Characteristics of a successful marketing strategy for Indian software companies to enter the Western-European market

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Abstract

The Indian software industry is one of the fastest developing industries. Since other markets are seeded, more and more Indian software companies are trying to enter the Western-European market. Given their low salaries, Indian software professionals are attractive for Western-European companies. The collaboration between Indian and Western-European companies contains some risks and problems. Therefore, we want to find out what are the characteristics of a successful marketing strategy for Indian software companies to enter the Western-European market.

The market entry strategy for foreign markets can be divided in three stages; market selection, entry mode selection, and operationalizing the market strategy. Important aspects of the market selection are; the number of relationships in a market, and the psychic distance to a market. In the entry mode selection; relationships, and the level of internationalization are of importance. During the operationalization of the market strategy it is important to establish and maintain relationships with partners. The internet is an important tool used during this last stage.

The Indian software industry is a fast growing industry, growing over 30 percent a year. The year 2000 problem was a great opportunity for the development of the industry. Characteristic of Indian software companies are their high technology products and the fact they are highly export orientated. Further Indian software companies have limited resources, but are able to enter psychic distant markets.

Less is known about the Western-European market. There is a need for outsourcing, facing the high demand for skilled software professionals from countries like Germany, Franc and The United Kingdom. The Western-European market itself is a developed market. The biggest software industry in the market is that of Ireland, with 25.000 people working in IT.

In this study a model is developed about the characteristics of a successful marketing strategy for Indian software companies to enter the Western-European market. Those characteristics are based on what is found during the literature review. The characteristics from the model are; lower psychical distance, develop relationships, create knowledge of the market, determine the asset investment and risks, develop and maintain relationships, use first non-equity modes, and reduce the price level.

To test our model an in-depth case study at Helios Solutions, an medium sized Indian software company, is used. The in-depth case study tests our model in practice by taking a look into a single company. The study followed a time period of 3,5 months. During this period we have collected and analyzed data by conversations with the CEO, employees and partners. All the results are reported in our study and matched with our model.

The most important results from this study and implications for future research are; the difference between Indian companies and Western-European partners in meeting deadlines and quality standards; the importance of the internet in the daily business of Indian software companies; and the use of native workers by Indian software companies to contact partners in the Western-European market.

1. Introduction

1.1 Relevancy of the subject:

India is one of the strongest countries on the field of software development in the world. India is a fast developing country [Niosi and Tschang, 2009]; more and more Indian students want to fight for a good future perspective. They believe that the Indian software development industry is the best chance to become successful. For this reason the knowledge of software development in India is growing very strong. While salaries in India are very low, it is very cost effective for companies to outsource work to India or hire Indian IT-professionals. Companies from the United States already know the power of the Indian IT-professionals. In the larger U.S. IT companies 30 percent of the employees are Indian, and many work from U.S. companies has been outsourced to Indian software development companies [Arora et al., 2001].

In the near future, more and more Indian IT-specialist will be attracted to Western-Europe, and new Indian software development companies will enter the Western-European market. Since the salaries in India are very low compared to the salaries in West-European markets, it will be cheaper for companies to hire Indian professionals to develop their products. While entering the Western-European market, Indian software development companies are facing some problems and difficulties. There are just a few Indian software companies with experience in the Western-European market. Many Indian software development companies will start trying to enter the Western-European market in the future, hereby they will face problems like; how to enter the market and where to start.

1.2 Approach and accountability

In our study at Indian software companies, trying to enter the Western-European market, we used a young Indian software development company as input for our in-depth case study. Purpose of this in-depth case study is to investigate which marketing strategies a regular software company uses to enter the Western-European market.

During conversations with the CEO, people of the marketing team, employees, contacts of Helios, and our own investigations we collected important data for our study. We wrote all the interesting findings, about this study, down in a diary on a day to day basis. Before and during the research period we also looked in the literature for relevant information about this topic. For the literature research we used popular databases, like Scopus and Web of Science, which include all the other important databases on the web.

The findings from the literature review at chapter 2 and the in-depth case study of Helios Solutions at chapter 4, will be matched with each other. We will see whether the findings of the in-depth case study support the literature, or whether they give some implications for future research.

1.3 Problem and research question

At the moment most Indian software companies are doing business with the United States. But since this market is seeded Indian software companies have to look for new markets. One of the best markets to enter is the Western-European market [Moen et al., 2004]. But the way companies work in this market is different from the already entered markets. Indian companies have to come up with new marketing strategies to be able to successfully enter the Western-European market.

For both sides this market entry process contains some risks and problems. Especially Indian companies have to convince their potential partners about their qualities, but there is still a lack of knowledge how to enter the Western-European market. To enter the Western-European market Indian software companies have to look at some characteristics that are important for a successful marketing strategy. In this study we will try to find out which characteristics are important and how Indian software companies have to handle those characteristics to develop a successful marketing strategy.

1.3.1 Research question:

What are the characteristics of a successful marketing strategy for Indian software companies to enter the Western-European market?

1.3.2 Sub-questions:

To answer this question we need to know more about; the market entry strategies for foreign markets, Indian software companies and its industry, the characteristics of the Western-European market, and how Indian software companies can enter the Western-European market by using a marketing strategy. To answer those questions we have formulated some sub-questions:

1. What are the different ways to enter foreign markets?
2. How do Indian software companies and the industry context look like?
3. What are the specific characteristics of the Western-European market?
4. How can Indian software companies enter the Western-European market through a marketing strategy?

2. Literature review

To determine the best characteristics for a successful marketing strategy for Indian software companies to enter the Western-European market we have to know more about certain aspects. In this chapter we will first determine frequently used market entry strategies for foreign markets, second we will look at the characteristics of Indian software companies and its industry, third we will look at the characteristics of the Western-European market, and fourth we will look at ways for Indian software companies to enter the Western-European market through a marketing strategy.

In previous literature there is not paid attention about successful marketing strategies for Indian software companies to enter the Western-European market. However, there is said much about entry strategies for companies to enter foreign markets in general, and also for some special cases [Bell, 1995; Coviello and Munro, 1997; McNaughton, 1996; Moen et al., 2004; Loane et al., 2004]. At the other hand Indian software companies are widely used as cases for international research about software development [Kumar, 2001; Arora et al., 2001; Niosi and Tschang, 2009; Athrey, 2005].

In this review we will try to create a clear view about what is said before on the earlier mentioned fields in scientific literature. Hereby, we will focus in this study on small and medium-sized software companies, in most cases those enterprises (SMEs) are knowledge-intensive companies. We will focus on those enterprises since they face the most problems in the market entry process. For multinational enterprises it's by far more easy to enter new foreign markets.

2.1 Market entry strategies:

Developing the market entry strategy is a difficult decision making process for companies entering a new foreign market. A number of decisions have to be made during this process. The market entry process follows a few stages as described by different researchers [Bell, 1997; Bradley and Gannon, 2000; Agarwal and Ramaswami, 1992; Ojala, 2008; Coviello and Munro, 1997]; after a company has decided to enter a new foreign market, they have to decide which market should be targeted. When the right market is selected they have to choose which entry mode will be used to enter the market. After the market and entry mode selection process, follows the operationalizing of the market process [Bell,1997] or development of relationships [Coviello and Munro, 1997].

The steps involved into a market entry strategy are shown in figure 1, this model is developed by Bell [1997]. The choice between domestic or export market expansion in the original model is not adopted in this model, since the decision to enter a foreign market is already made. We are only interested in foreign market entry strategies.

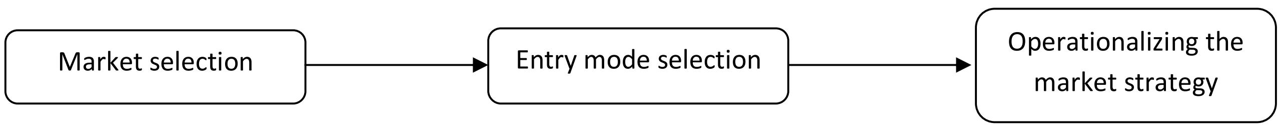

Figure 1: The export decision [Bell, 1997]

2.1.1 Market selection

The first step in the market entry selection is the market selection. Before a company enters a new foreign market they have to find out whether a market fits their strategy, or which market is easiest to enter. The market selection is an important process, when a company selects the right market it will be less important what type of entry form is used [Moen et al., 2004].

In the literature are mentioned a number of aspects important for a good market selection. According to Ojala [2009], companies tend to select their markets by following their relationships. Ojala [2008] and Johanson and Valne [1977] focus on the psychical distance between markets, this are cultural similarities between the company and the target market, like language, culture and political system. In the literature we found some other factors important for the market selection. We will first focus on the two most mentioned factors in the market selection process; relationships and psychical distance.

Relationships

An important factor in the decision process of the market selection are the inter-firm relations or network relationships of a company [Bell, 1995; Coviello and Munro, 1997; Coviello, 2006; Moen et al., 2004]. According to Sharma and Johanson [1987], and Johanson & Mattsson [1988] inter-firm relations are “bridges to foreign markets”. They also argue that the internationalization of a company starts when it has developed a relationship with another company that belongs to a network in a foreign market. Especially for small software companies relationships are an important aspect. Not only in the market selection, but they also influence the entry mode selection [Ojala, 2009].

