Middle East and partnership establishment in the US. The study also reveals that despite Technoforte had managed to grow, their resources were still constrained, which in turn explain why the firm did not manage to acquire any considerable resources as a part of Sirmon et al.’s (2007) first phase. Conversely, Technoforte’s financially challenging period during the global recession forced them to restructure their resource portfolio by divesting parts of their human capital in line with Sirmon et al. (2007).
The firm also realized that if they were to survive, they had to develop a product of their own out of the combined talent and capabilities of their people. Thus, one can explain this as the stage in which Technoforte had to identify their resources and reassess their business idea thoroughly in order to develop the product as a subsequent source of their competitive advantage.

The firm’s product development started as late as six years after its establishment and considering Kim et al.’s (2011) emphasis on the importance of INVs’ products as a core component of their competitive advantage, this provide an explanation behind the length of Technoforte’s first phase. Further, it may also be argued that Technoforte, not until the end of this stage, managed to appreciate and truly identify their internal capabilities to start develop the core business idea differentiating them from competitors. Thus, one may question Technoforte’s initial ability to rely on their unique capabilities, which are known to be the main source of INV’s competitive advantage in the initial phase according to Gabrielsson et al. (2008). Besides, this may also explain their responsive strategy by adapting to their external environment rather than recognizing the need to develop a unique product.

5.1.3 Case C: Sapience Analytics (2009-2011)

Since the founders already had identified the business idea and the required resources to develop the product initially, it can be argued that the identification phase started before the establishment of the firm in 2009. One may also say that Sapience Analytics’ possession of extensive experience and knowledge of the IT industry accelerated the identification phase. Andersson and Wictor’s (2003) support this reasoning by arguing that founders with industry specific experience and an extensive network possess a greater possibility to identify market opportunities, which can be strengthened by Sirmon et al’s (2008) argument that the firm with the most valuable industry specific knowhow have the largest opportunity to achieve a competitive advantage.

In terms of the resource management activities suggested by Sirmon et al. (2007), it is evident that the accumulation and acquisition of resources occurred already in the first phase. As two of the first initial actions, Sapience Analytics accumulated the appropriate human resources to complement the founders and acquired the technological equipment needed for the product development. The accumulation of human resources was clearly evident when Sapience Analytics started to build their core team through a careful process of identifying the ‘right people’. Since the firm’s network became a key component when appointing people, one may argue that Sapience Analytics’ core team was highly prioritized already from the start and early became a source of the
firm’s uniqueness and competitive advantage. Further, even if the founders had a clear vision of the business idea from the start, accurate technological knowhow and industry knowledge needed to be accumulated through their external network as an on-going validation process to be able to develop the product.

Another important aspect was the accumulation of intangible resources through internal procedures, such as regular meetings. The procedures helped the firm to exploit the resources that created the base for building capabilities, e.g. innovation capacity, which later could be passed on as unique and innovative attributes to the product. Yet, in contradiction to Sirmon et al. (2007), no distinct evidence of divestment was apparent in the first phase of Sapience Analytics. Since the company was characterized by their small size, limited firm controlled resources and niched business idea, they did not possess much resources to divest. Also, the resource accumulation and acquisition in the first phase were done carefully, which minimized the necessity to divest some resources. Further, it is reasonable to claim that the majority of the resources and capabilities that Sapience Analytics had in the initial phase were intangible, such as technological knowhow and network, which in turn are difficult to divest.

Several characteristics of the first phase, such as the identification of the business idea and the entrepreneurial focus, are in alignment with scholars’ explanation of a firm’s first phase (Kazanjian, 1988; Gabrielsson et al., 2008; Gabrielsson & Gabrielsson, 2013). Yet, in contrast to Kazanjian’s (1988) argument that the product development intensifies not until the second phase, Sapience Analytics started the product development directly from the start. As the product developed by Sapience Analytics was unique and had no direct competitors on the market, the firm had a great opportunity to achieve a first mover advantage if the product reached the market before potential competitors, which made the speed of developing their product essential. The importance of speed as key driver to exploit a first mover advantage was also manifested as a part of Gabrielsson and Kirpalani’s (2004) and Bouncken et al’s (2015) reasoning. The case of Sapience Analytics also contrasted previous scholars’ (e.g., Kazanjian, 1988; Li et al., 2012) emphasis on limited financial resources during the initial phase, as the founders of the firm possessed adequate financial resources after their previous companies had been acquired. As a result, these factors can be seen as enablers that intensified the speed of the first phase and thus the early start of the product development, which in turn explain the relatively short length of the first phase.
In terms of internationalization during the first phase, it is fair to reason that Sapience Analytics undertook a rather global strategy since their target customers were global MNCs and they developed a global product that could be implemented within those organizations globally. Yet, on the contrary, even if Sapience Analytics had strong pressure to start their operations in the US, as a market characterized by rapid growth potential and technological advancements, the firm was very persistent to start in India to prove everyone wrong. Despite the potential rendered from its global product, the persistency might have made the firm less prone to internationalize to new markets rapidly. It is thus fair to claim that Sapience Analytics did not fully exploit their first mover advantage and opportunity to internationalize. Therefore, it questionable whether Sapience Analytics entirely comprehended the need to formulate a global strategy in accordance to Schweizer’s (2014) findings, stressing the need for INVs to understand that international focus is critical in order to build their competitive advantage.

