

# Entrepreneurship and the perceptions of Capabilities

A comparative study of the Resource Based View  
between India and Sweden

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## **Abstract**

Entrepreneurship within Information and Communications Technology as a research area has been greatly researched in terms of access to society. Two examples are e-governance and accessibility. However, little research has been conducted about the perceptions of starting an enterprise within two different countries and how regulatory institutions influence entrepreneurs. This thesis aims for an understanding of how the regulatory frameworks in India and Sweden affect the capability to use the four resources as theorised in the Resource Based View (Human Resources, Technological Resources, Financial Resources and Organizational Resources). How do entrepreneurs perceive this framework and how do the perceptions affect the capabilities to use the resources in the RBV? Critical realism as an ontological approach and phenomenology as an epistemological approach were used. The results indicate a wider access to venture capital as-well as stronger focus on employees in India than in Sweden as a central discourse to achieve competitive advantage. Entrepreneurs in India have a more aggressive approach towards business compared to Sweden. The conclusions are that the capabilities to use the resources as theorised in the RBV are better in India than in Sweden due to better adaptability in India.

**Keywords:** Resource based view, entrepreneurship, India, Sweden, incubator, institutions


## Preface

The process of writing a Master thesis is never easy, it takes time and – at least in my case – the outcome is the result of many peoples’ willingness to help you and assist you. I would therefore like to thank the following people for all their kind help:

- Dr. Stefan Brehm, Research Fellow at Lund University as well as my supervisor for this thesis. Without your help and knowledge, this thesis would not be what it is today.
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I wish you all the best of luck in the future and I hope that you find this thesis interesting and helpful. Again, thank you very much!

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# 1. Background

Imagine that one person in Sweden and one person in India were going to start their own private limited liability company. Each entrepreneur<sup>1</sup> starts their business (or businesses) within Information and Communications Technology (ICT)<sup>2</sup> sector. Person 1 would start an enterprise within the regulatory framework of Sweden and Person 2 would start an enterprise within the regulatory framework of India. Both have formulated an idea of some sort that they will put into practice and both companies will be competing with other companies, sometimes globally and sometimes regionally.

Both Sweden and India are seen as two of the leaders within the development of ICT as Sweden has invested in their IT-structure while India on the other hand is a country to which many IT services have been outsourced. Due to this outsourcing, India has developed skilled knowledge within this sector (International Telecommunication Union, 2014; Mohan, Ramesh & Snigdhabyani, 2014). By looking at statistical indicators one can find many statistical differences between India and Sweden: access to capital, protection of investors, bureaucracy, education within IT, equality and so on. As of 2015, Sweden was ranked 11 and India 142 in ease of doing business but when it comes to access to credit, India is ranked 36 and Sweden 61 (Bienkowska, Larsen & Sörlin, 2010; Doing Business Index, 2015; UNDP, 2014:160-162; Worldbank, 2014a; Worldbank, 2014b).

The *Resource Based View* (henceforth RBV) is a strategic management theory that focuses on the capability to use resources in order to gain a competitive advantage. It was originally coined in a series of publications in the *Journal of Management* 1991 where the central discourse was that Competitive Advantage derives from the capability to use resources within a firm (Barney, Ketchen & Wright, 2011). Lendner

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<sup>1</sup> Entrepreneurship, in this paper, will be defined as a process that unfolds in six phases. Based on Baron & Shane (2003) who argue that these phases are: 1) An idea, 2) Decision to continue, 3) Gathering resources, 4) Launch of venture, 5) The creation of a successful organization and, 6) Harvest the rewards (Peters, Rice & Sundararajan, 2004) e.g. the identification, analysis and exploitation of an idea (Shane & Venkataraman, 2000 in Ebbers, 2014).

<sup>2</sup>Information based Communications Technology (ICT) will, in this paper, be defined as technology that provides a user with access to information. Two examples of ICT are cell phones and Internet. In this thesis, all interviewees used internet to some extent in their business idea.

(2007) in Somsuk, Wonglimpiyarat & Laosirihongthong (2012) applies this theory to newly founded businesses within incubators<sup>3</sup> and they conclude that successful incubators have the capability to use resources and gain competitive advantage. The author of this thesis argues that a successful incubator contains successful companies, without successful companies there cannot be a successful incubator. Just as incubators need to gain capability to use resources, just as much is it necessary for entrepreneurs to gain the very same capabilities.

As argued so far, there are regulatory and statistical differences between India and Sweden. These differences create different perceptions towards the regulatory system and these perceptions are highly individual. In theory, these perceptions held by entrepreneurs affect the capability to use the resources in the RBV and sustain competitive advantage (Barney, Ketchen & Wright, 2011; Scott, 2014). The environment in which Person 1 and Person 2 would start their business is an important factor to what capabilities they have to use the resources described in RBV (Barney, Ketchen & Wright, 2011; Scott, 2014). This leads to the existence of different regulatory frameworks and institutional theories. Different institutional frameworks are interpreted, and therefore perceived, in various ways. The difference in perception forces entrepreneurs to act differently and this changes their ability to use resources (Scott, 2014).

As both countries are world leaders in the development of the sector, it is important to grasp an understanding of the perceptions and capabilities to conduct business in each country. The aim of the thesis is to find out if, and why, the perceptions differ or do not differ and how this affects the capability to use resources. This will be done with a comparative study between India and Sweden and then analysed with the perceptions of starting an enterprise in each country. The answers will be analysed with the resources in RBV and further explained with institutional theories.

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<sup>3</sup> An Incubator is an organization with focus on the acceleration and growth for newly founded businesses (start-ups). This is done with various kinds of business support such as physical space, mentorship and access to business networks (Entrepreneur, 2015).

## 1.1 Research question

- What are the capabilities for ICT-entrepreneurs - located in business incubators in India and Sweden - to use the resources in the Resource Based View? And, how are these capabilities affected by the external environment in which the entrepreneurs do business in?

## 1.2 Earlier research

As stated on page 1, the RBV is a theoretical model for analysing to what extent businesses are capable of using resources in order to gain and sustain competitive advantages. This model has developed over time and Somsuk, Wonglimpiyarat & Laosirihongthong (2012) classify RBV into four categories of resources that are important to gain competitive advantage: Human Resources, Technological Development, Financial Resources and Organizational Resources. If an enterprise has the capability to use these resources, they will have easier to gain competitive advantage. The author has not found any research about perceptions of regulatory frameworks and how these perceptions affect the capability to use resources in a newly founded business within ICT.

Instead, research within ICT is often focused on the contribution of the technology and how ICT contributes to the society. One example is disabled people in Sweden, many disabled people gained access to jobs thanks to the development of IT and ICT. Today, people with disabilities have more access to a wider part of society than they had before this sector emerged (Keijer & Breding, 2012). In the case of India, several journals have published papers on ICT and how ICT has enabled people to access governmental institutions (Ranganath, Raju & Rao, 2011) and how poor but knowledge rich areas have been able to shape their own development agenda (Maurya et al., 2014). Rai, Chatterjee & Sarker (2011) argue that ICT has not been sufficiently researched in the context of innovation and developing countries. Even if that is the case, innovation within a country can be organized in different ways. They also argue that an evaluation of innovation in a country is difficult because there are many factors that affect innovation (Bienkowska, Larsen & Sörlin, 2010).

Governments and the regulatory institutions within a country decide ‘the rules of the game’ (Henrekson & Sanandaji, 2010:48). Both institutions and entrepreneurs have been recognized to affect each other (ibid). The focus in this thesis is not on an evaluation of respective regulatory institutional system. Rather, it is on the regulatory institutional differences that exist between India and Sweden: What are the capabilities and attitudes to use the resources and, how are these capabilities affected by the perceptions of the regulatory framework?

### **1.3 Disposition**

In order to provide the reader with new knowledge about the research question stated on page 3, the author will continue this thesis with a methodological chapter explaining the approach towards the research: data collection, validity/reliability as well as ethical considerations to name a few examples. The theory chapter conceptualises the Resource Based View (see page 10-11) and are complemented with entrepreneurial and institutional theories. In the analytical chapter that follows, the capability to use RBV is the foundation analysing why an entrepreneur perceives the resource in a certain way. This is followed by discussion and conclusions, concluding discussion and reflections.



## 2. Methodology

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In this chapter, the theoretical worldview (Ontology) and the knowledge being acceptable within this worldview (Epistemology) is described. The point is to provide transparency to the readers in order to facilitate reproduction of the research that has been conducted within this thesis.

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### 2.1 Ontology and Epistemology

With reference to the research question, the ontological approach in this thesis is *Critical Realism*. This means that the author of this thesis identifies the perceptions of resources in order to get an understanding of the entrepreneurs' reality (Alvesson & Sköldbörg, 2009) or in this case: the perceptions of the reality of starting an enterprise in two different countries with two different regulatory systems. This means that there exists a regulatory institutional framework in India and in Sweden but the interpretations of this reality differ depending on who is being interviewed (Bryman, 2008) i.e. there exists a reality (the regulatory framework) but *the* reality (perceptions and adaption to the regulatory institutional framework) differs depending on which perspective you are looking from.

