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Role of experience and knowledge in early internationalisation of Indian new ventures

A comparative case study

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Abstract

Purpose – The purpose of this paper is to investigate the role played by knowledge and experience of the entrepreneurs in early internationalisation of small- and medium-sized Indian new ventures. Using the theory of international new ventures (INV) and knowledge-based view (KBV); the conceptual framework of this study develops three propositions. First, it has been suggested that experience of the entrepreneurs motivates them to internationalise. Second, experience of the entrepreneurs increases their market and technological knowledge. Finally, it has been suggested that without market and technological knowledge, new ventures find it difficult to expand beyond national borders.

Design/methodology/approach – This study employs a comparative case analysis research design to investigate the propositions. The key constructs are drawn from prior empirical research and the relationships are tested using qualitative analysis.

Findings – Key findings of this study suggest that along with experience and knowledge, entrepreneurs' education background is positively associated with new venture internationalisation. It was found that importance of knowledge resources varies across nature of business and industry in which INVs operate.

Research limitations/implications – Findings of this study contribute to advancing the literature on INV and KBV. The findings provide a framework to entrepreneurs to help them improve their decision-making logic and increase the speed of international growth.

Originality/value – Very few studies have investigated the internationalisation of new ventures from India. The knowledge is limited on the ways in which entrepreneurs acquire experience and assimilate knowledge in internationalising their operations.

Keywords India, Experience, Small firm/new venture strategy, Internationalisation, Learning, Knowledge

Paper type Case study

Introduction

International new venture (INV) has been defined as “a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 1994, p. 49). INVs are different from traditional multinational companies in a way that they enter foreign markets very early during their life-cycle unlike the internationalisation path laid down by Johanson and Vahlne (1977, 1990, 2009). The last two decades have seen a significant rise in qualitative as well as quantitative empirical research on the INVs (e.g. Autio *et al.*, 2000; Chetty and Campbell-Hunt, 2004; Coviello and Munro, 1997; Knight and Cavusgil, 2004; Yli-Renko *et al.*, 2001).

Much attention has been invested in understanding the phenomenon of early internationalising firms in different country contexts, including Australia (Rasmussen *et al.*, 2001); China (Zhou, 2007), Denmark (Moen and Servais, 2002; Rasmussen *et al.*, 2001), Finland (Autio *et al.*, 2000; Gabrielsson and Kirpalani, 2004), New Zealand (Coviello and Munro, 1997), Norway (Moen and Servais, 2002), Spain (Rialp *et al.*, 2005), and the USA (Baum and Locke, 2004). There exists very little research, by contrast, on the early internationalisation activities of firms based in emerging economies like India. Recent works by Kim *et al.* (2011) and Varma (2011) have raised academic interest on the topic by bringing Indian INVs to the forefront of international business research.



Indian INVs differ from INVs from other emerging economies in several ways. Indian INVs are more service oriented while INVs from other emerging countries are manufacturing oriented (Zaheer *et al.*, 2009). Many of the successful Indian businesses are family owned (Ashwin *et al.*, 2015; Jain *et al.*, 2015). Indian entrepreneurs can benefit from unique country of origin advantages such as their proficiency in English language and former colonial ties while negotiating with their American or European business partners unlike their Chinese counterparts (Buckley *et al.*, 2012). However, Chinese firms are in a position to take advantage of their “Guanxi” networks while expanding abroad (Davies *et al.*, 1995; Shou *et al.*, 2014; Tsang, 1998). Overall, studying Indian INVs is expected to provide differing perspectives on firm internationalisation as compared to studies on other advanced or emerging country INVs.

This study seeks to explore the early internationalisation of Indian new ventures by using the knowledge-based view (KBV) (Grant, 1996) and INV theory (Oviatt and McDougall, 1994). The KBV suggests that knowledge resources are integral for firm growth and enhanced performance. It emphasises the ways in which firms acquire, assemble, transfer, and disseminate the knowledge gained from tacit (Harlow, 2008), as well as explicit sources (Nonaka and Takeuchi, 1995). The INV theory integrates international business, entrepreneurship, and strategic management theory to provide a framework to analyse the behavioural patterns of small and new firms that internationalise at, or immediately after their inception (Oviatt and McDougall, 1994).