5.2 Phase 2: INV Growth through Glodomestication to Create the Competitive Advantage

5.2.1 Case A: I-exceed (2013-)

When the product was ready for market launch in the end of 2013, the focus shifted from product development to the importance of acquiring customers. Seen from the financial view, the findings particularly revealed I-exceed’s need to acquire customers to bring in revenue. Yet, the effects from customers also had a softer side, where feedback from customers built confidence within the team, which proved to be important since doubts affected their efficiency negatively. For instance, the customer feedback resulted in extensive product improvements and enhancement of internal capabilities, which can be seen as evidence demonstrating the processes of stabilizing and enriching capabilities in accordance to Sirmon et al’s (2007) second phase. The enhanced internal capabilities enabled the product development team to create more technologically advanced and unique features of the product, which strengthened their competitive advantage but also accelerated the internationalization process and market growth in terms of new foreign customers in the APAC region, the Middle East, Africa, and the US.

The successful market growth in various foreign markets can also be explained by I-exceed’s well-established network, global product, and huge target market. Network as a factor and accelerator behind internationalization is also in line with both Gabrielsson et al’s (2008) and Gabrielsson and Gabrielsson’s (2013) emphasis on the tendency to rely on network to facilitate the
internationalization process during the second phase. The study highlighted I-exceed’s impossibility to gain local presence physically in all markets, whereby the firm perceived it crucial to identify suitable partners with the right capabilities that could enhance the firm’s internal portfolio and act as an extension of the firm’s foreign market presence. The activities to absorb new capabilities through partnerships are in line with Sirmon et al’s (2007) element of bundling capabilities through a pioneering process. The study also shows that the firm quickly understood the need to build new capabilities to cater to local requirements and thus, the internationalization process required the firm to continuously change the product to capture local market opportunities. The ongoing discussion to enter the European market is one explanation of this, where the firm needed to build new capabilities, enhance existing ones, and improve the features of their product in accordance to local requirements.

Nevertheless, the study shows that I-exceed also perceived the initial internationalization process as rather challenging, where competition from large MNCs and customers’ criticism towards their viability caused uncertainty despite the uniqueness of their product. In accordance with Gabrielsson and Gabrielsson (2013), the second and third phases are often characterized by the ability to overcome managerial problems and challenges to foster rapid market growth when internationalizing. As the firm suffered from the liability of being new, these challenges posed risks of exactly that kind, which threatened their ability to commercialize the product and grow in their target markets. Yet, I-exceed managed to overcome these challenges and foster market growth through their early internationalization. The rapid market positioning may be explained by the previously established network (Johanson & Vahlne, 2009), which helped I-exceed to overcome their liability of outsidership, something that was particularly critical in their expansion to the US and had a strong impact on the commercialization and market growth. However, the study discloses that the most important factor explaining I-exceed’s market growth was their team, whose previous experiences from foreign market expansions became a crucial capability during their internationalization. The findings thus support Zhang et al’s (2009) emphasis on international experience as a key facilitator in the internationalization process. The team, considered as a part of I-exceed’s competitive advantage, and their experiences could thus be replicated and applied in I-exceed’s internationalization, which manifest how the firm managed to extend their current capabilities in line with Sirmon et al’s (2007) enriching element.

I-exceed’s current and future strategy to foster continuous market growth can be explained by the emergence of a Glodomestic strategy. As the firm targeted global markets by internationalizing
from the start, it is fair to argue that they pursued a global strategy. Also, the study clearly outlines that I-exceed will continue their global focus in future market expansions. Nevertheless, considering the business opportunities emerging in their domestic market, I-exceed also decided to capture these by directing their market focus to grow domestically. Thus, I-exceed’s strategy to target the Indian market together with their global focus argues for a dual approach resembling a so called *Glodomestic* strategy.

5.2.2 Case B: Technoforte (2009-)

Technoforte entered the second phase in 2009 after its product had been developed and launched to the market. As a result of their product-driven strategy, Technoforte managed to grow their market presence by acquiring large MNCs as new customers. Thus, the development of their own product was a true turning point, particularly when it came to the ability to expand their customer base and develop their internal capabilities, and thereby realize their actual potential to create the competitive advantage. Considering the second phase of Sirmon et al. (2007), Technoforte’s strong collaboration with Toyota enabled them to gain valuable insights in their internal logistics processes that strengthened their technological capabilities in accordance with the enriching element, which was brought into their own product. Technoforte’s ties to customers also managed them to identify improvement areas in existing operations, knowledge that was combined with existing capabilities that enabled them to learn new technology, which was translated into new functions of their product. Moreover, the firm’s relationship with large MNCs helped them to achieve Sirmon et al’s (2007) pioneering element, where Technoforte realized the need to enter the business segment of analytics, which required the development of new technological capabilities. In turn, Technoforte could enter a more niched business area, which constituted a suitable complement to their previously broad scope but also enabled them to reach new customers in international markets. One may also explain Technoforte’s expansion into analytics as a strategic move to strengthen their competitive advantage and market position. Moreover, Technoforte’s ability to bundle and thereby enrich their capabilities may also explain the continued development of their product by offering newer versions and applications, which has evolved as an on-going process and strengthened their competitive advantage.