Turning to epistemology, in order to study perceptions of starting an enterprise within two regulatory frameworks, the author uses a *phenomenological* approach:

The phenomenologist views human behaviour... as a product of how people interpret the world.... In order to grasp the meanings of a person's behaviour, the phenomenologist attempts to see things from that person's point of view' (Bryman, 2008:16).

In the case of this paper, the author used the perspective of entrepreneurs within the geographical context of India and Sweden. The author of this thesis argues that the respondents have something in common (Creswell, 2006) as they have all started an enterprise within the ICT-sector and within a regulatory framework to which they have had to adjust. Therefore, the *critical realism* and the *phenomenological approach* strengthen the knowledge in this paper. The author sees the world from the interviewed entrepreneurs' perspective in order to grasp the capabilities to use important resources and how these are affected by the regulatory systems in each country.

## **2.2 Research strategy**

A comparative study will be conducted in order to compare the capability of entrepreneurs to use resources in India and Sweden respectively. The data is based on semi structured interviews (2.2.1 Data collection) and complemented with institutional theories (2.2.2 Theories) that analyses the data in order to grasp how the regulatory frameworks in each country are perceived and how the entrepreneurs adapt to it.

### **2.2.1 Data collection**

In order to gather material about the perceptions of entrepreneurship, the interviews were designed as semi-structured meaning that some (broader) questions were pre-prepared for the interviews (see Appendix 1 & 2). This gave the interviewer the ability to ask follow-up questions and questions that have not been pre-defined (Kvale & Brinkman, 2009). In the case of this thesis, the author aimed for follow up questions that can identify in which context and to what extent the entrepreneurs perceived themselves being affected by the legal framework in which they are operating in. Six entrepreneurs in India and four entrepreneurs in Sweden were interviewed. The interviews lasted an average of 30 minutes and were conducted in one prominent business incubator in a big university city in India as-well as in one prominent business incubator in a big university city in Sweden.

After the interviews in each country, empirical saturation was achieved and the interviewee's responses in respective countries complemented each other thereby achieving saturation. Afterwards, the recorded interviews were fully transcribed (Kvale & Brinkman, 2009). The short number of respondents is something that can be perceived as problematic because ten entrepreneurs cannot be representative of more than one billion inhabitants. The answers provide only an important indication of how the regulatory frameworks in each country are perceived and how this affects the capability to grasp resources in order to gain competitive advantage. Further research is therefore recommended within this area.

### 2.2.1.1 Presentation of Entrepreneurs

The common denominator for all of the entrepreneurs is that their companies are private limited liability enterprises, they operate within the definition of ICT and all of the interviewees are founders of their enterprises.

Pseudonym	Business area	Country
Indian Entrepreneur 1	Mobile Application security	India
Indian Entrepreneur 2	Mobile Application development	India
Indian Entrepreneur 3	E-commerce development	India
Indian Entrepreneur 4	Software development	India
Indian Entrepreneur 5	Mobile Application development	India
Indian Entrepreneur 6	Online market development	India
Swedish Entrepreneur 7	Mobile Application development	Sweden
Swedish Entrepreneur 8	E-commerce development	Sweden
Swedish Entrepreneur 9	Software development	Sweden
Swedish Entrepreneur 10	Mobile Application security	Sweden

### 2.2.2 Theories

As the author will argue on page 10-11 & 20, the perceptions of entrepreneurship in both India and Sweden were centred on the capability to use the four resources that are important according to the RBV: Human resources, Technological Resources, Financial Resources and Organizational Resources. Within these four resources, the role of the individual entrepreneur as-well as the state was found to play an important role in the daily business as-well as in the work with a long-term competitive strategy. Due to these findings, the author chose to divide these theories to external capabilities and internal capabilities to use the theories in RBV (see argumentation on page 10-11). In other words, the capabilities to use resources were analysed with RBV and institutional theories. This enabled an in-depth analysis that both map the capabilities and the attitudes towards the regulatory framework but also how these can be explained further with institutional theories.

### 2.2.3 Analysis: Comparative study

The author of this thesis is interested in conducting a comparison between two countries. This means that cross societal differences will be patterned with semi

structured interviews and analysed further with institutional theory. Lor (2011) argues that a comparative study can be conducted both on an international level (regulatory institutional differences) as well as within a country: how entrepreneurs perceive available resources within a country and how this affects their capabilities. This means that a comparative study in order to map the differences and similarities is a solid analytical model. In order to analyse the research question, a comparative study is suitable because the aim of the thesis is to find out if, and why, the perceptions differ or do not differ and how this affects the capability to use resources (Lor, 2011). This was done in two steps: 1) the author analysed to what extent the entrepreneurs were capable of using resources based on their answers and, 2) the *what* was analysed with *why* (e.g. how their answers can be explained with institutional theories).

### 2.3 Validity and Reliability

The approach towards reliability in this thesis was to analyse whether the respondents were the right people to be interviewed for this thesis: are the entrepreneurs trustworthy or not? Do they operate within the regulatory framework of Sweden or India? As one can see, all these control questions were asked to the entrepreneurs (see Appendix 1 & 2). In one of the interviews, the company was registered in another country and the entrepreneurs chose to work from Sweden. Of that reason, the interview was not used at all in this paper as an issue with the reliability would have occurred (Kvale & Brinkman, 2009). The interviews that have been used were conducted with the founder of the company and the company was located as well as registered within the regulatory framework of either India or Sweden. The author of this thesis is therefore fully convinced that the reliability is strong and coherent with the Critical Realism and the Phenomenological approach.

Validity is to be seen as critical questions against the theory and the data in a paper. It is important to highlight that the author of this thesis is not looking for *the* reality. Instead, the author is looking for perceptions of being an entrepreneur within the regulatory framework of India and Sweden (Kvale & Brinkman, 2009). This means that the author interviewed people in a big university city, within a Science Park and at a prominent incubator, one in each country. The author has achieved validity in this paper: the answers from the respondents are possible to interconnect with each other

and on the same analytical level as both the other respondents but also with the theory and research question.

## **2.4 Ethical considerations**

The author of this thesis has carefully followed the guidelines provided by the Centre of East and South-East Asian Studies Master program as-well as the guidelines provided by the Swedish Research Council in their publication *Good Research Practice- What is it?* (Vetenskapsrådet, 2006). In brief, this meant that the author of this thesis informed the respondents of the intention with this thesis; a comparative study between India and Sweden of the perceptions of entrepreneurship. The interviews were conducted with the intention of keeping the respondents – and the incubators – anonymous in this thesis in order to protect each and one of them from harm. The author also explained that the respondents had the ability to ask questions and abort the interview if they wanted to. After that, the respondents clarified that they were interested to continue and the interviews started. All of the interviews were conducted at the location of their enterprise, which means that the respondents were in a familiar setting. The overall strategy of the author was to see the respondents as human beings instead of anonymous objects. They have been treated according to this concept before, during but also after the interview (Denzin & Lincoln, 2000).

## 3. Theory

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This theory chapter takes a stance in the Resource Based View and analyses to what extent entrepreneurs have the ability to use the four important resources of successful business. This will be done by applying a new conceptualisation of entrepreneurship and start-ups from internal and external capabilities to use available resources.

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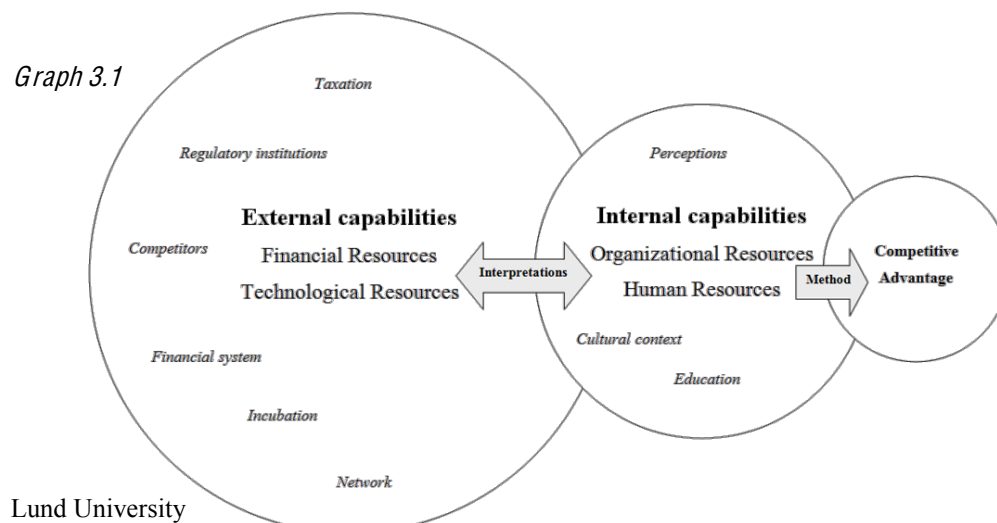
### 3.1 Resource Based View and Entrepreneurship

A study conducted by Ebbers (2014) indicates that people with close friends or relatives with their own businesses are more likely to become entrepreneurs than people who do not have entrepreneurs in their social sphere. Entrepreneurs often have different experience of earlier successes and/or failure and what learning's that should be made from these. The approach towards earlier entrepreneurship influences their judgment of future start-ups (Barney, Ketchen & Wright, 2011; Scott, 2014). Krueger (1993) argues that entrepreneurs act on opportunities when they can achieve them and this is the result of perceptions of the possibilities held by the entrepreneur to exploit and capitalize on their opportunities or ideas. Ebbers (2014) argues that there are three possibilities for an entrepreneur to capitalize on an idea: 1) Start an organization/enterprise, 2) He or she can make profits by selling the idea and, 3) If an entrepreneur cannot capitalize on the idea alone, he or she can collaborate and find partners with complementary skills (Ebbers, 2014).

