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**INTERNATIONALIZATION STRATEGIES TO INDIA IN THREE FINNISH  
ICT SMES**

Master's Thesis in  
International Business

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## LIST OF ABBREVIATIONS

- SME: Small and Medium-size Enterprise
- ICT: Information and Communications Technology
- KIF: Knowledge-Intensive Firm
- OECD: Organisation for Economic Co-operation and Development
- GLOBE: Global Learning and Observations to Benefit the Environment.
- SDMP: Strategic Decision Making Process





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### ABSTRACT

The size of the Indian market and its proximity to Finland does not have a positive correlation with the actual volume of business operations between the two countries. The ICT industry is a major sector where Finland's strong expertise is valuable, but only sparingly do companies internationalize to serve the Indian market. The purpose of the study is to evaluate how cultural and business aspects of India affect the development of Finnish ICT SMEs' operations in the market. To investigate these relationships the Indian culture is researched from a Finnish perspective and data is collected from three ICT SME case studies. In addition, the internationalization process of these SMEs is also evaluated theoretically and empirically. The combination of the analysis of cultural aspects and internationalization strategies allows drawing conclusions to the development of the operations in the three case studies and offer managers of ICT SMEs with more insight on the internationalization strategies to India. The observations are drawn from experienced international managers with responsibilities to operate the Indian operations of these ICT SMEs. The common factors and differentiations within the case studies are evaluated to give perspective into the challenges, opportunities, successes and failures that are experienced in the internationalization process. The findings include positive perceptions on the opportunities, ease of doing business and cultural fit with the Indian market for Finnish ICT SMEs. On the other hand, there are notable downsides to acknowledge for companies considering the Indian market in their internationalization strategy. In addition, this thesis illustrates the position of the Indian market entry within the global strategies of the case studies. Lastly, observations are made into the state of Indian and Finnish relationships for the future, which are commonly expected to be distinguishable.

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**KEYWORDS:** Internationalization strategy, Information and communication technology, Small and medium-sized enterprises, Finnish companies, India.



# 1. INTRODUCTION

## 1.1. Background of the study

Researchers agree that the internationalization of small and medium-sized enterprises (SMEs) is growing in pace and the pressure increases with every new technology that disables existing international barriers. This holds especially true in the information and communications technology (ICT) field that emphasises innovation. In addition, the target industry of the thesis, ICT, is a constantly evolving sector.

This paper's aim is to study the critical factors that affect companies' internationalization in the context of Finnish ICT SMEs expanding to India. Today's internationalization, empowered by globalization, requires companies to make faster decisions than before in more dynamic and unpredictable circumstances and often from geographically remote locations.

The first chapter is divided into four sections that further describe the purpose and benefits of this paper. Firstly, in the background of the study the major implications in the field of study are researched. Secondly, the research question is set and is complemented by the objectives. Thirdly, the structure of the paper is presented. Lastly, regularly used key concepts of this thesis are defined.

India has one of the fastest growing ICT industries in the world, which creates plenty of opportunities for growth-oriented international SMEs. However, succeeding to take advantage of these opportunities requires extensive knowledge about the market and an organizational flexibility to react in an evolving and unpredictable marketplace such as India.

In order to reach benefits in the immense Indian market Finnish SMEs have to create and sustain competitive advantages. Achieving them can be difficult and requires ownership know-how and decision-making capabilities. There are many characteristics of the Indian market that makes it a difficult region for companies to firstly enter and secondly to achieve a stable and profitable business.

There are numerous reasons why Finnish companies do not consider India as such a large potential as its global presence and importance would indicate. One of the main

reasons is that there is a lot of poverty, even though the median income is growing. Secondly, the cultural differences present challenges, which are amplified by India's immensity and internal diversity that creates more uncertainty. Finding the right location and partners are commonly seen as considerable risks and time consuming processes that decrease the interest of the management. Lastly, the laws and regulations that companies need to undergo to establish a foreign operation mode are often complex and can stagnate the internationalization.

Already in Ansoff's (1965) matrix an option for companies to grow is market development, which means going to new markets with existing products or services (Bell et al., 2004: 27). Internationalization is important for the growth and continuity of companies. As a consequence SMEs are starting to internationalize at earlier stages and smaller sizes than before. Indeed, globalization affects many SMEs with a mounting pressure to internationalize their products before their competitors.

In Finland ICT is one of the principal industrial and business sectors with a lot of SMEs that should consider India as a target market because of the size and foreseeable growth in users of new technologies. India presents abundant opportunities especially within their quickly growing ICT sector.

In this study, the data collection consists of analysis of three case studies of Finnish ICT SME companies that have taken on the challenge of expanding to India and establishing relevant business operations there.

## 1.2. Research gap

The internationalization of companies was at first predominantly considered from the point of view of large corporations with distinguished researches such as the OLI-paradigm and Uppsala model. At that time, companies that did not have significant resources were considered as incapable of internationalization.

The advancements of internationalization in SMEs have been significant, which is confirmed by the increased number of researches on the subject but also by investigating the global marketplace as a whole. The ICT field, at the centre of this study, is a great example as companies are pushed to and pulled by international markets making it one of the most global industries.

Nowadays, the internationalization of ICT SMEs is regularly researched from a born global's perspective. However, not all internationalizing companies have business models to fit the requirements of born globals that often necessitate efficiently standardizable products and a niche market to be supplied.

Many ICT companies and knowledge-intensive firms (KIF) with business models that require a lot of human resources are not fit to efficiently use the born global internationalization strategy. In many cases, the home-country markets are important but not sufficient by themselves and companies will look at other internationalization strategies.

Companies that internationalize to targeted countries instead of rapidly going global are more affected by the specific circumstances in single countries. A target country can have an important affect on the performance of the company therefore the success of an internationalization process is essential.

Internationalization of SMEs between two countries has been studied sparingly in comparison with born globals. The significance of cultural differences is much higher when significant business is operated in a single country rather than when it is only one of multiple target markets.

### 1.3. Research questions and objectives

The objective of the study is to provide advice and help to decision-makers in SMEs in regards to the internationalization process to India. There are many unique challenges that vary between companies depending on the business models and objectives of internationalization.

Since the problems with internationalization to India are often dependent on singular cases the research question is set to primarily research the internationalization strategies in case companies and secondly to identify common topics within the internationalization processes. The development of local operation and organisational ability to cope with change in the strategies are two main aspects evaluated in this paper. The research question is as below:

- How does cultural and business aspects of India affect the development of Finnish ICT SMEs operations within the market?

To answer the above question, the research objectives are set on more specific topics that are evaluated in this paper to provide more contexts to the research question.

1) Identify critical cultural factors that affect internationalization strategies in Finnish ICT SMEs to India.

This evaluation is done through both theoretical and empirical approaches to examine cultural differences and their effects on internationalization strategies of Finnish ICT SMEs.

With the theoretical approach main researches and their findings are analysed through a Finnish ICT SME perspective in order to give international managers a relevant background on the current situation in India.

The cultural factors are evaluated in the relationship between the Finnish companies and their operations in India, which provides insights into the most important factors that managers need to contemplate when establishing or running businesses there.

2) Find and evaluate changes in the end-to-end internationalization process.

Analysis of the end-to-end process, mainly through an empirical data collection of interviews with experienced managers. The main questions to answer are how companies cope with these changes and how the perceived market conditions differentiate from the actual opportunities and challenges companies face in India.

These changes can be due to functional strategies of different departments and internal or external environmental influences. (Bell, Crick and Young, 2004: 43)

The internationalisation process in different stages; establishment, maturing and future of operations, is determined by extensive and open questions to managers with long and hands-on experience from a SME point of view to India and other countries globally.

3) Evaluate the interrelationships between the cultural differences and changes in the international strategies of ICT SMEs.

Analysis of the relationships between the internationalization strategy of ICT SMEs and the cultural effects of India.

With the theoretical frameworks of cultural differences and the internationalisation process in ICT SMEs to India, the relationships between the two is explored. In addition, the data collection is a major factor to find and evaluate how the managers are handling culture within their internationalisation process, which in turn helps new initiatives to understand the underlying connections.

#### 1.4. Definitions of key concepts

Scholars and organisations have different interpretations on the definition of some concepts used in this thesis. Therefore, in this short following section the main and often recurring concepts are defined. The selection of definitions is made to correlate with the field of study and case studies.

##### 1.4.1. Small and medium enterprises (SMEs)

In the EU SMEs cover over 90% of the companies accounting for two out three jobs, thus providing a foundation for the European economy (European Commission, 2015: 3). The growth of these companies is important for the economical recovery of the EU that has struggled financially in comparison to the global trends. Especially internationalization can positively affect the growth of these companies and of the European economy.

In Finland the impact of SMEs is even higher, 98,9% of companies have fewer than 50 employees and only 588 companies have over 250 employees which is considered as the limit for SMEs. (The Federation of Finnish Enterprises, 2015: 3)

There is no globally approved definition for small and medium enterprises. They are defined differently among researchers and the most affecting variable is the country of origin. It is notable that economic growth and economical variances affect the parameters, which are often set by governmental organizations.

The parameters to define SMEs are also particular to one country; often the local governments have a method to define their scope. A good example is between the

definitions in Finland and India. In Finland the criteria are employees, turnover and balance, while in India it is a matter of investments in plant and machinery for manufacturing and in equipment for service companies (Government of India, 2014).

Since in this paper the three case companies are all Finnish the principal definition used in similar researches is from Statistics Finland.

	<b>Number of employees</b>	<b>Maximum Turnover</b>	<b>Maximum Balance</b>
<b>SME limits</b>	<250	50 m€	43 m€

**Table 1:** SME definition

All the case companies do not fall under these circumstances at the moment of the study. However, at the time of internationalization to India all the companies were within the parameters of the above definition of SMEs.

#### 1.4.2. Information and communications technology (ICT)

Similarly to SMEs the ICT sector is difficult to define precisely. One main reason is its nature as an evolving sector where it takes time to understand and categorise the underlying technologies of single products. Behind virtually any product there is some amount of information and communications technology in place and drawing a line is subjective. (Giertz, Rickne, Rouvinen, Ali-Yrkkö, Arvidsson, Broström and Gens, 2015: 42)

The OECD definition of the ICT sector is valid for the purpose of this thesis. Finland is a member of the OECD and even though India has no membership it has a working relationship with OECD, which could lead to a membership. (OECD, 2007) It was also created to enable a globally accepted definition in order to facilitate statistical analysis and comparisons across countries and time. (OECD, 2002: 82)

According to OECD (2002) the definition of the ICT sector is divided in two between the manufacturing and service industries. For the products of manufacturing industries:

*”Must be intended to fulfil the function of information processing and communication including transmission and display.” (OECD, 2002: 81)*



*"Must use electronic processing to detect, measure and/or record physical phenomena or control a physical process." (OECD, 2002: 81)*

Similarly the OECD definition the products of services industries:

*"Must be intended to enable the function of information processing and communication by electronic means." (OECD, 2002: 81)*

These industries are further divided into more particular segments, which are irrelevant for the purpose of this study. The case companies in this study can all identified under the ICT sector with operations in both manufacturing and service sectors.

#### 1.4.3. Knowledge-intensive firms (KIFs)

The last key concept is KIF, which is a recurring and important term in the theoretical framework. Finnish companies rely more on research and development in comparison with other European countries, which also invest a lot in research when comparing globally. Moreover, Finnish companies are often driven by innovations, because of a high-cost workforce and many socio-economical factors.

The KIF definition is important since the case companies of this paper have many of their characteristics. The definition of KIFs itself is not the most important factor but the understanding of how knowledge is represented in these organizations. These factors will be further analysed in the next chapters and are present in the methodology sections.

Furthermore, keywords in the current research field range from knowledge-intensive to knowledge-intensive firms or organisations and multiple links are made to companies that offer professional services and to some manufacturing companies. (Rylander and Peppard, 2005: 4)

Overall, there is no consensus between researchers for the definition of the term. Rylander and Peppard's (2005) research maintains that there is little coherence between the studied aspects in researches using the term. In addition, the term is defined quite freely and with separate purposes.

Therefore, in this study the definition is built from the purposes of this study and studies that demonstrate similar aspects in terms of companies, geography and field of business:

“Knowledge-intensive firms lean upon skilled employees who leverage their expertise to maintain and develop competitive advantage based on knowledge.”

### 1.5. Structure of the thesis

The thesis consists of an introduction, two separate theory chapters, the research methodology, results and summary of the study.

The introduction presents the background and research questions and objectives in relation to the existing study field. In addition, the key concepts used are described for clarity.

The first theory chapter focuses on the culture of India as a marketplace for Finnish ICT SMEs. Background and general economic aspects are presented before looking at cultures using multiple models and theories.

Internationalization processes within SMEs is researched in the second theory chapter, which starts with general background on internationalization strategies and converges towards an ICT SME perspective.

As the fourth chapter the study methodology is introduced starting from the choice of method to argumentation on how the design is shaped to fit the research questions and objectives of the thesis.

The results from the data collection are available in the following chapter with a separation of three case studies, which are further divided into cultural and internationalization process topics.

In the sixth chapter the analysis of these results is made using a cross-case method to provide comparable and structured findings of the collected data. The summary, limitations and future research possibilities are presented last.

## 2. INDIAN MARKET

India's population, diversity and growth potential make it a unique marketplace in the world. It is in the midst of the current globalization trend and of extreme importance for Western countries that increasingly relocate work especially in the ICT industry (Grundström and Lahti, 2005: 38), which again is in the focus of this study.

The theory chapter is divided into two main sections, a first which analyses the economical features of India and the key aspects from an SME perspective. The second one is concentrated on the Indian culture and aspects of conducting business. The comparison is also made between India and Western European culture with a focus from a Finnish perspective.

### 2.1. Key aspects of the Indian market

An overview of the market is first presented with the key aspects of India for companies that plan to internationalize. More specifically the purpose of this chapter is to demonstrate Indian particularities and which characteristics attract and discourage international companies to enter the market.

India and the Asian economy are projected to be leading the world in economic growth numbers. Asia is both responsible for 40% of the global economy growth and for over half of the global GDP growth. (International Monetary Fund, 2015: 1)

There are many predictions that see India overtaking China's position with not only population but also in the long term economical power. Still, in 2015 the GDP of India was just over a third of the Chinese one. The long-lasting growth that China has experienced is expected to slow down in the coming years and India is projected to keep a growing pace and balance the decrease from the Chinese market. By the IMF, the Indian GDP growth was projected to be at 7.3% for 2016 but has increased to 7.5% even though the global growth rate was scaled back. In Asia, the Indian economy that is often seen as secondary to the Chinese one, but in multiple predictions India will surpass China in GDP growth already in 2016. (International Monetary Fund, 2016)

India features the largest employable population in the world that is still currently growing. As a result of the massive quantity it has grown into the top 10 largest economies in the world regardless of the average income.

Opening the economy with reforms began in 1991 and has contributed to the high growth, now India is in another phase of further facilitating international companies to enter the market. The Prime Minister, Narendra Modi, leads the reform campaign to address main bureaucracies that hinder doing business in India.

Even though India is in a period of high growth and the median income grows it does not benefit every region in a similar way. The country is diverse and the income levels in different regions still vary significantly. This phenomenon is a double-edged sword for companies. On one side the amount of regions that are considerable can be limited and on the other hand these more advanced regions can have really good assets, including educated employees, purchasing power and solid infrastructures. The number of people who have access to internet and own mobile phones is also increasing. (Grundström and Lahti, 2005)

#### 2.1.1. Finnish SMEs' business opportunities in India

Historically between the years 1947 and 1997 the trade relationship between India and Finland failed to grow in value, volume and diversity (Mathur, 2007).

