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# **The internationalization of digital born global firms**

## Contextual factors and behavioral implications

*Master's Thesis in the Master's Programme  
Management and Economics of Innovation*

ANNA STRANDBERG



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Gothenburg, Sweden 2017

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A handwritten signature in black ink, appearing to read 'Anna Strandberg', with a long horizontal flourish extending to the right.

Anna Strandberg, Gothenburg 3/1 2018

# Abstract

Digital startups are becoming increasingly important in the global economy and are undertaking internationalization at an exceptional speed. While doing so they are using new types of internationalization strategies, some of them seem very effective to reach growth using scarce resources. Due to their novelty, the internationalization behavior of digital startups has mainly been described in general terms, without taking the firms' different contexts and characteristics into account. However, on the basis of ten case studies, this thesis demonstrates the importance of the firm's context as an influencer of a firm's internationalization. These case firms follow different patterns both inline and in contrast to internationalization theory, showing that current internationalization theory is insufficient when understanding these young digital firms whom internationalize early, so called born global firms. This study identifies seven external and internal contextual factors that seem to influence the internationalization behavior, they are: a firm's market, firm characteristics, its business model, value proposition, product characteristics, product availability and type of customers. Overall, the thesis suggests how these contextual characteristics influence the internationalization of these ten digital startup firms. In addition, the thesis proposes a practical checklist for any digital startup looking to internationalize.

*Key words: Born global firms, internationalization, digital firms, contextual factors, lean global startups, internationalization process, international new venture, international entrepreneurship, internationalization framework*

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**GLOSSARY**



# 1. Introduction

*“Born global companies merit much more attention than they are receiving, as their growth strategies could provide lessons for many other organizations”*

Alina Kudina, George S. Yip, and Harry G. Barkema,  
“Born Global”, *Business Strategy Review*, 2008

Airbnb, Uber and Spotify - are all three examples of firms providing digital products and services on an international scale. In addition, all of them existed in more than 50 countries already within 7 years after their establishment and were founded with this rapid internationalization in mind. They are all examples of so called Born Global Firms.

Internationalization of firms is a topic that has been researched for almost half a century, focusing mainly on small medium sized firms (SME) or large multinational enterprises (MNE). Two streams of well-known theories describing the internationalization process is the Uppsala model (Johanson and Vahlne, 1977) and the Innovation model (Cavusgil, 1980). Both models describe how firms become international in a slow and incremental way, following a number of stages. However, since then, developments in ICT and transportation technologies have given rise to completely new types of firms and internationalization processes. For the first time, it is possible for small firms such as Airbnb or Uber to reach out to the whole world via a website or an application. This new phenomenon has given birth to several novel research streams. One major research stream is the study of born global firms: small, young firms that internationalize early.

The phenomenon of born global firms has been acknowledged and researched for over two decades (Rennie, 1993). Born globals are a global and growing phenomenon (Oviatt and McDougall, 2005) that appear across a wide range of industries (Oviatt and McDougall, 2005). Nevertheless, research on born globals is still underdeveloped (Madsen and Servais, 1997; Gabrielsson et al., 2008; Neubert, 2015). Previous research has covered areas such as: entry modes, success factors, antecedents, as well as the speed and scope of internationalization (Zahra and George, 2002). However, research has mainly been concentrated on defining the phenomenon by applying various theoretical perspectives to explain the phenomena while refuting traditional frameworks, and has failed to describe the born globals process of internationalization and their general behavior (Gabrielsson et al., 2005, 2008; Johanson and Martín, 2015). This has raised questions about the relevance and the overall value added by the research (Zahra and George, 2002). Evidently, there is a gap in research of practical guidance, i.e. the managerial implications of theories and frameworks. Nevertheless, while researchers have argued about definitions and whether the internationalization process of born globals is incremental or not (Johnson and Martín, 2015), the entrepreneurs themselves have continued worked and founded amazing companies such as Airbnb, Uber and Spotify. Companies which have succeeded to internationalize and grow rapidly. In addition, other stakeholders such as foreign trade associations and university organizations have increasingly realized the existence and potential of born global firms, and have started support programmes especially adapted for these types of firms. In the words of an International Trade Advisor of the Swedish Foreign Trade Association Business Sweden:

*“We have developed this new process and programme which is more adapted to the need of startups and scaleups. These young firms live in another time scale, we can't use our usual internationalization programme - it is too slow. These young firms are different: they live in a trial and error process all the time, where they haven't found where they will sail and what sail they will set. They also have life and death on their agenda every day. Yesterday one firm said ‘We have money for another 4 weeks (...). It is normal, they think it will work out’, other SMEs do not have that [characteristic]”*

One reason for the lack of practical applications of born global research is that most studies have sampled firms across all industries, even though they operate in very different contexts. This has caused several researchers to call for research on born global that consider the industry context (Mahnke and Venzin 2003; Rialp et al., 2005; Aspelund et al., 2007; Fernhaber et al., 2007). Furthermore, several authors describe how

product characteristics shape the internationalization process (Mahnke and Venzin, 2003; Laudien and Daxböck, 2017). Moreover, it has been said that other contextual factors such as: product strategies, market strategies, environmental factors, closeness to customer, founders background, firm factors and strategic factors also affect the outcome of the internationalization behavior (Madsen and Servais, 1997; Zahra and George, 2002; Gabrielsson, 2005; Sapienza et al., 2006). In their oft-cited book, Zahra and George (2002) summed up the general call for more contextual research, stating: *“It is critical for future research to account for the context within which international entrepreneurship occurs”* (p.27). Still, not much internationalization research has considered contextual aspects when investigating internationalization of born global firms (Zahra and George, 2002). One possible explanation for the lack of contextual sensitive internationalization theory is the lack of co-authored internationalization research, meaning that articles of authors from several disciplines are rare even though it might be crucial to fully understand firm’s internationalization and context (Oviatt and McDougall, 2005).

One factor that has been notably neglected by research is the emergence of digital products, services and value chains. Today there are approximately 3.4 billion internet users in the world (out of 7.4 billion people) and the number is steadily increasing (World Bank, 2017). This in turn leads to more and more digital good providers and it has been acknowledged that these are likely to internationalize earlier and faster (Gabrielsson and Pelkonen, 2008). Thus, it is reasonable to assume that digitalization and digital good providers play an important role within the domain of born globals. However, even though it has been showed that digital firms internationalization process might look remarkably different compared to other firms, few studies have been conducted on digital firms (Wentrup, 2016). For a digital good supplier internationalization might mean nothing more than just *“switching on the product”* in a country, as the former Product Manager for a successful Swedish start-up described their market entry into a Baltic country. For previously mentioned Airbnb, internationalization has meant to connect customers from 190 countries all over the globe with each other, when only having operational offices in 20 countries, and while performing some product development and marketing on a global level and others on a local level (Forbes, 2016). These types of internationalization processes have received very little attention. Researchers have studied internet’s capacity to alter the internationalization patterns of conventional firms (Arenius et al., 2006; Yamin and Sinkovics, 2006; Sinkovics et al., 2013), the internet as one of several international sales channels to physical good providers (Gabrielsson et al., 2005; Gabrielsson and Gabrielsson, 2011), while few studies have been conducted on firms with a fully digital value chain (Wentrup, 2016). Again, this is a sentiment echoed by an International Trade Advisor of Business Sweden:

*“A lot of firms in our programme are plain digital, everyone says ‘We have an app, we have a service’ - this is a big difference comparing with the traditional companies Business Sweden has worked with. The traditional companies might have their own production in Småland somewhere, the physical product must be shipped, go through customs, have markings - several export challenges - all this is very different for digital companies. The service might be packaged in an app, there are other challenges with this (...) - for example with legal aspects of storage of personal data.”*

Altogether, this shows the need for this thesis. The overall purpose of this paper is not to add to the growing research on theoretical frameworks of internationalization or to general internationalization frameworks of born global firms across industries. Rather, it is to develop a practical framework that can be used by managers of *digital* born global firms in their internationalization process. In doing so, the thesis will also contribute to research by researching an additional dimension of how context can influence the internationalization behaviors of digital born global firms. Due to the increase of digital firms and the lack of research thereof, the emphasis in this paper is therefore on firms with products and services that are bought, delivered and experienced by customers in a digital format as defined by Christofor (2008). While doing so, the thesis answers two research calls of Zahra and George (2002) on linking firm characteristics to international entrepreneurship dimensions and to understand contextual factor’s influence on the internationalization of entrepreneurial firms.

The thesis aims to answer the following two research questions:

1. What contextual factors are likely to influence the internationalization behavior of digital born global firms?

2. How may these contextual factors influence the internationalization behavior of digital born global firms?

To begin to answer these research questions, this study sets out to investigate how ten digital born global firms have internationalized or are planning to internationalize. The hope is that this qualitative exploration will inspire research in the area to be of more practical relevance to managers while also itself being of practical use for any digital startup looking to internationalize.

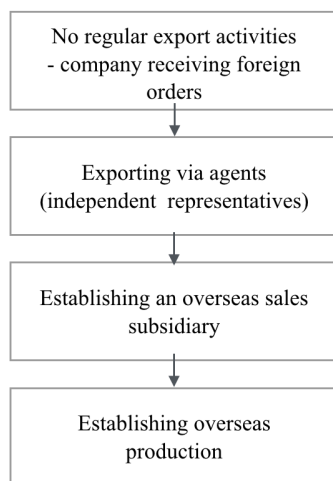
The remainder of this thesis is organized into seven sections. The next section describes internationalization theory used throughout the thesis, to be followed by an overview of the methodology used. The fourth section presents the empirical findings, while the fifth section describes the analysis of the data and builds a framework of how contextual factors seem to influence the internationalization process. It also compares the results with existing internationalization theories. The sixth section discusses these results, their implications, limitations of the study and suggestions for further research. Finally, the thesis is finished off with a section on the conclusions, which also contains a checklist for manager looking to internationalize.

## 2. Theoretical framework

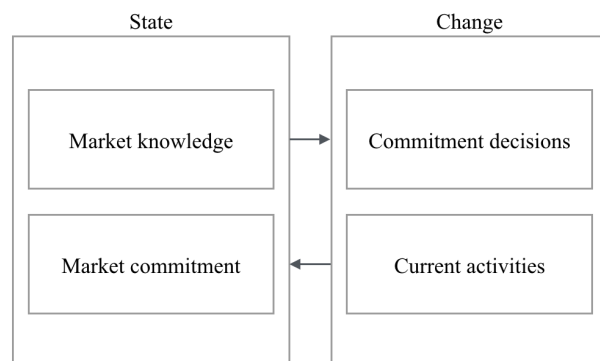
This chapter describes the theories used throughout the thesis. Initially, three general internationalization theories are described: the stage models, the phase theory and the network model. Thereafter follows two more contextual-sensitive theories, describing the internationalizing pattern for two specific types of firms: the digital firm and the lean global startup. Finally, Zahra and George's (2002) international entrepreneurship framework is presented, which illustrates the importance of the context to the internationalization process.

### 2.1 The stage models

First formulated by Johanson and Vahlne in 1977, the Uppsala stage model, also known as the stage model or the U-model, is one of the most influential and criticized theories explaining firms' internationalization (Oviatt and McDougall, 2005; Schueffel et al., 2014). Johanson and Vahlne (1977) describes Multinational enterprises' (MNE) internationalization process as occurring through stages (see figure 1) and only after the company has matured and reached a saturation at home (Porter, 1990). The internationalization is described as slow and incremental (Oviatt and McDougall, 2005), and the model assumes that the firm's overarching goal is to strive for growth and long-term profit, while trying to keep risk taking at a low level (Madsen and Servais, 1997). Johanson and Vahlne (1977) emphasize the need for knowledge about a foreign market, the lack of knowledge a firm initially has about a foreign market (*liability of foreignness*) and how this learning mainly is gained from experiential learning (Andersson, 1993). They furthermore describe a causal cycle, see figure 2, of how an increased market commitment (state) towards a specific market causes experiences (change), which may lead to an increase in market knowledge (state), which in turn might lead to an increase in resource commitment (change). *Market commitment* is defined as the resources committed, and the degree of specificity of these resources, to a specific market.



**Figure 1.** Uppsala model, Johanson and Vahlne (1977)



**Figure 2.** The basic mechanisms of internationalization: state and change cycle, Johanson and Vahlne (1977)

The overall internationalization into multiple markets also is described as an incremental process in itself: firms are gradually entering markets with increasing *psychic distance* (Johanson and Vahlne, 1977). Meaning that the more markets a firm has entered the greater the psychic distance between the entered market and the firm's home market. Psychic distance is defined as the sum of factors preventing the flow of information from and to the market and may consist of language and other dissimilarities and distances of culture, administration, economy or regulations.

Another widely cited stage model, similar to the Uppsala model, is the Innovation model. Several authors developed the model in parallel and describe firms' internationalization in a very similar way as the Uppsala

model (Cavusgil, 1980; Reid, 1981; Czinkota, 1982; Bilkey and Tesar, 1977). Alike, the internationalization process is described through slow incremental stages due to firm's lack of knowledge about foreign markets, the firm's high risk aversion and high perceived uncertainty (Madsen and Servais, 1997). The Innovation models only differ from each other semantically in the number and definition of the stages (Anderson, 1993). However, in contrast to the Uppsala model the Innovation model compares the internationalization process with an internal innovation for the firm.

The stage models received critics: several authors argue that the internationalization process may not be described in stages (Young et al., 1989; Reid, 1983; Calof and Beamish, 1995). For example, Welch and Loustarinen (1988) observed how firms did not follow the U-model and instead skipped stages and internationalized fast. Sullivan and Bauerschmidt (1990) gave examples of managers being more intentional about internationalization than Johanson and Vahlne (1977) describes and Turnbull (1987) criticized the overall empirical evidence of the Uppsala stage model.

As mentioned the stage model was developed for MNE's, however, several authors argue that the stage model may be used and generalized to smaller firms if also including some exceptions such as: how knowledge may be generalized when entering similar markets and that stages of management learning might have occurred before the inception of the firm (Andersen, 1993; Madsen and Servais, 1993). However, other authors mean that other theories need to be developed in order to explain the internationalization process of smaller firms (Oviatt and McDougall, 2005).

## **2.2 The Born Global firm and the phase theory**

### *2.2.1 Definition and differences from other companies*

Within internationalization theory a phenomenon of small and young firms internationalizing early, has opened up a new research stream. These firms do not follow the same patterns as traditional firms when internationalizing and many researchers sought to explain why using several theoretical frameworks. This phenomenon has had many labels: "Born Globals" (Rennie, 1993; Rasmussen and Madsen, 2002), "Global Start-ups (Oviatt and McDougall, 2005), "International New Ventures" (McDougall and McDougall, 2005; Servais and Rasmussen, 2000; Oviatt and McDougall, 2005; Autio, 2005; Coviello, 2006) and "International Entrepreneurship" (Oviatt and McDougall, 2005). The research emerged independently and nearly simultaneously from several groups of scholars, which might be one reason for why the phenomenon has been named differently (Oviatt and McDougall, 2005).

This plethora of terminology has led to some discontinuity amongst researchers. According to Rasmussen and Madsen (2002) there is "[...] *absolutely no clear definition - neither theoretically nor empirically - of a Born Global or similar concepts*" (p.13). Some use concepts such as international new ventures and born global firms in parallel (Johansson and Martín, 2015; Sultan and Wong, 2011), while others (Madsen, 2013; Neubert, 2015) show that the definitions in research sampling are not used for the same thing, encouraging future research to "[...] *more clearly states the actual purpose of the particular study and the empirical definition of the phenomenon*" (Madsen, 2013, p.77). Some attempts have been made to align research and define the concepts (Gabrielsson et al., 2005; Gabrielsson et al., 2008, Jones et al. 2011), however, definitions still vary. The most widely used term is the Born Global Firm. The most accepted definitions of a born global firm are the following: it is a new venture that acts to satisfy a global niche from day one (Jones et al., 2011), it must have had a global vision at inception (Knight, 1997; McDougall and Oviatt, 2000), has internationalized within two or three years of its inception (Rennie, 1993; Knight and Cavusgil, 2004; Mort and Weerawardena, 2006; Gerschowski et al., 2015), it must have entered into multiple (at least two) international markets within that timeframe (Oviatt and McDougall, 2005), it must have at least 25% of its total sales from international markets within the same timeframe (Andersson and Wictor, 2003; Knight and Cavusgil, 2004; Servais et al., 2007) and must carry the risk itself: it cannot be a spin-off of a larger firm (Gabrielsson et al. 2005; Zahra, 2005).

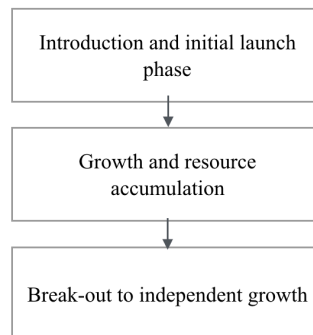
Regularly mentioned characteristics of born globals are that they have products with global market potential (Rasmussen et al., 2001; Gabrielsson et al. 2005), often are a high technology firm with innovative products operating as pioneers in a small global market niche (Neubert, 2015; Rasmussen and Tanev 2015; Wentrup, 2016; Tanev, 2012; Cavusgil and Knight, 2009), and often located in a small and open economy with a limited home market (Luostarinen and Gabrielsson, 2006). They have to deal with high risks due to a novelty of their products, the limited financing available, the necessary pace of growth, and the global character of operations (Gabrielsson et al. 2005; Tanev, 2012; Neubert, 2015). These characteristics differ from MNE's, as well as SME's that well might internationalize early but without both a global vision and a distinct differentiation strategy compared to products on the market (Gabrielsson et al., 2005).

### 2.2.2 Previous research

Previous research focus on areas such as: born global firms unique characteristics, conditions for their existence, antecedents of their internationalization, the measurement of internationalization success, the increase of the overall phenomenon of born global firms (Cavusgil and Zou, 1994; Coviello; 2005, Gabrielsson et al., 2005; Gabrielsson et al., 2008; Holtbrügge and Wessely, 2009; Johanson and Martín, 2014, Rasmussen and Tanev, 2015). In addition, Zahra and George (2002), whom are further mentioned below, focused on born global firm's degree, speed and scope of internationalization and factors affecting those dimensions.

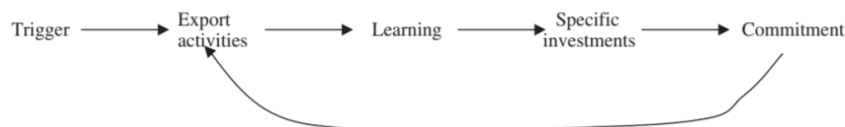
### 2.2.3 The phase theory

Gabrielsson et al. (2005) became one of the first to attempt to describe the internationalization process of born globals. By providing several case examples from four countries it is described how born global firms develop through three phases (see figure 3). A key part of the phase theory is the assumption that born global firms will need external partners (i.e. other bigger firms or distributors), global customers and/or networks in order to accumulate the resources needed to grow and to internationalize. Gabrielsson et al. (2005) implies how this relationship with the external partner or the network leads to a dependency and maybe even an *absorption* by the senior players, if the firm does not decide to break-out. The third phase is characterized by how the born global firms must decide to break-out from the relationship and the dependency in order to remain a born global firm. It is described that a break-out decision might mean that the born global decide to follow a new path and/or search to enter a new market.



**Figure 3.** The Phase Theory, Gabrielsson et al. (2005)

Gabrielsson et al. (2005) highlights the difference in market commitment behavior for born global firms comparing to the traditional theories. As seen in figure 4, and as described in the stage models, a firm's commitment to a market has traditionally been interpreted as a reaction to international activities. On the contrary, born globals commit to a market *before* any international activities have taken place, the train of events is demonstrated in figure 5.



**Figure 4.** Commitment to market, traditional firms, Gabrielsson et al. (2005)



**Figure 5.** Commitment to market, born global firms, Gabrielsson et al. (2005)

## 2.3 The network model

Network theory has been used in different ways to describe internationalization processes (Madsen and Servais, 1997; Oviatt and Mcdougall, 2005; Johanson and Vahlne, 2009). Madsen and Servais (1997) argue in their article about the internationalization process of born global firms that a firm cannot be analyzed separately, it must be understood in an inter-organizational setting. It is proposed that reliance on external firms may be even more common for born globals than for other exporting firms due to the small nature of the firms, meaning that their internal resources and competence are insufficient for the firm to itself internationalize.

Madsen and Servais (1997) describe how internationalization through business relationships can occur in three ways: (1) through the establishment of relationships in country networks that are new to the firm, (2) through the development of relationships in those networks which are known to the firm, and (3) through connecting/integrating networks in different countries by using the existing relationships of the firm as bridges to other networks. These types of relationships may either be relationships with individuals or other firms by using different forms of collaborations and hybrid governance structures such as partners and joint ventures.

Madsen and Servais (1997) mention how relationships used in internationalization processes often take time and effort to establish and develop in order to gain mutual trust and knowledge. However, it is also described how firms may internationalize much faster by using networks: instead of following traditional patterns they may seek partners with supplementary skills and resources. They also emphasize how the internationalization processes of firms in internationalized markets are more individual and situation (context) specific, without investigating this further.

## 2.4 The digital firm and its internationalization process

### 2.4.1 The digital firm

Several authors have observed how a special type of firm called the digital firm (also known as iBusiness, online service provider, digital information provider, Internet firms) inherits such particular characteristics that it affects their internationalization process (Mahnke and Venzin, 2003; Zhang et al., 2015; Brouthers et al., 2016; Wentrup, 2016). Zhang et al. (2015) go as far as saying that *"it is the digitized, non-material nature of such good and services that gives them the potential for high scalability"* (p.206), something that is likely to also influence their internationalization strategies.