In terms of market growth, Technoforte’s foreign expansion can primarily be explained by their strong reliance on business partners, similarly to the second phase of Gabrielsson et al. (2008) characterized by network channels to facilitate learning and growth. However, the phase of Gabrielsson et al. (2008) was much centered around resource accumulation, whereas the study
reveals that Technoforte focused more on their potential to build, enrich, and strengthen capabilities out of existing resources in line with Sirmon et al (2007). The firm’s network partnerships in Austria and Canada also enabled them to enter new markets and thereby target new customers. Nevertheless, considering the age of the firm and their potential to expand into foreign markets, one may argue that the internationalization of Technoforte followed a rather slow path, which is inconsistent with the rapid growth and foreign expansion explained in the third phase of Gabrielsson and Gabrielsson (2013). The pace of Technoforte’s market growth may partly be explained by the challenges they faced along their process of development, particularly their financial constraints and strong network dependency. Moreover, this reasoning is supported by Gabrielsson and Gabrielsson (2013), whom highlighted the need to reduce dependency on network members in order to foster global expansion. Therefore, it is fair to argue that Technoforte’s market presence was limited to the geographical boundaries of their existing network members, thus becoming an indirect hinder for future expansion beyond those boundaries.

Yet, Technoforte’s global product and ambition to increase their foreign market presence indicate that the firm attempts to pursue a rather global strategy. Another evidence of their international expansion plan is their new global marketing strategy enabling them to target customers in new foreign markets more efficiently. However, Technoforte’s domestic focus and network dependency were the two factors explaining their speed to internationalize. Despite the potential of their product and the global reach gained through their ties to large global MNCs, Technoforte have predominantly focused on serving their local subsidiaries. It is also reasonable that the previous financial challenges and the greater risk propensity required when investing in the product development, caused the firm to undertake a more careful approach towards internationalization rather than choosing another entry mode that would have implied larger investments and risks. Thus, Technoforte aim to process their existing markets thoroughly and wait for their product to mature by continuously grow, enrich, and develop their capabilities to sustain their competitive advantage. Therefore, one may describe Technoforte’s intention to strengthen their domestic market position and simultaneously target new foreign markets, as a combination in line with a Glodomestic strategy.

5.2.3 Case C: Sapience Analytics (2011-)

The second phase of Sapience Analytics’ started when the product was ready and launched to the market in the end of 2011. The most crucial action during the second phase was the process of acquiring the initial customers to create a market for the product and promote future market growth.
The firm received great customer feedback from global MNCs that enriched and stabilized several of the firm’s internal capabilities, which in turn enhanced the product extensively. These activities are consistent with Sirmon et al’s (2007) enriching and stabilizing elements in the second phase. However, in contrast to both Schweizer (2014) and Gabrielsson et al. (2008) emphasizing the resource accumulation activity during the second phase, this study manifests that Sapience Analytics focused on bundling their capabilities in order to create their competitive advantage. Moreover, considering the challenge to successfully commercialize the product in Gabrielsson and Gabrielsson’s (2013) second phase, Sapience Analytics faced some difficulties in commercializing their unique product, as the market need for the product did not yet exist. Also, as the customers’ employees were resistant against the product, Sapience Analytics needed to learn how to empower and train their personnel internally to improve the commercialization of the product. Since the people of the firm was taught how to provide customers with consulting services, the product was endowed with new attributes simultaneously as the firm developed new capabilities internally, which are evidence of Sirmon et al’s (2007) pioneering element.

