

The Scaling of a Marketplace Unicorn:

SENSING, SEIZING, AND TRANSFORMING ACQUISITION OPPORTUNITIES

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SUMMARY

Once considered rare, unicorn start-ups are now a global phenomenon. This article identifies the key motives for acquisition in unicorns and extends David Teece’s dynamic capabilities framework (CMR, Winter issue 2026) to demonstrate how founders sense, seize, and transform acquisitions to successfully scale in a winner-takes-all platform market. In this context, acquisitions serve a three-pronged purpose: one, to achieve market dominance by growing market share, by diversifying into new markets, and by matching, mitigating, or eliminating rivals; two, to access strategic resources; and three, to resolve complex, idiosyncratic, and temporal trigger points in the scaling process. In terms of organizational scaling, external stakeholders, including rival firms, business partners, and particularly investors, are essential to developing the dynamic capabilities of sensing and seizing acquisitions that drive market expansion. However, it is the founding team that is crucial to transforming the resources acquired through acquisitions to resolve trigger points. They do this by reconfiguring and recombining resources, particularly technology and know-how, and by empowering entrepreneurial teams to create unicorns with unicorns, facilitating autonomous, innovation-driven growth.

KEYWORDS: acquisitions, start-ups, dynamic capabilities, growth strategy, scaling

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Unicorns, defined by venture capitalist Aileen Lee in 2013 as new ventures valued at or over \$1 billion,¹ have grown in numbers from 108 in 2015 to 1,248 as of September 2024, based on data from CB Insights.² Reflecting a global trend among high-growth, dynamic and innovative ventures to remain private, they include Stripe (USA), ByteDance (China), Zerodha (India), Checkout.com (UK), BioNTech (Germany), Back Market (France), Rapyd (Israel), 1Password (Canada), and C6 Bank (Brazil). Emerging research provides important insights into what drives the probability of breaking the billion-dollar valuation threshold, with the role of location and funding taking center stage, although the results are mixed.³ In contrast, less is known about how unicorns manage growth, particularly acquisitive growth. Mergers and Acquisitions (M&As) are an established strategic mode of organizational growth. By leveraging a high degree of business overlap between the target and acquirer, scale acquisitions enable the acquirer to expand existing markets, while scope deals enable the acquirer to access new markets, product lines, or channels in related but distinct businesses.

Stripe, the payment processing unicorn founded in 2010, acquired 16 young innovative technology ventures, including Paystack, which processes over 50% of online transactions in Nigeria and offers Stripe huge potential to expand its geographical footprint in the African continent.⁴ Nevertheless, little has been written about the role of acquisitions in the scaling of unicorns.⁵ Do unicorns acquire “to get big quick,” in the words of LinkedIn founder Reid Hoffman,⁶ through rapid market expansion, or are there other motives for acquisitions? Stripe, for example, also acquired related technology ventures to strengthen its developer toolkit, such as Bouncer, a company specializing in credit card fraud detection technology and knowledge through acqui-hires, including Kickoff, a chat and task-management app for teams. Thus, our first research question is what motivates unicorn acquisitions?

Scaling not only calls for growing the market but also organizational growth and managerial learning. Acquisitions pose significant integration challenges for experienced managers who are accustomed to driving organic growth, and even those with a dedicated M&A team and strategy. Unicorns are typically started by young, ambitious but inexperienced founders. They represent a different organizational structure that leverages the flexibility of a small, vested management team, typically with significant input from investors. One argument is that this managerial structure mitigates information and agency problems⁷ that lead to acquisition failure. But how do founders identify, integrate, and leverage target acquisitions to successfully scale their organizations? Using Teece’s⁸ dynamic capabilities framework, our second question is how do unicorn founders sense, seize, and transform acquisitions to scale?

We investigate these two research questions through a case study of the scaling of prominent Indian e-commerce platform Flipkart. Flipkart’s scaling included a series of 14 acquisitions over eight years from 2010 to 2018. By 2018, Flipkart had become the leading e-commerce platform in India, fending off

competition from Amazon and other local rivals. It was valued at \$21 billion in a sale to Walmart. Our analysis deepens understanding of decision-making in entrepreneurial ventures,⁹ by focusing on strategies that drive growth beyond organic growth strategies.¹⁰

Our contribution is fourfold. First, we find that acquisitions serve a three-pronged purpose: one, to achieve market dominance by growing market share, by diversifying into new markets, and by matching, mitigating or eliminating rivals; two, to access strategic resources; and three, to resolve complex, idiosyncratic, and temporal trigger points in the scaling process.

Second, we show that at the organizational level, scaling is about learning to become an effective acquirer in a compressed time period. We demonstrate how the five core activities of acquisitive growth in Flipkart map onto Teece's three high-level capabilities: target identification (opportunity sensing); deal implementation and target integration (opportunity seizing); and performance evaluation and resource configuration (transformation). For these five activities, we identify 10 transformative micro foundations that other nascent unicorn founders, funders and advisers can seek to replicate. Opportunity sensing manifests in target identification through leveraging investors' expertise, rival firms' actions, and pre-existing business relationships. Opportunity seizing manifests in deal implementation through quick decision-making, short payment cycle, and an integrative approach to acquisition, complemented by target integration via the retention of target firm employees, especially the top management team, and ensuring post-acquisition autonomy to those targets with an established brand identity and customer base. The dynamic capability of transformation manifests in post-acquisition performance evaluation, involving withdrawing and redeploying resources, as well as recombining resources to exploit new opportunities to enable exponential growth and market leadership. Third, we find that Flipkart benefited from unexpected and "serendipitous sources of value"¹¹ from its acquisitions that enabled it to resolve complex trigger points in its scaling to unlock exponential growth opportunities. It also empowered the entrepreneurial teams of acquired firms, via a unified vision, to create unicorns within unicorns to facilitate autonomous and flexible growth. We suggest these two microfoundations distinguish post-acquisition value creation in the uncertain and dynamic conditions facing unicorns from that of established corporations, which focus on longer-term growth and strategic renewal.

Fourth, we demonstrate how the development of dynamic capabilities in unicorns is dependent on a range of stakeholders. In terms of organizational scaling, external stakeholders, including rival firms, business partners and particularly investors, are essential to the development of the dynamic capabilities of sensing and seizing. However, it is the founding team that is crucial to the development of the dynamic capability of transformation, as it reconfigures and recombines resources, especially know-how and technology.

We begin with an overview of scaling and the motives for acquisition in a unicorn setting. We examine how dynamic capabilities apply to acquisition strategy. Also, we discuss the implications for both theory and practice, including identifying constraints and avenues for further investigation.

Scaling Via Acquisitions

The term scaling has gained traction in the start-up community in part through the influence of the investor and co-founder of LinkedIn, Reid Hoffman.¹² Hoffman and Yeh coined the term “blitzscaling” to describe the process of rapidly building a new venture to serve a large global market, aiming to be the first mover at scale.¹³ Academics also highlight that it is speed and magnitude that distinguish scaling from growth,¹⁴ or high growth as benchmarked by the OECD at 20% annualized growth over 3 years.¹⁵ In distinguishing scaling from high growth, researchers stress that scaling is time-limited exponential growth that generates returns to scale¹⁶ by expanding the firm’s output without a corresponding increase in inputs. This focus on returns to scale aligns with the strategic rationale in established firms for scale-driven acquisition, predicated on cost synergies that enhance competitive positioning.

However, digitization has transformed the potential for technology-driven unicorn start-ups to leverage economies of scale and scope via “automation, individualization and interdisciplinarity.”¹⁷ Unicorns that operate either fully or partially digital models tend to have more scalable resource bundles due to significant economies of scale on the supply side, achieved through increased website traffic, larger order sizes, expanded warehousing and logistics networks, or greater purchasing power with suppliers.¹⁸ Importantly, for firms with digital platforms, demand side economies of scale based on network effects attract more sellers (buyers) and improve buyer (seller) outcomes by providing more and higher-quality matches. Network effects are the defining characteristics of platforms¹⁹ and the driver of growth.²⁰ Clearly, market expansion by acquiring competitors in the same business can facilitate the acceleration of network effects and the scaling process.

Market diversification acquisitions offer the potential to leverage economies of scope by combining product lines or service offerings that can be sold to the same customer base through shared platforms and marketing efforts. Platforms can also benefit from demand-side economies of scope arising from one-stop shopping, lowering search costs, and enhanced complementarity between related products and, therefore, convenience for users. This bundling of products and tying in customers increases switching costs for users. Critically, it allows for the gathering and leveraging of data on users.

The focus on scaling via digital models and technology is the mantra of unicorn management teams, as their valuations are based on market share and strong growth rates. Investors often accept growth metrics as proxies for value and hence are primarily interested in increasing users, engagement, customer acquisition, retention rates and revenues.²¹ As a result, investors will promote acquisitions that accelerate the scaling of unicorns and reinforce the pressure on

founders to “get big quick.” Nevertheless, consistent with best practice,²² we expect that the economies sought by unicorns in rapidly growing emerging markets will be related to growth opportunities rather than targeting competitors or complementary companies to increase scale via lower costs and efficiencies on the supply side.

