Born Digitals internationalization - the challenges and success factors from a business model perspective

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Abstract

The new phenomena, Born Digitals, is rapidly growing in the international business landscape. However, academics are still lacking knowledge about what success factors and challenges these firms may face during an international expansion. Previous literature has primarily focused on digital companies, performed single-case studies, or analyzed specific geographical regions. As such, this study will aim at closing the research gap by performing a cross-industrial study on Swedish Born Digital service companies with a focus on both success factors and challenges. These will be analyzed from a value capture, value delivery, and value creation perspective to provide a better understanding of how Born Digitals differentiate from traditional firms. We used a qualitative approach by collecting data through in-depth interviews with both company executives and experts within the given field. This allowed us to decompose Born Digitals' internationalization process into common themes and patterns. The results found that the success factors and challenges can generally be categorized into networks, adaptations & flexibility, market conditions, managerial capabilities, and flexibility. Overall, the findings imply that managers should consider the unique characteristics of their industry, leverage digital infrastructure, build and leverage networks, focus on achieving profitability, and adapt to local market conditions in order to create sustainable value and ensure the success of their business.

Keywords; Born Digitals, Internationalization, Value Capturing, Value Delivery, Value Creation, Success Factors, Challenges

1. Introduction

Digitally enabled technologies are today highly integrated into our daily lives. From watching the morning news on television to scrolling on social media during the daily commute to using a hand-held scanner at the grocery store. All these habits are possible not only due to technological development but also because of disruptive companies. Disrupters are everywhere and not only do they change customers' expectations of retailers in terms of interaction and value creation, but they also encourage new challengers into the market (West & Zanni, 2019). Think about Uber, Airbnb, Netflix, or Facebook. They were all disruptors when entering the marketplace by altering the way customers book taxis, rent residencies worldwide, watch DVDs, or socially interact. Consequently, they paved the way for new challengers to enter the industry, such as Bolt, HBO Max, Instagram, and TikTok. However, the most significant force of disruption that companies such as Uber, Airbnb, Netflix, or Facebook catalyzed was their characteristic of having a fully-digitalized value chain, opposing anything a business model has been before. Traditionally a business model entailed attracting customers to a physical place where an assortment of physical products was offered. Disrupters changed customers' expectations of being physically present as they could offer products or services to consumers worldwide simultaneously, without being bound to a specific place. Today, these companies which have been fully digitized from inception are known as Born Digitals and they are growing rapidly. Recalling the previously mentioned companies; Uber, Airbnb, Netflix and Facebook, are all examples of Born Digital companies. Indeed, in a recent report on Born Digitals (Crawford & Zutavern, 2019), the authors expressed;

"We are only in the early stages of what is arguably the most disruptive force in the history of business, due to its rapid pace"

Considering its disruptive nature, it is rational to assume that the accumulated knowledge about traditional retailing contrasts with the knowledge that researchers will eventually derive about Born Digitals. The new phenomenon has already received attention from academics but cannot yet be argued as understood. Most research to date is case studies or investigations into other Born Digital nouns than "a company", such as "a generation". There are few studies on Born Digital companies with a qualitative methodology to understand the concept more in-depth. As such, academics have mostly touched upon Born Digital's characteristics

in relation to other business models and their relative challenges and strengths. However, not much is known about the internationalization process. A recurring misconception is the one between Born Digitals and simply "digital companies" where the latter is defined as *"digital businesses using technology to create new value in business models, customers' experiences, and the internal capabilities that support its core operations"*. As such, the term does not only include Born Digitals but also traditional retailers that have transformed their business with digital technologies (Liferay, 2020). Phrased differently, Born Digitals is a niche within the broad concept of digital companies. Therefore, the research and current understanding of digital companies cannot seamlessly be transferred to Born Digitals. Rather, the phenomena must be studied separately and alone.
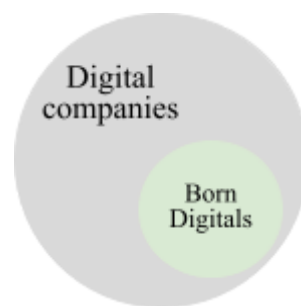
Picture 1: The concept of Born Digitals seen from a broader perspective

This study aims to contribute to the current research field on Born Digitals. More specifically, assess an understanding of the challenges and success factors they might face during an international expansion. All from the perspective of value creation, value delivery, and value capture. This will provide empirical evidence for practitioners and researchers. Considering that in 2021, less than 0.5% of Born Digitals had reached $100 million in revenue, and more than 90% earned less than $1 million in annual revenue (Broitman et al., 2021), practitioners should be eager to learn how to successfully leverage the technology advantages throughout several markets. For researchers, on the other hand, this study attempts to address multiple gaps and make significant contributions. First, this study extends the limited research on understanding challenges and success factors during an international expansion for Born Digitals. Most previous studies were limited to examining digital companies or other niche segments within the broad definition. Second, by evaluating the findings from the perspectives of value creation, value delivery, and value capturing, this research will provide useful insights when developing a framework designed for Born Digitals' internationalization process. Third, Born Digitals is still a highly unexplored phenomenon in many aspects, thus this study will contribute to a more in-depth understanding of the concept. Concluding, the

research objectives are to (1) assess the challenges that Born Digitals face during an international expansion, (2) assess what success factors can be identified during Born Digitals' internationalization, and (3) better understand the phenomena of Born Digitals.

1.1 Research Gap

Considering the rapid growth of Born Digitals, academics, and practitioners call for greater knowledge of the new phenomena. Currently, there is limited research on the topic and especially on Born Digitals' internationalization process.

Several studies recognize how Born Digitals may challenge traditional internationalization theory (Vadana et al., 2019; Beard & Gentjana, 2021) as they, during an international expansion, leverage digitalization across the value chain (Vadana et al., 2021). However, these adopt different purposes and methods to examine the phenomena of Born Digitals. While some conduct a single case study with a network approach (Beard & Gentjana, 2021) or study the impact of bricolage on Born Digitals' internationalization (Vadana et al., 2021), others aim at presenting a framework for classifying Born Digitals from an internationalization and value chain perspective (Vadana et al., 2019). The latter found that business models significantly influence Born Digitals' internationalization and, as such, this study can be seen as an extension. Adopting a business model approach when examining Born Digitals is not novel. However, it has only been done for specific niches, such as distinct geographical regions or industries (Mihailova, 2023). There is a research gap in studies performing a cross-industry examination of Swedish Born Digital service companies with a perspective on both challenges and success factors during internationalization. This study targets that specific research gap.

Barriers faced by Born Digitals in their internationalization have received some attention from academics (Norström & Seeger, 2020). This research paper differs from previous studies through its methodology of a single case study and delimiting perspectives on the liability of newness and the liability of foreignness. Further, characteristics of Born Digitals have been studied to assess how a sustainable competitive advantage can be achieved during internationalization (Jarosinski, 2022). These concepts may be derived as success factors, but they are not interchangeable. Both studies called for a cross-industry study of Born Digitals' internationalization strategy and barriers, which this study aims to capture.

Lastly, studies that examine factors affecting the internationalization process (Dissanayaka, 2021), adopt a business model innovation perspective (Ranby & Nordin, 2020), or identify both challenges and success factors (Rother, 2016), do so on Born Global companies; defined as small or medium-sized firms that expand to the international market from inception or within the first years (Knight & Cavusgil, 2004; Oviatt & McDougall, 1995; Rennie, 1993). Although Born Globals and Born Digitals share some characteristics, they are not equivalent. For this reason, this study targets a research gap by examining Born Digitals from a perspective that has, yet, only been applied to Born Globals.

1.2 Purpose

The paper aims to create a better understanding of the emerging phenomenon of Born Digitals. This research seeks to improve understanding through a qualitative examination of the challenges and success factors faced by Swedish Born Digital service companies during international expansion. This will be studied from the perspectives of value capture, value delivery, and value creation. These perspectives together form a proposed framework for evaluating Born Digital's successes and challenges. [Removed; The aim is to provide a better understanding of Swedish Born Digital service companies in their internationalization. In addition, it is to identify challenges and success factors related to value capture, value delivery, and value creation they may face.] As such, the following research questions will be answered;

1.2.1 Research Questions
  ○ What challenges do Born Digitals face when expanding internationally?
  ○ What success factors can be identified in Born Digitals' international expansion?

1.3 Focus and Delimitations

This is a qualitative study where interviews were conducted with company representatives and an expert in the area. This is to assess Born Digitals' commonly faced challenges and success factors. The direct interaction with participants using a qualitative approach allowed us to extend our knowledge and understanding more deeply than a quantitative research method would enable.

Companies were purposely sampled to fit the study. Accordingly, any company that does not fulfill all criteria of being Born Digital, a service provider, founded in Sweden, and

expanding to at least one foreign country, is excluded from the study. A total of 5 company representatives and one expert participated in the study through qualitative in-depth interviews. These were conducted digitally and ranged between 25 and 39 minutes. We reached out to participants one month in advance of the interview sessions and the total of all interviews was conducted over two weeks. Lastly, this study does not include any other observation of expansion than international, such as regional or internal.

1.4 Disposition

This paper consists of seven chapters. Firstly, a background to Born Digitals and the digital landscape is given, together with statistical evidence of the topic's importance. Next is a literature review of previous research on the relevant topics this study concerns. Further, the methodology section provides information about (1) the research method and design, (2) data collection and analysis, (3) the credibility of the study, and lastly (4) ethics. The following chapter presents the findings of all interviews. Lastly, there is a discussion from the business model perspective, followed by a conclusion, managerial implications, limitations, and suggestions for future research.

2. Literature Review

The following section presents theoretical models and previous research on the topic.