In order to facilitate the acquisition of new customers, the core team’s network was crucial. The network helped Sapience Analytics to identify potential customers that would bare the risk and buy the product without brand recognition, which is supported by Gabrielsson et al’s (2008) emphasis on network as a factor behind firm growth in the second phase. Since global MNCs implemented the product in their international subsidiaries and Sapience Analytics provided training sessions in all those locations, the product thus gained a global foothold. Since the firm also internationalized through established partnerships, the study discloses that the market growth of Sapience Analytics was clearly characterized by their network of MNC customers and partnerships. Nevertheless, the internationalization in terms of physical offices, such as the firm’s careful two-year discussion to expand into the US, can be seen as inconsistent with Gabrielsson and Gabrielsson’s (2013) emphasis on rapid growth and foreign expansion in their third phase. Thus, Sapience Analytics aimed to strengthen their domestic market presence thoroughly before expanding physically to any foreign market. As the firm considered their core team to be a key source of their competitive advantage, the people responsible for the US market was critically chosen. The new human resources and their capabilities, such as technological knowhow and innovative capacity, were therefore crucial to enrich the firm’s resource portfolio in accordance with Sirmon et al. (2007), which also are two crucial capabilities for INVs to possess (Knight & Cavusgil, 2004).
In line with Kazanjian’s (1988) description that the growth phase is characterized by the need to find the appropriate balance between profits and future investments, Sapience Analytics have focused on accelerating the growth and profits in India and the US before undertaking any further investments in new international offices. It is evident that the firm intends to process these existing markets profoundly to continuously grow and enrich its capabilities as a strategy to build and sustain the competitive advantage. As international sales through global MNCs, referral businesses, and new international customers still can occur from India and the US, the firm’s expansion to new foreign markets will continue. Further, considering Sapience Analytics’ global product and clear ambition to increase their foreign presence in Europe and Australia, these are evidence of their global strategy. Thus, as Sapience Analytics aim to strengthen their domestic market position and at the same time target new foreign markets and expand through global MNCs, one may claim that they pursue a combined strategy of both domestic and global focus, a so called Glodomestic strategy.

5.3 Phase 3: Maturity and Stability for Continued Glodomestication to Sustain the Competitive Advantage

5.3.1 Case A: I-exceed

The case of I-exceed illustrates signs of product maturity and a more stabilized growth phase, which would argue that I-exceed is approaching the third phase. The study shows that the firm has been able to leverage their capabilities to exploit business opportunities emerging in some of their markets, which have created value for their customers in line with the reasoning of Sirmon et al. (2007) and Schweizer (2014) and thus made them more prepared to enter new foreign markets. Besides, I-exceed’s interaction with European markets has rendered new expansion opportunities but also novel insights of the requirements from more mature market, where the latter has resulted into more sophisticated features of their product. As a result, one may claim that the interaction with new foreign markets has strengthened I-exceed’s internal capabilities and facilitated their ability to leverage these further, which may prove useful across their operations in other markets. These are evidence that the maturity of I-exceed’s product has improved, which would explain why the firm is becoming more ready to open offices in Europe in the near future and accelerate their foreign market expansion into significantly more mature markets. Nevertheless, the firm still prevails in phase two and considering its youth and new Glodomestic strategy for current and future market growth, their existing markets will require further processing before showing signs of
stabilization. Thus, I-exceed’s current position does not yet support Kazajian’s (1988) last phase of stability. In particular, this reasoning can be further explained by I-exceed’s later decision to target India, a market that offers yet unexploited market opportunities and huge potential to foster further growth. In turn, I-exceed will be able to leverage their capabilities further before reaching the phase of market stabilization. Besides, considering I-exceed’s current local offices in only two foreign markets one may argue that the firm has not yet reached Gabrielsson and Gabrielsson’s (2013) last phase indicating foreign maturity, rather, the firm still has capacity to expand its presence in foreign markets before realizing its full potential.

5.3.2 Case B: Technoforte

When taking the age of Technoforte into account, the firm has gained considerable experiences since its inception. Since Technoforte’s strategy has been to process each market thoroughly rather than expanding across many different markets rapidly, one may argue that the firm has managed to exploit market opportunities and create value for their customers by leveraging their internal capabilities in accordance with the third phase of Sirmon et al. (2007) and Schweizer (2014). Therefore with support from the study, it is fair to reason that Technoforte are approaching a form of stabilization phase in their present markets, particularly the domestic and the Middle Eastern one, which is consistent with Kazanjian’s (1988) last phase of stability. In line with Sirmon et al. (2007), Technoforte have managed to identify, i.e. mobilize, the capabilities needed to capture opportunities in markets where they are present and thereby aligned them with their focused strategy to leverage their capabilities. In turn, the leveraging element has impacted the maturity of their product in terms of technology and functionality, which have influenced their readiness to enter new international markets that have higher product requirements. Also, Technoforte’s technological advantage of their people together with the product as a core of their competitive advantage, are factors arguing for their product maturity.

Yet, as of today these factors prevail as signs of product maturity and are thus pure indications of Technoforte’s preparedness to expand into more mature markets such as the US and Europe. Since Technoforte’s own perception is that they have not yet reached the stabilization phase in their existing markets, the firm still remains in phase two by focusing on further market growth. Besides, the firm has not reached the phase of foreign maturity and do not seem to have achieved synergy effects by integrating activities across their existing markets, which is inconsistent with the last phase of Gabrielsson and Gabrielsson (2013). Moreover, considering the observed trend of Technoforte’s Glodomestic strategy with a dual approach towards market growth, one may argue
that this strategy is more resource intensive and that more time will be needed before advancing to the next phase completely.