The RBV is a theoretical approach towards the capabilities to use the resources that are available for an entrepreneur. The capabilities of using resources are crucial in order to sustain competitive advantage as an entrepreneur (Arora & Nandkumar, 2012). This means that the capability to use resources enhances the ability to grow and sustain competitive advantage. As a development of the RBV, Somsuk, Wonglimpiyarat & Laosirihongthong (2012) classify RBV into four categories of resources that are important for the growth of incubators. It is the argumentation of the author of this thesis that this approach is valid for newly founded enterprises as well as a start-up is a firm but also the most important part of the incubator. The four resources in their paper are:

- **Human Resources;** focus on cutting-edge technology and the recruitment of expertise and talents (Salma & Shahee, 2013; Wright, Dunford & Snell, 2001).
- **Technological Resources;** the capabilities for the creation of cutting edge technology (Barney, Ketchen Jr & Wright, 2011; Vissa & Chacar, 2009).
- **Financial Resources;** the financial support to sustain the business. In example, angel investors, banking, debt financing or venture capitalists (McAdam & Marlow, 2009; Wiggins & Gibson, 2003)
- **Organizational Resources;** the routines and relationship that are found within the start-up (Peters, Rice & Sundararajan, 2004; Somsuk, Wonglimpiyarat & Laosirihongthong, 2012).

The capabilities to use these four resources depend upon environmental conditions in which an entrepreneur operates. The capabilities to use certain resources change as the institutions in the external environment changes (Arora & Nandkumar, 2012). In other words, an entrepreneur acts on the interpretation (s)he has of the environment because another person in another institutional context can interpret the same approach to the same idea differently. The interpretation by the entrepreneur is highly affected by the cultural context in which the entrepreneur operates (Scott, 2014). This means that two entrepreneurs in two countries can have two different approaches towards the understanding of how business should be conducted even if they are in the same sector (Lai, Liu & Kao, 2009; Scott, 2014). Graph 3.1 is a conceptualisation of institutions (*italic*) that can affect the capability to use available resources for an entrepreneur, internal capabilities in terms of perceptions, cultural context et cetera and external capability in terms of regulatory institutions, incubation et cetera. These are the foundation for the method/strategy conducted by the entrepreneur to gain competitive advantage with available resources:



With reference to this concept, the author will look at these four resources from two major perspectives: 1) the external perspective and the institutions that affect the capabilities for an entrepreneur and, 2) the internal perspective and the institutions that have shaped the entrepreneur and how these affect the perceptions of the outside environment. These two perspectives are the foundation for the method/capabilities an entrepreneur has to gain competitive advantage.

### **3.2 External Capabilities**

Technologically based start-ups play an important, and integrated, role of the economy within a region as well a country (Somsuk, Wonglimpiyarat & Laosirihongthong, 2012). A study conducted by Wiggins & Gibson (2003) in the US showed that jobs created within incubators (e.g. start-ups) have increased the amount of tax being paid, more commercial real estate's have been rented out and jobs have been created in other sectors. This means that successful start-ups contribute to the economy of a nation but also to the local economical development (Somsuk, Wonglimpiyarat & Laosirihongthong, 2012). Due to this factor states, to some extent, depend upon the development of new enterprises within their geographical region and it is recognized that governmental institutions influence the behaviour and the capability to use resources of entrepreneurs (Henrekson & Sanandaji, 2010). The enterprises operate within this regulatory system and they are forced to adapt to laws and regulations. As a consequence, this affects the capabilities for an entrepreneur to use a resource (Henreksen & Sanandaji, 2010).

Beaver & Prince (2002) argue that the role of the government – from a start-up perspective – is to lay out a foundation for a friendly framework, which focuses on innovation and entrepreneurship. In order to benefit small start-ups, regulations that disadvantage these start-ups should be removed and thereby increase the capability to use important resources. Governmental regulatory institutions can create ‘the right economic, fiscal and regulatory framework within which innovation and entrepreneurship can flourish’ (Beaver & Prince, 2002:37). This includes tax credits: ‘governments cannot make SMEs innovate’ (Beaver & Prince, 2002:37).

This raises an important question: are entrepreneurs in India and in Sweden equally capable of using important resources? By looking at the theoretical argumentation so



far, one can see that entrepreneurs need to apply the institutional norms to their enterprise and that these are highly affected by external regulatory institutions. This in turn influences the capabilities within an enterprise because the friendly framework may not always be interpreted as friendly and this interpretation affects the capability to make use of available resources (Scott, 2014).

Every single aspect of the four resources cannot stand by itself as the need for 'organizational resources' are important within the 'human resources' (Huselid, 1995; Wright, Dunford & Snell, 2001), 'technological resources' (Beaver & Prince, 2002; Vissa & Chacar, 2009) and 'financial resources' (Ebbbers, 2014). Peters, Rice & Sundararajan (2004:84) argue that:

'once the idea is formed/recognized and the entrepreneur decides to proceed with that idea, incubators could play a significant role from the point of assembling the resources to harvesting the rewards'.

In other words, business assistance is often crucial for the capability to use these resources and to develop future start-ups. For instance, an incubator as an external institution can assist the entrepreneurs with business planning and legal expertise to assist with regulatory institutions such as the state (Peters, Rice & Sundararajan, 2004; Scott, 2014; Somsuk, Wonglimpiyarat & Laosirihongthong, 2012). Other elements that an incubator organizes are rental space, administrative equipment and other aspects that benefit the work in start-ups. These benefits allow entrepreneurs to focus on their business (e.g. gaining capabilities to use resources) other than time consuming and unproductive activities (Wiggins & Gibson, 2003).

Incubators have often developed a network of strong professionals that provide the start-ups with good services to a good price (Wiggins & Gibson, 2003). This means that the professionals within an incubator act to the goal (help start-ups) but they interpret both the goal and the help subjectively, just as the entrepreneurs do (Scott, 2014). The very cornerstone of an incubator is to offer start-ups the support that is needed to increase their overall survival rate. This external capability enables start-ups to focus on their technology when competing with competitors both globally but also regionally. This means that if their product(s) are more innovative than comparable products on the market, the start-up has achieved an advantage that will keep the company going (Barney, Ketchen Jr & Wright, 2011).

From an external perspective, an incubator is an important network as the entrepreneur needs people who know the regulatory framework as-well as people who can provide advice on how to build a beneficial cultural working environment (Scott, 2014). Moreover, an incubator can signal a strong market position to potential investors. An investor interviewed by McAdam & Marlow (2011:459) stated that:

[...] you have good ideas in bad hands and bad ideas in good hands, you rarely get good ideas in good hands and that's the risk we take, to weed out the lemons and turn bad hands into good ones but so much can go wrong in the process [...]

As seen in the quote, investors look for good ideas in good hands and a strong network brings benefit to an individual. An incubator can improve the possibilities for success for an entrepreneur (Ebbers, 2014; McAdam & Marlow, 2011) and an investor can also see entrepreneurs in an incubator as a lower investment risk than entrepreneurs that are alone (Hannon & Chaplin 2003 in McAdam & Marlow, 2011). Entrepreneurs should therefore build networks that cover as many structural holes in their daily business as possible (Vissa & Chacar, 2009).

This approach requires protection of the business idea as the unique combination of the capability to use resources should be protected (Angeles, 2011). The role of a regulatory institutionalised patent system has proved important for economic development because investors need to have return on invested capital in order to invest. However, later research has shown that most innovative solutions were not patented and would have taken place either way (Angeles, 2011). This would indicate that the motivators for becoming an entrepreneur are stronger than the regulatory protected return on investments (Scott, 2014). Also, investors tend to invest even if the idea is not patent (Angels, 2011).

McAdam & Marlow (2014) argue that there are several uncertainties for venture capitalists when they fund newly started enterprises as the idea is new, the business is small and untested. Investors tend to invest in 5 % of the enterprises presented for them (McAdam & Marlow, 2014). For investors, the role of business in an incubator can be interpreted in two ways: 1) the entrepreneur lacks confidence and is more vulnerable compared to independent entrepreneurs or, 2) there is a high level of competition to achieve access to an incubator and when access is granted, infrastructure, network and advisors are available (McAdam & Marlow, 2014). The

role of an incubator could be seen as an institutional normative because it helps the entrepreneur to define the rules of the game and they help the entrepreneur identify appropriate goals and achieve capabilities to use the resources in order to reach the goal (Scott, 2014).