2.1 Traditional internationalization and new emerging business models

For more than five decades, the internationalization of firms has been of great interest in academic research (Fayerweather, 1972; Hassel et al., 2003). As such, there are extensive theories on how traditional firms internationalize. Perhaps the most widely known models are the Uppsala model, which emphasizes resource commitments in foreign markets to drive iterative expansion (Johanson & Vahlne, 1977), and the network approach (Johanson & Mattsson, 1988; Johanson & Vahlne, 1990). Historically, the traditional view of internationalization has focused on incumbents who stepwise expand to new, still familiar, and close markets (Johanson & Vahlne, 1977; Vahlne & Johanson, 2017). This is highly visible in the Uppsala model which proposes that firms tend to internationalize to similar or neighboring countries; a process that can take years before the right amount of resources is implemented (Johanson & Vahlne, 1977). However, the more recent model: the network approach, instead suggests that a firm's process of internationalization is a result of its position in a network of firms and associated relationships (Johanson & Mattsson, 1988). As

opposed to the Uppsala model where geographical distance is a main determinant of expansion to new markets, the network approach suggests that the development and termination of network relationships are strongly correlated with the market selection and entry mode (Axelsson & Johanson, 1992; Johanson & Vahlne, 1992; Coviello & Munro, 1997).

Now, due to technological development and our increased presence in a digital environment, new phenomena such as Born Globals and Born Digitals have emerged. Born Globals are defined as small or medium-sized firms that expand to the international market from inception or within the first years (Knight & Cavusgil, 2004; Oviatt & McDougall, 1995; Rennie, 1993) whereas Born Digitals are the firms whose core value proposition is enabled by digital infrastructures (Shaheer, 2020). The phenomena are closely connected both because of their shared capability of organizing a global presence early on from inception, but also because the concepts are built without clear geographical boundaries, increasing their business model's complexity. The main difference between the concepts is that Born Globals do not have to use the internet as a core from the beginning to scale globally (Sekliuckiene & Maciulskaite, 2013; Sepulveda & Gabrielsson, 2013). This differentiates strongly from Born Digitals as they are highly digital from inception and rely on their inward-outward digitized value chain (Vadana et al. 2019), enabling them to conduct their operations online (Mahnke & Venzin, 2003). As a consequence of the concepts' dissimilarities, research shows that Born Digitals' competitive advantages can vary compared to those of Born Globals. As such, this study will solely focus on one of the concepts and as the phenomenon Born Global emerged a decade before the phenomenon Born Digital (Rennie, 1993) there is currently more research on the former concept. Therefore, this study will focus on Born Digital companies to fulfill a more urgent research gap.

2.2 Characteristics of Born Digitals

The characteristics of Born Digitals differ significantly compared to traditional business models, as highlighted by several authors. The foundation of Born Digitals is that they leverage digital infrastructure (Monaghan et al., 2020, Shaheer, 2020; Nambisan, 2017; van Alstyne, Parker, & Choudary, 2016) and digital skills of employees, which engenders characteristics such as creativity, responsiveness, and innovativeness. The digital skills of employees can be used to educate customers and spread brand awareness without employing third parties and, as a result, reduce costs (Norström & Seeger, 2020), whereas the

responsiveness is influenced by the culture of creativity and innovativeness to remain competitive (Knight & Cavusgil, 2004; Rennie, 1993).

Although Born Digitals' business models, as previously mentioned, rely on the internet as they are highly digitalized early on from inception, their degree of digitization can vary (Monaghan et al. 2019; Vadana et al., 2019; Eden, 2018). This allows for activities without a physical footprint (Kirschenbaum, 2013), enabling them to connect with several markets at the same time worldwide (Monaghan et al., 2020; Shaheer, 2020) which, in turn, allows for faster and more efficient scaling compared to traditional businesses (Hennart, 2013; Vadana et al. 2019). Furthermore, Born Digitals can build a brand cost-efficiently because of reduced transportation costs and the removal of trade hurdles. Consequently, these characteristics create an advantage over traditional firms when building a presence globally (Knight & Liesch, 2016). Additionally, Born Digitals' highly digitalized value chain allows them to take advantage of customer data instantly and enables them to better understand consumer behavior (Knight & Cavusgil, 2009).

Born Digitals' digital infrastructure signifies having a presence online, in the so-called 'space', while having offices or warehouses in a physical 'place'. The digital foundation facilitates collaboration, communication, and computing capabilities which yield firms to sell offerings in the 'space'. Born Digitals' relationship between space-place contrasts the traditional process and previous theoretical models for internationalization (Laudon & Laudon, 2015; Nambisan, 2017).

Monaghan et al. (2020) identify the functioning of Born Digitals to be flexibility, scalability, direct engagement with stakeholders, automation, and network effects. Technologies enable close interaction with many actors across the world which allow for non-physical transactions. Therefore, Born Digitals are less constrained about the physical distance and instead rely on the size of their network. This in combination with their ease of quickly creating and coordinating networks explains why Born Digitals are often highly network-oriented (Monaghan et al., 2020). Following, not having any geographical constraints not only increase Born Digitals' interest in expanding internationally and identifying foreign opportunities but also increases their uniformity and flexibility. This, in turn, can lead to reduced costs of standardization and allows more niched and standardized products on the international market (Rasmussen et al., 2001). However, Born Digitals' niche

market orientation combined with low barriers to entry and high technological development, as are often experienced, creates an intensely competitive landscape (Dunning & Wymbs, 2001; Knight & Cavusgil, 2004). The limited resources and international inexperience can make the intense situation difficult to handle for Born Digitals (Johansson & Abrahamsson, 2014). Even so, researchers have identified an increased willingness among these firms to take risks and invest resources in new markets (Moen, 2002). This is related to Born Digitals' network capabilities as relationships can increase the perception of business opportunities around the world (Acedo & Galán, 2011).

2.3 Internationalization of Born Digitals

Born Digitals' internationalization relies on accessing digital technologies and devices in new markets (Brouthers et al., 2016), mainly achieved through market penetration and advertising (Mahnke and Venzin, 2003). The intense use of the internet can both be a challenge, as it can cause limitations in the development (Ojala et al., 2018), but also a benefit since it enables Born Digitals to not suffer from the same strategic internationalization constraints as the Uppsala model proposes. This is because their resource commitments do not have to be physical, and less capital commitment in wider scope is required (Monaghan et al., 2020; Brouthers et al., 2016). Consequently, Born Digitals can generally skip several steps in the internationalization process, which enables a quicker international expansion compared to traditional business models. This is of strategic importance as it gives access to essential resources and does not jeopardize bypass market opportunities due to late market entry (Mahnke and Venzin, 2003). Accordingly, the traditional models may not alone be sufficient for the changed business landscape (Monaghan, 2020; Tippman & Coviello, 2020).

Born Digitals rely on their network relationships prior to expansion as it can enrich them with a local understanding of the market (Prashantham et al., 2019; Johanson and Vahlne, 2009; Schoonjans, et. al., 2013; Johanson & Matsson, 1988), which in turn enables efficient use of resources and a centralized organizational structure to scale (Mathews & Zander, 2007; Mudambi & Zahra, 2007). However, recent research stresses that networks are not stable (Johanson & Johanson, 2021). When a firm enters a new market, the network dynamics change, and as Born Digitals are said to be heavily dependent on networks they are also notably affected by such changes. Given the network approach's strong justification for traditional firms' internationalization process, it is evident that these newly emerged digital business models disrupt the traditional way of internationalizing. Incumbents are even forced

to reconstruct internal structures to remain in the competitive landscape (Ji & Yang, 2010). As such, researchers call upon a need for business model innovation.

2.3.1 Business Model Innovation

Business models describe how a company captures, creates, and delivers value to its customers (Teece, 2010). The mechanisms of a business model can be identified as technology, activities, resources, partners, and channels as well as revenue and costs, new markets, and growth opportunities that generate value (Osterwalder & Pigneur, 2005; Richardson, 2008). Business model innovation instead is the process of transforming how an organization creates products or services, how these are delivered to the market, and lastly how the firm generates revenue and profits (Johansson & Abrahamsson, 2014). Born Digitals use new emerging technologies to innovate traditional business models and provide new value-generating opportunities to consumers (Kohtamäki et al., 2019; Rajapathirana & Hui, 2018) and thus capitalize on their digital strategies (Casadesus-Masanell & Ricart, 2010; Magretta, 2002). However, there is currently a research gap in understanding *how* digital firms differentiate from traditional firms in terms of internationalization from a value/-creating, capturing, and delivering perspective. Therefore, this study aims to fulfill the current research gap through the use of the following framework:
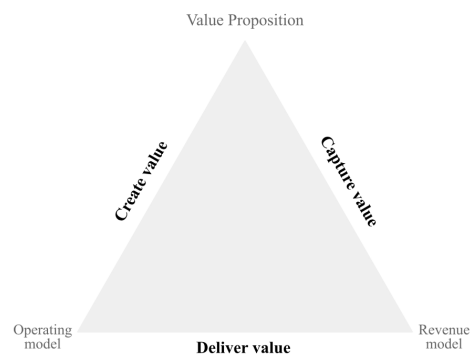
Picture 2: Framework used for the purpose of this study

Value creation relates to the offer that firms produce to the customer (Lafont et al., 2020). Compared to traditional value creation, digitalization advances the offering (Cenamor et al., 2017; Hasselblatt et al., 2018) and in a process of internationalization, Born Digitals need to manage and adjust value-created activities to different market conditions (Govindarajan et al., 2008). New value propositions generated through activities can create competitive advantages, which is essential to survive in the global competitive landscape (Massa & Tucci, 2013). Value delivery includes the operations and features that are needed to bring value to

the customer. Digital delivery activities are different from traditional deliveries since operations are optimized digitally which changes the relationships (Gorissen et al., 2016; Haefner et al., 2020; Ricciardi et al., 2018). Value capture illustrates how the firm makes money, dependent on cost and revenue. Born Digitals can generate income from new revenue streams and lower costs (De Crescenzo et al., 2020; Domingo et al., 2020; Sjödin et al., 2018).