These firms provide digital goods and may also possess a fully or partially digitized value chain. Digital goods are broadly defined as *"experience goods encoded as a string of bits"* (Mahnke and Venzin, 2003, p.119). However, it is acknowledged that products exist on a scale of various degrees of physical and digital elements (Mahnke and Venzin, 2003; Hull et al., 2007; Zhang et al., 2015). A firm may either provide a product that is entirely digitally realized (e.g. social media), an interface for digital product/mobile device (e.g. a smartphone), digital elements in a physical object (e.g. a modern microwave) or a physically rendered service bought digitally (e.g. Uber) (Zhang et al., 2015). In addition, firms' *value chains* also exist on a digital continuum including digital or physical elements. For example: eBay is a pure digital information provider but has clearly physical elements in the service they offer, however, these physical elements are not involved in eBay's own digital value chain.

Characteristics mentioned by Mahnke and Venzin (2003) as contrasting digital good from physical goods are:

- The goods do not perish or require transportation
- Have no diminishing returns to scale
- Have great benefits of economies of scale
- Might inherit network effects
- Might produce valuable data

The latter meaning that a digital startup might get access to valuable data, allowing them to learn about the customer preferences in real-time and get instant customer feedback to rapidly change their products. Besides, this valuable data may be commercialized by the firm.

Firms providing digital goods, which possess these characteristics, will not have to deal with common internationalization challenges of physical goods, such as: challenges of export, delivery, timing, logistics, inventory management and choosing a strategic location for operations (Mahnke and Venzin, 2003). Instead, researchers (Mahnke and Venzin, 2003; Yamin and Sinkovics, 2006; Brouthers et al., 2016) have charted other kinds of challenges for digital firms, they are:

- Low entry barriers to the market
- Products might be easy to imitate
- Liability of novelty, the barrier of offering a concept that might be new to the market, which may cause a need to educate customers and create a new market
- Liability of foreignness, the barrier of being a foreigner in a new market, which may cause a need to understand the local conditions thoroughly. Especially due to high customer demand of personalization and excellent user experience
- Building a foreign user community
- Quality and speed of available ICT infrastructure
- Costs of data
- Virtuality trap, the belief that learning through virtual interactions obviates the need for learning through non-virtual means

According to research these digital goods characteristics and the degree of firm's digitalization of goods and/or value chain will affect the choice of country, the mode of entry, the speed of the internationalization process, and the post-entry activities (Mahnke and Venzin, 2003; Wentrup, 2016).

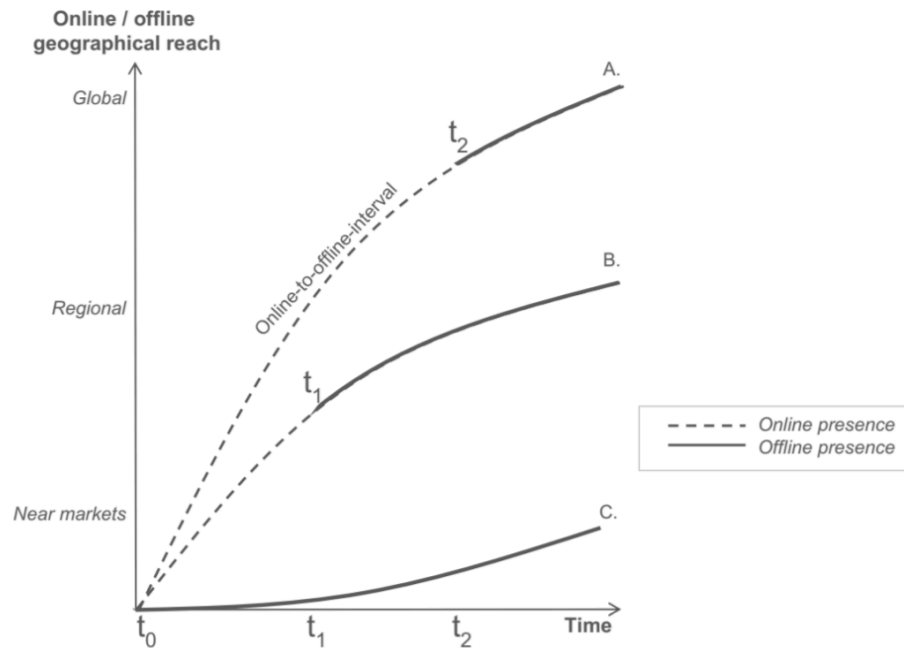
#### 2.4.2 Internationalization patterns

The internationalization process of digital firms may be either passive or active (Hazarbassanova, 2016). Passive internationalization is defined as: “[...]having a general or domestic website, and serving foreign customers through it. Internet firms in this situation do not actively pursue or target foreign customer through any adaptations of their domestic offer” (Hazarbassanova, 2016, p. 350). However, when studying active internationalization, “the pursuit of foreign customers through the establishment of presence in a foreign country, or adaptations of the website/output to foreign languages and preferences” (p.350), some researchers (Mahnke and Venzin, 2003; Wentrup, 2016; Brouthers et al., 2016) have observed a number of general internationalization patterns which are described below.

Digital firms seem to seek to enter new markets fast with low resource commitment through modes that allow for high control of branding, sales processes and customer learning. The firms also seem to be willing to take high risks since the risk of being a late entrant is perceived as higher (Mahnke and Venzin, 2003). Wentrup (2016) researched Online Service Providers' internationalization behavior. An Online Service provider (OSP) is a generic term that describes any company, organisation, or group that provide online services (Wentrup, 2016). The OSPs internationalization is described by using the terms *online and offline entry*, *online and offline balance* and *online-to-offline interval* (Wentrup, 2016). Online entry is the behavior of digital firms that choose to enter a new market by initially only making the product available for the market online. Offline entry means that a firm decide to enter a market by starting local operations. Wentrup (2016) suggests that successful firms have tried to centralize as many operations as possible in the home market, thus “*born at home rather than born global*” (p.585). Further, these firms entered abroad first by an online entrance and then by gradually increasing their offline presence. This offline presence is characterized by OSPs setting up subsidiaries with their own staff or staff operating from the domestic market, in order to be less dependent on third party networks. This time interval between online and offline entry is named the *online-to-offline lag* and it is proposed that the length of the interval is dependent on the business model and the sales channels used, see figure 6. Thus, Wentrup (2016) acknowledges the influence of context on a



digital firm's internationalization process. Further, Wentrup (ibid) describes how the case firms follow a near-market and gradual geographic pattern in their internationalization processes, meaning that firms gradually enter markets with increasing psychic distance.



**Figure 6.** The Online-to-offline interval. A. B2C firms B. Mixed B2C and B2B business models C. Traditional firms, the Uppsala model. All firms going from near market to global reach. Wentrup (2016)

Finally, for a certain kind of digital product and firm it seems like the internationalization process and pattern mainly concern how to build a user network, which may be described by Roger's Diffusion of Innovation theory (Rogers, 1962; Brouthers et al., 2016). These firms are all using internet to provide internet-based platforms that allow users to interact with each other and their main concern is to create a large enough network to generate value on their platform, causing the product to increase in value as the network increases (*network effect*). For such firms, an important element of internationalization is the increase of the user-network size by using different methods and mechanisms to adopt users, such as: Word of Mouth, opinion leaders, change agents and internet-based mass media (See-To and Ho, 2014; Brouthers et al., 2015).

## 2.5 The lean global startup and its internationalization process

Following the born global research some researchers describe the emergence of an iterative form of internationalization process, called a lean internationalization (Bingham, 2009; Rasmussen and Tanev, 2015; Autio and Zander, 2016; Giones and Brem, 2017; Neubert, 2017).

Rasmussen and Tanev (2015) have examined internationalization processes in firms that already perform lean product development activities. These firms follow the lean startup methodologies, which may be described as "*a hypothesis-driven approach to the evaluation of an entrepreneurial opportunity*" (Rasmussen and Tanev, 2015, p.14). These firms incrementally and iteratively develop products in cycles by building prototypes and letting consumers test them in order to measure, learn and rebuild products as a sequel of the test results. Because of the immediacy of the feedback, products and services can be quickly adapted to market needs (Neubert, 2015).

Rasmussen and Tanev (2015) describe how these firms also seem to apply this approach when internationalizing: "*These startups have started operating on global scale since their inception and adopted the lean startup approach by seamlessly synergizing their global and lean product development activities*" (p.12). More so, it turns out that: "*The [firms] main tool to execute their internationalization strategy is a*

*lean market development process*” (Neubert, 2015, p.20). It has also been shown that these firms internationalize faster than others (Neubert, 2015).

Similarly, Bingham (2009) researched the role of improvisation in the internationalization processes. Improvisation is defined as: “(...) *reworking pre-composed material and designs in relation to unanticipated ideas conceived, shaped, and transformed under the special conditions of performance*” (Berliner, 1994, p.241). Bingham (2009) shows that firms with more successful market entries decrease the improvisation in the selection of market and increase improvisation in the execution of market entry. He argues that this allow firms to find a product market fit since they are allowed to be efficient, while still preserving room for flexibility and experiment.

Overall, the lean and improvising behavior stands in contrast to existing views on successful strategic processes and market entry modes such as outsourcing, acquisitions and alliances, advocating for moderate improvisation (Bingham, 2009).

Some observed challenges for lean global startups are the lack of focus while entering several foreign markets in parallel and addressing global needs, disorganized internationalization behaviour, to accelerate the speed of learning from the small iterative steps, and to reach efficiency during market entry (Bingham, 2009; Rasmussen and Tanev, 2015).

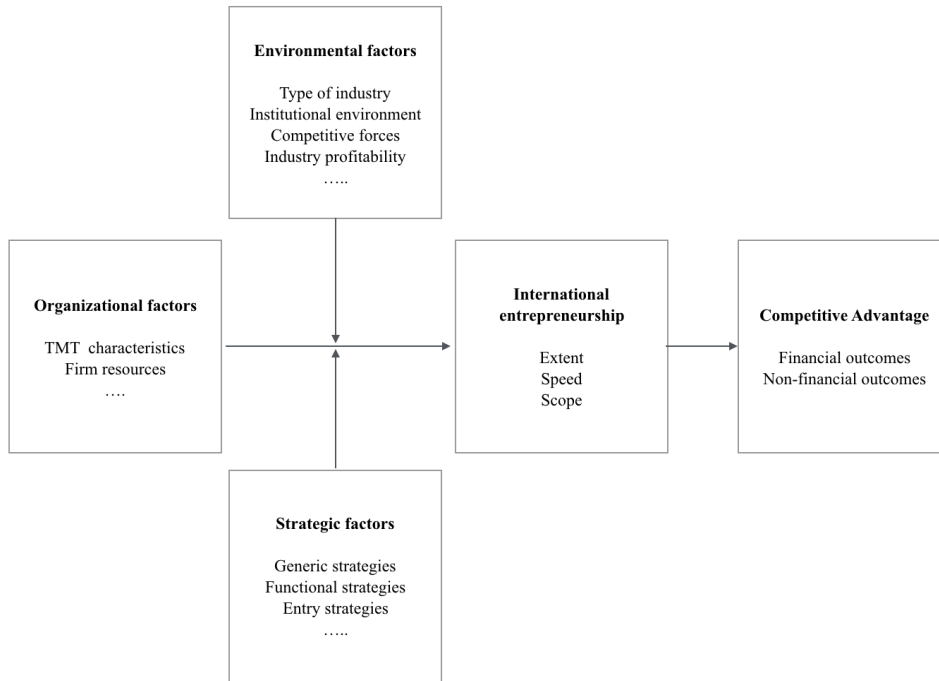
## 2.6 The international entrepreneurship model

As previously mentioned, International Entrepreneurship is a research stream which has many similarities with the born global literature. Zahra and George’s (2002) presents a comprehensive framework for qualitative research. It is a unique model that integrates theories from international business, global strategy, strategic management and entrepreneurship (Schueffel et al., 2014). Initially, the model was used to describe the sudden internationalization of domestically focused companies, but its broadness has allowed it to be used by others in the field of international entrepreneurship (Oviatt and McDougall, 2005; Weerawardena et al., 2007).

The model, see figure 7, describes three sets of factors that influence international entrepreneurship: *organizational, environmental and strategic factors*. In this way, Zahra and George (2002) highlights how the firm’s context variables affect the overall internationalization process, measuring the internationalization along several dimensions and linking it to both financial and non-financial outcomes. The organizational factors mentioned in the model are for example characteristics of the top management team such as the individual’s vision and background. Other mentioned organizational characteristics are for instance: resources, organizational size, and age. A wide range of environmental factors are covered in the model such as: type of industry, the institutional environment, competition and growth factors. Finally, the model covers various strategic dimensions: generic firm strategies, meaning a firm’s positioning of their offer, functional strategies which contains value chain strategies such as distribution strategies, in addition to market entry strategies.

Zahra and George (ibid) acknowledge that the framework is limited to the research and theories it is based on, which in turn have some noteworthy limitations. It is mentioned that this research might not be generalized to several industries, in their own words: “*Prior studies have also focused primarily on high technology industries (...) raising the possibility that past findings do not generalize equally well to all economic sectors*” (Zahra and George, 2002, pp.18). The studies have neither acknowledged managers perception of the industry: “*...overlooks the possibility that managers within the same industry may view their environments quite differently, which would lead to significant differences in international entrepreneurship*” (pp.19). Zahra and George (2002) conclude their study by identifying potential research areas for future research, making it evident that the context and environment are key areas for future research, by stating:

*“A key research issue concerns the major environmental factors affecting international entrepreneurship. There are other significant factors that merit attention in international entrepreneurship, including industry characteristics, country institutional and regulatory environments among others. This area is virtually unexplored because of the number of combination of factors that can help explain international entrepreneurship (...). Unexplored areas also include industry characteristics and internationalization processes since many past studies have used small samples” (pp.28).*



**Figure 7.** An integrated model of international entrepreneurship, own summary, Zahra and George (2002)

### 3. Methodology

This chapter describes and discuss what research methodology that have been used throughout the thesis.

#### 3.1 Research design

This thesis uses an inductive case research approach (Bryman and Bell, 2015) to better understand digital firms’ internationalization and to describe contextual factors and their behavioral implications. This approach was applied through an exploratory and comparative case study of ten, for the most part Swedish-based, digital born global firms. This approach and method is the best alternative for this study, as an explorative case method allows for a novel field of research to be explored more fully and for developing new theories using qualitative data (Eisenhardt, 1989; Yin, 2003; Bryman and Bell, 2015). This is relevant for the field of born global firms; a field which several researchers mean is underdeveloped (Gerschewski et al 2015, Taylor and Jack 2016).

#### 3.2 Research flow

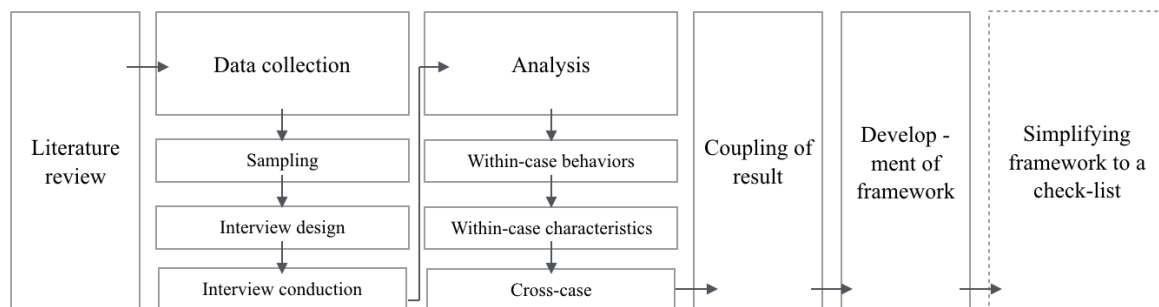


Figure 8. Illustration of the research flow followed by the study

The research was carried out following the flow illustrated above. Initially, a literature review was completed, followed by a phase of data collection consisting of: sampling, interview design and interview conduction. Thereafter, a qualitative analysis of the data from the interviews was performed to be followed by a phase of coupling the findings with theory, in order to develop a result in the shape of a framework. Finally, this framework was simplified in order to create a checklist for managerial purposes. Each phase of this research flow is further described below.

##### 3.2.1 Literature review

In order to get a holistic view and understanding of the research field of internationalization, an initial unstructured literature review was made. The databases used were Chalmers library and Google scholar and the search words used were: *Internationalization process, International New Ventures, Born Global Firms, International entrepreneurship, Global startups, International business, Global expansion, Online internationalization, Digital entrepreneurship, Foreign market entry and Lean internationalization.*

### 3.2.2 Data collection

#### 3.2.2.1 Sampling

Theoretical sampling was used to identify potential case firms (Easterby-Smith, 2015). However, since no universally accepted definition of a born global firm exists (Rasmussen and Madsen, 2002; Gerschewski et al., 2015), a study of the different definitions used in previous research was carried out initially. This study of definitions was used to create a set of criterion for sample selection for this study, with the purpose to guide the selection process of case firms to ensure that firms were consistent with the objective of the study and the most accepted theoretical definitions. See a summary of the criterion in table 1. Thereby, two main criterion with six sub-criterion were developed and set. The first criteria was related to the definition of born global firms and the second criteria ensures the digitality of the firm. The first criteria confirmed that the firms are born global firms and contained three sub-criterion: the firm (1a) must have had the vision to internationalize since inception, (1b) must have internationalized (or planned to internationalize) within three years of its establishment and (1c) to at least two international markets. These criterion are consistent with born global literature (Rennie, 1993; Knight and Cavusgil, 2004; Mort & Weerawardena, 2006; Gerschewski et al., 2015).

The sub-criteria with the three-year time frame was included since it is the most established definition, even though some recent studies have noted that three years in today's fast-moving world is a very generous time frame. It must also be mentioned that a common definition for born global firms is that: *firms must have at least 25% of its total sales from international markets within the first three years of operations* (Andersson and Wictor, 2003; Knight and Cavusgil, 2004). In this study, this criteria was left out since the majority of case firms were unwilling to share their sales data from international operations and since some case firms were in their planning phases of internationalization.

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#### Main criteria 1: Born global firm

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Sub-criteria 1a: Must have had the vision to internationalize since inception

Sub-criteria 1b: Must have internationalized (or planned to internationalize) within three years of its establishment

Sub-criteria 1c: Must have internationalized to at least two international markets within three years of its establishment

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#### Main criteria 2: Digital firm

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Sub-criteria 2a: the firm's product or service must be bought virtually

Sub-criteria 2b: the firm's product or service must be experienced virtually

Sub-criteria 2c: the firm's product or service must be delivered virtually

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**Table 1.** Set of criterion used by the study for sampling

	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette
<b>Market</b>	Fintech	Sport	Lifestyle service	HR-tech	Fin-tech	Media	Sport	Sport	Cleantech	Fintech
<b>Founded</b>	Confidential	2007 (as side-project), 2012 (as a firm)	2013 (in UK)	2013	2016	2006	2015	2010	2010	2014
<b>Turnover (million SEK, 2016)</b>	2+	8	-	2.2	1.5	25000	1.3	31	16.4	0.6
<b>Number of employees (October, 2017)</b>	A dozen	28	34	31	17	1600	7	40	46	20 (start January, 2018)
<b>Business model</b>	B2C, B2B & P2B	B2C, C2C	B2C, C2C	B2B	B2B, B2C	B2C, B2B	B2C, B2B	B2C, B2B	B2B	B2B
<b>Number of users/customers (approx.)</b>	Consumers: 100 000+, Businesses: 500+	5 million	Consumers type 1: 30 000, Consumers type 2: 500 000	14 800 (recruiters)	Consumers: 100 000 + Consumers via business customer: 4.3 million	Consumers: 140 million (60 million premium)	Consumers: 130 000, Businesses: 1000+	Consumers: 3 million	100	30 000
<b>Internationalization</b>	International-ized	International-ized	International-ized	International-ized	Planning	International-ized	Planning	International-ized	International-ized	Planning

Table 2. Basic details of the case firms

	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette
<b>Funding vision</b>	Go international	Go international	Go international	Go international	Go international	Go international	Go international	Go international	Go international	Go international
<b>Yrs to first internationalization</b>	2	0	1.5	3	3+	0	Estimated 3	0	0	Estimated 3
<b>No. of markets within three yrs</b>	2+	2+	2+	2+	0	2+	Estimated 2+	2+	2+	Estimated 2+
<b>Born global firm</b>	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes

**Table 3.** Case firms' fulfilment of first main criteria

	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette
<b>Business customer Product is bought online</b>	SMEs			SMEs	Banks/Subscription providers	Local businesses	Race organizers	MNE's	Businesses	SMEs
<b>Product is delivered online</b>	Partly			Yes	Partially/Yes	Yes	Yes	Yes	Yes	Yes
<b>Product is experienced online</b>	Partly			Yes	Partially/Yes	Yes	Yes	Yes	Yes	Yes
<b>Consumer customer Product is bought online</b>	Private investors	Consumers	Consumers/Service workers		Consumers	Consumers	Customers	Consumers		
<b>Product is delivered online</b>	Yes	Yes	Yes/Yes		Yes	Yes	Yes	Yes		
<b>Product is experienced online</b>	Yes	Yes	Yes/Yes		Yes	Yes	Yes	Yes		
<b>Degree of digital</b>	Medium	Extreme	Extreme	Extreme	Medium	Extreme	Extreme	Extreme	Extreme	Extreme

**Table 4.** Case firms' fulfilment of second main criteria

	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette
<b>Interviewee role</b>	Investor relations (responsible for international expansion)	Former CTO	Co-founder, CEO	International expansion manager (4 months in role)	Co-founder, CEO	Former head of internationalization team & Former Engineering Team Lead (2 people)	Founder, CEO	CEO	CEO	Co-founder, CEO
<b>Interviewee time at firm (years)</b>	1	2	Since start	4	Since start	3 & 5	Since start	Since start	Since start	Since start
<b>Interview mode</b>	Live one-on-one	Video link	Video link	Live one-on-one	Live one-on-one	Live one-on-one	Live one-on-one	Live one-on-one	Live one-on-one	Live one-on-one
<b>Time of interview (min)</b>	60	45	45	60	45	60	60	45	60	60

**Table 5.** Details of the interviews conducted in the study



The second criteria was related to the digitalization of the firm. Literature on digital firms display a variety of business models, products and services with various degrees of digitalization. At times, it seems enough for a company to sell their products online to be called an “*iBusiness*” (Brouthers et al., 2016). However, this study’s criterion were narrower in order to fully understand the internationalization of *digital* firms and therefore it included the three sub-criterion: the firm’s product or service must be (2a) bought, (2b) experienced and (2c) delivered virtually (Yamin and Sinkovics, 2006; Christofor, 2008; Weill and Woerner, 2013)

However, it must be mentioned that these criterion will allow for firms that has an electronic value chain even though they participate in physical value chains. One example of such digital firm is eBay: who has an electronic value chain but participate in other’s physical value chains (Hazarbassanova, 2016).