This study strives to find answer to the following question:

RQ1. How does entrepreneurial experience and knowledge impact the internationalisation of new ventures?

In answering this research question, this study first develops a set of propositions that are analysed using a comparative case analysis. Second, the study provides a crucial argument that experience creates motivation to internationalise but motivation on its own is insufficient for internationalisation. Finally, the study argues that knowledge resources act as key moderating factors that trigger the actual internationalisation of new ventures.

Remainder of the paper is structured as follows. The following section discusses previous literature on new venture internationalisation and provides arguments leading to working propositions. Next, the paper discusses the methodology, sample, and data collection techniques adopted to test the propositions. Following the methodology section is the findings section. The paper concludes by discussing the key findings and provides concluding remarks, limitations and potential research avenues.

Theory and propositions

Indirect effect of experience on new venture internationalisation

In INV theory, experience is widely considered as the key entrepreneurial characteristic that drives international growth (Oviatt and McDougall, 1994). Prior experience of entrepreneurs is often considered crucial as it provides essential knowledge necessary for successful international expansion (Bloodgood *et al.*, 1996; Madsen and Servais, 1997; Sapienza *et al.*, 2006). Following three types of experience are examined in this study: international experience, entrepreneurial experience, and industry experience.

International experience refers to the experience of the entrepreneurs in foreign countries and is conceptualised as the number of years the entrepreneur has spent outside India prior to establishment of the INV. Several studies have predicted that experience of managers with both the host country conditions and firm structures aid firms to overcome initial difficulties in foreign markets (Li, 1995). In similar line, Reuber and Fischer (1997) suggest that international experience is a key for new venture internationalisation as it enables the entrepreneurs to develop strategic foreign partnerships and obtain foreign sales. Entrepreneurial or start-up experience is an essential intangible asset which is crucial in

driving sustainable new venture growth and self-efficacy (Baum and Locke, 2004). Entrepreneurs with business education and start-up experience have more developed communicative skills which help them overcome liability of newness (Ulvenblad *et al.*, 2013). The entrepreneurial orientation of a firm's founders is considered to be a further predominant factor that drives internationalisation (Knight and Cavusgil, 2005; Oviatt and McDougall, 1997). Industry experience is mainly associated with patent productivity and is positively related to the number of years spent by the entrepreneur working within a particular industry (Dietz and Bozeman, 2005). This type of experience is often associated with the firms' capability to overcome liability of newness (Kor and Misangyi, 2008). In this study, industry experience is conceptualised as the number of years the entrepreneur has spent working in the industry in which the firm currently operates. Notwithstanding the fact that experience in general is an essential intangible asset for firm's growth, its importance can be further highlighted in the context of Indian INVs owing to the dissimilarities between India and other countries of operations. Hence, it is suggested that:

- P1.* The synergetic effect of international, entrepreneurial, and industry experience of the entrepreneur leads to motivation to internationalise which is positively related to the early internationalisation of new ventures.

Direct effect of experience on knowledge accumulation

Although motivation to internationalise is an important pre-requisite for firm internationalisation (Baum and Locke, 2004), certain other factors act as key driving force behind the actual internationalisation process. Knowledge resources are one of these key factors which have been argued to thrust international growth (Barkema and Vermeulen, 1998; Kogut and Zander, 1993; Johanson and Vahlne, 2009). Grant (1996) envisages a firm as an institution which integrates existing knowledge for betterment of production and growth-related activities. Previous studies have highlighted the importance of knowledge to early internationalisation of new ventures. For example, Autio *et al.* (2000) suggest that knowledge about international markets is an important determinant of foreign growth. Similarly, Zahra *et al.* (2000, p. 944) suggest that "learning and knowledge accumulation can play a pivotal role in differentiating new venture firm's products, achieving speedy market introductions, and gaining a competitive advantage". Knowledge can be tacit, or explicit. Tacit knowledge is acquired through learning or experience (Reed, 1990) and explicit knowledge is codified, formalised, and communicated (Kogut and Zander, 1992).