Lastly, Born Digitals can choose to have a passive or active process when expanding internationally. The former entails offering the same standard value proposition to all different markets where they try to target the desired customer segments. By doing so, adjustments or specific investments are not necessary. On the contrary, an active process is when digital firms adjust their offering to match market requirements in foreign countries, thus actively targeting customers and organizing a market presence (Hazarbassanova, 2016).

2.3.2 Challenges and Success Factors with Born Digitals Internationalization

Currently, there is some existing research on the challenges that Born Globals may face in terms of internationalization (Hashai & Almor, 2004). Authors of such studies emphasized barriers such as culture, regulations, preferences, and language as consumers are home-biased by nature (Stallkamp & Schotter, 2019), lack of capabilities and innovation, limited financial resources and knowledge (Rennie 1993; Freeman et al., 2006). The scarcity of these aspects is mostly by inexperience, managerial incompetence, and being small in size (Oviatt & McDougall, 1994; Moen, 2002). Although these challenges concern Born Globals, identical or at least similar barriers are expected to be found in Born Digitals' internationalization. The lack of empirical support for Born Digitals' challenges when internationalizing reveals a research gap that has been identified by several authors (Schaefer & Cabral, 2016; Monaghan et al., 2020; Vadana et al., 2019). Therefore, this study aims at diminishing the current research gap.

Similarly to challenges of internationalization, Born Globals have been studied in terms of success factors. The identified success components have been marketing and product development competencies, unique products or services, meeting customers' needs, having adequate pricing and technological distribution (Knight et al. 2004; Crick, 2009) as well as having a global vision from inception, international experience within the management team,

technological prowess, and exploiting marketing. Authors stress the importance of having skilled management since it positively influences the success factors (Crick, 2009) and focuses on niche market orientation with a high degree of specialization for international success (Madsen et al., 2000). A small and inexperienced global firm may not have all these capabilities from the start and, therefore, establishing an international network can support activities for international success (Coviello & Munro, 1995). Indeed, if the founders have personal contacts or previous networks, it facilitates the internationalization process (Crick & Jones, 2000; Yli-Renko et al., 2002), which is in line with network theory. Therefore, similar success factors are expected to be revealed for Born Digitals during internationalization, and as with the challenges, this study aims at improving the current research gap by providing empirical evidence for Born Digitals' success factors during internationalization.

3. Methodology

3.1 Research Approach

3.1.1 Inductive research method

An inductive approach was used in our qualitative study. The research method is generally called a 'bottom-up' approach since the participant's view of the theme is used to create a rationale that interconnects the themes (Creswell & Plano Clark, 2007). Inductive research does not rely on previous expectations of theories for specific patterns but recognizes new phenomena with the potential to develop a theory, which is the intention of this study (Woo, O'Boyle & Spector, 2017; Lewis, Saunder & Thornhill, 2012). Data is observed and used to build an explanation for the studied phenomena (Lodico, Spaulding & Voegtle, 2010). At first, specific data were observed in detail in our study to create more general conceptual ideas that capture and explain patterns (Neuman, 2003). The approach allows for the exploration of actual observed knowledge and perceptions that can be guided through the use of a focused framework (Woo, O'Boyle & Spector, 2017). General theories can be made from the exploration results (Creswell, 2005) and the discussion will be based on experience (Trochim, 2006) from company representatives and one expert.

We wanted to gain a deeper understanding of an emerging phenomenon and, more specifically, why Swedish Born Digital service companies succeed and what barriers they may face during international expansion. The inductive method was suitable for our thesis

since the approach is highly problem-focused as it seeks to explain what and why things occur (Woo, O'Boyle & Spector, 2017). Furthermore, it is relatively open to discovering unforeseen data patterns (Folger & Stein, 2016), mostly because it can identify unexplored areas that lack sufficient knowledge (Woo, O'Boyle & Spector, 2017).

3.1.2 Qualitative approach

For the purpose of our thesis, we chose to collect data using a qualitative research method. This method focuses on collecting much data from a relatively small sample while still incorporating multiple realities (Strauss and Corbin, 1990). The method was chosen since it provides a deeper understanding and investigation of the data. Further, since experiences, perceptions, and behaviors can be difficult to capture quantitatively, we believe a qualitative approach is more suitable. In qualitative research, interviews are a common method for collecting data and are beneficial since they permit more in-depth answers and interactions (Gill et al., 2008). Through interviews, data can be gathered by allowing participants to elaborate on how and why they answered in the given way (Tenny et al., 2017). Scholars argue that the qualitative approach understands human experience in a distinct setting holistically (Denzin & Lincoln, 2002). Furthermore, the approach has a more flexible structure than the quantitative research method as it allows for more simple reconstruction. If problems with an interview appear, the problem can be solved freely until the next session. The approach captures dynamics in the environment which support the understanding of more complex issues (Flick, 2011).

The disadvantage of a qualitative method is that the process can lead to biased answers since the specific researchers construct relevant questions. It can be difficult to ensure that the right and most effective questions are asked (Hamarberg, Kirkman, & de Lacey, 2016). Accordingly, cultural and social constructions of variables studied may be overlooked (Richards & Richards, 1994). Furthermore, since qualitative research methods are more time-consuming than quantitative methods, a smaller sample size will be used for data collection. However, a smaller sample size can raise concerns regarding limited generalizations about the population (Flick, 2011; Harry & Lipsky, 2014). Nevertheless, considering the in-depth attention to each individual, the sample size can appear much larger (Darlington & Scott, 2003) since the research serves thick descriptions (Donmoyer, 2012).

3.2 Research Design

Our study aimed to gain a deeper understanding of Born Digitals' critical success factors and challenges during international expansion. A tool for achieving deep understanding is case studies: the exploration and observation of a 'bounded system' (Creswell et al., 2007). In this context, this translates to the exploration of selected organizations' and individual experts' knowledge of Born Digitals' internationalization. Case studies can be designed in different ways, and for this study, multiple-case studies will be used. This allows for examining the research questions through a two-step replication strategy. In the first step, cases are selected to gather similar results, called literal replication. Secondly, at the theoretical replication stage, the selected cases are explored to confirm or discredit the identified patterns. To satisfy the requirements of multiple-case studies, the sample size is enough once the data collection no longer shows any novel significant findings. However, our study includes six cases since six to ten cases are suggested if the results are sufficient to support the outcome (Yin, 1994).

To determine the sample of interviewees for the multiple-case studies, we first identified the population of interest, namely Swedish Born Digital service companies that have expanded internationally or individuals with expert knowledge within the field, such as investors. One can sample from this specific selection by probability sampling or non-probability sampling. Since we wanted to take factors such as experience, expertise, and demographics into account, non-probability sampling was used or, more specifically, purposive sampling. This is a subjective sampling method that relies on the researchers' judgment when selecting which individuals or firms to include in the study (Rai & Thapa, 2015). Choosing participants subjectively can make readers question how representative the sample is and why it was selected. Certain criteria for the sample frame is therefore essential. Such can be based on special knowledge or willingness to participate (Oliver, 2006) and is constructed to provide a certain purpose. Conclusively, the purposive sampling method is an effective tool to find the most relevant experts and firms to answer our chosen research questions (Bell et al., 2022).

3.3 Data Collection

3.3.1 Primary Data

The primary data was collected through qualitative interviews, and more specifically via Microsoft Teams. Although having interviews in person allows synchronous communication as one can identify social cues, and has no delay in time between question and answer,

interviewing through Teams enabled us to not restrict the potential participants to the greater Stockholm metropolitan region. Therefore, interviews were only done through Microsoft Teams, not by phone as we wanted to see the body language, voice tone, and facial expressions of the participants. This allowed for an easier analysis of the given answers as it could provide additional valuable information (Elron & Vigoda-Gadot, 2006).

The interviews were conducted in Swedish to meet participants' comfort and preferences. Each interview was audio recorded, with consent, which allowed us to be more present during the interviews and to more easily and accurately analyze the data collection at a later stage. However, notes were still taken during the interviews to make sure all relevant questions were addressed and in case of any problems with the recording (Openakker, 2006).

3.3.1.1 Semi-Structured Interviews

We chose to conduct semi-structured in-depth interviews; a method where the interviewer both has predefined questions and a structured idea of which topics to be covered and the freedom to elaborate further on specific themes and responses through follow-up questions. Elaboration of given answers was beneficial for our study since we wanted to gain personal insights from various perspectives (Bell et al., 2022; Gilbert & Miles, 2005). The interviewed firms were at different stages of the internationalization process and the expert had various experiences. Therefore, using a flexible interview technique enabled us to ask relevant questions, explore the topic more dynamically, and gain a deeper knowledge of the particular area of expertise from each interviewee (Gilbert & Miles, 2005). Further, the approach helped discover novel ideas that were relevant to the specific participant and that would not otherwise have crossed our minds as researchers of the study (Gill et al., 2008). Flexibility, however, can lead to inconsistency in how research questions are asked, especially for follow-up questions and further discussion. The follow-up questions might be worded differently depending on the situation and one respondent might understand the questions differently from other respondents. Yet, since the interviews are conducted verbally and not by text, it is easier to clarify any misunderstandings that are realized (Turner, 2010).

3.3.1.2 The Interviewees

We reached out to several service firms (47 employees across 32 companies) and individual experts (4) mostly on LinkedIn, but in some cases through email or Instagram. We explained the purpose of the interview and suggested a relevant interview period. For those that were

willing to participate more information was given, and we agreed on a specific time for the interview that best suited the participants. Accordingly, a Microsoft Teams invitation was sent. Lastly, before the interview, both the interview questions (Appendix 2 & Appendix 3) and a GDPR form (Appendix 1) were sent out to each interviewee. This enabled interviewees to prepare more thoroughly and ensure anonymity.