Other researchers support this view of the importance of relationships. “In the market entry process networks are of great importance, especially for small software companies” [Coviello and Munro, 1997]. According to Lindqvist [1991], “the firm’s network relationships are determinant when deciding which markets to enter and which foreign entry forms to choose.” Johanson and Mattson [1997] argue that a company’s relationships are more important in entering new foreign markets than market and cultural characteristics.

Coviello and Munro [1997] argue in their study that network relationships drive internationalization and influence the way companies enter new markets. They also show a number of entry modes for foreign markets, those entry modes are largely driven by existence of network relationships. The companies used in their research show a rapid and successful growth as a result of their involvement in international networks. In this case the partners guide the foreign market selection and the market entry modes. In the study of Moen et al. [2004] none of the companies investigated have made serious commitments in a market where they didn’t have any connections in advance.

Although a high number of researchers show the importance of network relationships, there is still some disagreement in the literature. In contrast, the study of Loane and Bell [2006] question the importance of networks by showing that a company without good network relationships still can take an active role and is able to create new connections to facilitate its market entry. This is supported by Crick and

Spence [2005] who argue that companies can only use their relationships to a limited extent when they enter new foreign markets.

Psychical distance

The second frequently used factor discussed in the literature is psychical distance. Johanson and Wiedersheim-Paul [1975] define psychical distance in their Uppsala internationalization model as: “differences between countries in language, culture, political system, level of education, level of industrial development etc”. Their model proposes that companies first enter countries with a low psychical distance, because there is more knowledge available about those countries. This makes doing business easier to understand. Once a company has more experience in operating internationally it may enter countries with a greater psychical distance.

Foreign market entry is, in the literature, also called the internationalization process [Bell, 1995; Coviello and Munro, 1997; Moen et al., 2004]. Especially earlier studies [Johanson and Wiedersheim-Paul, 1975; Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982] developed models where it took a few stages before companies started to enter a foreign market with high psychical distance. Andersen [1993] compared four of those internationalization stage models, his model is shown in appendix 2. This view of those earlier studies is supported by Brewer [2007], who argues that a company’s manager tend towards the foreign markets they can get to know most easily, and avoids markets that are difficult to get known. At least early on in the company’s internationalization process most companies will first enter nearby countries with low psychical distance, but the need for globalization forces them to enter markets with a greater psychical distance [Ojala, 2008].

In contrast, Bell [1995] found that small computer software companies do not always choose to enter first psychically close markets. Instead, they follow their domestic partners to foreign markets where their partners have, or are establishing new commitments. Bell [1995] based this on his research findings where between 30-50 percent of the companies studied were targeting psychical distant markets for their first foreign market entry.

These critics on the importance of psychic distance in the market selection decision process were supported by other studies. Czinkota and Urscic [1987], Nordström [1991] and Hamill and Gregory [1997] argue that psychical distance has become less important since new communication technologies make global markets more homogenous. According to Coviello and Munro [1997] this is a result of the internationalizing of companies network relationships, which are created and maintained by the use of internet [Poon and Jevons, 1997]. Moen et al. [2004] argues that psychic distance might be less important in English-speaking countries.

Other factors

Besides relationships and the psychical distance there are some other factors playing a role in the market selection. Ojala (2008) suggests that knowledge-intensive SMEs’ select their target country for other reasons than for those related to psychical distance. In their study, companies enter a psychical distant market for the market size and sophisticated industry structure. According to Argawal & Ramaswami [1992] the market selection is also based on the market potential and investment risk in a market.

In the Uppsala model, of Johanson and Wiedersheim-Paul [1975], plays knowledge about foreign markets a central role. The knowledge is divided into general knowledge and market-specific knowledge. General knowledge is mainly objective, like operation modes and typical customers. The knowledge of a previous market can be used to enter a new market. Market-specific knowledge is “experiential knowledge” about the target country environment, including its culture, the market structure, customers in the market etc. This knowledge is most of the times acquired by selecting a target country [Johanson and Vahlne, 1977]. When a company is familiar with a certain country it makes the market entry process easier and increases their chance on success [Brewer, 2007; Sousa and Bradley, 2006].

2.1.2 Entry mode selection

When the right target market is selected, it’s important to choose the right entry mode to enter the selected market. Many is said in previous literature about different types of entry modes [Pan and Tse, 2000; Bell, 1995, 1997; Ojala, 2008, 2009; Coviello and Munro, 2007; Moen et al. 2004]. In the literature many studies focus on the use of entry modes resulting in a long list of different types of entry modes. There is no right model which includes all the entry modes for small and medium sized software companies. According to Moen et al. [2004] the problem is: companies don’t have a clear notion how to classify the foreign entry modes they use.

When it comes to physical products it is in general easy to produce a list of entry modes that can be used. For software development it is more difficult to produce such a list of modes to enter foreign markets. However, a number of researchers have tried to list different entry modes, including Bell [1995], shown in appendix 5. Moen et al. [2004] think there is a need to redefine the picture drawn in the literature about entry modes in general. Therefore we will take a better look at the market entry strategies used by software development companies.

Factors influencing the entry mode selection

Johanson and Vahlne [1977], and Johanson and Wiedersheim-Paul [1975] suggest that the company’s entry mode selection depends on the experience in international markets. As shown in appendix 2, they see internationalization as a stepwise model, where it takes a few years for a company to fully internationalize. The entry mode selection is seen as a learning process and increasing commitment with the market. This model of entry mode selection is challenged in many studies [Bell, 1995; Crick and Spense, 2005; Jones, 1999; Moen et al., 2004].

As described before, relationships also influence the entry mode selection [Ojala, 2009]. Coviello and Munro [1997] show in their study that the entry mode selection depends on the company’s formal and informal network relationships, which are evolving over time. They argue that software companies, by using their relationships, first establish product development agreements with larger hardware companies, followed by direct sales or distribution to a psychical distant market, and finally establish some form of contractual agreement.

These findings are supported by Ellis and Pecotich [2001], Havila et al. [2004], and Oviatt and McDougall [2005], according to their studies are intermediary relationships important for the selection of entry modes. In an intermediary relationship there is no direct contact between the buyer and the seller. An actor, as a third party, facilitates the relationship between the buyer and the seller. According to Oviatt and McDougall [2005], "these brokers can provide links between markets and consequently initiate international business activities between the seller and the buyer".

Bell [1995; 1997] discovered a relation between a company's product and the entry mode selection used for foreign markets. According to Bell [1997], the level of complexity is linked to the entry mode selection. Software companies producing custom made products were able to contact end-users by their own sales staff, and software companies producing standard products chose an agent or distributor to enter the market. McNaughton [1996] supports the view that customization of software products is linked to the entry mode selection.

Equity versus non-equity

A clear distinction in the entry mode selection can be made between equity and non-equity entry modes. This choice depends on how much a company wants, or is able to invest in the market entry and how much risk they are willing to take. Pan and Tse [2000] have developed a hierarchical model of choice of entry modes, shown in appendix 3, where they base the entry mode selection on the choice between equity and non-equity. We have to node that this model is not based on the entry mode choice of small software companies, but it gives a good view on the distinction between equity and non-equity entry modes.

A number of factors are important whether to choose for equity or non-equity entry modes. Brouthers and Nakos [2004] found that companies with greater asset-specific investments prefer equity modes whereas those with less asset-specific investments choose non-equity modes. They also found that environmental uncertainties are connected to non-equity modes. This is supported by an earlier study of Brouthers [1995], where he suggests that companies which perceive higher international risk prefer non-equity modes.

Entry modes

Since there is no complete model of all entry modes used by small software companies to enter foreign markets, we will create a list based on the model of Coviello and Munro [1997], shown in appendix 4. The only stage interesting for our study is the "committed involvement", this stage includes the most important market entry modes used by small- and medium sized software companies to enter foreign markets.

The model of Coviello and Munro [1997] is complemented with the most frequently mentioned entry modes by other researchers [Ojala, 2009; Ojala, 2008; Ojala and Tyrvaïnen, 2007; Niosi and Tschang, 2009; Moen et al., 2004; Bell, 1995; McNaughton, 1996; Coviello and Munro, 1997; Brouthers and Nakos, 2004] which are listed in table 1, shown in appendix 5. Below the most important entry modes are explained individually:

- **Distributor**: Distributors obtain software once it is packaged and ready for sale. They plan or coordinate the advertising campaign, and provide customers with volume shipments of the product. Distributors occasionally contact end users directly [McNaughton, 1996].
- **Piggy-backing**: Piggy-backing involves selling software through the marketing channel used by another company for its product. The most common example of piggy-backing is selling a software product through a channel developed by a hardware company [McNaughton, 1996].
- **Joint-marketing agreement**: Joint marketing agreements are agreements between two or more software companies to market each others' products through their own distribution channel. This allows companies to offer their customers a wider range of products, and reach more customers [McNaughton, 1996].
- **Development agreement**: Development agreements are collaborations between two or more software companies to develop together a product, using their own R&D department. This helps companies to create technically more demanding products and reach more customers [Coviello and Munro, 1997]
- **Joint venture**: Joint ventures involve collaborating with another company (usually located in a foreign market) to create a new third company that produces and distributes the software in a foreign market [McNaughton, 1996].
- **Direct sales**: In direct sales a company's unit in the host country sells its products directly to customers without using distributors [Ojala and Tyrvaïnen, 2007]
- **Own sales office**: An own sales office is established during the internationalization process, to support sales made through partner subsidiaries or establish regional headquarters in a distant market [Coviello and Munro, 1997].
- **Representative office**: A representative office is an office established by a company to conduct marketing and other non-transactional operations, generally in a foreign country where a branch office or subsidiary is not warranted. Representative offices are generally easier to establish than a branch or subsidiary, as they are not used for actual "business" (e.g. sales) and therefore there is less incentive for them to be regulated [Moen et al., 2004]
- **Corporate**: Incorporating involves selling shareholdings to another corporation and incorporate with them. The company still contains his headquarter in its own country operating as an independent unit of the corporation [Ojala, 2008]
- **Subsidiary**: A subsidiary is an entity that is controlled by a separate higher entity. This can be in some cases a government or state-owned enterprise. The controlling entity is called its parent company. The reason for this distinction is that a lone company cannot be a subsidiary of any

organization; only an entity representing a legal fiction as a separate entity can be a subsidiary [Brouthers and Nakos, 2004]