Finland is a small and open economy and global SMEs are especially important for this type of economies (Nummela, Saarenketo, Jokela and Loane, 2014: 529). SMEs and their international growth have a remarkable impact on the Finnish economy. The potential for success in India is evident and ideally with companies converting on opportunities could lead more companies leaning towards starting or growing their operations in Asia.

The ICT field is historically a major contributor to the economy and especially to the economical growth in Finland. On a European level its impact is one of the highest together with Nordic fellows, Sweden and Norway and UK and Ireland. (Koski, Rouvinen and Ylä-Anttila, 2002: 4-5)

According to Grundström and Lahti's report (2005: 33) there is plenty of opportunities for Finnish companies to provide high technology to serve the growing needs to enhance the technology capabilities in the ICT industry.

One main area of success in India has been with technological knowledge, education and companies. The ICT field in India is quickly growing due to the vast professional workforce, low cost and diverse opportunities. The education and business are in excellent form because a lot of international research and development operations are established to empower the growth.

Finland scores high on many of the metrics used to measure the importance of the ICT field, such as employment, value added, shares of import and export. In addition, Finland is present in the research and development and innovation categories, where it ranks at the top. (Koski et al., 2002: 5)

However, since the golden era in the early 2000s of ICT, when Nokia was still accounting for a major part of the business, the competitive landscape has shifted. Finland proved for years to be stellar in using and developing ICT but during the past decade it has struggled to adapt to newest trends and developments of the global ICT landscape. Nowadays, Finland is not anymore perceived as a primary global technology hub but the country still possesses qualities that could reverse this direction. The socio-economical features that enabled and supported the initial technological growth still exist and the focus on entrepreneurship has been steady. (Giertz et al., 2015: 15-16)

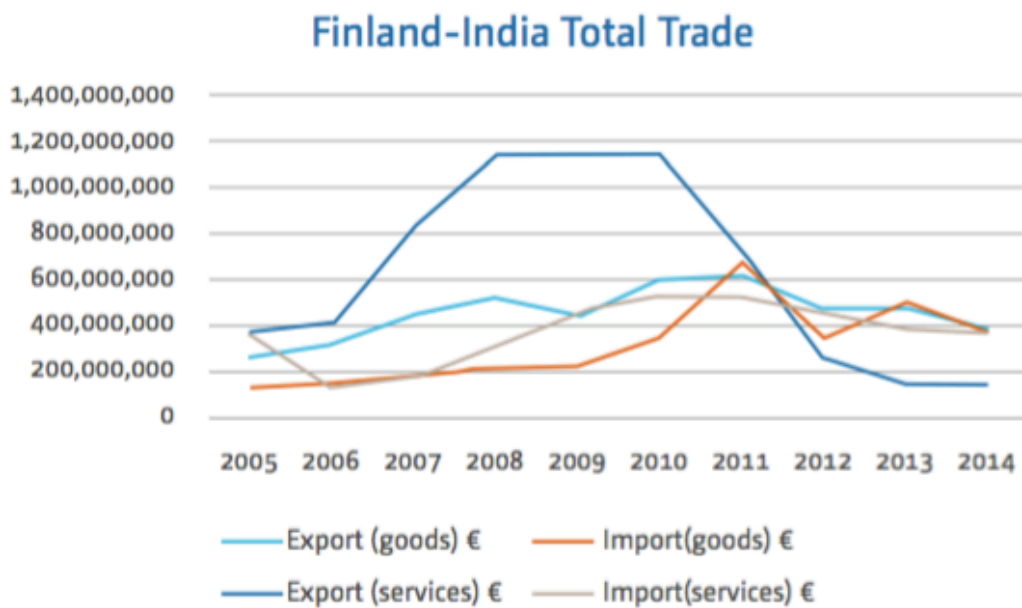
The ICT field is driven by innovations and governmental organizations that support both research and development projects and the internationalization of companies. The provided incentives range from investments to help with know-how and market information.

In 2007, India was considered as an exemplary market to go to for Finnish companies. (Finpro, 2016). However, the reality after those years is that imports from India have not grown and exports have fallen after 2010.

The number of Finnish companies operating in the market is rather insignificant. As low as 130 companies (Paananen, 2016) are currently operating in India and the number of new entrants is has not been growing.

Even though India is expected to become the world's largest economy it only accounts for 1% of the international trade of Finland. (Finnish Customs, 2013) In comparison, China equals to around 6,5% of the international trading. Currently, India's share is similar to many average European countries and South-Africa. (Finnish Customs, 2014)

Indeed, as the past years have shown, Finnish companies are reluctant to invest in India. To realize the opportunities in India and taking action has been initiating slowly if at all in Finnish companies.



**Figure 1:** Finland-India total trade. Finland-India Business Guide, 2014

Nevertheless, India's current growing economical influence and potential cannot be denied. Numerous Finnish organizations are realising this fact and encourage and support internationalization to India.

## 2.2. Indian versus Finnish culture

One purpose of this paper is to analyse how companies are able to succeed in different business environments. Therefore, the main objective in this chapter is to understand the cultural aspects that affect doing business. More specifically this means the different behaviours and attitudes of employees, who are affected by their cultural background (Boopathi, 2014: 75).

### 2.3. Indian versus Finnish culture

One purpose of this paper is to analyse how companies are able to succeed in different business environments. Therefore, the main objective in this chapter is to understand the cultural aspects that affect doing business. More specifically this means the different behaviours and attitudes of employees, who are affected by their cultural background (Boopathi, 2014: 75).

#### 2.3.1. Indian versus Western European culture

In this part on cultural differences, India is presented as one homogenous country, even though its culture is different from region to region. The reason for this limitation is because most researches refer to India as a single country, for example Hofstede and GLOBE. In a country of over 1 billions people, demographics play a differentiating role between different regions. However, the assumption is that going from a distant country such as Finland to India creates cultural differences that are superior and more impactful than cultural differences in between India's areas.

The official language in India is Hindi but English is widely used for communication in business. Having a common language is certainly a benefit for international companies that often use English as their business language. Language is also often seen as a major cultural barrier but in India that challenge is not significant. Diversity in religions exists in India where the four main religions are Hinduism, Islam, Christianity and Sikhism. (Ernst & Young, 2013: 7)

The physic distance between two countries is an important measure when considering target markets in international business. Already Johanson & Vahlne (1977) discovered that companies are progressing in their internationalization strategy from more familiar markets to markets where distances in geography, culture and other factors are greater.

Researching the psychic distance between India and Finland is important for this study. The cultural differences between two countries are often associated with performance in building relationships and initiating business in new areas.

Puthusserry, Child and Rodrigues (2014) studies psychic distances between India and the UK. This study is applicable to this paper, although with limitations. The UK and Finland are both wealthy European countries with a western European business

approach. However, there are notable cultural differences that would create differences in results under similar researches. The differences between Finland and the UK will be allocated to the findings in Puthusserry et al.'s (2014) research to study the differences between India and Finland.

Overall, in their research (Puthusserry et al., 2014) there are 12 dimensions that are studied, which affect the psychic distance between UK and India. Some of these dimensions are presented below and the main framework for cultural implications in this study is based on their study and summarised at the end of the chapter.

### 2.3.2. Distance

For distance Puthusserry et al.'s (2014) research shows that many UK managers see distance as a main challenge. Distance is categorised both as time zone and physical differences.

The geographical distance is seen as a bigger problem with British than Indian respondents. According to one respondent the time difference between UK and India created communication problems. First of all, face-to-face meeting is more difficult to organize and impossible to have regularly because of travelling. Secondly, the time difference affects the scheduling of meetings. Working hours are rarely overlapping between UK and India based employees, so finding times available for everyone included is difficult. (Puthusserry et al., 2014: 11)

One of the main benefits Finland has in comparison with Western European countries is its closer geographical position with India. The difference is considerable at least when comparing with the UK. The time difference is two hours shorter than UK's 5 and half hours. In theory, this allows Finnish companies with 4 additional hours, where both countries are working at the same time. It is also important to note that most Indians do work late, often until 6.00 pm.

Being closer to India mitigates also another problem that many UK managers have, which are face-to-face meetings and travelling. Finland is advertising itself as a gate-way to Asia. Helsinki-Vantaa airport is one of the main channels from Europe to Asia and Finnair is increasingly focusing on its routes to Asia. A flight connection from Finland to Asia is much faster than from the UK that leads to saved time and resources for companies.



While the distances are comparatively similar, the fact that all UK, Finland and India have a lot of strong markets closer to them than these are between themselves. This fact means that even though the distances here are quite limited, their effects are punctuated by the other favourable market possibilities closer to them (Ojala and Tyrväinen, 2007: 127)

Moreover, this geographical distance is proven by many researchers to be a significant factor in companies when choosing their target markets. (Ojala and Tyrväinen, 2007: 131)

In Puthusserry et al.'s (2014: 11) research the results varied significantly between Indian and UK respondents. Indian respondents had generally more positive responses. Considering the distance measures the gap was over one point (2,97 to 4.10), which was the highest differential in the study.

This difference could be explained with the level of responsibilities in firms. Indians are responsible for their own operations but are not very involved in operations in the UK. However, UK managers might have large responsibilities in Indian operations even though they are based out of the UK. Therefore, UK managers are more likely to feel the need to be involved in Indian operations than the other way around.

Ojala & Tyrväinen (2007: 124) also find that SMEs are generally move quickly their focus markets from short distances to higher distance markets with more purchasing power. In this case India falls in between, since the distance is average and the purchasing power is a double-edged sword, with low purchase power but very high quantity.

In Puthusserry et al.'s (2014) paper, the ICT industry was mentioned among the industries where the economic downturn played a more significant role. Geographical distances add a macro economical variable as economies grow and stagnate separately at different rates. For example on the research, Indian respondents were concerned with the economical situation in the UK. According to his study new organizations are more sensitive to these variations than more mature ones, which have generally already operating in more markets.

This phenomenon can be beneficial for companies. A company that has operations in more countries has its results less dependent with the economy of a single country.

Therefore, the risk is more decentralized, when one country experiences difficult times another's economy might be booming. This effect can be significant for companies when considering India as a target market, since the long-term views of its economy are largely optimistic.

Globalization and the technological advancements are factors that mitigate the importance of geographical distance, but especially in early stages of internationalization companies are still relying on countries that are close. (Ojala and Tyrväinen, 2007: 133)

### 2.3.3. Laws and regulations

There are definitive differences in the laws and regulations of India compared to European countries. European companies that focus on the European market are not used to some of the difficulties that the Indian market includes since the EU laws are very open. In India there are major issues that some managers have to deal with including restrictions on operation modes and in some cases even bribery. (Puthusserry et al., 2014)

The contrast between local Indian respondents and UK managers was very significant in this category. The regulations were seen as very similar in Indian respondents, whereas UK managers struggled often with unexpected laws and regulations. (Puthusserry et al., 2014)

For a long time the political landscape of India has been a concern for foreign companies when considering it as a target market. However, in recent years there has been a quite substantial reform, which is one of India's Prime Minister's, Narendra Modi, main agendas.

Modi has reformed the excessive regulations, the red tape, to improve the opportunity for companies to grow without dealing with hindering and complex laws. From a foreign perspective, one of the most important policies is change in foreign direct investments. The objective is to make India an opportune market for investors to achieve overall economic growth. The reforms target 15 sectors including manufacturing, trading, B2C E-commerce, banking and broadcasting.

Results from this new direction on opening the market with rational and simplified processes have already been positive. The foreign investments, especially FDIs, are growing substantially. Asia accounts for close to two-thirds of the global growth and reforms such as those that India takes are unlocking the potential. (International Monetary Fund, 2015)

#### 2.3.4. Culture

Cultural differences are always important to notice when conducting business in a foreign country increasingly so when a company establishes relevant business operations. In fact, cultural difference had the most important effect according to Puthusserry et al. (2014). Nevertheless, these cultural issues are perceived to have less impact and are easier to deal with than institutionally impacted ones.

Companies with international ambitions have become more aware of the importance of cultural dimensions, which have effects on the outcomes of their strategies in new markets. (Kumar and Uz Kurt, 2010 :2)

These cultural differences are punctuated in quickly growing SMEs with international ambitions in the early selection of markets, when the internationalization strategy is still maturing. (Ojala and Tyrväinen, 2007: 126)

Attitudes towards time and politeness are issues that emerge in the responses of UK managers. There are cases where managers get frustrated with the communication, since they do not always get the right answer to their questions when Indian people are avoiding saying no. This causes misunderstanding and can lead to delays, with one manager noting that answers are very slow. (Puthusserry et al., 2014)

An important aspect to consider is that psychic distance is perceived differently between respondents, both between two countries but also within a culture. In addition, some of the differences are created from sector-related characteristic. For example laws and regulations on a sector, as in one respondent's opinion that India is an open market for IT firms. In addition the opinions on the infrastructure and logistics in India highly fluctuated mainly according to the governmental support each sector was receiving (Puthusserry et al., 2014).

The psychic cultural differences are researched to effect the internationalisation with the perspective of KIF at SME level, which is also a focus of this theoretical framework and study. The impact in small technology companies is more significant but even thought significant in quickly internationalizing companies; the effects of psychic distance are stronger in traditional companies. (Ojala & Tyrväinen, 2009: 263-266)

Dimensions	Examples
Geographic distance	Time difference, travel, communication
Language	Communication, comprehension, fluency
Education	Level of education, knowledge, business understanding
Technical development, logistics and infrastructure	Quality of technology, processes, logistics and infrastructure
Economic development	Market development, economic power
Political, legal systems and regulation	Politics, legal systems and regulations in business
Business practices	Ways of doing business, differences
Business ethics	Culture of doing business, low vs.high touch culture, differences
Cultural difference	General cultural differences

**Table 2:** Framework on cultural dimension. Adopted from Puthusserry et al., 2014

In summary, the dimensions used in Puthusserry et al.'s (2014) research give a practical base framework to analyse the differences between Finland and India, similarly to the study between the UK and India. The dimensions are adapted and positioned in the methodology to match the ICT SMEs.

Overall, the importance of psychic distance in an SME internationalization strategy has produced mixed results and researches, while some maintain that it does have an effect

especially on non born globals, there are others who argue that these are not important factors. (Ojala and Tyrväinen, 2009: 268-270.)

As a limitation of the framework and subsequently this study, it is argued that the cultural comparisons should take place between individual cases between companies and target countries rather than between two countries. Still, the methodology of this paper allows using the framework to find individual factors that affect the psychic distance. (Petersen and Pedersen, 1997.)

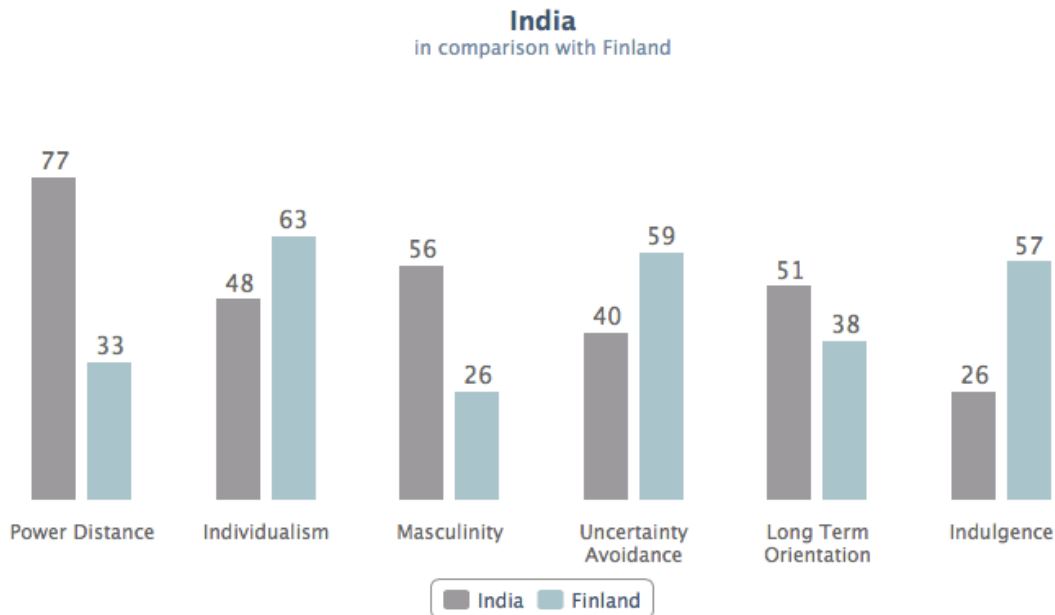
### 2.3.5. Hofstede's model

Hofstede's work is seen as ground breaking and revolutionary in cross-cultural management and understanding of different cultures worldwide. The model was developed in the years from 1967 to 1973 when Hofstede collected data from IBM employees in over 70 countries.