Knowledge can be of various types and the key is to understand the exact role of different knowledge types in new venture internationalisation. It is also expected that the relationship between experiential learning and knowledge accumulation varies according to different knowledge types. Based on previous literature on INVs, two types of knowledge identified in this study are market knowledge (Autio *et al.*, 2000; Eriksson *et al.*, 1997; Zhou, 2007) and technological knowledge (Fletcher and Harris, 2012; Zahra *et al.*, 2000). An old argument in business literature suggests that experience is positively related to knowledge accumulation (Penrose, 1959). Building on this argument, this study develops two propositions to examine the role of experiential learning on market knowledge and technological knowledge.

Market knowledge is the "organised and structured information about the market" (Li and Calantone, 1998, p. 14) and comprises of the know-how about all the participants in a particular market including, but not limited to, competitors, suppliers, agents, and institutions. This type of knowledge can be tacit, as well as explicit. Previous research has suggested that market knowledge is most commonly acquired by firms through collaborations with other firms (Eriksson and Chetty, 2003; Inkpen and Tsang, 2005). This hypothesis, however, may not be applicable in the context of INVs since they are new and inexperienced firms and have

limited access to resources and networks (Zahra, 2005). Under such circumstances, entrepreneur may utilise his knowledge accumulated through international or entrepreneurial experience and help new venture internationalisation. Knowledge about foreign markets can also be acquired by the entrepreneur's living experience in the foreign country. Entrepreneurial experience can enable the entrepreneur acquire knowledge about the demand and supply situation in the market. Entrepreneurial experience can also be expected to aid in understanding the competitive situation in the market. Therefore, it is logical to expect that international and entrepreneurial experience will play an important role in accumulation of market knowledge. Hence, it is suggested that:

P2a. The synergetic effect of international and entrepreneurial experience of the entrepreneur is positively related to higher market knowledge.

Technological knowledge, alternatively also referred to as product knowledge, is an important ownership advantage which can be easily transferred to international markets (Buckley and Casson, 2009; Kogut and Zander, 1992). It is defined as "understanding the effects of the input variables on the output" (Bohn, 1998, p. 297) and is used to get the maximum output from a set of available raw materials. Technological knowledge is often associated with innovation and as such concerns the familiarity of the firm with its product market and technical skills required to manufacture products which are capable of competing in the market (Hitt *et al.*, 2000). It can either be tacit or explicit and can be individual (employee skills) or collective (company patents). Technological learning can occur through experimentation or other R&D activities at the work place (Hoskisson and Hitt, 1988), both which constitute to industry experience of the entrepreneur. A firm can also acquire external technological knowledge through networks or by collaborating with other firms, and both processes can be enhanced by using entrepreneurial experience (Gulati, 1999). Therefore, it can be expected that industry and entrepreneurial experience will positively lead to technological knowledge accumulation. Based on this discussion, it is suggested that:

P2b. The synergetic effect of entrepreneurial and industry experience of the entrepreneur is positively related to higher technological knowledge.

Moderating effect of knowledge resources on internationalisation

Although motivation to internationalise is an important pre-requisite for firm internationalisation (Baum and Locke, 2004), certain other factors act as key driving force behind the actual internationalisation process. A key argument of this study suggests that knowledge resources moderate the relationship between motivation to internationalise and new venture internationalisation. Of several facets of knowledge resources, this study assumes that market and technological knowledge play a key role in internationalisation of Indian new ventures.

Market knowledge is considered as an important driving force behind export performance (Denis and Depelteau, 1985; Rose and Shoham, 2002) and FDI growth (Johanson and Vahlne, 2009). It comprises awareness about resource availability in the host country which help firms in determining the level of resources which need to be transferred from the home country (Johanson and Vahlne, 2003). Furthermore, market knowledge is also considered to help firms in exploring further growth opportunities (Autio *et al.*, 2000; Zucchella *et al.*, 2007). Technological knowledge enables firms to develop new products and services which help in overcoming the liability of newness and smallness (Oviatt and McDougall, 1995). Prior research has also suggested that technological knowledge is closely associated with consumer preferences (Cowley and Mitchell, 2003; Park and Moon, 2003) and brand development (Muthukrishnan and Weitz, 1991). Using technological knowledge

to their full advantage, INVs can adapt and change to meet the demands of the foreign markets (Brown and Eisenhardt, 1995). Assuming that market and technological knowledge of the Indian entrepreneurs will aid in new venture internationalisation, it is suggested that:

P3a. Market knowledge facilitates early internationalisation of new ventures.

