

Billore, Soniya; Billore, Gautam

**Article — Accepted Manuscript (Postprint)**

## Internationalization of SMEs and market orientation: A study of customer knowledge, networks and cultural knowledge

European Business Review

*Suggested Citation:* Billore, Soniya; Billore, Gautam (2018) : Internationalization of SMEs and market orientation: A study of customer knowledge, networks and cultural knowledge, European Business Review, ISSN 0955-534X, Emerald Group Publishing, Bingley, Vol. 32, Iss. 1, pp. 69-85, <https://doi.org/10.1108/EBR-06-2018-0112>

This Version is available at:

<https://hdl.handle.net/10419/231739>

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**Internationalization of SMEs and market orientation – a study of customer knowledge, networks and cultural knowledge**

**Abstract**

**Purpose** – This paper studies the context of market orientation and the contribution of customer knowledge, networking and cultural knowledge to market orientation particularly to the internationalization of firms in developing economies.

**Design/methodology** - A multiple case approach is adopted with four Swedish firms internationalizing to the Indian market. The data was obtained through personal interviews and typically lasted one hour. Follow up questions were obtained by personal meetings or on skype. Data was collected over a period of 7 months during 2016- 2017.

**Findings** – The study highlights the importance of customer knowledge, networking and cultural knowledge for foreign SMEs in the initial stages of internationalization. It proposes that a holistic market sensing of the target market can be achieved as the three constructs contribute to the market orientation of the firms and help in devising relevant strategic fit with the market.

**Research limitations/implications** – The sample size is small due to a limited number of Swedish SMEs who have the experience of operating in the Indian market. Future studies may include the Nordic region and a quantitative approach for testing market orientation frameworks can be adopted.

**Originality/value** – The study lifts the concept of market sensing as customer knowledge, networking, and cultural knowledge strengthen the market orientation of the firm. It addresses the research gap about limited research in developing market contexts for SME internationalization and specifically on Swedish SMEs in the Indian market.

**Keywords** Market orientation, customer knowledge, networking, cultural knowledge, India, SMEs, market sensing

**Paper type** Research

Abstract length reduced to total 247 words. Purpose section edited to focus on developing economies.  
Sentence on ‘by reference only’ is edited in the design/methodology section  
Article length reduced by 1450 words (from 10363 to 8913)

## Internationalization of SMEs and market orientation – a study of customer knowledge, networks and cultural knowledge

### Introduction

Internationalization of firms and market entry into foreign markets is an extensively researched topic (e.g., Weerawardena, Mort and Leisch, 2017; Coviello, Kano and Leisch, 2017). Extant literature emphasizes that research on internationalization is based largely on empirical evidence from large corporations and/or with data from developed nations and that the focus on SMEs needs augmented attention (e.g., Deng and Zhang, 2018; Dimitratos, Johnson, Plakoyiannaki and Young, 2016).

Relevant references are now edited in the in-text citations and references at the end of the paper.

With regards to SMEs, Ojala, and Tyrväinen (2007) draw attention to incremental internationalization strategies, antecedents to successful entrepreneurship in new markets and the role of actors, stakeholders, and networks. Armario, Ruiz, and Armario (2008) also discuss market orientation as an antecedent that builds market understandability for SME internationalization and supports value creation for the firm's customers. To implement a market orientation approach firms must have a multi-layered (culture, systems, structures, and strategies) self-reinforcing system (Beverland and Lindgreen, 2016). This system is crucial when firms move from advanced economies to developing markets as it encourages the adjustment of the firm's external and internal structures and processes for successful internationalization (Park and Jang, 2010; Grueber-Meucke and Hofer, 2015). Cano, Carillat and Jaramillo (2004) state that most research in market orientation has been generated from developed economies and there is need to research the topic through empirical evidence from developing economies. Further, due to differences in the characteristics of firms, markets, and business environments, empirical evidence from diverse settings is necessary (Singh and Gaur, 2009). This paper extends extant research by exploring three factors, customer knowledge, networking and cultural knowledge, as contributors towards strengthening the market orientation approach of a firm. It is placed within the identified need for more research on foreign SMEs in developing markets and the specific context applied is the internationalization of Swedish SMEs in the Indian market.

In the last decade or so, business opportunities in India have generated significant interest in global companies. The market has changed extensively for customer demands, lifestyle indexes and purchasing power. To exemplify, the FMCG sector expanded from US\$ 31.6 billion in 2011 to US\$ 52.75 billion in 2017-18 while India's services sector grew from US\$ 846.8 billion in FY12 to US\$ 1,266.1 billion in FY18 (IBEF.org). India has emerged as a promising landscape for foreign companies, both multinational corporations and SMEs, that seek to develop and enhance their reach in multiple markets of the world. While this is happening, India still ranks low on the Ease of doing business index (position 100 out of 190 countries) indicating that it is still a difficult market for a majority of foreign players. The same report also states that in 2018 India joined the 10 top improvers in terms of business reforms (Doing Business, 2018) thereby indicating a promising future for global businesses.