- **Wholly owned subsidiary**: When a subsidiary is considered to be wholly owned, this indicates that all of the outstanding common stock that is currently issued by the company is in the hands of a single holding company. Essentially, a wholly-owned subsidiary is a business that is completely owned by another entity. The subsidiary continues to operate with the permission of the holding company, either with or without direct input from the controlling entity.
    - **Greenfield**: Greenfield investment is a form of foreign direct investment, a company starts a new venture in a foreign country by building new operational facilities from the ground up [Niosi and Tschang, 2009].
    - **Acquisition**: Acquisition contains acquiring smaller companies in the second tier and even product companies. This way they are trying to move up the value chain [Niosi and Tschang, 2009].

2.1.3 Operationalizing the market entry

The last stage of the market entry strategy, as shown in figure 1, is the operationalization of the market process [Bell,1997], or development and maintenance of relationships [Coviello and Munro, 1997]. Once the decision is made which market should be entered and which entry mode should be used, a company can start executing its strategy.

After the market entry mode is chosen, the company wants to expand successfully in the market. Searching for partnerships is of high importance for a successful market expansion. Duyster and Hagedorn [1996] note: "for many small companies strategic partnering activities are the only way they can stay competitive and even survive in today's technologically advanced, ever-changing business world”. Partnerships can be used by companies to enlarge innovative capabilities and technological competences. At the other side they can help to overcome weaknesses, such as poor financial situations or low expertise in production, marketing and management. Partnerships can also create alternative methods to serve customers [Elmuti and Kathwala, 2001].

An important task to make the marketing strategy successful is establishing and maintaining relationships with partners [Bell, 1997]. Companies with current relationships in the market only have to maintain them, but companies without relationships have to search for relationships before they can enter a foreign market. These new relationships can be created with a partner, but in the case of direct exporting this can also be an important customer [Moen et al., 2004].

When a company actually start the market entry process they face the tasks of operationalizing the market entry strategy and have to monitor the performance in the targeted market. At this stage there can occur some problems which are related to managing market entry operations. Those problems can be in the field of communication strategies or the establishment or maintenance of relationships with partners [Bell, 1997].

Internet

The internet plays an important role for small businesses in the search for, and maintenance of partners [Poon and Jevons, 1997]. Internet is the main tool used for maintaining relationships, thanks to its ability to distribute information everywhere at any time. According to Moen [2000]: "most of the small software companies are in narrow markets and direct partner searches over the internet are an important way of expanding their networks". In the research of Moen et al. [2004] several companies found some of their current partners over the internet. So internet seems to play an important role according to the development and maintenance of relationships.

2.2 Indian software companies:

To determine a good marketing strategy for Indian software companies, we need to know more about the characteristics of the Indian software industry and the Indian software companies. We want to know why the Indian software industry is so many times used as case study in the scientific research and how it is able to grow at this speed. We also want to find out what the characteristics of Indian software export companies are and who are exporting their products to foreign markets like the Western-European market.

2.2.1 The Indian software industry

The most remarkable software industry of the last 3 decades is that of India. Supported by a technological revolution India became an increasingly favored location for customized software development. The up-coming Indian software companies have been of high importance for the Indian economy in general. Many research focuses on the rise of the Indian software industry and the multinational enterprises entering foreign markets [Arora et al., 2001; Kumar, 2001; Athreye, 2005; Niosi and Tschang, 2009].

Indian software companies are used many times as example to investigate the software sector [Dayasindhu, 2001; D'Costa, 2002; Dossani and Denny, 2007], because of their important role in the international market and their high export rate. Many Indian software companies started their development as a partner of multinational enterprise in developed countries, mainly the United States [Arora et al., 2001; Arora and Athreye, 2002; Athreye,2005; Joseph 2006]. In our study we will look a look, as mentioned before, at small and medium sized companies, but we will first describe the rise of the Indian software industry.

The rise of the Indian software industry

The first Indian export companies started in the 1980's, but the official rise of the Indian software industry happened in the 1990's. In this period the export grew from $105 million in 1989, to $6.2 billion in 2000 [Niosi and Tschang, 2009]. At that time Indian software revenues contain a tiny fraction of the world's software market, but the Indian software market had attracted some serious attention as a source of software. India dominated at that time 16 percent of the global market in customized software development. In 2001 India had the largest number of people working in the industry as well the highest rate of growth [Arora et al, 2001]. With a growth of over 30 percent a year, from 1998 till

2005 even 50 percent, the export grew to $32 billion in 2007. The industry's target is a software export of $60 billion by 2010 [Niosi and Tschang, 2009].

The growth of the Indian software industry became possible through; the availability of highly skilled but low-cost English-speaking labour [Athreye, 2005], the technical capabilities of local companies and the market opportunity [Arora and Gambardella, 2005]. This market opportunity is created through the increasing software outsourcing requirements of developed countries, which result from an ever greater need to deal with software complexity and costs [Niosi and Tschang, 2009]. Other factors attributing to the success of the Indian software industry are the tradition for logic and mathematics, past investments by the government in national innovation systems, and building capabilities in the computing and network technologies [Kumar, 2001].

The biggest opportunity for the Indian software industry was the year 2000 problem, which required many U.S., European and other multinational enterprises to rework older software prior to the arrival of the year 2000. Thanks to the year 2000 issue, the outsourcing companies continued to become progressively larger and keep receiving more complex projects [Athreye, 2005]. It will be hard to sustain the growth rates achieved in the past, factors that challenge the growth of the Indian software industry include; rising wage costs, growing scarcities of talent, and emerging competition. But Indian companies have grown in their ability to handle larger and more complex projects and 300-500 man-year projects are not a rarity any more [Arora et al., 2001; Kumar, 2001].

2.2.2 Characteristics of Indian software companies

High-technology products

In the early years of the industry, Indian software companies have always provided low-value adding projects on the field of software service products. The last years we see more and more Indian software companies making serious effort to increase the export by focusing on high-end consulting, for example end-to-end services [Kumar, 2001]. Indian software companies are known for their software development skills. Software development can be categorized in two parts; customized developed software and standard packages or software products. Indian software export companies provide in general more services than products. Customized software development involves a close interaction between the programmers and the end-user, because software products are often very large and complex [Arora et al., 2001].

Export orientated

Remarkable for Indian software companies is; where most industries are driven by the domestic market Indian companies are export orientated. The export companies account for 65 percent of the total software revenue. The domestic Indian market exists mainly off software packages and products, 40 percent against 10 percent for exports. The Indian export is dominated by custom software development, consultancy, and professional services, over 80 percent [Arora et al., 2001]. These differences can be explained by the fact that domestic projects are larger and more challenging. Export projects exist mainly of low-level design, coding and testing. The focus on export is somewhat reducing the last years since Indian companies also start looking at their domestic market [Niosi and Tschang, 2009].

Since Indian software companies have a small chance of success own their own brand products, many Indian software companies choose for product development in a more measured way. They will develop products as a service, or work on behalf of a client and will produce “co-development products” [Kumar, 2001]. Many Indian software companies decide to export to the United States because off their large and lucrative markets. According to Niosi and Tschang [2009], these larger developed markets are also the most mature and most ready to outsource services.

A way to enter a new market is by supplying software professionals to a foreign market. Indian companies provide clients with software professionals with particular technical skills asked by the client. The entire project will be handled at the client’s site, managed, and controlled by the client. This type of entry mode is often used by leading Indian software companies. They establish subsidiaries in new markets to become more connected to the market [Arora et al, 2001].

Limited resources
In contrast with the export drive to foreign psychic distant markets described by Kumar [2001], Niosi and Tschang [2009] argue that Indian software export companies, who internationalize, have limited financial resources and therefore will enter the most cultural similar markets. They also mention that Greenfield investments are a dominant entry mode of Indian software companies, largely because of their limited financial resources and low starting capabilities. Their findings don’t match with the study of Bell [1997], who sees a Greenfield investment as an equity entry mode.

Entry of psychical distant markets
Indian software companies are not limited by psychical distance. Indian software exporting companies are active in many countries, with a focus on especially the United States contributing for all most 60 percent of the Indian export. Indian software services are also exporting to several other countries. In 2000, 212 Indian software companies had set up 509 offices or subsidiaries in foreign markets; 266 were located in North America, 122 in Europe, 59 in Asia, 25 in Australia and New-Zealand, 25 in Africa and 12 in Latin America [Nasscom 2000]. Some leading Indian companies have established extensive networks of offices and subsidiaries in many different countries to use the opportunities in different foreign markets. [Kumar, 2001].

