

## Innovis Telecom: Entrepreneurial Internationalization

On a sunny afternoon in November 2015, three executives of Innovis Telecom Services were meeting at the headquarters in Gurgaon, India, to discuss further internationalization plans. The executives present were the two founders, S.K. Acharya (hereafter S.K.) and Kapil Sharma (hereafter Kapil), and the CEO for their largest market, Africa, Sandeep Achantani (hereafter Sandeep). Their start-up was now five years old, had a presence in eight countries and had seen staggering growth for a service company. Now, the company was facing a tough decision as three expansion opportunities had presented themselves at the same time in three new markets – Ghana, Tanzania, and the Philippines. The company had resources to enter only one. S.K., Kapil and Sandeep remembered how, in 2014, Innovis had been presented with a long-term project in Myanmar while all its capital was already tied up elsewhere. To make the Myanmar project a reality, they had needed to fight hard to convince a very skeptical Board and had been forced to wind down operations in Indonesia. But by 2015, the new business in Myanmar was already responsible for 27% of Innovis' revenue, which confirmed the intuitions and convictions of the three executives. Now, as each man had his own vision of which was the right market to pursue, they would need to come to a consensus on which opportunity would provide the most value for the company. Then they would need to convince the Board that further expansion was necessary. They had two weeks until the next Board meeting to come up with a proposal.

### 1. The Origins of Innovis

Innovis Telecom Services was founded by S.K. and Kapil in Gurgaon, India, in 2010. Kapil, with an engineering background, had joined Nokia India after finishing business school in 1995. Nokia had just entered the India telecommunications market at the time and “had a real start-up flavor,” Kapil said. After three years in India, Kapil moved with Nokia to China, Singapore, and the United States, where he handled the service business (planning, maintenance and deployment). He returned to India for a new challenge in 2006.

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This case was prepared by Professor África Ariño, Katherine Tatarinov, case writer, with the collaboration of Steven Altman, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. May 2016.

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S.K. had a great deal of experience running large service organizations in various geographical areas. As the Innovis website said,

“Before taking the entrepreneurial plunge, S.K. handled a variety of business leadership roles with Nokia Networks/NSN, Qualcomm and Bharat Electronics Ltd. (BEL). His last role with NSN was as the head of the country services organization, where he handled annual business of \$600 million and an organization of more than 6,000 people.”<sup>1</sup>

In 2009, S.K. and Kapil saw that the industry in India lacked professionalism. “We thought we could fill the gap,” Kapil said. The initial vision originated in the fact that Nokia was working with contractors who were less than professional, which was frustrating for Nokia and reflecting poorly on its performance. Kapil and S.K. decided that, since the Indian telecom market was going through a boom (doubling the number of subscribers every year between 2005 and 2009), there was a place for a professional telecom service provider with executives who had global experience and exposure.

S.K. and Kapil split the responsibilities between themselves. (See Exhibit 1 for the leadership team in 2015.) S.K. was responsible for overall operations (service delivery) of Innovis globally and was also the CEO (full profit and loss and delivery responsibility) for India. Kapil was responsible for sales, marketing and commercial matters for Innovis globally and also became the CEO for the Asia-Pacific region when Innovis expanded to that region later.

In May 2010, Innovis received funding from Nokia’s venture fund, Nokia Growth Partners. (See Exhibit 2 for a list of the main shareholders and Exhibit 3 for details of the involvement of Nokia Growth Partners.) Innovis’ main services centered on helping telecom carriers and providers with network infrastructure and related services including consulting.

Unfortunately, in April 2010, immediately after Innovis had been formed, the Indian government formally banned Indian mobile operators from importing much of the telecom equipment manufactured by Chinese companies.<sup>2</sup> This affected emerging Indian mobile operators, who wanted to buy low-price network equipment from Chinese manufacturers. For Innovis, this meant that there was no demand for its services because nothing was being deployed. Basically, the company had around 70 to 80 employees in May 2010 with nothing to do and no business. By October 2010, there was a 60% drop in pricing and desperation in the industry. Kapil and S.K. believed that they could set up a large business in India but that it would not be profitable. “Not a market to play in current conditions,” was Kapil’s description. This is what forced the company to decide to go abroad.

That same year, Sandeep joined the company. Prior to joining Innovis, he was a consultant for international business strategy and international marketing for large multinationals as well as SMEs in India. He had joined Kapil on a project in 2010 as an international work partner and

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<sup>1</sup> Innovis, 2016. *Management*. [Online]. [Last accessed April 2016]. Available from: <http://www.innovis.in/management.htm>.

<sup>2</sup> The Department of Telecommunications, part of the Ministry of Communications and Information Technology, had previously told operators in India to stop buying Chinese-made telecom equipment via unofficial channels but this was the first formal ban. Prior to this, India’s Ministry of Home Affairs expressed its worries that telecom equipment from some countries may have built-in spyware or malware, which would harm its Intelligence Bureau.

had continued with the company. He became one of the key decision makers for the company when he started to head the African expansion in 2011.

Most of the decision making was collaborative, with three people – Sandeep, S.K. and Kapil – involved. Usually, the three managers were able to come to an agreement about a decision. In instances where one of them was uncomfortable with a particular decision, either the other two convinced him or the company did not proceed with that choice. All three decision makers had to be in agreement.

For decisions involving entry into new countries or committing a large investment to a specific project, Innovis needed formal Board approval. The three managers addressed the Board and gave their analysis as well as recommendations. The final decision on such matters was taken during the next monthly Board meeting. The chairman usually did not get involved in matters related to execution but played an active role during Board meetings to facilitate discussion and decision-making processes.

The Innovis Board consisted of chairman Olli Oittinen, who was based in Helsinki but had been involved in the Indian telecom revolution during the mid-1990s as the first general manager of Nokia Networks India; Claus Karthe, a Swiss telecom entrepreneur based in Singapore; Anthony Crane, a global telecom veteran based in the United Kingdom; Upal Basu, an entrepreneur, strategy consultant and venture partner with Nokia Growth Partners based in India; and Bo Ilsoe (Ilsoe), an experienced venture capitalist and investment manager based in Europe.

Nokia Growth Partners had certain affirmative rights when it came to decision making in certain matters that required its approval irrespective of its shareholding percentage. These matters included entry into any new country, C-level managerial appointments, and the issuing of new shares to an incoming investor. As of 2016, there had never been a situation where Nokia Growth Partners had withheld approval for any ventures.

## 2. Services and Strategy

The services that Innovis offered to telecom carriers and operators and OEMs<sup>3</sup> related to network infrastructure and consultancy. Innovis' customers included Ericsson, Nokia Siemens Networks, Huawei, Alcatel Lucent, Airtel, Axis Indonesia, MGear, Andrew Wireless, and Viom Networks.

The services that related to network infrastructure depended on the stage of telecom network evolution and were classified into four categories:

1. Network planning: Planning the coverage of a network, the location of sites, and equipment configurations
2. Network rollout: Actual deployment of the equipment at telecom sites
3. Network performance management: Improving the performance of an existing network
4. Network operations (also called managed services): Daily monitoring of network alarms, fault management, corrective maintenance, and preventive maintenance

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<sup>3</sup> Original equipment manufacturers.