This paper begins with the literature review on market orientation, discusses its connection to customer knowledge, networking and cultural knowledge in the context of SME internationalization and strategic fit for firms, and highlights the need for more research in diverse cultural contexts. Next, it presents the methodology and discussion section that ties the empirical data with the theoretical framework of the paper. The paper concludes by presenting a framework proposing the milieu of market sensing that can elevate market orientation of the firm and influence SME internationalization, and ends with research limitations and future directions.

## **Literature review**

### *Market orientation in firms*

Eriksson (1991) affirmed that the socio-economic systems of a market define how actors, including businesses, perform and react with each other. Changes in existing systems indicate a point of departure for businesses to redefine market orientation and create a 'vantage point where the market, exchange and the organization must be well attuned to each other' (pg. 48). There is a positive influence of market orientation on the performances of firms (Ong, Yeap and Ismail, 2015; Cheng and Krumwiede, 2012) and deliberations of cultural perspectives in market orientation positively influence firm stability (Panigyrakis and Theodoridis, 2007; Ramamurti and Singh, 2009). Other studies explore the relationship between market orientation and higher profit generation (Baker and Sinkula, 2009); organizational capabilities, culture and leadership styles (Keelson, 2012); professional attitude (Kowalik, 2011) and management training (Zhang and Duan, 2010). In this paper the relationship between market orientation and customer knowledge, networking and cultural knowledge is discussed.

### *Customer knowledge and market orientation*

Existing research states that market orientation is concerned with managing segmented demands and creating customer specific solutions. This involves in-depth engagement with, and influence of local dynamics, market conditions, growth opportunities, and direct and indirect stakeholders. A condition of 'situation specific' marketing (Eriksson, 1991, pg. 50) is thus produced that requires firms to develop indigenous strategies for the specific demands of customers and attune to the culturally embedded ways of doing business. Firms are required to equip with positive attitudes towards market orientation which includes a readiness to be adaptable and maintain international marketing capabilities (Cavusgil and Knight, 2015; Freeman and Cavusgil, 2007). Recent research also highlights that modern firms imitate innovative approaches in order to improve customer relationship and generate loyalty (Carlos Pinho, Rodrigues and Dibb, 2014; Li, Yi and Cui, 2017).

Customer knowledge helps to create market orientated strategies that focus on generating customer-value and provide competitive advantage for companies (Shah, El-Gohary and Hussain, 2015; Carlos Pinho, Rodrigues and Dibb, 2014). Market orientation literature lists specific frameworks such as MARKOR (Kohli and Jaworski, 1990) made of three components such as market intelligence

generation, dissemination and responsiveness and MKTOR (Narver and Slater, 1990) constituting of organizational components such as customer orientation, competitor orientation and interfunctional coordination. While both frameworks maintain that the customer is the core element, it is also emphasized that since customer related dynamics tend to change between different markets, what may be acceptable for one market may not apply for another. This raises the need to replicate studies regarding the importance of customer knowledge across different contexts in order to ascertain the reliability and validity of the findings (Gaur, Vasudevan, and Gaur, 2011).

#### *Networking and market orientation*

Networking is an important tool that assists the firm's understanding of the market requirements and improves strategic emphasis on customer-led specificities by guiding the firm to focus on the needs and preferences of buyers (Piercy and Cravens, 1995; Musteen, Francis and Datta, 2010). Networks also help to disseminate the knowledge generated by the core understandings of markets and agents functioning within it. Strategic networking with local governmental bodies, peer organizations, industry analysts and other stakeholders generates marketing intelligence that persuades the marketing orientation attitude of firms (Acquaah, 2007). This very acquisition and dissemination of knowledge is a vital resource to uphold marketing strategies for local contexts as it enhances the firm's overall competency in a foreign market (Wang and Chung, 2013). Ruzzier, Hisrich, and Antoncic (2006) expound that when firms come in contact with others, they increase their possibilities for market penetration, international extension, and integration. Networks also provide for social relationships of firms and generate possibilities to co-create and innovate with local agents (Hoang and Antoncic, 2003).

The need for a firm's gradual entry into foreign markets is discussed by the Uppsala model (Johanson & Vahlne, 2006; Johanson & Vahlne, 2009) while Ratten, Dana, Han and Welpé (2007) emphasize that incremental internationalization consumes time and 'as the economics of high start-up costs, small domestic market size, and shortened product lifecycle combine, firms have no choice but to become 'instant internationals' in order to survive' (pg. 365). Complex emerging market economies bear increasing numbers of young firms and born globals who tend to accelerate their pace of internationalization (Cavusgil and Knight, 2015). Networks influence the pace of internationalization to a large extent (Felzensztein, Ciravegna, Robson, & Amorós, 2015) and simultaneously contribute to resource optimization for SMEs (Sullivan and Weerawardena, 2006).