The questionnaire was done in one multinational corporation known for its strong and shared company culture. This is both seen as supporting the study because the only differences would come from the national culture and not other factors. On the other hand this uniting factor, the strong company culture, can be affecting the overall results and therefore misrepresenting the real state of the country culture. (Usunier and Lee, 2005.)

Based on the collected data a set of 4 different dimensions was achieved. Firstly, power distance (PDI) measures the attitude towards societal hierarchy. Secondly, individualism versus collectivism (IDV) refers to the importance of individualism or collectivism. Thirdly, masculinity versus femininity (MAS) addresses the level of masculinity and gender egalitarianism in the country. Lastly, uncertainty avoidance (UAI) is simply the amount of uncertainty that people are willing to tolerate. (de Mooij and Hofstede, 2010.) In addition, long-term and short-term orientations were later added to Hofstede's model (Usunier & Lee, 2005).

While Finland has a fairly homogenous culture the same cannot be said of India (Boopathi, 2014: 74). This is one of the main issues for companies when comparing the cultures with cross-cultural tools.



**Figure 2:** India comparison with Finland. From Hofstede, 2016

For ICT SME's in India especially the power distance and uncertainty avoidance metrics are important for doing business locally.

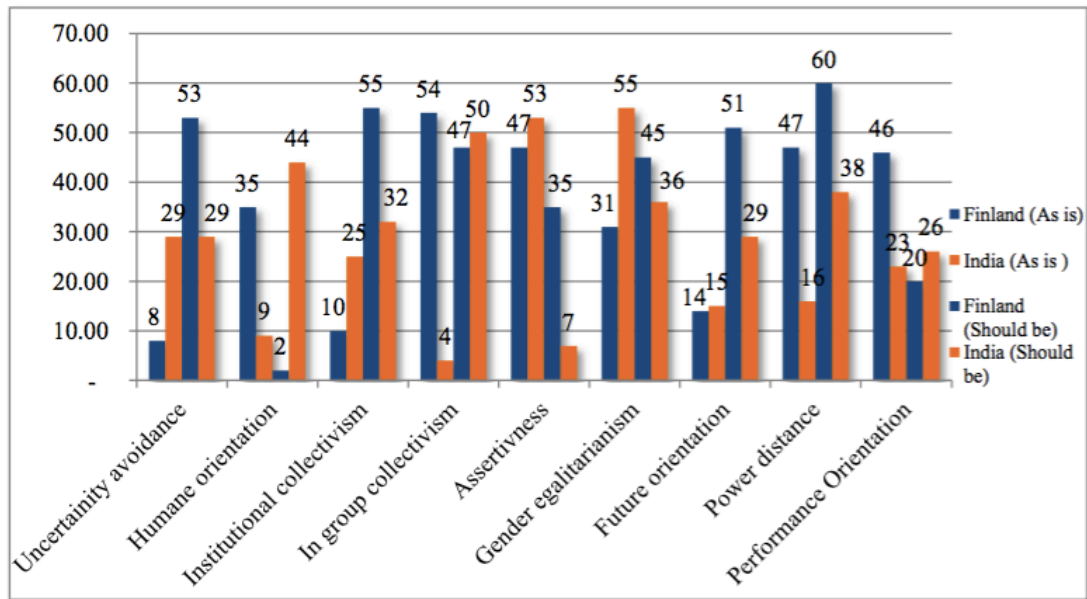
With the high power distance structure companies can be prepared to navigate with many layers within organisations to reach the right people. There are a lot of low-level employees in Indian companies who do not have leverage to affect the business relationships and it is important to build rapport with high-level decision-makers.

The uncertainty avoidance is critical within the ICT field, since the new technologies will often need to be validated carefully before moving forward with a business. Organisations can be required to provide a lot of guidance to implement the technology within a company, which can lead to delays and misunderstandings. Fortunately this is comparatively low in India, which should be a factor in more effective and straightforward business relations.

Overall, Finland and India have a lot in common and there are no extreme differences that the Hofstede study points out.

### 2.3.6. GLOBE

GLOBE (Global Leadership and Organizational Behavior Effectiveness) was done in efforts to provide a deeper and more sophisticated cross-cultural research than any before, including the above Hofstede's model. The purpose of GLOBE was to make a worldwide study of the leadership dimensions that factor differently in each country.



**Figure 3:** Scores on cultural comparison between Finland and India. As figured in Boopathi (2014) from Grovewell, 2015; House, Hanges, Javidan, Dorfman and Gupta, 2004

The data to enable the GLOBE study was collected from managers all around the world. The very large samples were collected from three different industries; 17,370 middle managers from 951 organizations filled the culture and leadership questionnaires. (Grovewell, 2015)

GLOBE measures cultural differences by nine different cultural attributes and should help managers as a guideline for cultural decision-making. The nine attributes include the five dimensions created by Hofstede. The added dimensions are in-group collectivism, assertiveness, humane orientation, and performance orientation. (Grovewell, 2015)

Similarly as with Hofstede's study, the uncertainty avoidance is punctuated in this

graphic. This again should be a positive factor for Finnish ICT SMEs. In addition, the difference in power distance is supported.

The future orientation is one aspect that GLOBE reveals, it is much lower in India, but notably the “should be” numbers are very similar. The potential issue for SMEs is to build long-term relationships with strategic customers. There might be a need to prove out the value of the service in the short-term without commitments to anything more.

### 2.3.7. Application of models

One main difference between the applicability of the models is to look at the data collection and more specifically the target group of the questionnaires (de Mooij & Hofstede, 2010). GLOBE focused on middle managers and Hofstede on all employee levels at IBM. Naturally these target groups are influenced in ways that is not only reflecting on a country culture.

Overall, because of these gaps between the cultural scores in the model and reality neither of the models is truly nor accurately reflecting the culture of a country. In addition, not seeing the variance of the answers and therefore hiding opposing views limits the applicability of the models in organizational decisions.

Nevertheless, Steenkamp (2001) argues that countries are fairly homogenous because of shared history, language, politics, legislation, education and other environmental factors.

## 2.4. Summary

The main cultural benefits when compared globally are that language is very straightforward and easy with Indian people and that there is no main cultural difference that stands out to create issues.

The Indian culture does have its own aspects that differentiate substantially from Finland and that need to be accounted for when Finnish ICT SME's internationalize to India. Boopathi (2014) argues that there are several cultural dimensions based on GLOBE and Hofstede with significant diversity. In addition, he maintains that he



leadership styles do have common aspects, which is a positive argument in creating operations that are led by Finnish managers.

### 3. INTERNATIONALIZATION PROCESS OF SMES

The research on internationalization of SMEs has increased in recent decades but initially researchers that focused their efforts to multinational corporations neglected them. Today the SMEs have a strong influence on national economies around the world. In addition, their internationalization efforts over time have grown steadily though not dramatically.

In this chapter the perspective will evolve from the initial internationalization strategies to evolutions of those that account for globalization and the increasing importance of SMEs. Then, an evaluation of the current researches on SME and KIF internationalization strategies is made. Collectively, they provide a theoretical overview for the study.

#### 3.1. Internationalization strategies

There are two categories for internationalization strategies, the economic and behavioural theories. In economical theories the OLI paradigm developed by Dunning (2000) is critical in international business studies. On the behavioural side the most well known is the Uppsala model by Johanson & Vahlne (1977). Because of their importance, they have and still affect the new internationalization theories that take into account the globalization and technological advancements.

The behavioural models are more important for this study since they perceive internationalization as mobile, whereas the economical theories are static (Melin 1992: 100). The arguments are that managers are following internationalization strategies through time and manage microelements within the processes.

##### 3.1.1. Behavioural models

The Uppsala model analyses the internationalization process and examines the development of knowledge and commitments in foreign markets. It assumes that the internationalization is gradual and is driven by organisational learning, which happens when companies start gaining experience in new markets. (Johanson & Vahlne, 1997)

Since the gradual aspect was first introduced it has been both maintained and argued. In example, the model includes needless repetition, as knowledge is an intangible source in market commitment, the statement that it increases knowledge does not provide value. Another argument against the model is its inability to describe the end-to-end states in the internationalization process. (Andersen, 1993)

There are three aspects in the Uppsala model. Firstly, market commitment equals the resources allocated for a certain market. Secondly, the perceived opportunities and risks within this market compose the market knowledge. Thirdly, the commitment decisions are the choices that companies make according to their international operations. (Johanson & Vahlne, 1977: 27-30)

For KIFs, taking risks can be necessary for organisations and Narula (2006: 145) adds that the theory emphasizes that companies are risk-avoidant. However, in this study the research has its benefits, as the model is based on Swedish companies and this study focuses on Finnish ones.

A revisitation of the Uppsala model by Johanson, Mattsson, Hood & Vahlne (1998) assumes that the relationships in company networks affect the international strategies. These networks include customers, suppliers and other stakeholders that determine the foreign markets for the company.

Similarly, Johanson & Vahlne (2009) also re-evaluate the model because of the development of business practices and they include the networked nature of international business. Companies that have the right connections and networks provide more critical arguments for internationalization than the psychic diversity between countries.

### 3.1.2. Economical models

The OLI paradigm, also called the eclectic paradigm, implies that companies can get benefit from internationalization from three origins: ownership advantages, locational attraction and internationalization. (Dunning, 2000: 163-164.)

Ownership advantages come from creating a competitive edge over the competition with market power. Locational attraction includes access to resources, capabilities and technologies that surpass those of the competition. The managerial knowledge within

organisations is the last capability that adds advantages in the OLI paradigm. In theory, the more companies possess of these advantages the more it is expected to internationalize. (Dunning, 2000) These operational edges are useful when analysing unique situations (Narula, 2006).

This paradigm is also developed to newer paths because of globalization and differences in the business environments, including technological, political and global institutions such as the WTO, that have reshaped global business. (Narula, 2006: 144.)

Developments of the OLI paradigm include adaptation of the three sources of advantages to fit with modern business environments. The modifications provide a better reflection of the current situation but on the other hand create complexity that lessens the theory's appeal. (Eden & Dai, 2010.)

With modifications to the paradigm (Narula, 2010) introduces the EP-lite, which adds the motivations of the companies to internationalize and decreases the predictability of the paradigm. A good example when considering ICT SMEs is that the motives to enter different markets and perceived advantages are not the same in each case, which implies that the ownership advantage is a belief of success in a new specific market. (Narula, 2010: 41-42.)

### 3.2. Internationalization strategies for SMEs

In this section the internationalization of SMEs will be analysed from recent research perspectives. To begin, the internationalization strategies from the SMEs point of view will be demonstrated. Then, advantages and barriers of internationalization are identified. Finally, the perspective of KIFs will be considered in relation to change in the process of internationalization.

#### 3.2.1. Born globals

The paths to internationalization can be divided into three categories that are defined differently between scholars but with an approximate consensus among them. Notwithstanding some differences the categories are traditional internalization, global internalization and born globals.

Choosing a path for a company by looking at these different options in companies does not seem coherent. The methodology in this study focuses on researching the process of internationalization in companies and how they have managed their operations.

Traditional internationalization is a slow mover with more products and an approach that focuses on local operations. They use an adaptive market strategy and are not proactively pushing the company to internationalize.

Companies with global internalization usually have a standardized but still wide product range. Companies are not effectively adapting to local demands and their view of the market is rather global.

Born globals are quickly operating in a global marketplace. Within two years of creation the company is already selling their products globally. These born globals are selling a short range of niche products that are highly standardized.

In this research the target companies have substantial investments in India and companies that are strictly born global are often not that involved in a specific country. These companies often have offices established in other countries but are focusing on a larger area than one country. For example having one office in an Asian country responsible for the operations in all of Asia. Therefore, these companies do not fit into the specific parameters for this research.

Born globals have been widely researched as internationalization strategies for SMEs, but SMEs internationalize in different ways and not all are following the born global strategy. Instead, Kuivalainen, Saarenketo & Puumalainen (2012) maintain that SMEs have different patterns of internationalization that they might follow inconsistently rather than moving straight to a born global strategy.

The different patterns of internationalization are a recent research subject. It has become relevant because of a faster pace of internationalization in companies, especially SMEs. The internationalization process in companies may change because of unpredicted, positive or negative incidents. Those may cause the process to accelerate, stagnate or even take a step back depending on the circumstances a company faces.

### 3.2.2. Internationalization strategies for KIF SMEs

One of the earliest researches that are associated with internationalization of SMEs is the work of Ansoff (Bell et al., 2004: 27). Ansoff's (1965) matrix displayed four strategies to achieve future growth. One of which is market development: companies use existing products and sell them in new markets. Today, global markets are easily within reach and for many SMEs market development is the best and preferred option to grow.

However, the focus of internationalization strategies on SMEs had been limited until the last few decades (Ruzzier, Hisrich and Bostjan, 2006: 476-477). Firstly, there was a lack of interest for internationalization as a strategic part for SMEs. In addition, the literature on the subject did not treat internationalization in small companies as proactive and planned. Moreover, the importance of the international market was undermined when compared to the domestic one of a company. The markets were not seen as supporting one another either. Lastly, SMEs were not comprehended to have sufficient resources which reinforces the notion that internationalization was seen as both reactive and unprepared for. (Bell et al., 2004: 27.)

Globalization has increased the pace of conducting business nowadays. The companies in the ICT sector are especially affected by this speed. Therefore, the speed of internationalization of these companies has increased, which is also true for SMEs. (Nummela; Saarenketo; & Puumalainen 2004: 275.) Born globals have a different perception of internationalization than what is defined in traditional theories where internationalization is a slow process divided in many stages. (Madsen and Servais, 1997: 561)

A lot of research on the internationalization of SMEs appeared with the creation of new concepts such as knowledge-intensive firms, international new ventures and committed internationalists. Concepts, which are all linked with born globals. (Bell et al., 2004)

To launch internationalization in SMEs requires substantial resources. Because the pace of doing business has accelerated, the time to gather the necessary resources has decreased. SMEs are subsequently growing the number of partnerships in order to acquire the needed knowledge, financing and other needed resources. However, the speed of internationalization was not proven to have a link with the number of partners a company has. (Nummela et al., 2004.)

Moreover, the shortening life cycles of products (Narula, 2006) affects the pace of internationalization. If a company in a rapidly evolving and changing environment attempts to grow organically the short life cycles of their products will prevent them from achieving all the potential revenue.

The findings of their article (Nummela et al., 2004) indicates that companies with a narrow core competence are growing their international operations more quickly than those with a wider core competence.

This assumption is connected with the amount of resources that a company requires to internationalize. When a core competence is narrow the resources need to be allocated only to that limited field. On the other hand, a wider core competence requires larger investments to allocate.