Not all acquisitions are about growing the market or consolidating market share.

Established technology firms such as Cisco, Google, and Amazon pursue acquisitions to access strategically valuable resources, including products and technologies, the innovative capabilities of entrepreneurial teams, and tacit and socially complex knowledge,²³ in a coordinated strategy to fill well-defined gaps in resources. Additionally, but less common, established acquirers can benefit from unpredictable and “serendipitous sources of value” from acquisition in terms of unexpected knowledge, capabilities, strategic innovative ideas and opportunities for technology reconfiguration to deliver strategic renewal involving a significant and disruptive change to a firm’s strategy.²⁴ These ex-post sources of value are likely to be equally prized by unicorn firms navigating the shocks or trigger points arising while scaling in dynamic and uncertain emerging markets to which they need to respond rapidly, without the same resources or experience. These trigger points can be endogenous in the form of managerial, operational, financial or technological constraints, exogenous, in the form of changes in legislation, technology standards, or they can result from complex co-determined events which instigate fundamental change within an organization.²⁵ Therefore, our first research question is what motivates unicorn acquisitions?

Dynamic Capabilities and Acquisitions

Teece’s perspective of dynamic capabilities as forward-looking entrepreneurial activities to identify where markets and technology are heading²⁶ is very pertinent in a unicorn context. The ability of a firm to usefully engage resources, practices and processes, along with modifying and replacing them in a manner which is beneficial to the firm, constitutes the concept of capability.²⁷ Teece, Pisano, and Shuen define dynamic capabilities as “the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments,”²⁸ and this fits well with the conceptualization of scaling as addressing internal and external trigger points in a rapidly changing environment.

Dynamic capabilities enable a firm to address and adapt to changes in its external environment in a manner that is favorable to its customers and unfavorable to competitors.²⁹ They are idiosyncratic, defined by the path dependencies of an individual firm, making them unique and difficult to imitate.³⁰ The inimitability of these capabilities becomes a key source of competitive advantage for the firm. Teece further categorizes dynamic capabilities into three high-level clusters: sensing opportunities and threats; seizing opportunities; and transforming/shifting, or continued renewal.³¹

In the context of acquisitions, opportunity sensing refers to how an acquirer identifies a potential acquisition target.³² Firms operating in dynamic environments must identify and/or generate opportunities for growth before such opportunities become common knowledge for competitors.³³ Opportunity sensing can be understood as accumulating knowledge on the potential acquisition target.³⁴

Once acquisition opportunities in the form of target firms have been identified, the acquiring firm needs to act on these opportunities. This is referred to as opportunity seizing,³⁵ which entails decision-making on crucial issues such as whether and how to make the acquisition, and on the management of post-acquisition restructuring and/or integration of the target firm. In environments characterized by a high degree of competition and rapid changes in regulation and technology, executives must make quick decisions while ensuring careful planning and analysis.³⁶ We know from extant literature that acquiring firms face an integration–autonomy dilemma, especially in the case of technology firms,³⁷ and that many acquisitions fail due to post-acquisition integration issues.³⁸ A greater degree of integration, while allowing the acquiring firm to exercise more control, leads to the loss of autonomy for the acquired firm. This leads to disenchantment among the acquired firm employees and results in employee attrition. Employee attrition significantly impairs the knowledge and technology transfer in the post-acquisition period, leading to acquisition failure.

The final cluster of dynamic capabilities concerns the transformation of the resources at the disposal of the firm to ensure continued renewal in established firms or scaling in a growth venture. Firms need to be able to seize opportunities as they learn and transform based on the new understandings developed in the process.³⁹ The transformation stage can be understood as a combination of performance evaluation and resource reconfiguration.⁴⁰

Teece's articulation of dynamic capabilities provides the framework for our examination of organizational scaling via acquisition in unicorns. Unicorns represent an interesting and unique organizational structure, one characterized by the flexibility associated with small, vested management teams, with significant input from investors. Therefore, we explore the following research question: How do unicorn founders sense, seize, and transform acquisitions to scale?

Method

We adopt a qualitative research approach and employ an exploratory single case study design,⁴¹ an expedient approach when a phenomenon is new and poorly understood.⁴² While there are useful practitioner-focused articles on aspects of unicorns, this study seeks to address a knowledge gap by providing both an in-depth analysis of what motivates unicorn acquisitions, and how unicorn founders sense, seize, and transform acquisitions to scale their organizations. We do this in the context of a winner-takes-all platform business market.

For our analysis, we collected two types of case study data. The first data source is 225 archival data items on Flipkart and all the acquired firms. This includes financial statements, company blogs, official press releases, news articles, YouTube interviews, and LinkedIn posts. We used private research platforms including Tracxn, Crunchbase, Pitchbook, Owler and CBInsights to gather evidence related to funding rounds, deal prices, and valuations.⁴³

The second data source is 10 semi-structured in-depth interviews, including the Vice President and Head of Corporate Development at Flipkart, responsible for negotiating eight of the acquisitions, an industry expert on Flipkart, as well as members of the leadership team of seven of the target firms. We focused on the leadership team as the acquisition decisions are generally taken by a small group of people at the executive level.⁴⁴ The interviews were conducted virtually in India due to COVID-19 pandemic restrictions over six months (April 2020 to October 2020). Table A in the Supplemental Appendix lists the sources of data by firm.

Data analysis began with the writing, from the archival data sources described above, of a case history of Flipkart and an analysis of its acquisitions.⁴⁵ We used this case history and analysis of acquisitions to inform our interview protocols, and as our interviews progressed, we updated the case history and analysis, seeking to triangulate between data sources to create a comprehensive account of events at Flipkart.⁴⁶ When the data collection was complete, we imported the archival and interview data into NVivo.⁴⁷ The data analyses resulted in three outputs: a conceptual map of Flipkart's growth trajectory (Figure 1), including an account of Flipkart's scaling; a detailed analysis of the 14 acquisitions made by Flipkart (Table 1); and a framework that maps and builds on Teece's dynamic capabilities model to explain how new ventures sense acquisition opportunities, seize acquisition opportunities, and transform the acquired resources to rapidly scale their business (Figure 2).⁴⁸

Our findings are presented in two sections. We start by mapping and analyzing Flipkart's growth trajectory from its founding to its acquisition by Walmart in 2018. We show how acquisitions played a key role in the scaling process from 2010 to 2017, when Flipkart's revenue rose from \$6 million to \$3.1 billion. In addition, Flipkart leveraged its acquisitions to expand its market position, fend off rivals, acquire strategic resources, and resolve trigger points in a race to dominate the e-commerce market in India. We then turn to the critical role of the managerial team in sensing, seizing, and transforming these acquisitions.

The Role of Acquisitions in the Scaling of Flipkart

In 2007, two ex-Amazon employees, Binny Bansal and Sachin Bansal, founded Flipkart in Bengaluru with \$6,000 in capital. Their vision was to build a user-friendly and functional online bookstore with pan-India delivery. At the time, just 46 million people⁴⁹ (3.8% of the population) had internet access, but this was forecast to grow significantly. The e-commerce market, then the third

FIGURE I. Flipkart's Growth Trajectory.