Although networks and their impact on businesses has been tested over the years, Chung, Yang and Huang (2015) identify an important research gap in extant literature regarding importance of networking organizations in the context of developing economies. It is emphasized that there is need to study the impact of networking on marketing orientation and competitive positioning in multiple cultural contexts and much work needs to be done to access this relationship for firms both within and without.

#### *Cultural knowledge and market orientation*

Market orientation is aimed at understanding social and cultural contexts and the associated behaviour of stakeholders to create value for customers and a distinctive positioning for the firm (Narver and Slater, 1990; Kohli and Jaworski, 1990). Making a clear estimation of market culture leads to competitive advantage and market superiority (Deshpande, Farley and Webster, 1993) as it is obvious that 'information about the needs of actual and potential customers is inadequate without the consideration of the deeply rooted values and beliefs' of a society (pg. 27). Gerbhardt, Carpentar and Sherry (2006) emphasize that market orientation rests 'fundamentally on cultural values' (pg. 38), and discuss six values that determine the importance of consequential organizational transformation. These values were identified as the motivation factor (*raison d'être*), collaboration, respect and empathy, commitment (keeping promises), openness and trust. CarlosPinho, Rodrigues, and Dibb (2014) highlight the need to understand culture as it largely influences perceptions and reflections about people and the shared behavioural codes between them. By understanding why things happen the way they do (Schneider and Rentsch, 1988) firms can enhance cultural knowledge and reduce cultural barriers and challenges, thereby making the market orientation of the firm more stable and efficient.

Culture-related knowledge mediates between strategy and implementation and resultant market orientation attitude becomes a manifestation of cultural commitment and strategic clarity (Beverland and Lindgreen, 2016). Cultural contexts are abstract, intangible and complex and thereby difficult to measure, scale and conceptualize (Felicio, Meidutė & Kyvik, 2016). While a number of studies make a positive correlation between market entry decision and low cultural distance (Chetty and Campbell-Hunt 2004), Rothaermel, Kotha, and Steensma (2006) show that the greater the cultural distance the stronger is the probability of market entry and growth. Kontinen and Ojala (2010) found that firms use distance bridging strategies such as hiring local people, learning the local language and adapting to local work culture as a way of reducing the psychic distance for the firm. The level of uncertainty and risk perception increases as firms move from local to national, to international with similar language and cultures and lastly to international markets with psychically distant languages and cultures (Leisch and Knight, 1999). On the other hand, 'a high level of GDP per capita in the target country increases the attractiveness of the country and decreases the effects of country risk, cultural distance, and national cultural values' (Ojala and Tyrväinen, 2007, pg. 129). In a recent study on foreign SMEs in the Asian markets, Pauluzzo and Shen (2018) state that the relationship between culture and strategic orientation of the firm's management has been explored in MNEs but there is scant information available for SMEs and the research promise in exploring challenges faced by SMEs has been largely neglected.

Market orientation is crucial in determining the stability and growth of SMEs (Qu and Zhang, 2015) as it ensures how well the firms adapt to customer needs and how this information influences the inter-functional coordination within the firm (Gonzalez-Benito et.al, 2009). Shah, el-Ghoury, and Hussain (2015) point out that much work is required for establishing the right set of constructs for the measurement of marketing orientation. Second, there is scant research on the relationship of marketing orientation and the performance of small and medium-sized firms in developing economies and in the



absence of conclusive frameworks, there is need to further explore the context of market orientation of SMEs in developing markets with new regions and samples that can help to examine the antecedents that drive or hinder market-oriented activities (Shah, el-Ghoury and Hussain, 2015; Amin, Thurasamy, Aldakhil and Kaswuri, 2016).

## Methodology

The present study is a qualitative approach to examine the function of customer knowledge, networking, and cultural knowledge in the overall market orientation of SMEs and their internationalization process. A multiple case approach was adopted for the study due to its exploratory nature (Stake, 2013). Although multiple case studies characterise particularization rather than generalization (ibid) it was suitable in this case because of the limited sample available for the study. In view of the identified need for more research in emerging economies, this paper focuses on Swedish firms moving to India which in the present scenario is a very small population. This situation implies that the research is at an exploratory stage and there is a thin premise on which to gather previous impressions.