Overall, in today's KIF sector there is pressure from many directions on companies to achieve growth. The effects are visible in the internationalization pace of SMEs, especially born globals, which internationalize at smaller sizes and earlier after being founded (Yeoh, 2004: 511). In addition, increased levels of uncertainty are found in born globals because of the need to acquire a dominant position in emerging markets or fill a niche (Nummela, Saarenketo, Jokela & Loane, 2014: 528; Chetty and Campbell-Hunt, 2004: 63).

Therefore, the time to make decisions decreases which adds pressure and requires companies to build decision-making processes that enable to react quickly. Nummela et al. (2014: 528) also maintain that decision-making is challenging because of fast international growth in born globals.

### 3.3. Key factors in the internationalization of SMEs

#### 3.3.1. Barriers

Leonidou (2004) studied 32 empirical researches and deducted 39 export barriers that affect internationalization. Barriers have a negative effect that can obstruct the international activity of a firm in the launching, developing and maintaining stages.

The barriers are divided into internal and external ones. Internal barriers are related to aspects of a company. The aspects include the available resources such as investments, knowledge and capabilities. In addition they contain can relate to functionality, such as a company's mindset towards internationalization. External barriers are connected with the home and host markets where the company operates. Those can be divided into procedural, governmental, task and environmental barriers. (Leonidou, 2004)

Many of the barriers will be evaluated later with later presented cultural dimensions, which compose the framework for the methodology. The main barriers in the focus of the study are political, legal, economic, socio-cultural, logistical and functional. However, the marketing barriers based on product, pricing and distribution are also enveloped in the framework.

### 3.3.2. Ownership

The internationalization of companies is influenced by ownership characteristics. This is also supported by the eclectic paradigm that includes ownership advantages as one of the advantages. The distinction between growth orientated and international growth orientated companies is important for institutions in order for them to choose the right companies to support. This distinction is taken further to between growth and non-growth orientated companies where growth orientated companies are limited to internationalization often because of practical issues in their products. (Nummela et al. 2005.)

The growth-orientation and international growth-orientation affects the internationalization of SMEs. (Nummela et al. 2005) The purpose for their study is based on the increase of the interest, which is supported by earlier studies, in the internationalization of ICT companies. The main findings support the hypothesis that growth-orientation is linked with international growth-orientation, which is further connected to internationalization. (Nummela, et al. 2005.)

The Uppsala model (Johanson & Vahlne, 1977) suggests that the international knowledge of the managers of a company is the most influential factor in its internationalization.



Yeoh (2004: 513) states that the performance of new ventures depends on initial factors of the company and the ability of organizational learning. The initial factors include the internationalization strategy, foreign market characteristics and international experience of the management. The organization learning consists of acquired market, social and technological knowledge.

### 3.3.3. Strategic Decision-Making Process

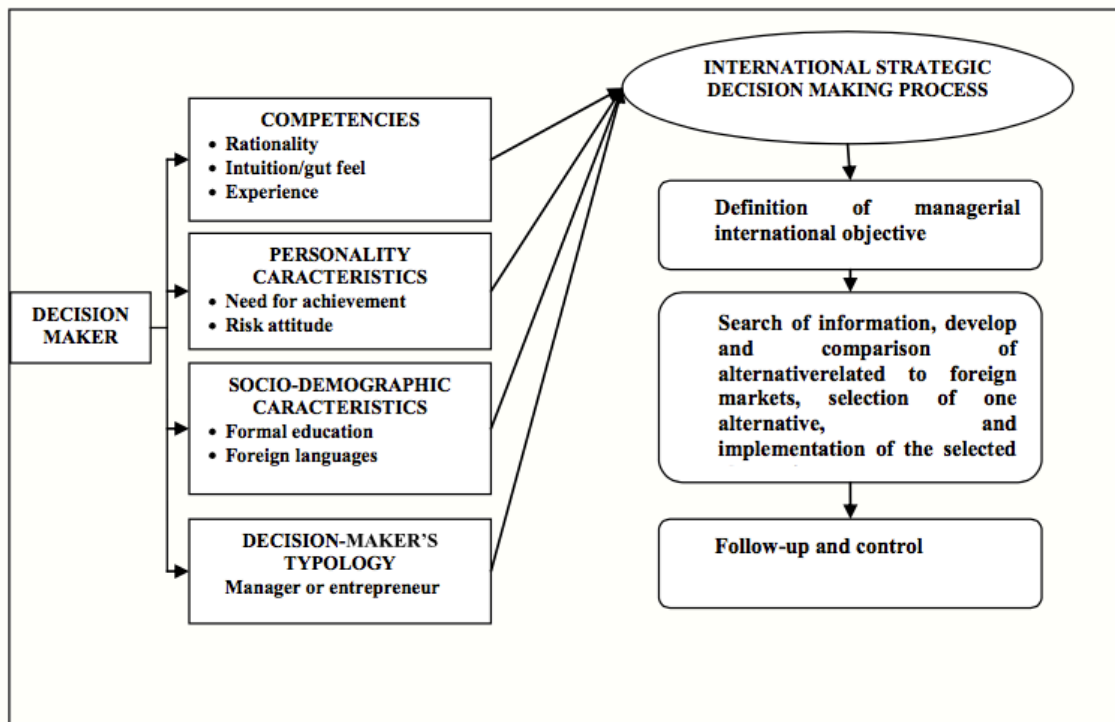
Similarly to many fields in international business the strategic decision-making process has been studied from a SME perspective in the last two decades. Over the same time frame, the importance of making strategic decisions has also grown in scientific importance.

One of the main goals of this paper is to help managers to understand some of the critical factors in the internationalization process to primarily India but also to any other remote and diverse country.

Decision-making is a key component in internalization strategies and many studies have found a positive link between the adoption of a formal SDMP and firm performance. (Musso and Francioni, 2012) In this context formality means how explicit are the organizational guidelines regarding the process.

Musso's (2012: 281) chart below describes the decision-maker process. The decision-maker is in a central position and his skills and knowledge affect largely on the success of the internationalization.

The decision-maker is in the focus of this study because of the role in the case studies that depend on the interviews of managers. The interviewed employees were in key positions to manage the internationalization process and have their own ways of making decisions.



**Figure 4:** International strategic decision-making process. From Musso and Francioni, 2012

Cultural risks among others can be mitigated with international knowledge and experience from the managerial side. The decision-makers are in an essential position to affect the performance of an internationalization strategy.

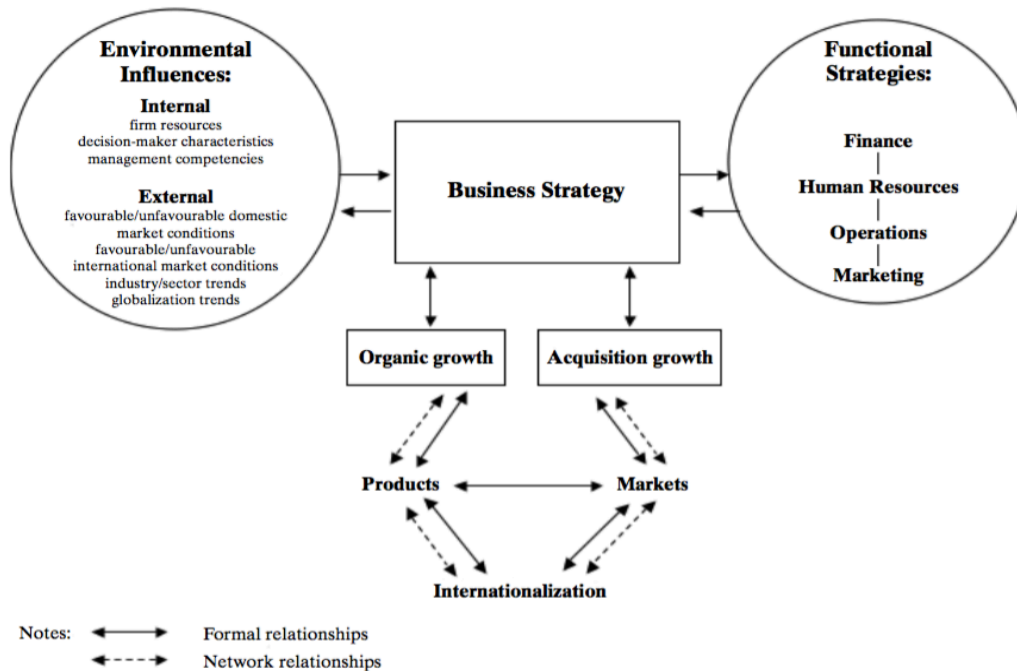
#### 3.4. Relationships in internationalization strategies for ICT SMEs

Bell et al. (2004: 43) provides a framework about interrelationships between internationalization and business strategy in small KIFs.

According to his figure in an internationalizing company its functional strategy and internal and external environments influence the business strategy. This framework also demonstrates how growth, products and market changes initiate changes in an internationalization process. (Bell et al., 2004)

Company departments including finance, human resources, operations and marketing divide the functional strategies. The strategies and potential changes are affecting the overall business strategy.

On the other hand the business strategy is also affected by environmental influences, both internal and external. Internal include ownership capabilities in management and decision-making and the available resources of the company. External resources are home and foreign market conditions and global trends in the relevant industries. Changes in the environmental influences affect the internationalization strategy of the company. (Bell et al., 2004: 43.)



**Figure 5:** Relationships between Business Strategy and Internationalization. From Bell et al., 2014: 43

Managers in decision-making positions in internationalization strategies strongly affect their business. The planning of this process reduces risks when companies are gaining knowledge from international markets increasingly. (Crick and Crick, 2014: 422.)

In this section the main characteristics of KIFs are discussed in order to demonstrate differences between them and traditional companies. The distinctive characteristics of KIFs are important in this study to develop understanding of how the internationalization process develops.

#### 3.4.1. Initial business strategy, growth objectives and international orientation

The initial business strategy is different in KIFs than in traditional companies. KIFs are more aggressive in their growth strategies and expand internationally at a faster pace.

They perceive risks differently; growth and internationalization are as much risks as necessities for them. (Bell et al., 2004: 33)

For example many businesses rely on such niche business models that require international growth. The initial investments, for example from a venture capitalist point of view, may only become profitable after a company reaches a certain size of turnover or profit.

There is pressure for companies focusing on niche markets to expand globally because country-of-origin opportunities are scarce. For example a Finnish company focusing on a mobile testing infrastructure has only a very limited amount of potential customers in Finland. Born globals tend to be first-movers and dedicated to move to new markets. (Tuppura, Saarenketo, Puumalainen, Jantunen and Kyläheiko, 2008: 485.)

The product is essential for companies when choosing an international strategy. If the product is easily scalable to any number of markets with new technologies, such as online marketing, focusing efforts and resources to internationalize to one specific market might not make sense. (Bell et al., 2004: 36)

Nevertheless, even companies focusing on online marketing need some geographical presence. Operations, such as customer service, sales and maintenance should be available for different time zones. Therefore, many ICT companies focusing on a niche market do establish offices in the US and Asia.

Companies that fit this born global description are not in the main focus of this paper, since their strategic objectives do not often lie in a specific country, like India, but rather a region, such as Asia. However, they are also affected by building strategic partnerships within the subsidiary's country.

The assertion researchers made decades ago when focusing on multinational corporations on internationalization still holds true: growing requires investments. However, what has changed is that growing a company has become easier with increasing methods of raising investments and gathering resources. By doing so companies are not as autonomous and are affected by the motives of their investors and shareholders.

Another main factor that differentiates KIFs is the way innovations are driven. A market development that is swift can be linked to a high level of innovation in a company's product portfolio. (Bell et al., 2004: 36)

If a company succeeds in creating state-of-the-art market leading innovations, it allows them to develop internationalization at faster pace in regards to the competitive edge their technology provides.

### 3.4.2. Ownership and strategic direction

The size of SMEs makes them more vulnerable to critical incidents that can alternate the whole business model of a company (Bell et al., 2004: 33). The effects can be both positive and negative. The positive might include growing to new markets with existing customers. Whereas the negative ones can be that the existing market does not provide enough opportunities with the current proposition, which leads to companies refocusing their products to fit a more global market demand.

An example from India is the rise and subsequent fall of Nokia. Nokia attracted many companies after the millennial to expand to India to better serve the company. Many of these companies were very closely tied from product, finance and relationship aspects to Nokia. This leads the companies to first succeed with existing customers, but later to reallocate their resources to find new opportunities.

Many of the companies have a high risk of external factors affecting their own operations because of the strong relationship between those and their strategic customer's business results. There are multiple cases where the industry field changes and evolves with technological advancements that make companies' products and solutions obsolete.

Autio, Sapienza and Almeida's (2000) study shows that there is a significant support for the fact that the age of an ICT firm at the internationalization moment has a negative relation to following growth of international sales. This is of importance to KIF SMEs that are often in early stages as a company.

With KIFs, especially with smaller companies, the capital funding, cash flow and managerial knowledge are in an important position when internationalization strategies are in question. The decisions, especially if the commitment level is very high towards

target markets, can have ultimate impacts into the continuity of companies and their business. At the same time, they provide opportunities to scale and grow in new markets where the solution can have a much better fit than locally. (Bell et al., 2004: 33-36)

Partners can provide KIFs with lower commitment possibilities to find initial business in a foreign country without the need to establish own operations. Other partners can also mitigate some of the financial risks involved in the process.

In India it is important to build, maintain and grow partnerships with attention to detail. The risk is to expose a company to too many partner related risks. These risks exist in choosing a partner, focusing time on the right partnerships and managing the partner portfolio.

Companies that expand to a new country and invest substantial amounts of resources and commit will have to deal with cultural risks. These cultural differences and risks are discussed in the preceding chapter.

### 3.4.3. Product and market strategies

Companies that did not have a clear intention of internationalization might find themselves expanding abroad because of critical events. The reason might be a partner's activities, such as in the Nokia case above, but also from internal developments. These include launch of new products, demand of existing products from foreign countries or a high performance of those products that make internationalization a valuable option. (Bell et al., 2004: 36-37.)

There are differences in market strategies depending on the country-level in the ICT field between Finland and India. Asian countries are more potential as technology exploiters and acquirers, whereas in Europe there is a higher probability to seek and provide technologies. (Nepelski and De Prato, 2012: 235.)

From a managerial and ownership perspective being prepared early on already in the product development phase can set-up the company for a successful internationalization process. There are efficiencies to be exploited already in the product development phase.

Companies that do have international ambitions from ownership and management can and should reflect them already in new product development. The new products can be designed, developed and manufactured with cultural implications, ease of standardization and packaging already intended for foreign expansion. The international and global marketplaces of KIFs mean that there is a strong link between the products and their international initiatives. Adopting these global methods early on reduces changes in products but also can help the whole organization to support internationalization efforts.

Furthermore, the investments made into product development can be also benefit from being tied with internationalization. In Finnish companies, Finnish institutions can partly cover the research and development costs of new products when they are intended to international markets.

#### 3.4.4. Business strategies

The business strategy of KIFs usually pushes them out of a home market because of the simple fact that it does not provide enough opportunity to sustain business. With very niche products, the target customers are usually dispersed globally and some companies might not even have many potential local customers. The globalization and technological advancements help these companies to find new markets with potential opportunities and customers. (Bell et al., 2004: 37)

Other KIFs have a strong local presence and they can take reactive actions to this success and move out to international markets to replicate the success. In addition, Tuppurä et al. (2008: 477) propose that companies that have flexible offering have a better readiness to find and leverage opportunities than those fixed on limited assets.

Lastly, companies see decreased opportunities in their local market, which leads them to a reaction under stress to find markets to help them survive. There can be close calls with these organisations before they head out to international markets.