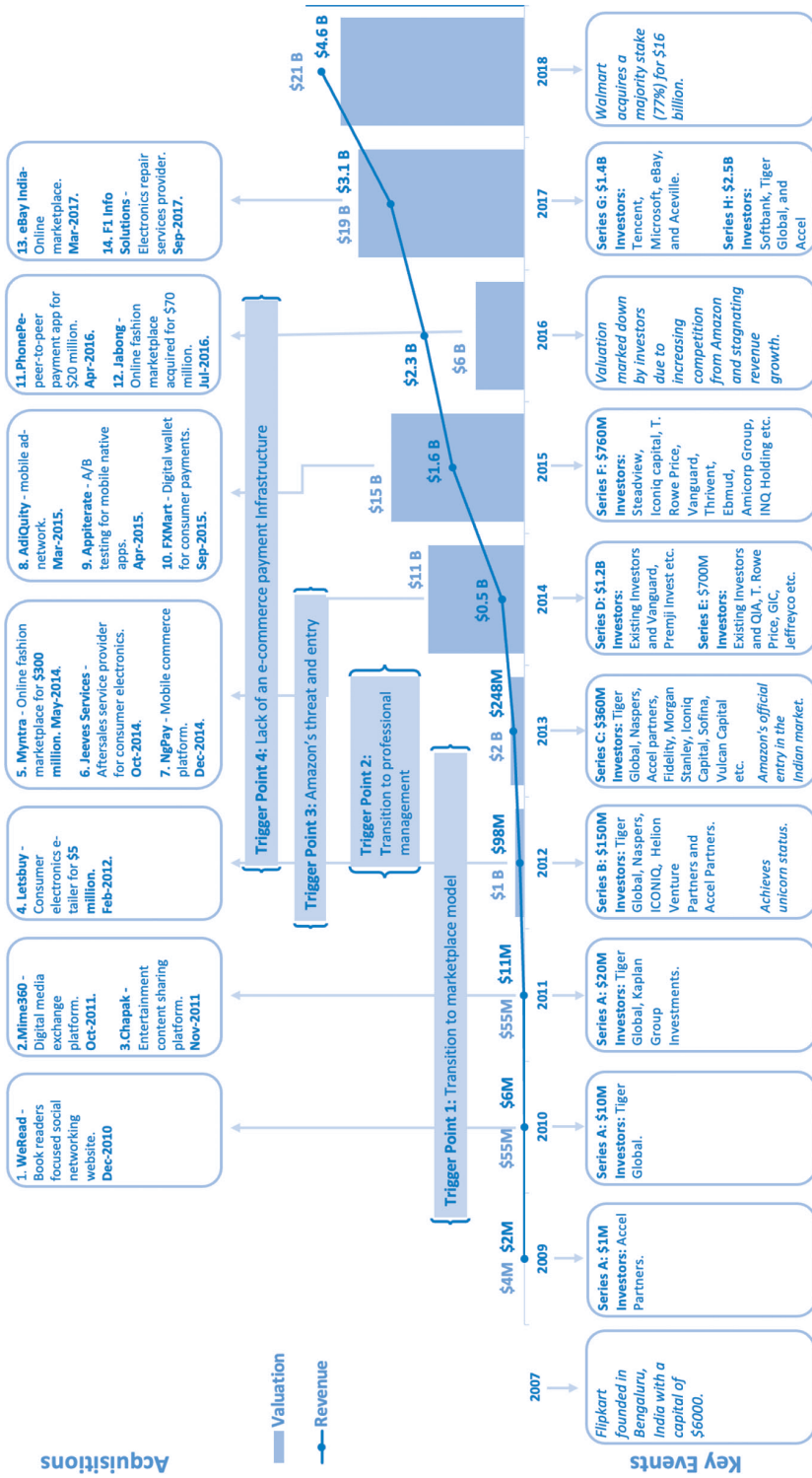


TABLE I. Motives for Acquisitions.

Target Firm, Date of Acquisition	Target Firm Activity	Acquisition Type ^a	Acquisition Motive ^b (1 st = Primary motive; 2 nd = Secondary motive)		Strategically Valuable Resources
			Market Power	Match/ Mitigate/Eliminate/ Rival Firms	
WeRead Dec-2010	Social network for book lovers	Scale	Market Share (1 st): Added user base of 3 million, and their data. Plus 60 million book titles to Flipkart's 7 million catalogue.	Mitigate/Delay Rival Entry (2 nd): Flipkart replaced Amazon as the e-commerce affiliate on the WeRead website.	Proprietary Resources (2 nd): Catalogue of books and of reviews of 60,00 books.
		Scope	Diversification (1 st): Into online music, e-books & games.	Experienced Team (2 nd): Technical Expertise	
Chakpak Nov-2011	Entertainment content sharing platform	Scope	Diversification (1 st): Into digital entertainment added 40,000 filmographies, 10,000 movies, and 50,000 ratings.		Proprietary Resources (2 nd): Digital Catalogue of filmographies, movies, reviews, and ratings.
Letsbuy Feb-2012	Consumer electronics retailer platform	Scale	Market Share (1 st): 2nd biggest consumer electronics. Web traffic up 3 million to monthly visits of 12 million. Added 32% - 34% to Flipkart's annual revenue.	Mitigate Rival Firm (2 nd): Outbid main domestic platform rival <i>Snapdeal</i> .	
Myntra May-2014	Online marketplace for fashion products	Scale	Market Share (1 st): Added 50 million monthly visitors, 100+ sellers, and business relationships with 650 fashion brands. Added 20% (\$200 million) to revenues. Higher profit margins (30-40%) in the segment.	Eliminate Rival (2 nd): Key competitor in online fashion Share up from 20% to 50% to become the market leader in segment.	Experienced Team (2 nd): Expertise in online fashion.
Jeeves Consumer Services Oct-2014	After-sales service provider for electronics	Scope	Diversification (1 st): Entered electronic after sales service. Network across 225 Indian cities & business relationships with brands- Dell, Toshiba, & Samsung.	Mitigate Rival Firms (2 nd): Improved customer experience & trust through in-person installation & after-sales service at customer's doorstep.	
NgPay Dec-2014	Mobile Payment platform	Scope		Match Rivals (2 nd): <i>Snapdeal</i> and <i>PayTM</i> had inhouse online payment offerings. Flipkart's offering, <i>Payzippy</i> was discontinued.	Technology and Domain Expertise (1 st): To build in-house mobile payment offering (50% of Flipkart's revenue).

(continued)

TABLE I. (continued)

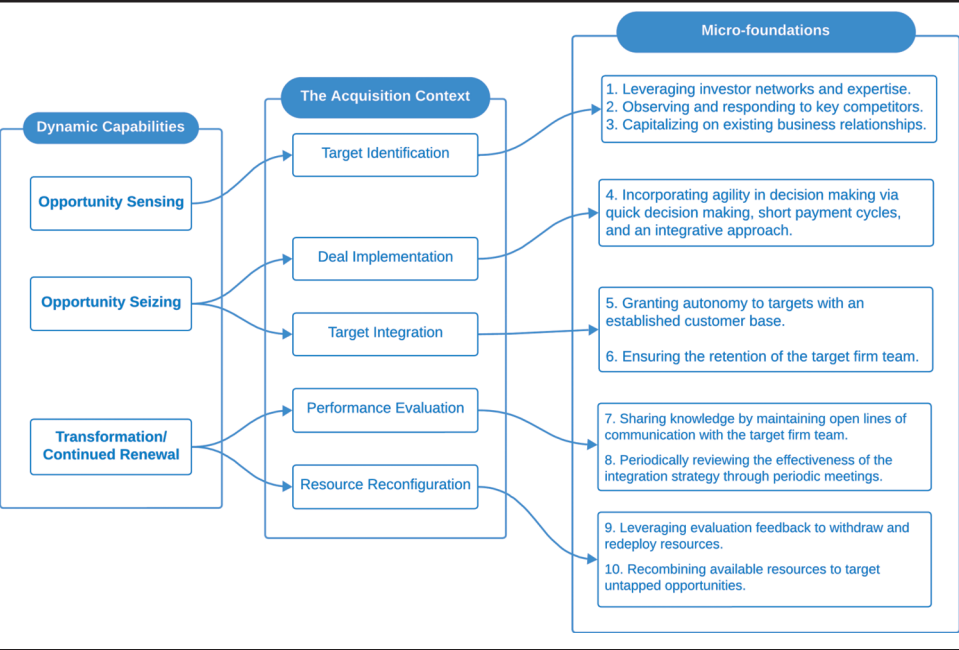
Target Firm, Date of Acquisition	Target Firm Activity	Acquisition Type ^a	Acquisition Motive ^b (1 st = Primary motive; 2 nd = Secondary motive)	Market Power Market Share and Diversification	Match/ Mitigate/ Eliminate/ Rival Firms	Strategically Valuable Resources
AdiQuity Mar-2015	Mobile ad-network/ server	Scope			Mitigate Rivals (2nd): Offering the best mobile commerce experience for the sellers and buyers on its platform.	Technology and Domain Expertise (1st): Specialist in add-on services to sellers on platform. Access to a proprietary platform with 25 billion ad impressions, 150 million monthly active users, over 15,000 ad publishers & reach across 200+ countries.
Appiterate Apr-2015	A/B testing for native mobile apps	Scope			Mitigate Rivals (2nd): Offering the best mobile commerce experience for the sellers and buyers on its platform.	Technology and Domain Expertise (1st): In big data and mobile marketing for better customer recommendations, conversion rate, and lower revenue leakage on mobile app (source of 70% of Flipkart's revenue).
FXMart Sep-2015	Digital wallet for consumer payments	Scope			Match rivals (2nd): Needed a wallet licence as per <i>Paytm</i> backed by <i>Alibaba</i> and <i>QuickSilver</i> backed by <i>Amazon</i> .	Proprietary Resources (1st): Payment License issued by the Reserve Bank of India required to build an in-house payment offering to reduce dependence on cash on delivery.
PhonePe Apr-2016	UPI-based payment app	Scope			Match rivals (2nd): <i>Snappdeal</i> had acquired <i>FreeCharge</i> , a leading payments company and <i>Amazon</i> with <i>Amazon Pay</i> .	Technology and Domain Expertise (1st): To build a native payment product for mobile commerce. <i>Flipkart</i> controlled over 60% of Indian mobile commerce with 75 million registered users.
Jabong Jul-2016	Online marketplace for fashion products	Scale	Market Share (1st): Added 15 million users, 1000 sellers, and business relationships with 1500 fashion brands. Added \$122 million to <i>Flipkart</i> 's annual revenue.		Mitigate Rival Firms (2nd): Outbid <i>Snappdeal</i> and <i>Amazon</i> . Share of online fashion rises to 70%.	
eBay India Mar-2017	Online marketplace and auctioning platform	Scale	Market Share (1st): Added <i>eBay</i> 's domestic and international user base, and global inventory. Received \$500 million in capital.		Mitigate Rival Firms (2nd): Entry into Customer (C2C) market against rivals such as <i>OLX</i> and <i>Quikr</i> .	
F1 Info Solutions Sep-2017	Phone Refurbishment Service Providers	Scope	Diversification (1st): entered the refurbished phone market worth \$4 billion. 158 franchised IT servicing centres across 135 cities, 450+ walk-in centres, over 1,000 technicians, and business relationships with brands like <i>Apple</i> , <i>Lenovo</i> , <i>Samsung</i> , etc.		Mitigate Rival Firm (2nd): Resolution rate of product returns at customer's doorstep up from 20% to 70%.	

