International New Ventures Market Expansion through Collaborative Entry Modes: A Study of the Experience of Indian and British ICT Firms

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Abstract

Purpose: The purpose of this article is to examine the role that different collaborative entry modes play in how international new ventures expand into international markets.

Methodology/Approach: The article's arguments are based on the international new ventures and social network literatures. In order to investigate the entry modes adopted by

British and Indian SMEs information and communication technology (ICTs) firms into each other markets, the paper outlines the results of qualitative semi-structured interviews with the key decision-makers of ten British and ten Indian ICT firms.

Findings: The findings contribute to the relatively under-researched area of how international new ventures (INVs) enter foreign markets through collaborative entry mode. The findings suggest that INVs utilize both equity and non-equity modes of collaboration to expand their international operations. The findings also indicate that financial and non-financial resources always limit the market expansion and internationalization of such companies. Against this background, the INVs rely on building collaboration as one of the safest methods for foreign market expansion and successful internationalization. The collaborative entry mode is enhanced by entrepreneurs' prior experience, social ties and knowledge of the foreign market.

Research limitations/implications: Set against the backdrop of an ever-increasing trend of internationalization of SMEs, the article offers important implications for understanding the conditions and factors behind the choice of collaborative and non-collaborative entry modes by international new ventures in particular and SMEs more broadly.

Keywords: international new ventures, international market expansion, internationalization, social network, collaborative entry mode, India, UK

Introduction

In the last few decades, firms responding to the forces of globalization have increasingly chosen to expand their operations outside of their home market. As a consequence, entry mode research has emerged as an important topic of investigation, which seeks to examine the antecedents and consequences of firms entering foreign markets (Brouthers, 2002; Brouthers & Hennart, 2007; Hennart & Slangen, 2015; Shaver, 2013). Despite the scholarly interest in this topic, a few scholars have even questioned whether we need more studies on entry mode (Shaver, 2013), whilst others have suggested that the topic still deserves more attention (e.g. Hennart & Slangen, 2015). The choice of a suitable entry mode is not only seen as a significant strategic decision (Lu, 2002), but also once established, difficult to change (Pedersen, Petersen, & Benito, 2002) and the consequences of choosing the wrong entry mode can negatively impact on the firm's performance (Lu & Beamish, 2001; Nakos & Brouthers, 2002). Within the choices of entry modes, there has been a surge in cross-border collaborative entry modes with more and more firms using such entry modes to enter into culturally distant markets in order to overcome liability of newness and foreignness (Chiao, *et al.*, 2010; Czinkota & Ronkainen, 2007; Whitelock & Jobber, 2004; Shenkar, 2001; Zaheer, 1995). However, despite being the most popular choice to enter foreign markets, research points out high failure rates behind such collaborative modes (Gomes, *et al.*, 2011; Weber, *et al.*, 2011).

To date, the majority of entry mode research has focused on large multinational enterprises (MNEs) (e.g., Brouthers & Hennart, 2007; Canabal & White, 2008; Morschett, Schramm-Klein, & Swoboda, 2010; Slangen & Hennart, 2007; Laufs & Schwens, 2014). However, the increasing trend of small and medium enterprises (SMEs) to internationalize has subsequently led to increasing calls for more consideration given to how SMEs also choose to enter foreign markets (Burgel & Murray, 2000; Jones, 1999; Zacharakis, 1997). Within the extant literature, specific focus has been given to the particular characteristics associated with SMEs and how these may impact on the choice of entry modes into foreign markets. Studies have focused on how as a result of different ownership structures, with many SMEs being family-owned (Cheng, 2008; Pinho, 2007), SMEs may often be less open than an MNE to share control with a partner, for example in an equity joint venture (Fernandez & Nieto, 2006). Moreover, SMEs's limited access to financial and human capital assets (Brouthers & Nakos, 2004; Nakos & Brouthers, 2002) may constrain SMEs to engage in strong commitment entry modes such as full acquisitions (Ripolles, Blesa, & Monferrer, 2012; Zacharakis, 1997). That said, other studies have argued that if SMEs have prior international experience, then they may choose to engage in high-commitment entry modes (e.g., Brouthers & Nakos, 2004; Maekelburger, Schwens, & Kabst, 2012). Research has also shown that SMEs, which are often highly sensitive to external influences (Cheng & Yu, 2008; Erramilli & D'Souza, 1995), tend to choose an entry mode, which deals with risks in a host country effectively. Finally, Nakos and Brouthers (2002) highlighted strong support for Dunning's eclectic framework, finding no significant difference in mode choice (equity vs. non- equity contracts) based on firm size.

Within the emerging sub-stream of research into the entry modes used by SMEs, there have also been limited studies looking at the collaborative entry modes of 'born-global' (BG) firms (Burgel & Murray, 2000; Liu, 2017; Shrader, 2001), understood as "small, technology-oriented companies that operate in international markets from the earliest days of their establishment" (Knight and Cavusgil, 1996, p. 11). Such firms generally have the characteristics of being young, knowledge-based organizations, which develop highly innovative, technology-centred products for global markets (Almor, 2011; Knight and Cavusgil, 2004; McDougall and Oviatt, 2000; Oviatt and McDougall, 1994, 1995). The limited studies which have explored SMEs and BGs entry mode choice looked at firms' characteristics in order to explain their market expansion and chosen entry modes (Erramilli & D'Souza, 1993). Some studies note that firm size was one of the key determinant factors for SMEs and on average large new ventures go for distributors instead of direct exporting modes (Burgel & Murray, 2000). However, Shrader (2001) examining young, high-technology US manufacturing firms found that larger new ventures prefer and rely on low risk and low control entry modes such as licensing or joint venture compared to much smaller new ventures that chose exporting or wholly-owned subsidiaries options.