5.3.3 Case C: Sapience Analytics

Considering Sapience Analytics, the results show some tendencies of their ability to leverage capabilities and exploit emerging business opportunities and thereby create value for their customers in accordance to the reasoning of Sirmon et al. (2007) and Schweizer (2014). The firm’s clear global vision and demonstrated ability to manage resources effectively are also consistent with Gabrielsson et al.’s (2008) preconditions for the last phase, which would argue that the firm is approaching the last phase. Yet, even though the firm has a global product and possesses great potential to reach a first mover advantage, the firm has pursued a rather reactive strategy and has therefore not fully used their capabilities to exploit the business opportunities appearing in several markets. Further, the uniqueness of the product also indirectly hinders the firm to enter the last phase since the market for the product has yet to develop in order to facilitate continuous growth. Rather, the product is still in the beginning of the product lifecycle with great potential to grow and mature further. Besides, the market immaturity and customers’ still inadequate understanding of the product, argue that the firm will need some years to leverage their capabilities to proactively create a product need and exploit business opportunities in foreign markets before reaching any level of maturity. The findings are also inconsistent with the last phase of Gabrielsson and Gabrielsson (2013), as they have not yet reached any level of foreign maturity, which the scholars stressed as important during the last phase.

5.4 A Cross-Comparison of the INVs’ Internationalization Phases and Creation of the Competitive Advantage

5.4.1 Phase 1: Identification and Accumulation of Resources and Capabilities

The case analysis discloses some distinct similarities of all three case companies in the first phase. First of all, the findings of all three firms demonstrate clear evidence of identification activities and the accumulation of resources and capabilities in line with Sirmon et al. (2007). The elements of divesting and acquiring resources were more apparent in some cases, yet, not throughout all of them and not as clearly demonstrated as accumulation. One may argue that the activities of divesting and acquiring were not as distinct since the firms were constrained by their limited firm controlled resources, which made it difficult to possess enough financial resources to acquire new
ones and an insufficient resource base to divest. The evidence of structuring the resource portfolio already in the first phase contradicts Schweizer’s (2014) findings, as he found the activities to start in the second phase. Our findings show a clear integration between the identification process and the accumulation of resources, as activities occurring simultaneously and in an interconnected manner, which thereby explain why they are found already in the first phase. Second, the importance of a well-established network to facilitate the product development and thus the creation of the competitive advantage, were also evident across all cases. Yet, the utilization of the network was very different from case to case, where the validation process emerged as an indication of how the firm used the network as facilitator to create a competitive advantage. The most distinct difference in the usage of the network was in the case of Technoforte, whom relied dominantly on one MNC and validated in profound collaboration with them, in contrast to I-exceed and Sapience Analytics that both validated their products through various industry players.

Nevertheless, the main aspect that differed significantly across the cases is the length of the first phase. The identification and accumulation phase of I-exceed and Sapience Analytics lasted for approximately two years, whereas Technoforte’s first phase endured for over eight years. In the case of Technoforte, one can explain their decelerated phase by their financial constraints and network dependency. Seen from a more holistic perspective, the study discloses two main factors that can explain the large differences in the length of the phase, namely the industry and the founders’ experience. In regards to the industry, the case firms started their businesses in two completely different business environments, which caused the firms to adapt accordingly and thus in different ways. Technoforte started their firm approximately ten years earlier than the other case firms, a period that has been characterized by a rapid transformation both in the Indian context overall but even more significantly in the Indian IT industry (World Bank, 2016; Contractor et al., 2015). One may also argue that Technoforte started their firm by adapting to the emerging industry opportunities, before realizing the need to develop their own product in order to create a competitive advantage in the long-term perspective. As the firm was a part of the rapid changes occurring in the former industry environment, it is fair to reason that it was more difficult to comprehend the transformation and adjust to the new environment accordingly. In contrast, Sapience Analytics and I-exceed entered the industry as observers and could start their firms built upon the new business landscape of SMAC emerging in the industry. Thus, Sapience Analytics and I-exceed could and understood, directly from the establishment, that the product would provide most value, which in turn can be seen as an explanation to their shorter first phase.
In regards to the founders’ experience, as all the three firms considered their people to be a main source of their competitive advantage, it is evident that the founders with their knowledge, experience, and knowhow, have been essential for their process of creating a competitive advantage. Yet, despite that all case firms had experienced founders, which itself is an interesting contrast to the general Indian IT industry where most founders tend to be young graduates lacking that level of experience (NASSCOM, 2015a), their degree of experienced differed. For instance, I-exceed and Sapience Analytics both had previous experiences from starting their own business within their respective industries, which in accordance to Westhead et al. (2001) give the firm additional valuable knowhow about the business space. Conversely, the founders of Technoforte possessed significantly less industry experience and international market knowledge, which naturally imply a more scarce resource and capabilities portfolio. Thus, one may argue Technoforte’s lower level of experience and knowledge partly explain their priority to accumulate ample resources to overcome the risk of default and ensure their survival, which prolonged length of the first phase. In turn, this reasoning explains Technoforte’s relatively slower process of identifying and accumulating the required resources and capabilities needed to initiate their late product development and thus foster their competitive advantage.