### **3.3 Internal Capabilities**

Even if the capability to use resources is a key to survival and success, it is important to combine the resources with an adequate business plan that can guide the entrepreneur but also the management and the people working at the start-up; the focus must be on customer requirements. Innovation is in other words not only a critical factor for start-ups but as important is the ability for the enterprise to guide the employees to adjust the technology in order to satisfy customers (Beaver & Prince, 2002). This leads back to the role of 'human resources' and human capital because cultural institutional researchers argue that employees need different motivators. A normative researcher would stretch this argument with the fact that each employee interprets an objective differently (Scott, 2014). This also means that 'human resources' as a resource are far from homogenous and that requires skills (Beaver & Prince, 2002; Scott, 2014).

Employees play an important and strategic role in gaining a Competitive Advantage over rivals (Wright, Dunford & Snell, 2001), especially in the fast moving ICT-industry (Salma & Shahee, 2013). As argued by Somsuk, Wonglimpiyarat & Laosirihongthong (2012), the human resources conducted by a start-up is an important key to success for many entrepreneurs because highly skilled and motivated employees have greater potential to achieve competitive advantage. This means that an entrepreneur needs to develop an internal human resources strategy that enhances the development of the enterprise. This internal human resources-strategy will be a reflection of the external environment in which the enterprise operates because the entrepreneur needs to develop an institutional cultural environment that both suits the entrepreneur and enhances the development (Wright, Dunford & Snell, 2001; Scott, 2014). This means that it is important for entrepreneurs to build teams that complement each other's functionalities as an addition to their external network (Vissa & Chacar, 2009).

The personnel within an enterprise can be motivated by compensation systems that are interconnected to the performance of an individual or a group. An example of this is promotion or another – individual – incentive that can motivate a person to do a better job and thereby create a better working atmosphere (Huselid, 1995). From a cultural aspect, the motivators will be approached differently as some employees will find the motivators beneficial and some will not. Furthermore, the employees will have different internal reasons for working at a specific enterprise and this will reflect the approach towards a benefit system (Scott, 2014). Effective human resources strategies emerge from work design, work culture and skills that employees possess. It is therefore important for the entrepreneur to know what motivates his or her individual employees in order to be able to craft the right benefit system for their enterprise (Wright, Dunford & Snell, 2001).

If they employees do not feel appreciated, the enterprise will not achieve the same advantage as it could achieve (Huselid, 1995) because the employees will no longer have the same commitment (Lai, Liu & Kao, 2009). When an employee is satisfied or understands that (s)he can be satisfied, their commitment towards their workplace will be stronger (Lai, Liu & Kao, 2009). The cultural interpretation of a workplace is important (Scott, 2014) as the employees provide the start-up with a unique set of skills and routines that competitors will find difficult to reproduce, and this reduces the productivity losses of an unmotivated workforce (Huselid, 1995). Competitive Advantage through ‘human resources’ can be understood as a combination of learning, cooperation and innovation that have evolved from a historical context within the company (Wright, Dunford & Snell, 2001).

Vissa & Chacar (2009) take a similar stance on the importance of competitiveness and the underlying strategies as venture capital depends to the same extent of the consensus of goals and strategies within the core team as it does on external networks. In other words, the argument is that it does not matter what strategy the enterprise does, rather that there needs to be a consensus about the technology and the future path for developing this technology. Lack of an overall agreed strategy results in team members wasting energy on trying to find information; consensus enables the team members to more efficiently select information in the external network (Vissa & Chacar, 2009). This information than can develop their technology further.

As conceptualized on page 11, the internal capability to use organizational and human resources is affected by the external environment. This means that the organization in which the 'human resources' operates, need to be flexible towards the external environment and the external institutions (Salma & Shahee, 2013; Scott, 2014).

The internal capability exists for the usage of 'human resources' and 'organizational resources'. However, it is difficult to measure how human resources are used as one (of many) ways to benefit employees is with a compensation system (Huselid, 1995). This problem has a direct spill-over effect towards the organization and how an entrepreneur builds his team. There are different types of organization that require different types of managements and it can therefore not be measured either (Vissa & Chacar, 2009). However, what can be compared and analysed is the attitudes toward 'human resources' and 'organizational resources' by an entrepreneur; has (s)he the same approach towards these resources as suggested by the theories?

## 4. Analysis

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In the analytical part of this thesis, the author will use the same disposition as in the theoretical chapter as the model of RBV is used as an analytical tool for the interviews. The individual perceptions are then further analysed with institutional and entrepreneurial theories because the aim of this thesis is to analyse the entrepreneurial capabilities of using resources.

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### 4.1 The perceptions of becoming an entrepreneur

Many of the theories within entrepreneurship and why people start an enterprise within ICT are universal. The focus is on specific classifications rather than on what separates the motivation of becoming an entrepreneur in India and in Sweden (for instance, Ebbers, 2014; Krueger, 1993). From an institutional perspective, the entrepreneurs within the regulatory framework of India have the same attitude towards entrepreneurship:

Being an employee at some organization restricts you to do something more than that. When you are an entrepreneur, you have to face a whole lot of uncertainties and adapt to different different scenarios (Indian Entrepreneur 3).

I think it is exciting; it is a very fast growing space. There is a huge amount of opportunities and I think that India as a country is going through a huge transition and it is exciting for me to be a part of that transition (Indian Entrepreneur 6).

What can be seen in the two quotes is that emphasis is on being able to work independently and having the capability of doing something on your own. None of the entrepreneurs in India put emphasis on earning money as a motivation for starting their business. Rather it was the opportunity to build something from an idea and work independently with it. In other words, the entrepreneurs in India seem to have the same approach towards the perception of opportunities as claimed by Krueger (1993). They want to be a part of the growing ICT-industry in India and they find it to be exiting (Henrekson & Sanandaji, 2010; Scott, 2014).

In the case of the Swedish entrepreneurs, similar arguments are found:

Our business started out as a hobby project. [...] We didn't sit down and say 'lets create this amazing business and earn a lot of money and this is what I am gonna do'. [...] We started off with something small, we got a lot of traction and we said 'maybe we can do something more'. [...] just before I graduated university, I could basically take the choice, 'I want to continue with it' (Swedish Entrepreneur 7).

The attitude of starting a business in both India and Sweden are the same, the perceptions of entrepreneurship as an act of opportunity of creating something on your own are the natural answer in both India and in Sweden. None of the entrepreneurs in India or Sweden argued that they started an enterprise in order to capitalize on an idea as theorized by Ebbers (2014). This can be explained with cultural institutional theory because the environment is more important than the profit in the beginning of the start-up phase (Scott, 2014).

The entrepreneurs in both countries were located in prominent business incubators, so called Science Parks. Several of the entrepreneurs started their business when they were students at the university to which the Science Park is connected (Indian Entrepreneur 1; 2; 3; 5 & Swedish Entrepreneur 7; 8). This indicates that close friends (or in this context, the entire geographical surrounding) inspired them to start an enterprise, in some cases alone (Indian Entrepreneur 1; Swedish Entrepreneur 10) and in some cases together with teachers, researchers or classmates (Indian Entrepreneur 2; 3; 6 & Swedish Entrepreneur 7; 8; 9). In other words, Ebbers (2014) theory of motivators for becoming an entrepreneur is accurate in the case of the incubator in India. In Sweden, the reason for becoming an entrepreneur – as of close relatives being a motivator – only one entrepreneur had that experience:

The whole entrepreneurship thing comes from the childhood cause our dad has sort of always been an entrepreneur. [...] My brother, he is 14 years older than me and they founded a quite successful company and they did an exit and then he said 'alright, lets start something together' (Swedish Entrepreneur 8).

The other entrepreneurs in Sweden had either a hobby or an idea that they wanted to test and when they noticed that it worked then they started an enterprise (Swedish Entrepreneur 7; 9; 10). As one can see in the quote, the entrepreneurs' interpretations are that they have been affected by their surrounding environment as the culture impression is an explanation to this because they saw an opportunity to start something new (Scott, 2014).

All entrepreneurs started their business according to the six phases in Baron & Shane (2003). However, none of them are at the stage where they can harvest the rewards (Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10). Why each and one of them became an entrepreneur is therefore nothing that can be explained by financial or geographical context, rather of the immediate cultural surrounding of the

entrepreneur before he or she started an enterprise. This finding is in line with earlier research conducted by Ebbers (2014) as well as institutional theory as argued earlier in this paragraph (Scott, 2014).

## 4.2 Capabilities to use resources

As argued in the former paragraph, neither the financial nor the geographical context explains why an individual starts an enterprise. Rather, the perceptions of founding a new institution (company) and work independently with the own idea was the main motivator. This perception was created by the cultural environment in which they were raised or in which they live in as for them, it was normative to start an business (Ebbers, 2014; Indian Entrepreneur 1; 2; 3; 4; 5; 6, Scott, 2014 & Swedish Entrepreneur 7; 8; 9; 10). From a theoretical point of view, two countries can have two different approaches towards the understanding of how business are conducted (Lai, Liu & Kao, 2009; Scott, 2014) and this affects their method to gain competitive advantage. The author will continue this thesis with an analysis of the capabilities to use these four resources as conceptualized on page 11.