#### 3.4.5. Initial market selection

In general KIFs are well suited to follow global trends to find the right markets whereas traditional companies tend to follow the Uppsala model. The marketplaces continuously shift globally and KIFs who generally have flexible and quick decision-making

capabilities are fit to follow trends that lead them to lucrative markets. (Bell et al., 2004: 40)

As India can be seen as a gateway to Asia for Finnish companies, it is notable that these initial market selections have the possibility to affect the subsequent market decisions. A KIF that establishes operations in a new market with gain knowledge on many topics that can be leveraged to find new markets where they can replicate the success.

The possible benefits include growing with customers to new countries and departments, use established operations to extend to new countries that are more available than from the headquarters and generate new business via building and maintaining networks.

The thoughtful planning and benefits of international experience and skills towards a certain market have significant impacts on the success of internationalization. Subsequently, managers in KIFs are better qualified for favourable business operations in markets that they study and know well beforehand. (Mughan, Lloyd-Reason and Zimmerman 2004: 428-429.)

Naturally, when companies see success in an international market it often leads to further positive results in similar processes to other markets. Good results lead to more internationalization.

#### 3.4.6. Pace and patterns

It is repeatedly mentioned that KIFs are aggressive in their business to find and penetrate new markets; a main factor to facilitate the behaviour is the managerial implications. Smaller companies have more flexible and quicker decision-making that they are able to grasp the presented market opportunities that might be missed or not even perceived in more traditional companies. (Bell et al., 2004: 41)

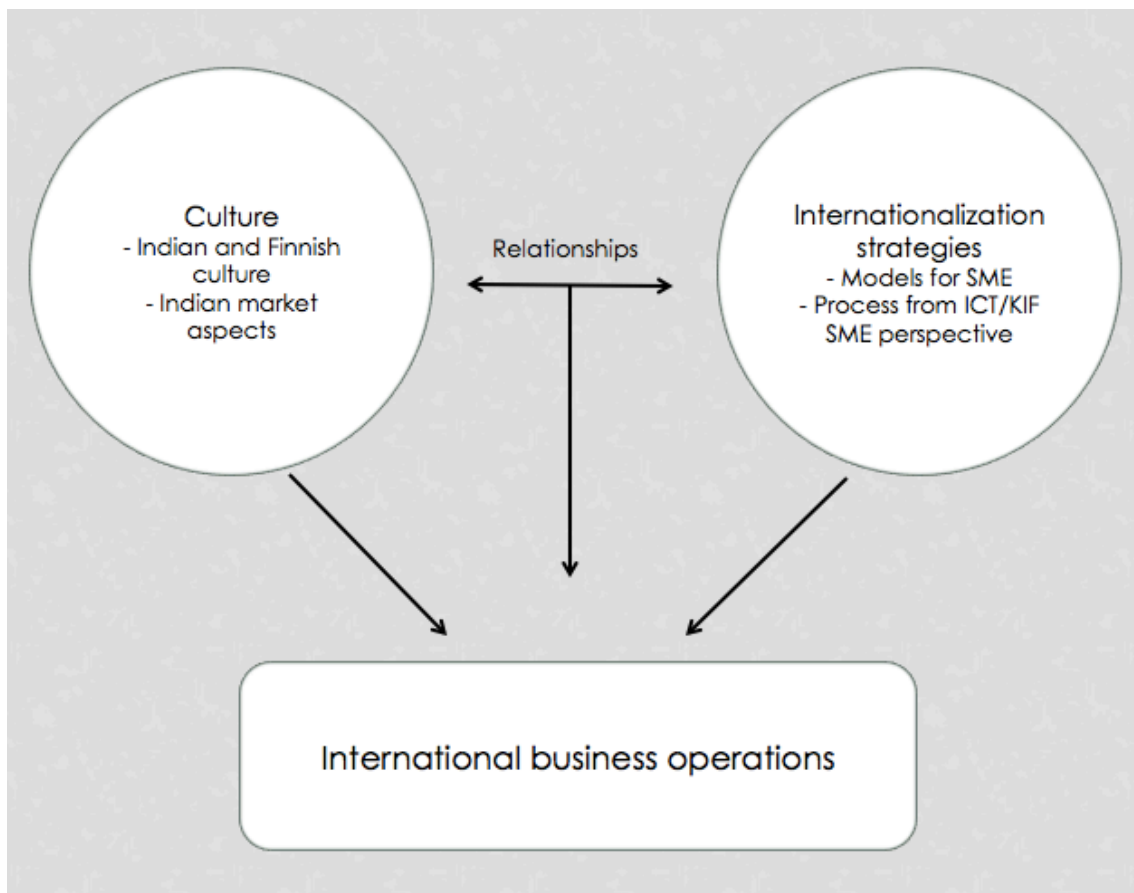
The nature of small and growing business leads to more pressure to move quickly and creates urgency to find profitable markets. The financial structure and subsequent funding can be largely based on growth, which furthermore accelerates the need for internationalization to new markets.



Crick and Crick's (2014: 437) paper maintains that there is a prevalent quickness of market entry to distant markets in high technology industries, where the decision-making process affects the international commitment.

### 3.5. Summary

The high-level framework for the internationalization process and the relationships within the strategy in ICT SME's is built around the functional strategies and environmental influences of these companies.



**Figure 6:** High-level framework of the study

Depending on the business objectives of internationalization to India, the internal, external and cultural aspects will affect the internationalization process and lead to growth or companies can encounter barriers that will decrease the commitment.

The process of internationalization is important, where the company will first evaluate the internationalization to India. Once the decision is made, the business operations lead

to progress or decrease in the market, which is affected by success of the business strategy. Also, the future expectations influence the company choices on the internationalization strategy.

Companies manage the matters that lead to either successes or failures in the internationalization. The successes usually present growing opportunities and further business operations in the region, whereas the failures often lead to changes in the strategy through revised decision-making.

Cultural differences create barriers for companies to internationalize in the region, but these can be mitigated with international knowledge and management expertise. The target market's aspects also have a significant effect on the international operations and their nature.

## 4. METHODOLOGY

In this section, the research methodology for the study will be presented. This includes the choice of qualitative research with three case studies and the topics of data collection, interview process, data analysis and research limitations. The entirety of these paragraphs will give arguments to support the paper's research methodology, which as per Saunders, Lewis and Thornhill (2011: 3) is the theory of how research is conducted.

The different layers of this research are evaluated and the made choices for this study are argued and criticized. The primary source for the design is base on the book by Saunders et al. (2011) compounded by other sources that are more focused on singular methodology choices.

Similarly to the theory division into Indian culture and SME internationalization strategies, the methodology is generally designed following the same pattern. In addition, the analysis and conclusions are also for the most parts arranged into two topics.

### 4.1. Choice of method

The research is a three case study qualitative research with in-depth interviews of managers with responsibilities in the Indian internationalization process of their respective companies.

- *Qualitative method, in-depth interviews of 3 case studies*
- *Case studies consist of Finnish ICT SMEs with business operations in India*

Following a qualitative approach will give insights into managers' knowledge and experience where a quantitative one could not gather the same depth of information.

Whilst Finnish companies have had business operations in India for extended times and there is an argument to look at the overall data of the whole ecosystem, this research does have a focused target group of companies that limits the opportunity of using

qualitative data. Therefore, there is more incentive to use the limited target group's experience to its larger extent with a qualitative approach.

Qualitative methods have been increasingly relied upon in internationalization scenarios (Carson and Coviello, 1996; Coviello and Munro, 1997, Julien, Joyal, Deshaies and Ramangalahy, 1997 from Bell, 2004: 30).

#### 4.1.1. Multiple case study

The use of multiple case studies allows establishing relationships between findings in each case (Saunders et al., 2011: 140). This collected data can be used to perform a cross-case analysis that will help either generalize some of the findings or neglect others.

Case study researches can be perceived as unscientific by many (Saunders et al., 2011: 140), but they are still popular among students. In this study, the case study approach allows challenging existing theories and providing a pragmatic view on the subject of internationalization strategies, which has been widely researched and these strategies are often separated into boxes including; Born globals, traditional internationalization with Uppsala method and everything in-between.

Generally these are theoretical concepts that do not drive the decision-making in companies, especially true in fast-changing growth companies, but are conceivable for researchers after the fact when studying companies. Therefore, access to the decision-makers and the knowledge on the pragmatic primary business reasons to internationalize to India is crucial.

#### 4.1.2. Cross-sectional

The perspectives of a research can be separated into cross-sectional and longitudinal studies, depending on whether the study is taken at a single particular time or over a period of time (Saunders et al., 2011: 148).

The research question is set to study the internationalization process of the case companies over time and therefore this study would benefit from the adoption of a longitudinal perspective. The main argument is that a longitudinal approach provides

the ability to study developments over time (Saunders et al., 2011: 148), which is crucial to examine the long-term implications of each internationalization strategy.

However, because of time constraints on access to the interviewed managers and limited opportunities to look at present internationalization to India, the benefits of choosing a longitudinal perspective are mitigated. Therefore, the study is done with a cross-sectional perspective.

#### 4.1.3. Deductive

The deductive and inductive approaches are the two scientific alternatives to conduct a research. The deductive approach consists of creating a theory and formulating research to evaluate its validity through accurate testing. (Saunders et al., 2011: 117) Conducting an inductive research is the opposite, where the study of a phenomenon leads to formulating a theory.

There are various arguments in favour of both approaches. For the purposes of this study and personal tendencies the study follows the inductive approach. A deductive approach requires a hypothesis that the research can test (Saunders et al., 2011: 118), whereas in this study is rather exploratory where developing a sound verifiable hypothesis would have been inefficient, because of the need to discover the rooted causes behind internationalization strategies. A deductive research could diminish the focus of the study and by consequence withdraw many aspects that are discovered with the inductive approach.

The inductive approach allows building a theory based on the comparative individual findings in the three case studies. The inductive approach is also better suited to a limited number of sample sizes (Saunders et al., 2011: 119). Ultimately, the purpose of this research is to describe why internationalization to India is happening rather than what internationalization strategy is being followed. Inductive research is generally more adept to answer “why” questions (Saunders et al., 2011: 120)

#### 4.1.4. Exploratory

This study is exploratory by nature, since the main goal is to find insights into the internationalization process to India from a Finnish SME perspective and acquire

context to further explore the possibilities for new Finnish companies to establish operations in India.

An exploratory research generally includes a search of literature and interviews of experts on the topic (Saunders et al., 2011: 133). These are both used in this study to gain knowledge on the details of the internationalization process in focus. Using an exploratory approach also allows the needed flexibility, especially in the interviews, to gather previously tacit data by experienced managers.

#### 4.2. Data Collection

The data for this paper is collected from three case studies from three different Finnish ICT SMEs. The case study companies are chosen with a market research into Finnish companies that are SMEs, work within the ICT sector and have or have had significant business operations in India.

The employees selected for the interviews are determined by their thorough knowledge and understanding of the companies' international business operations in India. All three respondents are managers with direct responsibilities and implications in the Indian business operations.

Selecting the companies is done through market research of Finnish companies with operations in India through various Google searches, publicly available sources (mostly Finpro) and from social media (mostly LinkedIn). The criteria used is the same as the sampling criteria with Finnish companies that fit into SME specifications, work in the ICT industry and have significant business operations in India.

Specifying the significance of business operations in India is challenging since that is very different in a dozen people company than a larger SME. Also, there is limited available data online and usually this was done through pre-screening companies that replied to initial outreach efforts. Non-random selection of the case studies is not problematic and can even be beneficial (Eisenhart, 1989).

Self-selection sampling is used in this research and the outreach was done through different paths to generate responses in potential interview companies and individuals.

The main procedure consists of finding the right potential companies by market research, then the potentially correct managers in those companies. Once a target was qualified, the objective is to contact that person either via e-mail, social media or phone calls.

A direct and personal approach is the first choice, but also indirect initial approaches are used. The messaging is direct, when the contact details are publicly available or recognisable. The first direct message is often through e-mail and if unsuccessful further e-mails are sent and phone calls are made.

All initial contacting attempts also request for introductions in case someone else at the company is in a better position to discuss the internationalization process to India, which often ends up helping to find the best candidate within the organisations.

All the companies showing interest and with positive responses are pre-screened via phone calls to elaborate on the research topic and the feasibility of including their case. The pre-screening also provides an opportunity to validate the company criteria and the manager's position in the internationalization process as well as to build rapport towards a more successful interview. Being able to build trust before the interview can lead the manager to be more open in disclosing potentially confidential or personal information (Saunders et al., 2011: 315)

### 4.3. Interview process

#### 4.3.1. Semi-structured interviews

Interviews can be separated into several different categories, including structured, semi-structured and unstructured interview (Saunders et al., 2011: 311-312). In this study, interviews are non-standardized and the type is semi-structured with a structured initial questionnaire allowing informal discussions and providing flexibility to elaborate on topics of specific interest.

All the qualitative data for this research is obtained through semi-structured interviews that were held through Skype-sessions. Every session was scheduled to take up to one hour, and in each case the interview section took from 45 to 60 minutes.

The audio for all the interview sections is recorded with consent and some additional notes are taken. All the presented quotes in the study are from these recordings. The data is transcribed in the following days of the meetings in order to avoid any inconsistencies, having a short frame is advised for novice researchers (Saunders et al., 2011: 490)

The data is personally and fully transcribed from the audio recording to avoid any loss of meaningful aspects, as Saunders et al. (2011: 475) suggests.

The interviews are preceded by a pre-screening call that provided background information and validated the participants' eligibility for this study. This allows building potential interesting directions to the interviews prematurely and avoids waste of time on already available data.

All of the managers are anonymous in the study and referred to in alphabetically by the order of held interviews. The anonymity of the participants is a conscious choice to help find potential interviewees, but also to limit the possibility of any confidentiality issues and increase the scope of the responses and discussions.

To increase the input of the managers, the interview consists of mostly open-ended questions, with the exception of a few simple introduction questions to get started with ease. Managers generally prefer responding to interviews than questionnaires (Saunders et al., 2011: 315).

However, the questionnaire is structured and the interviews follow a similar pattern and order. The structure of the questionnaire is based on the theoretical research and composed to match the research question and objectives. The questionnaire is also pre-screened via a pilot interview to train the interviewer and enhance the relevance of questions.

#### 4.4. Data Analysis

The unstructured nature of the data of qualitative studies means that it needs to be analyzed efficiently to provide meaning (Saunders et al. 2011: 474). In this inductive research, it is important to find common factors between the three case studies that help to provide value to the results and analysis.



The data is categorized according to the theoretical framework and questionnaire. The theoretical framework includes terms and aspects that are used to collect structured data. The questionnaire itself helps to analyze the responses across cases and achieve more comparable results. By giving structure to the qualitative data helps find common categories and recognize relationships between the cases. (Saunders et al., 2011: 482)

According to Eisenhardt (1989: 533) the collected qualitative data can be analysed with within-case and cross-case analysis. The cross-case analysis method is relevant to research both similarities and differences between the case studies. By leveraging a cross-case analysis helps to find common results that can be generalized. The within-case analysis is adopted as a secondary method to gather the relevant information from the primary data collected through interviews and secondary data collected from publicly available sources. (Eisenhardt, 1989)

The questionnaire's format in the semi-structured interviews helped to group data following different patterns. Especially, the cultural questions are set through dimensions in the questionnaires that allow comparing the data with ease. The main purpose of this data gathering into comparable sets is to analyse beyond the first impressions and mitigate the fact that humans are not very fit to process data effectively (Eisenhardt, 1989: 539-540).

Furthermore the analysis is divided into two categories, the first that focuses on the internationalization process to India and the second for collecting the knowledge of cultural differences from the interviewed managers.

#### 4.5. Quality of the study

Limitations for the choice of methodology are presented to address the quality and reliability of the study.