With assistance of startup incubators, internationalization programmes and news articles on successful Swedish startups, a long list of 36 potential case study firms was created. The firms on the list were investigated further and contacted by the researcher to determine if they met the criterion, which led to a shortlist of 21 firms. After several attempts to persuade these firms to partake in the study, the thesis ended up with a final sample of ten organizations. Data from multiple cases is also often regarded as rendering the overall study more robust (Yin, 2003) and the sample of ten interviewed companies is consistent with recommended sample sizes (Guest et al., 2004).

Table 2 summarizes the basic details about the case firms participating in the study. Table 3 and 4 outline the case firms in relation to the set of criterion.

### **3.2.2.2 Interview design & conduction**

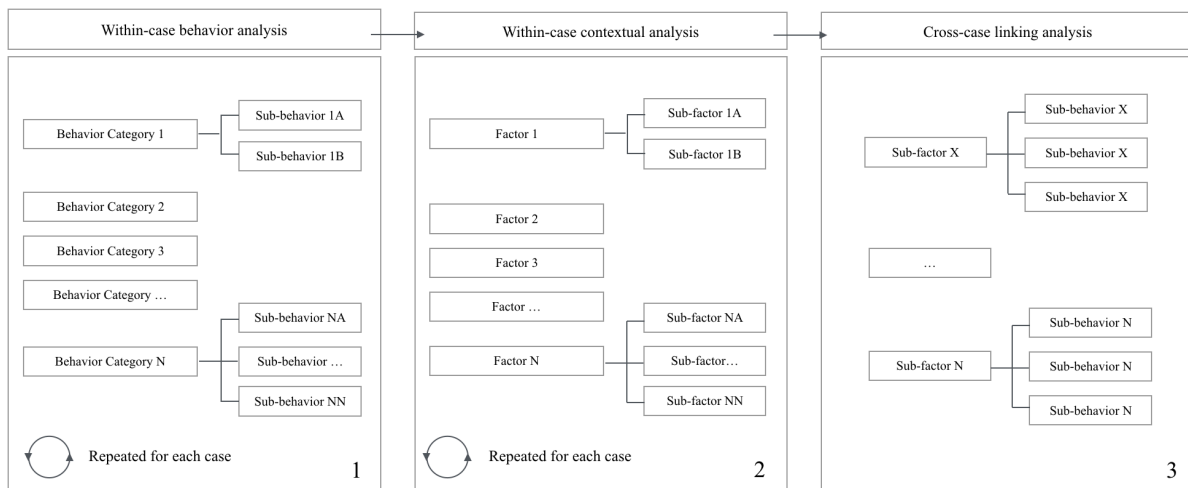
Approximately hour-long interviews were conducted either face-to-face or via video link and was the main source of the primary data collection. Table 5 outlines the interviewees and the interview format for each case firm. Secondary data covering the company details was identified and used as a complement. This data originated from company websites, annual reports, firm registry, newspaper articles and press releases.

Semi-structured interviews containing theory-driven questions were conducted, see interview template in Appendix I. This interview format allowed participants to comment on issues and explore the field, and helped the researcher to achieve three interview goals: to understand the context of the firm, to understand the firm’s internationalization strategies and the reasoning behind them and to understand outcomes of the strategies (when applicable).

The interviews were guided by a template of open-ended questions to allow interviewees to comment on which activities they considered most important. The order of questions varied if a particular response led to one of the other questions - which allowed to gather as much information about the internationalization as possible but also allowed to focus on particular topic areas. Overall, the interview template was divided into four sections: (1) *Background*, (2) *The interviewee*, (3) *The internationalization process*, (4) *The outcomes*. The first section consisted of questions about the firm and served to understand the characteristics of the company, its product, its market and the history of internationalization. The second set of questions requested information about the interviewee’s position, duration at firm and role in the internationalization process. The third, and main, section of the interview was focused on the internationalization process. This section was divided into three subsections: *pre-entry phase*, *entry phase* and *post-entry phase*, and the interviewees were asked to explain the firm’s overall pattern of internationalization. A fourth section explored factors of successful (perceived success) internationalization, strategies that later on had been abandoned and how the firm had prioritized their activities.

The questions for each section were designed to fit within the time limit of one hour. In addition, the questions were based upon the initial literature review and the identified themes in internationalization theory. The first interview proved the time enough to collect the required data. Moreover, after the initial interviews, the interview template was evaluated and some questions slightly refined, simply for clarification purposes in order for the interviewee to fully understand the questions. Furthermore, the template was somewhat adapted when interviewing firms *planning* to internationalize, but who had not yet entered their first foreign market. However, more or less the same questions were asked in order to fully understand the internationalization strategy they were planning to execute. As mentioned, the interview template may be found in Appendix I.

The interviews were undertaken with founders, people on the board, head of internationalization or similar, depending on who had been responsible for the international expansion of their business, see table 5 for further details. Furthermore, the interviews were audio-recorded and transcribed for further qualitative data analysis.



**Figure 9.** Illustration of the analysis used in the study

### 3.2.3 Analysis

The qualitative data analysis was made manually, through which emerging patterns and themes were identified, see the analytical process illustrated in figure 9. In order to identify the patterns and compare the cases, the answers had to be coded, i.e. categorized into various contextual factors and internationalization behaviors separately. Therefore, within-case analysis was performed initially to identify contextual factors and behavioral implications (stage 1 and 2, figure 9). Both the behaviors and the contextual factors were categorized in an iteratively and emergent manner by carefully studying each interview and the answers.

First, overall categories of contextual factors and internationalization behavior were created based on the literature review, the research calls and the international entrepreneurship model outlined in section 2.6. These categories were for example: product strategies, firm factors, environmental factors. The data was anonymised, due to confidentiality, classified and sorted within these categories in a matrix. The matrices helped identifying patterns and effectively organize and further analyse the data. Within the overarching categories, answers were clustered in sub-categories. Hence, the initial overall categories were iteratively divided into sub-categories of sub-behavior and sub-factors separately. If needed, new categories were created when analyzing the data. These two within-case coding processes were performed separately for each of the ten cases and organized in matrices. Hence, for each case the categorization was refined with additional or improved categories and sub-categories.

Contextual factors that seemed to influence a firm's internationalization were identified from interviews when clearly stated by the interviewee, or recuperated from secondary data if mentioned by previous research as potential contextual factors. Occasionally, throughout the analysis of the interviewee answers the researcher herself could identify contextual factors as the underlying reason for a certain behavior and thus, additional categories or subcategories of contextual factors were created.

Avoidance of behavior, meaning that a firm had chosen not to perform or abandoned a certain behavior was also documented and codified. The contextual factors were also categorized as *internal* or *external factors*.

When all data was categorized a cross-case analysis was performed (stage 3, figure 9). The data documented in the matrices, was analyzed in order to identify similarities and differences across the cases. By analyzing the firms' similarities in behavior and their driving contextual factors, patterns emerged around what type of firms that displayed what type of behavior.

### 3.2.4 Coupling of result/Development of framework and check-list

The cross-case patterns were clustered in order to organize the result in a framework. The framework semantics were iteratively improved in order to illustrate the result more efficiently. Thereafter, the internationalization behaviors were compared and tied to existent literature in order to understand the implications of the analysis and articulate the result.

Finally, for managerial implications, the framework was simplified into a checklist format. This was done by reformulating the result as diagnostic questions, in order for managers to make sense of the result in their specific context.

### 3.3 Delimitations and limitations

This section presents the possible implications of the chosen methodology and scope of the thesis. However, the limitations, delimitations and trustworthiness of the *result* of the thesis is further described in section 6.8 and 6.9.

This research focus on describing the internationalization processes used by the case firms for internationalization and on linking a type of behavior to a certain type of firm (context), rather than researching which process that leads to the best firm performance. The timeframe of this master's thesis would not allow taking this aspect into account. For the same reason, aspects regarding the context of specific countries or the ideal internationalization process, with a certain *order* of activities, have not been taken into consideration.

Due to both the limited access to case companies and the time constraint, some firms (three out of ten), which had not yet internationalized, were included in the sample. These three firms were in a planning stage of internationalization and had a clear internationalization strategy. Therefore, they were considered valid as case companies. However, this might have affected the result, which is further discussed in section 6.8 Limitations.

Furthermore, when collecting empirical data, mainly Swedish companies was used in the sample, as the time frame did not allow for an international sampling. However, a Swedish sample is considered to provide important insights to born globals internationalization processes, since Sweden often have been the basis of academic research on various types of internationalization and born global firms (e.g. Johanson and Vahlne, 1977; Hadjikhani, 2014; Wentrup, 2016). Sweden is a small and open economy (SMOPEC), which has been shown to have excellent conditions for the development of born global firms and have a significantly higher rate of them due to the small size of their home market and their favorable conditions (Gabrielsson et al., 2012; Cavusgil and Knight, 2015; Neubert, 2015). As the author was based in Sweden, a Swedish sample facilitated physical meetings and communication with the firms. In addition, this also helped to minimize a distortion of the results from for example language and cultural barriers during data collection.

#### 3.3.1 Trustworthiness

Qualitative research studies may be evaluated on four dimensions; *credibility, transferability, confirmability and dependability* (Bryman and Bell, 2015). These dimensions are here discussed in order to understand the methodological implications on the research's trustworthiness.

#### 3.3.2 Credibility

To ensure credibility, which may be defined as "believable findings", a research study should involve more than one method and source of data (Bryman and Bell, 2015). In this study, credibility was ensured by comparing the data from the interviews with previous research (Bryman and Bell, 2015).

#### 3.3.3 Transferability

Transferability indicates if a research result may be applied in another context (Bryman and Bell, 2015). This was important for the thesis since the goal was to design a practical framework to support managers of digital born global firms in their internationalization process. The main factor influencing transferability in this study was the choice of sample. The fact that the sample followed a set of criterion chosen to represent the digital born global firms make the result transferable. However, since the author had a low influence on which case companies that choose to participate in the study, the sample might not be a fair representation of the overall population. On the other hand, this may be overridden by the fact that the study is qualitative and behaviors based on a certain firm characteristic were analyzed, regardless of the quantitative evidence of a certain number of case companies performing a certain behavior. However, it cannot be excluded that the constraints of the sample both geographically and firm characteristic-wise may have affected the transferability. Hence, this is further discussed in section 6.8.

#### 3.3.4 Confirmability

Confirmability regards whether the research is objective or whether the researcher's values may have distorted the results (Bryman and Bell, 2015). Since a qualitative study may never be fully objective, it is important to be precautious about this influence on the end result. Therefore, the interviews were designed

with open-ended questions in order to not let the researcher's presumptions or wording affect the answers. Moreover, the subjectivity of the analysis of data was reduced by carefully listening to the recordings, transcribing the answers word by word and by iteratively develop the categorization. In addition, each interviewee was asked to comment and approve the results of the interviews. Thus, reducing the author's subjectivity of interpretation.

### *3.3.5 Dependability*

Dependable research means that the result will be repeated if the research is repeated (Bryman and Bell, 2015). Dependability in this study was ensured by documenting and describing the whole research; interview templates, interview recordings and notes, and the analysis process (Bryman and Bell, 2015). In this sense, the whole research or a part of the research may be executed again to validate the results.

## 4. Empirical findings

The background of the ten Swedish digital startups studied in the report are outlined in table 2 in the Methodology section. This section presents the empirical data found in the interviews. Initially, table 6 summarizes some of the contextual factors found for each company, thereafter the empirical data is presented for each case separately.

	Alpha	Bravo	Charlie	Delta	Echo
<b>Market</b>	Fintech	Sport/Lifestyle	Lifestyle service	HR-tech	Fintech
<b>Submarket</b>	Crowdfunding	Specific sport	Specific hobby	Recruiting	Personal finance
<b>Customers</b>	B: SMEs, C: Private investors	C: Consumers	C1: Service workers, C2: Consumers	B: SMEs	B1: Banks, B2: Subscription providers, C: Consumers
<b>Type of product</b>	Two-sided matching platform	Social platform	Two-sided matching platform	Website plug-in platform	Plug-in feature in finance apps
<b>Business idea</b>	Connect SMEs who search for capital with individuals looking to invest, launch and run fundraising campaigns	Niched social network. Space to record and access data about the sport	Connect qualified services workers with individuals in need of service and make the process smooth and secure	Help firm's make their recruitment process cheaper, faster, better	Offer banks a subscription feature as a plug-in and integrate it in other digital products
<b>Revenue model</b>	B: Fees/revenue share, C: Free	Freemium/premium subscriptions	Service fee, share of transactions	Subscription fee	B1: Fee, B2: Revenue share
<b>Internationalization trigger</b>	Home market too small	USA biggest market, seasonality	International potential	Home market too small	Global potential, small home market, startup norms
<b>First market (to expand to)</b>	Finland	USA	Spain/France/Italy	Finland	Not internationalized yet
<b>Actively entered markets (Number/countries)</b>	5 (Finland, Malaysia, Singapore, Mexico, United emirates/Dubai)	3 (USA, Brazil, Australia)	6 (Germany, France, Italy, Spain, Sweden, Norway)	3 (Finland, UK, Denmark)	
<b>Online presence (Global/countries)</b>	Global	Global	11 countries	Global	
<b>Offline presence (Number)</b>	5 countries	3 countries	11 countries	3 countries	

<b>Languages available (Number/languages)</b>	3 (Swedish, English, Finnish)	5 (English, Japanese, Spanish, Swedish, Portuguese)	7 (Swedish, Spanish, Italian, English, German, Norwegian, French)	6 (English, Swedish, Danish, Norwegian, Finnish, French)	Swedish
<b>Cont.</b>	Foxtrot	Golf	Hotel	India	Juliette
<b>Market</b>	Media	Sport/Lifestyle	Sport/Lifestyle	Cleantech	Fintech
<b>Submarket</b>	On-demand streaming	Race	Specific sport	Renewable energy software	Accounting
<b>Customers</b>	C: Consumers B: Local businesses	C: Consumers B: Race organizers	C: Consumers B: MNEs/Local businesses	B: Operators and owners of energy plants	B: SMEs
<b>Type of product</b>	Streaming service	Stakeholder platform	Content app	Data management software	Accounting service
<b>Business idea</b>	Make digital media available to individuals online through contracts with media creators and providers	Create a better race experience for race stakeholders	Provide live sports result and team information	Increase energy production by gathering and presenting big data	Make accounting easier, smarter and cheaper for SMEs
<b>Revenue model</b>	C: Freemium/premium subscriptions B: Ad-fees	C: Freemium/premium fees B: Revenue share	C: Freemium subscriptions, B: Ad-fees	SaaS, subscription fees	B: Freemium (Future, B2: Revenue share)
<b>Internationalization trigger</b>	Internationalized market	Home market too small, seasonality	Internationalized market	Home market too small	Home market too small
<b>First market (to expand to)</b>	UK, Germany, France, Italy, Spain, Finland, Norway	Not internationalized yet	Launched in 12 languages/No actively entered any market	Several - Germany, France, Spain etc.	Not internationalized yet
<b>Actively entered markets (Number/countries)</b>	64 (In Europe, Asia, South and North America)		Not actively entered any market	3 (Germany, France and Spain)	
<b>Online presence (Global/countries)</b>	64 countries		Global	Global	
<b>Offline presence (Number)</b>	18 countries		-	3 countries	
<b>Languages available (Number/languages)</b>	30+ languages	Swedish	22 languages	English	Swedish/English

Table 6. Summary of basic contextual factors identified

## **4.1 Case company: Alpha**

### *4.1.1 Background and context*

Alpha operates in the Fintech industry and offers SME's help to raise capital from private investors, a quite novel concept known as *crowdfunding*. Alpha's SME customers have to pass an application and assessment process in order to be a part of Alpha's digital fundraising platform. The business idea is to launch and run successful fundraising campaigns, by connecting SME's who search for capital with a crowd of individuals with capital to invest, while Alpha earns a share of the raised capital. Alpha's main competence consists of evaluating applicants, plan and set-up the crowdfunding campaign work.

Alpha's key resource is its network of individuals with capital and a network of businesses interested in raising capital. So far, thousands of individuals, from over 100 countries, have invested in hundreds of fundraising campaigns through Alpha's platform. The business model is a hybrid B2C and B2B, but with the businesses (SME's) as Alpha's main customer. Even though Alpha's offer is mainly digital, their business offer also consist of non-digital elements of physical consulting and advisory meetings.

### *4.1.2 Internationalization status*

Internationalization was on Alpha's agenda from inception, since the home market was too small and thus, Alpha entered several countries in 2013. However, Alpha pulled back operations from these countries in 2015, due to high losses. The initial internationalization strategy was to employ local individuals to run local operations. According to Alpha, a key reason for the unsuccessful internationalization was the lack of incentives for the locally based individuals to perform well.

Alpha's digital platform is globally accessible, which allows individual investors from all over the world to invest. However, Alpha has offline presence in six countries to reach out to their business customers. Many of these countries were entered during 2016-2017 and most of them are psychic distant markets.

### *4.1.3 Internationalization strategy*

Alpha recently reshaped their internationalization strategy and aims to enter into new markets via a joint venture partnership. The local partners are mainly found via recommendations or may directly have contacted Alpha for a partnership. They are companies consisting of one or several individuals. According to Alpha, many of the countries Alpha choose to enter depend on the partnership opportunities that arise.

Alpha's strategy aims to form incentive-based partnership and give the local partners a lot of autonomy and responsibility to run the local operations. The local partners help Alpha to have local presence, which the interviewee means is important: *"We need local presence and to be where the entrepreneurs are - we need to go to events, we need to mingle, we need to meet them"*.

### *4.1.4 Internationalization process*

Before any joint venture is formed, the local partner is asked to conduct a regulation analysis of its home market. Since Alpha operates in a regulated market the internationalization will be dependent on local laws and regulations. If the local regulations are favorable the local partner and Alpha start a firm together.

The partners initially receive training from the headquarter and thereafter they get autonomy to run operations such as: online and offline marketing, employment, sales, and outsourcing. In addition, the partner has P&L responsibility. This freedom causes local operations to differ depending on market and partner. Even the revenue streams and business ideas may vary from location to location. The headquarter provides support when needed and are responsible for product development, global marketing and branding activities. Alpha's focus is to train and support the local partner to start operations fast in a new market, adjust the product to meet legal and local requirements, and support with other necessary regulatory work. This support is mostly digitally provided from the headquarters.

## **4.2 Case company: Bravo**

### *4.2.1 Background and context*

Starting as a side-project in 2007, Bravo was founded as a firm in 2012. Bravo provides practitioners of a certain sport with a social platform via an application. The application helps the practitioners to record, share and access data about the sport. Bravo's business idea is to gather a network of users on the platform and use user data and machine learning to create forecasts and interesting material for its users. Therefore, Bravo's key resource is its network and the data from its 5 million users.

Bravo uses a freemium/premium subscription model where some features in the application are locked behind a paywall. According to Bravo, their key competence is their ability to develop a user-centred product and conduct marketing.

#### 4.2.2 Internationalization status

Bravo decided to enter the United States from the day the product was launched (2013) since it is the market with the most practitioners of the particular sport. Initially, Bravo focused on developing the product uniquely for the American market.

Bravo has one office: its headquarters in Stockholm and actively has entered Brazil and Australia in 2016. Nevertheless, since the application is available for download globally Bravo's application has users from all over the world. In addition, the application exists in five languages. Bravo's market entries have been incremental and mainly online, but in all three countries some local offline presence is set up. These countries are both psychic distant and close and the entrances have been triggered by market size and seasonal reasons - as the sport in many countries only is practiced half the year.

After having realized that the market conditions were very different in Brazil and Australia, i.e. the product would have needed some more adaption to fit each market, Bravo decided in 2017 to re-focus on the American market.