## 4.3 External Capabilities

The entrepreneurs in both India and Sweden are more than aware of the external framework that they have to adapt to and several of the entrepreneurs found this environment to be important as it function as a framework to which they have to adapt. However one important difference is that several of the Indian entrepreneurs chose to outsource the contact with these institutions, either to someone within their company or to a partner company (Indian Entrepreneur 1; 2; 4; 5; 6). The usual argument was:

I hired somebody to do it for me [...] because I would not want to get into it. That is not my call, I hired an expert to make the company go thru registration, legalities and I didn't do anything except for putting my signature to some places and that was it. [...] I'm not here to understand government realities. Other people can do a better job than that and I am willing to pay them for that (Indian Entrepreneur 6).

In terms of the role of the external environment in Sweden, the entrepreneurs perceive the business-climate differently. On the one hand, some argued that the government always is present with regulations and high taxes (Swedish Entrepreneur 8; 9) while



others argued that the state is neutral and straightforward to deal with (Swedish Entrepreneur 7; 10):

I don't really feel that I am getting any support from the state. [...] I had minimum wage all throughout the year but the end of the year we managed to get some good deals, which included quite some money and now we get to pay a lot of tax [...] working for free and then once you like sort of succeed at the end of the year then you have to pay so much tax. It is like getting the middle finger for your hard work (Swedish Entrepreneur 8).

I would say that [the state] can be very neutral if you want it to be. There are a lot of services and products out there that can help you take care of things but I mean, if you just want to get it done, it doesn't really feel that bureaucratic (Swedish Entrepreneur 7).

Beaver & Prince (2002) argue that the role of the government – from a start-up perspective – is to lay a foundation for a friendly framework, which focuses on innovation and entrepreneurship. As seen in the two quotes, there are direct disagreements within the regulatory framework of Sweden towards the role of the state. As of now, neither of the entrepreneurs have the need to use the institutions that are available in Sweden or India. However, the entrepreneurs in India were more pessimistic about the state (India Entrepreneur 1; 2; 3; 4; 5; 6) but two entrepreneurs in Sweden saw the state as neutral (Swedish Entrepreneur 8; 10) while the other two were pessimistic towards the state (Swedish Entrepreneur 7; 9).

Henrekson & Sanandaji (2005) argue that if the regulatory framework is not friendly, an entrepreneur can for instance choose to evade the governmental institutions for example by avoiding taxes (legal) or evade taxes (illegal). One entrepreneur states that:

You can never compromise [with business ethics]. No money under the table. [...] Never entertain! [...] If you are found in bad practices you will be told to leave. [...] If you want the country to grow, you will have to support the government in all aspects (Indian Entrepreneur 4).

Even if the entrepreneurs in India as-well as in Sweden have different perceptions of the role of the state they all seem to respect the regulations (Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10). In order to stretch this argumentation further, jobs created within incubators (e.g. start-ups) had increased the amount of tax being paid, more commercial real estate's was rented out and jobs were created in other sectors (Wiggins & Gibson, 2003). Governments can create 'the right economic, fiscal and regulatory framework within which innovation and entrepreneurship can flourish' (Beaver & Prince, 2002:37). Even if the entrepreneurs do not agree with the

state all the times they still seem to follow the regulations instead of avoiding or evading them (Indian Entrepreneur 1; 2; 3; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10).

By looking at the role of the start-ups, innovation within technological enterprises has become an important aspect of economic growth, both for nations but also for start-ups (Barney, Ketchen Jr & Wright, 2011; Beaver & Prince, 2002). This is a fact that is very present for all entrepreneurs, both in Sweden and in India. Even if all agree upon that perception (Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10), companies in India seem to combine technological advancement with competition from the entire globe. In Sweden, the perception is that technological competition comes mainly from the west (e.g. the US):

In a way, we are changing everything. [...] How can you give a B2B product for free? It doesn't happen, right? [...] Our approach is very different. Maybe, after a year, [...] looking at our success, people will come up with such kind of stuff. But we will always be early movers [...] and the kind of understanding we will have – because we have started this – of the market maybe no one else will have (Indian Entrepreneur 5).

Outside Europe, USA has been doing tremendous success with all the [technology] and that is... That is something we don't want to touch with a long stick because they have advanced a lot. [...] I don't think that European companies they don't really feel themselves as competitors to Chinese companies (Swedish Entrepreneur 9).

As one can see, the two quotes indicate a difference in how the market within ICT is approached: on the one hand, the Indian entrepreneur sees the market as an entity and their perception is to change everything while the Swedish entrepreneurs see it as diverse and protected.

When an entrepreneur is targeting the market with a new invention or an innovative product, the technology is more likely to be accepted and used if it has an advantage over established technologies (Roger, 1995 in Engström et al, 2008). The Indian entrepreneurs want to change the market while the Swedish entrepreneurs seem to adapt to it (Henrekson & Sanandaji, 2010; Scott, 2014). The Swedish entrepreneurs tend to adapt to a changed regulatory framework by dividing the institutions into different markets; when competition gets tougher they see the market as smaller (from global to only a few countries). This indicates a fundamental difference in the vision of the potential capabilities that exists within their companies as the Indian entrepreneur see more competitiveness in their companies than the Swedish entrepreneurs do (Indian Entrepreneur 1; 2; 3; 4 5; 6 & Swedish Entrepreneur 7; 8; 9; 10).

By looking at the ‘financial resources’, it seems like the entrepreneurs in India have better possibilities to find investments. This is an argument that can be tracked to the regulatory framework of the government as an institution (Scott 2014) as India is ranked 7 in the world with protection of minority investors while Sweden is ranked 32 (Doing Business Index, 2015). However, it seems to be a discrepancy: the people who have been offered investments tend to have been offered a lot of investments (Indian Entrepreneur 1; 2; 5; 6) and the people that have not been offered investments argue that it is difficult to be funded (Indian Entrepreneur 3). In terms of investments in Sweden, the entrepreneurs argue that they lack the same investment possibilities compared to start-ups in prominent business incubators in other countries. This is supported by the doing business index (2015) and is therefore a result of the regulatory institution in Sweden (Scott, 2014). This limits the entrepreneur’s capability to use both ‘financial resources’ but also to invest in other resources (Swedish Entrepreneur 7; 8; 9; 10):

The US, for instance [...] as soon as a good idea is born in the US [...] they throw in a hundred million US dollars and then they just take the market. Compared to here, if you have the best idea in the world and it is patent and everything... You might find a couple of millions and you get it started and then you have to prove things (Swedish Entrepreneur 10).

The quote combined with the fact that good idea alone is not a guarantee to be sufficient and successful only proves that a strong network brings benefit to an entrepreneur (Ebbbers, 2014). In the case of India, the entrepreneurs want to use the venture capital as a way to quickly scale up their business (Indian Entrepreneur 1; 2; 5; 6). It also indicates that Swedish entrepreneurs do not have the same capabilities to use external capital as a resource. As the Swedish entrepreneurs argue that there is an absence of venture capital in Sweden, it means that the entrepreneurs have a more pessimistic vision towards a potential of scaling up of their business in the future (Swedish Entrepreneur 7; 8; 9; 10).

The incubator can improve the possibilities for success for an entrepreneur to acquire funding (McAdam & Marlow, 2011) but it is a matter of geographical location what the odds for success are. If an entrepreneur has a good idea in a business incubator in India, (s)he has better odds than an entrepreneur in Sweden to gain capabilities to invest in resources. This increased capabilities also provide the Indian entrepreneurs

interviewed in this thesis with a more aggressive and positive attitude towards the future than their Swedish counterparts (Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10). The role of an incubator could be seen as an institutional normative because it helps the entrepreneur to define the rules of the game and they help the entrepreneur identify appropriate goals (Scott, 2014). The incubator in India seems to provide the entrepreneurs with a more aggressive approach towards growing very big and this is the main argument for attracting investors:

We are a small start-up with a big risk and banks are not that much big risk takes with their money. These people are investors, they are good risk takers and they know that if this works they will be rich, that is the logic. That is the game. Everyone knows that if it works out everybody will be rich (Indian Entrepreneur 1).

McAdam & Marlow (2014) argue that the role of business in an incubator can be interpreted in two ways: 1) the entrepreneur lack confidence and is more vulnerable compared to independent entrepreneurs or 2) there is high competition to achieve access to an incubator and when access is granted; infrastructure, network and advisors are available within that institution. In Sweden, all the entrepreneurs argued that they wanted to do an exit within a couple of years (Swedish Entrepreneur 7; 8; 9; 10) while in India, all wanted to become big companies (Indian Entrepreneur 1; 2; 3; 4; 5; 6).