The selection and number of case studies affects the ability to conclude findings that can be taken out of this concept and repeated in other cases (Eisenhardt, 1989: 537). One considerable limitation is the population of the study, since the focus is only on three separate case studies, the generalization of the findings will ultimately be affected by this limit.

The reliability of studies is measured through how stable and consistent a paper is, including bias and other factors that affect the used methods. Within this research the consistency and stability are affected by the use of semi-structured interviews that leads to different paths of questioning and openness for interpretation in the interviewed managers. The accuracy of measurement is hence redacted because of a small and variable sample size. (Sekaran, 2003: 203-205)

The case studies are also selected through a thorough process and this is a rather subjective approach that can limit the accuracy of the findings, even though a random selection is argued not to be preferable. (Pettigrew, 1990: 275)

As for the validity of the study, it includes some uncertainty with the researcher alone largely does the reasoning in the cause-and-effect process within the cross-case analysis. However, many of the observed effects are supported by the theoretical research, which provides more external validity for the paper. Similarly the theoretical frameworks of this study are based and adapted from already used and proven ones. (Sekaran 2003: 206-208)

In addition, the cross-sectional nature of the study means that the phenomena is studied through a single moment in time rather than progressing through the events over time such as in a longitudinal study. (Pettigrew, 1990: 269)

This study does not take into account cross-cultural evaluations, since the focus is solely in the Finnish side of the business. There is no evaluation of the perceived challenges and opportunities from the Indian managers involved in these cases. That would give a more complete understanding and take into account both sides of the relationship. (Brock, Shenkar, Shoham and Siscovick, 2008: 1294)

## **5. RESULTS**

The below spreadsheet provides an overview on the background of all cases including the interviewees and their companies. Overall this part of the study reports the results collected from the interviews and researched information from online sources on the cases.

As this section is highly based and dependent on the interviews and the manager's replies, comments and discussions, the data is quite scattered. However, the following section's cross-case analysis provides a more structured format to inspect the collected information.

BACKGROUND				CASE A	CASE B	CASE C
Company	Company A	Company B	Company C			
Business idea	Automated packing technologies for the paper and metal industry	Cloud-service software for mobile devices and a back-end system	Design and delivery of automation products for customers together with service models			
Ownership	Limited Company	Limited Company	Limited Company			
Established in	1978	2012	1995 (Current operation mode)			
Size	180 employees	The company is a growth phase company with a maximum of 20 employees, a number that fluctuates with on-going project cycles.	300 employees in Europe, Americas and Asia with local offices in 9 countries			
Global turnover	35 million turnover from which 90% is from abroad and 30-40% from India	Total turnover undisclosed. Turnover spread globally, India is one of the primary markets.	30 million turnover. Global distribution with important markets in Europe, Americas and Asia			
General operations globally	Foreign countries since 1995, Finland, Estonia, USA, India, Taiwan, China Customers in Europe, Asia, 40 + countries worldwide	A very global marketplace with customers in India, Philippines, other Asian countries and the more developed parts of Africa. In addition, the Nordics and central Europe are important locations	Employees in Europe, Americas and Asia with local offices in 9 countries. The operations of the company are spread globally to Europe, Americas and Asia. Europe is very strong and especially the past few years have been positive while the Americas and Asia are important markets			
Year of establishment in India	2005	2013	2009			
Market	Customers are in the paper and metal industry	SaaS-business with global marketplace, naturally most of turnover is from outside Finland	Most of the global customers are in the Telecom industry with a few aircraft company customers.			
<b>Manager</b>						
Title and responsibilities	Manager A	Manager B	Manager C			
	Sales Director, responsible for paper, metal and projects.	Manager role with responsibility for all the sales and business development activities	Head of business unit, managing the whole test automation department			
International experience	Internationally experienced director, who has worked in global sales for many decades and frequently works with international prospects and customers. His experience with India is over a decade long.	Manager B is has a vast experience in managing international business. Currently, his role is highly international and he travels extensively to Asian countries, mainly China and India.	Manager C's long experience of 30 years in international business before joining the company and during his time there gives great insight into the cultural differences between Finland and India, but also from a more global comparison perspective. He has worked extensively in the service area with Asian countries such as China, South Korea and India.			
Catchphrase	Very customer-driven, when a customer demands something they strive to evaluate if they can make it happen	There are a lot of problems and challenges in India, which creates opportunities for both the company and individual to continue to grow, learn and solve their problems.	There are always cultural differences globally, but a rule of thumb is to take time to understand each customer.			

**Table 3:** Case backgrounds on companies and interviewees

## 5.1. Case A

### 5.1.1. Internationalization strategy

The first interviewee, Manager A, is a Sales Director at a company with around 180 employees globally of whom more than half are located in Finland. The main business of the company is to supply automated systems for the paper and metal industry with services.

Nowadays, Manager A is responsible for the sales, projects and services in the metal business area, while at the time of internationalization he was leading both the paper and metal sales globally.

The main customers are located globally in Asia, Europe and USA and they have offices in all of those markets.

The company turnover is 35 million euros from which around 90% is generated abroad and during the past year especially the paper industry of Europe and the US have been large customers. India has a significant impact with 30-40% of the turnover. The numbers fluctuate from year to year as large projects can have considerable impacts on the sales in a specific country, for example Finland and India had comparatively strong years.

In 2005 the company established an own subsidiary in India with at first a few employees, but that has grown to be a team of 13 people. India provides a significant market share and having a local presence is crucial for winning deals and keeping customers. Therefore, the subsidiary is well rounded and covers main functions such as the local marketing and sales, engineering and after-sales. The engineering and after-sales take care of local projects.

The Indian subsidiary also does limited marketing and sales to nearby regions, mainly to countries in the Middle East.

Before setting up operations in India, the company had significant marketing and sales efforts there. Once they received a first project for an automated packing line, one of the preconditions was to establish a local company in India. This was a demand from the

customer because they wanted to confirm the availability of local aftersales after the deployment of the line.

The establishment of the Indian subsidiary in 2005 was initiated by one of their manager who worked for the company in the US and who is Indian. Therefore, he and the US office handled many of the responsibilities to launch the operations in India.

The deal made the decision-making process of the internationalization straightforward for the company. Since it was a private owned company, it meant that they had the ability to proceed quickly with this initiative to internationalize to India: *“If the customers says a local presence is required, then it is a quite fast decision from the management to approve it”*. The decision-making process was natural for the company because they are customer-driven and the main focus is to win and execute the projects.

The initial investment was fairly small and therefore the perceived risks were quite limited, but they anticipated some opportunities in having a local office. Initially, they hired only two people and rented an office with low costs and this was mainly to support the project that required the presence. Even now with 13 employees the cost is not that substantial and there are no big investments in other than the workforce.

Since starting in 2005 the Indian organisation has been strengthened and they have more people there. The company objectives moving forward are to further expand the operations *“The plan is to have local people take care of as much as possible of the local services and projects”*.

Currently, they send many people from Finland and Estonia to assists in the projects, which creates longer periods of international work for their employees: *“For Finns it is difficult to stay a long time on-sit and not to see families, projects are usually quite long and installations can last between a few months to 1 to 2 years.”*

There are also cost effects to the strategy; human resources are much cheaper in India than in Western countries such as Finland, also there are costs involved in having people travel abroad regularly. If the company is successful in using more local people, the projects can get much easier and cheaper. In addition, using local people can mitigate some of the cultural effects.

*“India is a huge market with a lot of people, but the metal and paper consumption at the moment is very little compared to Western Europe, US or even China – there is a lot of growing potential in India”*

India is globally well known for its grandeur and growth potential. Manager A is optimistic about future opportunities in India. He cites the new political movement and plans to have strong growth in the coming years. There is a quiet time when the government changes in India, which may affect short-term. India still plans to grow and manufacture there as much as possible, which is good for the company.

He maintains that India is also a large country and they need to develop their industry a lot to enable all the potential growth. Therefore, he expects to see the biggest potential in the mid- to long-term.

Company A went through the process of establishing a subsidiary in India that was successful although they were some expected difficulties to deal with the laws and regulations.

A main positive factor for the process was the leading Indian manager from the US, who had extensive understanding and experience from the market as well as tacit cultural knowledge. He was a main contributor to the success of that process and he is now the managing director of the company subsidiary.

The Indian manager's skills and experience meant that there was sufficient know-how within the organisation and there was very limited needs for any external assistance from 3<sup>rd</sup> parties. Lawyers were the main external resources used to help with the laws and regulations. There is still only a very limited needs for any sources of assistance, while they have relationships with local sub-suppliers there is no need to use partners to deal with the local operations.

#### 5.1.2. Culture in India

The initial investment in India was quite limited for the company and therefore the internationalization was not seen as a large risk, even though some cultural differences were acknowledged. The company was confident in building the subsidiary since the initial project demanded it and they saw the potential to grow in India. Since the

establishment of the subsidiary the company has dealt with many opportunities and projects in India.

Manager A is an internationally experienced director, who has worked in global sales for many decades who frequently works with international prospects and customers. His experience with India is over a decade long.

Manager A works mainly in sales and many cultural differences have been exposed through dealing with potential Indian customers: *“Culture is totally different in India than in Europe, you cannot trust Indian people’s words for business deals: you cannot believe in their words, shaking hands or even letters of intent”*.

Overall, the cultural differences are clear on many different dimensions that are covered below.

Time difference is not that difficult to manage with only a two or three and half hour difference between the countries and accounting that typically work ends at 18:00 in India. Travelling to India is also easy with direct flights to Delhi, but travelling inside India is difficult unless you can use a plane.

The roads are often in terrible conditions and the traffic is bad. A rule of thumb is to schedule three times more for a similar distance in India than in Finland. There are also safety concerns when using drivers, as they might not sleep at all in the previous night.

*“Everybody speaks English who we are making business with”*. Manager A thinks that language is not an issue and they speak English well but differently than in Europe, which causes some difficulties to understand at times.

Similarly to language, the people the company deals with are well educated and many of them are very knowledgeable in the field of their business. The only difference with Europe is that as a country they are a little bit behind from a technical perspective and do not know about all the technical innovations. *“You find good people in India to do business”*.

The roads and infrastructure in India is bad, especially in some regions. You need to reserve more time, but it does not restrict the business as a whole and is not really considered a barrier.



The economic development is positive with the growth and there are very good plans to grow the economy at around 10% per year for the future. India wants to be an important country in the world and while he foresees that, it will take some time. *“I personally think they are comparing themselves to China and try to get on the same level as they”*.

The politics affect the business in many ways and it is not straightforward as in the Western countries. There are multiple political aspects to consider to win a business in India, which is one of the reasons why the company has local office with local employees to understand the different thinking.

For European people it can be difficult to understand Indian people’s mind-sets and it is very important to make the distinction between what they are saying and what do they mean. Rarely do they say either yes or no, but always something else.

In terms of business practices the process for sales is very different. You need to have good contacts on many different levels in the organisation: low, management and top-level. You need all to make the business, while in Europe sometimes a couple of contacts are enough to make a decision.

The ethics are very different, since European people are straightforward, but in India you need to think about everything else when doing business. The meetings are generally a mess, very hectic, with a lot of people and it is very difficult to know whether something went well or not. There are people who like you and are on your side, but not everyone and you need to turn those around to your side.

## 5.2. Case B

### 5.2.1. Internationalization strategy

Manager B is running the sales organisation including both direct sales to large customers and the handling of the partner network. The company is a growth phase company with a maximum of 20 employees, a number that depends on the on-going project cycles. They develop cloud-service software for mobile devices and a back-end system for management and customers.

In his manager role he is responsible for all the sales and business development activities, which includes a very global marketplace with customers in India, Philippines, other Asian countries and the more developed parts of Africa. In addition, the Nordics and central Europe are important locations. Most of the turnover proportion comes from outside of Finland, which is natural for a SaaS (Software-as-a-Service) business with a global product.

India was targeted as a interesting potential market because of the huge size of market and good technical fit with their software, because of a lack of legacy systems and potential to adopt software easily.

They established their first partnership with an Indian company in 2012, which took care of product development and business development and sales responsibilities. This partner was able to provide their first few customers in India, since then they have grown to five local partners in India with both very large corporations and smaller companies.

In addition, since 2013 they have a presence in Bangalore, India. The Indian subsidiary employs people in product development, sales and business development and technical support depending on project cycles.

The decision making process to internationalize to India was basic business logic with India being one of the fastest growing markets in the world which opens the potential to grow with the market. The future growth makes it an important market for the company.

The move towards India was backed by simple market research looking at the biggest markets and growth rates instead of a rational planning of internationalization. The company already knew relevant people and companies. The first step was to start discussions and asking questions on whether and how the product could sell in India. This was done through testing ideas through networking, attending to trade fairs and making demonstrations of the software.

Managing the partnerships is important to make sure they do not overlap too much, but different partners generally sell to different verticals. This was one of the main reasons to grow the number of partnerships, where one main challenge is to understand which partners know which verticals well. Having several partners also helps to generate more stable incoming projects since different partners do well in different years.

It is a challenge for the company that their presence in India is limited, while local competitors are right next door to the customers there. There are states of hundreds of millions of people in India and it is impossible to have local presences in all of them.

All of the partnerships are still on going and it is very hard to predict where the business is going to come from. Some partners are silent for a long time before coming through with a large tendering project all of a sudden.

It is very complicated to manage and support all partners. Some of them are better than others, so not all are treated equally, but it is very hard to know which ones to focus on. The commitment of partners is also difficult to measure and maintain. While none of the partners are exclusive and they don't have direct competitors in their offering, the commitment level still is a major challenge.

The subsidiary was established because of the simple fact that running global sales remotely from Finland was not possible, especially with the length of sales cycles that can extend from a year to a year and a half. They need both good partners and a small local organisation to be successful in the Indian market.

For future predictions India's share of the total portfolio is expected to stay the same or grow percentage-wise. At the same time, the company continues to add new markets in addition to growing in existing ones. The organic growth is happening now in India and there is optimism that this will generate new business.

There are a lot of problems and challenges in India, which creates opportunities for both the company and individual to continue to grow, learn and solve their problems.

### 5.2.2. Culture in India

The level of commitment from the company to the Indian market in terms of financial investments is narrow, but it is an important and growing market for them. The management team visits the country regularly and put emphasis on keeping up good partnerships and a presence in the country.

The cultural differences were well known beforehand by the management that has a lot of previous international experience and the fact that the company is Finnish has had a positive effect in doing business in India. The Nokia heritage and brand value still

represents quality and pureness, and compared to the US the image is not spoiled by political matters.

The geographical distance is not much of a factor with direct flights. Manager B is also flying 20 times a year to India together with as many flights to China. The flying times are pretty similar and both are well positioned from Finland. The time difference does not add any difficulty because Indians are working all the time; setting meetings and communication is quite straightforward.

In terms of language, English is very good and far better than in example Chinese or even Finnish people. The accent is present in India, but it is seen favourably and no issues in understanding.

There is a steep hierarchy in companies that is visible, while western companies deal with the local elite that have gone to the best universities and have a perfect English. If you go deeper into organisations, not everybody knows everything in English, but enough for simple tasks. It is mainly a matter of whom you are dealing with.

The key term in technical development is “leapfrogging”, India is leaving some technical development stages behind and jump directly over phases that western companies have had to go through. *“for example, no cables put through the forest, but directly going to mobile technologies”*. There is also a mental preparation to accept new technologies in a much more open way than in western countries.

One of primary goals of having business in India is to expand it together with the market. Especially in SaaS business, you want every occasion to grow the revenue. The development comes from companies, many of those in software, that outsource a lot to India, which is a great compliment to the market and its competitiveness.

The political, legal system and regulations have not come across very often and there have not yet been any legal cases either. This is again a compliment to the good lawyers you need and to build mutual relationships with partners.