^a**Scale Acquirers** target firms in the same or a closely related business with the aim of expanding market share and achieving cost savings by increasing output.

Scope Acquirers target firms in a distinct but related business with the aim of entering a new market, product lines, or channel.

^b**Source:** Based on classification provided in Melissa E. Graebner, Kathleen M. Eisenhardt, and Philip T. Roundy, "Success and failure in technology acquisitions: Lessons for buyers and sellers," *Academy of management perspectives* 24, no. 3 (2010): 73-92.

FIGURE 2. The Development of Dynamic Capabilities in Acquiring.



largest in the world, was projected to reach a value of \$100billion by 2020,⁵⁰ offering significant opportunities for entrepreneurs.

Figure 1 charts Flipkart’s growth trajectory from its foundation in 2007 to its acquisition in 2018, highlighting: (1) key events and funding rounds in the lower panel; (2) revenue and valuations in the middle panel; and (3) acquisitions in the top panel. Also, it illustrates three trigger points in Flipkart’s growth trajectory: (1) business model transition from an online retailer to a platform model, (2) Amazon’s threat and subsequent entry into the Indian market, and Flipkart’s transition to professional management, and (3) the lack of an e-commerce payment infrastructure. In addition, Figure 1 shows each of the trigger points stretching across time bands to emphasize that trigger points emerge and are resolved over time and may overlap. While Amazon officially entered the Indian e-commerce market in 2013, Flipkart was preparing for its entry from its inception, and Amazon continues to have a major influence on Flipkart’s strategy today.

Table 1 presents our analysis of the motives for each of Flipkart’s acquisitions; Column 3 categorizes the 14 acquisitions made by Flipkart in the traditional classification of scale and scope deals, and columns 4 to 6 show a more recent classification (2010)⁵¹ that distinguishes motives for acquisition in terms of: enhancing market power by either market share and market diversification and/or by matching, mitigating, and eliminating rivals; and by adding strategically valuable resources.

The Role of Acquisitions in Accelerating Business Model Transition

Flipkart's initial business model mirrored the model developed by Amazon. It started as an online retailer that managed its inventory and warehousing with deliveries coordinated by its logistics unit eKart. For the first three years, this model allowed Flipkart to grow organically with revenues rising to \$2 million, funded by angel investors and \$1 million in series A funding (See Figure 1, and Table B in the Supplemental Appendix for details on Flipkart's revenue, valuation, and funds raised). Two factors combined to trigger the shift in its business model. The pressure to "get big quick" meant that it had to shift from an online retailer to a platform marketplace to facilitate scaling by increasing inventory without the requirement for direct ownership. This internal factor was reinforced by an external trigger in the form of Foreign Direct Investment (FDI) legislation in India. As Flipkart was designated an international company, due to its large overseas investor base, it was restricted from selling directly to consumers online in an Indian government measure to protect small local suppliers that dominate India's retail sector. The challenge for Flipkart, as well as other entrants, was to grow quickly by converting these small retailers to e-tailers.

To accelerate its transition to a platform business, in 2010, Flipkart acquired a complementary online service company, WeRead, that provided book recommendations for readers with an option to buy via Amazon.⁵² The aim was to expand its customer base by acquiring WeRead's three million users and extend its catalog of seven million book titles to 60 million to offer sellers greater fulfillment opportunities.⁵³ Equally importantly, on the demand side, it gave Flipkart access to data on the reading preferences and purchases of these three million users, information that could be leveraged to improve its customer experience and offerings, leading to network effects, essential for platform development. This acquisition marks a preemptive move against Amazon, as post-acquisition, WeRead users would be directed to Flipkart's website rather than Amazon's for purchases.⁵⁴

The challenge to shift to a platform model also drove early M&A strategy at Flipkart to diversify from books. Flipkart diversified into digital media with the acquisition of Mime360 and Chakpak in 2011. This allowed Flipkart to leverage supply-side economies of scope by the addition of digital services to its catalog, and also the potential for demand-side economies of scope by bundling digital services and leveraging data of existing users. Flipkart also grew organically by expanding and diversifying its offerings into the key segments of fashion and consumer electronics. In 2012, Flipkart acquired its main competitor in the consumer electronics sector—Letsbuy—to increase its market share and power in the segment and potentially leverage supply and demand-side economies of scale.

By 2013, Flipkart's equity-backed hybrid growth model, funded by an investment of \$540 million from its investors, resulted in exponential growth, with annual revenues growing at a compound annual growth rate of 238%, increasing from \$1.9 million in 2009 to \$247.6 million in 2013. Flipkart had built a strong domestic reputation, strengthened by its achievement of unicorn status in 2012.

Acquisitions as a Response to Amazon

The year 2013 marked a key trigger point in Flipkart's growth trajectory with the strongly anticipated official entry of Amazon to the Indian e-commerce market. Facing the same trading restrictions as Flipkart, Amazon invested \$5 billion in an ambitious plan to bring India's small-scale producers and retailers online.⁵⁵ This sparked a competitive rivalry between Flipkart and Amazon for market leadership, along with a small number of domestic platforms such as Snapdeal. It was a defining external trigger point which, depending on the nature of Flipkart's response, could determine who would become the winner or runner-up in the race to dominate the market. This trigger combined two inter-linked factors as Amazon's entry accelerated the need for fundamental organizational change from a founder-led venture to a professionally managed firm with a top management team.

In response to Amazon's entry, Flipkart raised \$1.9 billion in 2014 and acquired Myntra, the market leader in the online fashion segment and one of its main platform rivals, for \$330 million.⁵⁶ This was a major investment for the company, considering that Letsbuy was acquired for \$25 million.⁵⁷ The acquisition added \$200 million to Flipkart's revenue, which rose from \$504.8 million in 2014 to \$1.6 billion in 2015.⁵⁸ Combined, Myntra and Flipkart accounted for over 50% of the market in the fashion segment⁵⁹ within two years of Flipkart's entry into this segment. Flipkart management also perceived this acquisition as delivering a key competitive advantage over its main domestic rival (Snapdeal) and, more importantly, Amazon. Clothing was a crucial sector as it represented 15% of the e-commerce market in India. Flipkart was aware that online fashion was a weak point for Amazon, based on data on its international market share. This expansion had the potential to facilitate supply-side economies of scale, but equally importantly for platform expansion was the potential to leverage network effects on the demand derived from the addition of customers and suppliers from Myntra. As the CEO commented, this acquisition "is for scale, not for cost." At the time, Myntra had 50 million visitors monthly and Flipkart had 105 million.⁶⁰

In the same year, to consolidate and defend its position in the electronics segment, Flipkart acquired Jeeves Consumer Services, an after-sales service provider for consumer electronics. The aim was to boost customer confidence in Flipkart's electronics offering by providing a trusted local after-sales service, including installation, thereby boosting sales and gaining a competitive advantage over Amazon. It also helped tie customers to Flipkart's electronic products and offered opportunities to cross-sell to Jeeves Consumer Services customers.

In addition, Flipkart made four more scoping acquisitions—NgPay (a mobile commerce platform) in 2014, and FX Mart (a digital wallet provider) in 2015, to facilitate better mobile payment. In 2015, it also acquired Adiquity (a global mobile ad network) and Appiterate (an A/B testing provider for mobile apps). These latter two acquisitions focused on foundational internet technologies related to search and analytics to improve platform performance.

Following Amazon's entry, Flipkart experienced significant growth from 2013 to 2015, achieving an annual compound growth rate of 158% and a turn-over of \$1.6 billion in 2015. To finance six acquisitions in two years, it raised over \$2.6 billion from investors, leading to an increase in valuation from around \$2 billion in 2013 to over \$15 billion in 2015 (Figure 1). Managing rapid expansion in organizational size is a fundamental challenge for the founder-led management teams. Internally, the founders were aware of the need for significant management change, which was reinforced by the need to maintain investor confidence. To address this challenge, Flipkart made several strategic hires, including a CFO and Head of Corporate Development and Strategic Partnerships, to complement the founders.⁶¹ In doing so, Flipkart transitioned from a founder-led venture to a venture led by a top management team with dedicated areas of expertise.⁶²

Acquisitions to Build E-commerce Payment Infrastructure

As Figure 1 shows, 2016 marked a halt in Flipkart's exponential revenue growth, which had averaged a 209% compound annual growth rate between 2009 and 2015. The rate of revenue growth slowed to 38%, and its valuation dropped from over \$15 billion in 2015 to \$5.6 billion in 2016,⁶³ indicating a drop in investor confidence. Institutional investors, including Morgan Stanley and Fidelity, marked down their investment in Flipkart in what was described as an Indian e-commerce shakeout.⁶⁴ This reflects the continued impact of trigger point two, as investors became increasingly uneasy with the growing success and market expansion of Amazon, and the escalating losses at Flipkart as it continued to offer heavy discounts to acquire customers and maintain its competitive edge over Amazon. The threat from Amazon was exacerbated by a long-standing but increasingly impactful externality in the market in the form of the lack of e-commerce payment infrastructure. India was essentially a cash-based society, as over 900 million Indians had no access to bank accounts, and only 17 million had access to a credit or debit card.⁶⁵ Both Flipkart and Amazon had facilitated cash payments to expand their footprints in the e-commerce market in India; however, this was impeding revenue growth and involved significant logistic challenges. While only 35% of the population had internet access, over 80 per cent had a mobile phone, indicating the ultimate solution would be the development of a reliable mobile payment app.