P3b. Technological knowledge facilitates early internationalisation of new ventures.

The conceptual framework of this study is illustrated in Figure 1.

Methodology

This study uses a multiple case analysis of six Indian INVs to investigate the propositions developed in the previous section. Several qualitative methodologists have suggested that multiple case study research can be ideal for theory development or to empirically test previous theories (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Gerring, 2007; Yin, 1989). Comparative case analysis has been commonly used in INV research (Knight and Cavusgil, 2004; Rialp *et al.*, 2005). Researchers argue that such methodology is appropriate in the context of INVs because it allows the use of replication logic and helps to obtain internal as well as external validity (Rialp *et al.*, 2005). Internal validity was ensured by using several sources of information. External validity was obtained from triangulating the information collected during the two stages of interviews.

The data gathered from the interviews were subject to content analysis. This method of analysis is commonly deployed for qualitative and archival data (Aronoff, 1975; Bartunek *et al.*, 1993; Welch *et al.*, 2011). The data were interpreted using meaning-oriented analysis which involves matching appropriate content with the pre-formulated questions (Aronoff, 1975; Sydserff and Weetman, 2002).

The unit of analysis in this study is the firm. The firms included in this research were invited to participate primarily for reasons of familiarity and accessibility. The firms operate in different industry sectors, chiefly the software services, engineering, consultancy, and manufacturing sectors. Consequently, differences in industry sector may not be able to be ruled out as explanations for the phenomena observed. The participating firms share similar characteristics in their path towards early internationalisation: they were all small firms at inception and internationalised within four years. Table I provides a summary of the participating firms.

Sample

The informants in this research were entrepreneurs or founding managers. For reasons of confidentiality, neither the identities of the individual firms nor the names of informants are disclosed in this paper. The case companies are thus subsequently referred to as Firm A, Firm B, Firm C, Firm D, Firm E, and Firm F. Nonetheless some background information on each participating firm is provided below.

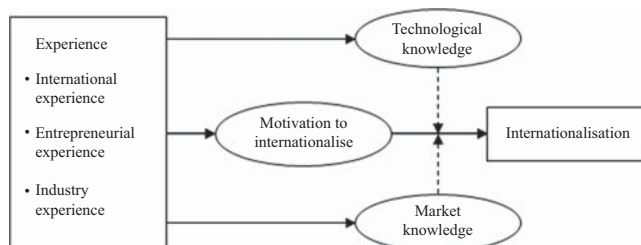


Figure 1.
Conceptual framework

	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F
Inception	2005	1998	1992	1984	2011	2010
Internationalised	2007	2001	1992	1987	2012	2011
Headquarter location	Bengaluru	Moradabad	Mumbai	Mumbai	Mumbai	Mumbai
Industry/Sector	Services (software development)	Manufacturing (home furnishing)	Manufacturing (machines and tools), services (engineering consultancy)	Manufacturing (pharmaceutical)	Services (software and mobile application development)	Services (software consultancy)
Target markets	Germany, Italy, Sweden, UK, USA	Australia, Japan, UK, USA	USA, Middle East	Germany, Switzerland	North America	South Asia, France, UK
Size	30	50	~100 ^a	~200 ^a	8	16
Foreign revenue at the time of internationalisation ^{b,c} %	40	10	40	10	60	50
Foreign revenue in 2015 ^c %	~99 ^d	~99 ^d	70	80	90	80

Notes: Some revenue is generated from fragmented and unrelated domestic activities such as sale of scrap, interest from creditors, etc. ^aNumber of employees also includes contract labourers; ^bforeign revenue as a percentage of total revenue; ^cthe percentages are approximated; ^dresults show that none of the firms generate 100 per cent of their revenue from foreign markets; ^ethe table was compiled based on data acquired during the second phase of interviews

Table I.
Case companies
at a glance^e

Firm A, founded in 2005, is a software development company based in Bengaluru employing 30 employees. The firm specialises in web designing, application development, code reviewing and testing, bug fixing, and data management. The firm began its international operations in 2007, focussing in particular on the USA, the UK, German, Swedish, and Italian markets. Between 2007 and 2011, the firm generated 100 per cent of its income from international business.