In terms of the business practices and ethics there are a lot of differences between the India and Finnish cultures. In India there is a high touch culture, where you need to talk and meet with the people numerous times including having dinners and beers with them. They gradually start to open in the midst, which is related to the culture.

Overall doing business with Indians is a very different process from a cultural perspective. The Finnish people and Nordics tend to rationalize things and before building person-to-person relationship with Indians you cannot get seriously anywhere. There's a very high touch and context culture compared with Western Europe. Nevertheless, while there is a substantial difference it is not a very difficult one to manage once you understand and adapt to it.

### 5.3. Case C

#### 5.3.1. Internationalization strategy

Manager C is working as the head of business unit at a company that designs and delivers automation products for customers together with service models. The Finnish company has 300 employees in Europe, Americas and Asia with local offices in 9 countries.

The operations of the company are spread globally to Europe, Americas and Asia. Europe is very strong and especially the past few years have been positive while the Americas and Asia are important markets. Most of the global customers are in the Telecom industry with a few aircraft company customers.

India had an own subsidiary in Chennai, India for a total of 5 years before stopping these operations in 2014. The main reason for the local operations was to support a key customer that was there until they stopped the factory in 2014.

The operations were mainly local service support operations and they had 6 employees before bringing the subsidiary down. There is still a lot of equipment in India, but there is no more support and other offices are responsible for support in case of equipment breaking.

The internationalization started in the 1980's when they started to grow together with their customers. When customers started having more international operations then the company started to support those new operations in different countries. The internationalization to global markets was therefore mainly through the growth of the growing requirements and needs of existing customers.

Globally most of the company's locations include mostly service side operations, but they do have regional offices for sales in America, US and Asia, China. An important Telecom company was a main driver of the process, which helped not only to grow with them, but also raised opportunities with other customers.

The initial investment and commitment level to India was twofold: quite limited with two local employees to provide support service, but also strong in the sense that the management knew both the potential opportunities and challenges. The main focus was to support one large customer, but also to open further opportunities in the market because of the local presence.

The internationalization was very customer-driven and they were the most important partners to the company. In the service area it is a key factor to offer 24/7 support, which was the other main argument for the establishment of the Indian office. The local support has to be present and also strong enough to deal with upcoming issues effectively.

In the beginning the internationalization was a success. The kick-off went well in 2009 with the new customer. At that time the customer invested quite a lot and the company was very much involved.

After firstly experiencing very successful business, the Indian operations took a downturn. It ceased to be so profitable and the company could not find out the other customers there that were strong enough in India to have an impact to grow the business.

The business realities were too tough to continue in India and made the business decision to stop the services operations. Main reason why they were there was to see more investment and be involved in more scalable automation projects by their customers. Their customers do not buy equipment without services and in the long run the investments they were part of lacked in size. If the company only acts as the service supplier without add-on investment, it makes an easy business decision with their principal customer leaving. Ultimately, there were not as much investments in India as they thought and there was not a profitable business-case to continue.

The profitability of the service operations is low. In business area, even with low costs such as in India there are a lot of changes by the customer, which they expect to be

handled without extra payments. There is a delicate balance between keeping the customers satisfied and having a profitable service business.

One of the risks in the operations was always the limited number of customers, which had a meaningful effect on the operations in India. The customer risk has been repeated in similar cases globally, for example they have closed a South Korean subsidiary under similar circumstances.

At this point the commitment in the future depends on the customers and the company can easily kick-off the operations there and still has the company-name. It would be easy to hire and get up and running again. In addition, they have a possibility to relocate a person who was relocated to a close-by office after shutting down.

### 5.3.2. Culture in India

The role of Manager C during the past four years is to lead a strategic business unit at the company, where his responsibilities included dealing with India until the operations were shut down in 2014.

During the last two years when he was in charge, there were changes all the time and they optimized the team a lot. Those same years were a challenging time period in the Telecom industry and it involved not only their business but also other suppliers.

The business climate in India is a little unstable: the plans, especially in telecom economy, are very short-term oriented and they can change dramatically. In their case, as a supplier, adjusting to short-term plans is more problematic.

The Indian culture is different than globally. They had local people but they needed to follow the local rules even though they were working in a global company. There were internal barriers within the company to balance the organisational working hours and regulations with the local work culture.

Manager C's long experience of 30 years in international business before joining the company and during his time there gives great insight into the cultural differences between Finland and India, but also from a more global comparison perspective.

He has worked extensively in the service area with Asian countries such as China, South Korea and India. There are always cultural differences globally, but a rule of thumb is to take time to understand each customer. Especially in the service sector it is important for businesses to have a behaviour where they listen to the customers and look at how they deal within organisations to understand the culture and find the right opportunities.

The company is in global business and always facing the time difference. The organisation is used to early morning conference calls and the 2h30-3h30 time difference. Nowadays there are better technological tools, but they still some technical problems.

Travelling quite a lot in early years when you know each other, much easier to communicate. Audio issues are the most challenging.

Business people have good language skills and do own an accent, but that did not cause misunderstandings. The key is asking to repeat many times with making sure that all the important things were summarized which is always a good thing to do in international business. Including follow-ups internally and externally.

There is no visible difference in education. When hiring their human resources look at the competencies and offer quite extensive training for the new hires. The best way of learning is by doing, which provides them with the needed level of technical knowledge.

The company did not have an own office; they usually stayed in customer meeting rooms. Mainly because they had service sites, people actually worked from home and had 3-shift work 24/7 with a rotation service. They use the same transport system as customers and would work at the same time as other employees. The team leader moved to Chennai from another city and he had his own apartment. Quite normal in India in services that the companies have own offices.

From an economical development perspective the business is very short-term focused and unstable in India when compared globally. If you establish something there you need a long-term business point of view to be there.



In the company they look at what some key customers are doing there and keep an eye on India since the economy is growing. Some people have invested in communication devices even though poor country, population is so high and they focus on communication.

The government have started to renew regulations towards international operations and companies regarding the taxation, political and legal matters in India. In practice, even the establishment of a company in India is not such a complicated process anymore and it is not highly different from doing so in other countries.

In general in business environments the people are very polite and there are many different things but he has not faced anything out of sorts. The most outstanding matter is that people in India are very polite and often they are very straightforward on how they communicate, which relates to being very command-driven.

In that sense in the future it is very interesting as a country and need a bit more long-term plans in the future. After they stopped there is a quite a lot of requests towards the company, for now they respond politely and promptly saying that if there is a long-term commitment, they will be there.

There is good growth on-going in India, which makes it worthwhile to be monitoring continuously. There is one known brand in the telecom industry who are almost the only ones that have been there, of course they prepare for more long-term solid business case plans and are generally looking at their key customers.

## **6. CROSS-CASE ANALYSIS AND SUMMARY**

This chapter is of primary importance for the study since it assembles the analysis of the collected data, draws the conclusions and summarises the study. In addition, the limitations and further implications are discussed.

At first, the cross-case analysis of the internationalization strategies of the case companies is presented. This is arranged into segments to provide effective cross-analysis on the respondents' data provided via the interviews. There are two main topics, the internationalization strategy and the cultural differences.

First, the background of the internationalization for case companies is evaluated including their global operations and markets and decision-making process for establishment of operations in new markets. Second, the internationalization strategies are evaluated and compared with a focus on the process and subsequent opportunities and risks. Thirdly, the development of the operations in India and consequences for the direction of the business is discussed. Lastly, the future perceptions on Indian operations and market are considered.

On the other hand there is the cultural differences topic. To start, the background of the managers' experience and perceptions are considered. Then, the cultural dimensions and their input on them are compared and evaluated. Finally, additional comments and further cultural aspects are discussed.

After the cross-case analysis the thesis is summarised and findings are concluded. In the end, the limitations, managerial and future implications are discussed.

### **6.1. Cross-case analysis**

The cross-case analysis is divided into two sections similarly to the theory section, with a focus first on the internationalization strategy followed by the encountered cultural differences.

The process of internationalization to India is examined with separation of the common topics and differentiation. This section includes the background for the initial

internationalization decision, main arguments behind the decision, process of market entry, perceived benefits and risks and commitment level analysis. The framework is partially based on the Bell et al. (2004) paper, but with an emphasis on open-ended questions.

Cultural differences are mainly determined through the help of the dimensions adopted and personalized from Puthusserry et al.'s (2014) research with a background of overall and future perceptions.

#### 6.1.1. Background to internationalization

The internationalization strategies of the three case companies follow different patterns with traditional methods comparable with the Uppsala Model and modern born global method. Two of the companies are more mature, founded before the millennial, in comparison to Company B, which is founded in 2012. This is reflected in the process and decision-making for internationalization.

Companies A and C are operating in more than half a dozen countries whereas Company B has a local subsidiary in three markets Finland, India and Kenya. Companies A and C have both built a global network with operations in multiple countries within Europe, Asia and the Americas. However, Company B does have an extensive partner network, which grows their presence in many countries, most of which are developing countries.

All three companies that are operating globally have common interests for similar individual markets in addition to naturally Finland and India. The importance of China is evident in all three cases, where two companies have local subsidiaries and the Manager B travels there extensively.

In addition, all of the cases see Europe, Asia and America as top regions, both in terms of establishing a local presence and as a marketplace to build their businesses. Company A has customers in over 40 countries worldwide and strong markets in Europe and Asia. Company B is a born global with impact markets in developing countries that have seen some growth; India, Philippines, other Asian countries and the more developed parts of Africa. In addition, the local Nordic and European market are important locations. For Company C Europe has been solid especially in the last couple of years while Americas and Asia remain impactful.

Another similarity in terms of markets and customers is the focus on building good relationships since most engagements are strategic ones since the projects are generally substantial.

All of the interviewed managers are stakeholders in the strategic decision-making process for the internationalization, which are exposed to similarities in the reasoning pattern. All case companies consider themselves as very customer-driven and this quality is present in many of their decisions of market entry.

Global operations	Case study findings
Internationalization strategy	All studied ICT SMEs have a strong focus on internationalization and their strategies differ with more traditional ones in Company A and C to a more born global approach for Company B. The companies have experienced previous success and failure in various markets, which provide valuable comparisons between those and India.
India's presence in global strategy	The three companies have a high interest in India in their internalization strategy. However, the amount of commitment through employees and investments is moderate and Company C, for now, does not have a local presence any more.
Decision-making process	In decision-making the findings match with the criteria discussed in the theory of KIF ICT SMEs with pragmatic, fast and straightforward processes.

**Table 4:** Findings on global operations

As mentioned earlier all the interviewed managers have extensive international experience, including skills, knowledge and competencies to make internationalization decisions. The experience is also maintained for the whole management teams in these organisations, which makes these companies very adept at establishing operations in new markets. As a result, all of the companies have a straightforward process to make pragmatic decisions to internationalize. Each manager also credited that process for being quick and flexible.

Customers affected both companies A and C when they made the choice to establish a subsidiary to India. They were pulling the companies with them to India and this was of a reactive nature, where the existing deals influenced the decision, which made the decisions even more clear-cut. Company B has a more proactive approach where the management had targeted India as a very logical market to internationalize to because of its' fast growth and good fit with their products.

As SMEs it is evident that all case companies come across critical incidents that have effects on the internationalization of these companies and they advance the process in a fast-paced environment without much friction in the decision-making or management.

#### 6.1.2. Internationalization strategy to India

The internationalization process to establish operations in India happened at different times in the companies, A in 2005, B in 2013 and C in 2009. The background to those decisions was deemed as logical and inevitable, with two companies after significant engagements that required the internationalization and one that considered India as a top target market. The arguments behind the decisions were almost all positive and the perceived opportunities were much larger than the supposed risks.

In addition to being customer-driven in their strategies, all three case companies mention India's growth potential and future opportunities as factors that facilitated proceeding with the internationalization.

Furthermore, the low cost structure of the region is a common factor and especially important for both companies A and C. In the two cases, the support functions were associated with the engagements and provided value with the ability to offer it cost-efficiently, continuously and locally. Manager C maintains that in the service are offering 24/7 is a key factor.

The establishment of local Indian operations had the similarity of starting with a low-risk approach and commitment. Company A started with only two people and had the great advantage of cultural understanding with a manager originally from India. There was very limited needs for any external support and only limited law consulting was required. Company B first established partnerships that provided their first few customers and that was responsible for initial business development and sales. Once there were concrete results it was easy to set-up a presence in India, which employed

product development, sales and business development as well as technical support depending on the local project cycles. Company C had an initial commitment and investment that was twofold: only two employees to provide support services but a strong managerial perspective to grow the business opportunities in the region.

Internationalization to India	Case study findings
Decision-making	All case companies are risk averse with their market entries. Their internationalization strategies include a lot of pull-factors from existing or upcoming opportunities. However, Case B has a more proactive approach with several push-factors. In all cases the decisions are very customer-driven and underline the importance of establishing a local presence in India for support of prospects and customers quickly and efficiently.
Establishment of operations	The establishment of the Indian operations varies a lot between the case companies. Cases A and C started with reactive support for existing customers. While B is more proactive and established operations after marketing activities.
Benefits of Indian operations	The main benefits are the cost structures in India, efficient geographical location for access to whole Asia. In addition, all companies already had experience and good contacts in the Indian market.
Risks of Indian operations	Various risks include profitability and continuity depending on the company operations and focus.

**Table 5:** Findings on internationalization to India

Even though Company C has withdrawn from the Indian presence for the moment, all companies had initial success in their international strategy. All companies experienced growth and new investments from customers that they were engaged with.

The perceived risks and barriers of internationalization were very limited at the point of internationalization even though the Indian market has not been comparatively popular

among Finnish companies. The process of founding a subsidiary was not perceived as very resource consuming.

Company B that relies on many partners in India does still mention the handling of these partnerships as a possible restriction. They have five partners and it is very complicated to support and manage them efficiently – it is time consuming and there are a lot of silent periods that can be followed by surprising large opportunities. The main issue is the lack on understanding on where the time is best spent among these partnerships. A secondary issue is to recognise which partners have knowledge on certain verticals and assign those appropriately to avoid any conflicts.

Another risk is the fact that there is a lot of local competition for Company B, which means that they have to rely also on partnerships in addition to their own employees. India with several hundreds of millions of people means that the size of the market is a main challenge for a growth company with limited physical resources.

Company C perceived the limited amount of customers as a risk, since they are very influenced by how the success of that business in terms of moving forward. This could also be a factor in Company A, which relies on a limited amount of customers but this was not mentioned during the interview.

### 6.1.3. Developments in India operations

Companies A and B are still active with local subsidiaries in India that are performing productively, however Company C did cease the own subsidiary due to business reasons.

Company A has strengthened the Indian organisation since the establishment in 2005, where the team has grown up to 13 people. The success is due to new investments in India and a sign of a developing market.

Since their first partnership and subsequent subsidiary foundation, Company B has grown the local market and number of on-going partnerships to serve in India, which proves the existence of potential already in a quickly growing market.

The dissolution of the subsidiary in Company C was due to their principal customer stopping their investments and operations in India, which affected directly their

business case for the Indian subsidiary. After the first experience of success in the beginning, the market took a downturn, which was not perceived as a risk beforehand in the internationalization process. In this case, the available opportunities were not sufficient and the reasons were more market-related and cultural.