Label	Role	Interview Date	Interview Length	Industry	Definition of industry	Number of Markets
Firm A	Co-founder	10/3	25 minutes	Mobile Game Developer	*A mobile game developer is someone who designs, builds, and then maintains the mobile game app on iOS or Android.*	Global
Firm B	Head of Business Development & Expansion	17/3	31 minutes	Electricity Company	*A public utility that engages in electricity generation and distribution of electricity for sales generally in a regulated market.*	Four (4)
Firm C	Co-founder	14/3	28 minutes	Video Game Developer	*A software developer specializing in video game development- the process & related disciplines of creating video games.*	Global
Firm D	Co-founder	9/3	39 minutes	Digital Psychologist	*Psychology provided by a digital service.*	Four (4)
Firm E	Founder	29/3	30 minutes	Digital Vet	*Veterinary provided through a digital service.*	Seven (7)
Expert 1	Investor	20/3	32 minutes	FemTech	*Diagnostic tools, products, services, wearables, and software that use technology to address women's health issues.*	

Table 1: Summary of interviewed participants

3.3.2 Secondary Data

In addition to collecting primary data through in-depth interviews, secondary data was obtained from Google and LinkedIn. The secondary data were annual reports, news articles, and press releases to contrast, clarify, or validate the primary data results. The resource

format and the article sender were examined to assess resource credibility. Relevance, purpose, and publication date were also considered in assessing credibility.

The method of data triangulation; using data from different times, spaces, and people, was used to strengthen the credibility of the findings. Using secondary sources with similar findings to the interviewees ensures validity and mitigates bias when answering the proposed research questions. By combining data from multiple sources and not only relying on one source, the triangulation supports a thorough understanding (Bhandari, 2023).

3.4 Data Analysis

We chose a thematic analysis to examine the collected data from the semi-structured interviews and secondary data. Thematic analysis is an effective way to organize data when constructing qualitative studies as it can easily summarize and structure key findings of a large data set, and develop an organized and coherent report (King, 2004). Rigorously using thematic analysis can produce insightful and credible findings (Braun & Clarke, 2006). Since the method is a straightforward tool to analyze diverse views within a dataset, it was helpful when interviewing different people with various backgrounds and perspectives. The advantage of the method is that it is highly flexible since it can be modified for the specific study and does not require comprehensive technological and theoretical knowledge of other qualitative approaches to produce a meaningful analysis. Readers and other researchers will be able to easily grasp and understand our study, as well as follow the distinct procedure (Braun & Clarke, 2006; King, 2004). However, the lack of significant research on thematic analysis can cause indecisiveness regarding how to conduct rigorous analysis (Holloway & Todres, 2003).

When using thematic analysis, certain steps can be followed to produce an understandable analysis. We, as researchers and authors of this study, need to examine the collected data and find patterns between the interviews. After familiarizing ourselves with the data and understanding what is of interest, the chosen findings will be labeled to codify them. Thereafter, we explore similarities or themes in the organized data that contribute to our research question to later review the deciding themes. One should thereafter define the themes of the analysis to manage to structure and make the study more understandable. Finally, the themes will be specified and written down in the analysis (Holloway & Todres, 2003).

3.5 Qualitative Assessment

For our research to be perceived as legitimate, it needs to be valid and reliable for scholars, practitioners, and readers. There is a procedure to ensure the credibility of the study, as introduced by Lincoln and Guba (1985). The procedure includes certain criteria to demonstrate trustworthiness. These are credibility, transferability, dependability, confirmability, and reflexivity.

The basis of credibility is the representation of the respondent's view (Tobin & Begley, 2004) and is determined when encountered and recognized with the experience. To ensure this criterion, external checks from peer reviewers such as our tutor were conducted to enhance the credibility of the study and examine references to control the data interpretation. Furthermore, we asked the interviewees if the information they provided had been interpreted correctly to avoid misunderstandings (Lincoln & Guba, 1985). In terms of transferability, we present comprehensive descriptions of the findings to ensure that readers who wish to transfer statements and information from the study can apply it to their own situations (Lincoln & Guba, 1985).

Dependability is achieved when the study process is traceable, coherent, and evidently documented as this enhances easier judgment of the specific criteria (Lincoln & Guba, 1985). To provide dependability in our study, we explain how the interpretations and conclusions from the collected data have been realized (Tobin & Begley, 2004). Confirmability was established when all the above-mentioned criteria were fulfilled (Lincoln & Guba, 1985) and we also discussed the reasons for the chosen theories, methods, and analysis (Koch, 1994). Additionally, an audit trail can be used to ensure these two latter criteria since it can provide evidence of the decisions made during the process. This should be done in a way that allows the reader to reach the same conclusion as the authors by simply following the decision trail (Koch, 1994). To create a transparent audit trail and facilitate the process, we kept notes and raw data to arrange, present, and cross-reference data (Halpren, 1983). Lastly, we need to be and show self-criticality both internally and externally. To ensure self-awareness and to be completely transparent we found it useful to keep a journal of all decisions to document personal reflections (Lincoln & Guba, 1985).

3.6 Ethical Considerations

As we perform qualitative assessments, it is of significant importance to evaluate our study's ethics. Ethicality is especially crucial for qualitative research since in-depth personal interviews can feel intrusive for interviewees (Darlington & Scott, 2003). Participants in our study were not harmed in any way. By making sure that this was the case, the interviewees were informed of the purpose of the study and needed to consent to a GDPR form (Appendix 1) to be part of the interview. Further, all interviewees received the interview questions (Appendix 2 & Appendix 3) beforehand. All participants were anonymous to ensure no invasion of privacy. Anonymity and confidentiality are critical to maintaining ethical conduct (Coffelt, 2017). Confidentiality might not be possible in all areas. Interview recordings and materials, as well as information sent by email, can be problematic in the case of a security breach (Blaxter, Hughes, & Tight, 2001). However, our goal was to balance the ethical aspects to maintain confidentiality during the entire process. We wanted to make sure that all participants felt comfortable participating.

After analyzing the data, each participant needed to accept our interpretation of the collected data to ensure no misunderstandings. Interviewees were treated equally. If a participant did not want to include certain parts of the interview either before or after analysis these parts were removed from the study to not harm privacy. In light of social and cultural variations, certain information may be consolidated for one specific participant whereas others might dissent (Karavas et al., 2013).

4. Empirical findings

	Challenges	Success Factors
NETWORKS	• Dependency can affect required adaptations • Trust	• Enables both quicker expansion and organic growth • Easier to raise capital • Keep costs down and saves time • Exchange of experiences and knowledge
ADAPTATIONS & FLEXIBILITY	• Flexibility is costly • Hard to comply with regulations and local market conditions • A lack of a physical anchor could aggravate the process of adapting the offering to the local market	• Access to customer data and feedback • Successfully expand through scaled off offerings • Localize the offering through marketing, language, product and staffing • Have physical offices in all markets
MARKET CONDITIONS	• Takes time and is costly • Hard to predict the right timing • Cultural barriers	• Digital infrastructure enables quicker expansion • Adapting the speed of expansion to your offerings characteristics • Entering at the right timing • Having a nisched & clear strategy • Make mistakes and gain experience on smaller markets
MANAGERIAL CAPABILITIES	• Keep up with an expansion internally • Difficult to maintain a company culture while growing quickly and difficult to create a company culture digitally • Balancing the cost of employees and the gain of having the right competencies • A lack of physical anchor could lead to lost control	• Managerial & personnel competencies • Diversity. Born Digitals have the possibility to hire employees globally • Building a company culture where employees could thrive
FINANCE	• Reaching many markets is often required in order to achieve profitability • Expensive to expand to new markets • Achieve recurring revenues and organic growth	• Low investments • Be profitable early in order to reduce dependency on investors

Table 2: Summary of challenges and success factors identified through this study

The table shows a summary of all challenges and success factors that the interviewed Born Digital service companies faced during an expansion. All have been categorized into either networks, adaptations & flexibility, market conditions, managerial capabilities, or financial barriers. These categories will be further discussed in the upcoming sections both from a challenge perspective and a success factor perspective, starting with the former.

4.1 Challenges

4.1.1 Networks

Most interviewed firms highlighted how the dependency on networks affects their business strategies. Put differently, interviewees have revealed that if one actor within the network changes the rules of the game by removing or introducing new factors to the markets, Born Digitals will most likely be heavily affected. Firm D (Digital Psychologist) was notably affected financially by a critical network partner when the actor changed their compensation model, resulting in decreased net turnover for Firm D (Annual Report of Firm D, 2021). Further, both Firm A (Mobile Game Developer) and Firm C (Video Game Developer) are highly dependent on specific platforms within their networks and have to adapt to be compliant with these actors' regulations. The Co-founder of Firm A said, *"[...] They [App Store] were both our most important partner and our biggest problem because they came up*

with stupid things that affected us enormously.” The Co-founder of Firm C shared a similar view by saying *“It is usually via Steam or Microsoft and they have their own regulations and legal stuff around to protect themselves, so we need to be compliant with them.”* Following this, Firm E (Digital Vet) works closely with local partners and emphasizes that expanding to new markets together pressures the firm differently depending on the current size of the partner in the new local market. More specifically, the Founder of Firm E said, *“The partners we launch with are of different sizes depending on which market we enter. This puts different pressure on the product we need to go to market with. Mainly from a marketing perspective.”*

As network actors can have multiple global networks and manage thousands of players, it can be difficult to get in contact which creates problems for Born Digitals if something happens beyond their control. As emphasized by the Co-founder of Firm A, when faced with technical issues, there were a lot of times when they did not come into contact with the actors that could influence the issue, saying *“In the first years when we started, it was not possible to get in touch with Facebook or Apple in the US. They did not find Europe that interesting.”* Therefore, both the Co-founder of Firm A and the Co-founder of Firm C underlined the importance of friendly competition and being supportive. It is easier to deal with the problems and contact the big actors that control the threads together as a unit instead of individually, especially if being a smaller-sized firm. The Co-founder of Firm A said that *“Sometimes it is good to have a network of others who can also say that there seem to be huge problems that need to be fixed quickly because it affects the whole market.”* However, creating trust and cohesion within the networks and together with competitors can take time but there are also risks of tensions. For example, a network actor wanted to break its agreement with a Born Digital firm due to technical problems and other issues. The cancellation complicated the market situation tremendously for the firm (Dagens Nyheter, 2023).