Firm B was incorporated in 1998 and started its international operations in 2001. Based in Moradabad, it manufactures and exports household products such as garden pots, decorative pots, containers, metal accessories, and coir bricks. The primary customers of the company are wholesale distributors in the USA, Japan, the UK, and Australia. The company employs 50 individuals including skilled labourers, managers, and supervisors. Until 2003, the company was exporting more than 25 per cent and after which it started exporting almost all of its production. All the products delivered by the company are customised according to the client requirements and specifications.

Firm C is a manufacturing and engineering consultancy firm that was established in 1992. The company is based in Mumbai with subsidiaries in Denmark and the USA, and employs more than 100 skilled engineers. The firm specialises in manufacturing specialised tools for cement kilns. Along with that, it also contracts repairing and maintenance of kilns, cement plants, and uses its own unique equipment for this purpose. The company started its international operations from its very inception and since then it consistently earns more than 40 per cent of its revenue from international operations. The firm's clients are mainly kiln manufacturing corporations based in the USA, and cement producing corporations based in remote areas of Arab and Middle East countries like Egypt, Jordan, Saudi Arabia, UAE, Yemen, Syria, and Kuwait.

Firm D manufactures chemical products for usage in veterinary medicine, human health care, pesticides, and agricultural fertilizers. The primary foreign markets of the company are Germany and Switzerland. The company was established in 1984 and is based in Mumbai with a sole subsidiary in Africa (the interviewee declined to mention the name of the host country), employing more than 200 people. The company expanded its operations into foreign markets in 1987 with foreign revenue amounting to 10 per cent of

its total output. At the time of the interview, the firm's foreign revenue was about 80 per cent of the total output.

Firm E resulted out of a side-project by two colleagues – who now function in the capacity of senior managers within the company. The firm provides a mobile phone application and web-based software to hail cab services in metropolitan cities around the world. The company started its operations in late 2011. Within a few months of its inception, the mobile application was made available in North America. As of 2015, the firm generates almost 90 per cent of its total revenue from foreign markets.

Firm F was established in 2010 after its founder CEO launched computer software for marketing companies. Within a year of its establishment, the firm integrated digital marketing and software consultancy into its repertoire. The firm received its first overseas offer from a British consultancy firm for developing a software to suit their needs in the year 2011. At the time of the interview, 80 per cent of its total revenue was generated from foreign clients and employed 16 software engineers.

Data collection

To obtain construct validity, data were collected during two phases of in-depth, semi-structured interviews. The first phase of data collection lasted between July 2012 and August 2013 and the second phase of data collection lasted between June 2014 and August 2015. The informants were founding entrepreneurs or senior managers within entrepreneurial capacity. Each interview lasted approximately one hour. Under circumstances where the informant was unavailable for personal interview, telephonic interviews were used to collect information. Before conducting the interviews, background information about the firms was collected by using both primary and secondary sources. First, secondary sources such as trade magazines and individual company websites were used to collect valuable information regarding the firms' year of establishment, annual turnover, foreign sales, and company structure (to identify the key contact persons). Later, firms were contacted through telephone calls and e-mails to cross-verify the secondary information.

The objective of the first phase of interviews was to obtain biographical information on each company and informant, to uncover various factors that may have motivated firms to internationalise early, and to identify any potential barriers that impeded their internationalisation strategy. The objective of the second round of interviews was to obtain detailed information about international growth of the firms and to examine the role played by knowledge and experience of the entrepreneurs during this period. This phase also enabled the researcher to analyse the importance of knowledge and experience with regards to the overall performance of the firms. Semi-structured, open-ended interviews were chosen to seek clarification and elaboration on the answers provided by interviewees and to enable informants to answer questions on their own terms. The interview questions were intentionally broad: informants were encouraged to talk freely about their own, personal experiences.

Findings

The key objectives of this study were to examine the role of entrepreneurs' experience in knowledge accumulation and motivating them to internationalise; and to examine the moderating role of market and technological knowledge in new venture internationalisation. The findings of case analysis are discussed below.

P1: indirect effect of experience on new venture internationalisation

P1 was designed to explore the indirect effect of entrepreneurs' experience on internationalisation of the new venture. The proposition received weak support from the interview results.