Studies note that International New Ventures (INVs) and BGs are highly entrepreneurial in nature and they develop relationships with international trade partners to offset the resources required for their international expansion (Zacharakis, 1997; Ripollés*, et al.*, 2012). For example, Zheng and Khavul (2005) observed that the costs associated with direct investments are much higher than the variable cost associated with establishing collaborations with international trade partners, which provide flexibility for INVs to operate in foreign markets. Oviatt and McDougall (1994) indicate that INVs have a heavy reliance on close network alliances in multiple countries, which they describe as a "proprietary network" that gives them essential competitive advantage. Proprietary networks facilitate INVs early internationalization by helping them to adapt and compete in international markets and provide them learning advantages (Autio*, et al.*, 2000). INVs use their network relationships or collaborations to learn about the market, technology and other business related aspects required for their internationalization (Daniel*, et al.*, 2002: 653; Prashantham & Young, 2011). Studies show that INVs explore network relationships both at home (Coviello, 2006; Oviatt & McDougall, 2005) and in the host market (Prashantham & Birkinshaw, 2015) in order to enable their capability development and adaptation needed for long-term success. The international relationships that INVs develop provide them with access to potential customers (Coviello, 2006; Prashantham & Dhanaraj, 2010) and facilitate their capability development and learning. Prashantham and Dhanaraj (2015) observe that allying with local MNEs also enhance INVs' international capabilities. Studies show that through collaborative modes INVs can develop more integrative relationships than working through agents (Bell*, et al.*, 2003) and thus develop potentially more sustainable and beneficial modes of internationalization.

Existing research highlights the importance of collaborative entry modes such as JVs, strategic alliances alongside traditional modes (Crick & Spence, 2005). However, whilst collaborative entry mode constitutes an important organisational form for firms entering overseas markets (Gomes et al., 2011), there remains a dearth of knowledge within the existing INV/born global literature pertaining to the significance of collaborative entry modes for INVs. As Young, et al. (2003) highlight, there has been a lack of academic scrutiny given to which entry modes INVs/BGs use to enter foreign markets and in particular how collaborative entry modes impact upon the success of INVs. This paper seeks to contribute to the entry modes research by specifically focussing on the under-researched area of equity versus non-equity collaborative modes, especially in the case of INVs (e.g. Almor et al., 2014; Liu, 2017; Majocchi et al., 2013). In order to address this gap in the extant literature, this paper investigates the entry modes adopted by British and Indian information and communication technology (ICT) INVs into each other's respective markets, one a developed and the other an important emerging economy. Outlining the results of a set of qualitative semi-structured interviews with key decision-makers at ten British and ten Indian ICT firms, the findings suggest that international new ventures utilize both equity and non-equity modes of collaboration to expand their international operations. The findings also indicate that financial and non-financial resources always limit the market expansion and internationalization of international new ventures. Against this background, the INVs rely on building collaboration as one of the safest methods for foreign market expansion and successful internationalization. By doing so, the findings add to the limited body of work which has started to focus on INVs international market expansion and subsequent survival and growth through collaborative entry modes.

The rest of the paper is structured as follows. We commence with a review of the literature on the internationalization choices of INVs. We then outline the research context and the methodological issues we encountered during the research process. Next, we discuss our research findings. Finally, we present the discussion and conclusions.

INVs internationalization different perspectives and learning through social networks

International Expansion through Various Entry Modes

Before examining the extant literature on how INVs choose to enter foreign markets, it is useful to provide a brief overview of the existing entry mode literature. Entry mode decisions are commonly differentiated into equity based and non-equity based modes (Brouthers & Hennart, 2007; Pan & Tse, 2000). Scholars have addressed how firms enter foreign markets using different theoretical and empirical approaches. They have outlined the establishment mode strategy (e.g. Arslan & Larimo, 2011; Brouthers & Brouthers, 2000; Datta, Herrmann, & Rasheed, 2002; Demirbag et al., 2008; Hennart & Park, 1993; Larimo, 2003; Shimizu, Hitt, Vaidyanath, & Pisano, 2004; Slangen & Hennart, 2007) in which firms decide whether to acquire an existing firm or develop a new greenfield investment. Similarly, researchers have examined the importance of ownership mode strategies by examining the choice between joint ventures (JVs) with a local partner in the host country and wholly owned subsidiaries (WOS) (e.g. Brouthers & Brouthers, 2000; Slangen & Hennart, 2007). Finally, some IB studies have attempted to perform an in depth analysis of equity entry mode strategy by addressing the choice between joint ventures, acquisitions and greenfield investments by MNEs (e.g. Chang & Rosenzweig, 2001; Dikova, 2012; Elango & Sambharya, 2004).

Despite the progress on this topic, some have even questioned whether more studies are needed on entry modes (Shaver, 2013) whilst other scholars have suggested the need to explore the entry mode topic further (Hennart & Slangen, 2015). However, whilst the field of entry mode research has rapidly expanded over recent years, there remain inconsistent results regarding the specific determinants of entry mode choices (Brouthers & Hennart, 2007; Datta, Herrmann, & Rasheed, 2002; Slangen & Hennart, 2007; Tihanyi, Griffith, & Russell, 2005; Zhao, Luo, & Suh, 2004), including variables such as behavioural uncertainty, industry concentration and growth and cultural distance.

Responding to calls for more research on partial acquisitions (Jakobsen and Meyer, 2007), Chen (2008) argued that the reasons that a firm chooses an acquisition rather than a greenfield investment varies depending on whether an entry involves full or incomplete ownership and adds to the only limited literature which assesses the importance of the level of equity participation in cross-border border acquisitions (Chari & Chang, 2009; Malhotra et al., 2011). Indeed, as argued by Lopez-Duarte & Garcıa-Canal (2004), through a partial acquisition, a firm can reduce the amount of financial and human capital resources it commits and thus give itself greater flexibility than undertaking a full acquisition whilst maintaining support and access to the local culture and markets (Brouthers, Brouthers, & Werner, 2008; Chen & Hennart, 2004; Collins, Holcomb, Certo, Hitt, & Lester, 2009).