4.1.2 Adaptations & Flexibility

The Founder of Firm E pointed out that many Born Digitals disregard the fact that they need to adapt the underlying fundamentals when expanding to new international markets. The Founder said, *“What I feel many people miss, including us, is that you need to adapt quite a lot around the underlying fundamentals when you launch to new countries: in terms of new employees, new rules, laws, employment conditions.”* Further, as emphasized by both the Co-founder of Firm A and Expert 1 it is difficult to meet each customer's demand and

manage all distinctive problems. Flexibility costs a lot and in terms of resources, one needs to prioritize as they are not infinite. The Co-founder of Firm A said, *"It is just not possible to handle every customer's problem manually. 90% of all customers do not pay anything, so it is not possible to spend paid customer support on solving simple problems."* Similarly, Expert 1 stated, *"It would cost too much money to always have to adapt [the offering] to everyone".*

Lastly, the Co-founder of Firm D (Digital Psychologist) recognized that they should have had stable local anchoring, such as offices, in all local markets despite having a digital offering. Not being present physically in each market creates difficulty when adapting the offering, as emphasized in the interview. The Co-founder of Firm D also emphasized the mistake of not adapting enough to the local market, more specifically saying, *"One mistake was that we stuck to our core idea too long. Instead, you should adapt to what is more domestic for the local market and then tweak slowly but surely."*

4.1.3 Market Conditions

The Head of Business Development & Expansion of Firm B (Digital Electricity Company) and the Co-founder of Firm D both emphasized that local marketing structures have affected their expansion strategy, the former saying *"We must comply with local regulations in each market"* and the latter, *"Regarding the expansion of our product, there are completely different compensation systems in all markets."* Distinct characteristics make it more difficult to enter new markets and it can take time and require extensive effort to adapt to various market structures and regulations. As the Co-founder of Firm D said, *"We needed to sign with some partners and it took quite a long time."* Moreover, the Co-founder of Firm C even said that sometimes it can be almost impossible to establish in certain markets due to local regulations or other major barriers and then there is no point to enter, saying *"We are not active in China as one must have the government's approval."* Everything takes time, and it is tough to enter a new market, even for Born Digitals, as stated by Expert 1 and the Founder of Firm E, with the latter saying *"Everything always takes longer than you want. [...] In the beginning, it was hard."* Similarly, the Head of Business Development & Expansion at Firm B admits that *"Within this industry, you have different prerequisites in all markets so a lot of investments and work is required to even get going."*

Following, cultural barriers were identified by Firm C, Firm E, and Expert 1. The latter said, *"We have a tendency to think that all people are like ourselves, but this is not the case."*

Additionally, Expert 1 and the Founder of Firm E addressed that there is a tendency to believe that close markets are the most familiar, but that is not always true. The Founder of Firm E said *"I feel that the cultural differences in the Nordic countries are almost greater than they are between Sweden and the UK",* and Expert 1 said, *"[...]compare Finland, Denmark, Norway, and Sweden - it is like night and day. The Danes are all about price, while in Sweden we talk about emotional values. You think it should be easy to expand into the Nordics, but it is really hard."* The Founder of Firm E also said that it is common to enter certain big markets as a first step in international expansion, but that is extremely difficult as well, saying *"It is very common for Swedish Born Digitals to step on to UK or Germany first. It is almost like starting a new company if you want to be completely crass."* On the other hand, the Co-founder of Firm C said, *"I believe that people are fundamentally the same, perhaps shaped by the country they live in"* and pointed out that the biggest market differences are in countries further away, mostly in Asia.

Lastly, the Head of Business Development & Expansion at Firm B said that there is a balancing act between being first in the market to avoid high entry barriers and entering too early. Having the right timing is difficult. Indeed, the Founder of Firm E emphasized this by saying, *"I think we should have waited longer to expand. I think we were too early for that, both from a product perspective and an organizational perspective."* Continuing, the Founder highlighted that there are a lot of new players entering, saying "*All of a sudden everyone else does the same thing, and long-term that can be terrifying."* In the long-term that can be terrifying, the founder continued by saying. Similarly, this is supported by an interview by Breakit.se (2021), stating that the rapid market movement and constant keeping up with customers' changing needs is one of the biggest challenges for companies.

4.1.4 Managerial Capabilities

The Co-founder of Firm C said that it can be difficult to keep up internally, especially when growing fast and being a Born Digital company, saying*"It is always a challenge when you work from home, getting new employees to come into the company and learn the culture, etc."* and *"It is easy to experience growing pains if you grow way too quickly."* Following, the Founder of Firm E said that Swedish Born Digitals face barriers all the time, saying *"There are barriers all the time, it always has been, and it is never as smooth as you want it to be."* The interviewee continued by saying, *"Anyone can handle when things are going well, ultimately it is about being able to handle when things are going bad."* A mistake for

Firm E was that the management team was too stingy to hire truly competent people when needed. Expert 1 shared a similar view of having a competent management team that can create a proper expansion strategy and understanding which steps to take as well as knowing what to do when faced with barriers along the path.

Furthermore, the Co-founder of Firm D emphasized having local offices in each market and that it was a huge mistake for them to not always have that, saying *"We had the ambition to be able to drive a lot from Sweden, but it was a mistake not to really have a stable local anchoring. You have to have someone on the market. it would have been better to have someone in France all the time who could be hands-on"* and *"If you start in a new market, you should have a physical office where employees meet, to still have such a structure even in a very digital company. It is easy to lose control otherwise."* Expert 1 agreed with the view of having a local anchoring on markets but that it depends on the situation, *"Our expansion strategy is that, depending on the market, we need a local country manager"* continuing with *"In France, we know that we need to find someone who speaks fluent French, knows the culture, understands laws and regulations, understands how everything works"*. However, Expert 1 also says that it is risky financially to have a local anchor before the business has started running, saying *"We hired a country manager there but realized that it was too expensive, nothing worked, so then we had to remove that country manager and do it again later instead."*

4.1.5 Financial

The Co-founder of Firm C said that the company needed to be global from inception to be profitable, stating *"Sweden is such a small country so we have never been able to settle for just that market. This means that you have to go global immediately."* Nonetheless, establishing in foreign markets cost a lot of money even for Born Digitals, as emphasized by the Head of Business Development & Expansion at Firm B, the Co-founder of Firm D, the Founder of Firm E, and Expert 1, saying *"It requires a fairly large investment and a lot of work to get started at all"* (Firm B), *"It must be remembered that going to a new market is a very expensive story"* (Firm D) *"I would say that we are now in a position where it is often cheaper to run a physical business than a digital business"* (Firm E) and *"You will not make money from the start"* (Expert 1).

Expert 1 also highlighted that it is difficult for Born Digitals to be profitable, the value of

growing organically, saying *"It [Born Digitals] becomes quite dependent on recurring revenues in order to be stable. It will take time to build that revenue, that flow"*, continuing with *"It takes time and you will not make money from the start. Their biggest challenge will be learning how to grow organically so as not to bleed a lot of money."* Expert 1 also said that it is important to sit calmly in the boat and communicate the plan internally, *"Otherwise there will be a lot of schisms internally about us not succeeding or not getting enough users."*

Expert 1 continued by pointing out the beliefs in building up the company without venture capital and not letting money be the driving force for expansion. Expert 1 believes *"For those who go too fast, then there will be some crash where they suddenly need to adjust to profitability. But the trick will be that you have to learn it and be patient."*

4.2 Success Factors

4.2.1 Networks

The Co-founder of Firm D recognizes the value that networks can bring during an international expansion by saying, *"It is not like we would not have anything without them [networks] but it [the expansion] would have taken much longer [time]. You are dependent on the basis that you want it [the expansion] to move quickly"*, as well as Expert 1, saying *"I would argue that it [networks] is super important. Above all, it [the expansion] will go much much faster."* The Founder of Firm E also identifies networks as a source of value, saying *"It has definitely helped us"* whereas The Co-founder of Firm C reasons by emphasizing that a network of people can generate organic growth, saying *"You meet people at fairs, and build upon that. It creates a form of organic growth by getting to know people in the industry and in different countries."* How cooperating with actors in a network can provide organic growth is also seen in Firm E's annual report, which states *"We continuously sign new contracts with cooperating partners in our network, this enables customers to use our service free of charge and contribute to our strong growth"* (Annual Report Firm E, 2021). However, the Co-founder of Firm D also emphasizes that the dependency on a network changes over time, *"The dependency on a network decreases slightly with time as you collect your own experience from each market and continuously become better."* Expert 1 also acknowledges the importance of networks in relation to raising capital, *"If focusing solely on Born Digitals and raising capital I would argue that networks are super important."* The Co-founder of Firm A expresses their dependency on networks as low, saying *"Not so much"*, while also recognizing their independence of investors, saying *"We were already a profitable and*

functioning company, having no need of an investor or other public markets" and *"We focused early on becoming profitable in order to not become dependent on continuously raising capital."* On the contrary, the Head of Business Development & Expansion at Firm B agrees that networks facilitate operations by saying that *"In some ways, it facilitates our creations. For example, making an investment and integration with a partner [network] could mean not having to make the investment again."* Lastly, a recent article published by Energi Nyheter suggests that a network can help companies keep costs down, quoting *"The collaboration enables us to purchase more sustainable energy at a lower price and pass this on to our customers"* (Energi Nyheter, 2022).