Due to limited extant literature, it was important to emphasize on the context-bound subjectivity of situations (Kvale, 1996) where the ‘social world is to be understood from the point of view of the individuals who are directly involved in the events that are investigated’ (Pauwels and Matthyssens, 2004, pg.5). Therefore, examining cases was deemed most relevant for clarifying the features of the proposed framework (Pehrsson, 2016). SMEs that fulfilled the following criteria were chosen

1. Small and medium business enterprises as identified by the Swedish regulation for SMEs (Statistiska Centralbyrån, SCB) with an employee base of not more than 199.
2. Firms with less than 10 years of operations in India
3. Firms operational for more than 2 years with the Indian market to capture insights and impressions made during the early stages of internationalisation.

Data collection involved semi-structured interviews (Yin, 2003) with the top managers of the firms and questions began with the *raison d’être* (motivation) for the firm to enter the Indian market, gradually evolving around the importance of customer knowledge, networks and cultural knowledge for the firm. Apart from discussing their experiences, questions also included how they studied the Indian market, who did they get in touch with for networking, what major reflections did they have regarding customer needs, agents, policies, cultural affiliations, market attractiveness and related challenges as a foreign firm. (few lines about questions added here). Data was gathered over a period of 7 months during 2016- 2017 through personal interviews in the offices of the Swedish SMEs and typically lasted one hour. Any follow up questions were obtained by personal meetings or on skype. All companies were coded as A, B, C and D on condition of anonymity and interviewees were coded alphanumerically, for example, respondent 1 in company A was coded A1.

**The case companies** (title changed according to the suggestion of the editor)

The following section gives a brief profile into the case companies used in the study. Information presented below was obtained from the management staff of each company through personal interviews. Below stated profile for company A was provided by respondent A1, for company B by B1, for company C by C 2 and company D by D1 (see Table 1 for the company and respondent profiles). (Information on the sources of information provided, briefly here and the affiliation details are provided in table 1 in the appendix)

*Company A - Industrial Air and Smoke filters (headlines in italics added)*

Company A is located in the Skåne region of Sweden and has small-scale operations in India and Bangladesh. The main profile of this company is to develop and source different types of unique technologies for the conservation of natural resources. Founded in 2010 with only 3 employees for the Swedish market, it began its international business with bio-degradable filters in India in 2015. Today the company has a total employee strength of 45 people of which the founding management team consists of 5 Swedish members, 26 Indian employees in the India office and 14 employees in Bangladesh.

*Company B- Telemedicine*

Company B is an accounting software solutions provider located in Stockholm, Sweden. The company diversified into online medical services after recognizing the growing demand for home deliveries of prescription medicines, supplemental health, and OTC drugs, and today it provides online, anywhere and anytime medical consultation and primary health care service to its subscribers. By 2012, company B started operating through a subsidiary office in south India with 6 personnel in Sweden and 80 personnel in urban Indian cities for online and telemedicine service. The company has corporate clientele who subscribe to this service for providing medical facility to their employees as part of their health benefits package.

*Company C - Language learning digital tool*

This company based in south Sweden has been operating in the area of digital language learning tools since 2006. These tools were created with the help of language experts and animation software developers from Sweden and the UK and the primary business was to create digital learning tools for Swedish as a foreign language. In 2011, the company planned to go international, diversified its range to include English as a foreign language and started developing digital learning tools for English language learning. In 2013, the firm started its India operations with a small office in Bangalore where they employed 12 personnel to handle product positioning and branding, networking with schools and participating in education fairs for a strategic brand promotion.

*Company D - Solar panels*

The company was started by a Swedish entrepreneur who had extensive experience of working with the solar panel industry in the US for 22 years. After returning to Sweden he started a small firm in 2011 in the solar panel market with two investors. A year into business the firm realized that the Swedish market was mature for solar panels which meant that there would be fewer margins, lower volumes and a slow



pace in the business turnaround time. In an effort to work towards new markets the company decided to internationalize with partners in Poland and Latvia and later, also decided to go to Asian markets as reports indicated a pronounced need for energy conservation and renewable energy resources. In 2014 they first opened their operations in western India.

### **Development of propositions (title changed according to the suggestion of the editor)**

In the following section, the firm's experiences with internationalization with specific reference to the importance of customer knowledge, networking, and cultural knowledge is discussed. Based on the mean derivative of the available data, propositions (P1, P2, and P3) that establish the contribution of the three factors to the marketing orientation of the firms are proposed. (mean derivative added)(propositions denoted by P and not R)