More recently, scholars have increasingly underlined the importance of institutional factors for entry mode choices for firms and performance, highlighting the importance of recognising the institutional differences between the acquirer and target nation (Demirbag, Glaister, & Tatoglu, 2007; Estrin, Baghdasaryan, & Meyer, 2009; Peng, Wang, & Jiang, 2008; Tihanyi, Griffith, & Russell, 2005) in order to reduce the negative impact of the liability of foreignness (Zaheer, 1995) on the firm’s operations in the host country. Whilst much of the extant entry mode research has tended to focus on MNEs (e.g., Brouthers & Hennart, 2007; Canabal & White, 2008; Morschett, Schramm-Klein, & Swoboda, 2010; Slangen & Hennart, 2007), nevertheless, with the rapid expansion of SMEs in general and BGs and INVs into foreign markets, there is a need to build upon existing research into how SMEs enter foreign markets (Burgel & Murray, 2000; Jones, 1999; Zacharakis, 1997). In particular, there is a need to recognise how the collaborative entry mode (Gomes et al., 2011; Liu, 2017) has several advantages for INVs, including the opportunity for the firm to gain access to the required resources (Speckbacher et al., 2015) whilst being able, particularly important in the case of knowledge-intensive technology based INVs, to protect their knowledge (Maekelburger et al., 2012).

Moreover, whilst the nature of many INVs is to export their products to foreign markets (Coviello, 2015), the collaborative entry mode aids the INVs to observe and positively interact with foreign partners, which helps them to grow and develop a sustainable presence in international markets (Almor et al., 2014). Secondly, similar to SMEs in general, INVs often have limited resources and foreign market knowledge. However, recent studies (Festing *et al*., 2013; Glaister *et al*., 2014) reveal how SMEs, by collaborating with other firms, can overcome their resource constraints. Thirdly, research has shown that SMEs are often highly sensitive to external influences (Cheng & Yu, 2008; Erramilli & D'Souza, 1995). As a result of this, they tend to choose an entry mode, which deals with risks in a host country effectively. To this end, a recent study found that in order to manage such institutional uncertainties in foreign markets, entrepreneurs often choose to develop collaborative partnerships (Liu and Almor, 2016). Such collaborative modes have been noted to be vitally important for the growth and survival of born global technology-based firms (e.g. Almor et al., 2014).

INVs Internationalization Processes

Within the internationalization process of INVs, existing studies have highlighted the importance of entrepreneurship and entrepreneurial orientations (Zaheer, 2005). In line with Hamel and Prahalad (1994), Oviatt and McDougall (1994) argue that the key characteristics of these firms are their risk taking behaviour (Cavusgil & Knight, 2009) and their entrepreneurial resourcefulness involving their ability to use other firms' resources. This indicates that the main sources of their competitive advantages are their ability to collaborate with the correct partners (McDougall & Oviatt, 2000).

Oviatt and McDougall (2005b) highlight three vital aspects of the speed of entrepreneurial internationalization. “First, the time between the discovery or enactment of an opportunity and its first foreign market entry. Second, is the speed with which country scope is increased? That is, how rapidly do entries into foreign markets accumulate and how rapidly are countries entered that are psychically distant from the entrepreneur’s home country? Third, what is the speed of international commitment? That is, how quickly does the percentage of foreign revenue increase?” (Oviatt and McDougall, 2005a: 541). Further studies reveal that speed of entrepreneurial internationalization is mainly influenced by collaboration or networking (Autio, 2005; Coviello & Munro, 1997; Coviello & Munro, 1995; Sharma & Blomstermo, 2003) and learning (Autio, *et al.*, 2000; McDougall & Oviatt, 2000; Zahra, 2005). However, there is a relatively limited focus on the equity and non-equity collaborative entry modes within network based studies, seeking to explain international market expansion of INVs.

The importance of networks and developing social capital through these networks is considered as a key factor facilitating the rapid internationalization and further expansion of international new ventures, (Coviello, 2006; Coviello & Munro, 1995; McDougall & Oviatt, 2003; Oviatt & McDougall, 1994). It assists their learning (Prashantham & Young, 2011), international opportunity recognition, (Johanson & Vahlne, 2006), knowledge creation and helps them to develop international business capabilities and to find potential partners and intermediaries to enter international markets (Coviello & Munro, 1997; Ellis, 2011; Prashantham & Dhanaraj, 2010; Yli-Renko, et al., 2001). Coviello and Munro (1997)’s study was one of the first studies to provide a comprehensive illustration about the role of networks in market entry, market development and firm characteristics. They stressed that the entrepreneurial nature of these firms ensures the evolution of the network as the firms grow from its domestic market into international markets. It means that an INV with incredibly high entrepreneurial traits leverages its initial network not only to expand its network relationships but also to enhance its market knowledge as well (Prashantham & Dhanaraj, 2010). Networks and social capital offset the liability of foreignness and newness for new ventures and help overcome the "daunting challenge" of internationalization, and their role evolves over time (Lu & Beamish, 2001, 570).

Studies mainly have highlighted the role of international network relationships or relationships in host markets in facilitating INVs internationalization. However, Prashantham and Dhanaraj (2015) note that firms' relationship with home country multinationals also facilitate their internationalization as they provide a conduit for connections and for the development of capabilities and also act as a main source of aspiration and inspiration. On the other hand, Prashantham and Birkinshaw (2015:228) observe that industry group membership helps young firms to internationalize by raising their aspirations, whereas home-country ties often had the opposite effect by taking attention and effort away from international growth. As Welch and Welch (1996) and a recent study of Lew, et al. (2016) suggest that INVs's network relationships are likely to contain both a business (formal) and a social (informal) content, which enhances their adaptation to foreign markets. The mutual adaptation inherent in collaborative ventures (Axelsson & Easton, 1992) also involves the development of social goodwill and social capital and the building up of knowledge linkages (Lew, *et al.*, 2016). Social capital reduces the cost of transferring information by using social relationships embedded in a particular social network (Nahapiet & Ghoshal, 1998), thereby easing the process of knowledge sharing. In this sense, they facilitate the exchange of tacit and complex knowledge in addition to codified knowledge (Yli-Renko, *et al.*, 2002: 7; Yli-Renko, *et al.*, 2001; Fernhaber & Li, 2013). Fernhaber and Li (2013) note that firms' relationship with strategic alliance partners represents the formal relationships whereas relationships with geographically proximate firms are more informal in nature. They note that these formal and informal relationships also serve as substitutes for each other. However, alliance partners or formal relationships have a greater impact on older firms' internationalization. In contrast, younger firms benefited more from their informal relationship with geographically proximate firms.