Another relevant explanation to the difference in length of this phase can be provided by the founders’ personal traits (Li et al., 2012) and international entrepreneurial behavior, i.e. proactiveness, innovativeness, and risk-taking (Oviatt & McDougall, 2000). I-exceed pursued a proactive strategy, had a clear global vision and distinct innovative capabilities residing within the firm, which accelerated the speed of their phase. In contrast, Technoforte pursued a reactive and risk adverse strategy up until their late product development that prolonged their phase, whereas Sapience Analytics’s proactiveness and risk-taking were comparably higher. Even though their approach to exploit the first mover advantage of their global product was rather reactive, speed was a key priority that shortened their phase.

Last, considering the firms’ different global ambitions and strategies, the internationalization process differed across the three case firms in the first phase. I-exceed excelled with local offices in both Singapore and the US only one year after their establishment, whereas it took Sapience Analytics and Technoforte four to five years to open any foreign offices. Both I-exceed and Technoforte established foreign offices prior to the market launch of their products, while Sapience Analytics waited until the second phase after the product was launched. One may argue that the service component impacted the decision to open foreign offices, this since both I-exceed and
Technoforte could offer services to that market as financial revenues, yet, at the same time facilitate relationship-building capabilities that would simplify the product launch. In opposite, Sapience Analytics did not offer services and foreign expansions through local offices before the product launch would therefore be more costly than financially beneficial. Further, as the speed of the product development was significantly important in order to exploit their first mover advantage in line with Li et al’s (2012) argument, one may reason that Sapience Analytics had stronger incentives to focus on accelerating the product development rather than expand to foreign markets initially.

5.4.2 Phase 2: INV Growth through Glodomestication to Create the Competitive Advantage

When discussing the second phase, the analysis of all three cases discerns both distinct differences and similarities. First of all, network relationships have been a key driver explaining the market growth of all three INVs, which is further supported by Gabrielsson et al’s (2008) emphasis on network membership as a critical factor for INV growth. If it was not for the network, particularly partnerships, it is fair to claim that the process of identifying potential customers would not have occurred in the same pace. Nevertheless, the analysis shows that the use and perception of the network to foster market growth have been different. The case of Technoforte illustrates a more prolonged second phase, where the correlation between network importance and market growth is most evident in their specific ties to global MNCs, particularly Toyota. Further, the product is a main source creating their competitive advantages and thus the priority to continuously enhance the product has been similar across all cases. Nevertheless, the purpose and scope of the products differ, where Sapience is a standardized global product in opposite to Appzillon that is more custom made and locally adapted. Besides, PALMS WMS has a broad scope by serving dispersed industries whereas Appzillon has a niche scope by targeting solely the Fintech industry.

In terms of similarities, the analysis of all three case firms demonstrates clear evidence of Sirmon et al’s (2007) resource bundling, which may be explained by the importance of extending and improving internal capabilities in order to prolong the life cycle of their product and thus strengthen their competitive advantage. That is, one may argue that the bundling process of the firms not only has stabilized and enriched existing capabilities through their respective market presence, but also created new capabilities. In turn, this enhanced their product but also diminished the risk of entering
a phase of product stagnation, which have enabled them to sustain their competitive advantage during the phase of market growth.

The second phase also encompasses the phenomenon of *Glodomestication*, which is an observation made from the empirical findings as a distinct trend currently emerging across all three case firms. One may reason that the rise of a *Glodomenic* strategy can be seen as a response reflecting the business opportunities emerging in the Indian IT industry domestically as a complement to those of global markets. The case analysis illustrates that there is a current tendency of these Indian IT INVs to focus on their large domestic market instead of pursuing a purely global approach, which provide great potential to develop and strengthen their product as a key source of their competitive advantage but also continue future market expansions both globally and domestically. In turn, this potentially indicate a new mode of internationalizing among some INVs and a possible development of the INV phenomenon in the future. Besides, the findings manifest that the boundaries for the case firms to be perceived as a global have become less distinct and their internationalization without necessarily having a physical presence have become more common, due to the ease of reaching international markets through advanced ICT solutions, their strong ties to networks, partnerships and global MNCs as customers. As a result, the internationalization process of these case INVs has become more abstract and contextual depending on the characteristics of the firm and the trends prevailing within their IT industry. The observed trend may therefore explain why the firms’ internationalization process into new foreign markets was more difficult to identify, which also impacted the length of the phases. As globalization has diminished the geographical distance between firms, this has enabled these INVs to efficiently use their resources. Thus, despite their potential liabilities of smallness and newness, these trends have rendered the possibility for them to undertake a dual strategy towards market growth by balancing a global strategy with a domestic one. The case analysis of all three firms discerns that collaboration with global MNCs, particularly those with presence in the domestic market, is one of the major reasons behind the less distinct market boundaries that have facilitated the ability to reach global markets and simultaneously focus on the domestic one.