2.3 Western-European market:
When a company wants to enter a new foreign market it’s important to have knowledge about this market, general market knowledge as well as market-specific knowledge [Johanson and Vahlne, 1977]. In this study we focus on the Western-European market. To develop a good marketing strategy for the Western-European market we need to know more about its characteristics.

In the literature is not said much about the Western-European market as a software outsourcing market, most studies focus prior on the U.S. market [Niosi and Tschang, 200]. Other researchers already gave suggestions for a better look at the Western-European market and their potential. “A lot of highly interested markets, especially in Europe, have not yet been targeted because companies have not found the right partners to collaborate with” [Moen et al., 2004].

2.3.1 Characteristics of the Western-European market

Need for outsourcing

Since not much researchers focus on the Western-European market it is hard to find current outsourcing numbers, but we can see that there is an actual need for outsourcing in Western-Europe. In 2000 there was already a shortfall of IT-workers which has risen from 6 percent in 1998, to 14 percent at that time. There was expected a grow to 23 percent by 2002 [IDC 2000]. To solve this problem a large number of Western-European countries were planning to import software engineers from India.

Countries like Germany already offered a high number of green cards for software workers. Germany received in a short period 10.000 applications, including 2000 from India, for 20.000 offered green cards. Also Ireland, France, Italy, Belgium and Spain showed interest in importing thousands of Indian programmers. The British government even organized a “special fast-track work permit system” to attract IT-specialists to meet an estimated demand of 150.000 professionals [Kumar, 2001].

Developed market

The Western-European market is a developed market if we look at the software industry. The biggest software industry in the market is found in Ireland. Ireland is the second largest exporter of software, behind the United States [ESA 2006], with 25.000 people working in the software industry. Athreye [2005] argues that the Western-European market has changed demand for software services since the computerization spread across the market. According to Niosi and Tschang [2009], Western-European companies receive most of the sales from applications, but they also provide services like systems integration and custom software. In Ireland most companies focus on packaged products [Athreye, 2005].

When Western-European companies decide to outsource to India they often make use of an offshore development centre. An offshore development center is a long-term agreement on prices for time and materials. The client sends his projects periodically to this development center. This type is popular by Western-European companies, they can take advantage of skilled programmers and lower wages in India. Nasscom estimated that 41 percent of the most important projects was done offshore in 2000 [Arora et al., 2001].

2.4 Ways for Indian software companies to enter the Western-European market through a marketing strategy:

As a result of the growing internationalization companies are facing challenges to enter foreign markets which are different from their own market. When we look at the software industry we see in general low entry barriers. To enter a foreign market, companies have to come up with good marketing strategies. Those marketing strategies exists out of different characteristics we have found during the literature review. In this chapter we will present those characteristics in a model and explain why the characteristics are added in to this model.

2.4.1 Research model

In figure 2 is shown the model for a successful marketing strategy for Indian software companies to enter the Western-European market. This marketing strategy exist out of seven characteristics, which are based on the literature review of market entry strategies, Indian software companies and the characteristics of the Western-European market.

2.4.2 Explanation of the characteristics

The first three characteristics; lower psychic distance, develop relationships and create knowledge of the market are based on the first stage of the market entry strategy; the market selection. Developing relationships is an important characteristic as mentioned in the market selection. Although there is some disagreement about the importance of relationships, most researchers, like Coviello and Munro [1997], argue that relationships are an important factor for a good marketing strategy to enter a foreign market.

As shown in the market selection some researchers, like [Johanson and Wiedersheim-Paul, 1975], argue that it takes a few steps before a company can enter a psychical distant market. In contrast, Hamill and Gregory [1997] argue; “physical distance becomes less important because new communication technologies make the market more homogenous”. By using this new communication technologies Indian software companies can lower the psychic distance and easier enter the Western-European market. Psychical distance can also be reduced by creating English-speaking abilities, as mentioned by Moen et al. [2004].

The third characteristic of the market selection is creating knowledge of the market. In the Uppsala model of Johanson and Wiedersheim-Paul [1975] knowledge about foreign markets plays a central role. According to Brewer [2007], and Sousa and Bradley [2006], the market entry process becomes easier and there is a higher chance on success when a company is familiar with a certain market.

From the entry mode selection we see that it is important to select a good market entry mode. An important decision in this process is the choice between equity and non-equity modes [Bell, 1997]. To make a good choice, companies have first to determine how much they would invest in the market entry and which risks they want to take. Thereafter they can select the right entry mode.

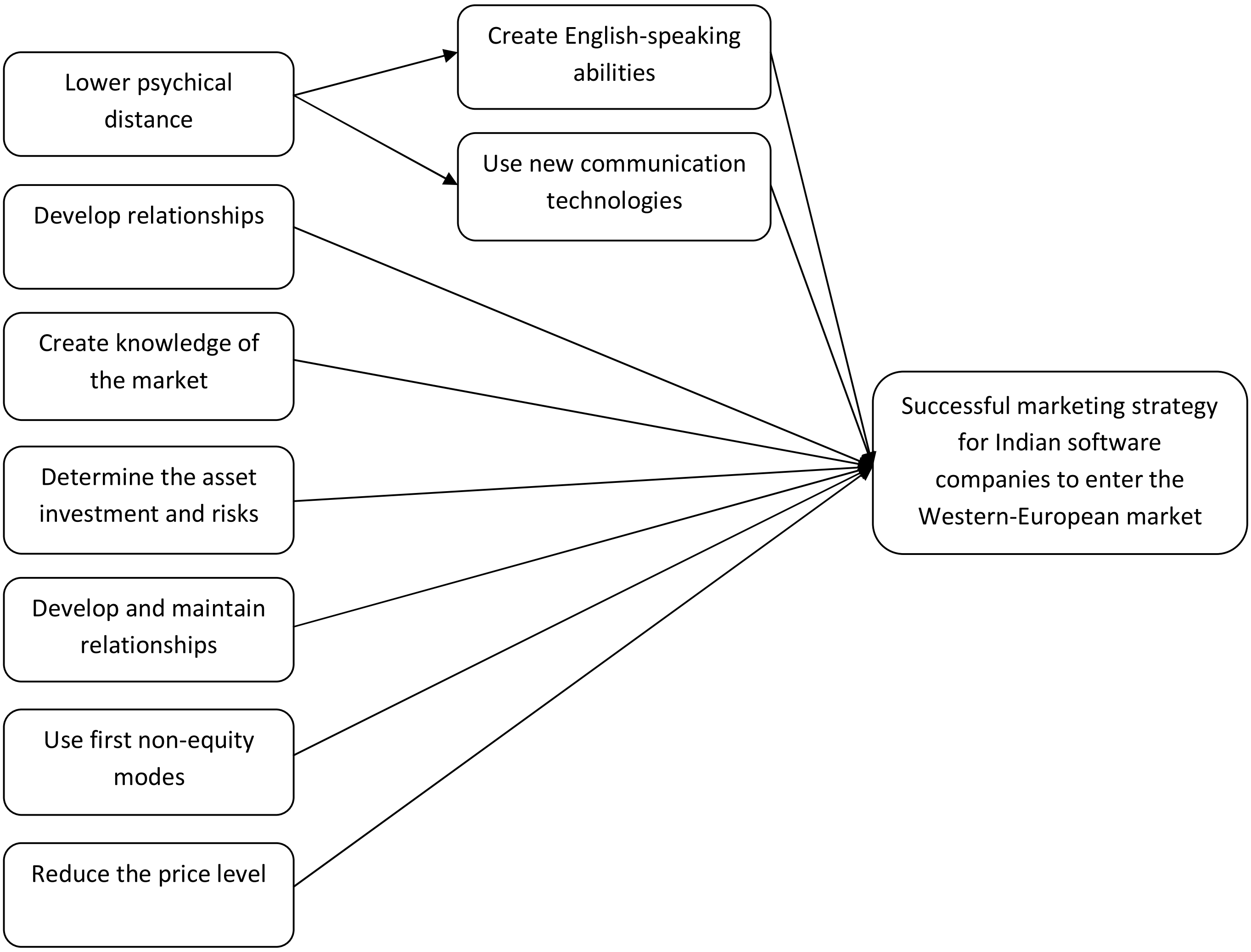

Figure 2: Characteristics of a successful marketing strategy for Indian software companies to enter the Western-European market

In the operationalization stage of the market strategy it is important to develop and maintain relationships, as mentioned by Bell [1997], and Moen et al. [2004]. Duyster and Hagedorn [1996] note: "for many small companies strategic partnering activities are the only way they can stay competitive and even survive in today's technologically advanced, ever-changing business world". According to Poon and Jevons [1997], the internet is an important source to establish and maintain relationships.

When we look at the characteristics of Indian software companies, we see they have limited resources and try to enter psychical distant markets. In the entry mode selection, Brouthers and Nakos [2004] argue; “companies with low asset specific investments choose non-equity modes”. Further suggests Brouthers [1995] that companies with higher international risk prefer also non-equity modes. When Indian companies have limited resources and want to enter psychical distant market it is better to use non-equity modes.

From the characteristics of the Western-European market we see that the market is developed and there is a need for outsourcing. When they decide to outsource, companies often make use of offshore development centres, so they can take advantage of high skilled programmers and low wages in India [Arora et al., 2001]. When Indian companies want to enter the Western-European market it is better to reduce the price level, to make a better chance to attract potential partners.