Johanson and Vahlne (2006) observe that the social capital derived from business interactions in a given country may also contribute towards further international expansion. This may involve two main processes: (1) the joint identification of opportunities; and (2) referrals. Johanson and Vahlne (2006) observed that new-country opportunities may be exploited by both partners or just by one of them. In many cases opportunity recognition will involve the identification of local partners in the market concerned. The choice of such partners may be influenced by former social or /business links in that market (Ellis & Pecotich, 2001; Fernhaber & Li, 2013; Harris & Wheeler, 2005). Referrals are a common component of information in business life. The working of business networks and the involvement of a given firm in several networks foster bridging procedures to fill structural holes (Burt, 2000). In international business such holes are not necessarily filled by the bridging organisation. In some cases, it will rely on a partner, which is better placed to exploit the opportunity. Another effect of referrals is to increase credibility and legitimacy. Their established relationships with large multinationals are often used by INVs as referrals to enter new countries (Simões & Dominguinhos, 2001). Prashantham and Dhanraj (2015: 901) note that building ties with MNEs are very important for INVs but they also argue that entrepreneurial action are important to exploit the acquired knowledge, which is crucial for their internationalization.

Unlike the process model where firms learn through their experience and increase their foreign commitments (Johanson & Vahlne, 1977), Oviatt and McDougall (1994) observe that INVs skip these stages and enter foreign markets through high-level entry modes using entrepreneurial attributes. The knowledge base of the firm and the shape and scope of the international networks in which the firm is involved are strong moderators of this process (Fernhaber & Li, 2013; Oviatt & McDougall, 2005b; Sleuwaegen & Onkelinx, 2014). Knowledge acquisition or learning has important implications for the development and evolution of capabilities in INVs (Zahra, 2005:26). Firms increase their future profitability and further growth by learning about technological trends and competences as they diversify more into international markets (Zahra, *et al.*, 2000). Unique products or service-related knowledge is one of the key success factors of INV firms (Zahra et al., 2000). According to Sapienza, *et al.* (2006) INVs's ability to learn is determined by their absorptive capacity (Cohen & Levinthal, 1990) which is "a dynamic capability pertaining to knowledge creating and utilization that enhances a firm's ability to gain and sustain competitive advantage" (Zahra and George, 2002:1852). The development of absorptive capacity is cumulative and path dependent and managers should have the capability and drive to integrate the knowledge acquired from foreign markets (Autio, *et al.*, 2000). Earlier initiation and higher knowledge intensity stimulate entrepreneurial behaviour and ensure faster international growth (Cohen & Levinthal, 1990). Since many INVs operate in technology-based industries, they are likely to be pressurized into accelerating their learning efforts because of competitive dynamics, shortened product life cycles, and client demands. However, Zahra (2005) observes that how the international new ventures develop their absorptive capacity, which is how they acquire and assimilate knowledge from the external environment, and then transform and exploit it into their operations (Cohen & Levinthal, 1990; Zahra & George, 2002) nevertheless is still limited (Zahra, 2005).

Overall, we can conclude that personal networks are instrumental for INVs as they reduce transaction costs by providing INVs with access to information, funding and credibility (Manolova, *et al.*, 2014). However, the relative choice of equity and non-equity modes and INVs international market expansion through such collaborative modes is still in its infancy and the purpose of this paper is to address this particular research gap.

Method

The study adopts a multiple case study approach (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) to explore the collaborative entry mode among international new ventures. The sample comprised of semi-structured interviews with ten information & communication technology (ICT) firms from the UK and their ten key exchange partners in India. The main aim of exploring the dyadic relationship was to capture the reciprocal responses regarding their collaboration and entry into each other's markets. There were several reasons for selecting firms from Britain and India. Both are major economies trading with each other, and they provide a contrast in levels of development. Moreover, one of the authors is Indian with higher degrees from the UK and a University faculty member there. He was able to conduct interviews both in English and (when necessary) the relevant local Indian language with his dual identity also aiding the securing of fieldwork access.

As mentioned earlier, the samples are selected from ICT firms, mainly because they dominate the India-UK trade environment (UKTI, 2010). All firms fall under the European classification of SMEs, with 250 or less employees. Furthermore, following Oviatt and McDougall (1994: 49), we classify our sample ICT firms as international new ventures (INVs) because they all initiated their international activates within the first two years of their inception and are gaining competitive advantage through the use of resources and revenue generated from the foreign market.

Table 1 indicates that the average number of employees in the British SMEs is less than that in the Indian companies. This is mainly because the Indian firms are mainly involved in software development, which requires more employees than the British firms that are involved in commercial activities. The average percentage of total sales made abroad is considerably higher for Indian companies (94%) than for the British companies (31%), mainly because 50% of our Indian sample firms are 100% export units. The Indian companies primarily export to the UK (76% of total exports) whereas British export to India is less than 2% because British companies were mainly importing goods or services (like ICT) from India.

Insert Table 1 about here

We selected only those participants who could provide rich and detailed information about how they developed the relationship to enter each other's markets. The respondents include country managers, founders or CEOs of companies. Table 2 shows the interviewees' profiles. All our respondents were involved in their first internationalization activities. They all had prior international experience, which was either working with international clients or working abroad. 4 British respondents were of Indian origin and 5 of the respondents in the Indian firms had lived or studied in the UK.

Insert Table 2 about here

We adopted a theoretical or purposeful sampling method (Easterby-Smith et al., 2008), which means the samples are mainly selected for theoretical reasons, or particular criteria, or purpose (Ritchie, Lewis and Elam, 2003). In the present case, the principal criterion was the firms who jointly initiated their internationalization to each other's market in the first two years of their inception. Our qualitative approach is in line with recent calls for more qualitative research in the area of international business (e.g, Birkinshaw, Brannen, and Tung, 2011; Doz, 2011; Marschan-Piekkari and Welch, 2004), particularly to promote theory development. For instance, Doz (2011: 588) suggests, '*qualitative research methods offer the opportunity to help move the field forward and assist in providing its own theoretical grounding*.'