In the first attempt to address this trigger point, Flipkart developed an in-house payment processing solution, Payzippy, which wasn't successful.⁶⁶ In another attempt, Flipkart acquired NgPay in 2014, which only provided a short-term solution, because neither Flipkart nor NgPay had a Reserve Bank of India-approved payment license to operate in the digital payment market. Flipkart addressed this bottleneck by acquiring FX Mart, as it had one of the 32 prepaid wallet licenses issued by the Reserve Bank of India. Six months later, it acquired PhonePe, a fintech company working on developing a digital payment application. The prepaid wallet license of FX Mart, coupled with the technological expertise of PhonePe's team, resulted in the creation of a fintech unicorn within Flipkart, which is now valued at \$12 billion.⁶⁷

Addressing this external trigger point propelled Flipkart to the market leadership position in the Indian e-commerce market. Though Amazon also had developed an online payment solution, PhonePe emerged as the trusted payment solution commanding 47% market share in the online payment segment.⁶⁸ A universal, free, and trustworthy mobile payment system could be seen as a demand-side positive network externality enabling the expansion of the whole e-commerce market in India. It was critical to Flipkart's scaling as it facilitated platform expansion and reduced customer acquisition costs and mitigated the risk of consumer switching to a different platform. In addition, the potential to leverage economies of scale and scope allowed Flipkart to expand its market presence through large-scale discounts and savings, in a feedback loop that facilitated further scaling.

Having successfully addressed this payment issue, Flipkart went on to acquire the remaining major player in online fashion. Jabong had a network of 15 million users, 1,000 sellers, and business relationships with 1,500 high street fashion brands. This added \$122 million to Flipkart's annual revenue,⁶⁹ increasing Flipkart's share of the online fashion segment to 75% and creating further potential to scale on the demand and supply side. The acquisitions of PhonePe and Jabong played a key role in reversing negative investor sentiment, allowing Flipkart to raise \$3.9 billion in 2017 at a recovered valuation of \$19 billion.⁷⁰

In the same year, Flipkart acquired F1 Info Solutions, a specialist after-sales service provider in mobile phone refurbishment. F1 Info Solutions' network included 158 franchised centers for servicing of mobile phones and IT products across 135 cities, 450 plus walk-in centers, over 1,000 field technicians, and business relationships with notable brands like Apple, Lenovo, Samsung, and HP.⁷¹ As a result, Flipkart recorded a 51% increase in annual revenues in 2018, up from the 34% annual revenue growth recorded in 2017.

Flipkart, Snapdeal, and Amazon

During this period, Snapdeal followed a very similar hybrid growth strategy, acquiring 16 companies. In contrast to both Flipkart and Snapdeal, and despite the huge geographical size of India, Amazon acquired few firms and opted to build its presence in India from the ground up, representing a key strategic difference between Amazon and the two domestic rivals. Amazon had the strategic resources and organizational structure in place to deliver on its ambitious growth strategy for market expansion in India. In contrast, the young and rapidly growing start-ups, Flipkart and Snapdeal, lacked strategic resources and organizational capabilities.

As a response to the market threat of Amazon, Softbank led an unsuccessful merger attempt between Flipkart and its domestic rival Snapdeal. The failed merger ended Snapdeal's bid for market leadership, as it struggled to secure additional funding. In contrast, Softbank invested \$2.5 billion in Flipkart⁷² to enable it to continue to challenge Amazon for dominance of the Indian e-commerce market. Flipkart acquired eBay India in 2017, with eBay investing \$500 million in

Flipkart in exchange for an equity stake in the company.⁷³ The acquisition gave Flipkart access to eBay's domestic and international user base and global inventory. After the shakeout, Flipkart and Amazon emerged as joint market leaders, with Flipkart edging out its rival in the race for market share.

Acquisition Motives in Flipkart

As indicated in Figure 1, the period between 2010 to 2017 marked the core scaling phase of Flipkart, driven by a hybrid model of organic and acquisitive growth targeted at becoming the market leader in the emerging Indian e-commerce market. Table 1 classifies the rationale or motives for Flipkart's acquisitions. The rationale for acquisitions changed during Flipkart's platform scaling journey. The strategy was based on two complementary motives: the aggressive pursuit of market power, and the targeted acquisition of strategic resources. Of the 14 firms that Flipkart acquired, nine were motivated by the pursuit of market power to grow market share and to diversify. Flipkart expanded rapidly in its existing market by adding sellers and buyers to the platform while also serving the secondary purpose of either eliminating large competitors in the race for market dominance (Myntra), or mitigating the risk of rivals acquiring key competitors (Letsbuy, Jabong) or getting a foothold in the market (eBay India, WeRead). Four of the acquisitions enabled it to diversify its product and service range and its geographic footprint. Two important acquisitions of high street after-sales service providers for mobile phones (F1 Info Solutions) and electronic goods (Jeeves Consumer Services) served the complementary purpose of deterring rivals by creating a significant barrier to entry. The company made these market expansion and diversification acquisitions throughout its scaling period, reflecting the primary importance of the market power motive. We found that the emphasis was on scaling by expansion rather than leveraging economies of scale, as highlighted in the moniker "for scale, not for cost." This reflected the potential for growth in this emerging market.

In addition, in the space of three years, Flipkart made five acquisitions to acquire strategically valuable resources. Three acquisitions (NgPay, FX Mart, PhonePe) were motivated by the need to develop a trusted and efficient online mobile payment. These platform performance-driven acquisitions also served the secondary purpose of mitigating rivals. Overall, Flipkart's acquisition strategy enabled it to successfully achieve a dominant position in the highly competitive Indian e-commerce market. However, scaling is not just about market power and valuations; it is also about the organizational growth and managerial development required to deliver an effective hybrid growth strategy.

Organizational Scaling Via the Development of Dynamic Capabilities

The relatively inexperienced founding team at Flipkart had to rapidly develop the capabilities to identify suitable acquisition targets, to negotiate acquisition deals, and to manage post-acquisition integration. We map the five core

activities of acquisitive strategy onto Teece's model of dynamic capabilities: target identification (opportunity sensing); deal implementation and target integration (opportunity seizing); and performance evaluation and resource configuration (transformation). From our data, we find that each of these can be broken down further to identify the micro foundations of acquisitive growth in Flipkart. Figure 2 summarizes these findings.

Opportunity Sensing

Teece defines opportunity sensing as the identification, development, co-development, and assessment of opportunities to preempt market trends and trigger productive initiatives. Sensing enables filtering, shaping, and calibrating opportunities while mitigating potential threats.⁷⁴ Our findings demonstrate how Flipkart's founding team sensed acquisition opportunities and identified acquisition targets by leveraging the knowledge and expertise of three stakeholder groups: (1) investor networks, (2) rival firms, and (3) target firms with pre-existing business relationships with Flipkart's founding team (Figure 2, Table C in the Supplemental Appendix).

Leveraging Investor Networks and Expertise to Identify Targets. Flipkart received funding from an elite group of venture capital firms such as Tiger Global Management, Accel Partners, Sofina, and DST Global and benefited greatly from their network ties, industry expertise, and abundant financial resources.⁷⁵ These investors played a crucial role in helping Flipkart identify acquisition targets. In six of the 14 acquisitions (Chakpak, Letsbuy, NgPay, Jabong, Myntra and eBay India), the target firms shared at least one investor with Flipkart. In the case of the Myntra acquisition, three shared investors actively orchestrated the deal, a deal that would make Flipkart the market leader in online fashion. The co-founder of Myntra confirmed:

Selling to Flipkart was a kind of a thought process that was seeded by the investor only. . . and it was seeded by the investors because they were seeing the big picture.

Although there was no overlap in investors, the lead investor at Tiger Global initiated the acquisition of Jabong, knowing that Flipkart's main rival in the domestic market, Snapdeal, was already in talks with Jabong.⁷⁶ Similarly, in the case of eBay India, investors actively engaged with the management team and seeded the idea of an acquisition. Eventually, eBay India was acquired as part of a funding round raised by Flipkart from eBay Inc.