### *Raison d'être and customer knowledge (semi-colons in headlines are deleted)*

Company A had no previous experience of internationalization and was inspired to go to the Indian market as industry reports and conference papers pointed to a growing need to use recycled material in the manufacturing sector in emerging economies. Respondent A1 informs that the firm decided to take advantage of this imminent market demand and introduce their unique product of bio-degradable air filtration units to India. They started with a background research about the Indian market and studied the existing needs of the customers and other stakeholders of the manufacturing sector. Market analysis showed that this sector was expansive yet it was in a nascent stage regarding new products and concepts on waste management. They identified that there was heavy demand for commercial air filtration units in the manufacturing sector of India. Existing companies were still tied to old and cost intensive waste management techniques that compromised environmental safety and sustainability. At the same time, there was growing pressure through heavy regulations from global and national policies to increase the cost-effectiveness of such measures for environmental protection. As a result, most customers wanted high grade, yet price-friendly products from reliable vendors. Even with big competitors like Panasonic, Phillips and Sharp India on the market, more than half of the demand was fulfilled by small traders who sold products with questionable impacts. This did not go well with the corporate customer segment that was becoming increasingly aware of the impacts of anti-pollution drives and green earth initiatives and wanted to comply with regulations.

Company B made a background check on the Indian market for medical services and found that Indian customers especially those in semi-urban and rural regions voiced concerns regarding improper access to health facilities, doctors and medical supervision. At the same time, the existing IT boom, and the growing internet and mobile penetration in the country provided a suitable market space for telemedicine consultancy services in India.

*We saw an increasing number of online medical advice portals around the globe which used chatting services with doctors online, seeking advice about symptoms, discussing transcriptions and even skype calling online doctors in a large market such as the US and Australia. The number of such services in India was small but showed a positive growth trend* (Respondent B1) (extra space before and after each quotation added with the source directly after it)

Information about the Indian market provided important cues regarding the marketing strategy and value addition for customers. It was then evaluated if the firm should set up a small base in India and launch their services directly as a foreign company or collaborate with an existing firm in the same field and spread operations in several Indian cities.

Company C began its foray into the Indian market by first discussing the proposition with Indian consultants located in Sweden. The market for digital learning tools was gathering momentum across Europe and the company was in search of suitable international markets. Research on the Indian market showed that, first, the Indian market was highly suitable for launching digital tools and software solutions for school level language courses; second, students in Indian schools were ready to use such tools for better grades; and third, there was a big need to increase the quality of written and spoken English.

*We found out from reports that although English was taught in all schools in big cities and towns and the students had a high comfort level with spoken and written English, the situation needed much improvement in smaller cities and in semi-urban and rural areas. The question was how this opportunity could be used for our product and what strategy was appropriate for the Indian market* (Respondent C2)

*There were various possible layers at which we could offer our product such as regular schools, adult education units and even small companies who wanted to develop their English language skills. There was a market segment available for all levels* (Respondent C1)

Background research indicated that the Indian market was at the right juncture to introduce digital learning tools for end users. The company then gathered detailed information on customer needs and market demands to adapt their product and make it suitable to the preferences of the Indian customer. For this, the design team of the company met with a total of 45 English language school teachers from 10 schools in various cities of India such as Pune, Indore, Bhopal, Hyderabad, and Mumbai. They studied school syllabi for English so that the digital content could be created with the same level of challenges. Finally, student performance levels were assessed with the support and guidance of participating schools to decide how academic value addition could be provided by the digital tools to

the students. Subscriptions to the digital tool were provided free of cost to all schools so that the teachers could report class progress and assessment impact.

*This helped us to formulate the product for the Indian market and consider some areas of product adaptation. Some teachers commented on the prominence of the British accent and use of foreign names and scenarios in the tool while others commented on the content's ease and level of complexity. But no decisions on adaptations were made before the tool was actually tested on the students (Respondent C1)*

To confirm this, an initial test run was done with the students of grade 4 to 6 in three schools. On a total population of 900 students, 40% thought that the digital tool was too easy and only 20% found it interesting. This meant that the tool had to be adapted and upgraded in terms of complexity, narration, characterization and cultural affiliation in order to improve student engagement with the tool.

Company D found that India could be a promising market due to 2 major aspects – the problem of power deficit across the country and the government's increased focus on the area of renewable energy. New policies had increased the subsidies for solar cell and solar panel businesses and encouraged the entry of foreign players to receive enhanced technology and quality solar cells and panels in India. Research on business demand showed that floriculture and horticulture businesses used solar panels in large volumes and many businesses in the west Indian states of Rajasthan and Gujarat used solar energy for their manufacturing operations. This information helped the company to make the right contacts and gain business deals from western and northern India during 2014-2016.

*It was an overwhelming and challenging situation for us since we had not expected that we would receive a positive response. Within less than 5 months of our market entry efforts in India, we got a good share of a big solar energy project (Respondent D1).*

The above insights regarding customer knowledge lead to the following proposition regarding the contribution of motivation and customer knowledge to market orientation.