3. Methodology

3.1 Research method

Our research started by formulating a research question and some sub-questions. Based on those questions we looked during a literature review for existing information about the research topic. The data collection from the literature happened in an unstructured way. We had no idea what was said before about market entry strategies, Indian software companies, and the Western-European market in advance. In the literature review we collected and selected all the relevant information about those topics and created, based on this information, a model of the characteristics of a successful marketing strategy for Indian software companies to enter the Western-European market

To test our model we will use an in-depth case study. An in-depth case study is an investigation of a single company, in this case an Indian software company that tries to enter the Western-European market. The in-depth case study is a longitudinal examination of a single case. In our research it will follow a time period of 3,5 months. It uses a systematic way of looking at events, collecting data, analyzing data, and reporting the results. As a result the researcher may gain a sharpened understanding of why events happened as it did, and what might become important to look at more extensively in future research [Flyvbjerg, 2006].

The in-depth case study fits our research because we want to test our model by taking a look into a single company. We want to analyze the market entry strategy of an Indian software company over a longer time period to get more insight in their decisions for specific markets and market entry methods. An in-depth case study uses a systematic way to look at events within a company, and uses the best method to match our model, from figure 2, with the practice. The in-depth case study will give us a better understanding of how a market entry strategy is created in a real case company, and might give us some insights for future research.

3.1.1 Helios Solutions

The selected company for our in-depth case study is Helios Solutions, a software development company based in Baroda, India. We have selected Helios Solutions since it is a relative young company, busy to expand its market share in the Western-European market. The CEO of Helios Solutions decided four years ago to leave the U.S. market and start to enter the Western-European market. During these four years they faced all the problems arriving during the entrance of a new market. So, they recently experienced all the risks and problems of a market entry process for the Western-European market and are still facing different problems of the market entry strategy.

By analyzing Helios Solutions we will see whether our model, in figure 2, matches a practical situation. We have worked for 3,5 months on our in-depth case study at Helios Solutions. In this time we have collected, in a structured way, the necessary data. After our stay at Helios Solutions we have analyzed all the data and selected the useable information for our research. The findings of the in-depth case study are presented in chapter 4.

3.2 Data collection

The data collected during the in-depth case study is a structured data collection. Before the in-depth case study we have looked in scientific literature for characteristics of a market entry strategies used by Indian software companies to enter the Western-European market. So, we had some knowledge about the research topic and knew which data we would collect at the start of our in-depth case study at Helios Solutions.

All the collected data is, day by day, noted in a diary during a period of 3,5 months. Every day the new findings were summarized and written down in the diary. At the end of the research period all the data is sorted by subject and collected in another file. Finally, all the relevant data for the research is selected in the in-depth case study and presented in chapter 4.

During the in-depth case study the data were collected in a direct way. This data collection happened by observations and participation in the production process [Baarda and de Goede, 2006]. The most important data are collected during a number of conversations with the CEO of Helios Solutions. During these conversations he explained his choice to enter the Western-European market, mentioned the strategy Helios Solutions used and is still using, and looked back at all the problems they have faced during this period. The other part of the data came from conversations with programmers and people of the marketing team, contact with partners of Helios Solutions and other experiences during my research at Helios Solutions.

The conversations with the programmers were more focused on the current of situation Helios Solutions. The programmers told about the problems they were facing on the field of communication and other cultural problems during their jobs. Some partners of Helios, mainly from The Netherlands, gave some information about the cultural differences and day to day problems they were facing. The people from the marketing team gave more insight about the marketing strategy Helios has developed and the ways they were trying to enter foreign markets, in this case the Western-European market

3.3 Research type

The type of research used for our study is in first place descriptive, we want to describe what is said in the literature about market entry strategies for Indian software companies for the Western-European market. Based on this review we have build a model with the characteristics of this strategy. In the in-depth case study we want to describe the situation of a case company from Indian that is trying to enter the Western-European market.

Later on, this research will also include a part exploratory research. During our research we want to identify, in a structured way, new problems. With the in-depth case study we try get more insight on the field of foreign market entry modes used by Indian companies for the Western-European market. We want to use these new insights to find new area’s for future research.

In the analysis of chapter 4 we will match our model with the findings from the in-depth case study at Helios Solutions. By comparing the findings from the in-depth case study with the findings from the literature we will see whether they show any similarities or differences. Based on those differences we will look in chapter 5 for insights for any future research.

4. Findings

4.1 In-depth case study

From August till December 2009 we visited Helios Solutions India to execute our in-depth case study. Purpose of this case study was to see how Helios Solutions has organized its market entry strategy for the Western-European market. In the next chapter we will first give a short introduction about Helios Solutions, further we will present our findings based on the stages from figure 1, and in the end we will match our findings with the information found in the literature review.

4.1.1 Introduction of Helios Solutions

Helios Solutions is a small Indian software company based in Baroda, India. Helios Solutions is a 10 year young company and currently fulltime working for the Western-European market (especially The Netherlands and Germany). Helios Solutions is a software development company, specialized in the development of customized software products, web design, and applications. Since application development is more difficult, it has a longer project cycle and higher prices, the most projects contain customized software development and web design.

The staff of Helios exists out of 50 people, the average age of the staff at Helios Solutions is about 30 years. Beside the management team of 3 people there are working; 30-40 programmers, a 3 people human resource team, a designer, and a 5 people marketing team with Dutch and German native interns. The marketing team at Helios is responsible for the business development and project coordination. The native workers are selected to bridge the gap of culture, communication and quality between Western-Europe and India.

Helios Solutions has established partnership with more than 25 IT companies in mainly The Netherlands and Germany, and has already developed more than 150 websites. All the projects Helios is performing came by partners, they are not contacting any end-clients. Helios is an end-to-end software developer, this means they are able to work in almost every technology. Whenever they have not worked in a technology before, they will try to learn this by themselves with information presented on the internet.

4.1.2 Market entry strategies

Market selection

The choice to enter the Western-European market was very difficult and contained some risk for Helios Solutions. Previous Helios was working for the U.S. market, but this market became seeded by small- and medium sized Indian software companies. According to the CEO of Helios, practically all Indian companies focus on the American market and 30 percent of the people working in the U.S. IT-sector are Indian professionals. Since almost every Indian has more than one direct connection in de United States it's pretty easy to enter this market. For this reason, the CEO of Helios Solutions decided to change markets to Western-Europe.

Beside the lower expected competition in the Western-European market, Helios also decided to enter this market for its size and the high opportunities. They knew there was a high demand from Western-European companies for highly skilled software professionals with low wages. Helios was the first software company from Baroda which tried to enter the Western-European market and the CEO knew he had to find creative strategies to enter the market. A big advantage for Helios was the English-speaking ability of the staff members at Helios.

When Helios decided to enter the Western-European market they had no relationships in the market. They realized that it would become very difficult to enter the Western-European market without the existence of such relationships, but facing the high opportunities in the market it was worth it to take some risks. Beside the lack of relationships, they also had no prior knowledge about the culture, political rules, prices and other market specific characteristics.

Although Helios had selected Western-Europe as their target market, they had still to decide which part of Western-Europe they would first target. Since Helios Solutions had never performed any project for a company in the Western-European market, they had no preferred country to start with. But even in the Western-European market there exist some differences in the way business is done between specific countries. According to the CEO of Helios, Dutch partners are more focussed on references and German partners prefer building confidence. Without references it is hard to enter the Dutch market, but it takes more time to convince a German partner. Helios decided to enter the Dutch market first, because they believed Dutch partners are more open minded to do business with low wage countries and Dutch people are better educated in the English language.

Entry mode selection

Because Helios Solutions had no relationships in the market, they had to facilitate their own entry into the Western-European market. Helios wouldn't use much resources to enter the market, because of the high failure risks and their low experience with cultural issues. For this reason, they selected a non-equity mode and decided to use piggy-backing to attract the first project. For piggy-backing Helios had first to find a partner who wants to sell their product, or use a part of it in their own product.

Helios chose to search for a partner since it is more difficult to work for end clients. According to the CEO of Helios, end-clients prefer quality and trust, over a lower price. At the other side it takes more effort to retain business from end clients. Partners will contact the end clients and deliver new projects. Therefore, partners will give more safety for retaining your business.

Beside the use of piggy-backing, Helios also tried to supply software professional to the Western-European market. By sending software professionals to companies in The Netherlands they tried to get some connections in the Western-European market. Helios was not actively supporting this entry mode, they only placed some profiles on job offering sites. Due to strict political rules they were never able to sent a single professional abroad, but this entry mode is still an option for the future.

On their website, www.heliossolutions.in, Helios also promotes a representation office in The Netherlands and Germany, with a development centre in India. In practice this office is never launched, in this case we can better name it a virtual office. Helios tries to represent their existence in the Dutch and German market, but also this entry mode is not actively supported. The only strategy they used is hiring Dutch and German interns to communicate with partners in their own language. They even didn't buy the domains of the Dutch and German, Helios Solutions, websites.

Helios found their first partner via a competitor. By looking at the site of another Indian software company they were able to contact one of their competitors' partners. At the same time they were contacting another partner of their competitor to find out the price they were offering. In their place Helios offered the partner a price far below the price of their competitors. This way, Helios was able to perform a first pilot project for a Dutch partner. After performing this first project Helios had a reference, which could be shown to new potential customers.