The synergetic effect of international, entrepreneurial, and industry experience was significant only in the case of Firms A and C. The respondents of these firms voiced similar opinion that their respective entrepreneurs had prior entrepreneurial, international experience and were significantly experienced working in the industry of the new venture. Further examination of these experiences taken individually provided deeper insights into the phenomenon of new venture internationalisation.

First, international experience was found to be crucial to all firms except firm B. The entrepreneur of firm B had no prior experience in foreign countries. It was found that the entrepreneur's motivation to internationalise was rather instigated by his domestic customers who relocated to a foreign country:

Respondent B: I never had the intention to export my goods because the domestic market in India is large enough to run my business in profit. It was one of my regular customers who moved to Canada and encouraged me to sell my products there.

Entrepreneurs of all other firms had international experience of varying degrees. International experience was a key factor which led to internationalisation of firms E and F. The entrepreneurs of these firms had living experience in the USA and UK, respectively – their firms' first foreign markets. As such, the speed of internationalisation was faster since the entrepreneurs also had good networks in the countries.

Entrepreneurial experience was found to be crucial only to firms A, B, and D. In other case companies, entrepreneurial experience was non-existent. In the case of firms A and D, it was found that entrepreneurial experience was directly related to motivation to internationalise. As for firm B the importance of entrepreneurial experience was limited only to business networking and contract negotiations. However, both these factors came handy when the firm began its international operations.

Industry experience was important to all firms except firms E and F. Entrepreneurs of these firms were fresh college graduates and had negligible work experience – particularly in the software industry. It was found that industry experience was an important determinant in decision making related to contract negotiations. Entrepreneur of firm C revealed that his industry experience helped the firm in negotiating forward and backward linkage contracts:

Respondent C: we were actively seeking to expand our operations in the Middle-East. It has a great potential but the way of doing business there is completely different than in India or the U.S. We negotiated with several potential partner firms before we were successful in collaborating with an Arab firm.

Respondents for firms A and D also voiced similar opinion. In the case of firm B, it was found that the entrepreneur had a significant experience working as an apprentice within the pottery industry. His industry experience was fundamental for product innovation which helped the firm in increasing its sales.

P2: direct effect of experience on knowledge accumulation

Second proposition of this study was split in two parts. First, part of the proposition predicted a positive association between international and entrepreneurial experience and market knowledge accumulation. The findings for this proposition were mixed. Synergetic effect of entrepreneurial and industry experience on market knowledge accumulation was significant only in the case of firms A and D. Entrepreneurs of both firms had prior entrepreneurial as well as international experience.

Other interview results suggest that international experience did play a significant role in market knowledge accumulation. It was found to be closely associated with foreign networks which increased the speed and ease of internationalisation. This finding was

consistent across all firms except firm B. The role of entrepreneurial experience in market knowledge accumulation was also not significant. This factor was present only in the case of firms A, B, and D. Overall, this proposition was poorly supported:

Respondent A: I worked for a software giant in U.S. and Germany for several years which helped me to gain a sound understanding of those markets and develop my networks. Without my knowledge and networks, our business would not have moved forward.

Second part of the proposition predicted a positive association between entrepreneurial and industry experience and technological knowledge accumulation. The findings for this proposition were mixed. Synergetic effect of entrepreneurial and industry experience on technological knowledge accumulation was significant only in the case of firms A, B, and D.

The interview results suggest that technological knowledge is highly affiliated with the industry of operation. It was also found that experience was not the only pre-requisite for technological knowledge accumulation and educational background of the entrepreneurs/managerial teams was crucial for some firms. This finding was consistent across all technologically intensive firms (A, C, E, and F). Entrepreneur of firm C did not have prior entrepreneurial experience but had necessary qualifications in the respective field and had vast industry experience. The findings for this proposition suggest that entrepreneurial experience does not necessarily lead to technological knowledge accumulation but the process can be industry specific. Hence, the generalisability of the findings is limited.

P3: moderating effect of knowledge

The third and final proposition of this study was also split in two parts. First part predicted a positive moderating effect of market knowledge on the relationship between motivation and new venture internationalisation. This proposition received a strong support from the case companies except for firm B. Firms A, C, and D highlighted the key role of market knowledge in identifying and approaching potential customers, negotiating the contracts, and providing them products/services which were better and affordable than those of the competitors. Firms E and F voiced similar opinion that knowledge about the markets, in particular the customers, was quintessential in internationalisation. Firms operating in software industry (A, E, and F) all reported to use market R&D to get a better understanding about the potential customers and competitors. Entrepreneur of firm B had limited foreign market knowledge because of which the firm encountered few obstacles on its way towards internationalisation.