5.4.3 Phase 3: Maturity and Stability for Continued Glodomestication to Sustain the Competitive Advantage

The case analysis discloses that despite some tendencies, none of the three case firms have yet reached the last phase of stabilization in their existing markets, where their *Glodomestic* strategy
will require more time to process domestic and global markets simultaneously before advancing to the next phase completely. All three cases demonstrate the ability to leverage their capabilities through their market presence, which is consistent with the reasoning of Sirmon et al. (2007) and Schweizer (2014). In turn, all firms have managed to improve their products and thus strengthened their competitive advantage, which indicate a certain level of product maturity and argue for their preparedness to accelerate expansion into more mature markets. The signs of product maturity are more evident in the case of Technoforte and I-exceed, whereas the product of Sapience Analytics remains in the beginning of the product life cycle with great potential to grow and mature further. Despite the uniqueness and global potential of their product, the analysis discloses that several markets are yet immature, which argue for that the firm has to leverage their capabilities further and proactively create a need for their product before being able to realize its potential.
6. Conclusion

This chapter presents the conclusion, which is based on the empirical findings and the analysis discussion. First, the contributions of the study are outlined, followed by the answer to the research question. Last, limitations and suggestions for future research are provided.

6.1 Findings and Theoretical Contributions

This thesis has examined the linkage between the internationalization process and the creation of a competitive advantage in the context of Indian IT INVs. Consequently, the study has integrated previous INV literature with the RBV of the firm, and different phase perspectives of the creation of a competitive advantage, the firm’s growth, and internationalization process. Since scholars within the field of INV have tended to study the phenomena independently, these findings have deepened the knowledge of them respectively but have yet been insufficient to provide an explanation of the linkage between them.

Based on an extensive review of previous INV literature and deep multiple case studies of three IT INVs examined in a novel field from an Indian perspective, the contributions of this thesis are multiple. First, this thesis contributes to INV theory by explaining how an INV may build and enhance its resources and capabilities and subsequently create competitive advantage by internationalizing into foreign markets. Second, considering the global and rapidly changing markets of today and the growing trend of small Indian IT firms, the appreciation of a firm’s internal resources and capabilities is particularly important in the case of an INV, who often initially suffer from the liability of being small and young. Thus, the findings of the study contribute to new insights but also deepen the understanding of an unexplored yet growing field, whose importance is likely to increase in the future. Third, the findings have both a theoretical and practical dimension as they help to fill an important gap in academic literature but also endow INVs with insights about how to create and sustain their competitive advantage through internationalization as a way to survive and thrive in dynamic and competitive markets. Fourth, our study sheds light over not only a novel discipline, but a new emerging market and industry specific context, which broaden the current perspective of the linkage between an INV’s creation of competitive advantage and internationalization process. Fifth, by examining and comparing the phenomena across three different case studies, the study contributes to a deeper theoretical understanding by identifying patterns of similarity and differences in this context. Sixth, the findings of our study seen from the Indian perspective may be complemented and compared with
the sole study conducted so far, examined from a small and advanced market perspective, in order to extend the understanding of the linkage and generate more profound theoretical and contextual explanations. Last and the most important theoretical contribution of our study, is the observation of the new trend currently emerging among these Indian IT INVs through the phenomenon of *Glodomestication*, which provides a solid foundation to continue the global and domestic discussion of INVs and thereby potentially extend future INV literature.

In order to extend the understanding of the linkage between the creation of a competitive advantage and internationalization process in an Indian context, the following research question was formulated:

“*How is the internationalization process and the creation of a competitive advantage linked in the case of Indian IT INVs and how has the linkage developed over time?*”

The study discloses that the linkage between the internationalization process and the creation of a competitive advantage is an interrelated process of two mutually dependent phenomena. Considering the product as the main source of competitive advantage, evidence from the study demonstrate the internationalization process’ dependency on the product development and thus the creation of the competitive advantage, as well as the reverse where the product development is dependent on the internationalization process. The existence of this interrelated linkage is distinct in all three case firms, yet, the correlation and development of the phases did not occur in the same manner and pace across all cases. The findings manifest that several factors enabled and influenced the linkage, which indicate that founders’ experience, industry knowledge, and network through global MNC customers, are the capabilities having the greatest effect on the development of the two processes separately and thus also the linkage between them.

In regards to the second part of the research question and the development of the linkage over time, the findings of the study reveal that the internationalization process and creation of the competitive advantage developed in an interlinked manner through three distinct phases; Identification and Accumulation of Resources and Capabilities, INV Growth through *Glodomestication* to Create the Competitive Advantage, and Maturity and Stability for Continued *Glodomestication* to Sustain the Competitive Advantage.
The analysis illustrates the interrelated linkage in the first phase, by revealing how the identification and accumulation of the required resources and capabilities fostered the development of a global product and thus the creation of a competitive advantage, which facilitated the firms’ internationalization. In turn, the linkage occurring in the initial stage explains why two out of three firms internationalized early into foreign markets. In the case where the internationalization process was not as clearly evident in the first phase, the firm had great potential to exploit first mover advantages on a global market and thus focused all resources on the creation of the competitive advantage prior to any internationalization.

