

INTERNATIONAL ENTREPRENEURSHIP - AN INDIAN CASE STUDY

ABSTRACT:

The emergence of MNEs from unique institutional and resource environments as important players in the global economy has been a distinctive development of this century. There has been a surge in outward FDI from India since 2007, spearheaded by M&A activity from the IT sector. Some of these acquisitions have been exemplary, as they have been done by firms classified as Born Globals. The primary purpose of this pioneering study is to initiate the process of applying insights from entrepreneurship research to explain the emergence of born global firms and their consequences for economic development in the Indian context.

1. INTRODUCTION

The rise of MNEs from emerging economies as important players in the global economy has been a distinctive development of the present century. The emergence of these firms from unique institutional and resource environments (Hoskisson et al 2000; Khanna and Palepu 2006) has been fraught with challenges (Lall 1983; Wells 1983 ; Khanna and Palepu 2006) as many of them have emerged as latecomers (Mathews 2002) from economies with underdeveloped institutions and market intermediaries, overcoming resource disadvantages such as financial capital, advanced technologies and managerial capabilities (Guillen 2000). The period 2000 –07 witnessed an unprecedented boom in outbound M&A activity from India, Pradhan (2007); Nayyar (2008), led by firms in the IT and pharmaceutical sectors (Varma 2009). 12% of these cross border M&As were done by firms which were less than 5 years old at the time of acquisition, hence the use of the nomenclature Born Global Acquirers (BGAs) to describe them.

Innovations in manufacturing, information and communication technology and increasing liberalization in the global economy have enabled the birth of a new class of start ups that view the global market as their natural home. A multitude of small and medium sized firms have increasingly developed important sources of competitive advantage by organizing foreign operations at the time of founding or shortly afterwards, including not only exports but also more complex forms of internationalization such as joint ventures, wholly-owned subsidiaries or franchising networks. Variously described as ‘global start-ups’, ‘born globals’, or ‘international new ventures’ (Rennie, 1993; Oviatt and McDougall, 1994, 1995, 1997, 1999; Bloodgood et al., 1996; Kohn, 1997; Madsen and Servais, 1997; Knight and Cavusgil, 2004; also Rialp et al., 2005), these bring to the fore complex forms of entrepreneurship involving high levels of uncertainty leading to their inclusion in international entrepreneurship literature (McDougall and Oviatt 2000; Oviatt and McDougall 1994).

Born globals are exemplar highly entrepreneurial small firms that challenge the belief that the strategic options of small firms are constrained by resource poverty. Considerable research has already been undertaken and is ongoing (Rialp, Rialp & Knight, 2005). In general the born global literature assigns a prominent role to the founder manager,

including his prior experience (Knight, 2001; Madsen & Servais, 1997), visible in a recent attempt by some to build a unified conceptualization of the accelerated internationalization of born global firms (Weerawardena, Sullivan Mort, Liesch & Knight, 2007), who have conjectured that born global owner managers, with a global mindset and an international entrepreneurial orientation, build and nurture a set of dynamic capabilities leading to early and rapid entry of markets. This paper examines the role of the entrepreneur as an initiating force in the accelerated internationalization of five Born Global firms from the Indian IT sector which made an international acquisition within five years of coming into existence.

The primary purpose of this paper is to initiate the process of applying insights from entrepreneurship research to explain the emergence of born global firms and their consequences for economic development. Most studies undertaken on the phenomenon of the born global firm have been in the context of industrial economies with a focus on manufacturing and process innovations using export as the mode of internationalization. There is no study on the phenomenon in the Indian context – this paper seeks to fill that gap and initiate discussion. In doing so it shifts the focus from the process and timing of internationalization to the discovery, evaluation and exploitation of international entrepreneurial opportunities. It thus contributes to the existing literature firstly by adding to existing knowledge on born global firms in an international entrepreneurship framework ; secondly it is the first such effort in the context of India which is an important emerging market – it therefore contributes to a better understanding of internationalization in this area, and thirdly it profiles a specific kind of born global firm – the BGA.

The rest of the paper is organized as follows: Section II outlines the theoretical underpinnings of international entrepreneurship; section III specifies the research methodology; section IV develops the theoretical model; section V contains the analysis and discussion and section VI concludes.

2. INTERNATIONAL ENTREPRENEURSHIP:

Entrepreneurship studies can be traced back to the work of Richard Cantillon (circa 1730) and Jean Baptiste Say (1816). Cantillon saw entrepreneurs as bearers of uncertainty, while Say (1816) saw the entrepreneur as the agent who united all means of production in order to make profits. These ideas about what entrepreneurs did were rediscovered in the 20th century. Thus, Frank Knight (1921) emphasized the entrepreneur's role in coping with the uncertainty of market dynamics, arguing that entrepreneurs were also required to perform fundamental managerial functions such as direction and control. Harvey Leibenstein in the 1960s and 1970s saw the entrepreneur as the agent, which resolved market deficiencies through input completing activities (Athreya 2010).