*P1. Internationalizing firms place high importance on gaining customer knowledge as this helps in making a logic-based decision for market selection and emphasizes the raison d'être or motivational context of internationalization. Customer knowledge fortifies the firm's market orientation and creates effective strategies for the foreign market.*

*(Extra space before and after every proposition is added)*

*Networking and market orientation (semi-colons in headlines are deleted)*

Company A used the services of Indian consultants in Sweden who facilitated the entry of Swedish companies into the Indian market. They came in contact with Indian manufacturing companies in central India in the food and textile sectors that were facing the issues of sustainable air filtration and were looking for a reliable vendor. The consultants helped Company A with the initial introductions, references and business meetings for discussing the bio-degradable filters.

*It was indeed challenging for us to say yes to this prospect because we were young in business and we were still learning ourselves...and then to step outside of the comfort zone meant that we needed to prepare ourselves mentally to manage a faraway partner* (Respondent A1)

At the same time, the owners did not want to hinder themselves due to the newness of the situation and decided to go further

*We were lucky to have Indian consultants who were very useful in connecting us to the business network and helped us to assimilate with the culture. For us, any input from them was valuable* (Respondent A2)

The first business with the Indian market happened 10 months after the consultants had arranged their first meeting with prospective Indian clients and partners. As their network within India grew, the company made a better assessment of local dynamics and potential demand for their product. Further discussions included negotiations on the type of filters, price, place, and quantity of the product required. A test phase was conducted at two manufacturing units in central India to ensure usability and viability of the bio-degradable filters.

Company B identified the market needs for online medical services and decided to offer the service in the Indian market. Given that medicinal services are highly regulated by national health directives it was essential to incorporate advice from various stakeholders in the design, function, and implementation of the online medical consultancy platform. Intensive networking with medical practitioners, hospitals, pathology clinics, pharmacies and also possible corporate clients was therefore initiated with the help of local agents in the medicine business. Since medical practitioners were the core service providers of this business model much energy was focused on networking with them. This was a time-consuming process and almost 2 years were spent in selecting the right doctors, meeting them for discussions for the design of the service platform and further negotiations. Similar networking efforts were done with pharmacies, wellness clinics, rehabilitation centers, and even gyms in order to increase the variety of offerings for the subscribers. This helped to specify customer requirements in an accurate manner and design relevant online offerings for the end customers. Networking was also done

with local governance and the health department in the cities where the portal was to be launched to ensure compliance and medico-legal assurances.

Company C relied on a network of local research agencies and schools to build their knowledge about typical expectations from a digital language learning tool and to assess how much of these expectations could be met by them. In order to contact schools in India, they requested the help of Indian entrepreneurs based in Sweden. Orientation sessions were then conducted in select schools so that the English language teachers could understand the tool well. This was followed by in-depth discussions regarding the concept of digital language tools, value for students, and their use in daily schooling. This activity identified how the existing product needed to be altered or changed. The challenge was that until these changes were done, the product launch could not go any further. However, one of the teachers suggested that while the new version was being designed, the older version could be used for a smaller group of students with very poor English skills. This idea paved the way for the company's initial market entry and the project with Indian schools moved forward.

Company D had started on a good footing with a clear understanding of the customer needs in the growing sector for renewable energy market in India. However, it started losing its hold when the demand volume exceeded their supply capacity. In this situation of imbalance, and fearing that they could lose orders, the firm failed to assert the need for an extended time margin to fulfil orders.

*We started placing our orders with Chinese companies since the Swedish producers were not able to meet the full volume of the order. This, unfortunately, did not go well as planned since it took longer than expected to receive the consignments from China and there was no way to expedite the process of delivery (Respondent D2)*

Meanwhile, SMEs in India started making solar panels for less than the initial quoted price per unit, with lower logistical costs but with a quality level at par with other foreign solar panel providers. Eventually, company D lost the contract and the firm had to incur heavy losses in the transaction.

*Somehow, we failed to understand and appreciate the leverage that networking could have provided us in this situation. Also, we failed to appreciate the cooperative attribute of the Indian government to give leverage to foreign SMEs since they were looking for providers of good quality solar panels. With the right networking, we could have approached other small local vendors for help instead of outsourcing our orders to China (Respondent D2)*

The company believes it is possible for them to return to business with India with the help of existing players to seek sub-suppliers for collaboration and with the support of Indian business policies for foreign firms.

The above insights from the companies regarding networking lead to the following proposition regarding the contribution of networking for market orientation.

P2. Internationalizing firms realize the importance of the right approach to networking with local agents as this results in a better holistic understanding of the functioning of the industry. Networking fortifies the firm's market orientation and creates effective strategies for the foreign market.