#### 4.2.3 Internationalization strategy

On one hand, Bravo does not have a clear internationalization strategy. On the other hand, Bravo means that their strong firm strategy is applied in their internationalization process as well. The strategy is to focus on product development and build, test and market their product in an iterative customer-centred way. The former CTO described this as: *"In a startup you have an idea: either you can spend 3 months on marketing it or you can just build something and test it. So, that is what we did without a long-term strategy or thought. We built something we thought American users wanted without any studies or research and started to market it to a few in a certain area, with a certain age on Facebook and Google. Then we saw how they used the product and learned from that and rebuilt the product"*.

In addition, Bravo means that their strategy to grow with a social network is to grow fast and aggressively in order to capture the market first.

Initially, Bravo focused on collaborating with industry associations and traditional media such as television channels and other PR in the USA, but as this proved unsuccessful for converting customers this strategy was abandoned when entering into the other countries. According to Bravo, the collaboration with partners did not convert customers due to the distance between the marketing medium and Bravo's own digital sales channels and because of the partners' inexperience of digital media. The former CTO would not recommend any other similar firm to use partnerships, stating: *"Partnership is too big of a risk for a startup, you need to be very dependent on the other partner and you can't control your future by yourself. With Google and Facebook you can steer it yourself - much lower risk and much better in many ways! You can simply not risking to build something for a partner during 6 months if it gives you nothing of value back"*.

Most of Bravo's operations are run from the headquarters. However, for marketing and branding reasons Bravo has used a few influencers and local community managers. According to Bravo it has been a challenge to understand the local market conditions and develop a product for a market without being present. This has been especially true for the more psychic distant markets. Recently, in order to further understand the local markets, Bravo has employed individuals with an origin in Brazil, America and Australia to come and work at the headquarters in Sweden. These employees and the locally based community managers have provided important insights, but were not a part of the initial internationalization strategy.

#### 4.2.4 Internationalization process

Bravo enters markets by translating the product and by marketing the product to a carefully selected target audience on Facebook or GoogleAds. The target audience either has a particular demography, interest or is searching for some particular term on Google.

Using this initial group of users, Bravo digitally tests the product by analyzing the user's behavior and retention (how long a customer stays a customer). In addition, e-mails, surveys and video link interviews are used to qualitatively assess the product and the user interaction. Using the learnings from the test results Bravo rebuilds the product and then market it again for a larger segment to run additional tests.



By continuously marketing, testing, evaluating and rebuilding both the product and the marketing material, Bravo iteratively develops the product and their marketing strategies. The same product- and marketing-focused activities have been conducted for each new market entry. Bravo's means that they have decided to focus on the product rather than the internationalization process because they believe that their customers naturally will recommend the product to their friends if they like the product. Bravo believes this is the reason for why they have been experiencing growth in other international markets without marketing or sales. In the words of the former CTO: *"Sometimes, if you have a pretty good product with a pretty good market fit, it grows by itself. So, in South Africa our product just grows by itself"*.

Bravo selects a target audience by focusing on the densest geographical areas with the most practitioners of the particular sport. Then they conduct aggressive marketing in that certain quarter due to the nature of a social network. Bravo reasons that a customer converts and stays if their friends are on the same platform, causing Bravo to perform marketing to a narrow segment.

### **4.3 Case company: Charlie**

#### *4.3.1 Background and context*

Charlie was founded in United Kingdom in 2013 by a Swedish Management Consultant. Charlie provides an online marketplace to offer and book certain services. The business idea is to assess the quality of the vendors, connect vendors with buyers and provide a solution for secure payment, while earning a share of the payment. Charlie's product is a two-sided matching platform. Charlie's key resource is its network of 500 000 users and 30 000 vendors. According to Charlie, their key competence is their ability to create business strategies, expand internationally and evaluate the quality of the service vendors.

#### *4.3.2 Internationalization status*

Charlie entered Spain, France and Italy in 2015 when merging with a competitor that already had operations in these countries. Since then, Charlie has entered cities in another three countries and established three "hub-offices" in United Kingdom, Spain and Sweden. These hub-offices each hold several country managers. The market entrances have been triggered since they wanted to quickly capture the full European market potential.

While entering the first countries, Charlie developed a market-entry playbook, which has been used and further developed during the following market-entries.

#### *4.3.3 Internationalization strategy*

Because the market is very localized Charlie establishes presence in one city at a time. Charlie does this by following a two-month stage process until the product is launched locally. The strategy is to hire a local individual and give them responsibility for topline-growth and some costs.

Before launch Charlie only opens the vendor side of the platform for a period in order to recruit vendors offline and online. Then, the platform may be launched and marketed to the wider audience when it already has a value of services to offer.

Charlie's goal is to get established fast and efficiently and reach out to potential users via multiple channels offline, online and through partners.

#### *4.3.4 Internationalization process*

Charlie starts a new city-entry with a setup phase. One local individual who understands the city, language and local culture is hired. The CEO describes this hiring and role as: *"It is not so important that the country manager have their office in their country - but it is important that they come from the particular country, that they are natives and understand the culture. Then if they have meetings, these market managers fly over to the right city/country. They might visit the country some time every month"*.

The country manager spends a week at each hub-office to understand the firm culture. Thereafter, he or she follows the market entry playbook with up to 200 different activities that need to be completed before launch of the platform in the new country. The first month is about technically setting up the business locally and translating all material. During the following month, a recruitment of workers is made via online and offline marketing, in order to be ready for launch. During this time, the head of internationalization is present for support, thereafter this person starts focusing on entering a new city.

After two months, the platform is launched during an event, in collaboration with local business partners. Thereafter marketing efforts are done using GoogleAds, press releases in the local news, offline campaigns, presence at fairs and partnerships with local businesses. Charlie focuses marketing efforts on a specific

customer segment. During the three first months after launch, Charlie reduce their service fee with 50 %, creating monetary incentives to sign up early, followed by rewards for recommending the platform to friends.

## **4.4 Case company: Delta**

### *4.4.1 Background and context*

Delta is a HR-tech company that offers businesses a recruitment and employer branding platform as an integration on their regular website. The business idea is to improve firms' recruitment process by saving time, giving resource support and improving the quality of their current process. Around 14 800 recruiters from all over the world are paying a fee to subscribe to Delta's platform, which is globally available and exists in six languages.

Delta's key competence is user experience and product development.

### *4.4.2 Internationalization status*

Due to a small home market Delta actively entered Finland, United Kingdom and Denmark, in 2016, and employs one salesperson in each country.

The Finnish salesperson herself contacted Delta in order to become a reseller, while Delta chose to send one person to the United Kingdom and Denmark. Initially the financial commitment to the markets was low but has been increasing when the concept has been proven successful.

### *4.4.3 Internationalization strategy*

Overall, Delta's strategy is to enter a market step-by-step, initially to try out the concept and to incrementally learn about the market and the potential customers. If the concept works out well locally the financial commitment from the headquarter increases. Delta means that it is hard to know pre-entry if the market is mature enough for their product, which according to Delta is a very novel concept.

Delta's sales strategy consists of two main parts. Locally, the salesperson contacts potential customers, focusing on SMEs, since the decision-process is faster in those firms. The importance of the local presence was stressed by the International Expansion Manager: *"I think the most important thing has been to be out there and talk to people, to be physically present on mingle events and networking meet-ups"*.

Centrally, the headquarter aims to convert current local business customers to become international customers.

### *4.4.4 Internationalization process*

A country manager is recruited and trained at the headquarter. Thereafter the country manager gets installed at an office place in their country of responsibility.

The local manager tries out the concept for some months by locally selling Delta's product offline via networking events, phone and email, aiming to get an offline presentation at the business office. The goal is to meet customers, build customer satisfaction and referral cases as early as possible to use for further sales. In the words of the International Expansion Manager: *"Referral cases are key to grow, so we try to get that fast"*.

So far not much effort has been put into marketing, except from promoting produced industry content online. Moreover, Delta works hard centrally with product development and customer satisfaction by contacting and offering customers support. Just like Bravo, Delta aims to focus on the product development and providing an excellent service so that their customers naturally will recommend the product to others.

## **4.5 Case company: Echo**

### *4.5.1 Background and context*

Echo is a Fintech company that provides a digital service to manage personal product and service subscriptions, such as: phone plan subscriptions, electricity subscriptions and gym card subscriptions. Initially, a stand-alone mobile application was launched, however, the current business idea is to sell the product to banks and to offer them the service as a plug-in feature in other digital products. Echo calls this type of relationship for a partnership.

Around 100 000 individuals are using Echo's service, but through their bank customer Echo reaches out to over 4 million individuals. The product is free to use for the individuals, but the banks pay for the

integration. In addition, Echo has another customer base since they offer subscription providers, such as electricity providers, a platform to sell their offers while Echo earns a share of each sale.

According to Echo, their key competence is to partner with an institutional player like the bank and the problem-solving mind-set of the founders.

#### 4.5.2 Internationalization status

Echo has not yet entered another market but one of the founders is proactively working with the internationalization preparations. However, Echo plans to start internationalization after they are more established in the home market. Echo mentions three triggers for expanding internationally: the global potential of the service, the small home market and the internationalization norms in the Swedish startup community.

Currently, the product only exists in Swedish and is only available on the Swedish market.

#### 4.5.3 Internationalization strategy

Echo is planning to enter new markets through partnerships to capture as many individuals as possible. Either they will follow their current bank partner into their other markets or enter new markets by partnering with local banks. The CEO states: *"Either we take the low hanging fruit and follow our partner to their market - it would be easier but their markets are small. Or we partner with someone else in a larger market. Our focus is more on entering a larger market - but the hope is that we will do it all of course"*.

According to Echo, a strategic partnership becomes a way of reaching out and capturing a bigger audience of users, establishing trust and to understand the local regulations and market conditions. Echo also mentions that the partnership becomes a way of overcoming the local regulations as the partner is powerful enough to remove such barriers.

Hence, Echo's strategy is to integrate their product in another digital product with an already established customer base in a foreign market. Since Echo is operating in a regulated and localized market, the product and concept will need to be adapted to local regulations and market conditions.

Echo acknowledges the risks and the time it takes to partner with an institutional player in a slow-moving industry but reasons that the advantages override the disadvantages. However, making sure to choose the right partner is mentioned as a key factor for success. The CEO describes the partnership dynamics further:

*"There is a scepticism against young firms working with such a stiff partner. We have actively chosen to be on their side, we help them with digitalization and innovation... Absolutely, we could have chosen to create our own platform and raise millions to do a lot of marketing for our own platform. But we choose to collaborate...It feels totally right, I would not have wanted to fight with that type of extremely powerful organisation (...). It is a risk to rely so much on a big partner and partnerships have a long lead time, for us it took 13 months with 7 months of juridical process. If we would spend half a year to integrate with a bank in for example France and then suddenly they decide to 'We must prioritize this other project' and then this gets postponed for half a year, then we might have wasted a half a year that was completely crucial to win the market...so with that perspective it might have been better to build and launch our own application instead - we take a risk to get so dependent on a partner, but the upsides of having a partner are huge"*.

#### 4.5.4 Internationalization process

Echo is evaluating markets and meeting up with potential partners. Echo searches for partners with a long-term, customer-value focus, someone who is ready to commit to them and who has a large user base.

Before market entry or any commitment Echo negotiates the terms with the partner. Thereafter, Echo intends to commit to the market and focus on integrating their feature in their partners digital platform, while being physically present at the partner as much as possible. It will be important for Echo to be locally present during the market-entry to understand the local conditions and collaborate with the partner. Meanwhile, Echo will start to sell their subscription offer offline to local subscription providers.

Finally, the product will be launched and marketed by the partner as a plug-in feature in the partners digital product. Echo will then follow up and evaluate the user data to understand how the product may be developed further.

## 4.6 Case company: Foxtrot

### 4.6.1 Background and context

Foxtrot was founded in 2006 and the first product was launched in 2008. Foxtrot offers a digital media streaming service, which was a novel concept by the start of their operations. The business idea is to make digital media available to individuals online through contracts with media creators and providers.

The individuals either access the basic product media for free or pay a subscription fee to include some extra features. However, a large part of Foxtrot's revenues come from selling ads to local businesses hence, these businesses also make up a customer segment. This dynamic creates a network effect: when the consumer base increases the value of Foxtrot's business offer increases.

Globally, Foxtrot has around 140 million users, whereof around half are premium subscribers. Foxtrot's key competence is the product development and their ability to negotiate with the media stakeholders, giving them a key resource of industry contracts. Another key resource is Foxtrot's user data.

### 4.6.2 Internationalization status

The media industry is very internationalized. Hence, Foxtrot's product was initially launched in seven countries and is currently available in 64 countries, in over 30 different languages. Foxtrot has established offices in 18 of these countries, most offices serving several countries. In general, Foxtrot has focused on entering one country at the time throughout their internationalization process.

During the first market entries, a team was dedicated to each country and entered markets by following an ad-hoc process. Thereafter, an international team become responsible for the internationalization process. In some countries Foxtrot has performed a re-entry after a couple of years.

### 4.6.3 Internationalization strategy

Foxtrot's overall strategy has been to build a scalable internationalization strategy and enter markets as fast and efficiently as possible. The former Head of Internationalization describes this as follows:

*"For internationalization, there must be a business model that is ready to scale, so that the costs will be spread out on the bigger volume. But if all the costs are just doubling: marketing costs are doubling, employees are doubling... Everything is just the double, then the model is not scalable. Our goal was to reach break-even in a market faster and faster".*

Initially, Foxtrot categorized markets into different grades of difficulty and then focused on entering easier markets first (often psychic close markets) to learn experientially.

For the easier markets the strategy has been to sell local ads offline, launch a test product to ensure a product-market-fit and then perform marketing of the adapted product to a very targeted customer segment. For harder markets, the strategy has been adapted to each market: in some cases, a local product development department had to be opened in order to adapt the product to the local market more efficiently, in other cases the overall value proposition had to be adapted. However, overall the product's features are quite homogeneous globally.

In general, Foxtrot's strategy has been to try to avoid local presence but to travel to the markets to test the product, build the company culture and understand the local market conditions. However, Foxtrot mentions that ad sales sometimes required local presence. The Engineering Team Lead describes the dynamics of the local presence as: *"We could 'switch on' markets without having anyone locally there. I guess it depends a little bit on what your goal is, if you want to take over the market completely, maybe you should do a little bit more. But in theory it didn't cost anything to just 'switch on' the product in a new market and there was no need for local presence: local ad sales to businesses could be outsourced/bought in from another location. However, often it is important to have local sales".*

Initially, Foxtrot partnered with big local players after having entered a market. This strategy was proven unsuccessful and thereafter not as prominent in the strategy. According to Foxtrot, the partnerships took a lot of effort and money, created a dependency on the partners lead times, and did not give so much in return.

Another part of Foxtrot's internationalization is their effort to target cross-nation customer segments. These are homogeneous customers interested in a certain genre of media who has been targeted through offline marketing, influential marketing and events. Even though this is not recognized as a part of the internationalization process it has played a key role in attracting customers globally.

According to Foxtrot, the head quarter's understanding of local markets and users was important in order to develop the product efficiently and succeed with the internationalization. The interviewees can recall

several instances when the internationalization was unsuccessful due to the headquarters limited knowledge and underestimation of the local market conditions, infrastructure and user behavior.

Foxtrot means that much of their internationalization behavior may be explained by their strong investors who wanted to focus on internationalization, causing Foxtrot to have a lot of capital for their expansion process.

#### *4.6.4 Internationalization process*

A market entry is coordinated by the international team for three months. Initially, the product is translated by the product development department. Meanwhile, Foxtrot employs a local team or a partner to start selling local ads. When the product is translated it is launched locally, without marketing, as a test product. Thereafter, the product is iteratively improved for 1-2 months, by analysing the data from the first few users. Sometimes this pre-launch of the product was used as a PR campaign by only letting invited customers to try out the product.

When the product is adapted Foxtrot starts to conduct local marketing. Offline channels such as targeted local press releases, billboards and influential marketing was proven to be most successful. In some cases, Foxtrot waited as long as 6 months after the initial launch before starting with the marketing activities. The former Head of Internationalization describes the importance of marketing towards a specific customer:

*"We have always been targeting the early adopter and the tech-savvy. You must find that target group first, later on you can target another segment and then you need to change your whole marketing strategy. It is expensive to market on a thin wide front so sometimes it is target group versus country. It might be easier to focus on a small target group which can be cross-country and then suddenly it can expand rapidly".*

### **4.7 Case company: Golf**

#### *4.7.1 Background and context*

Golf was founded in 2015 and offers a sports racing platform via an application. Golf connects multiple stakeholders on their platform and thus have several both B2B and B2C customers, such as: race organizers, race participants, race audience and race sponsors. Golf's business idea is to create a better race experience for each stakeholder. The race organizers and sponsors may use the platform to reach participants and the audience before and during a race to conduct marketing and spread information, while paying a fee or sharing some of the race fee revenues with Golf. The race participants can manage, find and share their races and results while the audience may engage and follow the race and its participants, either for free or by paying a premium fee for some extra features.

Golf has around 130.000 users and has featured over 1000 races on their platform. According to Golf, their key competence is knowledge of the industry and sales, while their main resources consists of their sales department, network of race organizers and user data.

#### *4.7.2 Internationalization status*

Golf is planning to internationalize, because the home market is too small and is affected by seasonality, but has not yet entered another market. Currently, the product exists in Swedish, it is globally available but mainly features Swedish and a couple of Norwegian races.

#### *4.7.3 Internationalization strategy*

Golf's internationalization strategy is to partner with sports organisations to present an integrated offer towards the international races and together create a scalable internationalization process. The idea is that the local partner will be locally present, will do the largest volume of selling to one of the customer segments, while Golf centrally handles the key accounts, the partnerships, and product development from the headquarter in Sweden. The CEO stress this need for scalability: *"If we must reach out to all markets and potential customers ourselves it is not going to work, we need to build another solution, nor do we have a time to manually tailor the product to each customer. We must get others to sell for us and our customers to tailor the product and use the platform themselves, then we will become scalable for real and can grow into a big business".*

Further, the strategy is to reach scalability by building a global product and by utilizing the business customers to market the product to the race participants, while the race participants in their turn attract the race audience through Word of Mouth.

The strategy is to avoid local presence as much as possible and only travel to meet up with bigger customers when needed. In the CEO's own words: *"We really don't want to be present at the races, we want to be the*

*digital firm that provide the digital service".* Golf's goal is to enter several markets in parallel by partnering with local sports organisations, which functions as Golf's distributors or sales agent.

Since the business customers is the key to reach the consumers, Golf will ahead focus further on developing its sales organisation's processes and routines.

#### *4.7.4 Internationalization process*

Golf plans to focus on identifying, negotiating and starting to collaborate with a partner before market entry. A partnership mean that some product adaptations are needed to integrate their different platforms into an integrated system. Apart from these partnership adaptations and translation of the product, Golf believes that no further localization of the product is needed as the market conditions and customer segment is homogeneous across countries.

Meanwhile, Golf intends to employ a salesperson to work at the head quarter who will focus on selling their offer to bigger local customers by contacting them via phone or email. According to Golf, it is important to start this even if the product is not finished because the keys to grow are: referral cases, the coverage of local races and leveraging the network aspects. Golf would like this salesperson to speak the local language and have local market knowledge, since there is a liability of foreignness of understanding the local race dynamics.

In one sense Golf's product is automatically marketed towards their consumer segment via their business customers. However, Golf also plans to perform some online marketing: using GoogleAds towards individuals who have searched for a specific race etc. Influential marketing has proven to be unsuccessful.

### **4.8 Case company: Hotel**

#### *4.8.1 Background and context*

Founded in 2010, Hotel launched its product two years later in twelve different languages. Hotel offers consumers a sport results platform. At present, around 3 million users from approximately 150 countries use the application to access live sports results and team information. In addition, Hotel has some B2B customers who pay to advertise to the users on the platform. The business idea is to provide easy accessible sports information for free. Hotel's key competence is the product development and the sports content is their key resource.

#### *4.8.2 Internationalization status*

Hotel's application has been available globally since start and is at present available in 22 languages.

Currently, Hotel has one office: its headquarters in Sweden. A couple of years ago Hotel tried to move the office to San Francisco, but later decided to move back the office to Sweden. According to Hotel the only difference was that the costs increased.

#### *4.8.3 Internationalization strategy*

In general, Hotel has not focused on any particular country, but has rather entered several markets in parallel. Hotel has continuously developed and improved the global product while also localizing the product: so far only through translation of content and product information.

Hotel's strategy has been to rely on a supplier of sports data. Since Hotel's market both consists of international and local elements (consumers are interested in international and national sports data) an international content supplier was necessary in order to internationalize early. However, the content this supplier provides turned out to not be adapted to some of Hotel's markets. Hotel states that this has led to low customer retention in some countries. This was also the reason for success in some countries, the CEO says: *"We launched in 12 languages and did not focus on any particular country initially, we succeeded in some countries, still these are the countries where we are big today. We succeeded in the countries where we got coverage through PR and later on we realized these also were the countries where the application had the best content data".*

Therefore, Hotel's strategy is to improve the application's local content by focusing on one country at the time and by using the local customers to provide data instead of buying sports content from a supplier. The importance of product localization is stressed by the CEO: *"Product always win: it is the marriage of the two: localization of product by adapting the language and content, that is what we had in some countries initially without understanding it, however often there is a discrepancy between the two"*

Hotel only has one office, which according to Hotel this has been a challenge when trying to sell ads to local business and understanding the local market conditions, the CEO states: *"We would have earned more*

*money if we had localized the sales teams, it is hard for a Swedish salesperson to sell to Italy, some just hang up the phone because they don't want to speak English".*

#### *4.8.4 Internationalization process*

Initially, Hotel translates the content and the product to a new language. Thereafter, Hotel sends out translated local press releases, while the headquarter's sales department performs offline sales to local businesses in order to sell ads. Thereafter, customer data is analyzed in order to further develop the product. For additional translations of content, Hotel recruits local consumers. However, Hotel states that only analyzing customer data has not been enough to succeed in markets, the CEO says: *"If we had conducted user testing locally earlier we would have realized the content problem earlier - not everything is possible to see in data. We have bought customers on markets where the product is not good enough".*

After the launch of a new language, Hotel relies on free marketing channels such as Word of Mouth or by being featured on different application platforms. In addition, social media marketing such as advertising to consumers via Facebook etc. has proven somewhat successful for customer conversion.