A somewhat different twist to the advantages of entrepreneurship was given by Joseph Schumpeter (1934) who saw the entrepreneur as a heroic innovator who implements change within markets through the carrying out of 'new combinations' of various kinds. From the Schumpeterian perspective, the entrepreneur disrupts the circular flow of the market by introducing actions that entail novel combinations of existing resources. These actions are 'disequilibrating' in the sense that they disrupt established means-end relations and generate new sources of uncertainty (Smith & Di Gregorio, 2002). This has

also been referred to as the strong premise for entrepreneurial action (Venkataraman, 1997) or Schumpeterian opportunities (Shane, 2003). From the Schumpeterian perspective, entrepreneurial action contributes to economic development by increasing the potential value in an economic system, also referred to as adaptive efficiency (Moran & Ghoshal, 1999; North, 1990; Schumpeter, 1934).

The perspective of the Austrian economists such as Israel Kirzner emphasizes the role of the entrepreneur in moving markets back toward equilibrium by recognizing market opportunities and acting upon them. From this perspective markets are imperfect due to the dispersion and divergence in knowledge and opinions across time and space. Utilizing a market cue such as the price mechanism, entrepreneurs correct ignorance by engaging in arbitrage of tangible goods as well as information. These 'equilibrating' actions move the market toward equilibrium (Smith & Di Gregorio, 2002). The Austrian perspective has been referred to as the weak premise for entrepreneurial action (Venkataraman, 1997), or Kirznerian opportunities (Shane, 2003).

Entrepreneurial action contributes to economic development by enhancing the allocative efficiency of the system, since actions that exploit the dispersion of knowledge and other resources end up reducing that dispersion. The greater the dispersion of knowledge (e.g., across national borders), the greater will be the opportunities to engage in entrepreneurial action to profit while reducing the dispersion of knowledge.

International entrepreneurship as a newly emerging research arena began with an interest in new ventures (Oviatt and McDougall 2005), whose existence, evolution and performance were explained using a broad range of theoretical frameworks(Rialp, Rialp and Knight 2005) with somewhat inadequate attention to the international entrepreneurship perspective (Di Gregorio et al 2008). It has also focused on comparisons of entrepreneurial behaviour in multiple countries and cultures as well as organisation behaviour that extends across national borders and is entrepreneurial. The link between international new ventures and entrepreneurship has been acknowledged (e.g., Oviatt & McDougall, 1994), and recent research has addressed this link more explicitly (Autio, 2005; Oviatt & McDougall, 2005; Zahra, 2005; Zahra & George, 2002; Acs, Dana, & Jones, 2003; Dimitratos & Jones, 2005).

Three major perspectives of international entrepreneurship have emerged in the literature. The strategic management perspective of international entrepreneurship emphasizes brokering, resource leveraging or stretching, value creation, and opportunity seeking through a combination of innovative, proactive, and risk-seeking behavior(Covin and Slevin 1989; Miller 1983). It also implies that all international activities are entrepreneurial because they can only occur through brokering, leveraging, and risk-taking practices. Proponents of this perspective define international entrepreneurship as a combination of innovative, proactive, and risk-taking behavior that crosses national borders and is intended to create value in organizations (McDougall and Oviatt 2000).

A second perspective views international entrepreneurship as a nexus of individuals and opportunities. Proponents of this perspective opine that international entrepreneurship entails the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously had not existed (Shane & Venkataraman, 2000).

Opportunities are situations in which people believe they can use new means-ends frameworks to yield novel resource combinations for generating profit (Shane 2000). Individuals typically discover opportunities based on their prior knowledge which comes to bear on how they perceive external stimuli. These authors build on the work of Schumpeter and Austrian economics, for which entrepreneurial activity drives the market process and economic development by moving markets away from or toward equilibrium, while creating and resolving differences in knowledge and resources across time and space. Following Schumpeter (1934), entrepreneurs create value that contributes to economic development by engaging in novel combinations of resources. In line with Austrian economics, the knowledge gained through the discovery of entrepreneurial opportunities by individuals makes markets more efficient. To them, entrepreneurship is viewed as focusing on opportunities that may be bought and sold, or they may form the foundation of new organizations. The emergence of international new ventures is explained by the geographic dispersion of the key elements in the entrepreneurial process: individuals, the experience and other resources that individuals control, and opportunities for new international combinations of resources and/or markets. The core of this view is the nexus of individuals and opportunities (Gregorio et al 2008). In the words of Shane (2003:21) “This framework examines the characteristics of opportunities; the individuals who discover and exploit them; the process of resource acquisition and organizing; and the strategies used to exploit and protect the profits from those efforts”. A third perspective views entrepreneurship as a process of enactment and discovery. Proponents of this perspective do not agree that opportunities are “objective phenomena” that do not require subjective creation among people who are influenced by their social milieu (Baker et al. 2005). They argue that opportunities may be enacted (Weick 1995) as well as discovered. That is, people act and then interpret what their actions have created, and sometimes those creations are economic opportunities. Based on this, they define international entrepreneurship as the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services (Oviatt and McDougall 2005).

The aforementioned perspectives provide a base to conceptualize international entrepreneurship as a capability. It may be defined as a firm-level ability to leverage resources via a combination of innovative, proactive, and risk-seeking activities to discover, enact, evaluate, and exploit business opportunities across borders. This capability allows the firm to leverage firm resources, discover, and exploit opportunities in the international market in order to achieve superior business performance (Zhang et al 2009).