*(Extra space before and after every proposition is added)*

*Cultural knowledge and market orientation (semi-colons in headlines are deleted)*

Company A mentions that the Indian market was new to them and this created a number of cultural challenges. The customers were looking for high-quality air filters at an economical price range but the market, in general, was not exposed to the technology and variety of offers available globally. It took multiple meetings to determine the clients' problems and their need for a specific technical approach.

*The most important and time-consuming part of the process was to find a better fit between what the customers wanted and what we could provide (Respondent A2)*

*The issue may have been elevated since we were not a typical Indian firm and they were hesitant to consider us over a number of other local suppliers, even at the compromise of quality and affordable pricing (Respondent A2)*

Company B discovered that Indian customers were highly sensitive to information security and privacy when discussing health issues with strangers. When subscribers booked appointments for an online consultation they did not want to compromise on their choice of doctors and risk established trust. Customers also expressed biased attitudes when choosing their service doctor. Female customers wanted to access female doctors only as this made them more comfortable. Similarly, most semi-urban and rural customers wanted to speak with a doctor who knew their local language. Company B therefore made adaptations according to these customer demands, focused on location-specific dynamics and employed doctors on the basis of region and culture-specific parameters. In addition, they also offered free general medical check-up camps in collaboration with local clinics and pathology labs in Hyderabad to increase customer attention by highlighting on value for money.

Company C was able to tap into cultural issues related to product design and made requisite changes to the storyline used in the digital tool. Changes were also made to the visuals and rhetoric to suit the current likes and trends of the Indian students from a socio-cultural perspective. Some examples of product adaptation included making cosmetic changes such as altering the skin tone of the characters



from the British pale white to warmer tones of cream and brown, changing names of the characters from John and Harry to more Indian names such as Jaggu and Harish, and changing the background scenarios from a European countryside to an Indian urban or semi-urban setting. Interestingly, the decision to change from British to Indian accent did not pass as the teachers felt that keeping the original narrative would help students to train their ears for an international English accent. In the next run, company C expects that adaptations will ensure paid subscriptions from schools and establish the product in the Indian market.

Company D was faced with an unfortunate inability to perform on the solar energy project from the Indian companies and was forced to sell the contract to one of the Indian sub-suppliers at a loss. The firm realized that there was a high regard for European firms in India and that the Swedish businesses had a good reputation for being innovative, quality-conscious and price sensitive. However, the firm had failed to leverage this reputation due to the lack of strategic long-term insight and a chaotic approach for a short-term solution. They assert that if they had put more energy and time into building relationships with the local experienced agents they could have made the right decisions. They realized that it was important to invest time in understanding how the Indian market functioned, how network agents and contacts helped to increase reach and how cultural resources could be optimised for the strategic benefit of the firm.

*We attribute this failure mainly to our loss of understanding the speed of the contemporary Indian market and our inability to understand the cultural nuance that being assertive as a Swedish company providing quality products could have helped us gain time from the clients*  
(Respondent D2)

In spite of this experience, the firm did not want to exit the Indian market because of a prospective business in the near future.

The above insights from the companies regarding cultural challenges lead to the following proposition regarding the contribution of cultural knowledge for market orientation.

*P3. Firms place a high importance on appreciating the role of cultural knowledge of the local market. Cultural knowledge fortifies the firm's market orientation and creates effective strategies for the foreign market. (Extra space before and after every proposition is added)*

## Discussion

### *Conclusions and theoretical contributions*

This study extends the current understanding regarding the importance of customer knowledge, networking, and cultural knowledge among internationalizing SMEs and shows how they contribute in

the strengthening of the market orientation of the firm. Each company in this study was in an early stage of its entry into India, being less than 5 years in the country, and shared a common motivation from the fact that the Indian market was growing with large business volumes implying that foreign businesses could find a suitable target market in the country.