Second part of *P3* predicted a positive moderating effect of technological knowledge on the relationship between motivation and new venture internationalisation. This proposition received significant support but was found to be industry specific. Technological knowledge played a key role in internationalisation of all firms. Firms A, E, and F voiced similar opinion that technological knowledge was important to innovate and develop products which provided the customers an aspect of newness:

Respondent F: innovation is the key for our business. We have an innovation team that is involved in technological R&D and product development. The marketing R&D team is responsible for doing market research so that we know the exact requirements of our customer. These two teams work hand-in-hand. That is how we run our business.

In addition to technological knowledge, entrepreneurs' educational background and skills acquired through formal training were also important for these firms. In the case of firm B, the entrepreneur had very little formal education but vast industry experience and had acquired necessary skills to innovate the products. The findings from firm C were unique to other findings. Internationalisation was always the key motive for the firm but it was not able to sustain international expansion until the firm was granted a new technological patent.

The entrepreneur of firm C had acquired sufficient technological knowledge through his industry experience and educational qualification. As such, the firm did not face major obstacles in earning contracts in countries with which the entrepreneur was familiar with. However, the firm struggled to earn contracts in other countries. Sighting this issue, the entrepreneur hired a team of highly qualified engineers to conduct R&D activities and earn a patent. Using their new patent, the firm was able to acquire contracts and gain a speedy entry in new countries. The findings suggest that technological knowledge has different facets and can be acquired from different sources:

Respondent C: we got a patent for our drilling machine that we designed at our Mumbai office. It was not the most advanced technology in the market but it managed to get us numerous contracts.

Discussion

Wiedersheim-Paul *et al.* (1978) proposed a model which showed that pre-export activities of firms are key drivers of internationalisation. Overall, the findings of this study have been in favour of this proposition. This study examined the role of two such pre-internationalisation factors in the internationalisation of Indian new ventures – experience and knowledge of entrepreneurs. The findings and previous literature related to these factors are discussed here.

This study proposed that synergetic effect of international, entrepreneurial, and industry experience of the entrepreneurs has a motivating effect on them to internationalise their operations. The findings for this proposition were mixed. International experience was found to be an important factor for most firms. It was found that entrepreneurs' experience from living in foreign countries provided them with working knowledge of the market and helped them identify key business opportunities. This finding supports Oviatt and McDougall (1994) proposition that founders' international experience helps them in recognising international business opportunities. Similarly, Reuber and Fischer (1997) found that international experience was useful for firms that had obtained early foreign sales.

Industry experience of the entrepreneurs was important to most firms in accumulating necessary technological knowledge. This finding is in line with Westhead *et al.* (2001) who found that firms whose managers had considerable industry-specific knowledge were more likely to be exporters. More recently, Kor and Misangyi (2008) demonstrated that industry-specific experience of outside directors helped small entrepreneurial firms with limited within-firm industry experience to overcome liability of newness. The finding also confirms the importance of entrepreneurs' industry experience in decision making and contract negotiations. Negotiating with local governments and acquiring the necessary permits to start international operations can be a challenging task, especially in developing countries such as India. In a similar country context, Li and Zhang (2007) found that "functional experience" of managers was positively related to new venture performance in a China.

Oviatt and McDougall (1994) highlighted the importance of social ties in new venture internationalisation. This proposition has been widely examined and has received significant support from existing literature. For instance, entrepreneurs' domestic personal networks were found to have a positive effect on internationalisation of Bulgarian INVs (Manolova *et al.*, 2010). Similarly, entrepreneurs' international exposure from network relationships was positively related to new venture internationalisation (Fernhaber and Li, 2013). As identified in this study, in absence of international experience, customer networks instigated the internationalisation of small and new ventures. This finding supports the proposition that pre-internationalisation networks can be the key drivers of international growth of new ventures (Coviello, 2006).