This capability view is particularly helpful for born global firms because most born global firms are small firms with scarce financial, human, and tangible resources. Thus, developing organizational capabilities, such as international entrepreneurial capability, to leverage firm resources for achieving superior performance in international market is essentially important to them.

3.RESEARCH METHODOLOGY

3.1. Research Context

Recent years have witnessed the rise of MNEs from various emerging economies including China and India including the Born Global firm (Zhang, Tansuhaj and McCullough 2009), Varma (2009, 2010). Emerging economies refer to “low-income, rapid growth countries using economic liberalization as their primary engine of growth” (Hoskisson et al 2000). One of the defining features of emerging economies in the last couple of decades has been the policy of economic liberalization favored by their governments (Hoskisson et al 2000; Wright et al 2005). Economic liberalization is a unique and powerful environmental contingency faced by firms in developing economies, which significantly changes the business environment by increasing competition, changing regulations, and creating new business opportunities. The forces of economic liberalization acting on firms from emerging economies are therefore equivalent to significant “institutional transitions” introducing fundamental and comprehensive changes to “the formal and informal rules of the game that affect organizations as players” (Peng 2003) and encourage entrepreneurial behavior. There is however, scant literature, which explicitly examines entrepreneurship within the context of the emerging economy firm’s attempts to internationalize. This paper seeks to fill that gap and initiate discussion in that regard.

3.2 Method and Sample

Since the study focuses on an initial exploratory analysis, it has chosen the case study method as the research strategy. The case study method is suitable for model and grounded theory development along with a focus on complex processes that take a long time to unfold (Yin 1991). As there is practically no theory on the phenomenon of born globals in India, the paper chose to ground model development on actual case data complemented with a deep review of received theories on internationalization (Eisenhardt 1989).

Following Eisenhardt (1991) and Miles and Huberman (1991) the paper focused on case studies of Indian IT firms that had made an international acquisition within 5 years of coming into existence. The sampling frame was defined following Miles and Huberman (1994) setting–event-actor- process parameter setting. Accordingly we focused on Indian IT born global acquirers (setting), on the early and rapid internationalization process (event), on the top management team of these firms (actors) and the process of making an overseas acquisition early in the organisation’s life (process). Consistent with Eisenhardt’s recommendation for a theoretical sampling strategy, we introduced variance along important theoretical dimensions by including both hardware and software firms, with varying areas of specialization and firms with both public and private listing in the sample. Consistent with established sample selection criteria in born global research all firms were less than 5 years old at the time of international venturing and derived significant competitive advantage from the use of resources and sale of outputs in multiple countries from inception.

3.3 Data Sources

The data for this study is based on M&A activity of the Indian IT industry during January 2001 to March 2007. It uses secondary reported firm-level data from studies by consulting firms such as UBS, Accenture and MAPE, as well as ‘Prowess,’ the Centre for Monitoring Indian Economy (CMIE) database. The study also examines published firm-

specific information and media coverage (including their websites) to assemble a final data base. Data is based on the statements made by the top management of the firms in addition to reports in popular and business media (print and internet sources) to undertake a content analysis of the motives behind these cross – border M&A activities.

Firms included in the study are those that have undertaken a merger or an acquisition between 2001 and 2007, and are incorporated in India. The study excludes acquisition activity by firms that are subsidiaries of foreign firms and have been used as a vehicle of acquisition.

While primary data through a survey or questionnaire may be the ideal method for a study such as this, the problems of low response, subjective bias and a lack of research culture in the emerging economy scenario (Hoskinson et al) preclude their use. The use of data from PROWESS has been increasingly vouched for by researchers such as Khanna and Palepu (2000), Khanna and Rivkin (2005) and Chakar and Vissa (2005).

3.3.1 Sample Selection

Between 2000 –2007 there were over 521 overseas acquisitions from India out of which 133 (25.5 %) were from the IT sector carried out by 47 firms. 56% of the acquisitions in the sample had a market-seeking motive, followed by product and efficiency seeking acquisitions. The study also found that 12% of total acquisitions in the sample were undertaken by firms which were incorporated less than 5 years before they made their first global acquisitions (Varma 2009). We call these firms the Born Global Acquirers and select some of them for the final sample based on the criteria discussed below.

Speed of internationalization

The first criterion to differentiate BGFs from traditional internationalizers is the speed of internationalization. It can be described by two different time spans, namely:

(a) The time span between founding and the first foreign market entry, and (b) the time span between the first and the following foreign market entries.

In previous studies, the time span between founding and the first foreign market entry is most commonly used to differentiate BGFs from traditional internationalizers. E.g., Rennie (1993), Knight & Cavusgil (1996) and Kandasami & Huang (2000) postulate a time span of two to three years from the time of founding. This definition is based on the consideration that it is hardly possible to speak of a global vision when the first internationalization step takes place after more than three years.