Leveraging Rival Firms to Identify Targets. Flipkart's rival firms played a crucial role in helping the firm scout potential acquisition targets. The case evidence for opportunity sensing, outlined in Table B, shows that in six of Flipkart's fourteen acquisitions (*FX Mart*, *Appiterate*, *Myntra*, *Letsbuy*, *Jeeves Consumer Services*, and *Jabong*), the target firm was either a direct competitor or was approached with an acquisition offer by Flipkart's key competitors. Flipkart acquired four targets (*Appiterate*, *Jabong*, *Jeeves Consumer Services* and *FX Mart*) which had either been

approached or were in negotiations with Flipkart's rivals. For example, *Jeeves Consumer Services* was already in talks with an international competitor of Flipkart before Flipkart expressed its intention to acquire the firm. In the interview, the MD of *Jeeves Consumer Services* revealed that:

They (Flipkart) suddenly heard that a competitor firm (name omitted) was trying to do some deal with us. . . . Flipkart also said that we also want to have a chat about an acquisition. So, we went and met the Flipkart team.

Two acquisitions, *Letsbuy* and *Myntra*, were direct competitors of Flipkart before their acquisition. *Letsbuy*, acquired in 2012, was the second-largest consumer electronics e-tailer and *Myntra*, acquired in 2014, was the leading online fashion marketplace in India. *Myntra* was identified as a target in a pre-emptive strike against Amazon India, a key competitor. The co-founder of *Myntra* provided the following insight on Flipkart's strategic thinking:

Flipkart's concept was that Amazon is going to come in two years, they had already started operations. . . . So, it was all from the perspective of creating a competition, a credible competition to Amazon.

Thus, rival firms were a crucial external source of information on acquisition opportunities for Flipkart. In an uncertain, dynamic, and winner-takes-all market, Flipkart's strategy was to identify targets capable of delivering a larger market share and limiting the competitive power of rival and prospective rival firms.

Leveraging Pre-existing Business Relationships Between the Acquirer and the Target Firm. A pre-existing relationship between the target and the acquirer is considered a strong predictor of acquisition⁷⁷ and was prominent in three of the 14 acquisitions (Appiterate, Jeeves Consumer Services, and PhonePe). Appiterate and Jeeves Consumer Services had an existing vendor-client relationship with Flipkart, which evolved into an acquisition over time, as highlighted by the co-founder of Appiterate:

. . . the conversation started from sales and not as the intention of an acquisition. So, the intention was not to sell initially.

PhonePe, on the other hand, was founded by ex-employees of Flipkart. One of the co-founders of PhonePe had founded Mime360, which Flipkart acquired in 2009. This professional relationship was the key driver of PhonePe's acquisition, as noted by Flipkart's head of corporate development:

They had an amazing team, and we knew the people and trusted them. They had been at Flipkart in its early days.

Similarly, Jeeves Consumer Services handled Flipkart's installations and after-sales services in the consumer electronics category, and this pre-existing relationship meant that Jeeves Consumer Services was more open to Flipkart's offer than to offers from its domestic and international competitors. The CEO of Jeeves Consumer Services noted:

We were working with Flipkart in any case. So, Flipkart also said that we also want to have a chat about an acquisition.

Flipkart leveraged internal and external sources of information to identify acquisition opportunities.⁷⁸

Opportunity Seizing

Opportunity seizing is about execution and getting things done.⁷⁹ It involves the mobilization of resources necessary to act on opportunities and the skilful implementation for leveraging the value created. Our findings shed light on two distinct sets of activities related to deal implementation (quick decision-making, short payment cycles, and integrative negotiation), and target integration (autonomy, integration, and employee retention), which explain how Flipkart engaged in opportunity seizing (Figure 2, Table D in the Supplemental Appendix).

Deal Implementation. At Flipkart, we see evidence of quick decision-making, short payment cycles, and an integrative approach to negotiation, which helped the firm outbid its domestic and international competitors. In the Jeeves Consumer Services acquisition, Flipkart's nimble decision-making was in stark contrast with protracted negotiations with the global head office of the competing international bidder. The CEO of Jeeves Consumer Services highlighted:

In Flipkart's case, they can get everybody into a room so the CEO will come, the COO will come, and they will all come into a room. You ask for whatever you want, they will ask what they want, end of the day there is a decision taken.

Flipkart also used this strategy to its advantage in its negotiations with domestic targets. Two other Indian firms were seeking to acquire FX Mart, primarily to acquire its RBI license. Flipkart managed to secure the deal before its competitors due to its quick decision-making. The CEO of FXMart outlined:

I was extended an offer by three companies. . . .Flipkart came to me, and they extended an offer, and the deal was sealed in like five minutes. . . .Flipkart acted very quickly with amazing speed, as a result of which, the entire transaction was over in 60-65 days.

We also found that Flipkart took active measures to outbid competing firms, while negotiating with target firms with existing offers. For example, when

FX Mart rejected its first offer, Flipkart made concessions and extended a second offer, which was subsequently accepted. Similarly, in the case of Appiterate, which had offers from domestic and international buyers, Flipkart took active steps to accommodate its demands and finalized the deal after a few rounds of deliberations. The co-founder of Appiterate noted:

So, there were like a few rounds of negotiations. Because there were some counter offers and other things. They understood there were other offers as well, so they were flexible.

Target Integration. Knowledge integration is an essential element of dynamic capabilities as it ensures that the change initiated by knowledge accumulation is sustained over time.⁸⁰ Opportunity seizing includes a focus on the post-acquisition management of the target firm, including the choice between complete integration into the acquirer or preserving the target's autonomy.⁸¹ This dilemma is more pronounced in technology acquisitions that are focused on accessing tacit and socially complex knowledge-based resources⁸² and in contexts where targets are young independent firms.

In seven of the 14 acquisitions, the target firm was allowed to operate independently post-acquisition, with some minor integration in backend systems. In the remaining seven cases, Flipkart integrated the target firm. Typically, larger B2C targets, with established brand names and a distinct customer base, such as Myntra and Jabong were left to operate independently,⁸³ with limited functions, such as finance and logistics integrated (While Jabong was subsequently merged into Myntra, it operated as an independent entity for the first few years following its acquisition). The case of Letsbuy's was an exception, which, despite being the second-largest e-tailer of consumer electronics (Flipkart was the largest), was fully integrated three months post-acquisition. Commenting on the rationale behind the post-acquisition integration strategy for all acquisitions, the corporate development head of Flipkart highlighted:

See how we basically look at it is who is the customer that the firm is catering to. If it's the same set of customers as us (Flipkart), then integrating makes sense. If it's catering to a different set of customers then leaving them independent works better, of course with minor integration at the back end.

Another crucial element of knowledge integration is the decision concerning the retention of the target firm's employees. In Flipkart's case, we found that the management team took active steps to retain the employees of the target firm, especially key executives. The employees of the target firms received retention bonuses and relocation assistance. Additionally, Flipkart introduced early departure penalties (exit before completion of the transition period) for the top-level team of the target firms to ensure maximum retention. This emphasis on employee retention is evident from our interview with the head of corporate development at Flipkart:

When you are a growing business in a growing market you don't acquire for cost-efficiency reasons. You acquire to grow, and you are buying something that people have built, there's no way you can let them go. You have to have the people or else the deal falls apart.

We found that in nine out of 14 acquisitions, the top-level team either joined or was invited to join Flipkart. The founder of F1 Info Solutions, for instance, continued to be a Director at Flipkart even after the transition period. Flipkart also retained the employee base of the target firm in ten of the fourteen acquisitions. The four exceptions were WeRead, Chakpak (asset-only acquisition), eBay India, and FX Mart (only CEO retained). Employee retention is crucial for success, especially in acquisitions of technology firms.⁸⁴ Flipkart's emphasis on employee retention mitigated post-acquisition risks and enabled its rapid growth.

Transforming

Transforming refers to the final cluster in Teece's dynamic capabilities model and concerns continuous or semi-continuous engagement with the evolving landscape to ensure sustained growth and competitive advantage. Our findings shed light on two distinct sets of activities: performance evaluation (knowledge sharing, and periodic reviews), and resource reconfiguration (resource withdrawal, resource withdrawal with redeployment, and resource recombination). These explain how Flipkart transformed its acquisitions (Figure 2, Table E in the Supplemental Appendix).

Performance Evaluation. Transforming Flipkart was based on knowledge sharing and the periodic reviewing of how the acquired resources could be productively redeployed. As both the acquirer and targets were small and flexible, it was straightforward for Flipkart to assign accountability and to share information on the progress of acquisitions, particularly in the earlier years. For instance, with the aim of expanding its suite of services, Flipkart acquired Mime360, which was developing an online music store. However, soon after launching the product, both parties realized that the Indian market wasn't mature enough for such an offering, given infrastructural constraints and a lack of demand. The founder of Mime360 noted:

We realized that the market was not ready for our product. We were ahead of our time.

Not all acquisitions fulfilled the expectations set out in negotiations. In the case of NgPay, Letsbuy, and Mime360, financial and managerial resources were either withdrawn or diverted from the acquired firms. Whereas in the case of FX Mart and Jabong, Flipkart recombined the resources. Such decisions were a result of knowledge sharing between the relevant teams. NgPay is a good example of the performance evaluation process at Flipkart, which involves knowledge sharing. Flipkart acquired the mobile commerce firm NgPay to aid its strategy of

developing a mobile payment solution. However, over time, due to unsatisfactory progress, informed by knowledge sharing with the acquired firm, Flipkart withdrew resources from NgPay. The corporate development head of Flipkart emphasized:

The team could not get the product-market fit right. So, we called it off. But it worked out fine because we got 70 cents on a dollar back from that acquisition.