Moreover, both the Co-founder of Firm A and Firm C recognize that their relationships with competitors have allowed for an exchange of experiences and knowledge, saying *"We have frequently exchanged experiences or traded data"* and *"It has been a lot of collaborations. Everything from operational to sales-related issues."*

4.2.2 Adaptations & Flexibility

In terms of adaptation and flexibility, the majority of all interviewees highlighted the importance of improving their offerings with regard to customer feedback. Although most leveraged their use of customer data *after* an expansion, some recognized that they also used customer data *before* a full-scale launch. One of these was the Co-founder of Firm C, saying *"We try to test it with external consumers early on to receive feedback [...] then you will adjust from that to get an offering as good as possible. Both during the development but also when you release the offering."* Similarly, the Founder of Firm E says that *"Using customer data prior to an expansion has been super important, we have declined markets when customer data and practice does not align."* Expert 1 emphasizes that customer data prior to a launch can be gained through a scaled-off offering, saying *"You can scale it [the offering] down a bit so that you do not come with your entire offering without having started to test the market",* as well as the Head of Business Development & Expansion at Firm B, saying *"You create a waiting list of interested customers that you can connect with later to have a pilot launch and receive feedback."* In the case where companies use customer data after an expansion, the main motive was to improve the offering. The Head of Business Development & Expansion at Firm B expressed it as *"How customers consume affects our investments very much, what we can help them more with [...] how to use our service, what functions are important and how we can simplify"* whereas the Co-founder at Firm D said, *"Data is*

something we put a lot of effort in receiving to create a more effective offering." Similarly, the Founder of Firm E says that *"I do not think you can run this type of business without using customer data. I mean, the advantage with a digital business is that you have data on everything."*

Further, all interviewees emphasize the importance of being able to adapt to local markets. How this is done can differentiate where the Co-founder of Firm C and the Founder of Firm E respectively express language as an important factor, saying *"The one single most important thing is to localize the market and make sure that the offering exists in their language",* and *"It has to be locally adapted in terms of language, product, and staffing. The offering needs to be experienced as local"* and continues by saying *"I do not think you can make it without having a flexible offering."* On the contrary, the Co-founder of Firm A emphasized that they adapt their marketing efforts to local markets, saying *"They can adapt to local holidays and local events happening in those markets so you build a calendar with local activities."* Adapting to the local markets, despite how, is expressed as a must by Expert 1, saying *"You have to adapt the offering to the market."*

Lastly, the recognition of having a physical office where employees can meet and interact with each other was highly emphasized by several interviewees. The Co-founder of Firm A expressed, *"We had offices right from the beginning",* the Co-founder of Firm D elaborated more on this, saying *"If you enter a new market you should have a physical office where coworkers can meet."* The Head of Business Development & Expansion at Firm B communicates a similar position, saying *"Historically we have put up offices and hired employees on the spot"* but continues to elaborate on why an office is important, *"it is required in order to have knowledge about the local market."* Expert 1 also identified the need to have a local connection in new markets requiring high knowledge, saying *"Our expansion strategy is that, dependent on the market, we will need a local country manager."* Lastly, the Founder of Firm E says that *"Having a physical place where employees can meet has been highly important for them internally."*

4.2.3 Market Conditions

The digital infrastructure provided in the markets was, by two interviewees, identified as important. The Co-founder of Firm C said that *"When we began to make our own products we began to sell them, as the big platforms are global."* The Co-founder of Firm A identified

that although they have one offering, it is distributed across several platforms, saying *"The offering is basically the same but it is distributed across different technical platforms - Apple, IOS or Android."* Lastly, the Co-founder of Firm A said that *"We had platforms where a lot of infrastructure had been solved"* followed by *"I prefer digital products because once you have solved the digital issues you can scale globally quickly."*

Following, the interviewees had different opinions on whether accelerated growth or a gradual expansion was the greatest option. The Co-founder of Firm A took on the support of accelerated growth, saying that *"When you realize that you can expand into all markets then you realize that is what you want. As long as you do not burden the organization too much by taking too many markets, you have to grow."* The Co-founder of Firm D instead supported the gradual expansion, saying that *"I should have chosen one market and made sure that we become fully established. Maybe even show black numbers, before entering the next market."* The Founder of Firm E expressed a similar position, saying that *"It has been necessary with a gradual expansion."* Expert 1 is, too, a supporter of a gradual expansion as it provides profitability early, saying that *"Slow growth in the beginning to build a stable company because then you can both grow and be profitable from the beginning which will be sustainable in the long-term."*

Further, all interviewees in one way or another highlighted the value of entering with good timing. Expert 1 states that *"Having the right timing is important"*. Similarly, the Co-founder of Firm A truly recognizes that they have been able to leverage the changed market structure as it created a perfect timing for them to enter, saying *"We entered a time when many things were done for the first time and so we had a lot of luck with the timing."* Similarly, Firm B presented a turnover growth of 700% due to an increase in energy prices and customers (Annual Report Firm B, 2021). This shows how they were able to leverage perfect timing in relation to a change in the market. Alike, the Head of Business Development & Expansion at Firm B expresses that timing is important, saying that *"You need to show that you are there [on the market] but it also needs to be the right timing."* Identifying the perfect timing could potentially require the capability of early identifying customer needs. In relation to this, Expert 1 says that *"Born Digitals can identify a customer need before the customer even knows about it, partly because of their digitalization."* The Co-founder of Firm D admits that their product might not be the most fantastic, but they targeted an unmet need, saying that *"Our service was perhaps not more fantastic than something else but it was more about a*

need that existed on the market." Similarly, the Head of Business Development & Expansion at Firm B says that they experience high demand, *"There is a rather high demand in all markets that gets us pretty far."*

Moreover, the Co-founder of Firm C identified their niched product strategy to be a source of success, saying that *"Rather have a very good product than a product that has all the features. It is better to niche yourself and be good at very few things often."* The 2021 annual report of Firm C elaborates on this and states that good quality products and a strong brand are required to make it through the noise [intense competition] (Annual Report Firm C, 2021). The Co-founder of Firm C continues by saying that *"We have always gone our own way. Dare to find a way and a strategy, not running after trends. When we have believed in something we have done it",* as well as the Co-founder of Firm D saying, *"I would dare to bet, it is often the challenge to really dare to take the plunge."* Similarly, Expert 1 states that leading the market is better than having to react to it, saying *"If you do not act you will always have to react to the market and then it is better to lead the market."* The Co-founder of Firm C touches upon this by saying that *"You want to avoid following trends if you are not super quick but still, it is connected with high risk and high costs"* as well as the Founder of Firm E, *"It is about being able to manage to stay one step ahead and defend your position. We have been able to build the phenomena ourselves and without having to adapt [react] to others."*

Continuing, both the Co-founder of Firm D and the Founder of Firm E identified their strategy of expanding to a small market first as a key to success since it allowed them to gather experience and make mistakes. The former said that *"It was better to make all the expected mistakes on a small market to be able to expand to the larger markets more equipped"* whereas the latter expressed it as *"Looking back, it was way easier for us to handle an expansion to a smaller market and learn from that before we pushed the button to a larger market. We have really profited from that."*

4.2.4 Managerial Capabilities
The majority of all interviewees highlighted the importance of finding competent personnel and most often valued such a resource higher than the quality of the product or service. The Co-founder of Firm A said that *"The fact that we had technical-, data-, gaming-, business-,*

and marketing competencies helped us" while the Co-founder of Firm C expressed it as *"I think the biggest success factor is finding talented people to work with"* and followed *"We believe a lot in people, we are good at investing in the individual who is most often more important than the idea itself."* The Head of Business Development & Expansion at Firm B said that *"We have found the right person and are not dependent on which office they would belong to. We exist in four countries with offices but have people sitting in at least as many other countries".* A few companies even mentioned that the workforce needs to mirror the consumers. The Co-founder of Firm C said that *"You want to be diversified as much as possible if you sell globally you want to have as much represented in the team as possible"* whereas the Co-founder of Firm A expressed *"It was diversified, it was a huge deal and was required as our target audience existed globally and not nationally."* In line with this, a published article from Svenska Dagbladet (2015) emphasizes that having diversity among the founders of a startup could potentially be a source of success, saying *"According to experts having an international group of founders could be the key to a global success."*

Moreover, all interviewees identified knowledge from management as important when expanding their business. All firms were confident that their founders had relevant knowledge, mostly from prior experiences, in building a company. Although when approaching the expansion, both Firm D and Firm B recognized a need to either consult experts or recruit competent employees to broaden their knowledge. The Co-founder of Firm D expressed this, *"The actual expansion came later and then we recruited other people to have a broader experience overall."* The Head of Business Development & Expansion of Firm B identified that recruiting competent employees allowed them to build all offerings themselves, saying *"...but the most things we have actually done ourselves through people we hired."* Similarly, it is found that Firm E, too, had to recruit more employees to expand and grow their business, quoting *"An addition to the workforce was required for technical development and internationalization"* (Annual Report Firm E, 2021). Further, the Co-founder of Firm D identified the importance of leveraging on the accrued expertise, both from employees but also from prior experiences, saying *"When you feel stable and safe you go to the next market [...] it is easy to become ambitious but it is better to turn all resources towards one market before entering the next one."*

Lastly, building and maintaining a good company culture was frequently emphasized by the interviewees. Expert 1 said that *"I am very pro culture which very many within Born Digitals*

[companies] also prioritize highly" while the Co-founder of Firm D emphasized the value that digitalization has brought to their company culture, saying *"The strong USP everywhere is that our employees can work from home."* An article identified that the company culture is vital for employees to thrive, and more specifically said, *"A culture where you as an employee receive confirmation for your individual accomplishments"* (SVT Nyheter, 2013). The Founder of Firm E agrees that culture is important within the company and explicitly highlights two components to create a good culture, *"I believe in a few basic things; transparency and an openness internally."*

4.2.5 Financial

The Co-founder of Firm C emphasized that providing a digital product requires low investments, saying *"The good thing about computer games is that it requires very low investments"*, and further stressing the financial benefit while scaling an offer, *"It does not cost much more if we were to sell one million or ten million, it is approximately the same price"*.