The time span between the first and the second foreign market entry is only mentioned by a few authors (Lindqvist, 1991; Autio, Sapienza & Almeida, 2000; McNaughton, 2000; Stray, Bridgewater & Murray, 2001). E.g., Melin (1992) points out that firms in technology-intensive industries show shorter time spans until their next internationalization step than firms in other industries. The study of Stray, Bridgewater & Murray (2001), however, reveals that technology-based firms show different speeds of internationalization. Generally, it is agreed that this time span should be shorter than between founding and first foreign market entry.

Since this paper is focused on a specific category of BGFs – viz. BCAs we designed an alternate criterion for classification:

- a. The first acquisition took place within five years of incorporation
- b. The firm had a subsequent foreign entry within the next three years

The geographic scope of internationalization

The geographic scope of internationalization of a BGF can be measured by the following criteria: (a) number of countries, (b) number of cultural clusters, and (c) number of geographical regions in which the firm is present. To call a firm global, Kandasaami (1998) demands that it should have activities in at least five countries. Other authors claim that a further distinction between cultural clusters (Hofstede, 2001) and geographical regions is necessary to clarify the physical and geographical distance of foreign markets from the home market. E.g., Switzerland and South Africa fall into the same cultural cluster but represent two different geographical regions. Therefore, according to Lummaa (2002), speaking of BGFs requires at least activities in two cultural clusters and geographical regions. The corresponding criterion for this paper is that the firm must have a geographical presence in at least three countries.

Foreign Sales

Besides the number of foreign markets, the proportion of foreign sales compared to total sales of a firm presents a further criterion of BGFs. Kandasaami & Huang (2000) suggest a minimum ratio of 10% of foreign sales compared to total sales. Madsen, Rasmussen & Servais (2000) claim at least a ratio of 25% is necessary to speak of a BGF. The study by Lummaa (2002) revealed in three of four cases even a ratio of 90%. This paper considers a ratio of 10% of foreign sales to be sufficient.

The firms and their relevant features are briefly described below .

3.3.2 Sample Description

IBS Software Services

IBS, was incorporated in 1997 in response to the global need for a software solutions company in the fast growing travel, tourism and logistics industry. It began global operations in 1998, had a presence in three different geographies by 2001 and made its first overseas acquisition in 2002. Its founder V.K Mathews, an aeronautical engineer from IIT Kanpur, has varied global experience in the travel industry. It has used a strategic mix of alliances and acquisitions to emerge as a leading international player in the travel space. Some of its notable alliances were with Oracle Corporations, Sun Microsystems and BEA Systems in 2001 and with Cendant Corporation USA in 2004 and important acquisitions were TopAir, Avient Technologies, Discovery Travel Systems and VISaer Inc.

Four Soft Limited

Four Soft Limited is the world's largest transportation and logistics software products company. Initially promoted, as a private limited company, by technocrat Palem Srikanth whose global experience includes both his education at Stanford and prior global work experience in supply chain management. The company owes its existence to the government's EOU/STP scheme and has moved up the technological capability ladder by obtaining various ISO and SEI-CMMI certifications. It has used a variety of modes of international entry and has a global presence in 10 countries.

MphasiS

MphasiS Limited (then, MphasiS BFL Limited) was formed in June 2000 after the merger of the US-based IT consulting company MphasiS Corporation (founded in 1998) and the Indian IT services company BFL Software Limited (founded in 1993). The company was founded by Jerry Rao and Jeroen Tas both former Citibank employees. Starting out as a BPO and application services outsourcer in the BFSI segment, it subsequently moved into telecom and health industries as well.

Its global character was evidenced by an Indian CEO, a Dutch president and more than a dozen subsidiaries in Europe, the US and Asia. It enhanced its technological capability through both domestic and overseas acquisition cum alliances based strategy, making it among the top software exporters of the country within a couple of years of coming into existence. It was acquired by software services firm EDS in 2006, which in turn was acquired by HP in 2008.

Moschip Semiconductors

Founded in 1991, Moschip made its first acquisition in 2001. A firm with a geocentric orientation, its chips are designed in India, manufactured in Taiwan and sold through its offices in USA. The firm's CEO K Ramchandra Reddy is an electronics engineer with a global vision acquired through both his education at Winconsin and work in Silicon Valley USA. A serial entrepreneur, Reddy has several start ups to his credit, besides having the credit for designing the world's first DSP chip. He also has extensive experience in sub contracting and manufacture of semi conductors. The firm has a global presence in all the continents.

Vmoksha Tecchnologies

Vmoksha Technologies is an IT services company headquartered in Bangalore, India as a private limited company. Since its inception in **May 2001**, Vmoksha has emerged as a key player in the global IT outsourcing space. Vmoksha currently has operations in the US, Europe and the Asia Pacific region (development centers in Bangalore and Singapore). It is the first company in the world to directly go for CMMI Level 5 assessment without being assessed at intermediate levels and the 16th IT company in the world to achieve CMMI Level 5. It is the second company in the world to be assessed for all the four disciplines of CMMI – Software Engineering, System Engineering, Supplier Sourcing and Integrated Process and Product Development. The company was included among SMEs from India poised to succeed on account of the strong offshoring model and included among the top 100 outshorers of the world in terms of revenue.ⁱ¹

4. THEORITICAL MODEL DEVELOPMENT

The basic purpose of this paper is to examine the role of the entrepereneur as an initiating force in the appearance of the Born Global Acquirer profiled here. The theoretical foundations for hypothesis development are based on constructs from the Resource Based View (RBV) (Penrose 1959; Barney 1991) and Institutional Theory (Hoskisson et al., 2000; Scott, 1995).