<b>Business Development in India</b>	
Success in India	The business in India is mostly profitable, however in case C where there was a withdrawal of operations after an initial period of success. Companies A and B profit from growth in India.
Opportunities for growth	There are many benefits for the companies including saving costs and building a good position in a quickly growing market. The local presence is also highly appreciated in the ICT sector. India is a market where the organizations have a lot of problems to solve and Finnish ICT SMEs are in a good position to penetrate the market to help solve them and grow business together.
Barriers to growth	The subsidiaries are complicated to manage and they require international experience from the management team. In addition there are risks in the customer relationships and profitability.
Future of Indian operations	The interviewees are optimistic of the future in India, which fits the Indian market's expected growth and cultural research and results that are both generally positive. Finland has a strong image and brand in India, which is definitely an asset for companies looking at the market. There are ample opportunities and the diversity of these opportunities in the different cases is apparent. The main benefits include cost savings, growth opportunities and finding technical capabilities with a strong job market with educated and technically capable people.

**Table 6:** Findings on business development in India



All companies experienced substantial changes in their Indian operations with two success stories and one failure. This is a reality in a quickly evolving ICT industry, where relying on a few strategic customers can either be very profitable or unsuccessful depending on the development of their customers' businesses.

The commitment level has grown in the successful businesses and naturally Company C's commitment is much lower with no subsidiary in place.

After being active in the Indian market, all managers retained their view on the cost-effectiveness of the workforce and see it as a benefit. Manager C still sees possible return to the market and the company is still supporting local customers through another Asian subsidiary.

The risks that became apparent through activity in India were due to the short-sited views and lack of customer base in Company C. Companies A and B did not mention any apparent risks for their on-going operations in India, where even though the operations have grown the commitment level is rather intermediate.

The opportunities and potential benefits of Indian operations are similar than at the time of internationalization, where cost and potential of the growing market opportunities are mentioned. Also, the growth with the market that was mentioned by Manager B happened in two of the three cases.

Companies were able to benefit from local operations in various ways, but the benefits of lower costs were substantial in Company A and for a limited time in Company C. Company A is looking forward to increase the capacity and capability of their subsidiary to mitigate organisational challenges in international business, where they have a lot of costs and issues associated with the use of European workforce.

#### 6.1.4. Future perceptions

As the theory and available statistics suggest, India is among the best markets in terms of growth and potential. This is reflected in the managers' perceptions on the future of the market and their internationalization strategy in India.

The commitment level is expected to grow in all three companies; even Company C is ready for re-launching the operations when the opportunity comes. They are keeping the

possibility to relocate efficiently and quickly restore the subsidiary. Companies A and B have gradually increased their commitment and are expecting to continue.

In all cases the future predictions are positive about the market. There is organic growth happening and the future growth is perceived as very likely to come and it is also expected to affect their business in positive ways by growth and strengthened relationships. All managers are optimistic about the opportunities that India will offer in the future.

#### 6.1.5. Background into cultural analysis

All interviewed managers from the case companies had comprehensive international experience and knowledge of the Indian market beforehand. The cultural differences were acknowledged and expected in each case. When compared globally the differences from the Indian culture are perceived as higher than average and both managers A and C maintained that it is very different.

The managers in cases A and B were fortunate to experience success during the evaluated period and their views could be expected as more positive than Manager C's, who during the last two years was dealing with a lot of challenges to optimise the team and deal with uncertainty. The short-term orientation, especially in the telecom area, also increased the instability of the Indian business climate.

The cultural views between the managers had both common points and separate views on certain aspects. These will be presented in more detail below and are partially adopted from Puthusserry et al. (2014) and personalized to fit the study and its limitations.

#### 6.1.6. Cultural dimensions

The first dimension is geographic distance, which incorporates all aspects that are affected by it, including travel, communication and time difference.

According to this study geographical distance has very limited negative impact on Finnish businesses in India because of the reasonable time difference, ease of travel and technological advancements in communication technology.

The time difference is only of two to three and a half hour differences depending on summer time. In addition Indians are used to work late and usually end their work at 18:00, which is close to in line with Finnish working times. There is no difficulties to set-up meeting times or communicate effectively during working days.

Also, Manager C notes that time difference is a reality in international business and companies are used to deal with it, there are technological advancements that help to communicate remotely and managers A and B mentioned those.

Dimensions	
Geographic distance	Not much of a factor with good progress in communications technology and flight routes.
Language	English is well spoken within the ICT sectors case companies deal with.
Education	People that companies deal with are very well educated.
Technical development	The technical development offers both opportunities to solve problems together, but also risks for local operations.
Economic development	There is a very good and steady economic development, which creates a lot of potential to expand with the market.
Political, legal systems and regulations	The politics affect the business and the power structure is different, which is something Finnish companies will have to deal with in India.
Business practices	Business practices are different and more complicated than in Finland. Companies adjust and learn how to do business with Indian companies efficiently with good communication, being open-minded and following their high touch cultural norms.
Business ethics	The ethics are different where the culture affects how the communication happens and how the deals are operated. The interviews reveal some challenges with building trust and long-term relationships.

**Table 7:** Findings on culture in India

In terms of travel to India, Finland is also well placed as there are direct flights and they are comparatively close when compared to Western European countries. As negative aspects, the travels within India are the most difficult according to manager A and manager B mentions the audio issues as cumbersome.

Language is the second dimension, which is mitigated by the fact that most Indians, especially those who work with developed country companies do speak English. The accent is acknowledged, but does not really affect the business and this is also present in global business between cultures. Manager B sees it as a favourable notion and Manager C maintains that it is always good to summarise and send follow-ups to ensure communication works effectively.

All managers agree that the third dimension, education level, in India is high and the people that they deal with are well educated to do business with. Manager B notes that there is much more hierarchy, which can be hidden to Western companies as they deal with the most accomplished employees from the best universities, but once you go deeper into the organisations, there are less educated people. For company employees hired in India Manager C expresses that they value training and support new employees.

There are different perspectives from the managers on the technical development, the fourth dimension, in India. For this dimension the discussion is about the most visible aspects of technical development to individuals. Manager A mentions the bad infrastructure, especially road conditions, which is important to their business. Manager B's business is actually in an opportune position thanks to "leapfrogging", since companies in India rarely have adopted rigid legacy tools and their mobile software can be generally integrated with more ease. He also applauds the openness to adopt new technologies. Manager C sees technical development as their subsidiary's physical presence, which is within customer premises an usual aspect in India for services projects.

The economical development is the fifth dimension that grasps the high potential of India in all the cases and is seen as a highly positive virtue. Every manager is optimistic both about the market and the opportunities that it will create for their business. They each have own arguments on how the development has increased potential because of current low adoption of their technologies and long-term development possibilities. However, Manager C estimates that the business is still too short-term focused and unstable when compared globally.

The political systems, regulations and legal systems are bundled into one, sixth, dimension due to limited effect and similarity. The reactions are generally positive and all companies were successful in their initial international strategy and were able to navigate the regulations with ease. The politics are raising different views, as the

general direction of India is favourable with policies to ease international business. However, the politics affecting the business are not very straightforward according to Manager A, who sees them as affecting the business on a more influential basis than in Western countries – you need to make contacts with all levels in an organisation to win a business.

The above point refers also to business practices, the seventh dimension. In addition, Manager B argues it is a very high touch culture, where it is important to meet and talk with contacts many times before they start to open up and build trust in the relationship. Manager C maintains that the business environment is highly polite and straightforward and connects this to the very command-driven culture of doing business in India.

As the penultimate dimension, business ethics, are very different in India and managers made similar comments as to business practices, where the high-touch culture, politeness and communication stands out. Manager A disagrees on a level with Manager C about the straightforwardness, by arguing that it is very difficult to get an understanding of where the relationship stands after meeting where it can be very hectic and messy with a lot of people from different levels of the organisation.

Cultural difference is the last dimension, which is rather about general differences in Indian culture. The managers agree that the culture is very different and it can be difficult to understand for European people. For example, Manager A says that the distinction needs to be made between what Indians are saying, which is often somewhere between yes and no, and what they actually mean. Manager B declares that is very similar as any global business, you need to learn and understand the culture and once you do so, then you are able to adapt to it.

## 6.2. Summary and conclusions of the study

This chapter consists of the summary of the study from an ICT SME perspective including conclusions drawn from the synergies between theoretical framework and empirical findings, as well as individual pointers that provided value to this paper.

The interview managers are high level decision-makers with a lot of business and international experience that provides deep insights into not only the Indian market, but also in internationalization strategies in general. Their contributions and openness to

share expertise and elaborate on topics through semi-structured interviews are valuable for this research purpose.

Case ICT SMEs have a focus on internationalization and their strategies differ from more traditional to a more born global perspective for Company B. All had previous success and failure in various markets, which provided valuable comparisons between the used internationalization strategies.

In decision-making processes in their companies the results matched a lot of the criteria discussed in the theory of Finnish KIF ICT SMEs with pragmatic, fast and straightforward processes and knowledgeable argumentation. The aggressiveness of the companies is found to be limited in this research, which is partly explained by the still growing maturity and readiness of the Indian market for Finnish companies to internationalize.

Furthermore, with the establishment of India operations, all case companies were surprisingly risk averse with their first steps. Their internationalization strategies included a lot of pull-factors from existing or upcoming opportunities, which were more general in traditional internationalization. Although in the Case B there is a more proactive approach with several push-factors to penetrate the Indian market with legitimate commitments without essential pull-factors.

The decisions were also very customer-driven and managers underline the importance of a local presence in India to serve their prospects and customers in the most efficient ways. This mitigates some of the cultural differences and offers these companies with a more complete understanding of the target market, which included diverse risks depending on the company operations and focus.

The discussed internationalization strategies resulted in mostly successes for the case companies, however the Case C had to withdraw their local operations, at least temporarily. This is albeit the fact that these processes all had factors that made them complicated to manage.

Considering the vast international experience from the companies' employees these challenges were largely mitigated. The cultural differences were well known with very experienced managers who handled responsibilities in the internationalization strategies. The decision-making in the internationalization, which included many factors generally

found in KIFs, was both flexible and straightforward helping the companies build upon their initial successes.

The future of India is bright according to the interviewees, which fits well with the expectations of the market's growth. Finland has a strong image and brand in India, which is definitely an asset for companies looking at the market. There are ample opportunities and the diversity of these opportunities in the different cases is apparent. The main benefits include cost savings, growth opportunities and finding technical capabilities with a strong job market with educated and technically capable people. India is a market where the organisations have a lot of problems to solve and Finnish ICT SMEs are in a good position to penetrate the market to help solve and grow business.

### 6.3. Managerial implications

For managers leading ICT SMEs with potential initiatives to internationalize to India, this paper uncovers valuable insight on the development, current situation and future of similar companies' business operations in India.

Both the theoretical research that evaluates the current knowledge on the cultural differences in India together with a perspective on the internationalisation strategies of ICT SMEs gives managers background to their decision-making to establish new business operations.

These topics are evaluated with the objective of easing the concerns of managers on the feasibility of an internationalization process to establish successful operations in India, but also to emphasize the barriers, risks and negative aspects of this unique market. In addition, the opportunities, successes and reasons future optimism within the ICT industry for Finnish SMEs are researched to present a holistic view.

Still, the main implications for managers come from the insights that the research design and data collection allows to present. Following the three case studies in detail on the internationalization process including various potential narratives helps them to understand on a deeper level the expectations in opportunities and risks that are linked with the market.



Furthermore, of added value in this paper is that changes over time from pre-establishment until current operations are evaluated and compared, which prepares companies new to the region understand its unexpected values and exposures. Also, since most concerned companies with this study have yet to establish operations in the market, the views of the future provide Finnish ICT SMEs with knowledgeable expectations of the growth in their industry.

#### 6.4. Limitations and future research

The limited number of case studies in this research restricts the generalization of the results for any wider scope. These limitations are caused by both a focused study with many factors that resulted in a finite number of potential case studies. Still, these results do provide companies with international intentions to India with context to practical real use cases and detailed information.

This research is subject to be scaled to a larger scope to find out whether these findings are singular to these case studies or whether they could be presented with as general with the appropriate methodology. Still, the limited number of companies still applies and the scope would likely need to be extended by different factors to include a larger sample size to facilitate a quantitative study.

In addition, the questionnaire and semi-structured study methodology disclosed further research possibilities with the managerial input that was given. Several of the questionnaire topics can be extended and considered in more detail. An example is to look at the decision-making process in more detail in these companies to study the models that apply and how they affect decisions to internationalize to new markets.

There is a growing amount of cross-cultural studies that are focused on the SMEs and researches are varying from more general to very fixed frameworks. The format used in this study can be allocated to research similar topics between virtually any two countries and different industries.

Since this paper focused mainly on exploring the internationalisation process within ICT SMEs for which India was seen as a strategic market for various reasons, companies who already are in a lot of potential markets might not have a need to enter India. Therefore, a research focusing on the position of India in global ICT SMEs that

have entered many markets, especially in Asia, could reveal a lot of market and culture differences in the internationalization to different countries.

Furthermore, the standing and potential of India within global ICT SMEs is another perspective that answers the perceived uncertainties and opportunities of the Indian market compared with neighbouring or international markets. A research of this kind could indicate how Finnish SMEs are leveraging the Indian market and where the efficiencies are missed.

Lastly, as a further study, the cultural differences and their effect in the internationalization strategy could be evaluated from a managerial perspective. The success and failures in the establishment and running of Indian business operations are compared to the managerial experience and capabilities with a focus on handling change and cultural differences. The findings could indicate where managers are failing and succeeding to give ICT SMEs better knowledge on the needed abilities and support for a positive market entry to India.

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## **APPENDIX – BASE QUESTIONNAIRE FOR SEMI-STRUCTURED INTERVIEWS**

The presented questionnaire is used as the guidelines to the semi-structured interviews, although the questions were formed separately for all the different cases based on already available information and interviewee interest to elaborate on different topics. This questionnaire outlines the researched and collected information with the combination of the interview and background study.

### **Background and internationalization strategy**

#### **1. Company and management information**

- Age (Founded, major organisational changes)
- Size
- Industry
- Length of time exporting (start, progression)
- Length of time exporting to India (start, progression)
- Number of export markets (entry years)
- Export ratio (FSTS, employee locations, strategy)
- Top 5 export markets and years of entry
  
- Title
- Time with the company (by position)
- Responsibilities now and at the time of internationalization
- International experience
- Nationality

#### **2. Details of company**

- Business idea and formation (Background of the company)
- Team's background and experience (Management team composition)
- Pre-internationalization international business (company level)
- Objectives (Strategy, mission, vision)
- Early sales growth (Timeline)

### **3. Internationalization details to India**

- Context for internationalization (Background to the decision)
- Positive negative attitudes towards internationalization (Details)
- Export barriers (Early stages, at start, subsequent)
- Export stimuli (Early stages, at start, subsequent)
- Internal discussion and deliberation
- Size of project / Level of commitment (investment, timeline, strategic implications)
- Exchange relationships with clients/partners (Early stages, at start, subsequent)
- Sources of assistance (Early stages, at start, subsequent)
- Value of these sources (Early stages, at start, subsequent)
- Views about future (Early stages, at start, subsequent)
- Management of project (Early stages, at start, subsequent)
- Key decisions in project (Markets, entry mode, marketing management decisions) (Early stages, at start, subsequent)

### **4. Subsequent decisions in India**

- Changes to entry mode, marketing management decisions, relations, etc. in India
- Principles in searching identifying new markets
- Decisions to withdraw from export markets or not pursue new opportunities
- Product/service decisions and other marketing management issues
- On-going export problems/barriers to internationalization
- Sources of assistance
- Value of these sources
- Internationalization in relationship to overall business strategy of firm
- Changes in structure/organization/staffing as international business evolved

(Adapted from Bell et al., 2004)

## **Culture**

### **1. 9 dimensions of cultural differences, beginning and progress mitigation**

- Geographic distance
- Language
- Education
- Technical development, logistics and infrastructure
- Economic development
- Political, legal systems and regulation
- Business practices
- Business ethics
- Cultural difference

(Adapted from Puthusserry et al., 2014)

### **2. Future**

- Cultural development views for the future