The linkage was even more evident in the second phase, which was emphasized by the firms’ market growth and internationalization to new markets through a Glodomestic strategy in order to create and enhance their competitive advantage. Thus, the analysis disclosed that the interrelated linkage developed from two perspectives during the second phase. First, the phase stresses the firms’ need to enrich, stabilize, and pioneer capabilities to enhance the creation of their competitive advantage, which enabled further market expansion in both domestic and global markets. Second, the internationalization process and the global exposure provided by the product enabled improvements of several internal capabilities, which in turn facilitated the creation of the competitive advantage. Despite being a key factor explaining the linkage throughout all phases, network as a capability of the people proved to be of particular importance during the second phase by impacting the intensity of the firms’ market growth but also the chosen mode of internationalization.

Even though some indications that pointed towards the last phase were observed across all cases, the findings manifest that none of the three firms have yet reached the last phase of product maturity and market stability. Nevertheless, some signs of the interrelated linkage can still be found in the last phase as well. First, the phase emphasizes market stability through continuous Glodomestication to leverage the competitive advantage. Second, the phase outlines that a high level of product maturity is positively correlated to the firms’ competitive advantage, which could foster further expansion to more mature markets.

6.2 Recommendation for Future Research
Considering the previously mentioned limitations of the study and since this paper has investigated a yet unexplored field in a novel context, the suggestions for future research are manifold. First, as
this study is conducted by a qualitative method of three case studies, the suggested framework is rather contextual and limited to these specific firms. One recommendation is therefore to undertake a quantitative approach to test the results across a larger sample and thereby render a greater generalizability, which could increase the theoretical applicability. Second, since this thesis has examined the linkage between internationalization and the creation of a competitive advantage in an Indian context, another future suggestion is to extend the understanding of the phenomena by examining the topic from a cross-country perspective, preferably by making a comparison between an emerging market and developed market context. The outcome of such a study would be interesting to compare with our results of these Indian IT INVs, particularly the examination of whether signs of the Glodomestic phenomenon would be evident or if this phenomenon is representable solely in this particular context. Third, considering the study’s limitations to the IT industry, it would be interesting to examine the same topic from a different industry perspective to discern potential deviations and correlations with our findings and thus broaden the understanding of the INV field. Fourth, as this study is limited to case firms having their own IP, it would also be fruitful to deepen the knowledge of how the competitive advantage of Indian IT INVs would be created in the absence of an own product, where these firms would rely purely on services as a part of their offering.

Fifth, and the most important recommendation considering our results, is the suggestion to examine the linkage between the internalization process and the creation of a competitive advantage through a broader theoretical perspective that is not limited to the internationalization process as such. Based on the observations of our study, examining the linkage solely through internationalization phases would not have been able to fully capture the emergence of a Glodomestic approach towards market expansion. Thus, in order to generate a deep understanding and provide explanations of this phenomenon disclosing that an Indian INV may be considered global by indirectly internationalizing through its network, we suggest that it would be relevant to widen the lens when examining the growth of the INV in future research contributions. Therefore, we strongly encourage further research on the linkage between INV internationalization and the ability to create a competitive advantage seen from different perspectives and novel contexts. Future research would thus be able to deepen the understanding of this unexplored field and generate a framework that manages to depict a fair and justified view of the interesting changes currently occurring in the landscape of IT INVs in India, beyond that of pure internationalization.
References


Appendix

1. Interview Guide

The Background of the Interviewee

- What are your responsibilities and tasks within the company?
- Have you possessed other positions within the company previously?
- What is your educational background?
- What was your professional background before starting X?
- Did you possess previous knowledge and/or network within the IT sector before starting X?

The Company and the Industry

- What was the background story to the establishment of your firm?
- What resources and capabilities existed within the company from the start?
- How many people worked at the company during its establishment?
- How many people work at the firm today?
- How would you describe your industry? What technology is important?
- What capabilities would you consider most crucial for a company in this industry?
- Since your inception, what have been the major opportunities and challenges?

Internal Resources and Capabilities

- What makes you unique in terms of internal resources and capabilities in comparison to competitors? How would you describe the firm’s competitive advantage?
- How has the process of creating a competitive advantage developed?
- What makes customers choose you instead of your competitors? Where are these customers mainly located?
- What are your major strengths and weaknesses?

Internationalization Process and International Partnerships

- Can you describe the company’s process of entering foreign markets?
- Which foreign markets are you present in today? In what order has the entered them?
- What were the motives behind the choice of those markets?
- What kind of physical presence do you have those foreign markets today?
- What impact have partnerships had on your internationalization?
- How have your customers impacted your presence in foreign markets?
- What percentage of your total sales turnover derives from international sales?
- What is your future plan for internationalization?
The Internationalization Process the Competitive Advantage Integrated

- What have been the most important factors impacting the internationalization of the firm?
- What internal resources and capabilities have had the greatest influence on the firm when entering new markets?
- What impact has the internationalization into new markets had on your internal resources and capabilities?
- Would you consider it necessary to possess a competitive advantage of some kind before internationalizing?
- What impact has the firm’s competitive advantage had on your future plans for foreign market expansions?