¹ www.sharedexpertise.org

Resource-based view

The Resource based view (RBV) of the firm (Porter 1959; Barney 1991) emphasizes the role of heterogeneous capabilities as drivers of firm strategies. According to Barney (1991) the term “resource” covers “all assets, capabilities, organizational processes, firm attributes, information and knowledge controlled by a firm”. Organisational capability is a system of organizational routines that create firm specific and hard to imitate advantages. A firm’s organizational capability consists of (i) static capabilities to consistently outperform rivals at any given point in time and (ii) dynamic capabilities that enable a firm to improve its performance and outperform its rivals Penrose (1968), Nelson and Winter (1982), Teece (1992). Nelson and Winter (1982) explain that a firm’s capability development depends upon access to technological and organizational knowledge and conditioned by its past learning. These capabilities are heterogeneous, conditioned by local factors and difficult to imitate or replicate. The heterogeneity of firm capability and its stickiness are responsible for the diversity of firm strategy. Knight and Cavusgil (2004) argue that the ability of born global firms to succeed in foreign markets is largely a function of their internal capabilities (e.g., Wu et al. 2007). Evolutionary economics (Nelson and Winter 1980) elaborates on the superior ability of firms to develop particular organizational capabilities. According to this view, the superior ability of certain firms to create new knowledge leads to the development of organizational capabilities (Wu et al. 2007). There is growing evidence that competitive advantage often depends on the firm’s superior deployment of capabilities (Christensen and Overdorf 2000; Day 1994). From the RBV, this advantage may result from development of capabilities over an extended period of time that become embedded in a company and are difficult to trade. Alternatively, it may possess a capability that is idiosyncratic to the firm (Dierickx and Cool 1989) or embedded in a firm’s culture (Barney 1991). Thus, based on the RBV, capabilities are often critical drivers of firm performance (Eisenhardt and Martin 2000; Makadok 2001; Teece et al. 1997).

Capability based resources are especially important for born globals, as they deal with diverse environments across numerous foreign markets (Luo 2000). Possession of such capabilities helps firms to attenuate their liabilities of foreignness and newness (Oviatt and McDougall 1994). The ability to consistently replicate the firm’s capabilities across numerous and varied markets produces value for born globals by supporting, especially, international expansion (Knight and Cavusgil 2004). Based on the above discussion, the RBV seems appropriate as the supporting theory to this study.

Institutional theory (Hoskisson et al., 2000; Scott, 1995) has been a useful tool for understanding phenomena related to emerging economies. Institutions are conceptualized as ‘the rules of the game in a society’ (North, 1990: p.3; Scott, 1995) and institutional transitions are defined (Peng, 2003, p.276) as the ‘fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect organizations as players’. One of the defining features of emerging economies is the policy of economic liberalization favored by their governments (Hoskisson et al., 2000, Wright et al., 2005). Economic liberalization is a unique and powerful environmental contingency faced by firms from these developing economies compared to firms from advanced nations, which have traditionally been more market-oriented. Firms in the countries

undergoing economic liberalization face significantly different business environment characterized by increasing competition, changing regulations, increasingly demanding customers, emergence of new business opportunities, etc (Ray, 2003). The forces of economic liberalization acting on the firms from emerging economies are therefore equivalent to significant 'institutional transitions' (Peng, 2003) leading to a variety of strategic responses. Economic liberalization measures such as deregulation and privatization in hitherto protected economies such as India has been the source of both opportunities and threats. This may translate into a defensive strategic positioning aimed at protecting their position in the domestic market (which precludes internationalization) or an assertive strategy aimed at leveraging new strategies through internationalization (Ray and Chitoor 2007). In this context, the paper posits that government induced policy changes and institutional forces can act as a catalyst towards accelerated internationalization and the appearance of born global firms.

The conceptual framework developed above provides the starting point for the development of two basic hypotheses outlined below:

H1. The appearance of a BGA depends on firm specific capabilities vested in the entrepreneur.

H2. Institutional and policy induced changes act as a catalyst for the appearance of a BGA.