This study also showed that market and technological knowledge are key drivers of internationalisation of Indian new ventures. This finding supports the learning perspective of internationalisation (Barkema and Vermeulen, 1998). Several other studies have also

argued in favour of the importance of market and technological knowledge to INVs. For instance, Autio *et al.* (2000) found that knowledge intensity of firms was positively related to international sales growth. Furthermore, Gassmann and Keupp (2007) argued that the speed of internationalisation of small and new firms operating high technology industries will be positively related to their capability to absorb specialised technical knowledge.

Conclusions

This study has examined the role of intangible assets of the firm in its internationalisation process. Evidence points out that knowledge resources are important to firm internationalisation but at varying degrees. The most important factor driving new firms' internationalisation is the motivation to internationalise. As such, this study makes several theoretical contributions and points out key implications for managers. The key contributions, limitations, and implications of this study are highlighted are outlined below.

The central contributions of this study are that it examines the link between experience in knowledge accumulation and motivation to internationalise, and moderating role of knowledge in new venture internationalisation. The model developed in the study is a two-staged model. In stage 1, the experience of entrepreneurs leads to motivation to internationalise. Simultaneously, the experience contributes to knowledge accumulation. In stage 2, the knowledge resources acquired from entrepreneurs' experiences trigger new venture internationalisation after such decisions are made.

The two-staged model is dynamic and continuous. It begins at a point where entrepreneurs are expected to bring their experience into the new venture. This experience then leads to knowledge accumulation and motivation to internationalise. The actual internationalisation process is influenced by knowledge resources. Once the new venture internationalises, new experiences and knowledge resources flow into the firm which can be useful in other venture internationalisation or growth of the INV. Hence, the model is both dynamic and continuous as illustrated in Figure 2.

The theoretical contributions of this study advance the literature on INV and KBV. In relation to INV theory, the study shows that entrepreneurs' experience is an essential resource but is not directly related to internationalisation. Instead, experience acts as a motivating factor and by utilising knowledge resources the new venture embarks on the path of internationalisation. With regards to KBV, this study shows that experiential learning of entrepreneurs is positively related to their knowledge absorption capacity. Unlike previous studies which share an opinion that knowledge resources of firms have a direct and positive effect on internationalisation (e.g. Autio *et al.*, 2000; Fletcher and Harris, 2012; Yli-Renko *et al.*, 2001), this study shows that knowledge resources moderate the relationship between motivation and decisions related to internationalisation.

Another finding of this study opens up a new research avenue. This study examined the synergetic effects of international and entrepreneurial experience and industry and

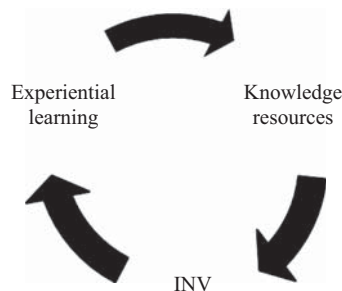


Figure 2.
Process of
experiential learning
and new venture
internationalisation

entrepreneurial experience. However, some of the case companies showed that international and industry experience is important for internationalisation. The synergetic role of these two experiences can be studied within the context of INVs. In particular, such experiences can be expected to play an important role in internationalisation of small, technologically intensive firms.

There are several managerial implications of this study. The findings of this study show that motivation is essential and entrepreneurs should orient themselves and their firms to embark on the path of internationalisation. The findings suggest that firms operating in technological intensive industries are in a better position to internationalise if they have some unique technological resources such as patents and copyrights.

Similar to most case-analyses, the limitations of this study stem from the small sample size and statistical validity of the results. The six case companies analysed in this study are far from being representatives of the Indian organisational landscape. Moreover, the sample size represents four different industries – pharmaceutical, software and computer applications, engineering consultancy, and handicrafts. This variation can provide interesting insights into the Indian economy, albeit if the sample size is large enough to derive statistically significant results. Notwithstanding the small sample size, the results presented here may be of relevance for further investigation of new venture internationalisation.

Given its exploratory nature, only a few antecedent variables were included in the model. Further research is warranted to extend the model by including additional variables. Of particular interest to academics and practitioners might be the role of home country institutions such as development of special economic zones, export subsidies, business fairs, and trade agreements. For an emerging economy like India, export promotion programmes have proven useful for FDI-related activities (Naidu *et al.*, 1997) and future studies can examine the role of this factor in the context of INVs.

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