The periodic feedback and review mechanism set up by the corporate development team with the target firms enabled Flipkart to track progress and measure the success of each firm vis-à-vis the objectives initially outlined. Based on the results provided by the team and knowledge built through previous experiences, the management team decided on resource reconfiguration. For example, Jabong, acquired to consolidate Flipkart's position in online fashion, was initially left to function as an independent entity. However, over time, a decision was taken to merge Jabong into Myntra, allowing it to leverage Myntra's advanced backend systems.

Resource Reconfiguration. Performance Evaluation is followed by resource reconfiguration, which entails recombining existing resources and capabilities within a firm to enhance its competitive edge.⁸⁵ Resource reconfiguration concerns taking actions based on the insights emerging from performance evaluation. We found that resource reconfiguration took place after the integration phase. As outlined in Figure 2, Flipkart reconfigured its acquisitions to redeploy resources that were underperforming, and to recombine resources to target untapped opportunities.

Redeployment of resources was necessary in the case of the Letsbuy acquisition. At the time of the acquisition, Letsbuy was an established electronic e-tailer with over 350 employees and as such, the agreement was that it would remain independent post-acquisition. However, within three months of the acquisition, the brand was discontinued. Letsbuy's website redirected customers to Flipkart, and some Letsbuy employees were made redundant. In addition, resources were either withdrawn and redeployed in the case of Mime360 and NgPay, post-acquisition. In all cases, reconfiguration was quick and effective, demonstrating that the management team was able to respond quickly and adapt.

Resource configuration based on the recombination of resources from acquisitions was an important driver of growth at Flipkart. The most notable example of resource reconfiguration by the Flipkart team was the matching of the prepaid wallet license of FX Mart, with the technological expertise of PhonePe, to create a free and trustworthy mobile payment processing system that facilitated the expansion of the e-commerce industry in India. The CEO of FXMart recalled the reconfiguration:

PhonePe had readied a platform for mobile recharge . . . but they did not have the wallet license, which I had for domestic remittance. So, Flipkart bought us both

and merged our license and their technology platform and that's how the PhonePe product was built.

It is important to highlight that reconfiguration through the diversion of resources led to multiple benefits. The redeployed Mime360 team not only helped Flipkart scale its operations, but the founders of Mime360 went on to found PhonePe, which was later acquired by Flipkart and valued at \$1 to \$1.5 billion at the time of Flipkart's exit (sale to Walmart in 2018).

Our analysis reveals the 10 micro foundations of the dynamic capabilities of sensing, seizing, and transforming that emerged in a compressed time as the venture scaled rapidly. As captured in Figure 2, the dynamic capability of opportunity sensing manifested in target identification by leveraging investors' expertise, monitoring rival firms' actions, and drawing on pre-existing business relationships. Opportunity seizing manifested in deal implementation through agile decision-making, short payment cycles, and an integrative approach to negotiations. This was complemented by target integration via the retention of target firm employees, especially top management teams, and by ensuring post-acquisition autonomy to those targets with an established brand identity and customer base. The dynamic capability of transformation manifested in post-acquisition performance evaluation, involving withdrawing and redeploying resources, as well as recombining resources to exploit new opportunities.

Our analysis also reveals that Flipkart successfully leveraged its stakeholders at different stages of the acquisition process to develop these dynamic capabilities. External stakeholders, including rival firms, business contacts, and investors in particular, are essential to developing the sensing and seizing dynamic capabilities required during the early stages of the acquisition process. However, the founding team was prominent in transforming the strategic resources acquired.

Discussion and Implications for Practice

In this article, we explore the role acquisitions can play in the scaling of unicorn start-ups. In the context of a winner-takes-all platform business market, we identify the motives for acquisition in unicorns, and we extend Teece's dynamic capabilities framework to demonstrate how unicorn founders' sense, seize, and transform acquisitions scale their organizations. In unicorn scaling, acquisitions serve three purposes: to achieve market dominance by growing market share or through market diversification and by matching, deterring, or eliminating rivals; to access strategic resources; and to resolve complex and idiosyncratic trigger points in the scaling process. We suggest that the value created in scaling firms in resolving trigger points is distinct from that created in established firms focusing on strategic renewal. Flipkart developed two unique microfoundations in transforming its acquired resources: empowering entrepreneurial teams in acquired firms to scale, creating unicorns within unicorns, and

reconfiguring and recombining know-how and technology resources in a way that transformed the industry.

Dynamic Capability Micro Foundations: Empowering Acquired Entrepreneurial Teams

To compete with Amazon, Flipkart focused its attention on expanding its market and increasing its market power to gain market dominance in two key online segments: fashion and consumer electronics. The Myntra deal was pivotal, as it gave Flipkart a dominant position in the online fashion segment. More importantly, it gave Flipkart the managerial and operational capabilities to reconfigure its offering and effectively grow this segment of its business into another unicorn.

The Flipkart team recognized that effective post-acquisition integration strategy was essential if both management teams were to work together to achieve market dominance. Flipkart and Myntra were both innovative and dynamic start-ups in the Indian e-commerce start-up ecosystem that shared a vision and ambition to grow. From the outset, the teams agreed to keep Myntra as a separate brand and an autonomous business entity. The Flipkart team recognized that the Myntra brand was more valuable than the efficiencies that could be achieved by integrating with Flipkart. It also reflected best practice as brands, like patents, are “scale-free resources”⁸⁶ that underpin the business model for super successful businesses, such as its main rival, Amazon. This practice of granting post-acquisition autonomy to targets with an established brand identity and customer base became core to the integration strategy at Flipkart. However, Flipkart did encourage integration, giving Myntra employees stock options in Flipkart, and, in recognition of his domain expertise, appointing the Myntra CEO as head of Flipkart’s fashion retail business, in addition to his role as head of Myntra. Subsequently, Flipkart leveraged the expertise of the Myntra team to reconfigure Jabong, its second acquisition in the online fashion segment. Thus, Jabong was fully merged into Myntra, not Flipkart, and used Myntra’s backend systems for improved efficiency.

This understanding of the importance of maintaining the management team and employees “when you acquire to grow,” in a unicorn versus corporate scaling context, is distinctive, because as founders themselves, the Flipkart team attached greater value to the target founders who had built businesses from the ground up. It led to the development of a shared mission and culture and resulted in the successful scaling of Myntra itself. Thus, the understanding of the role of management and employee retention became a microfoundation of Flipkart’s integration strategy. Uniquely, it led to the creation of a unicorn within a unicorn.

Dynamic Capability Microfoundations: Reconfiguring and Recombining Know-how and Technology Resources

The lack of a trusted and accessible mobile payments system was a major barrier to the expansion of the e-commerce industry in India and a major trigger point in Flipkart’s growth trajectory. The acquisitions undertaken to resolve it

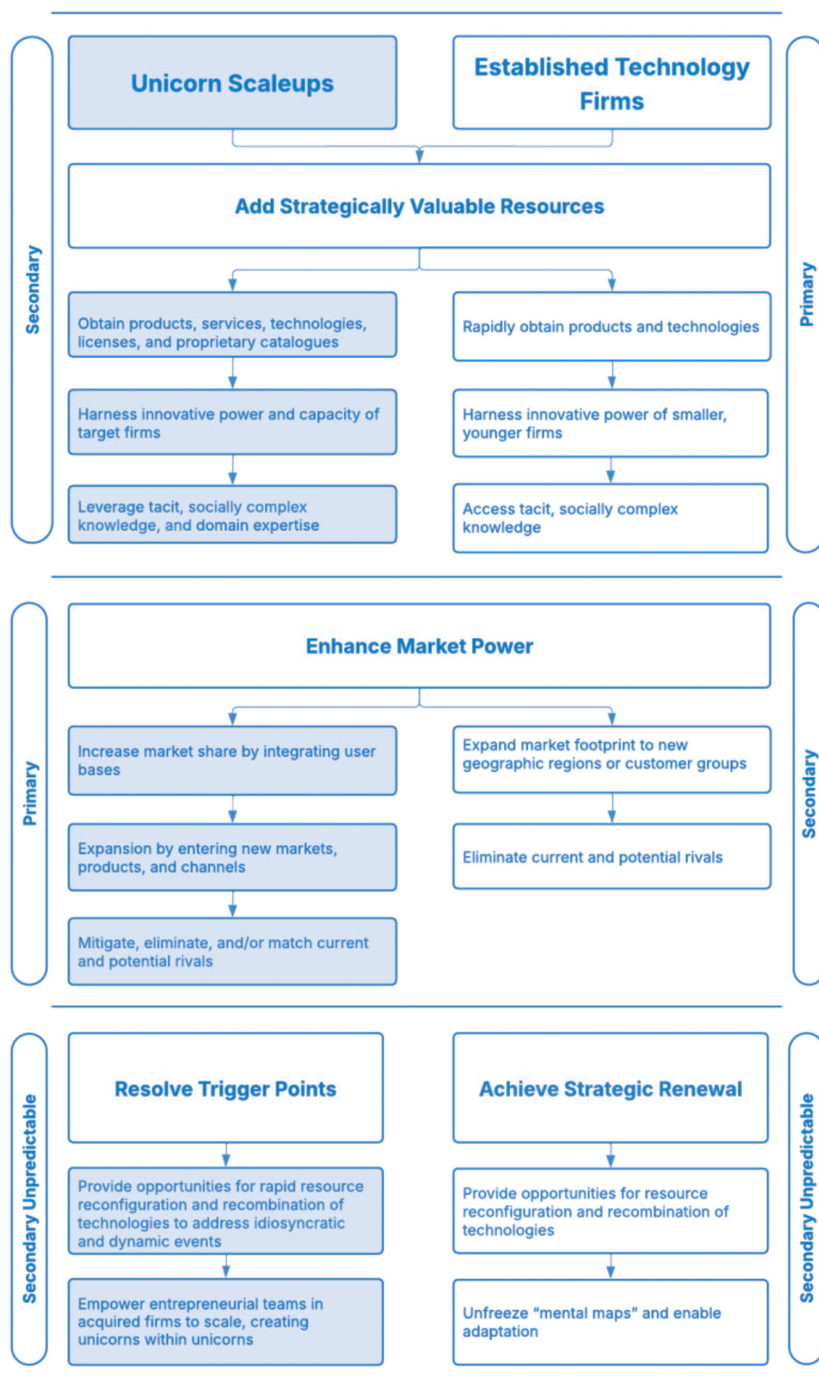
resulted in Flipkart achieving a hard-to-replicate competitive advantage over its main domestic rival, Snapdeal, which meant that the Indian e-commerce market became a two-horse race between Amazon and Flipkart. The acquisition that proved pivotal was PhonePe. Flipkart became aware of the FX Mart acquisition opportunity through the actions of its main domestic rival Snapdeal, which was the source of information on the availability of a highly sought-after license that FX Mart had obtained. However, Flipkart's quick decision-making and short payment cycle, meant that it beat Snapdeal to the acquisition and seized the acquisition opportunity.