The RBV of the firm (Grant 1996a; Penrose 1959; Rumelt 1984; Teece and Pisano, 1994; Wernerfelt, 1984) helps to explain, how in the context of an innovative culture, knowledge and resultant capabilities are developed and leveraged by enterprising firms. Differential endowment of resources is an important determinant of organisational capabilities and performance (Barney 1991; Grant 1996a; Teece and Pisano, 1994; Wernerfelt 1984). Foundational resources are particularly important in turbulent business environments, as they become the basis for stable strategy formulation (Grant, 1996a; Prahalad and Hamel, 1990). Knowledge is the most important resource, and the integration of individuals' specialised knowledge is the essence of organisational capabilities (Conner and Prahalad, 1996; Dierieckx and Cool, 1989, Grant, 1996a; Leonard- Barton, 1992; Nelson and Winter, 1982; Solow 1957). In international business, knowledge provides particular advantages that facilitate foreign market entry and operations (Kogut and Zander 1993). The integration of specialist knowledge hinges on the nature and quality of the firm's organisational routines, which involve conversion of especially tacit knowledge(Polanyi, 1996) into business activities that create value for customers. Tacit knowledge is embedded in individuals and cannot be expressed explicitly or codified in written form (Nonanka, 1994). We argue that smaller international firms such as born global firms may manifest specific resources that are instrumental to the conception and implementation of activities in international markets. Although these businesses tend to lack substantial financial and human resources, they may leverage a collection of more fundamental intangible resources that facilitate their international success. Peng (2001a) argue that the RBV can allow business to identify specific knowledge and capability as valuable, unique, and hard-to-imitate resources that separate winners from losers in global competition (Dev et al. 2002), allowing smaller

firms to differentiate themselves and succeed abroad. The most important knowledge resources are unique, inimitable and immobile and vest in the individual entrepreneur.

H1a. The appearance of the BGA depends on the firm's entrepreneurial resources.

Various studies have chronicled personal resources as important initiating forces of BGFs. The international experience of the founder or top management team especially, has a positive effect on the appearance of BGFs (Lindqvist, 1991; Reuber & Fischer, 1997; Harveston, Kedia & Davis, 2000; Schmidt-Buchholz, 2001; Westhead, Wright & Ucbasaran, 2001; Gaba, Pan & Ungson, 2002; Rhee & Cheng, 2002; Mahnke & Venzin, 2003; Johnson, 2004). The same applies to foreign language competence (Schmidt-Buchholz, 2001) and a distinct international vision or geocentric mentality (Lindqvist, 1991; McKinsey & Co., 1993; Oviatt & McDougall, 1994, 1995; Kandasami, 1998; Harveston, Kedia & Davis, 2000; Johnson, 2004) which could, among others, be shaped by family background (McAuley, 1999; Westhead, Wright & Ucbasaran, 2001). Entrepreneurial competencies acquired as a result of previous employment, technological expertise and existing networking links create an awareness of internationalisation opportunities in niche areas Keeble (1998). Also the age of the founder or founders has a positive effect, meaning that elder (and *ceteris paribus* more internationally experienced) founders or top managers tend to an earlier and geographically more distant market entry than younger ones. Finally, the risk-taking propensity of BGFs is higher than those of traditional internationalizers (Harveston, Kedia & Davis, 2000: 96).

H1b. The higher the internationality (international experience, foreign language competence, family background) of the founder or top management team of a company, the higher the probability of the appearance of a BGA.

International networking capability refers to firms' ability to obtain resources from the environment through alliance creation and social embeddedness to use in its activities in foreign markets (cf. Granovetter 1985; Gulati 1998). Networking is one of the major strategies pursued by entrepreneurial firms in order to gain access to resources and cope with environmental uncertainty and impediments in their operations (Alvarez and Barney 2001; Steensma et al. 2000).

According to Coviello and Cox (2006), "network" is a metaphor used to represent a set of connected actors. These actors may be either organizations or individuals, and the relationships that tie them together may take many forms such as those between customers, suppliers, service providers, or government agencies. Further, Kelley et al. (2009) described "networks" as containing sets of relationships linking finite numbers of members. They view networks as avenue through which the diverse and situation-specific knowledge needs of an innovation project can be accessed across the organizational environment. Such networks contribute to the success of firms by helping to identify new market opportunities and contribute to building market knowledge (Chetty and Holm 2000; Coviello and Munro 1995). Based on previous literature, networks are referred to in this paper as those organizational ties with customers, suppliers, service providers, or government agencies.

Concerning social resources, previous studies point out nearly consistently that there is a very close connection between the integration of a company or founders in formal and

informal networks and internationalization speed (Linqvist, 1991; Coviello & Munro, 1995; McAuley, 1999; Schmidt-Buchholz, 2001; Mahnke & Venzin, 2003; Johnson, 2004). One reason could be that companies or founders with well developed networks are stimulated to a higher degree by their (potential) customers, suppliers or partners to internationalize (horizontal and vertical bandwagon and follower effect) (Crick & Jones, 2000). Due to scarce resources in the beginning, companies are often dependent on resources of their network partners to expand internationally (Oviatt & McDougall). Besides, companies with a strong network integration can benefit from their experiences and gain relevant market knowledge as well as general knowledge about internationalization sooner than other companies (Reuber & Fischer, 1997). According to the Uppsala model, this has again a positive effect on internationalization speed and the degree of geographic expansion.

Moyi (2003) points to the growing interest in social relationships and its affect on the development of outcomes. Collier (1998) argues that social interaction generates three main externalities. These include knowledge about the behavior of other agents, knowledge about the nonbehavior (such as prices and technologies), and the benefits of collective action. A firm's relationship capability affects enterprise performance directly since it generates information on technologies and markets (Zhou et al. 2007; Etemad and Lee 2003).