One rule of the game within an incubator is capital as a resource as Indian entrepreneurs have an aggressive risk taking attitude towards investors: If you invest, you can get rich. In terms of Swedish entrepreneurs, they do not seem to have the same capability to attract investors and use their resources. Neither of them argued about the benefits of investing in them either (Swedish Entrepreneur 7; 8; 9; 10). This is an interesting cultural difference between the two incubators; the normative in India is to grow very big while the norm in Sweden is to do an exit (Scott, 2014).

Wiggins & Gibson (2003) argue that a majority of technological start-ups need other peoples' investments to start and expand a business. In the case of Sweden, the entrepreneurs argue that they do not need investments as a resource because the annual turnover covers the costs and salaries (Swedish Entrepreneur 7; 8; 9; 10). It seems to be a consensus among scholars about the importance of networking and potential funding (Ebbers, 2014; McAdam & Marlow, 2011; Wiggins & Gibson, 2003) and this is also the perception of the entrepreneurs in both India and Sweden

(Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10) even if many entrepreneurs in Sweden argue that they do not need funding. The start-ups at the incubators all agreed upon one single important factor with the incubator:

What was it that we wanted? It was the network; Network of investors, network of people, companies were we can go and pitch easily. [...] We were already profitable; we were already doing good business. So we did not want the physical space for the incubation but we wanted a virtual space (Indian Entrepreneur 4).

The entrepreneurs in Sweden as well as in India argued that yes indeed, incubators are crucial in order to increase the capability to use resources (Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10). Even if that is the case, the Indian entrepreneurs had a different view of incubation; it is a key to success but also something that you grow out of:

In [our incubator] there are many start-ups, which has grown up very big and now they are one billion dollar companies. [...] Some company started two and a half years ago and they are more than I think 3 hundred, 4 hundred million dollar [companies] (Indian Entrepreneur 1).

The incubator is a good support system when you start [your company] but you need to know that it is something that you need to grow out of. [...] We are growing too fast and there is not enough space to grow here anymore. Some point of time you want to leave the nest, the earlier the better (Indian Entrepreneur 6).

For start-ups, these organizational tools – provided by incubators – are of great assistance (Somsuk, Wonglimpiyarat & Laosirihongthong, 2012). These are factors that are recognized by all entrepreneurs and one of these challenges is the relationship between larger firms and the start-up: signing business-deals, licensing agreements, disagreements and so on. The important focus for the start-up is to sign a deal that does not endanger the future survival of the company (Beaver & Prince, 2002). The overall focus and goal for the entrepreneurs in India are to leave the incubator, the sooner the better; they want to grow out of the incubator and become the billion dollar companies that earlier success stories tell (Indian Entrepreneur 1; 2; 3; 5; 6). The focus in Sweden on the other hand is to create social sphere that, to some extent, complement the ordinary (social) role of co-workers for an employee at a firm (Swedish Entrepreneur 7; 8; 9; 10). This is an important factor, in terms of external capabilities to use resources; Indian entrepreneurs are more aggressive towards the incubator and the investor because they all want to grow very big.

## 4.4 Internal Capabilities

One important aspect of internal capabilities is ‘human resources’. Between entrepreneurs in India and entrepreneurs in Sweden there is a big difference in their attitude towards employees. Wright, Dunford & Snell (2001) argue that employees play an important and strategic role as a resource in gaining Competitive Advantage over competitors, especially in the fast moving ICT-industry (Salma & Shahee, 2013). By scratching on the surface, the struggle to find good employees is the same for people in India and Sweden but the willingness to take risks differed:

Human Resources is the only key to success of any company. [...] [My employees] are really smart guys. I struggled; I screened more than hundred people before I find these guys... We have screened more than hundred people to have these people onboard. [...] it was a costly process but we knew that it is costly but it will give us a return in the long run. [...] They are working passionately (Indian Entrepreneur 1).

We have been thinking [of hiring] but then we need an entrepreneur that sort of be passion and... [...] we have had some people that we have tested; internship or time based, project based... [...] But we were not satisfied (Swedish Entrepreneur 9).

As one can see, each of the entrepreneurs in India as well as in Sweden have trouble finding – what they refer to as – good employees that matches the criteria conducted by the entrepreneur. As theorized by, Somsuk, Wonglimpiyarat & Laosirihongthong (2012), the ‘human resources’ conducted by a start-up, is an important key to success for many entrepreneurs. The people in Sweden seem to have different criteria’s than in India as a few of them have not employed anyone due to lack of the right competence or money (Swedish Entrepreneur 7; 8; 9) and the start-up that has employed does not seem to find spill-over effects with sharing the wealth with stocks, product ownership et cetera (Swedish Entrepreneur 10). Moreover, the entrepreneur in India argued that it was worth the time and risk to find employees while the entrepreneur in Sweden did not see it as worth the effort to employ someone.

When analysing this underlying approach towards employees by the entrepreneurs further, it seems like the start-ups at the incubator in India focused on keeping key employees motivated (Indian Entrepreneur 1; 2; 3; 5; 6) with (highly normative and regulatory institutional incentives such as) product ownership, stocks and so on. The entrepreneurs in Sweden focused on being able to afford employees, people that will ease the workload and they are not to be found (Swedish Entrepreneur 7; 8; 9). The norm in Sweden seems to be that it is the responsibility of the entrepreneur to succeed

and be inventive while in India it is the work of a collective (Scott, 2014). It is clear that the capability of sharing and cooperating as a central resource is more respected in India than in Sweden (Indian Entrepreneur 1; 2; 3; 5; 6 & Swedish Entrepreneur 7; 8; 9). Huselid (1995) argues that the productivity of an unmotivated workforce will be limited and if that is the case, the competitors will have the opportunity to gain an advantage. From an institutional perspective, these two views can be explained by the cultural perception of themselves (Henrekson & Sanandaji, 2010; Scott, 2014). Swedish entrepreneurs see themselves as inventive and they need people to assist them. In terms of entrepreneurs in India, they see people as inventive. In other words, two different cultural pictures of 'human resources' exist between India and Sweden (Scott, 2014).

One entrepreneur argues that he wants every major employee to have a stake in his company (Indian entrepreneur 6). A second entrepreneur who started his first business in India several decades ago argues that:

I have seen how these things work, [...] that really helped me to create that kind of environment for people around me. I was able to convince them! Why we should focus on long-term relationship, why we should focus on building an eco-system. [...] You also need to share the wealth; you need to have that mind set to share the wealth. It is very important (Indian Entrepreneur 4).

In the case of Sweden, the central discourse of sharing the cake (e.g. sharing stocks or product ownership) with employees is close to absent. One employee invested in one company in Sweden, not because she was offered it but because she wanted it (Swedish Entrepreneur 10). None of the entrepreneurs in Sweden have a benefit system in place and none of them had cooperation/sharing as an important resource (Swedish Entrepreneur 7; 8; 9; 10). In terms of the general answers from Swedish Entrepreneur, these two quotes display the general mind-set:

We are discussing [to employ people] and right now it is actually a matter of money. We could use someone to sit by my side and do some developing and do some business developing. Mainly, like coding and programming. [...] But it is a question of money (Swedish Entrepreneur 8).

We do need more people... But somehow, we haven't been able to afford it. [...] The other person that would come probably would take some time to learn and all that; let's say it has to be a very good person that we cannot afford (Swedish Entrepreneur 9).

This differs from India where the entrepreneurs seem to perceive motivation as getting a piece of the cake: a regulatory and normative institutionalised compensation

system is an important driver for the employees. From a cultural perspective, the employees in India will interpret the compensation system and act according to their interpretation (Scott, 2014). Furthermore, Huselid (1995) argues that a compensation system can motivate an individual but it is not a necessity that it actually is a motivator as every employee is unique. However, entrepreneurs in India seem to possess more capability to use 'human resources' as an actual resource. None of the Swedish entrepreneurs seems to perceive employees as inventive as they need someone to sit by their side (Swedish Entrepreneur 8) or good people are not affordable (Swedish Entrepreneur 9). This can be explained from an institutional perspective as the entrepreneurs give themselves the role of an inventor; they give themselves the right to this role and they see it as their duty to succeed (Scott, 2014).

By looking at 'technological resources', all of the interviewed entrepreneurs – independent of location – argued that it is vital to be in the forefront of invention; it is crucial to have capabilities to use available resources to develop the technologies. The following two arguments from an entrepreneur in India and in Sweden are representative for all respondents:

For now, we focus on our product. A part of our research we are now focusing on our service. We try to do good services, get some money to develop good products (Indian Entrepreneur 2).

At the end of the day, I think as a small company your only major competitive advantage is being innovative. So trying to be on the front line, trying to create new ideas and [...] explore areas where it is just not a matter of getting the work done, [...] rather come up with new ideas and innovate (Swedish Entrepreneur 7).

In other words, the main focus is on developing their technology and getting the new technology out on the market; all entrepreneurs claim that their business idea is either the best on the market or completely new (Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10). Beaver & Prince (2002) argue that that innovation and technological progress is a key for survival and success. This means that the institutional approach from an entrepreneurial perspective is mostly economic and regulatory and that physical capital is the key to success. Even if Angels (2005) argues that new and inventive physical capital should be protected with property rights, only one entrepreneur has protected his idea (Swedish Entrepreneur 10).