Companies were identified and accessed through several sources such as gatekeepers, personal contacts, and the websites of trade agencies in both countries. Subsequently, snowballing was used (Easterby-Smith et al. 2008) which was very effective in getting introductions to the partner SMEs in the other country. Through this approach, four British and six Indian companies introduced us to their partners in India and the UK, respectively.

The study adopted a “general interview guide approach” for conducting interviews (Miles and Huberman, 1984). The interview checklist had two main questions and nine supplementary questions to explore the collaborative internationalization. Apart from soliciting comments on the checklist from two senior academics working in the area, eight pilot interviews were also conducted with entrepreneurs from both the UK and Indian companies to ensure the relevance and clarity of the interview checklist. The interviews were conducted in the field, i.e. face-to-face at the interviewees’ premises. The length of interviews ranged between 60 and 90 minutes. These interviews were conducted in English. All interviews were audiotaped so that we could focus on the narratives that emerged from a full record of each interview.

We used different ways to address the potential informant biases. First, we used open-ended questioning of entrepreneurs who were directly involved and can provide detailed information on the internationalization process to limit recall bias and enhance accuracy (Martin and Eisenhardt, 2010). Secondly, we have ensured anonymity of the respondents and their organization to encourage open and honest responses. Finally, as Martin and Eisenhardt (2010) indicated, our respondents were motivated to give accurate information as they think study like ours will helped them better understand the complexities of internationalization of ICT companies.

We utilized an inductive process of data analysis in order to study the entry strategies of British and Indian partner SMEs to each other’s market. We began the analysis with an open coding process (Strauss and Corbin, 1998). Specifically, we summarised information in the interviews that highlighted how firms developed various collaborative entry strategies into provisional categories constituting ‘first order codes’. These categories were derived from terms used by interviewees as well from existing literature (Strauss & Corbin, 1998). We then applied axial coding by identifying the themes and patterns between the categories and developed the “second order codes” (Strauss & Corbin, 1998; Marlow & McAdam, 2012). The relevant interview extracts were then attached to the categories through the process of unitising (Saunders et al., 2016). The coding process is summarised in Table 3.

Insert Table 3 about here

In addition to using an interview checklist to ensure internal validity, we employed multiple coders to check the interpretation and coding of the verbatim data. Two coders with different backgrounds (an entrepreneur and an academic) were selected, and neither of them had any prior association with this research. Their independent coding agreed to a large extent (80%). Disagreements were subsequently resolved through discussions with the coders. An academic expert conducted an in-depth examination of the whole coding and interpretation.

Findings

The responses of entrepreneurs demonstrate the importance of collaboration in British and Indian partner INVs internationalization. All firms included in this study used collaborative approach to enter each other’s market but the level of collaboration varies among firms. Firms generally follow either equity or non-equity based approaches. However, the selection of these approaches was influenced by various factors. The following section outlines the key approaches used by the ten British and Indian partner ICT firms.

Non-equity collaborative mode

The interpretation of entrepreneurs reveals that non-equity collaborative approach is the most common mode of entry adopted by the British and Indian partner SMEs included in this study. This is mainly because some of our sample firms are small, lack prior international experience and network, and face liability of newness and foreignness (Johanson & Vahlne, 2009). Non-equity collaboration modes include trade partnerships (exporting or sourcing) and contractual relationships such as R&D and marketing contracts.

Trade partnerships

Trade partnerships include both export and import trade relationships. The entrepreneurs who developed trade partnerships to enter each other's markets indicated that they used a socialisation approach to identify and connect to a potential partner in the foreign market mainly because they lacked any prior international experience or network. The socialization they mentioned included attending networking events such as trade conferences or business gatherings and networking through latest information and communication technology, which includes social media or trade/firms' interactive websites.

The CEO of a British software firm who outsourced their software development to an Indian company said:

> We met our current Indian partner at a conference organized by an institution in London. He was looking for people to expand his business here. We were introduced by a representative. We were also looking for a software developer in India at that time as we wanted to move our software development there…I mean we wanted outsource to reduce the cost...that was a trend during that period…Ours is a standard product so there risk in outsourcing. He is a software person and has very good experience in the field. We then discussed the business potential and decided to work together…

His Indian counterpart, who exports software services, responded that:

> We were trying to expand to the USA and UK because foreign market is more attractive and lucrative than Indian market but was difficult. We were

> continuously trying to find clients…we were attending conferences, trade fairs etc. This event was organised by UKIBC in London but they have offices here in India as well and I am a member there so they informed me of the event in London. I was visiting London during that time mainly to find some potential clients and we thought it was a very good opportunity for us. That's how it happened.

Respondents also informed that they socialize and network with potential clients through latest communication technologies such as social media and websites. An entrepreneur from a young British software firm, who outsourced software development to India, said:

> We got their details through online search... then first contacted through email [...] they have also shown interest. We then talked over the phone. We met each other afterwards… we understood that he has the capability to do our work. He has all the resources... Their prices were also very attractive. That is what we wanted. The competition is intense now and we are a small company so reducing price is important for our survival. We didn't know if they were a credible company but there was no other option for us as it's difficult to check all that in India. We talked to them a couple of times and checked their client reference etc. We also had a face-to-face meeting before we finalized the deal.

Their partner in India said:

> Our first business came through our website... They have contacted us. They have emailed us and expressed their interest. They were more interested to know about our prices, products, client references etc. It is like first through email and then through telephone. After the initial discussion, we visited them…we then started developing software development for them.

These findings indicate the important role of social media enabled technologies in facilitating internationalization of SMEs. Moreover, the results reveal that the British companies collaborate with Indian firms purposively mainly because the software development and outsourcing industry in India enjoys a strong reputation in the global market thanks to the cost-effectiveness and availability of a highly skilled local workforce. Some Indian SMEs also purposively initiated their relationship with British companies, however, their intention was market expansion and building reputation. An owner of an Indian healthcare software firm said:

> We are very young and small company. We wanted work with foreign companies to not just to increase our profitability but to build our reputation. We have been contacting different companies through email, telephone, and other social media such as LinkedIn, Facebook etc. Social media provide us an opportunity to connect with people anywhere in the world…that too free of cost. We found their details through LinkedIn.