After Helios attracted their first partner, and a reference, it became more easy to attract new partners in the same market. To attract new partners they used direct marketing as well as indirect marketing strategies. Native workers were selected and offered a job in the marketing team to facilitate the business development. With native workers Helios bridges the cultural and communication problems between India and the Western-European market.

One direct marketing strategy, used by the native marketing people, is searching the internet for potential partners which can be used to piggy-back the products of Helios Solutions. In first place, they are looking for companies working with the same technologies as Helios with job offerings in this field, or small potential companies who can grow along with Helios. All the potential partners are stored in a database and when necessary potential partners are contacted by phone or e-mail.

According to a member of the marketing, this direct marketing provided by native workers is an effective marketing strategy. Potential partners prefer to communicate in their own language and it creates more trust when someone from their own origin contacts them. By offering new partners a pilot project Helios tries to convince them and contract them for a longer period.

Helios also tries to contact potential distributors via indirect marketing. They have created profiles on popular social network sites like Xing and Linked-in. Those network sites will be used in the same time to search for potential distributors. They have also translated their own website into English, Dutch and German, which provide all the main information about their services. By using SEO (Search Engine Optimalization), cross links and replies on forums they try to end as high as possible in different search engines, like Google.

According to a member of the marketing team, the indirect marketing strategies are less effective. Potential partners, who contact Helios by themselves have already heard of the company before and the only function of the indirect marketing strategies is to trigger their memories. At the other side, provide profiles on Xing and Linked-in, and the website some background information for potential partners who are contacted via direct marketing.

Operationalizing the market strategy

After Helios had entered the market, their next goal was to expand their market share. To find new partners in a foreign market it is important to create a good network. The CEO of Helios is always busy to extent his network. All the people he meets will be tracked to see who they are, what they are doing and who are their connections. If a partner has many connections, the CEO tries to trade some contact information by offering contact information about his own connections

According to the CEO of Helios, the best way to maintain and establish relationships is by personal contact. Therefore the marketing team of Helios organizes three times a year business trips to Western-Europe. Purpose of this trip is to meet current and potential partner, and when possible congresses about software technologies. These business trips are organized by the native workers from the marketing team, and for each selected country is one native worker supporting the CEO.

According to the CEO of Helios Solutions, business trips are a very effective way to attract new projects. By visiting current and potential partners a lot of trust is created, and Helios will stay in their minds. During the business trips the CEO often tries to visit relations of current partners. When he drops the name of the current partner he hopes create a good feeling.

When a partner recommends another partner to Helios, they are willing to pay him a percentage of the business they receive from this new partner. Consequently, they try to stimulate partners to recommend Helios to their relations. Recommendations are very effective in finding new customers. By paying a percentage of the business from new partners, current partners are more willing to recommend Helios to business relations.

Helios uses different ways to work along with their partners, one type is by an offshore development centre. In their office in India, Helios has a special place for a couple of specialist working on an offshore basis for a distributor in Holland. The partner manages those people and gives them periodically some new projects. By using an offshore development team, Helios can employ young software specialist and train them by working in this team. Helios focuses on partnerships with big companies, because they have more work and can select a dedicated team, as they call it, which works on an offshore basis.

Helios also uses the offshore development centre to create stronger connections with important partners and for some financial advantages. One of the partners of Helios has a five people development team working at Helios. This partner has direct contact with the members of its development team. The members of this development team will only work on projects for this particular partner. In fact they are employees of the partner, but still work at the office of Helios Solutions. The partner pays their salaries, plus some extra infrastructure cost at Helios.

4.1.3 Cultural problems

During the operationalization of projects Helios faces a number of problems due to the cultural differences and distance between India and the Western-European market. Helios is not able to solve all those problems, but they have taken some action to minimize the problems. Beside some transaction and political problems, the biggest problems are the communication and efficiency. Helios tries to rule out the communication problems by selecting native workers for marketing team, as mentioned before. All the contact, like e-mail, phone calls and skype conversations with partners goes via those native workers.

One big existing problem between India and Western-Europe is the importance of deadlines. In India deadlines are a kind of guidelines to finish a project, but the Western-European partners expect the project to be finished at the particular date. According to the programmers and partners of Helios, those deadlines cause often a lot of stress at both sides. Indian programmers at Helios are very often working till midnight to finish a project on time. The same problem counts for quality, Indian quality standards are way behind those of the Western-European market. During our research partners complained many times about the bad quality of delivered websites.

Another big problem between Helios and the Western-European market is the difference in efficiency. Companies in the Western-European market work by far more efficient than Indian companies. European programmers are multi-skilled and always try to complete their projects on time. Indian programmers are often trained in a single technology and are more flexible in their time schedules. To overcome this problem the programmers at Helios need a lot of training, not only to expand their knowledge of different technologies, but also to work more secure and finish their projects on time.

The difference in efficiency between India and Western-Europe became clear during one of the first projects provided for a Dutch client. Where Helios estimated to work 6 weeks on a project, the partner responded he was able to finish the project by himself in 6 days. Reason for this big difference was the unstructured way of working by Indian programmers and the fact they developed all the frameworks by themselves, instead of copying existing frameworks available on the internet.

4.2 Analysis

During the analysis, the findings of the in-depth case study will be matched with the information found during the literature review. We will analyze whether the market entry strategy of our case company, Helios Solutions, matches with the theories found in the literature.

4.2.1 Analysis of the case company

Market selection

When Helios entered the Western-European market they had no relationships in this market. Still they were able to create connections and start doing business in the market. The case of Helios Solutions supports the view of Loane and Bell [2006], who already doubt the importance of relationships by showing that relationships are not necessary in the market entry process. Although, they don’t disagree with other researchers, like Coviello and Munro [1997], and Sharma and Johanson [1987], that relationships in the market are very useful. Their findings don't match with the results of the study of Moen et al. [2004], where none of the companies made any serious commitments in a foreign market without prior connections.

A low psychical distance was not important in the market selection of Helios Solutions. They were able to enter a foreign market, before they ever entered the domestic market or any psychical close market. The case study supports the view of and Czinkota and Ursic [1987], Nordström [1991] and Hamill and Gregory [1997] who question whether new software companies first have to enter psychic close market or if the new technologies made it possible to enter direct psychic distant markets. In the case of Helios Solutions we see the importance of the internet in the market entry process, this suggests that technologies make market entry in psychic distant markets possible.

In the market selection process of Helios Solutions are especially the market size and their opportunities, in comparison with the U.S. market, important factors to enter the Western-European market. Based on this decision we can doubt the view of Johanson and Mattson [1997] who argue that relationships are more important than market characteristics in the market selection process.

Entry mode

When Helios first tried to enter the Dutch market they used non-equity entry modes, because of the high failure risk in the market and due to their lack of knowledge of the market. This matches with the findings from the literature review. One of the characteristics of a successful marketing strategy is making use of non-equity modes in cases of high risks. Brouther [1995] suggests that companies prefer those entry modes in cases of uncertainty.

Helios uses native workers to contact potential partners in the Dutch and German market. In the literature this strategy is never mentioned before. The only thing mentioned about communication strategies, is the creation of English-speaking abilities to reduce physical distance [Moen et al., 2004]. This is also an important strategy of Helios and one of the characteristic of a successful marketing strategy to enter the Western-European market.

Operationalizing the market strategy

After the market entry, Helios pays a lot attention on the development and maintenance of relationships with partners. They use different strategies to expand the network; by stimulating current partners to recommend Helios to other partners, and by offering them a percentage of earnings out of the new business. Another way is; by visiting important and potential new partners a few times a year by making business trips. In the literature the importance of developing and maintaining relationships is mentioned by Bell [1997]. But the strategies used by Helios are not mentioned before in the literature.

Helios uses offshore development centers to create better connections with big partners. According to Arora et al. [2001] offshore development centers are often used in partnership relations between Western-European companies and Indian software companies. Offshore development centers allow partners to take advantages of highly skilled software professionals against low wages, which is one of the characteristics of a successful marketing strategy.

Poon and Jevons [1997] mention in their research the importance of the internet in the development and maintenance of relationships. During the case study at Helios the importance of the internet is recognized. Helios uses the internet for a lot of reason and wouldn't be able to do any business without it. In the literature the importance is slightly mentioned, but from Helios we can see that the internet is much more important for Indian software companies as mentioned before.

Cultural problems

From the case study of Helios we can see that they deal with a number of problems in their daily business with Western-European partners. The most important problems are communication problems and a difference in efficiency. The first problem is also mentioned in the literature by Johanson and Wiedersheim-Paul [1975], but the efficiency problems are never mentioned before. Helios is facing big differences in efficiency between their own company and their Western-European partners, which are hard to overcome.

Beside the differences in efficiency, Helios is also facing problems on the field of reaching deadlines and quality standards. These cultural differences are as well not mentioned before in the literature, but cause, according to case study at Helios Solutions, a lot of stress for both partners. Indian programmers are not used to work with time schedules and quality standards, but at the same time the Western-European partners expects Helios to meet all the deadlines and quality standards.

5. Conclusion & discussion

5.1 Conclusions

In this study we were looking for important characteristics of a successful marketing strategy for Indian software companies to enter the Western-European market. After a literature review we selected a case company, for an in-depth case study, to see whether the results from the literature review match with a practical case study. Based on the differences we will give some new insights for future research.

From the literature review we found seven characteristics of a successful marketing strategy for Indian software companies to enter the Western-European market. Those seven characteristics are; lower psychical distance, develop relationships, create knowledge of the market, determine the asset investment and risks, develop and maintain relationships, use first non-equity modes, and reduce the price level.