This leads us back to the perception of technology combined with the perception of the market. Barney, Ketchen Jr & Wright (2011) argue that, for a start-up, the product that is more innovative than comparable products on the market achieves an advantage that will keep the company going. Based on this argument and combined with findings from the answers, a clear division between the entrepreneurs emerged. While entrepreneurs that only focused on Mobile Applications argued that they have one market (Indian Entrepreneur 1; 2; 5 & Swedish Entrepreneur 7), entrepreneurs that developed a physical product – operated with ICT – argued that the world consists of several markets (Indian Entrepreneur 3; 4; 6 & Swedish Entrepreneur 8; 9; 10). Even if the perception of what the market is and where it differs, the perceptions of how to best approach it are the same and independent of segment as well as location.

In order to achieve technological development, external resources are important in order to gain capability to use all available resources. McAdam & Marlow (2014) argue that there are several uncertainties for venture capitalists when they fund newly started enterprises as the idea is new, the business is small and the idea is untested or in one of the early phases as defined on page 1. Investors tend to invest in 5 % of the enterprises presented for them (Stinchcombe, 1965 & Berlin, 1998 in McAdam & Marlow, 2014). The entrepreneurs – independent of location – tend to have the same arguments and the same approach towards investments as the investors: the entrepreneurs will not accept any kind of investment (Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10). However, the Swedish entrepreneurs seem to have more difficulties with the capability of finding capital than their Indian colleagues:

Some investors said: ‘Ok, we need some traction and only then we will fund’. Some are ready to invest only in the idea; they don’t even need a product. I received an offer from an investor in India and they were ready to give me money, which was more than what I asked for and without any product. I just had an idea. That’s it (Indian Entrepreneur 1).

What we are looking for is sort of a partner that is willing to invest in one-way or another. [...] So we have been [to some companies] with it. It is... Difficult, yes. It is taking... So far it has taking a number of meetings and about four or five month’s times and still there is no yes or no (Swedish Entrepreneur 9).

Vissa & Chacar (2009) take a similar stance on the strategies as venture capital depends on the consensus of goals and strategies within the core team. In other words,

the argument is that it does not matter what strategy the enterprise does, rather that their needs to be consensus within an enterprise.

This leads back to the role of ‘human resources’ and human capital as a resource within an institution; cultural institutional researchers argue that employees need different motivators. A normative researcher would stretch this argument with the fact that each employee interprets an objective differently (Scott, 2014) and this seems to be the key focus for the entrepreneurs’ as-well. One entrepreneur states that:

Our policy is very clear; we are here to do something. Anything that is not directly our work we will outsource until we need to build internal capability. But we do everything in the best possible way, if someone else can do it better than us; let him do it (Indian Entrepreneur 6).

This means that there is consensus within all companies, independent of geographical context as it is absolutely crucial to have the capabilities to grasp resources in order to be innovative as well as to be more innovative than the competitors. However, the entrepreneurs in India are more rhetorically aggressive in their argumentation about venture capital and technological development.

As seen so far in the Internal Capability chapter, ‘organizational resources’ are important for ‘human resources’ (Huselid, 1995; Wright, Dunford & Snell, 2001), Technological Development (Beaver & Prince, 2002; Vissa & Chacar, 2009) and attracting financial resources (Ebbbers, 2014). These resources were considered important for the entrepreneurs during their start-up procedures. In other words, the organizational skills in respective start-up are a crucial key to the future development of the company as-well as the potential for future harvest of the rewards. Of this reason, all entrepreneurs applied for incubation and they argued that an incubator increased their capabilities to use resources. In terms of the incubator, it plays an important role for providing entrepreneurs with specific organizational resources that otherwise can be difficult to find such as connections, network and mentorship (Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10). However, one other aspect was particular highlighted in Sweden, and not in India:

[The incubator] is really important for my social networking since I am the only one in my company that works full time. I consider these people like being sort of my co-workers and there is always someone to talk to (Swedish Entrepreneur 8).

It is an important factor to give you connections, give you feedback, give you an environment with other people that is also starting up, a laugh and path on the back every once in a while and 'don't give up' and 'keep fighting' (Swedish Entrepreneur 10).

This argumentation can be explained with a cultural institutional theory: even if they are not employed they still need a social sphere to be motivated (Scott, 2014). As seen in the quotes, the Swedish entrepreneurs also argued about the social benefits. This is an argument that was not found among the Indian entrepreneurs, even if they also argued that it is lonely to start your own business (Indian Entrepreneur 1; 2; 3; 4; 5; 6). Even if it is argued to be lonely, the entrepreneurs in India were more aggressive towards risk taking and the importance of being able to be capable to use the right resources. The social context is not an important resource according to the RBV and this also indicated that the capabilities to focus on the four resources are smaller in Sweden than in India (Peters, Rice & Sundararajan, 2004; Somsuk, Wonglimpiyarat & Laosirihongthong, 2012).

## 5. Discussion and conclusions

By looking at the capabilities and attitudes to use the resources in the framework of the RBV, the author identifies that, independent of geographical location, the rhetorical argumentation towards success remains the same as the most innovative technology on the market will be the winner. However, the capabilities to use resources are indeed affected by the perceptions of the external environment and this affects their methods towards future innovation within their enterprise. The author of this thesis argues that the entrepreneurs have the same rhetorical approach towards success but the path through the phases (as defined on page 1) are far from similar.

The first external capability that can be extracted from the analysis is the capability to use resources in the presence of governmental and regulatory institutions. Indian entrepreneurs feel that the governmental institutions are a direct time-consuming part of their work. The arguments by the entrepreneurs in Sweden are similar: two of the entrepreneurs argued that the state is neutral and two argued that it is present with taxation. The difference in this context is that the Indian entrepreneurs had solved their issues by outsourcing the problem with the state in order to focus on their business. This is not the case in Sweden as the entrepreneurs consistently came to the conclusion that high salaries (or other regulatory instruments) and the costly recruiting process unable them to employ people. From this, the author draws two conclusions:

- In India, the entrepreneurs have the capability to use 'human resources' as a resource even if it is a costly process to find good people. This means that they have solved the challenge with external regulatory frameworks, which influences their capabilities positively.
- In Sweden, the capability to use 'human resources' as a resource is argued to be highly affected by external regulatory frameworks. The entrepreneurs are not able to solve the challenge with either the high salaries or the costly process to find good employees. This affects their capabilities negatively.

The second external capability that was present was the role of external investors as a resource. The entrepreneurs in India argued that there is a rich amount of venture capital within the ICT-sector in India. The argumentation of entrepreneurs in Sweden

is that the number of external investors is limited and this means that the amount of capital available is limited. This normative difference between the two countries has a direct affect on the capability to use the available 'financial resources'. The entrepreneurs in India argued that it was easy to attract investors because the rule of the game is that if the entrepreneurs succeed, everyone involved will get rich. The entrepreneurs in Sweden argue that it is important with investors but they either did not need capital due to a turnover that covered their costs or they were unable to attract investors. This leads to the following conclusions:

- In India, the entrepreneurs have the capability to attract investors (if they have a good idea) and use the 'financial resources' as an attempt to grow big and make everyone rich.
- In Sweden, the entrepreneurs do not have the capability to use 'financial resource' to grow their businesses due to the absence of venture capital. Even if they had the capability to attract investors, several argued that they would still not use this external resource as they had an annual turnover that covered their costs.

The first internal capability is the rhetoric and argumentation that centred on the entrepreneur. By looking at Swedish entrepreneurs, the argumentation of innovation and the organization resources was that the entrepreneur came up with the idea/invention and developed it. In order to develop their business, they needed people to assist them. In terms of entrepreneurs in India, they had a different approach towards innovation and people as they argued that the most important factor of their business was their employees because it was the employees that were the main driver of the company. From this, the author concludes that:

- In India, the main focus is on the employees as a driving part to the development of the enterprise. Key employees are the inventive people and the entrepreneurial focus seems to be on finding the right (inventive) people. In the theoretical frame of RBV, the entrepreneurs in India have the capability to use 'human resources' as a resource.
- In Sweden, the entrepreneur sees himself or herself as the inventive factor within their company. Potential employees are people who do administrative work and ease the work load from the inventor (entrepreneur). In other words, the

enterprises that the entrepreneurs in Sweden founded do not have the internal capability to use 'human resources' as a resource.

The second internal capability is directly interlinked with the first one. Between the incubator in India and the incubator in Sweden there are two different cultural pictures of 'human resources'. While the entrepreneurs in India have a central discourse of sharing the wealth (e.g. sharing stocks, product ownership and similar) the entrepreneurs in Sweden do not have that mind-set because they simply do not see the benefits of doing so. No direct conclusions can be drawn from this but two different approaches to the understanding of organizational skills can be crystallized:

- In India, the central motivators for a good organisational build up are economical motivators such as stock sharing, product ownership and so on. Even if the focus on 'human resources' is more direct in India, it does not provide sufficient information towards the capability to use the organisation as a resource.
- In Sweden, none of the employees in either of the companies have been awarded with product ownership or stock sharing. However, as the central discourse was on relationship values (for instance, a path on the back) no conclusions can be drawn towards the capability to use the organisation as a resource.