Since these companies belonged to a home system (Sweden) which is economically, geographically and culturally distant from the host market (India), there was a prominent need to understand the host market. The findings corroborate with Beverland and Lindgreen (2016) that for firms to ensure a strong market orientation they must build a self-reinforcing system with a strong knowledge base about the target market and the embedded customers, stakeholders and cultures within it. The case companies in this study emphasize through their experiences that knowledge generation of customers and cultures was possible by activities including background market research, consultation, network nodes and a constant appraisal of customers and cultural challenges. Information gathered from these activities contributed to the framework of market orientation that eventually guided the firms to positively influence their own performance (Cheng and Krumwiede, 2012) and stability (Panigyrakis and Tjoeridis, 2007). By recognizing relevant and critical elements in market strategy the firms also dealt with situation-specific issues (Eriksson, 1991). Having in-depth knowledge of customers and cultures eased their strategic action framework and identified factors that created bottlenecks in the progression and impact of the firm's strategies. Endorsing the fact that customers are the core of market orientation strategies (Kohli and Jaworski, 1990; Narver and Slater, 1990), in-depth customer knowledge led firms to formulate relevant adaptations in product design. This helped to instigate innovative approaches (Cheng and Krumwiede, 2012) and sustained long-term relationship with customers (Cavusgil and Knight, 2015; CarlosPinho, Rodrigues and Dibb, 2014). In three of the four companies studied in this paper, it was seen that the stakeholders highlighted essential nodes of connection with the customer, identified cultural milieus around the customer and provided platforms for product customization within local contexts (Wang and Chung, 2013). By providing cues to knowing why things happen the way they do in India (Schneider and Rentsch, 1988), networking created in-roads and provided support for generating both customer knowledge as well as cultural knowledge for the firms. The failure to appreciate the value of network support is evident in the performance of company D who had to incur losses in their internationalization efforts. In line with Kontinen and Ojala (2010), it is seen that with the help of cultural knowledge, firms took rational actions such as integrating local languages and hiring local employees. Further, cultural knowledge helped to handle the abstract and non-tangible aspects of market orientation which would otherwise be difficult to fathom for a foreign firm. Based on gathered experiences the companies made changes to their products based on customer attitudes towards feelings, trust, habits, and hesitance. Cultural knowledge thus mediated between strategy creation and implementation by adding layers of clarity in market orientation (Beverland and Lindgreen, 2016).

This study therefore presents that customer knowledge, networking and cultural knowledge create a milieu of *market sensing* through which the perceptions of the target market are strengthened to achieve realistic goals, have the right market orientation and upkeep the pace of internationalization of foreign SMEs (see Figure 1). Market sensing can provide the map for achieving a strategic fit between internationalizing firms and target markets to create an overall value-adding mandate for the firm (Pehrsson, 2016). This can encourage and cultivate product innovations and value-additions in the firm's offerings for a foreign market. By being responsive to market needs and customer requirements, firms can control the direction and pace of their internationalization activities. Effective market orientation will therefore result in comprehensive advantage for the firm as it ensures that the market place, the firm and the exchange platform are well aligned to each other. This is particularly applicable to initiate changes in the external and internal structures as well as the processes of a firm to achieve sustained performances (Grueber-Meucke and Hofer, 2013) in case of complex developing markets with high levels of complexity (Cavusgil and Knight, 2015). (Revised figure with relevant changes added to the submission system of EBR)

In line with the previously identified need to explore more cultural contexts with market orientation and SME internationalization in diverse markets (Deng and Zhang, 2018; Singh and Gaur, 2009) and to strengthen empirical support from developing economies (Amin, Thurasamy, Aldakhil and Kaswuri, 2016; Cano et al. 2004; Chung, Yang and Huang, 2015; Pauluzzo and Shen, 2018; Shah, el-Ghoury and Hussain, 2015), this study contributes to the existing literature on internationalization of SMEs and gathers support for factors influencing the market orientation strategies of firms. Since dynamics change between different markets and what applies for one market may or may not apply to another (Gaur, Vasudevan and Gaur, 2011) there is a strong need to study diverse contexts. This paper thus also contributes to this gap by presenting an Indian context as it is an underexplored market in the study of foreign SMEs and their internationalization to India.

#### *Limitations and future research*

Although the findings of this study contribute to existing literature, it is limited by its small data sample due to a limited number of Swedish SMEs that have the experience of the Indian market. While the interest among Swedish SMEs to explore India has been increasing there are currently few companies who have been in the Indian market for a time period long enough to reflect on experiences gained in the internationalization process. This paper is one of the few studies that explicitly explores Swedish firms in the Indian market and the results obtained cannot be generalized. In order to increase the theoretical base, the next phase of this research will encompass more firms from the Nordic region to obtain a considerable level of generalization. Future studies must conduct new data collection from more companies to capture changes that influence market orientation of internationalizing SMEs. Further, a quantitative study of all factors studied in marketing orientation frameworks should be done to provide a statistically validated status of the context.

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**Table 1**  
Company profile and respondents

SME details	Company A	Company B	Company C	Company D
Company profile	<i>Industrial air and smoke filters</i>	<i>Tele-medicine</i>	<i>Language learning digital tool</i>	<i>Solar panels</i>
Total no. of employees	45	86	52	87
Operations in India	2015	2012	2013	2014
Employees in India	26	80	12	--
Respondent A1	COO*			
Respondent A2	Marketing Manager			
Respondent B1		CEO**		
Respondent C1			CEO**	
Respondent C2			Content Head	
Respondent D1				Managing Partner
Respondent D2				Marketing Head

\* Chief Operating Officer, \*\* Chief Executive Officer,

Figure 1 : Propositions about contribution of customer knowledge, networking and cultural knowledge and resultant market sensing towards market orientation and internationalization process of SMEs.