### **4.9 Case company: India**

#### *4.9.1 Background and context*

India was founded in 2010 and operates in the Cleantech industry. India provides owners and operators of renewable energy parks with a software system (SaaS) to monitor, analyze and optimize the renewable energy assets. The business idea is to increase renewable energy plant's energy production by gathering and helping the users making sense of large sets of real time data, which was a novel concept when India started their operations.

Around 100 customers from five continents and over 25 countries subscribe to India's platform. These business customers are often MNE's operating in several countries on several continents themselves.

According to India, their main competencies are product development, industry knowledge, sales and big data management. The energy data and the data systems India's software is connected to are India's key resources.

#### *4.9.2 Internationalization status*

India started to sell their software to international partners from inception. More specifically, India initially developed a product for one specific customer and later on continued to commercialize the product internationally to other businesses in the same segment.

Even though the energy market is regulated, India's niche market is unregulated. This has caused India's product to be globally available, it has not been adapted to a certain market and only exist in English. So far, no local offices have been established and the operations are run from the Swedish headquarter. Recently, local presence in the form of local sales personnel was established in Germany, Spain and France in 2017. However, none of these three countries make up India's top-five markets.

#### *4.9.3 Internationalization strategy*

In general, India has not followed a particular internationalization strategy, the CEO explains: *"We use common sense, one could probably do this (internationalization) more sophisticated. I have heard about clear strategies others use - we don't have that. It is more about activity, activity, activity..."*

However, important firm strategies have been to focus on iteratively improving the product and the sales process, together with its customers and through trial and error. India has focused on developing a global product. The CEO states: *"The industry is pretty much the same all over the world, so there is no need to adapt the product, we have focused on the things that are similar all over the world. For the most part, we have conducted sales in English, people in this industry are used to do business in English. The product only exists in English, but we will have to translate it soon..."*

Since start, an important part of India's sales process has been to travel to meet up with potential customers and visit industry fairs. Which according to the CEO has been efficient: *"Initially, early on we went on 5-6 fairs a year and showcased our product this was very efficient. Especially when we got to conduct speeches on fairs"*

Other key components have been to create relevant industry content in the form of blog posts, webinars and white papers, which has been the only form of marketing used. The CEO describes this as: *"We work with trying to be 'Thought leaders' within what we are doing"*.

In addition, India has performed pre-sales: selling a product they not yet have developed.

Earlier, India tried to outsource some of the sales process to local sales agents. However, this strategy was later abandoned since it proved unsuccessful, mainly due to the complexity of the product and the low sales incentives for the local sales agents. The recent strategy of employing local sales people has so far been successful and therefore India plans to increase their sales presence in other countries.

#### *4.9.4 Internationalization process*

India's sales department is key to its internationalization. Increasingly, sales personnel with knowledge of both foreign languages and the industry have been employed at the headquarters in Sweden.

The sales department attempts to set up online sales meetings by calling potential customers and individuals who have signed up to India's industry content. Through learning what the customer needs throughout the sales process the product is further developed. If the customers are considered as valuable, India often travel in order to conduct offline sales meetings after an initial online meeting. Throughout this sales process, India has focused on specific customer segments, however, according to the CEO this could have been improved: *"It is very important to segment the customers and go 'all-in' in a small nished group with a great offer towards them instead of trying to go wide. We worked some on this, but I believe we could have done it even better"*.

### **4.10 Case company: Juliette**

#### *4.10.1 Background and context*

Juliette was founded in 2014, and launched its Fintech-product in Sweden for SMEs in 2015. Juliette offers their customers an automated and free accounting service. In addition, Juliette plans to offer banks a channel to promote their bank services to SMEs. Hence, the business idea is to help SMEs make accounting easier and cheaper, and finding additional bank services via the service. Juliette in turn would earn a share of the bank's revenue from the bank service sales. Approximately 30 000 SMEs with 0-50 employees are currently subscribing to Juliettes service. Juliette believes that their user experience and product development are their key competencies and that the employees are its main resource.

#### *4.10.2 Internationalization status*

Juliette has not yet entered another market and is currently in its planning phase of internationalization since the home market is too small. Currently, the product is only available in Sweden and exists in Swedish and English.

#### *4.10.3 Internationalization strategy*

Juliette's overall strategy is to enter markets fast and efficiently in a scalable way and to convert customers by providing a superior product and service. Juliette's goal is to "chock-enter" a market to get an early-mover advantage in comparison to other Fintech market players. In the CEO's own words: *"The element of surprise is good, that means that other players don't have time or ability to change. If we get a 4 months head start and get 10-100k customers we are suddenly a player on the market, and it doesn't matter how much the others pump into marketing"*.

Moreover, Juliette is planning to rely on Word of Mouth for growth in the foreign market, as this has been successful in the home market.

In general, Juliette's strategy is to try to avoid local presence in the foreign markets, but to understand local conditions by traveling to the markets in order to meet with local stakeholders. The CEO describes the avoidance of local presence as: *"Our business model is built on having very slim operations, the marginal cost per customer is important so we have to adapt, we can't just open up offices here and there and everywhere. It is important to be slim in how you do the execution. My goal is to not open up a new office in the new market. I like the thought of building the competence here - it is so much easier to talk with someone here than through a video call or just fly around half the world. It just takes a lot of effort and time (...) Since we don't work with sales per say, our sales is to deliver a superior system, local presence is not needed"*.

Juliette mentions that they must commit to a market early, since each market entry requires product adaptations and firm effort. In addition, Juliette considers these adaptations as necessary to establish customer trust. The CEO describes the need for early market commitment: *"Our problem is that we can't just sneak into a market and try, we need to do some work before, we need to do our research and be pretty confident that it will be a good idea to enter"*.



#### *4.10.4 Internationalization process*

Juliette aims to employ someone to the headquarter with knowledge of the local language and regulations who will start with performing customer support and later navigate towards a responsibility of country growth. Thereafter, the plan is to adapt the product to each local market by translating the language, the features and adapt to the local legal conditions and accounting norms. Consequently, the plan is to launch the product even if the product's backend is not fully developed in order to enter markets fast.

Moreover, the plan is to at the beginning convert a limited number of customers via online marketing. Initially, Juliette plans to target early adopters working at SME's. Thereafter, Juliette is planning to only rely on organic growth through Word of Mouth. The CEO means that this is the most efficient channel since: *"There is no end to Word of Mouth, it has an infinite scalability"*.

# 5. Analysis & Results

This section presents the analysis of the empirical data, presented in the previous chapter, and the results of this analysis.

Firstly, a within-case analysis and categorization of the case firms' contextual factors was performed, which resulted in seven categories of internal and external factors. The result of this analysis may be seen in table 7.

Secondly, a within-case analysis of the firms' internationalization behaviors was carried out to categorize the behaviors of each case firm. This resulted in seven categories of behaviors, see table 8.

To identify what contextual factors are likely to influence the internationalization behavior, a cross-case analysis to identify linkages between contextual factors and behavior was carried out. The result of this cross-case analysis may be seen in Appendix II and is visualized below in figure 10.

Contextual factor	Sub-factor	Behavioral implication [Case firms]	Contextual factor	Sub-factor	Behavioral implication [Case firms]		
External	Market	Regulated	Internal	Product	Inherent effects	High lock-in effects	- Aggressive internationalization [B,C,E,G,I]
		Unregulated				Low lock-in effects	- High commitment [B, E,G]
		International				Network effects	- Successful partnerships [A,G]
		Suppliers		Marketing effects	- Aggressive internationalization [B,C,E,G]		
		Local		High trust	- High commitment [A,B,E,G]		
	Customers	Homogeneous customers		- Limited local presence [B,F,G,H,I]	Low trust	- Extreme product localization [A,E,J]	
		B2B Sales offline [A,D,E,G,I]		MNE	- No product localization [D,I]	High novelty	- Unsuccessful partnerships [B,F,H]
				SME	- Thought leaders [D,I]	Social platform	- Traveling culture [D,E,F,I,J]
				Slow	- Local presence [A,D,E,G]	Lifestyle/Hobby app	- Micro-markets [B,C]
				B2B & B2C	- Pre-sales [E,G,I]	Freemium	- Online marketing [B,C]
B2C	- Successful partnerships [A,E,G]	Subscription model	- Intent marketing [B,C,G]				
	- Pre-entry partnerships [A,E,G]	Transaction model	- Limited local presence [B,F,G,H,I]				
	- Unsuccessful partnerships [B,F,H]	Matching S&D	- Limited local presence [B,F,G,H,I]				
	- Post-entry partnerships [B,F,H]	Providing a service	- Localized internationalization [A,C,G]				
	- Focus on marketing activities [B,C,F,H]	Providing a product	- Localized internationalization [A,C]				
	- Word of Mouth [B,C,F, G,H]		- Some local presence [A,C,D,E]				
Internal	Availability	Global availability	Activity focus: Product dev.	- Mid product localization [B,F,G,H]			
		Local availability	Goal: Speed of entry	- Focus on product development [B,F,H]			
		- Multiple markets in parallel [A,B,D,G, H,I]	Key competence: Product	- Limited local presence [B,F,G,H]			
		- Incremental internationalization [A,B,D,H,I]		- Growing without M&S [B,D,H,I,J]			
		- Low commitment [A,B,D,H,I]		- Planned market entry [C,F,J]			
		- Ad-hoc market entry [A,B,D,H,I]		- Planned internationalization [A,C,F,J]			
		- Travelling culture [C,E,F,J]		- Centralized internationalization [B,D,F,H,I,J]			
		- High commitment to a market [C,E,F,J]					
		- Planned internationalization [C,E,F,J]					
		- Planned market-entry [C,E,F,J]					

Figure 10. Framework of contextual factors behavioral implications for internationalization

No./category	Factor	Description of contextual factors & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette
F1	Market	The market the firm operates in	Fintech	Sport/Life style	Lifestyle service	HR-tech	Fintech	Media	Sport/Life style	Sport/Life-style	Cleantech	Fintech
	Regulative	A regulated market is a market where the government controls the forces of supply and demand, such as who is allowed to enter the market and/or what prices may be charged	Regulated	Un-regulated	Un-regulated	Un-regulated	Regulated	Un-regulated	Un-regulated	Un-regulated	Un-regulated	Regulated
	Borders	An international market is when the core product and its content is attractive to an international audience. In a local market the core product need local content to attract a local audience	International	Local (regional). Firm believed market was international for several yrs	Local (cities)	International	Local (national)	International	Local (national)	International & Local (national)	International	Local (national)
	Supplier of content	The origin of the content in the product/service?	Customer	Customer	Customer	Customer	Customer	International stakeholder	Customer	International stakeholder	Customer	Customer
F2	Homogeneous	The firm's customers operate in the same industry across nations or have a strong interest in the same type of cross-nations hobby/interest		X	X			X	X	X	X	
	B2B	The firm's primary customer is a B2B customer (excl. only selling ads)	X			X	X		X		X	X

No./category	Factor	Description of contextual factors & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette
	Type of B2B	The firm's main customers are big players operating in several countries (MNE), the firm's main customers are small to medium sized firms operating locally (SME), the customer is an institutional player (Institutional). (excl. only selling ads)	SME			MNE/SME	Institutional/SME		SME		MNE	SME
	Slow-moving	The customers are B2B's with long lead times					X		X		X	
	B2B & B2C	The firm sell a core product to B2B, while consumers are a key freemium user	X				X		X			
	B2C	The firm has B2C customers		X	X			X	X	X		
	Several	Does the firm have several customer segments?	X		X		X	X	X	X		
<b>F3</b>	Availability	Global availability The product or service is available for purchase, delivery and experience globally	X	X		X			X	X	X	
<b>F4</b>	Business model	Freemium offer The firm's core product or service is provided free of charge to at least one customer segment		X			X	X	X	X		X
	Payment model	Are customers' payments a subscription-based or transaction-based transaction?	Transaction	Subscription	Transaction	Subscription	Subscription	Subscription	Transaction	Subscription	Subscription	Subscription
<b>F5</b>	Value proposition	The product's main core value	Matching S & D, Providing a service	Providing a product with content	Matching S & D, Providing a service	Providing a service	Providing a service	Providing a product with content	Providing a service, providing a product with content	Providing a product with content	Providing a service	Providing a service

No./category	Factor	Description of contextual factors & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette	
F6	Firm	Focus	What area of internationalization activities firm seems to focus effort and time on	Partnership	Product development	Internationalization	Product development	Partnership	Product development	Sales	Product development	Sales, Product development	Product development
		Goal	The firm is aiming for a fast market entry	X		X			X				X
		Key competence	What firm consider their key internal competence	Evaluation of businesses and fundraising campaigns	Product development, marketing	International expansion, evaluating service workers	Product development, user experience	Problem-solving mind-set, knowledge of partnering with a bank	Product development, negotiation with key stakeholders	Sales, industry knowledge	Product development	Big data, product development, industry knowledge, sales	Product development, user experience
		Founder's background	Education and previous experience of firm founders	Web-design, arts, international experience	Sports interested, engineer with international business and startup experience	Management consulting and finance	Tech startups experience	Startup experience, IT, economy	IT, tech startup experience	Former professional athlete, IT engineer	SEO	Sales, industrial management	Economy, management consultant, IT, interaction design
F7	Product	Product	Type of product or service	Two-sided matching platform	Social platform	Two-sided matching platform	Recruitment, plug-in platform	Plug-in feature in finance apps	Streaming service	Stakeholder platform	Content app	Data management software	Accounting service
		Lock-in effects	It requires very low or no effort/economical loss for the customer to switch to a similar product (Low lock-in effects), it require effort/economical loss for the customer to switch to a similar product (Mid lock-in effects), or it require high effort/loss for the customer to switch to a similar product (High lock-in effects)	Low	Mid	Mid	High	Mid	Low	Low/High	Low	High	Low

No./ category	Factor	Description of contextual factors & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette
	Network effects	The product requires a network to function and the product increases in value for at least one customer as the network grows	X	X	X		X	For ad-selling	X	For ad-selling		For ad-selling
	Marketing effects	The product is "automatically" marketed when used by consumer	X			X	X		X			
	Level of trust	The degree of trust needed from a customer in order to convert. If the consumer is greatly affected (financially or integrity-wise) if the product fails or the firm misuse the consumers data the level is defined as high. If the consumer is affected if the product fails or the firm misuse the consumers data, the level is defined as medium. If the consumer is slightly or not affected if the product fails or if the firm misuse the consumers data, the level is defined as low.	High	Low-Mid	Mid-high	Mid-high	High	Low-Mid	Low	Low	High	High
	Level of novelty	The degree to which the audience have heard about the product or concept earlier. If majority of audience have not heard about the concept/product earlier, high novelty. If majority of audience have heard about the concept/product before, mid novelty. If majority of audience have seen/experience the concept/product before, low novelty	High	Mid	Mid	High	High	Initially - High	Low-mid	Low	Initially - high	High
	Social platform (C2C)	The product connects consumers with consumers		X	X				X			
	Platform	The product gathers stakeholders on a platform to create value for all	X	X	X				X			

No./ category	Factor	Description of contextual factors & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette
	Lifestyle/ hobby app	The product operates in a lifestyle/hobby industry		X	X				X	X		

**Table 7.** The seven categories contextual factors likely to influence internationalization behavior, identified by the study

No. /category	Behavior	Description of behavioral implications & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette
<b>B1</b>	Internationalization structure	The HQ is responsible for the business model, P&L, key sales, key marketing activities, support, recruitment and the customer learning (Centralized), The local offices activities, e.g. marketing, branding, sales, P&L responsibility, recruitment, content creation, partnerships, support, laws and regulations play a key role in the internationalization (Localized)	Localized/ Low control	Centralized/ High control	Localized/ Low control	Centralized/ High control	Centralized/ High control	Centralized/ High control	Centralized/ High control & Localized/ Low control	Centralized/ High control	Centralized/ High control	Centralized/ High control
	Govern scalability	Firm stresses the importance of internationalising in a scalable way		X				X	X			X
<b>B2</b>	Local presence	The firm has no local presence (No). Local presence to understand the market, perform sales or promote the brand has not been an important part of the internationalization (Limited). Local presence to understand the market, perform sales or promote the brand is considered as important for the internationalization (Mid). The firm has opened a local or regional office (High)	High	Limited	High	Limited/ High	Mid	Limited/ Mid	Limited	Limited	Limited	Limited
	Internationalization	The firm focus on grabbing a lot of market during a short time frame of a couple of months (Aggressive). The firm gradually commit to a market and iterate and test out business idea/product idea/operations/markets many months/years after market-entry (Incremental)	Incremental	Aggressive & Incremental	Aggressive	Incremental	Aggressive	Incremental/ Aggressive	Aggressive	Incremental	Aggressive & Incremental	Aggressive
	Type of internationalization process	When having entered a market the firm's process ahead is planned (Planned), when having entered a market the process ahead is unplanned (Ad-hoc)	Ad-hoc & Planned	Ad-hoc	Planned	Planned	Planned	Planned	Planned	Ad-hoc	Ad-hoc	Planned



No. /category	Behavior	Description of behavioral implications & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette	
	Commitment over time	Over time the firm increases offline presence or search to increase offline presence in an already entered market (e.g. employ locals/re-sellers/community builders, fly in more often)	X	X	X	X				X	X		
	Market commitment	The firm early decides to enter a specific market and commit resources to a market (High), The firms gradually commit resources to a market (Low)	Low	Low	High	Low	High	High	High	Low	Low	High	
	Travelling culture	Firm stress the importance of having key people/all employees travelling to the different markets/offices to learn and spread the company culture			X	X	X	X			X	X	
	Psychic distance	Firm is actively entering countries with a great psychic distance compared to their home market (Distant), firm is actively entering countries close to their home market in psychic distance (Close)	Distant	Distant	Close	Close	N/A	Distant	Close	N/A	Distant	N/A	
B3	Firm behavior	Firm focus	The firm stress the importance of their product development/user testing and research as a key part of their internationalization (Product), firm stresses the importance of putting effort on the partnerships as a key part of their internationalization (Partnerships), firm focus on improving and developing their sales process (Sales), firm focus on the internationalization process in itself (Internationalization)	Partnership	Product	Internationalization	Product	Partnership	Product	Sales	Product	Sales	Product
		Learning	Firm seems to learn mainly by doing (Internal) or from external parties, e.g. a partner present in the market or an	External	Internal	External	Internal	External	Internal	External	Internal	Internal	Internal

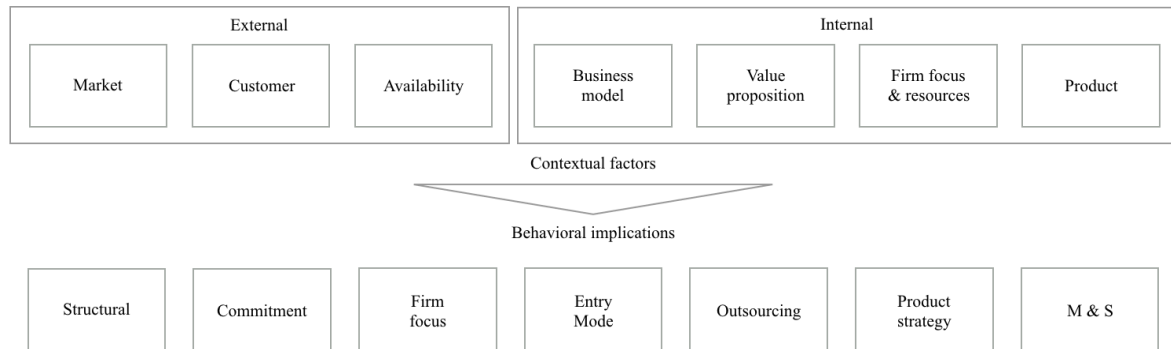
No. /category	Behavior	Description of behavioral implications & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette		
		employee with local knowledge (External)												
	Employing locals	The firm stress the importance of having employees from the target markets at the HQ to access a network and learn about the local market conditions and customer behaviour		X	X			X	X		X	X		
	Knowledge management	The firm stress the importance of spreading the knowledge about markets internally	X	X	X									
	Customer segment strategy	The firm mentions targeting a narrow customer segment (the actual segment might shift over time) as an important part of their internationalization process		X	X	X	X	X	X		X	X		
<b>B4</b>	Entry behavior	Type of market choice	Firm has not planned what countries to expand to, act on opportunities, product grows "by itself", no clear entry phase (Ad-hoc). Firm actively and strategically choose what market to expand to (Planned)	Ad-hoc/planned	Ad-hoc	Planned	Ad-hoc	Planned	Planned	Planned	Ad-hoc	Ad-hoc	Planned	
		Multiple entry	After launch, the firm enters several markets at the same time	X	X		X			X	X	X		
		Micro-market entry	The firm entered into a focused part of a nation (city, state)		X	X								
		Pre-adjusted	The product is pre-adjusted before launched in a new market	X		X		X	X	X			X	
<b>B5</b>	Outsourcing behavior	Partnerships, (e.g. supplier, re-seller, joint venture to create offer), was a success factor for the internationalization process (Successful). Partnerships played a	Successful	Un-successful	N/A	N/A	Successful	Un-successful	Successful	Un-successful	N/A	N/A		