H1c. Integration of the company and its founders in formal and informal networks increases the probability of the appearance of a BGA.

Access to financial resources particularly loan capital and the possibility of additional partners are important initiating factors in the appearance of BGAs (Lindqvist (1991); Schmidt-Buchholz (2001); Gaba, Pan & Ungson (2002)). It is contended that firms with access to financial resources coupled with a geocentric orientation are likely to make an early appearance on the global stage. In the emerging economy context this is linked to institutional changes which make access to capital easier and faster.

According to the institutional economics perspective, the most significant role of networks in emerging economies is that it substitutes for external markets (Caves, 1989; Khanna and Palepu, 1997). The lack of an adequate legal framework and a stable political structure in emerging economies has resulted in the underdevelopment of strategic factor markets (Barney, 1986), which leads to difficulties in creating the competitive advantages necessary for international expansion. Networks substitute for the undeveloped external markets for product development, financial capital, and entrepreneurial and management know-how in emerging economies (Khanna and Palepu, 1997). Institutional network ties refer to linkages with various domestic institutions such as government officials and agencies, banks and financial institutions, universities, and trade associations and provide critical advantages for firms in emerging economies. From the resource dependence perspective (Pfeffer and Salancik, 1978), institutional networks are the resources that firms depend on in order to be able to operate in a market.

In addition to getting permission from the government, links with domestic trade associations and professional bodies can provide intelligence on different markets and access to those markets for international operations. Also, owing to the lack of credit history and the liability of foreignness, it is difficult or costly for emerging-market firms to secure financial support in the host countries. On the other hand, the banking systems in most emerging economies are relational in nature, and banks are willing to provide

long-term loans. Hence links with domestic financial institutions are another valuable tie that firms need to obtain for successful international venturing.

H2a. Access to financial resources as a result of institutional changes and liberalization increases the probability of appearance of Born Global Acquirers.

In addition to firm specific ownership advantages, firms in emerging economies have to undertake corporate entrepreneurial activities so that they can accumulate venturing capabilities, knowledge, and experience for successful international venturing.

Corporate entrepreneurship is defined as encompassing three types of process: innovation, venturing, and strategic renewal (Guth and Ginsberg, 1990; Zahra, 1996). Innovation refers to the firm's commitment to introducing new products, production processes, and organizational systems, and venturing refers to new business creation (Covin and Slevin, 1991; Lumpkin and Dess, 1996). Strategic renewal refers to the creation of new wealth through new combinations of resources (Guth and Ginsberg, 1990). It involves changing a firm's scope of business, competitive approach, or both (Stopford and Baden-Fuller, 1994), and building and acquiring new capabilities and creatively leveraging them to add shareholder value (Zahra, 1996). All three processes are relevant to the transformation of firms from emerging economies to become competitive players in the global market.

The adoption of corporate entrepreneurship represents a fundamental change in firms' strategic behaviors in response to institutional changes (Spenner et al, 1998). For firms that have been embedded in the former planned economy for a long period of time, the presence of corporate entrepreneurship cannot be assumed. It is commonly believed in mature markets that a firm without the ability to have some levels of corporate entrepreneurship will fail. However, this is not necessarily the case in an emerging economy, where the role of the government and the operation of the economy are significantly different from those in mature economies. As the firm moves internationally, an entrepreneurial transformation of these firms is necessary for achieving efficiency, improving productivity, and creating wealth (Baumol, 1996).

H2b. Institutional changes lead to the emergence of corporate entrepreneurship facilitating the emergence of a Born Global Acquirer.

An organization has a certain mix of organizational learning capabilities (OLC) and may evolve to certain generic capabilities (Bhatnagar 2006). OLC has been defined as formal and informal processes and structures in place for the acquisition, sharing, and utilizing of knowledge and skills in an organization (Dibella et al. 1996); as capabilities for self-reflecting and planning and environmental scanning to disseminate and share information to act and experiment (Shukla 1995); and as dynamic capabilities that integrate/build/reconfigure competences to address rapidly changing environments (García-Morales et al. 2006). Based on these previous researches, we define international learning capability as a firm's ability to actively acquire, share, and utilize its advantage intelligence to plan and disseminate information in order to address rapidly changing environments on foreign market in this study.

Existing literature indicates that organizational learning forms a key dimension of organizational culture in the organization theory literature (Brown 1998; Moorman 1995). Bertels and Savage (1999) stress the significance of organizational learning in keeping up with market needs. The adaptive firm would foster learning norms that strengthen its ability to expand in foreign markets (Kitchell 1995). Compared with traditional firms, born global firms may be characterized by their ability to overcome learning impediments that hamper the ability to adapt to and grow in new environments (Autio et al. 2000). Also, when the firm seeks to foster entrepreneurship as it expands worldwide, it has to maximize the knowledge flows and learning across its different countries (Zahra et al. 2000, 2001; Ireland et al. 2001). In the context of countries like India the emergence of the National Innovation System plays a significant role in skill formation and organizational learning of firms prompting them to undertake overseas acquisitions.

H2c. The emergence of the Born Global Acquirer is facilitated by organisational learning which is the result of institutional and policy changes and the emergence of the National Innovation System.