Further, the co-founder of Firm A stressed that becoming profitable early on was important for them as this would allow for independence in terms of raising capital, saying *"We focused on being profitable early in order to not be dependent on raising capital all the time"*.

5. Analysis

This study investigates challenges and success factors Born Digitals faced during internationalization. As presented in the empirical section, the results revealed challenges and success factors categorized into the following categories; (1) networks, (2) adaptations & flexibility, (3) market conditions, (4) managerial capabilities, and (5) financials. These will now be further discussed from our proposed framework, a business model perspective, as well as in relation to previous literature.
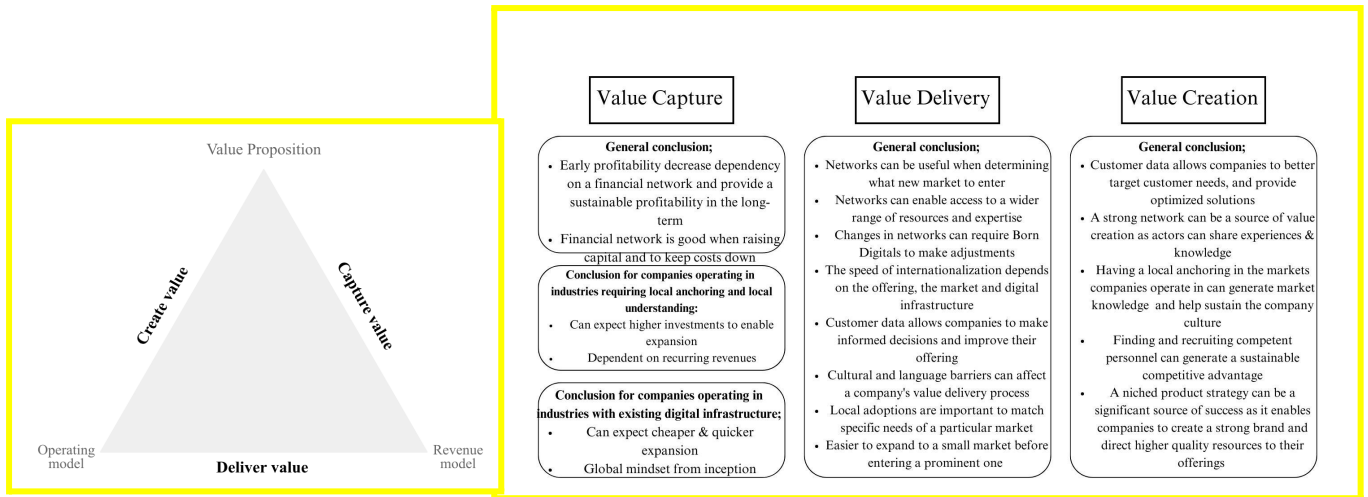
Figure 3: Challenges and success factors categorized into the used framework

5.1 Value Capture

Although Hazarbassanova (2016) suggested that Born Digitals can avoid specific investments and Knight & Liesch (2016) proposed that such a brand can be built cost-efficiently, both through its digital characteristics, this study reveals varied views. On the one hand, Born Digitals can expand quickly and broadly through low investments, as stated by the Co-founder of Firm C (Video Game Developer). On the other hand, the Head of Business Development & Expansion at Firm B (Digital Electricity Company), the Co-founder of Firm D (Digital Psychologist), and Expert 1 (FemTech) state that expansion requires a lot of investments. An assumption to be made is that the level of required investments depends on the industry and local market conditions. In industries where companies can leverage existing digital infrastructure, cheaper and quicker expansion is expected. Contrarily, in industries where both local anchorings in terms of offices and personnel are required, as well as a high understanding of the specific market, higher investments are called for. Another finding is that companies that leverage their digital infrastructure have, to a greater extent, a global mindset from inception. This is mostly supported by a profitability aspect. On the contrary, companies operating in industries requiring local anchoring are more dependent on recurring revenues to stabilize profitability before continuing the expansion. However, gaining recurring revenues can take time and as such learning how to grow organically is, too, of significant importance. Otherwise, Born Digitals will bleed money, especially without an investor and due to their limited resources as emphasized by both Expert 1 and previous theory (Rennie 1993; Freeman et al., 2006). Achieving profitability early will not only decrease Born Digitals' dependency on raising capital from investors but also provide more

sustainable profitability in the long term. Consequently, this will reduce the dependency on a financial network. Although, the study reveals that having a network is of substantial value both when raising capital and when keeping costs down. As such, financial networks should not be neglected in the short term. However, as emphasized by Expert 1 it is imperative to not let money be the driving force for expansion and to understand how to build a stable business. When building stable operations with less dependence on venture capital, economic growth will take a much longer time but, as Expert 1 said, *"It will slowly go up and then it will peak."* Our study demonstrates the value of understanding how Born Digitals can capture economic value, which is essential in building a sustainable and successful business internationally.

5.2 Value Delivery

Academic literature calls attention to Born Digitals being highly network-oriented. Several authors, including Prashantham et al. (2019), Johanson and Vahlne (2009), Schoonjans, et al. (2013), and Johanson and Matsson (1988) highlight that Born Digitals relies on network relationships prior to expansion as it can enhance local market understanding, in addition to customer data. Acedo and Galán (2011) also suggest that network relationships can increase the perception of business opportunities worldwide. Furthermore, Crick and Jones (2000) and Yli-Renko et al. (2002) express that personal contacts can facilitate internationalization. Network relationships have been theoretically established from many perspectives, however, in practice, they have been of primary importance when determining what market to enter. Indeed, it is seen to be more of an advantage than a necessity for other aspects of value delivery. Nevertheless, the findings reveal that network relationships are helpful components in delivering value in today's interconnected business landscape, enabling access to a wider range of resources and expertise, as also suggested in theory. Furthermore, many of the interviewees acknowledged that networks have opened up significant doors to expanding internationally. For instance, the Co-founder of Firm D said that the company expanded to markets partly due to a personal network in the market that could ease the internationalization process within the local market. This finding is in line with the network approach, which emphasizes the strong correlation between the termination of network relationships and market selection (Axelsson & Johanson, 1992; Johanson & Vahlne, 1992; Coviello & Munro, 1997). Lastly, our findings show that having a network is less about being overly dependent on partners and more about quickly creating and coordinating networks through the digital

infrastructure, not constrained by the physical distance between actors, as suggested by Monaghan et al (2020). Indeed, the changes in network dynamics have affected many of the interviewed firms as emphasized by Johanson and Johanson (2021). The impact on Born Digitals due to network partners' changes has been shown in terms of adjustments to financial structures and regulations, as can be seen in an article presented by Dagens Nyheter (2023).

The foundation of Born Digitals' value delivery lies in their ability to leverage digital infrastructure and connect to several markets simultaneously, enabling a quick expansion, as emphasized by several authors (Monaghan et al., 2020; Shaheer, 2020; Nambisan, 2017; van Alstyne, Parker, & Choudary, 2016). Both the Co-founders of Firm A (Mobile Game Developer) and Firm C mentioned that they experienced fast internationalization due to distributing their offerings across global platforms, connecting with several markets simultaneously. Born Digitals' fundamental characteristic - the digital infrastructure - is a huge advantage that is highly valued over working with traditional companies as it enables immediate access to a wider market. Mahnke and Venzin (2003) pointed out that Born Digitals generally can skip many steps in the internationalization process since they have access to global resources and can identify worldwide market opportunities. However, our research reveals that internationalization speed also depends on the particular offering and market rather than only the digital infrastructure. Two of the interviewed firms, Firm A and Firm C, prioritize quick global expansion to be profitable early. The Co-founder of Firm C pointed out that they could sell their products on global digital platforms immediately after creation, highlighting efficiency and productivity that contribute to value delivery. Hazarbassanova (2016) emphasizes that firms can use a passive or active process for international expansion. While Firm A and Firm C use a passive process, the other interviewees believe in an active process. Firm B, Firm E (Digital Vet), and Firm D offer distinct services requiring a clear market presence. As such, they rely on active personnel to match market requirements, not only digital infrastructure. Customers demand more personalized service from these firms, whereas Firm A and Firm C offer a relatively standardized value proposition to all markets through digital platforms, such as the App Store. Our results align with Hazarbassnova's (2016) view on the different internationalization processes. Despite having a similar digital infrastructure that enables rapid value delivery to new markets, our findings reveal that each firm has developed different scalable models for delivering value, leading to different internationalization speeds.

Knight and Cavusgil (2009) emphasize that Born Digitals can take advantage of customer data through its digitized value chain to instantly understand consumer behavior. The huge amounts of data enabled through their digital infrastructure allow them to make informed decisions to improve their offering. This entitles them to easily adapt to the local market. However, the interviews reveal that Born Digitals' utilization and importance of customer data vary. Some companies use it to improve their offerings, and others believe it to be fundamental when running a digital business. For example, the Founder of Firm E highlights that they base major decisions on customer data such as investment or expansion decisions. In contrast, the Co-founder of Firm C uses customer data to adjust their offerings.