Those characteristics are basically based on the information found in the literature about the market entry strategies for foreign markets. Herby, we focused on small- and medium sized software enterprises because they face the biggest problems in their market entry process. Unfortunately, there was less information available about the characteristics of the Western-European market. Therefore it might be possible that we are missing some important characteristics of the successful market entry strategy, according to the characteristics of the Western-European market.

5.2 Discussion

During the case study we found some similarities between our model and the case of Helios Solutions, and some differences. We will discuss all the characteristics for a successful marketing strategy for Indian software companies to enter the Western-European market, with what is found during the case study at Helios Solutions.

5.2.1 Similarities between the case study and the model

The first characteristic in our model is lower psychical distance. One way to lower psychical distance is by creating English-speaking abilities. In the market entry process of Helios Solutions the English-speaking abilities of the programmers play an important role. Those abilities make it possible to direct enter psychic distant markets. Here, we see some similarities with the theory of Moen et al. [2004], who argues that English-speaking abilities reduce psychic distance.

In the literature there is a discussion whether new software companies first have to enter psychic close markets, or if new technologies make it possible to direct enter psychic distant markets. In the case of Helios Solutions we see that it’s possible to enter psychic distant markets, before even entering the domestic market, thanks to the use of internet. These findings support the studies of Czinkota and Ursic [1987], Nordström [1991], and Hamill and Gregory [1997], who suggest that new technologies make markets more homogenous.

A characteristic of a successful marketing strategy is to determine the asset investment and risk before an entry mode is selected. In the case study of Helios the importance of this characteristic is not fully recognized, but we can conclude that Helios paid some attention at determining the number of resources and level of risk they would take by entering the Western-European market. Helios was fully aware of the risks they were taking by entering a psychic distant, unknown market without any relations. Therefore they decided to invest not much resources into the market.

Another characteristics of a successful marketing strategy is developing and maintaining relationships [Bell, 1997; Moen et al., 2004]. Helios Solutions uses some interesting strategies, like stimulating partners to recommend Helios and using information about current partners to create trust with new partners. The most important strategy, according to the CEO of Helios, in developing and maintaining relationships, are the business trips. The CEO of Helios makes three times a year business trips to visit important and potential partners.

Brouthers and Nakos [2004] suggests that companies with low asset specific investments choose non-equity modes, this is similar to the case of Helios Solutions. The only effective entry mode in their case is piggy-backing via partners. They have also tried to sent software professionals abroad and start a representative office, but due to political rules they never succeeded. Based on the case of Helios we can conclude that it is a good choice to start with non-equity modes.

Reducing the price level of products is another important characteristic of the successful marketing strategy [Arora et al., 2001]. Helios used this strategy to contract their first partner. By reducing the price level compared to a competitor they were able to start a first pilot project with one of the partners of their competitor. They still use some price reductions to create better connections with larger partners, most of the time in combination with an offshore development centre.

5.2.2. Differences between the case study and the model

Most researchers like Coviello and Munro [1997] argue that relationships are important for a successful market entry strategy. The case study of Helios Solutions questions this theory, Helios had no prior relations in the market. Still, they were able to create a partnership with a Dutch client. Based on the case of Helios Solutions we can conclude that prior relationships in the market are not necessary, although they will make it easier to enter the Western-European market.

Another characteristic of a successful marketing strategy conflicting with the case study of Helios Solutions, is creating knowledge of the market [Brewer, 2007; Sousa and Bradley, 2006]. Before Helios entered the Western-European market that had no idea about price levels, cultural issues, political rules etc. This lack of information made it more difficult to enter the market, but in the end they were still able to enter Western-European market.

We also noticed some new strategies in the case study about Helios Solutions. As mentioned before Helios uses some interesting strategies in the development and maintenance of partners, like business trips and help of partners. The most interesting strategy of Helios was the selection of native workers to provide there market entry. Beside the development of relations, this strategy also helps to bridge the gap of cultural difference with the Western-European market. As far as we know, this strategy is not mentioned before in the literature.

Some other problems occurring at Helios Solutions are the differences in efficiency, and the need to meet deadlines and quality standards. In the literature some entry barriers and cultural problems are mentioned, but none of the investigated studies paid attention to those problems.

5.3 Implications for future research

Our study provides some possible insights for future research. As mentioned above we couldn't find much information in the literature about the characteristics of the Western-European market. We only adopted one characteristic influenced by the characteristics of this market in our model.

From the case study of Helios Solutions, we see that they are facing some serious problems in their daily business with the Western-European market. They face problems to meet deadlines and quality standards, and there is a difference in efficiency between the Western-European partners and Helios Solutions. Since not much is known about other characteristics of the Western-European market, there could arise more problems in doing business between Indian and Western-European companies. For this reason, it would be useful to provide further research about the characteristics of the Western-European market.

In the literature review there is said something about the importance of the internet [Poon and Jevons, 1997] in establishing and maintaining relationships. In the case study about Helios Solutions this view is supported, but for Helios the internet seems to be more important than mention in the literature. Without the internet Helios would not be able to perform any business with Western-European customers. The importance of the internet could be underestimated in the current literature. In our perspective it would be useful to pay some more attention about the use of the internet in market entry processes.

A last implication for future research is the selection of native workers at Indian software companies. In the literature is said something about supplying software professionals to domestic markets, but there is said nothing about hiring native workers from selected markets. Hiring native workers is a strong strategy to overcome cultural problems and develop relationships in a foreign market. This strategy is used by many Indian software companies, but nothing is said about it in the literature. This could be an interesting point for future research.

Appendix 1

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Appendix 2

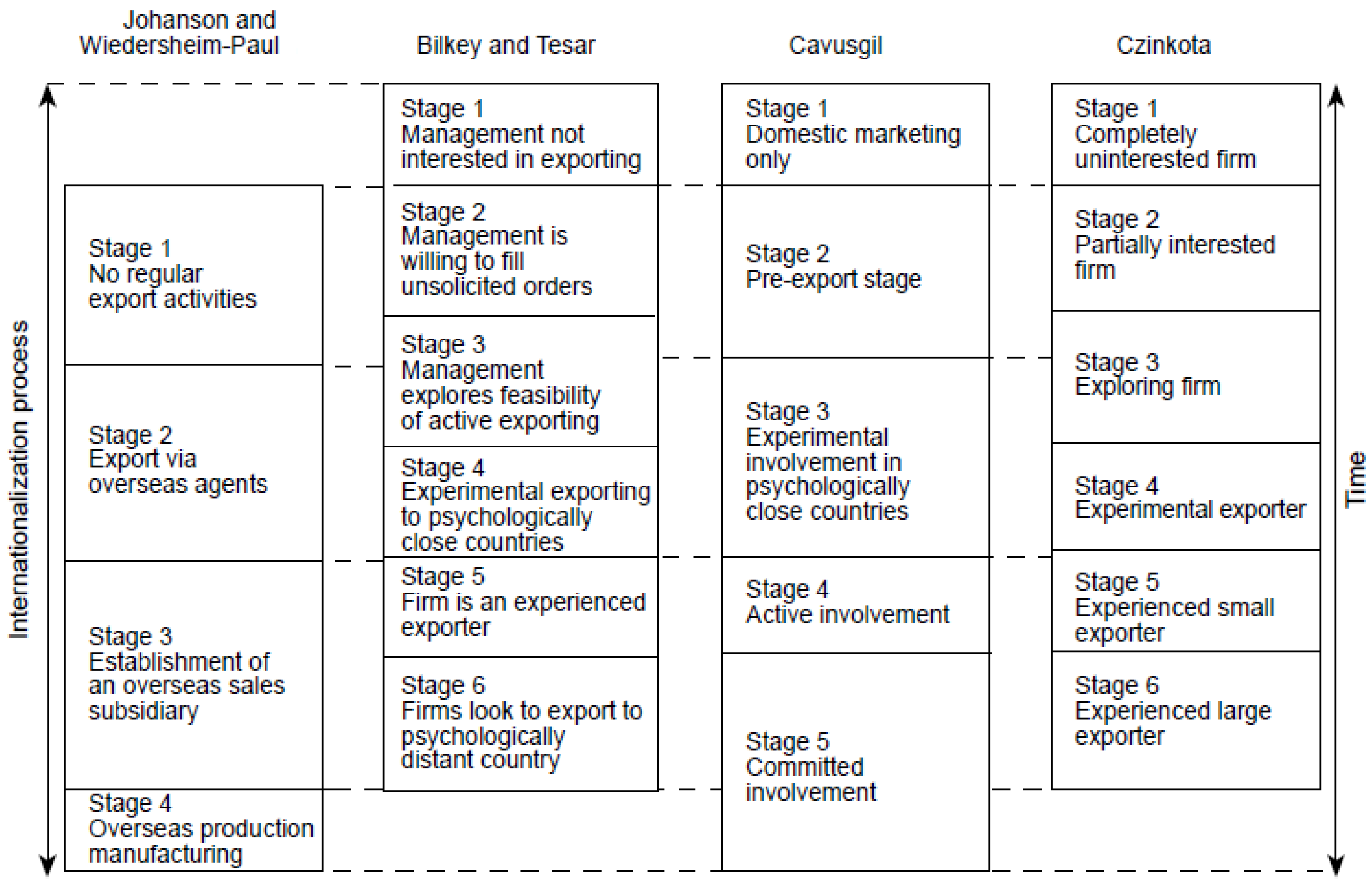

Figure 3:Comparison of four internationalization stage models [Andersen, 1993]