No. /category	Behavior	Description of behavioral implications & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette		
		crucial negative part for the product and/or the internationalization process (Unsuccessful), partnerships were not crucial for the internationalization process (N/A)												
	Partnership timing	The firm negotiated the partnerships before entering a market (Pre-entry), the firms entered markets and then found and negotiated partnership arrangements (post-entry)	Pre-entry	Post-entry	N/A	N/A	Pre-entry	Post-entry	Pre-entry	Pre-entry	N/A	N/A		
	Limited outsourcing	The firm values building both value and capabilities internally or has abandoned outsourcing due to a bad experience	X	X	X	X	X	X	X	X	X	X		
<b>B6</b>	Product strategy behavior	Product availability	The product is available for purchase globally (Global), the product/service is available for purchase locally (Local)	Global	Global	Local	Global	Local	Local	Global	Global	Global	Local	
		Product localization	The product's language, content and features are adapted to the market (Extreme). The product is translated and content is relevant locally (might also be relevant globally), (Mid), only language or nothing is adapted to a market (Low)	Extreme	Mid	Mid	Low	Extreme	Mid	Mid	Mid	Low	Extreme	
		Product development strategy	The product development department focus on developing features relevant globally (Global) or locally (Local)	Local	Global	Global	Global	Local	Global	Global	Global	Global	Global	Local
		Global translated launch	The product was launched in several languages					X	X	X				

No. /category	Behavior	Description of behavioral implications & definitions	Alpha	Bravo	Charlie	Delta	Echo	Foxtrot	Golf	Hotel	India	Juliette	
B7	M&S behavior	Marketing mode	Printed media/PR have been an important part of internationalization (Offline). Online marketing, e.g. GoogleAds, SEO, Facebook, PR have been an important part of internationalization (Online), firm has not performed much marketing activities/ grown in markets without marketing (Limited)	Online, limited	Online, limited	Online, Offline	Limited	Limited	Offline	Limited (Initiating online marketing strategy)	Offline, Online, Limited	Offline, Online, Limited	Limited
		Type of marketing	Firm visits industry fairs (Fairs). Firm use industry content, e.g. blogs and webinars (Thought leaders). Word of Mouth is an important part of their internationalization process, e.g. referral systems, incentives to share, built in virality, buy in/invite few key customers to get organic growth later (WoM). Firm use GoogleAds to market to people who intentionally search for something on Google that the firm may help with (Intent), firm use influential personalities (Influential)	Fairs, Influential, WoM	Fairs, WoM, Intent	Fairs, WoM, Intent	Fairs, Thought leaders	-	WoM, Influential	Intent, WoM	WoM, Influential	Fairs, Thought leaders	Featured in blogs, WoM
		Sales	The firm sells features before they exist (Pre-sales). Phone calls and physical meetings to pot. customers play an important role in internationalization (Offline), sales are not a part of internationalization (N/A)	N/A	N/A	N/A	Offline	Pre-sales, Offline	Offline	Pre-sales, Offline	Offline	Pre-sales, Offline	N/A
		Marketing lag	Firm holds-off marketing activities until product has been improved		X		X		X		X		
		Growth without marketing	Markets out of focus are growing without marketing		X		X				X		X

**Table 8.** The seven categories of internationalization behaviors, identified by the study

The overall result of the linking process may be illustrated by figure 11, describing the seven internal and external contextual factors that are likely to influence seven types of behavioral implications.



**Figure 11.** Illustration of result of thesis, what contextual factors that likely to cause behavioral implications

Finally, in order to understand the theoretical implications of the results, the ten case firms were analyzed by comparing their internationalization processes with theoretical models presented in section 2, (see table 10) to thereafter analyse whether there were any similarities within the firms described by a certain theory (see table 9). Table 10 also provides a summary of the case firms overall internationalization behavior and the underlying contextual factors.

Theory	The stage models	The phase theory	The network model	The digital internationalization process	The lean global startup
<b>Type of theory</b>	General internationalization theory	Internationalization theory for Born Global Firms	General internationalization theory/Internationalization theory for Born Global Firms	Internationalization framework for Digital firms	Internationalization theory for Lean Global Startup firms
<b>Alpha</b>		X	X		
<b>Bravo</b>				X	X
<b>Charlie</b>			X		
<b>Delta</b>	X		X	X	
<b>Echo</b>		X	X		
<b>Foxtrot</b>	X			X	X
<b>Golf</b>		X	X		
<b>Hotel</b>				X	X
<b>India</b>				X	X
<b>Juliette</b>				X	
<b>Similarities</b>	N/A	B2B & B2Cs (3/3)	Service providers (5/5), often B2B/SMEs (4/5), inherent marketing (4/5)	Subscription model (6/6), Key competence: product (6/6), Activity focus: product development (6/6)	Subscription (4/4), Product development focus (4/4), B2C (3/4), Freemium (3/4)

**Table 9.** A comparison of the firms' internationalization process with theory

	<b>Alpha</b>	<b>Bravo</b>	<b>Charlie</b>	<b>Delta</b>	<b>Echo</b>	<b>Foxtrot</b>	<b>Golf</b>	<b>Hotel</b>	<b>India</b>	<b>Juliette</b>
Overall internationalization behavior	Actively enter markets with a localized product through partnerships (joint ventures) to overcome barriers of adapting to the local regulations and to connect with business customers. The localized internationalization gives the headquarter low control. Passively entering multiple countries	Iteratively and incrementally focus on improving the product and the marketing to a very targeted audience from the headquarters. The structure is centralized with high control from the headquarter and limited local presence. Passively entering multiple countries	Strategically and aggressively launch and market the two-sided platform following a stage-process with a localized structure in micro-markets (cities)	Incrementally enter and commit to markets through learning about the local market conditions through some local presence and offline sales. The structure is centralized and highly controlled from headquarter. Passively entering multiple countries	Actively enter markets through partnerships, leverage partnerships to localize product and reach consumers	Actively enter markets following a stage-process including an iterative product improvement phase, incrementally entering harder and harder markets through centrally learning about internationalization	Actively enter markets through partnerships, leverage partnership to reach consumers, centralized internationalization apart from localizing majority of sales. Headquarter has high control of key sales and low control of the majority of sales	Passively entering other markets by developing a product with global features and localized content. The internationalization is centralized	Iteratively and incrementally improve the product and the sales internationally as a part of the internationalization. Perform sales in markets based on opportunity and passively enter multiple market. The internationalization structure is centralized	Actively enter markets, initially through online marketing and thereafter relying on Word of Mouth
Contextual factors	Market (regulated and international), Business model (transaction-based payment model), Value proposition (providing supply and demand, providing a service), Availability (global), Product (marketing effects, networking effects, high	Market (unregulated and local: founders thought the market was international), Business model (freemium offer, subscription model), Value proposition (providing content), Firm development focus and	Market (unregulated and local), Business model (transaction payment model), Value proposition (matching supply and demand), Firm entry goal), Product (lock-in effects, social platform, intent marketing), Availability	Market (unregulated, international), Value proposition (providing service), Firm (focus and competence on product development), Product (marketing effects, high novelty), Availability (global), Customers (B2B, MNEs)	Market (regulated market, local), Value proposition (providing service), Product (lock-in, network and marketing effects, high trust), Availability (local), Customer (B2B& B2C, SME, slow-moving)	Market (unregulated, international, international suppliers), Business model (freemium, subscription model), Value proposition (providing content), Firm (speed of entry focus, product development competence), Product (low trust, high novelty),	Market (unregulated, local), Business model (freemium, transaction model), Value proposition (providing content), Firm (lock-in/network/marketing effects, lifestyle/hobby application), Availability (global), Customers	Market (unregulated, international, international suppliers), Business model (freemium, subscription model), Value proposition (providing content), Firm (product development competence and focus), Product (low trust), Customers	Market (unregulated, international), Business model (subscription model), Firm development focus and competence), Product (high lock-in effects and novelty), Availability (global), customers (homogeneous MNE's)	Market (regulated, local), Business model (freemium, subscription model), Firm (speed of entry goal, product development focus and competence), Product (high trust and novelty), Availability (local)

	<b>Alpha</b>	<b>Bravo</b>	<b>Charlie</b>	<b>Delta</b>	<b>Echo</b>	<b>Foxtrot</b>	<b>Golf</b>	<b>Hotel</b>	<b>India</b>	<b>Juliette</b>
	trust) and Customers (B2C, B2B (SME) customers)	competence), Product (high lock-in effects, network effects, low trust product, social platform), Availability (global), Customers (homogeneous B2C customers)	(local), Customer (B2C)			Availability (local), Customers (homogeneous B2C)	(homogeneous, B2B&B2C, slow-moving SMEs)	(homogeneous, B2C)		
Theoretical similarities	The network model, the phase theory	The lean global startup, the digital int. process	The network model	The stage models, the network model, the digital int. process	The network model, the phase theory	The stage models, the lean global startup, the digital int. process	The network model, the phase theory	The lean global startup, the digital int. process	The lean global startup, the digital int. process	The digital int. process
	Relationship with partner is an entry to networks in a new country, early market commitment	An iterative product development process, improvising market entry. High control of customer learning and branding, high risks, centralized internationalization, online-offline interval	Local employees help to overcome the liability of foreignness in a new country, early market commitment	Incrementally entering and committing to markets, keeping risk taking at low levels, converting existing local customers to global customers, centralized internationalization, online-offline interval	Relationship with partner is an entry to a consumer base in a new country, early market commitment	Gradually entering more psychic distant markets, early market commitment, iterative product development process, high control of customer learning and branding, high risks, centralized internationalization, online-offline interval	Relationship with local employees and partner to overcome liability of foreignness, scale and reach a consumer base, early market commitment	Iterative product development process, improvising market entry, centralized internationalization	Iterative product development process, improvising market entry. High control of customer learning and branding, high risks, centralized internationalization, online-offline lag	Early market commitment, high control of customer learning and branding, high risks, centralized internationalization

**Table 10.** Analysis of firm similarities in comparison to the theory that describe them

## 6. Discussion

This thesis studied so called digital Born Global Firms, a type of firm who play a central role in the internet economy. Airbnb, Uber and Spotify are examples of born globals: in a short time-frame, these firms have internationalized and grown to become some of the world's largest. These firms seem to internationalize in a way remarkably different from other firms. However, few studies have been conducted on understanding their internationalization processes within their context. For a long time, researchers have believed that the context a firm operates influence the internationalization behavior. However, studies rarely take the context into consideration when studying internationalization behavior. Therefore, this study set out to study digital born global firms in order to understand what contextual factors are likely to influence their internationalization behavior and how they do so. The purpose of this thesis was to develop a practical framework to support managers in their international process, this practical framework is presented as a checklist in the concluding section (Chapter 7). A practical framework is believed to come of great use to managers operating in this uncertain and high-risk environment, who's behaviors was described by an International Trade Advisor at Business Sweden as: *"They haven't found where they will sail and what sail they will set. They also have life and death on their agenda everyday"*.

The analysis in the previous section concluded that current theory only partially explains the internationalization behaviors of the ten case firms included in this study (see table 9).

This calls for a refinement and expansion of current literature. This thesis suggests that internationalization theory may be advanced by integrating contextual factors as an important variable for internationalization behavior and processes, which is in line with Zahra and George's framework of International Entrepreneurship (figure 7). This stays true even for the more contextual internationalization theories for born global firms and digital firms, which may need some further contextual refinement. The emergent patterns described in Appendix II and figure 10 propose that seven categories of contextual factors have behavioral implications for digital born global firms' internationalization. Further, it is suggested that these behaviors fall into seven categories of behavior, this proposal is illustrated in figure 11. Below these findings are discussed in further detail.

### 6.1 Contextual factors

This thesis identifies seven contextual factors which seem to influence the internationalization (see table 7 and figure 11). Some of these factors are similar to the factor's described in Zahra and George's (2002) international entrepreneurship model, which strengthen the results. For instance, the three identified factors: *regulatory environment (F1a)*, *key competencies (F6c)* and *business model (F4)* may be compared with Zahra and George's (2002) institutional environment, firm resources and strategies. However, other contextual factors identified in this study such as: *value proposition (F5)*, *product (F7)*, *availability (F3)*, *market borders (F1c)* and *customers (F2)*, are not mentioned in the framework for International Entrepreneurship. Nevertheless, the influence of the product and product strategies on internationalization processes have already been mentioned by other authors (Mahnke and Venzin, 2003; Gabrielsson et al., 2005; Laudien and Daxböck, 2017). *Customers' (F2)* influence on internationalization behavior is also mentioned by Wentrup (2016). Whilst, *market borders (F1c)* and other subcategories of contextual factors were derived from the interviews, as important contextual factors defining behavior and decisions. *Market borders* is a rather novel concept, the term "market" in internationalization theory in general simply means different *geographical markets* that firms expand to (e.g. Zahra and George, 2002; Wentrup, 2016). However, this definition is challenged in this thesis, partly due to the digital nature of the firms. Globalisation has caused many firms to operate on a global scale within their niche market from start, making geographies less important, as one CEO of a digital startup said: *"The world of this sport is our market"*. This phenomenon was also mentioned by the International Trade Advisor of Business Sweden, the Swedish Foreign Association:

*"The market concept might be different for these firms, they do not always think in geographical markets, they have to get to define it themselves. It could be cities or a vertical market for example the diving industry, or it could be parts of cities"*.

### 6.2 Behavioral implications

Further, the study also identified seven categories of internationalization process behaviors (see table 8), which have been derived as key internationalization behaviors after careful interpretation of both the primary and the secondary data. Due to the open-ended questions of the interviews these categories are mainly



mentioned spontaneously by the interviewees as important activities of their internationalization process. As this is brought up without being mentioned by the interviewer this strengthens the results of the study. Many of these behaviors have seldom been mentioned in the theoretical context of internationalization theory. This may partly be explained by the research gap of *how* entrepreneurial firms internationalize and the need for *practical* frameworks on internationalization processes mentioned by Zahra and George (2002), and previously described in the introduction and literature review. Another possible reason for why internationalization behaviors and activities like the ones in this study are rarely mentioned in other theory, is the novelty of digital firms. So far, few researchers have focused on internationalization of purely digital firms, as the main focus has been on investigating the use of internet for internationalization processes overall.

For the identified internationalization behaviors it may in some cases be discussed whether a factor really is a behavior or if it is a contextual factor. An example would be *availability*. Is it a contextual factor that the product is available on a global market, or is it a product strategy behavior of the firm to make it available on a global market? In this particular case *availability* has been considered and analyzed as both a contextual factor and a behavior. There may be other similar instances to discuss, however, the author has to her best effort tried to distinguish between *what* case firms do (*behavior*) and *why* they do so (*contextual factor*).

### 6.3 Linking context to behavior

Since the second research question was to understand how contextual factors influence the internationalization process of digital firms, an important part of the study was to link contextual factors to behavior. The thesis answers the research question by identifying several contextual factors which may cause a certain behavioral implication (see Appendix II and figure 10). However, the result is rather scattered and complex as similar contextual factors might lead to *various* behaviors, leading to that various behavioral categories are brought up in figure 10 without any particular order. The framework in figure 10 is trying to demonstrate a pretty accurate and generalizable description of how contextual factors influence the internationalization process of digital firms, which also make it complex and hard to compass and make use of.

Since the goal of this thesis was to design a practical framework to support managers in their international process, a simplified result in the form of a checklist will be presented in conclusions.

In some cases, different types of characteristics seem to lead to a similar type of behavior. For instance, the behavior *limited presence*. The results do not reveal if it is only the *combination* of several characteristics that cause a certain behavior, which is a limitation of the result of the study. In addition, it may very well be discussed whether some behaviors occur because of *other* behaviors rather than of contextual characteristics. It would for example be logical to assume that a firm that displays the two behaviors: Behavior X: *Focusing on product development* and Behavior Y: *limited marketing*, does so not because of any contextual factors, but because of the simple reason that a small startup does not have the resources to focus on both product development and marketing at the same time or because it is not strategic to perform marketing if the product is not fully developed yet. This is a limitation which is rather natural for a qualitative research study, and will be further discussed below.

If a contextual factor influences a certain behavior which only is true for one customer segment of several customer segments, it has anyhow been included in the result as it seems to affect the behavior. Therefore, a firm may appear in seemingly contradictory places in the framework. One such example is Golf: for its business customers, the offer has *high lock-in effects* causing Golf to internationalize in an aggressive manner. However, for its consumer customers the offer has *low lock-in effects*, which may be the reason for why B2B partnerships are successfully used and leveraged for this customer segment.

Some contextual factors did not seem to influence any certain internationalization behavior. They are anyhow included to state this point for future research. One to be mentioned is the *founder's background*, a factor many authors (Oviatt and McDougall, 2005; Sapienza et al., 2006) have found important for firms to start and succeed their internationalization overall. However, no certain internationalization behavior seemed to be linked to a certain founder background. Other such factors are the type of industry, size and age of the firm, factors mentioned by Zahra and George (2002). In addition, some *behaviors* did not seem to have been implied by a certain contextual factor. These are also included here since future research might identify additional contextual factors which influence these behaviors. Examples of such behaviors are: psychic distance to entered markets, employing locals, and marketing lag.

By simply judging of the number of behavioral implications one contextual factor seem to influence, one can observe that the internal factor *Product* (F7) influences the most behavioral implications, followed by the external factor *Customer* (F2). This is in line with Mahnke and Venzin (2003) and Wentrup (2016) who

mentioned their importance on internationalization behavior, but have not been the subject of study to many researchers.

#### *6.4 Discussion of result*

The analysis suggests that the context of a firm's market may affect the behavior of the firm. This section will discuss the possible explanations of the identified behavioral implications.

*F1 Market.* If the market is regulated, it can be observed how the case firms have a high commitment towards the market, make use of partnerships successfully, and adapt the product's language, content and features to the local market. One possible explanation for this may be that regulations might require product adaptations, and that complex local market regulations might be eased by the help of a partner. On the other hand, firms operating in local markets perform low to mid product localization and try to develop a product to suit a global market, seemingly for efficiency purposes.

Also, a market's boundaries seem to imply certain internationalization behaviors. If a market is international, firms are observed to internationalize in an incremental way, make the product available globally and learn by doing rather than learning from an external partner. Possibly, this is due to the complexity of understanding a world-wide market, which cause the firm to incrementally learn from their operations. In addition, a firm also have international suppliers providing the content they seem to launch the product in several languages already from the start, possibly due to efficiency reasons. If the market instead is local, the firms display a different behavior; and the mode of internationalization seem to be aggressive. It is rational to assume that a local and limited market might correlate with an increased competition leading to a need for a more aggressive internationalization.

*F2 Customer.* The contextual factor of a firm's customers was also observed to play a role in determining the internationalization behavior. Overall, firms with homogeneous customer that operated in one particular industry or had a specific interest, had limited local presence. Possibly, this was due to that the need to understand the local market conditions was lower for these firms. For firms with B2B customers, the offline sales were an important behavioral implication of the internationalization process. If these B2B customers were rather slow-moving and operated in industries with long lead times, the firm's performed sales even before the product existed. If the B2B customer were MNE's the product was not localized. In addition, did these firms strive to be known as "Thought leaders" within their industry, which was their main marketing activity. Given reasons for these behaviors were that MNE customers are used to do business in English and that industry knowledge is required to gain trust. The firms who had smaller B2B customers (SME's) had local presence. Some firms meant this was due to that local presence helped building a network which was needed in order to identify and reach out to SME's. In addition, some firms have both B2B and B2C customers. These were firms were positive about internationalizing through partnerships, possibly because the partnerships were leveraged in order to reach out to a bigger audience. Furthermore, these firms had all negotiated and entered into partnerships before entering a certain market. In some cases, the partnership even was the reason for entering into that particular market. However, the firms with solely consumer customers considered their partnerships as unsuccessful and had abandoned partnerships as a strategy, negotiated partnerships after entry and tended to focus on marketing activities and Word of Mouth. These firms are required to reach a bigger audience which might explain their marketing behavior. Interestingly, it is the firm's that considered their partnerships as unsuccessful that entered into them after market entry. Therefore, it is impossible to say if it is the lack of planning and focus on choosing the right partner, or the fact that the firms have different customers, that may cause different partnership implications. In general, it was observed how partnerships only seemed to be successful if they would increase the customer conversion.

*F3 Availability.* The availability of a firm's product, meaning if the product could be bought, experienced and delivered on a global or local scale seemed to influence the firm's internationalization behavior in many ways. If a product was available on a global scale from start, firms often entered multiple markets in parallel, performed an incremental internationalization, showed a low commitment towards individual markets and choose markets to enter in an ad-hoc manner. Possibly, all these behaviors could be explained by the lack of focus and high complexity a global market and availability normally leads to. However, firms with products that were locally available displayed high commitment towards market and planned what markets to enter and entered them in a planned manner. In addition, these firms internally encouraged a travelling culture, possibly to learn more about the market they had committed to.

*F4 Business model.* Further, a firm's business model seems to have some implications on the internationalization behavior. The thesis suggests that firms with a freemium business model govern their scalability and limit their local presence, which are natural implications in order to cut costs if the revenue flow is limited. Also, firms with a subscription-based payment model tend to limit their local presence, while

firms with a transaction-based payment model have some local presence, which in addition is given responsibility. This could possibly be explained by the degree of repeated sales; one can assume that a firm needs more local presence if promotion of the product continuously must be repeated for sales.