Their partner in the UK commented that:

> They have contacted us first. First through LinkedIn and then we had a Skype chat. We were in the middle of a job; we needed somebody. We had staff shortages at that time... They found our details online…for me the costs were the main attraction... otherwise; I would have given it to somebody in here [UK]. It was not that complicated or unique stuff so it was easy to outsource. We didn’t do any credit check and all.

The findings demonstrates that firms that follow trade partnership are dealing with simple and codified knowledge. They are not involved in developing new unique products/technology or any exploration.

<u>Contractual partnerships</u>

Contractual partnerships mentioned by the respondents included both R&D and marketing contracts. Decision-makers from the firms that developed contractual partnership highlighted the fact that their prior work experience and connections in international markets had helped them learn, identify and collaborate with foreign partners. The work experience mentioned by these firms involved mainly working in multinational firms and with international clients. However, their relationships were more formal and business oriented.

British decision-makers stated that prior working relationship gave them confidence in their potential partners' capabilities and credibility and that subsequently facilitated their collaboration. A Managing Director of a British education software company, said:

> My current partner in India was working for the company where I used to outsource all my software development activities. They are big company but I was mainly dealing with him…he was doing all our work. We then decided to deal with him directly when he decided to set up his own software development centre. I knew that he is capable of doing the job and his price is much more attractive than the others. They are a small and new company so we were sort of helping him as well. We developed contractual agreement mainly because he is now like our software development centre. He deals with all technical stuffs whereas I do all marketing and commercial activities.

His Indian partner commented that:

> I was working for a Multinational software company here in India but our clients were mainly foreign firms. He [current partner in the UK] was a client there and I was dealing with him directly. I never visited him but was doing everything online. He was very happy with my work. Therefore, he encouraged me when I decided to start a new development centre. He then decided to give me some work. We are developing software for them…They do all marketing related stuffs, as I do not have psychical presence there...

The firms that followed contractual partnership informed that they deal with confidential information and deal with advanced technology and product adaptations. As a result of this, they wanted to have more commitments and assurance from their partner.

Our findings show that non-equity entry mode include trade and contractual partnerships. The selection of non-equity based collaborative mode is influenced by the intensity of relationship between the firms and their decision-makers. The firms that developed trade partnership to enter each other's markets did not have any prior experience or connections in these foreign markets. They have created the relationship mainly by means of socializing with potential clients either face-to-face or thorough a virtual medium. However, the firms that had prior experience lacked personal relationships with their partners. Their ties were mainly formal in nature. This is mainly because their prior experience was experience of working in multinational firms in their home country. They lacked prior international working experience.

Equity based collaborative entry mode

Our findings reveal that firms opt for equity based collaborative entry mode when there is a higher level of personal relationship developed between partners. The equity based collaborative entry mode mentioned in this study involves predominantly joint venture partnerships, which include both majority and minority forms of partnership.

<u>Joint venture partnership</u>

Social ties between partners are one of the major characteristics of joint venture arrangement reported in this study. These findings support the view of recent research indicating that social ties and personal level relationships play an important role in SMEs internationalization (Ellis, 2011; Prashantham & Dhanaraj, 2010,2015). The other key factor that influenced firms' entry decision is entrepreneurs' ethnic background.

A manager of a British software company that formed a partnership with an Indian software developer said:

> I was working for an Indian manager in London. He went back to his family business and gave me an offer to work in Bangalore, India. Through him, I developed relationship with my partner [name]. We found opportunities and then we formed two separate companies; I set up one in here [UK] and similarly he formed one in India. Then we created a joint venture and then after 5 years we merged as a single company… I became a shareholder of the merged company.

His counterpart in India, said

> My best friend introduced me to him [British partner]. He was an associate of my friend when he worked in the UK. He also worked here in India so I met him a couple of times before we decided to start our business. It was a joint venture partnership but we decided to merge after few years. He is like a family friend. We became very close and trusted each other well. We thought we both would benefit if merge the companies. He is looking after all our sales and marketing activities in the global market. We look after the research and development activities. We get all market related information from them.

The British decision-makers of five ICT companies are of Indian origin. Their counterparts in India said their partners' ethnic background provided a strong foundation for their collaboration. The ethnic background of decision-makers gives them market knowledge and network relationship in both countries. This reflected in the responses from both countries; they had good networks in both the UK and India. A decision maker of a software company said:

> I am an Indian living in the UK. I met my current partner in India while I was working in an MNC here. We outsourced some of our work to an Indian company and he was working as a project manager in that company. I have worked with him in couple of projects; I was impressed with his work. I had few ideas in mind and we discussed that. He also shown interest in it. He formed a company there and then we formed a JV partnership. It was easy for him to work with me as I could speak his language and culture is also not a problem. He [partner in India] is a minority shareholder now but he is looking after the business in India. It is like our development centre. We develop software for care homes and we need to provide continuous service support as well so having a development centre in India is always an advantage. I would not be able to do it alone as I do not live there and I do not have the technical knowledge…I trust him and he looks after everything there.

Similarly, the partner firm in India said their partner's ethnicity has facilitated the collaboration between them.

> I did some work for him before…in my previous job. We found a niche market for an App [technical term] in the UK. I had experience in that application [...] my partner was interested in my work and found opportunities for those products in the UK market and he supported me to start a development centre for him. I am a minority partner in the company. He owns majority of the shares in the company. He is basically an Indian so he understands things and communication is also easy with him. We chat almost every day. He visits once in every 3 months. His Indian connection is the main reason I have decided to commit in this venture.

The decision-makers of Indian companies, which had a British partner of Indian origin, perceive that it is the best and safest method to enter the UK market because as a person of Indian origin, they will have knowledge about both markets. The decision-makers also informed that equity entry partnership is important if they are dealing with unique product or technology. A high level of mutual trust and commitment between partners always ensures sharing and transferring knowledge between them.

An entrepreneur from an Indian firm reported that:

> We have a unique technology/product and we know that it will do well in the western market but we are small and do not have the resources to go abroad. Some big companies were ready to buy our product but we did not want to sell. I was working for a MNC here at that time and my partner was our client there but we were like friends and we discussed about it a couple of times. He then offered his support. I was also happy as I had known him for several years, he is a friend. We then formed this company. We did not want to work with strangers, as we were worried about losing our product. 50:50 partnership means we both will have equal commitments.