There is consensus within all companies, independent of geographical context, that it is absolutely crucial to have the capabilities to grasp resources in order to be innovative as well as to be more innovative than the competitors. However, the entrepreneurs in India are more rhetorically aggressive in their argumentation about venture capital and technological development but also towards the role of the state. The Indian entrepreneurs want to grow big and successful while the Swedish entrepreneurs plan for an exit once their company are stable on the market. Statistical factors indicate that the regulatory framework in Sweden is less difficult to do business in compared to the regulatory framework in India. However, the statistical challenges in India seem to have created a more aggressive attitude towards ICT and business. While markets are growing together, it will be interesting to follow enterprises in India and Sweden and see what approach towards resources that will take the lead in the future. Will it be an aggressive economical approach or a more social familiar approach?

## 6. Concluding discussion

By applying a critical realist perspective as an ontological approach to this thesis and complement it with a phenomenological approach, the author argues that the regulatory framework of Sweden and India are a reality that can be interpreted differently. The regulatory framework is constructed by social rules and structures and these are indeed created by people. This has a consequence that the regulatory framework is changeable depending on what cultural, individual or societal group that approach or are approached by this framework (Bryman, 2008). From a methodological aspect, the discussion and conclusion on page 32-34 are therefore only valid for people within business incubators. For instance, it is highly questionable if all entrepreneurs within ICT in India can outsource their interaction with the government. And if they cannot do this, how does this changed external variable affect the capability to use resources and how does it affect the internal methods for the entrepreneur to achieve competitive advantage?

The method towards data collection is also an important factor. While semi-structured interviews enabled the author of this thesis to ask follow up questions to the answers (Kvale & Brinkman, 2009), it also meant that fewer entrepreneurs could be analysed due to a lack of financial resources. By constructing a questionnaire that grasps the capabilities to use resources in the RBV, far more data could have been collected. However, it is questionable if this would have been a superior method as all the entrepreneurs had different answers and unique approaches towards their enterprise and how competitive advantage could be achieved (Indian Entrepreneur 1; 2; 3; 4; 5; 6 & Swedish Entrepreneur 7; 8; 9; 10). The reliability would have been the same but the validity would not have been as strong because no earlier research has been conducted with the same approach as this paper (see page 3-4); what questions would have been asked? The author of this thesis argues that the research design that was chosen enabled the best possible approach towards a comparative study of entrepreneurship and capabilities to use resources between India and Sweden.

## 7. Reflections

To analyse entrepreneurship between two different countries and use an approach that analyse the capability to use resources is difficult. As argued in the concluding discussion, several methodological stances can be made and depending what the research chose to do, the outcome will be different. The same goes for the theoretical framework that the author chose. In the case of this thesis, the Research Based View focuses on the capability to use four different resources and the conclusion is therefore a directly affected by earlier research within this field. Hypothetically, the four resources in this theoretical framework might not at all be the resources that enable an entrepreneur to gain a competitive advantage within ICT and this would most certainly change the validity of this paper.

One of the Indian entrepreneurs stated something interesting: a small company that is founded in the US can be bought for several billion US\$ while Indian successful businesses are not even close to being worth that much (Indian entrepreneur 4). This statement together with the aggressive approach in the US as stated by Swedish Entrepreneur 10 put focus on an interesting institutional approach: it might not only be the business per se that is important, rather where you are located and how businesses in this location are approached by potential buyers. This would indicate complex institutional differences with multiple stakeholders that together shine light on an area that is yet to be researched. Of this reason and with reference to page 35, the author recommends future research about two important aspects of entrepreneurship:

- Do the capabilities to use the resources in the RBV differ depending on what institutional location an entrepreneur is located at? Does the external capabilities change dependent on if you are connected to an incubator or not?
- Does the economic evaluation of an enterprise within ICT differ depending on what location the enterprise are located in? What do potential buyers look for when they are looking for ICT-companies to buy?



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## Appendix 1: Interview form, India

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Interviewer: Jesper Hatakka, Lund University

Respondent: Pseudonym

Place: Name of Location, Country name

Length: XX h XX min

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### Phase 1: Personal level

- 1) Please tell me about yourself. Education, professional merits and so on.
- 2) How would you describe your career path before starting your company?
- 3) Why did you become an entrepreneur?
- 4) Have you started other businesses before?
- 5) What is it your company is doing? What is the business idea?

### Phase 2: Start-up phase

- 6) How would you describe your business idea? Do you imitate – to some extent – another enterprise? Do you try to satisfy a new need that you have identified in India? Do you want to sell your product on the global market?
- 7) Let us go back to the day you started the enterprise:
  - a. Can you please provide me with an overview – step by step – of how you formally started the enterprise? More precisely, did this process – to any extent – force you to change something with your product, business model or similar?
  - b. To my understanding it takes more or less a month to start an enterprise in India. Is this accurate? Did this process change your business model or product?
  - c. What did you perceive as the most difficult part when you started the enterprise? Formalities, funding, networking or anything else?
  - d. Did you feel that the bureaucracy was helping you or was the bureaucracy something you felt that you needed to go through?
- 8) Have you tried to get external funding from banks, private enterprises, from your family or similar?
  - a. If no, why not?
  - b. If yes, how would you describe the process of the founding? Which ways did you try? Did any of these ways fail?
  - c. How have you perceived the investment climate surrounding your business?
- 9) What role does this incubator play?

### Phase 3: The Business model

- 10) What is your business model?
- 11) How have your product(s) change since the first day you started the company?
- 12) How have your business model changed since you first started your company?

- 13) There are a lot of enterprises within ICT and that has a consequence of high competition, both within India but also on the global market. Based on this:
  - e. What is your strategy to be competitive compared to your Indian competitors? How do you position yourself compared to local competitors?
  - f. What is your strategy to be competitive compared to competitor on the global market? How do you position yourself compared to global competitors?
  - g. Do you consider yourself to have an advantage or a disadvantage as an entrepreneur in India compared to an entrepreneur in another country?
- 14) How do you look at the future for the enterprise? Would you describe it as more optimistic or are you more pessimistic? Would you say that your view has a direct connection with the finance system in India?

#### Phase 4: Rounding up

- 15) Based on my questions, do you think that I have received an accurate and balanced overview of why you became an entrepreneur, how you started the business and how your business has developed?
- 16) Is there something you would like to add? Is there another questions you think I should ask to get closer to my research?
- 17) Do you have any further questions to me?

## Appendix 2: Interview form, Sweden

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Interviewer: Jesper Hatakka, Lund University

Respondent: Pseudonym

Place: Name of Location, Country name

Length: XX h XX min

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### Phase 1: Personal level

- 1) Please tell me about yourself. Education, professional merits and so on.
- 2) How would you describe your career path before starting your company?
- 3) Why did you become an entrepreneur?
- 4) Have you started other businesses before?
- 5) What is it your company is doing? What is the business idea?

### Phase 2: Start-up phase

- 6) How would you describe your business idea? Do you imitate – to some extent – another enterprise? Do you try to satisfy a new need that you have identified in Sweden? Do you want to sell your product on the global market?
- 7) Let us go back to the day you started the enterprise:
  - h. Can you please provide me with an overview – step by step – of how you formally started the enterprise? More precisely, did this process – to any extent – force you to change something with your product, business model or similar?
  - i. To my understanding it takes more or less two weeks to start an enterprise in Sweden. Is this accurate? Did this process change your business model or product?
  - j. What did you perceive as the most difficult part when you started the enterprise? Formalities, funding, networking or anything else?
  - k. Did you feel that the bureaucracy was helping you or was the bureaucracy something you felt that you needed to go through?
- 8) Have you tried to get external funding from banks, private enterprises, from your family or similar?
  - a. If no, why not?
  - b. If yes, how would you describe the process of the founding? Which ways did you try? Did any of these ways fail?
  - c. How have you perceived the investment climate surrounding your business?
- 9) What role does this incubator play?

### Phase 3: The Business model

- 10) What is your business model?
- 11) How have your product(s) change since the first day you started the company?
- 12) How have your business model changed since you first started your company?

- 13) There are a lot of enterprises within ICT and that has a consequence of high competition, both within Sweden but also on the global market. Based on this:
- l. What is your strategy to be competitive compared to your Swedish competitors? How do you position yourself compared to local competitors?
  - m. What is your strategy to be competitive compared to competitor on the global market? How do you position yourself compared to global competitors?
  - n. Do you consider yourself to have an advantage or a disadvantage as an entrepreneur in Sweden compared to an entrepreneur in another country?
- 14) How do you look at the future for the enterprise? Would you describe it as more optimistic or are you more pessimistic? Would you say that your view has a direct connection with the finance system in Sweden?

#### Phase 4: Rounding up

- 15) Based on my questions, do you think that I have received an accurate and balanced overview of why you became an entrepreneur, how you started the business and how your business has developed?
- 16) Is there something you would like to add? Is there another questions you think I should ask to get closer to my research?
- 17) Do you have any further questions to me?