Importantly, the codification of learnings from the acquisition of Myntra and the dynamic capability of transforming through resource recombination were key to the successful scaling of PhonePe and, by extension, Flipkart. Building on the learnings from the acquisition of Myntra, Flipkart's founding team placed its trust in the technical know-how of the founders of PhonePe to work autonomously to leverage the FX Mart license to develop a scalable payment product for the Indian market. The development of a shared mission and culture, as in the case of Myntra, led to the successful scaling of PhonePe, the payments' market leader in India (valued at \$12 billion in a 2023 funding round⁸⁷), with over a 47% market share, which is significantly higher than Amazon Pay's market share of 0.6%.⁸⁸ The reconfiguration of these two scoping acquisitions facilitated the exponential growth of Flipkart by unlocking positive externalities for the e-commerce industry. Again, it empowered the target founding team to create an autonomous venture that scaled exponentially, creating a unicorn within a unicorn.

Acquisition Motives in Unicorns

Scaling firms can benefit from acquisitions to address trigger points. Figure 3 compares the motives for acquisition in scaling firms with established technology firms. Established technology firms primarily pursue acquisitions to add strategic resources, followed by enhancing market power, and achieving strategic renewal, though the latter is rarer and less predictable.⁸⁹ Scaling ventures also acquire to obtain strategic resources, but we suggest they prioritize market power to increase market share and diversification in a "winner-takes-all" market. Prior research has shown that established firms benefit from unexpected and sometimes "serendipitous sources of value" that enable strategic renewal by providing significant and disruptive change in a firm's approach to achieving superior performance.⁹⁰ However, rather than strategic renewal, we suggest that acquisitions have the potential to help unicorns resolve complex trigger points that hinder or delay scaling. As we saw with Flipkart's growth trajectory, trigger points are often co-determined – sparked by more than one factor, with the potential to overlap and therefore present complex challenges for the scaling firm. Flipkart benefited from its acquisitions by empowering entrepreneurial teams in acquired firms to scale, creating unicorns within unicorns, and reconfiguring and recombining know-how and technology resources to address idiosyncratic and dynamic events. Thus, entrepreneurial acquirers may recognize that acquisitions can resolve trigger points but often cannot predict precisely how they will be resolved. In addition, the resolution of triggers may be the outcome

FIGURE 3. The motives for acquisitions in scaling ventures versus in established technology firms.



Source: Adapted and updated from classification provided Melissa E. Graebner, Kathleen M. Eisenhardt, and Philip T. Roundy, "Success and failure in technology acquisitions: Lessons for buyers and sellers," *Academy of management perspectives* 24, no. 3 (2010): 73-92.

of serendipity, as was evident in the resolution of the e-commerce payment trigger, which brought the Flipkart and PhonePe teams together again.

Dynamic Capabilities and Trigger Points

Teece's conceptualization of dynamic capabilities, as forward-looking entrepreneurial activities to identify where markets and technology are heading, clearly align with the resolution of trigger points in successful scaling. For example, in comparing how Flipkart and its domestic rival, Snapdeal, resolved the shared external trigger points, we demonstrated how Flipkart outmaneuvered Snapdeal in the race for market leadership, even though Flipkart and Snapdeal both employed a similar acquisitive growth strategy. Snapdeal's solution to the e-commerce payment infrastructure trigger was to acquire a leading recharge and digital payment platform, Freecharge, in April 2015 for \$400 million. However, it failed to leverage the acquisition to build a scalable and trusted e-commerce payment platform. Flipkart, on the other hand, acquired FX Mart and PhonePe, and reconfigured the acquired resources to create a leading e-commerce payment solution and effectively resolve a key trigger point in its scaling journey. It also harnessed the entrepreneurial capacity of the founders to enable the growth of PhonePe into a unicorn. As such, the dynamic capabilities developed to resolve complex, idiosyncratic, and temporally specific trigger points are difficult for competitors or subsequent entrants to replicate.⁹¹

Implicit in the trigger point concept and the dynamic capabilities framework is the primacy of entrepreneurial agency, defined by the path dependencies of an individual firm. The concept of trigger points provides a more dynamic alternative to the stage model, enabling researchers to understand how firms transition from one stage of growth to another.⁹² Thus, linking the resolution of trigger points to scaling also provides an explanation for diversity in the growth trajectories observed in ventures that scale through acquisition.

Limitations and Future Research. Unicorn start-ups represent a new and dynamic organizational form in the global economy, yet our understanding of how they grow remains limited. While single case studies are an accepted approach to understanding emerging phenomena, our study focuses on one unicorn start-up from one geographic context, Bangalore, India. However, location was not a barrier to resource acquisition as Flipkart successfully raised over \$7 billion. This reinforces our conclusion that the dynamic capabilities developed and integrated during the growth process are instrumental in the scaling of unicorns. Going forward, greater internet coverage of new ventures and the availability of licensed data packages, such as Tracxn, Crunchbase, and CBInsights, offer researchers opportunities to examine the emergence and growth of entrepreneurial ventures from different regions and industries.

In this study, we focused on how acquisitions fueled the growth of Flipkart, but of course, not all the growth was inorganic. While acquisitions enabled Flipkart to scale by adding to the overall size/value of the firm, it also achieved

significant growth organically. In addition, market platforms are based on a distinctive business model that is highly dependent on volume trading, economies of scale, and network effects in a winner-takes-all market that makes a hybrid growth strategy more attractive. Not all unicorns depend on such models, although many rely on digital business models.

Our analysis suggests that the stakeholders and management teams in unicorns, in “winner-takes-all” markets, are more focused on scaling for market power than for economies of scale. After 11 years and 14 acquisitions, Flipkart was still incurring heavy losses, despite achieving market dominance. Existing theory suggests that to achieve a competitive advantage and market dominance, businesses need to scale revenues in relation to costs.⁹³ There is limited empirical evidence on the relationship between scaling and efficiency, in terms of increasing returns to scale, particularly when driven by acquisitions. An economic analysis of the returns to acquisition investment, focusing on efficiency rather than market valuation, is merited.

Conclusion

Flipkart, the India based online e-commerce platform, founded in 2007, grew exponentially in a short period of time, with revenues growing from \$1.9 million in 2009 to \$4.6 billion in 2018, and in parallel, its market valuation rose from \$4 million to \$21 billion. This rate of growth places it in a very different organizational category, consistent with the convergence of academic definitions of scaling as exponential growth that is time-bound. Flipkart’s exponential growth was driven by a hybrid model of organic and acquisitive growth that enabled it to expand and diversify the platform, to protect and defend its market position against rivals, and to become the first mover in the Indian e-commerce market. However, scaling is not just about growth in market share and valuations; it is also about organizational growth and managerial development, as acquisitions present major challenges, especially in terms of integration and reconfiguration and recombining acquired resources. In the unicorn context, external stakeholders played a key role in developing the dynamic capabilities of sensing and seizing the acquisitions that allowed Flipkart to scale through market expansion. However, in seeking to resolve trigger points, Flipkart’s founding team learned how to transform acquired resources and to empower acquired entrepreneurial teams, and it was these micro foundations that facilitated Flipkart’s achieving the exponential scaling that defines unicorns.

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Supplemental Material

Supplemental material for this article is available online.

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