Similarly, an entrepreneur from a British company, said.

> We deal with a unique and sophisticated technology and were doing quite well here but after the economic crisis we were forced to reduce the cost but worried about outsourcing, as we know that it is risky and we did not want to compromise the quality. We did not have the resources to start our own unit there. We got this connection through one of our employees. He is an Indian and software engineer so he had good connection in India as well. My current partner is his friend. We helped to start a development centre there but I am the majority shareholder. He and my employee who introduced me to him are the minority shareholders.

Overall, the decision-makers reveal that financial and other resources always limit the new and small companies' internationalisation. Therefore, they perceive that building collaboration is one of the safest methods to enter a foreign market. However, developing collaboration is not very easy for young and small companies. The responses indicate that mutual understanding and interaction are important for developing collaborative ventures. However, they indicate that entrepreneurs' prior experience, social ties and knowledge facilitate higher levels of collaboration. Furthermore, they believe that entrepreneurs' ethnic background is a main source of social capital that helps in the internationalization of SMEs particularly from emerging economies (Prashantham & Dhanaraj, 2010,2015).

Furthermore, all these firms were small and were involved in collaborative business activities mainly to enter each other's markets for various reasons. The British firms were involved in inward internationalization mainly in order to take advantage of the cost effective highly skilled Indian software industry. On the other hand, Indian firms wanted to expand their market and build reputations and credibility in the international market. These arguments are consistent with the motives of developed and emerging firms' internationalization. The key findings are summarised in Table 4.

Insert Table 4 about here

Discussion and Conclusions

The aim of this article was to examine the market expansion and internationalization of international new ventures through collaborative entry modes. During the past few decades, collaborative entry modes have increased significantly despite their higher failure rates (Gomes, *et al.*, 2013; Gomes, *et al.*, 2011). Recent research suggests that international new venture can expand their operations in international markets through pursuing collaborative and other network relationships mode (Almor, *et al.*, 2014; Liu, 2017). Despite the potential of international market expansion through collaborative entry modes, our understanding about the type of collaborative entry modes that international new venture choose is relatively limited (Almor, *et al.*, 2014; Gomes, *et al.*, 2011; Laufs & Schwens, 2014; Hennart & Slangen, 2015; Liu, 2017). International new ventures suffer due to resource, liability of smallness and network-related constraints, and it becomes difficult to form alliances and other collaborative entry modes for their international market expansion strategy (Almor et al., 2014; Liu, 2017). It is in this context that we examined the international market expansion of INVs from the UK and India - two important economies and identify whether such firms use collaborative modes to internationalize and expand their international operations. We pay particular attention to the factors that contribute towards opting one mode over other and thus zoom into those factors that enhance or constrain the choice of equity and non-equity mode of international market expansion by these INVs.

Our findings indicate that collaborative entry modes play an important role for both the British and Indian partner INVs internationalization and international market expansion. The data suggest that the case study firms have relied on collaborative modes choice to expand their operations into each other's markets. However, we find that the level of collaborative entry mode as an international market expansion strategy varies among international new ventures from these two markets.

Our first important finding is that international new ventures have usually relied on both equity and non-equity based collaborative approaches for international market expansion. However, the choice of these two collaborative modes is influenced by various factors such as social and ethnic ties, socialization, entrepreneurs prior experience and the use of the latest internet-enabled social networking technologies. The data indicate that international new ventures from both economies have utilized non-equity collaborative entry modes as one of the most common entry modes. This is due to the fact that most of the international new ventures lack prior international experience and face difficulties in developing collaborative network relationships due to the liability of newness and smallness (Johanson & Vahlne, 2009). Particularly, we find that Indian SMEs use the latest internet-enabled technologies to find international partners in order to successfully internationalize. This finding is important in the context of emerging economies-based international new ventures that lack prior international market knowledge and network relationships to expand their international operations on the back of the internet-enabled technologies. The findings suggest that both British and Indian companies initiate their international market expansion relationship serendipitously and purposively, however, their intentions were different. The data indicate that British firms are taking initiative mainly to enjoy the cost-effective and highly skilled software engineers in India whereas their counterparts in India highlighted that working with foreign clients gives them reputation and helps them expand their international market share.

Our second finding is that once there is a high level of personal relationship developed between the partners' firm then international new ventures opted for an equity based collaborative entry mode. The findings indicate that social ties played an important enabling role during the equity based collaborative modes. These findings support the view of recent research indicating that social and ethnic ties and networking relationships play an important role for SMEs internationalization (Ellis, 2011; Prashantham & Dhanaraj, 2010, 2015; Lew et al., 2016). International new ventures benefited from social and ethnic ties as it provided them useful market knowledge and enhancement of network attachment which helps the international new venture to expand their international market expansion. In addition, ethnic ties were important and the safest mode to develop not only network relationships but also social capital (Prashantham & Dhanaraj, 2010; Prashantham & Birkinshaw, 2015). These findings are important in the context of extant literature on collaborative entry mode in that social and ethnic ties can become a successful factor for the post collaboration integration success (Gomes et al., 2011; Khan et al., 2017).

Our third finding is that the factors influencing the entry decision of the British and Indian companies differ significantly. The British companies are mainly importing or outsourcing from India whereas Indian companies are exporting to the UK market. This difference is consistent with Lewin and Volberda's (2011) observation that western economies have practiced various modes of offshoring, both manufacturing and service, for at least 50 years. This is not only to benefit from low cost advantages (Nayyar, 1978) but also reflects the availability of professional talents (Ward, 2004), and quality of work and services (Martinez-Noya & Garcia-Canal, 2011). Therefore, Lewin and Volberda (2011) mentioned that efficiency seeking is an important initial motivation for the internationalization (inward oriented) of these firms. On the other hand, Indian firms that are seeking and selling in the UK market are outward oriented (Welch and Luostarinen, 1993). This is mainly to offset the limited opportunities in the home market, gaining reputation and learn about new products and markets (Zhao et al., 2007). These reasons are consistent with Boisot (2004), Child and Rodrigues's (2005) observations on emerging market firms' internationalization.