Appendix 3

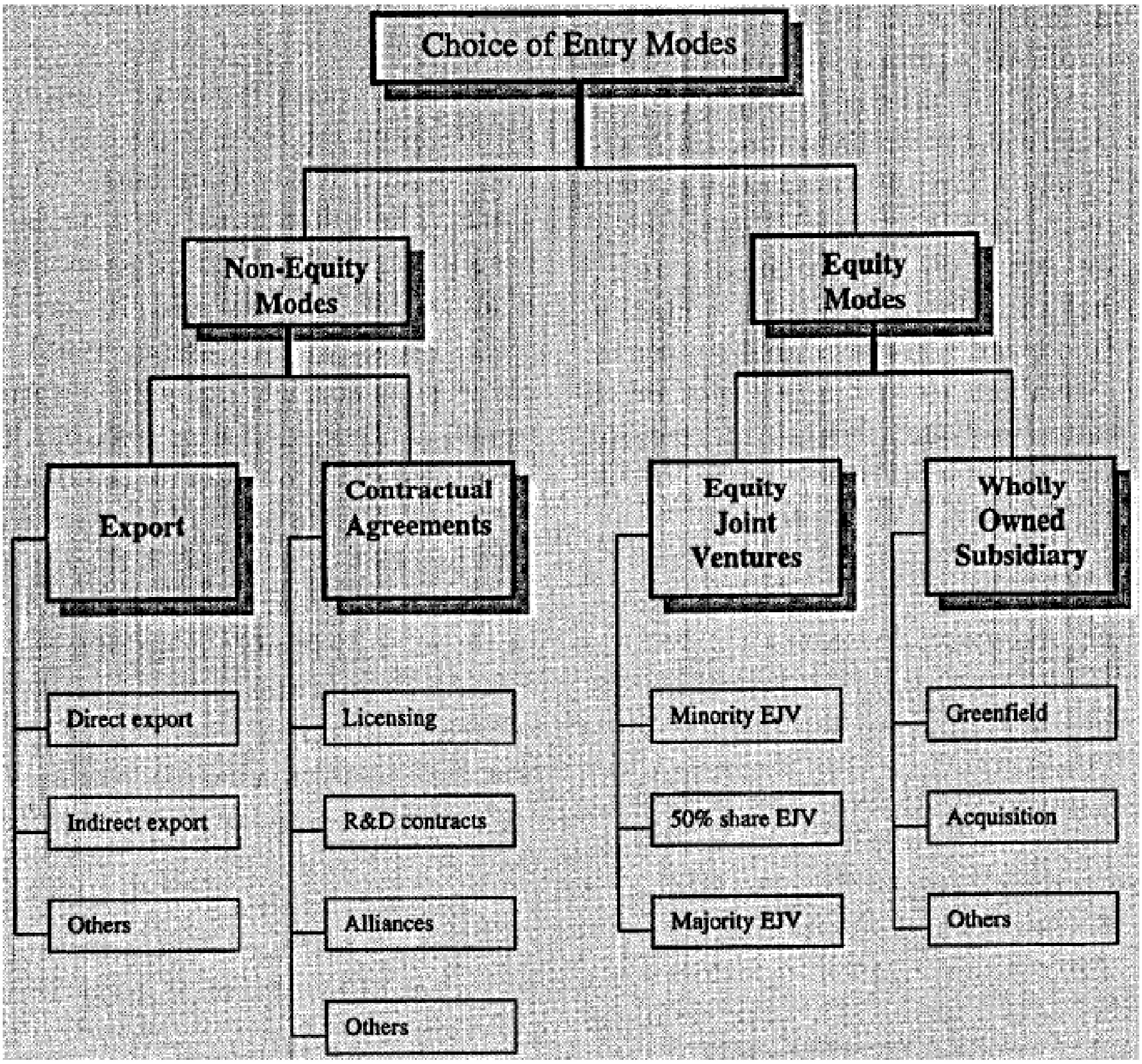

Figure 4: A hierarchical model of choice of entry modes [Pan and Tse, 2000]

Appendix 4

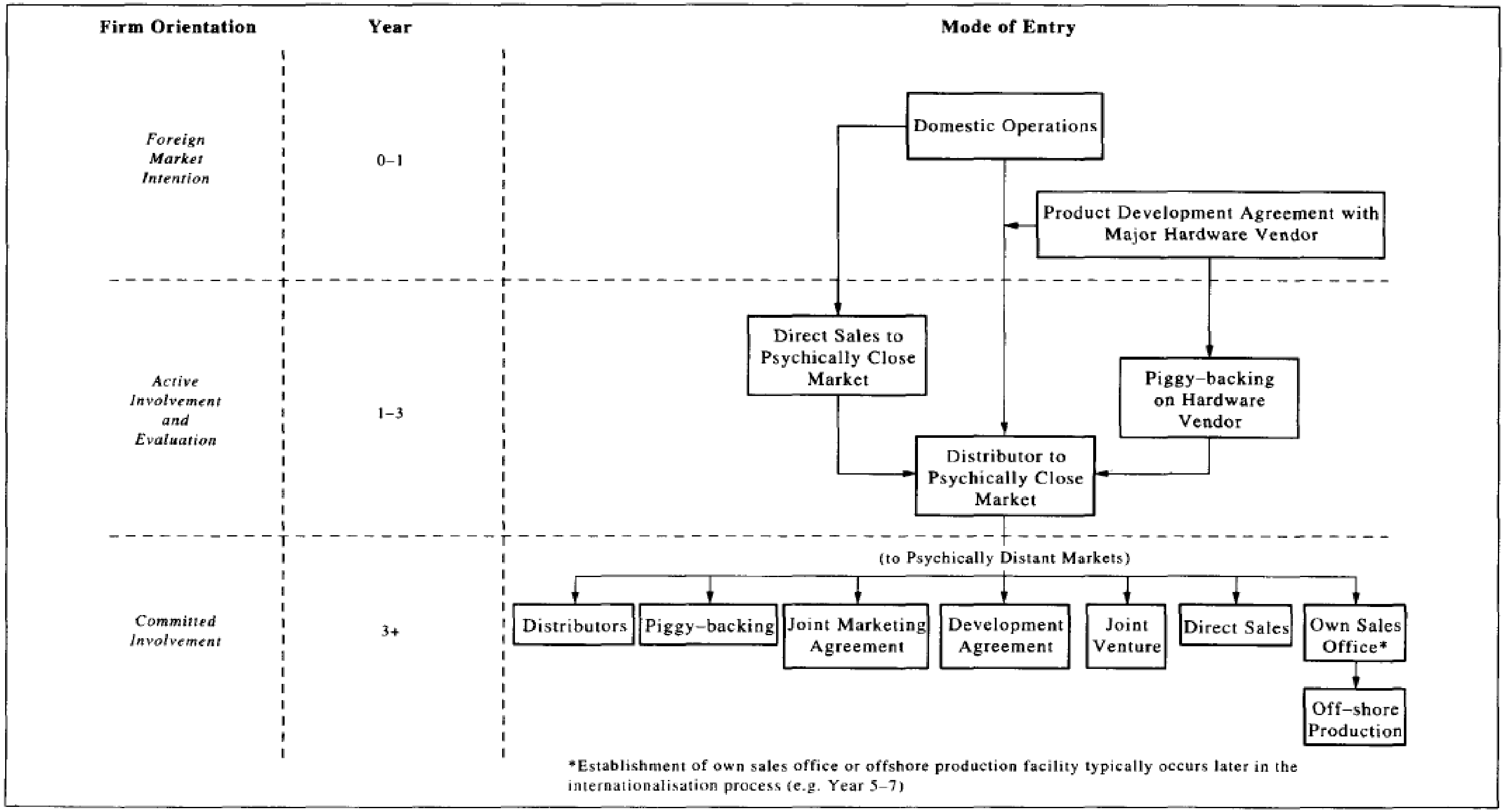

Figure 5: The international process of small software firms (Coviello and Munro, 1997)

Appendix 5

Ojala [2009]	Ojala [2008]	Ojala & Tyrvaïnen [2007]	Niosi & Tschang [2009]	Moen et al. [2004]	Bell [1995]	McNaughton [1996]	Coviello and Munro [1997]	Brouthers and Nakos [2004]
Respresentative	Representative office	Sales subsidiary	Greenfield	Sales office	In-direct exports	Joint venture	Joint marketing	Subsidiary
Respresentative office	Subsidiary	Represenative	Acquistion	Subsidiary	Agent/distributor	Piggy-backing	Development agreements	Exporting
Distributor	Joint venture	Representative office		Piggy-backing	Export sales staff	Joint marketing agreement	Joint venture	Licensing
Subsidiary	Corporate	Corporate		OEM agreements	Licensing	Sales subsidiary	Sales offices	Franchising
Direct sales	Exporting via distributor	Joint venture		Distributor	Joint venture		Distributor	Joint venture
Joint Venture	Direct exporting	Piggy-backing		Direct exports	Subsidiary		Piggy-backing	Wholly owned subsidiary
Corporate		Distributor		Wholly owned subsidiary			Direct sales	
		Direct sales						
		Sales office						
		Development agreement						

Tabel 1: Different selected entry modes