*F5 Value proposition.* In addition, a firm's value propositions have shown to have some implications on its behavior. If a firm creates value through locally matching supply and demand, for example on a platform, the firm localizes their internationalization structure, presumably due to the challenges and effort of building a local community of users. If a firm's value proposition was to provide the customer with a service, they often had some local presence in the form of local sales personnel, which seemed to function as a way for the firm of learning about the market which one may assume is needed in order to provide a competitive service. However, if the firm's value proposition was to provide content, e.g. information or media, the firms had a limited local presence, focused on product development and only slightly adopted the product to the local market. This might be explained by the effort needed to create and deliver high quality content, which might require a centralized product-focused effort, which in turn could be leveraged across several markets.

*F6 Firm.* A firm's internal focus and competence seemed to also influence the internationalization behavior. The implication of firm's internally focusing on product development was that they often were able to grow without Marketing or Sales. If the firm's key competence was product development, the internationalization tended to be centrally structured. The firms also had different goals of their internationalization, it could be observed that firm's that had the goal to enter a market in a fast manner had planned their internationalization process in advance.

*F7 Product.* The contextual factor of the product and its characteristics seemed to affect the internationalization behavior in many ways. It could be observed that firms with products that had a high lock-in or network effects internationalized in an aggressive manner and had a high commitment towards a market. Interestingly, firms with low lock-in effects also had successful partnerships. Overall, firms mentioned the risks and efforts of entering into partnerships internationally, however, it is possible that partnership could be beneficial for firms with low lock-in effects if partnerships help to convert and keep customers when the product itself does not. Products with an inherent marketing effect naturally limited the firms' marketing activities in the internationalization process.

Also, the trust a product requires of a customer may have an influence on the internationalization behavior. A high trust product might cause firms to localize the product's language, content and features in order to gain customers trust. Interestingly, a product requiring low trust seemed to impact another behavior: the partnerships. Firms with low trust products did not report successful partnerships. One could assume that the effort and risk of the partnership did not outweigh the advantages, if the firms already may convert customer efficiently themselves. Three other product related contextual factors that seemed to have an influence on the firm behavior were observed, namely: high novelty products, social platform products and lifestyle/hobby applications. Firms with novel products seemed to stress the importance of an internal travelling culture. One possible explanation of this implication is the fact that firms want to learn about market reactions while also keeping an internal alignment in this novel industry. It could be observed that firms with social platforms performed online marketing and entered into smaller and more concentrated markets, e.g. cities, national regions, in order to build a user network. In addition to online marketing, firm's providing a type of lifestyle and hobby application performed intent marketing, meaning that they marketed to people searching for something particular on a search engine such as Google. This could possibly be explained by the consumer's behavior to often search for the content or the service they provided.

### *6.5 Relation to internationalization theory*

Moreover, the findings in table 9 are interesting to discuss further. As mentioned no theory may explain all of the case firms' internationalization process. However, it may be interesting to further investigate what type of digital firms that may be described by a certain theory. Few of the case firms display an incremental internationalization behavior, even though it seems to exist amongst the born global firms. This may explain why some authors (Andersen, 1993; Madsen and Servais, 1997) argue that the stage model may be generalized to smaller firms and born global firms, while others mean that it cannot. Firms that use a network approach to internationalization with close relationships, network partners, joint ventures, etc. have in common that they are service providers, have business customers and products with inherent marketing affects. This might be due to their somewhat lower responsibility of the product's content and the need to build business relationships in order to build referral cases.

The born global firms internationalizing by using bigger players follow the phase theory, it seems like they all are using their B2B customers to reach their B2C segment, thus they sell the core product to B2B and use this partnership to leverage the B2C operations and reach. However, the result of this study stands in contrast

to Gabrielsson et al. (2005), who claim that all born global firms need external partners in order to accumulate enough resources in order to grow. However, it may still be true that reliance on external partners are more common than other firms, due to their limited resources, which is in line with Madsen and Servais' (1997) reasoning.

The common internationalization behaviors for digital firms identified by Mahnke and Venzin (2003) and Wentrup (2016) explain many of the case firms behaviors. However, in contrast to these theories it turns out there are digital born globals who are not rushed by being a late entrant, rather several interviewees mention the advantages of not having to be first and having to educate a whole market. In addition, there are firms willing to compromise high control modes due to network effects, industry complexities or in order to govern scalability. However, product centred companies with subscription models fit into the theories of the digital firm's internationalization patterns. It has been observed how these companies prefer to centralize their product development departments in order to control the quality and the customer learning. Finally, the lean global startup theory really contributes to explaining the internationalization behavior of the firms using the lean startup methodologies as foundational principles. Interestingly, as one can observe in the table 9 the majority of these firms do not follow any other theoretical models. Notably, previously the lean global startup theory only has claimed to describe the internationalization process when it comes to the firm's product development behavior. However, it may be observed throughout this study that the firm's that may be named lean global startups additionally have used these methodologies in other behaviors such as marketing and partnerships. Hence, the lean methodologies seem to not be limited to the product development strategies, and instead influence a firm's behavior overall.

Wentrup (2016) also makes some interesting proposals on the contextual factor *Customers'* influence on the internationalization process. Meaning that B2B firms are more likely to need to establish offline presence in markets before B2C firms have to, meaning that the online-to-offline interval is longer for B2C firms. However, the case firms in this study do not follow this pattern. For example: it took the B2B firm India who internationalized from day one seven years to enter three of their over 25 markets with offline presence, while it only took the B2C firm Charlie two years. In addition, the B2B firms Juliette and Golf aim to avoid physical presence in general, while the B2C/B2B firm Alpha established physical presence early. Therefore, this thesis overall proposes that the internationalization behavior of establishing offline presence, in addition to several others, are dependent on additional contextual characteristics such as *the firm, the product and the value proposition*.

### 6.6 Internationalization of digital firms

Some similarities of internationalization may be found amongst the digital case companies. In general, the case firms seem to be triggered to internationalize since the home market is too small, which the digital nature of their business allow them to do early. On average the firm in this study internationalized one year after their inception. A majority of the case firms cherished keeping the value and the knowledge in-house, thus, they were very restrictive with outsourcing activities. In general, the firm's products or services are considered as novel concepts which may add additional challenges to the internationalization process as the audience might have to be educated in addition to the regular marketing and sales activities. In addition, a majority of the case firms use *customer segment strategies*; targeting specific customer segments one at a time, as a key part of their internationalization.

Also, a majority have not entered foreign markets by establishing local offices, and many mentioned that it was a goal to avoid opening up offices for as long as possible. This stands in contrast to Wentrup (2016), who mentions that it seems to be a limit on how long an online service provider can operate fully online without needing a physical presence. However, Wentrup has only studied firms operating in very regulated markets. A majority of the case firms in this study displayed an unwillingness to physical presence because local offices are expensive and hard to coordinate. The case firms acknowledged that this caused some challenges of developing a product or perform sales in foreign markets. However, it has been observed how many firms solve this by employing individuals with an origin in the international market to work at the head quarter in the firm's home market. Which is something Wentrup (2016) does not mention in his study. Due to the globalisation and the mobility of individuals this type of behavior is likely to increase in the future, possibly making it possible for firms to avoid establishing offline presence. This in turn, would strengthen Wentrup's (2016) reasoning of the *born-at-home firm*, who goes international while also being very centralized and established in the home market.

Moreover, most digital firms practise some type of *passive internationalization* and enter markets without any intention or effort to do so, simply because the product is launched globally or in multiple countries. Therefore, it may be argued that some firm's internationalization process is not fully an internationalization

process, it is just a part of their daily operations. However, this type of global passive internationalization was, before the internet and online marketplaces such as Apple's Appstore, not possible. Instead, it is possible that this type of passive internationalization will become the norm of future internationalization, making it an important research field to investigate.

For digital case companies that have internationalized to many countries over several years it seems common to increase the commitment in foreign markets over time. These firms increase their offline presence, or "re-visit" the country and the strategy in order to improve their market penetration after some time. This is in line with Wentrup's (2016) findings of firms initially entering markets online to later enter them offline. However, Wentrup (2016) also propose that digital firms follow a gradual geographical and incremental pattern when internationalizing: starting with near markets and then increasing to more distant markets, see fig 6, which is in line with Vahlne and Johanson's (1977) reasoning. Wentrup (2016) means that "*until the purchasing power and internet penetration rates in far-distant markets reach higher levels, this pattern is unlikely to change*" (p.585). On the contrary, this study argues that both the purchasing power and the internet penetration rates are high enough in far-distant markets, such as Japan and Brazil, for firms to be willing to pursue them. In this study, it was observed how some case companies initially expanded to distant markets. For example: in Alpha's case, they early expanded to very distant markets in Asia and Middle East when opportunities to do so arose. In addition, Bravo and India early went to psychic distant markets since they were operating in a very niched and international market and these distant markets were full of potential customers.

It could be observed that digital firms with a social platform product, follow a different internationalization pattern, in comparison to other firms. In line with Brouthers et al. (2015) it was observed how their contextual factors had behavioral implications of strategies to increase the user-network, entering micro-markets, and focusing on marketing in ways that were not fully investigated in this quite general study.

An interesting aspect of the internationalization of digital firms is that several case firms do not consider marketing as an important part of their internationalization. However, it must be noted that International Marketing is a research field bordering the field of internationalization, and many articles on born global firms are found in international marketing research papers (SOURCES).

### 6.7 Risks of internationalization

Many of the case firms are willing to take high risks and learn from trial and error. According to Wentrup (2016) this risk might increase with the digital nature of the firms and their products. "*The fact that it is so easy to enter online via the controlled mode means that the online presence could potentially be a trompe l'oeil, making the OSP neglect the offline business reality, with its complex personal business relationships and local market particularities*" (Wentrup, 2016, p. 584). The observations in this study showed a similar risk behavior: many firms mentioned ignorance or lack of local market conditions as a reason for why the firm had missed opportunities, wasted resources or failed. Hence, the challenge of the *virtuality trap* was very well observed throughout the study.

There may be a risk with initially launching a product globally. In this study, it was observed that firms launching products globally thereafter entered multiple markets in parallel, which may have caused them to never fully learn and adapt a product to one market at a time. Both Bingham (2009) and Rasmussen and Tanev (2015) warned against this type of behavior as the complexity increases and the firm might struggle with keeping focus and being efficient.

Another risk of internationalization is that firms get too busy with the internationalization per say and forget to nurture the business in the new market. After all, internationalization really is about succeeding on the market the firm has expanded to and not only enter the market. Several interviewees mention that they have gotten so caught up in the internationalization process that they have forgotten to nurture markets later on. Interviewees were referring to this as a "start-up behavior" and a personality trait of many employees, meaning that these types of people are more willing to start something new than stewarding what already exist.

### 6.8 Limitations

Like all studies, this thesis is subject to limitations. The result of the study proposes how some contextual factors lead to some behavioral implications of digital born global firms. However, as previously mentioned this qualitative study is limited in describing if it only is the correlation of several characteristics that cause a certain behavior, if a combination of a certain behavior and a characteristic cause another behavior, or if one behavior cause other behaviors. However, since the thesis have identified contextual factors and proposed

how they may influence the internationalization behavior of digital firms, it will be up to future quantitative research to investigate and validate the findings further.

Furthermore, some of the interview responses might have been affected by respondent's memory bias. Since the interviewees were asked questions related to past events of their company's early internationalization, the quality of the answers will depend on their ability to accurately recollect the turn of events. Moreover, due to the nature of open-ended interviews and due to the interviewer's will to avoid asking any leading questions some interviewees might forget to mention certain aspects of their internationalization process, which might have affected the result. On the opposite side of the spectrum, for the three of the case firms in their planning-stage of internationalization there might be a bias towards wishful thinking. In reality, other external factors might affect these firms' internationalization process when it will be carried out. Thus, there might be a discrepancy between what the firms think and plan that they will do in relation to what they actually do.

Another limitation of the study is that it may have been affected by apophenia, the human tendency to attribute meaning to perceived connections or patterns between unrelated things, since the main part of the analysis was made up of pattern identification. However, to prevent this, the identified patterns have been made as transparent as possible.

A limitation of the study's contribution to academic theory is the fact that the quiet established definition of that born global firm's must have at least 25% of their total sales coming from international markets, was not included as a criterion for the case firms. However, as strongly suggested by Madsen (2013), the study has clearly given account for the definitions and for what purposes they are used in the study.

In regard to sampling, another potential limitation is the geographical location of the firms. Since the majority of the firm's, all except from one, are Swedish the results might not be generalized to firms with other and especially larger home markets. However, as previously mentioned Sweden as a sample market provides good conditions for studying born global firms. Regarding sampling and generalization: the thesis aims to understand what contextual factors that may influence the internationalization behavior. However, the sample has not intentionally been selected to exhaustively cover all potential contextual factors influencing internationalization processes (which would have been impossible), which means that the result might have disregarded some important influencing factors. In addition, due to the short time frame and the limited control of the final sample, the sample is slightly restricted in fulfilling the set of criterion specified by the study: as one firm may not be defined as a born global firm and two firms have offers including non-digital elements. As these exceptions were marginal the study chooses to include the case firms anyhow.

Nevertheless, the result is still able to contribute to the field of internationalization theory and to startups looking to internationalize.

Finally, the study is limited by its constraint to not analyze *successful* and longitudinal internationalization processes. However, the case firms included in the study, who wished to be anonymous for reasons of confidentiality are among the companies most often cited in the internet industry press in Sweden. Therefore, their trial and errors and drafted processes, are considered a population suitable and adequate to develop a checklist and for other firms to learn from.

### 6.9 Trustworthiness

The results credibility, transferability, confirmability and dependability is discussed in this section. The presented results include data from ten case firms and overall are in line with existing theories, which validate the result's credibility. As the study only covers a limited set of digital firms the frameworks and checklists in themselves may not be transferable to other contexts outside of digital born global firms. However, it is fair to assume that the study's proposition that contextual factors may have an influence on certain internationalization behavior may be transferable to other contexts. In addition, there might even be some transferability of the identified contextual factors and behavioral implications which might function as a foundation for researchers wanting to investigate similar topics in other contexts. Since the study is a qualitative study it is influenced by the author's subjectivity. However, in order to decrease the subjectivity and increase the confirmability of the result of the empirical result and the initial within-case analysis have been read and confirmed by the interviewees themselves in order to reduce the author's subjectivity of interpretation and increase the confirmability. Finally, the result is believed to be dependable due to the meticulous analysis process of coding, categorization and linking process of the qualitative data.

### 6.10 Further research

Since the field of internationalization of digital born global firms and studies of contextually sensitive internationalization are under-researched, the author has several propositions for future research.

First, work to identify and explain *additional* contextual factors could be carried out. Due to the explorative nature of this study, where both contextual factors and behavioral implications initially was identified for the purpose of studying the linkages, it is natural that the result is somewhat scattered. Therefore, one could speculate that additional contextual factors and behavioral implications exists, which would require more research to identify, understand and describe them. In addition, one could speculate that not all behavioral implications of above mentioned contextual factors are identified, therefore, could future research probably use the contextual factors identified in this study in order to identify additional behavioral implications.

Second, this thesis has studied the contextual factors on internationalization processes of digital born global firms in a Swedish context. As this type of study does not exist, to the author's best of knowledge, for other types of firms there is a need to apply a contextual perspective on the overall field of the internationalization research. In addition, it is necessary to execute similar studies on digital and non-digital born global firms in other geographical markets and further explore the links between context and internationalization processes.

Third, since this study only observe the early phase of internationalization there will be a need to investigate how the contextual factors influence firm's behavior after market entry, over time. These longitudinal studies could also be related to firm performance, as few studies have explored the relationship between behavior and future company performance.

Finally, the author has some general propositions for future research. As the research field spans across and targets several areas of research, internationalization research could be majorly improved by researchers collaborating across different fields. Given the lack of managerial relevant research in the field of internationalization, future research should also make sure to add value in a practical sense to the industry.

## 7. Conclusions

Due to recent technology development, it is possible for digital small and young firms to reach customers globally from anywhere in the world, already at the very start of their operations. However, the internationalization processes for this type of firm, the context's influence on the internationalization behavior and managerial implications are under-researched.

Therefore, this study set out to investigate what type of contextual factors that influence the internationalization process of digital firms and how they do so. The overall goal of the study was to use the results of the study to design a practical framework to support managers in their internationalization process. In order to do so, this thesis studied ten Swedish case firms, analyzed their internationalization behaviors, their underlying contextual factors and the relationship (linkages) between them.

This paper resulted in a comprehensive framework, which identified seven contextual factors namely: market, customers, availability, business model, value proposition, firm, and product as important factors in the explanation of internationalization behavior. The proposed behavioral implications of these contextual factors are also illustrated in the framework. However, in order to meet the goal of the study, a simplified checklist for managers was developed, summarizing the contextual factors and the most important questions to consider when internationalizing, see table 11. In addition, the checklist indicates what type of differences in behavior a certain factor might influence.

### 7.1 Managerial implications

When internationalizing it will be important for managers to be intentional about the choices they make and base them upon the characteristics of the external factors: (F1) the market, (F2) the customer (s), (F3) the availability, in addition to the internal factors: (F4) the business model, (F5) the value proposition, (F6) the firm, and (F5) the product.

This implies that it is very important for a manager to know and understand what context they operate in and to make sure that their perception is not distorted, but to go out and ask others internally and externally. Apparently, as this study showed in the case of the firm Bravo, managers' *perception* of a context affects the firm's behavior regardless of the actual situation. Bravo thought for many years of operations that their market was international and thus behaved in a certain way. However, it turned out that their market was rather local, with local needs and requirements, which had caused Bravo to not succeed in a certain market. Therefore, it is very important for managers to fully understand their context.

Managers of digital firms should also consider the effects of their choices of behavior, in order to take precautions against liabilities that naturally arise. For example, the effects of performing a localized internationalization which gives the headquarter a low control of the internationalization or the effects of not having offline presence in a market which gives limited market insights. In the same manner, managers must be aware of overall liabilities and risks such as: the liability of foreignness and the risk of the virtual trap.

### 7.2 Theoretical contributions

This study contributes to the internationalization theory in two ways. First, the paper contributes to advance a more contextually sensitive theory of the internationalization of digital firms and suggests a similar approach to overall internationalization research. Second, the paper demonstrates how the stage modes, network theory, research on digital good providers and the lean global startup relate to the internationalization of digital born global firms.

To conclude, this thesis highlights the importance of context for internationalization behavior, proposes seven contextual factors that have an influence on the internationalization process of digital firms, and propose what behavioral implications these contextual factors might have. In so doing, the thesis answers to longstanding research calls and contributes majorly to the practical work of managers. In addition, as initially was mentioned, it is possible that born global firms merit more attention than they are receiving, meaning that the result of this thesis might provide lessons for many other organizations.