Overall, our findings indicate that financial and non-financial resources always hinder the successful international market expansion of international new ventures. It is this context that the data highlight that such firms perceive that developing collaborative entry mode is one of the safest way to enter and expand their business into a foreign market. However, forming a collaboration is not very easy for international new ventures coming from different institutional environments as these firms lack prior international market knowledge and face liability of newness and smallness. The findings indicate that mutual understanding, social interactions, entrepreneur's prior international experience and knowledge were important enabling factors for developing successful collaborative entry modes.

Implications for research and practice

The article has important implications both for research and practice. Since collaborative entry modes have become more popular in recent decades, the article provides important insights and adds to the limited studies about the choice of equity and non-equity collaborative modes adopted by international new ventures for international market expansion and internationalization (Almor et al., 2014; Gomes et al., 2011). First, this is one of the few studies that has examined international new ventures expansion and internationalization through collaborative modes from two of the important economies-British and India. Second, the article suggests that there is no 'one size fits all' approach to collaborative entry modes and international new ventures adopt both non-equity and equity collaborative mode for internationalization. The non-equity mode is adopted by firms to mitigate their lack of network relationship and foreign market knowledge-oriented liabilities (Johanson & Vahlne, 2009). The findings suggest that international new ventures can use socialization approaches on the back of internet-enabled technologies to offset their liabilities and weak international market knowledge base and thus develop non-equity collaborations for international market expansion. Third, the findings add to the existing literature on collaborative entry modes (e.g., Almor *et al*., 2014; Chiao *et al*., 2010; Czinkota & Ronkainen, 2007; Gomes *et al*., 2011; Majocchi *et al*., 2013; Weber *et al*., 2011) by documenting that international new ventures initiate their collaborative network relationships both serendipitously and purposively with different intentions- cost saving and accessing skilled labor in the case of British international new ventures, whereas Indian firms were choosing collaborative modes for gaining reputation and international market expansion. Lastly, the findings suggest that once there was a high level of personal relationship developed between partners then firms switched to an equity based collaborative mode and high level of social and ethnic ties were the contributing factors for developing and enhancing the collaborative entry mode. Thus, by adding two forms of ties (social and ethnic) we add a nuanced and fine-grained view to the existing studies on collaborative entry modes (Almor et al., 2014; Gomes et al., 2011; Weber et al., 2011). Social ties between partners are one of the major characteristics of equity based collaborative modes reported in this study.

These findings further enhance and support the view of very few studies indicating that social and ethnic ties play an important role for SMEs internationalization (e.g., Ellis, 2011; Prashantham & Dhanaraj, 2010, 2015; Lew et al., 2016). The findings of this study also help practitioners to identify the important factors such as internet-enabled technologies, social and ethnic ties and leverage such resources to develop both non-equity and equity-based collaborative mode for their international market expansion.

Limitations and Future Research Directions

Despite the important contributions offered by this article, it also provides important directions for future research. First, we have adopted a qualitative approach for documenting the collaborative mode choice adopted by international new ventures from two important economies- UK and India. Future studies could undertake a mixed method approach and conduct a large scale survey on international new ventures to document the role of non-equity and equity collaborative mode on international market expansion. Second, future studies would benefit from examining the conditions and factors that enable the international new ventures to switch from one mode to another. For example, social ties and gaining international market knowledge was important for firms to pursue collaborative entry mode. Future studies should examine whether social ties and foreign market knowledge enables the subsequent collaboration and international expansion. Third, there could be an optimal level of collaborative entry modes, therefore, future studies could examine both non-equity and equity based collaborative entry mode in tandem and document the optimal mode and international market expansion by international new ventures. Fourth, future studies also need to examine the potential dark side of collaborative entry modes for international new ventures and the trade-off international new ventures make over the choice of an alliance partner. Fifth, future studies should examine the role of collaborative entry mode on the performance in relation to the speed of market expansion and survival of international new ventures. Last, following Felin, Foss and Ployhart (2015), we argue that role of micro level individual actions on factors like collaboration are under researched area. Hence, we think that further studies on micro-foundational aspects, such as managerial skills, cognition and decision-making process would enhance our understanding of the topic.

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Tables

Table 1: Profile of firms

	Britain	**India**
Employees	Range: 3-35	Range: 15-50
	Average: 9.7	Average: 30.1
Annual sales turnover (£m)	Range: 0.25-7	Range:0.05-5
	Average: 2.25	Average: 2.04
Percentage of foreign sales	Range: 0-60*	Range: 70-100
	Average: 30.0	Average: 93.9
Percentage of sales to India/Britain	Range: 0-5*	Range: 50-100
	Average: 1.9	Average: 76.00

* Two British companies were only involved in importing.

Position	British	Indian
CEO (including MD, Director, Managing Partner)	6	7
Founder	4	1

Table 2: Profile of respondents

Country Manager		-	2
Experience of International Business	1-5 years	4	3
	6-10	3	5
	11 or more	3	2

Table 3: Coding process

1st Order codes Open coding	2nd Order codes Axial coding	Key themes

Socialising through attending networking events Socialising through ICTs	Trade partnership (export and import partnership)	**Non-equity entry mode**
Prior work related experience (formal)	Contractual partnership (R&D contract; marketing contract)	
Social/personal ties Ethnic ties	Joint venture partnership Alliances	**Equity entry mode**

Table 4: Entry Strategies and Key Motives across the UK and Indian Firms

Entry Strategies	**UK firms**	**Indian firms**
Non-Equity entry mode		

Trade partnership	Involved sourcing software & services Motive- achieve cost effectives and access highly talented software professionals	Involved in sales or exporting of products Motive- Market expansion, learning and building reputation
Contractual partnership	R&D contracts Access to low cost and highly talented Indian software professionals	Marketing contracts Motive- Profitability, learning building credibility
Equity Entry Mode		
Joint Venture partnership	Take advantage of the cost effective highly skilled Indian software industry Majority shareholder Marketing related activities	Expand their market and build reputations and credibility Minority shareholder R&D centre