5. ANALYSIS AND DISCUSSION

This paper has profiled the international entrepreneurial orientation as a driver of five Born Global Acquirers from the Indian IT industry. These firms came into existence with the geocentric orientation that helped them consider the global market as their natural home, driven by personal characteristics of their entrepreneur and facilitated by changes in the institutional environment. Keeping in mind the fact that the paper focuses on a specific type of “born global” firms – viz. born global acquirers (BGAs) from India, the results and findings should be viewed in this light.

The findings of the study point towards a more rapid pace of internationalization than is usually reported in the classic stages theory literature as it profiles five young firms which have made global acquisitions within a few years of incorporation. The firms profiled here belong to the IT industry which is the most globalised and internationalised sectors of the Indian economy. The industry has rapidly moved up the value chain from bodyshoppers to customised product development (Parthasarthy 2004), Bhatnagar (2006), assisted by government policy which focused on investment in technical education leading to the development of a pool of English speaking trained manpower suitable for low cost programming and software development services.

The story of the IT industry’s outward orientation began with the establishment of linkages through exports. Starting merely as providers of manpower, initially to be expatriated to firms elsewhere, time and cost arbitrage ensured that the IT industry were to become off-shore centres where efficiency mattered. And subsequently it grew vertically toward product development. The firms enriched in cash by providing manpower and in-sourcing found in customer acquisition the sustainability of revenues and profitability; while other players relied on the acquisition of products to move in the hierarchy of capability maturity. In the current context, institutional policy change as a result of liberalization of the domestic economy facilitated aggressive venturing into global markets through the acquisition route. The 1980s witnessed the earliest cautious efforts to liberalize private investment and trade (Sridharan, 1996), leading to the enactment of policies aimed at

ensuring India's inclusion in the global software boom. Using a "flood in flood out" feature which led to the growth of "thousands of small software companies in the country....increasing export as well as local development" (Dataquest, 1987:87) marked the beginning of networks of learning for the industry, which were later enhanced into personal networks of valuable reputations based on quality and productivity and got utilized for aggressive outward venturing.

The acquisition experience of these firms has been the result of innovation springing from internal R&D drawn from its own accumulated knowledge of the IT industry and domain experience gathered elsewhere. The linkages developed by entrepreneurs through prior experience in the IT industry and other domains enabled them to take the decision to acquire, facilitating leapfrogging and spring-boarding behaviour to be able to leverage their resources for acquisition purposes in the global market.

All firms profiled in the study have been led by individuals with prior international experience of both the IT industry and also other domains, using opportunities in prior networks and the tacit knowledge vested in these leaders for rapid internationalization. This is consistent with Keeble et al (1998) that competencies embodied in the founder/entrepreneur often relate to "a new and specialised technological niche which provides the opportunity for internationalisation." These competencies are derived from previous employment, prior networks and technological expertise which makes them aware of new international opportunities that others remain unaware of.

As regulations relating to overseas investment were eased in the 1990s in the current phase of liberalisation, it paved the way for all modes of international ventures (Nayyar 2008). Simpler rules and easier access to money, thus created a conducive environment in India for shopping overseas. Post liberalization, many Indian firms became more profitable as a result of an ever-booming economy and could access significantly more capital than in the past. A significant factor explaining acquisition activity therefore was the cash availability in the Indian market since many companies were under leveraged and did not have much debt. This enhanced their borrowing capacity which could be deployed for acquisitions.

Unlike most international M&A transactions that typically feature stock swaps in the financing arithmetic, Indian acquirers have for the most part paid cash for their targets, helped by a combination of internal resources and borrowings. Indian companies were also creating new international financial vehicles such as special purpose vehicles (SPVs) and setting up subsidiaries to route payments and take advantage of favorable tax regimes in countries like Mauritius. Private equity funds also emerged as a major source of money for Indian acquirers of overseas companies.

VI. CONCLUSION

This paper has focused on the discovery, evaluation and exploitation of international entrepreneurial opportunities of a specific kind of BGF – the Born Global Acquirer in the Indian context, as a pioneering study. Born Globals are emerging in substantial numbers worldwide, and reflect an emergent paradigm, with the potential to become a leading species in the ecosystem of international business. In this sense, the born-global phenomenon is heartening because it implies the emergence of an international exchange system in which any firm, regardless of age, experience, and tangible resources, can be an active international business participant. Although large global corporations and the negative aspects of globalization often dominate reports in the popular press with respect to

the emergent world order, the increasing role of born globals implies a more optimistic view. In relative terms, born globals might be seen to herald a more diverse international business system in which any firm can succeed internationally. Future research should aim at deepening our understanding of early adopters of internationalization, which represent a widespread, ongoing trend.

Being a pioneering study, the value of the present research lies in its exploration of hitherto uncharted territory. It has focused on international ventures with a deeper commitment than is normally considered in the literature on Born Globals since the Indian IT industry has mainly developed as an export oriented one and therefore merely exporting firms were thought unsuitable for the categorization considered here.

However, greater research effort is required to test the theoretical constructs developed here on a larger data base including “born global” firms from other industries and also in a cross-country comparative manner.

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