# Internationalization check-list for digital startups

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<b>Checklist applications</b>	This checklist, containing seven contextual factors and their possible implications, may be used as a framework for discussion and development of internationalization strategies
<b>Benefits of checklist</b>	The checklist may shed light on important areas to consider when internationalizing, may help firms to understand the potential risks and opportunities of a certain strategy, in addition to, guiding firms to not waste unnecessary effort or time on areas unimportant to their context
<b>Background of checklist</b>	The internationalization processes of ten Swedish digital firms were studied and analyzed in order to develop this practical internationalization checklist for managers of digital startups
<b>Applicable to</b>	The checklist was developed for firms offering a product or a service which may be bought, delivered and experienced by its customer online, as well as firms who will internationalize within three years of its operations to at least two countries. However, other firms and organizations may find the checklist beneficial as well
<b>Findings</b>	Through case studies it could be observed how some external and internal factors influence the firm's internationalization behavior, therefore it will be important for managers to be aware of their firm's context and be intentional about decisions and strategies regarding internationalization
<b>Additional information</b>	For further details, see the master thesis "The internationalization of digital born global firms" (Strandberg, 2018)

No.	External contextual factors	Questions to consider	Behavioral impact	Comments and definitions
		<b>Is the firm's market regulated or unregulated?</b>	If the market is regulated, the firm might have to put effort into localizing the product, which may require a commitment towards the market. In addition, it might be effective to use partnerships in order to understand the local market conditions, with the risk of becoming too dependent on the partner	A regulated market is a market where the government controls the forces of supply and demand, such as who is allowed to enter the market and/or what prices may be charged
<b>F1</b>	<b>Market</b>	<b>Is the firm's product and operations affected by those regulations?</b>	If the market is unregulated, the firm might save effort on not localizing the product and by developing the product for a global market	A firm is affected if it must apply for licenses and certificates or similar, to operate in a market. Only if a firm is effected the market will here be considered as regulated
		<b>Is the market international or local?</b>	If the market is local the firm might have to be more aggressive in their internationalization in order to win locally  If the market is international the firm might be able to internationalize in an incremental way on a global scale, while learning by doing and by letting the product be available	An international market is when the core product and its content is attractive to an international audience. In a local market the core product need local content to attract a local audience

globally in order not to limit any potential customers, with the risk of internationalizing slowly, with a slow speed or learning, lack of focus and a disorganized process. If the product also has international suppliers it may be efficient that already from the start launch the product in several languages

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	<b>Does the firm only have B2B customers?</b>	If the firm has B2B customers a big part of the internationalization process might be to perform offline sales, in addition to, developing and improving the sales process and make it scalable	Offline sales mean to reach out to businesses via phone or physical meetings
	<b>What are the characteristics of the B2B customers?</b>	<p>If the firm has big multinational business customers (MNE) the product might not have to be localized</p> <p>If the firm has small or medium sized business customers (SME) the firm might need local presence in order to understand the local market conditions, to identify the local players and to perform efficient sales</p> <p>If the firm's customers are slow moving the firm might need to sell products before they are developed in order to cut lead times</p>	Characteristics such as: small, big, slow-moving, international, local
<b>F2</b>	<b>Customer</b>		
	<b>Does the firm only have B2C customers?</b>	If the firm only have B2C customers it might have to focus on marketing activities, but may also be able to rely on Word of Mouth effects when growing. There is a risk that the firm perform waste resources on marketing before the product-market-fit is set in the new market. The effort of entering into partnerships with other players might be unnecessary and unsuccessful.	
	<b>Does the firm have both B2B and B2C customers?</b>	If the firm both has B2B and B2C customers, the firm might reach efficiency and scalability by using the B2B customer as a partner in order to reach other customer segments, with the risk of becoming too dependent on the partner	E.g. the firm's main customer is a business who use the product to reach consumers who are the main users of the product
	<b>Are the customers homogeneous across national borders?</b>	If the firm's customers have similar needs and requirements across markets, the firm might avoid local presence in order to focus on a niche segment in various markets, with the risk of missing important knowledge about the local market conditions	

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No.	Internal contextual factors	Questions to consider	Behavioral impact	Comments and definitions
F3	Availability	<b>Is the product available for purchase, delivery and experience globally?</b>	<p>If a firm's product only is available locally the firm may be able to be highly committed to a particular market and actively choose what country to enter and plan how to do so</p> <p>If a firm's product is globally available the firm may be able to enter multiple countries in parallel and incrementally learn and grow in an opportunistic way while not being committed to a particular market, with the risk of internationalizing slowly, with a slow speed or learning, lack of focus and a disorganized process</p>	
F4	Product	<p><b>Does the product or service inherit any lock-in, network or marketing effects?</b></p> <p><b>Does the product require trust from the customer?</b></p> <p><b>Is the product a social platform?</b></p> <p><b>Is the product a lifestyle or hobby application?</b></p>	<p>If the firm's product inherit high lock-in effects or network effects the firm might have to perform aggressive internationalization and be highly committed to a market</p> <p>If the firm has low lock-in effects, a partner might be helpful in order to locally promote and retain customers. Partnerships come with the risk of becoming too dependent on the partner</p> <p>If the firm has inherent marketing effects, the firm might be able to limit their marketing efforts</p> <p>If the product requires high trust from the customer the firm might need to heavily localize the product in order to gain trust</p> <p>If the product requires low trust from the customer it might cause the effort of entering into partnerships with other players might be unnecessary and unsuccessful</p> <p>If the firm's product is a social platform, it might have to enter smaller markets (cities, regions) in order to make use of the social network effects. In addition, online marketing might be successful to reach customers</p> <p>If the firm's product is an application within the industry of lifestyle and hobbies, intent marketing might be successful to reach customers</p>	<p>Is the product or service offer designed so it causes any effects such as: lock-in effects, network effects or automatic marketing when delivered and experienced by customer?</p> <p>Customer trust is needed for conversion if the consumer would be affected (financially or integrity-wise) if the product fails or the firm misuse the consumers data</p> <p>A social platform value proposition is to connect consumers with consumers</p> <p>For lifestyle or hobby applications consumers are likely to search for solutions online, causing marketing to certain search words to be efficient</p>
F5	Business model	<b>Is the price strategy a freemium/premium model?</b>	<p>If a part of a firm's offer is provided free of charge the firm might have to focus on finding a scalable internationalization strategy and avoid local presence as much as possible in order to cut costs, with the risk of missing important knowledge about the local market conditions</p>	<p>The firm's core product or service is provided free of charge to at least one customer segment, while money is charged for additional features</p>

		<b>Is the revenue model based on subscriptions or transactions?</b>	<p>If the firm has a transaction-based payment model the firm might need local presence in order to continuously promote and sell the product</p> <p>If the firm has a subscription-based payment model the firm could possibly avoid local presence as it only need to convert customers once, with the risk to miss important local market knowledge</p>	The model is based on subscriptions if the customers pay on an on-going basis. If the customer makes individual purchases the model is transactional
<b>F6</b>	<b>Value proposition</b>	<b>What is the core product's value proposition?</b>	<p>If the value of the firm's product is to match local supply and demand, the firm might need local self-governing presence for user-community building/operational-purposes</p> <p>If the firm provide a service, it might need some local presence in order to understand the local market conditions in order to provide the service efficiently</p> <p>If the firm provide a product and its content, the firm might avoid local presence and instead focus its effort on the product development, and only localize parts of the product. With the risk of missing important knowledge about the local market conditions</p>	Match supply and demand, provide a service, or provide a product
		<b>What is the goal of the internationalization?</b>	If the goal of the internationalization is to enter markets fast, the firm might have to plan both what markets to enter and how to enter them	The aim of the internationalization may be to enter a market fast, gain market knowledge to develop the product or increase the customer base
<b>F7</b>	<b>Firm</b>	<b>What is the firm's key competence?</b>	If the firm's key competence is to develop the product (which is common amongst digital startups), it may have to centralize the internationalization process at the headquarter in order to stay focused and to spread the customer/market learnings internally	The internal competence the firm capitalize on, e.g. product development, marketing, business strategy
		<b>What is the firm's overall focus?</b>	If the firm's overall focus is to develop the product, it might be able to avoid marketing and sales efforts thanks to the product's competitive advantage	The firm's focus may be to develop and improve the product, internationalize, sales or to build referral cases

**Table 11.** A practical checklist for managers to use for internationalization, the table summarizes the result of the thesis: *The internationalization of digital born global firms – Contextual factors and behavioral implications* (Strandberg, 2018).

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# APPENDIX I - INTERVIEW TEMPLATE

## Goal of interviews

Understand the context of the firm

Understand the firm's internationalization strategies and the reasoning behind them

Understand outcomes of the strategies (when applicable).

## Section 1 Background

About the context of the firm, its product, its market and the history of internationalization.

### *Firm characteristics*

- Number of employees
- Number of users
- Key resources and competence (*e.g. knowledge, network, employees, technology*)
- Business idea
- Value proposition

### *Characteristics of market*

- Borders
- Competition
- Main competitive advantage (*e.g. knowledge, network, imitability*)

### *Internationalization characteristics*

- When did you start to plan for internationalization?
- Offline presence in foreign markets (year entered, type of presence, how many markets targeted at once)
- Online presence in foreign markets (year entered, type of presence, how many markets targeted at once)
- Any comments on the countries with only online presence? (planning to continue only online?)
- Main motivation for internationalization? (Trigger)
- Future ambitions

## Section 2 The interviewee

About the interviewee's position, duration at firm and role in the internationalization process.

- Interviewee/Role
- Duration at firm
- Involvement in strategic decisions
- Involvement in market entries
- Other key people in the market entry

## Section 3 The internationalization process

About the internationalization process/activities and behaviors.

### *3.1 Pre-entry phase*

- What was the timeframe for the process? Initially and what happened?
- Did you do any product/service adjustments before entry?
- Did you have any pre-entry operations/activities in the market?
- Did you have an initial strategy for market x?
- Did you implement it?
- How successful was it?

### *3.2 Entry phase*

#### **Presence/Entry mode**

- What kind of online presence did you have in market x?
- Support, location?
- Marketing, what kind?
- Sales channels, how, where?
- What kind of offline presence did you have in market x?
- Did you establish a physical presence, when and how?
- Location of office, where, type/sales office, why this location?
- Employment of staff, what competence, number, nationality?

#### **Partnerships/Sourcing**

- Did you have any partnerships in market x?
- Type of partnership (e.g. corporate, networks, alliances, clusters)
- Type of election, already existent partnerships?
- Type of contracts
- Transactions costs
- Influencers/opinion leaders, change agents, testimonials
- What did you outsource and why? (e.g. distributor, sales, marketing, suppliers)

#### **Product/service development**

- Did you cater towards the market after entry in market x?
- Main innovations/developments
- Customer learning
- Development of new network effects/lock-in effects

#### **Marketing**

- What was your overall marketing strategy to reach market x?
- Activities (online vs. offline)
- Use of internet
- Use of other channels
- Customer segment, one key or several?, twins or new?, Early adopters/opinion leaders? Why this and how defined?
- Did you use existent users to reach market x, either local or international?
- Incentives for users
- Branding vs. sales
- How to cope with foreignness?
- How to cope with novelty? Customer education

### *3.3 Post-entry phase*

- When did you consider the market as “entered”? (sales and number of users?)
- How was knowledge transferred to other parts of the organisation?

## **Section 4 The outcomes**

A fourth section explored factors of successful (perceived success) internationalization, strategies that later on had been abandoned and how the firm had prioritized their activities.

- Have you started to go into markets in a better way after first? How?
- Have you been able to apply old lessons in new markets? Which?
- Have you developed any structures or routines around internationalization?
- How do you manage the organisations with multiple locations? (coordination, control)
- Internationalization activities that have worked out well? Covering areas online/offline presence, partnerships, product/service development, marketing, management, competitors, sourcing

- Internationalization activities that did fail or did not work out so well? Covering areas online/offline presence, partnerships, product/service development, marketing, management, competitors, sourcing
- Do you think you missed out on an opportunity somewhere?
- What activities were prioritized throughout the internationalisation process? The set of activities where effort was focused
- What top three factors do you think were the most important for success? What was worth the money and the effort
- Any other strategies or processes you might have used during the internationalization process?

## APPENDIX II - Cross-case analysis

Contextual factors		Behavioral implications		Observations		
Contextual factor category	Contextual factor Sub-category	Type of behavior	Description of behavior	Firms displaying behavior with certain contextual factor (no. firms with behavior/all firms with contextual factor)	Comments	
Phenomena	Digital startups	Limited outsourcing	The firms value building value and capabilities internally and several have a bad experience of outsourcing activities	All		
Phenomena	Digital startups	Customer segment strategy	The firms mention targeting a narrow customer segment (the actual segment might shift over time) as an important part of their internationalisation process	B,C,D,E,F,G,I,J	8/10	
Phenomena	Digital startups	No local office	Opening a local office has not been a part of the internationalisation process	B,C,E,F,G,H,I,J	8/10	
Market characteristics	Unregulated market	Global product development	The product development department focus on developing features relevant globally	B,C,D,F,G,H,I	7/7	
Market characteristics	Unregulated market	Low-Mid product localization	The product is translated and content is relevant locally (might also be relevant globally), (Mid), only language or nothing is adapted to a market (Low)	B,C,D,F,G,H,I	7/7	
Market characteristics	Regulated market	Extreme product localization	The product's language, content and features are adapted to the market	A,E,J	3/3	
Market characteristic	Regulated market	High commitment to a market	The firm early decides to enter a specific market and commit resources to a market	A,E,J	3/3	
Market characteristic	Regulated market	Partnership success	Partnerships, (e.g. supplier, reseller, joint venture to create offer), was a success factor for the internationalization process	A,E	2/3	
Market characteristic	International	Global availability	The product is available for purchase globally	A,B,D,H,I	5/6	B - founders thought market was international
Market characteristic	International	External learning	Firm seems to learn mainly from external parties, e.g. a partner present in the market or an employee with local knowledge	B,D,F,H,I	5/6	B - founders thought market was international
Market characteristic	International	Incremental internationalization process	The firm gradually commit to a market and iterate and test out business idea/product idea/operations/markets many months/years after market-entry (Incremental)	A,B,D,F,H,I	6/6	B - founders thought market was international
Market characteristics	International suppliers	Global translated launch	The product was launched in several languages	F,H	2/2	

Market characteristics	Local	Aggressive internationalisation	The firm focus on grabbing a lot of market during a short time frame of a couple of months	B,C,E,G,J	5/6	H - founders did not realize the local elements of the market
Business model	Freemium	Limited local presence	Local presence to understand the market, perform sales or promote the brand has not been an important part of the internationalization (Limited).	B,F,G,H,J	5/6	E - main customer is not a freemium customer
Business model	Freemium	Govern scalability carefully	Firm stresses the importance of internationalising in a scalable way	B,F,G,J	4/6	E - main customer is not a freemium customer
Business model	Subscription model	Limited local presence	Local presence to understand the market, perform sales or promote the brand has not been an important part of the internationalization (Limited).	B,D,F,H,I,J	6/7	
Business model	Transaction model	Local presence	The firm has opened a local or regional office	A,C	2/3	
Business model	Transaction model	Localized internationalisation/low control from HQ	The local offices activities, e.g. marketing, branding, sales, P&L responsibility, recruitment, content creation, partnerships, support, laws and regulations play a key role in the internationalization	A,C,G	3/3	
Value proposition	Matching supply and demand	Localized internationalisation/low control from HQ	The local offices activities, e.g. marketing, branding, sales, P&L responsibility, recruitment, content creation, partnerships, support, laws and regulations play a key role in the internationalization	A,C	2/2	
Value proposition	Providing a service	Mid local presence	Local presence to understand the market, perform sales or promote the brand is considered as important for the internationalization (Mid).	A,C,D,E	4/6	
Value proposition	Providing a product	Limited local presence	Local presence to understand the market, perform sales or promote the brand has not been an important part of the internationalization (Limited).	B,F,G,H	4/4	
Value proposition	Providing a product	Mid product localization	The product is translated and content is relevant locally (might also be relevant globally)	B,F,G,H	4/4	
Value proposition	Providing a product	Focus on product development	The firm stress the importance of their product development/user testing and research as a key part of their internationalization	B,F,H	3/4	G - the content is not as dominant as the service

F - product not available globally, constrained by stakeholder contracts

Firm characteristic	Activity focus: product development	Growth without marketing	Markets out of focus are growing without marketing	B,D,H,I,J	5/6	
Firm characteristic	Goal: Speed of entry	Planned internationalisation	When having entered a market the firm's process ahead is planned	A,C,F,J	4/4	
Firm characteristic	Goal: Speed of entry	Planned market-entry	Firm actively and strategically choose what market to expand to	C,F,J	3/4	
Firm characteristic	Key competence: Product development	Centralized internationalisation/High control	The HQ is responsible for the business model, P&L, key sales, key marketing activities, support, recruitment and the customer learning	B,D,F,H,I,J	6/6	
Product characteristics	High trust	Extreme product localization	The product's language, content and features are adapted to the market	A,E,J	3/4	
Product characteristics	Low trust	Unsuccessful partnerships	Partnerships played a crucial negative part for the product and/or the internationalization process	B,F,H	3/4	
Product characteristic	High lock-in effects	High commitment to a market	The firm early decides to enter a specific market and commit resources to a market	B,E,G	3/6	
Product characteristic	High lock-in effects	Aggressive internationalisation	The firm focus on grabbing a lot of market during a short time frame of a couple of months	B,C,E,G,I	5/6	
Product characteristic	Low lock-in effects	Successful partnerships	Partnerships, (e.g. supplier, reseller, joint venture to create offer), was a success factor for the internationalization process	A,G	2/2	
Product characteristic	Network effects	Aggressive internationalisation	The firm focus on grabbing a lot of market during a short time frame of a couple of months	B,C,E,G	4/5	
Product characteristic	Network effects	High commitment to a market	The firm early decides to enter a specific market and commit resources to a market	A,C,E,G	4/5	
Product characteristics	Marketing effects	Limited marketing activities	Firm has not performed much marketing activities/ grown in markets without marketing	A,D,E,G	4/4	
Product characteristic	Social platform	Entering micro-markets	The firm entered into a focused part of a nation (city, state)	B,C,G	3/3	

Product characteristic	Social platform	Focus on online marketing	Online marketing, e.g. GoogleAds, SEO, Facebook, PR have been an important part of internationalization	B,C,G	3/3	G - will set up an online marketing strategy
Product characteristic	Lifestyle/Hobby application	Intent marketing	Firm use GoogleAds to market to people who intentionally search for something on Google that the firm may help with	B,C,G	4/4	
Product characteristic	High novelty	Travelling culture	Firms stresses the importance of having key people/all employees travelling to the different markets/offices to learn and spread the company culture	D,E,F,I,J	5/6	
Availability	Global availability	Entering multiple markets in parallel	After launch, the firm enters several markets at the same time	A,B,D,G,H,I	6/6	
Availability	Global availability	Low commitment to market	The firms gradually commit resources to a market	A,B,D,H,I	5/6	
Availability	Global availability	Incremental internationalization process	The firm gradually commit to a market and iterate and test out business idea/product idea/operations/markets many months/years after market-entry	A,B,D,H,I	5/6	
Availability	Global availability	Ad-hoc market-entry	Firm has not planned what countries to expand to, act on opportunities, product grows "by itself", no clear entry phase	A,B,D,H,I	4/6	
Availability	Local availability	Travelling culture	Firm stress the importance of having key people/all employees travelling to the different markets/offices to learn and spread the company culture	C,E,F,J	4/4	
Availability	Local availability	High commitment to a market	The firm early decides to enter a specific market and commit resources to a market	C,E,F,J	4/4	
Availability	Local availability	Planned internationalisation	When having entered a market the firm's process ahead is planned	C,E,F,J	4/4	
Availability	Local availability	Planned market-entry	Firm actively and strategically choose what market to expand to	C,E,F,J	4/5	
Customers	Homogeneous segment	Limited local presence	Local presence to understand the market, perform sales or promote the brand has not been an important part of the internationalization (Limited).	B,F,G,H,I	5/6	C - social platform



Customers	Multinational enterprise	Low product localization	Only language or nothing is adapted to a market (Low)	D,I	2/2	
Customers	Multinational enterprise	Thought leaders	Firm use industry content, e.g. blogs and webinars as means of marketing	D,I	2/2	
Customers	Slow moving B2Bs	Pre-sale	The firm sells features before they exist	E,G,I	3/3	
Customers	B2B	Sales offline	Phone calls and physical meetings to pot. customers play an important role in internationalization	A,D,E,G,I	5/6	
Customers	SME	Local presence	Local presence to understand the market, perform sales or promote the brand is considered as important for the internationalization or the firm has opened a local or regional office	A,D,E,G	4/5	
Customers	B2B and B2Cs	Successful partnerships	Partnerships, (e.g. supplier, reseller, joint venture to create offer), was a success factor for the internationalization process	A,E,G	3/3	
Customers	B2B and B2Cs	Pre-entry partnerships	The firm negotiated the partnerships before entering a market	A,E,G	3/3	
Customers	B2C	Rely on Word of Mouth	Word of Mouth is an important part of their internationalization process, e.g. referral systems, incentives to share, built in virality, buy in/invite few key customers to get organic growth later	B,C,F,G,H	5/5	
Customers	B2C	Unsuccessful partnerships	Partnerships played a crucial negative part for the product and/or the internationalization process	B,F,H	3/4	C - has not tried partnerships
Customers	B2C	Post-entry partnerships	the firms entered markets and then found and negotiated partnership arrangements	B,F,H	3/4	
Customers	B2C	Focus on marketing activities	Marketing (offline and online) activities have been an important part of internationalisation	B,C,F,H	4/5	

# Glossary

Antecedents	A thing that existed before or logically precedes another.
Born Global Firm	A firm that aims to internationalize from inception, and internationalize to at least 2 countries within two years
B2B	Business to business - refers to business conducted between companies
B2C	Business to consumer - refers to business conducted between a company and consumers
Cleantech	Clean technologies – refers to an industry containing environmentally friendly focused technologies, products and services
Contextual factors	A factor describing the characteristics of a firm and its business environment
CTO	Chief technology (or technical) officer, a senior executive with responsibility for managing the technological requirements of a company
C2C	Consumer to consumer - refers to business, products or services conducted or used between consumers
Digitalization	The process of converting information into a digital format, in which the information is organized into bits
Economies of scale	A proportionate saving in costs gained by an increased level of production
Fintech	Financial technologies - an industry containing financially focused technologies, products and services
Freemium	A product or service offered to a customer for free (e.g. firm has other revenue resources)
HR-tech	Human Resources technologies – an industry containing HR focused technologies, products and services
ICT infrastructure	The infrastructure of Information and communication technology, which encompasses the devices, networks, protocols and procedures needed to foster telecom communication
Lean startup	A startup firm that practices the lean methodologies as formulated by Reis (2008)
Liability of foreignness	Barriers a firm initially has about a foreign market, e.g. lack of knowledge and network
Liability of novelty	Barriers a firm may experience when offering a concept new to the market
MNE	Multinational Enterprises - A multinational corporation
M&S	Marketing & Sales
Premium	Additional features within a product or service that is offered to a customer for extra charge

Psychic distance	A distance which may occur between markets, defined as the sum of factors preventing the flow of information, i.e. language, distances of culture, administration, economy or regulations and other dissimilarities
P2B	Peer to business - refers to business that is conducted between consumers and business, e.g. crowdfunding
Scaleups	A firm in the "growth phase"
SEO	Search Engine Optimization – refers to optimizing websites to be found and promoted by search engines
SME	Small & Medium Sized Enterprise has between 10-249 employees and a yearly revenue below 50 million euro
Startups	An entrepreneurial and fast-growing venture aiming to meet a market need by developing a business model around a product or service
Subscription-based revenue model	Customers subscribe to a firm's product or service and pay on a continual basis
S&D	Supply and demand
Transaction-based revenue model	Customers buy a firm's product or service by one-time transactions
Virtuality trap	A trap of believing that learning about e.g. customers and markets, through virtual interactions obviates the need for learning through non-virtual means
WoM	Word of Mouth – the “automatic” diffusion of information about e.g. innovations, products and firms between people