Moreover, Stallkamp and Schotter (2019) emphasize that consumers tend to be biased toward their own country, and therefore, cultural and language barriers may arise. These differences and barriers affect consumers' value perception. Three of the interviewees highlighted these barriers. The findings indicate that even in close geographical markets, cultural differences can present challenges both internally and externally. The interviewees have experienced cultural challenges at their local offices as well as in delivering value to local markets since different countries prioritize different values, e.g. functional versus emotional values. The interviewees experience market differences in different ways, most prominently between distant markets, such as between Sweden and Asian countries. Yet, it was also pointed out that expanding to major markets within Europe, such as the UK or Germany, can be extremely challenging as well, or as the Founder of Firm E says, *"It is almost like starting a new company."* The opinion regarding the degree to which cultural difference affects businesses varies and is dependent on the specific offering of the Born Digital firm rather than the distinct business model. Based on our findings, we suggest that each firm needs to have a comprehensive understanding of the extent to which cultural differences can impact their business. This will enable them to effectively deliver customer value.

Despite the diverse opinions among the interviewed Born Digitals, all participants agree that it is essential to adapt to local markets by adopting the language. They also agree on being flexible in their offerings and using relevant marketing to appeal to each customer segment. Authors have previously emphasized a local understanding of the market, including Prashantham et al. (2019), Johanson and Vahlne (2009), Schoonjans, et al. (2013) Johanson & Matsson (1988). Mathews and Zander (2007) and Mudambi & Zahra (2007) even explained

that local understanding enables resource efficiency. However, previous literature does not emphasize the importance of local adoptions to match the specific needs of the particular market, as our study reveals. The findings highlight the importance of local anchoring to gain essential market knowledge. This is particularly true for markets that are remarkably different from the home country. In addition, the expansion strategy depends heavily on the chosen market. Interviewees discussed that having a country manager from a distinct foreign country or local office can enable an understanding of the culture, language, and local market. Our study shows that Born Digitals will be able to provide additional value to customers and ensure market success by understanding and meeting the needs of the local market.

Rasmussen et al. (2001) highlight that not having any geographical constraints boosts Born Digitals' interest in identifying foreign opportunities and increasing their uniformity and flexibility, which is strategically significant for delivering value. Staying connected to stakeholders worldwide provides valuable insights to optimize offerings, resulting in enhanced value. Expert 1 agreed with this view, noting that due to the digital infrastructure and Born Digital founders' digital mindset, they often identify market needs before consumers realize they have them. If Born Digitals leverage this opportunity, they can drive the market instead of constantly adapting the business model to it and as Mahnke and Venzin (2003) stress, avoid jeopardizing market opportunities due to late market entry. To exploit this potential, many of the interviewed firms use scale-off offerings to gain customer data to adjust the offering before launching the full product in primary markets, which has proven beneficial. Born Digitals can also expand to smaller markets to gain knowledge and experience before entering the most prominent markets. Although researchers such as Moen (2002) have identified an increased willingness among Born Digitals to take risks and invest resources in new markets, these examples of using scale-off offerings before launching the full product show that Born Digitals are also thoughtful before taking on significant risk. Although the Co-founder of Firm D expressed regret about not taking enough risks during the internationalization journey, saying *"I would dare to bet, it is often the challenge to really dare to take the plunge."* By emphasizing this, the Co-founder valued the benefits of taking on risks to deliver customer value outweigh the danger.

5.3 Value Creation

This study supports the view of Knight & Cavusgil (2009) that Born Digitals, to a greater extent, can leverage customer data as it enables them to better understand consumer behavior.

Consequently, this enables Born Digitals to better target consumer needs and provide the most optimized solutions produced through modified offerings supported by customer data. This study produces a unique finding that customer data is used both *prior to* and *after* a launch. This allows for the assumption that Born Digitals will, early on, develop an advantage over competitors. Perhaps even a sustainable competitive advantage considering both the value customer data carries in today's society and the speed at which Born Digitals can collect it.

Further, the findings revealed various degrees to which companies both are dependent on networks throughout their expansion, but also on the value they perceive networks to generate. While most companies identified networks to be of great importance, the dependency varied. As such, this study prevails a more vague dependence on networks than what previous literature has revealed (Prashantham et al., 2019; Johanson and Vahlne, 2009; Schoonjans et al., 2013; Johanson & Matsson, 1988). However, again the diverging results are believed to stem from industry-specific factors and market conditions. Nevertheless, it is evident that having a strong network can be a source of value creation. For example, the act of interchanging knowledge and experiences with competitors that both Firm A and Firm C revealed allows both to collect information that, without the network, would not have been achieved. Therefore, one could assume that the scarce resources Stallkamp & Schotter (2019), Rennie (1993), and Freeman et al. (2006) present can be overcome by Born Digitals through a well-developed network. This study reveals that having a network of suppliers, customers or other partners can be a source of knowledge, organic growth, and cost savings (resource efficiencies) that, in turn, can generate more competitive prices for customers. Lastly, networks are useful for raising capital and executing expansion faster.

Following, creating and maintaining a good company culture while growing internationally has been highlighted as a priority by several of the companies interviewed. In spite of this, it is possible that the speed at which the expansion occurs can act as a moderator between the company culture and how well it is maintained throughout the expansion. Findings revealed that one of the challenges for companies experiencing accelerated growth during an expansion is to sustain the company culture. These results were not found for companies growing gradually. Not succeeding in sustaining the company culture during an expansion could cause instability internally. Both Laudon & Laudon (2015) and Nambisan (2017) recognized Born Digitals to have an online and offline presence where the latter would be

offices or warehouses. This study reveals that most interviewees have a physical presence in, at least, the markets they operate in. They acknowledge this as a critical factor in their success. Not only because it uncomplicates the process of gaining market knowledge, but also because it is seen as an internal success factor since it allows employees to meet and interact physically. As such, Born Digitals should recognize the importance of local offices, despite their digitized value chain. This will simplify the task of sustaining the company culture during expansion and allow managers to retain control. Lastly, all companies must recognize that successfully creating and maintaining good company culture is important to attract and keep competent employees.

Moreover, as companies grow more employees are required. Finding and recruiting competent employees can be a significant source of value creation if the company goals are well aligned with the employees' work (Feaster, 2022). The majority of interviewees acknowledged the value employees can generate and, as such, expressed high emphasis on finding the right talents. This was true both when expanding the business internationally but also in terms of continuously improving overall operations and customer experiences. In the former case, hiring competent employees was justified by a need for broadening the overall experience within the company and weighed against hiring a consultant. As such, it is reasonable to assume that companies, when facing expansion, either hire a consultancy firm or new employees to gain more knowledge. This will enable them to successfully internationalize the business. All interviewees decided to hire new employees instead of a consultancy firm which can depend on several reasons, including the fact that *"It allowed them to build all offerings themselves"* and that it generated *"A broader experience overall"*. Another possible explanation is the one proposed by Norström & Seeger (2020) in which employees can educate customers and spread brand awareness without employing a third party, such as a consultancy firm, and therefore also reduce costs. Further, in the case of hiring employees to improve overall operations and customer experiences, companies oftentimes value employees higher than any actual product or service. A possible explanation for this may be that employee capabilities and experiences are more difficult to imitate or substitute than any product or service may be (Mathur, 2015). In such cases, finding and recruiting new talents can generate a sustainable competitive advantage for companies. Because of their highly digitized value chain, Born Digitals are less constrained about the physical distance (Monaghan et al., 2020) and can, as such, more easily recruit employees worldwide and design an organizational structure where working at a distance is feasible. The

results show that the benefit of having less physical constraint is not only that companies have more people to choose from when hiring new talents, but also that it will initiate a more diverse workforce. The latter is particularly relevant for companies that target a diverse customer base; for example, companies that are available worldwide. As one article previously presented, having an international group of founders can be a key to global success, and as our results show that having a diverse workforce is important when targeting a diverse customer base, one assumption to be made is that companies aiming for global success should have at least either of the two characteristics.

Lastly, in line with what several authors have previously proposed (Knight et al., 2004; Crick, 2009; Madsen et al., 2000), our study reveals that having a niched product strategy can be a significant source of success. However, just as Dunning & Wymbs (2001) and Knight & Cavusgil (2004) proposed, a niched product strategy can in combination with low barriers to entry and rapid technological development lead to intense competition in the market. For Born Digitals, such situations can be extremely difficult to handle due to limited resources and a lack of international experience (Johansson & Abrahamsson, 2014). This creates an ambidextrous situation since a niched product strategy also can enable the creation of a strong brand and allow for higher quality as resources can be focused on specific customer needs. Our results propose that one way to manage this ambidextrous situation is by avoiding trends and not reacting to those considering that trends are strongly connected to both high risk and costs. Instead, Born Digitals should aim at being market leaders through their niche product strategy. This will allow them to stay ahead of the competition and continuously defend their position. As such, they will also be able to build the market they operate in, toward the direction they desire.

6. Conclusion

In conclusion, this study highlights what challenges and success factors Swedish Born Digital service companies face during internationalization from a value capture, value delivery, and value creation perspective. Of significant importance are the network relationships that allow access to resources and expertise. However, the level of dependency can vary among firms and between industries. The findings reveal that the level of required investments during expansion depends on the industry and local market conditions. For example, Born Digitals which operates in industries where local anchoring and high market understanding are required will need higher investments. On the contrary, Born Digitals which operates in

industries where there is an existing digital infrastructure can expand both more cheaply and quickly. This is highly critical from a value delivery perspective as it allows Born Digitals to connect with multiple markets efficiently through their digital platforms. Further, this allows for the efficient collection and analysis of customer data that enable Born Digitals to make informed decisions and more easily adapt to local customer needs. Continuing, it is revealed that achieving profitability early is not only crucial for Born Digitals to reduce its dependency on external capital but also to build a stable business.

Furthermore, this study emphasizes the importance of cultural and language barriers when delivering value to different markets. Adapting offerings and marketing strategies to meet local market preferences and needs as well as understanding and addressing cultural differences is essential for Born Digitals to successfully enter a market and create value in it. Local anchoring in terms of offices and hiring local employees can help overcome cultural and language barriers.

Overall, through an analysis of Born Digitals' internationalization, this study contributes to understanding how such firms can gain a competitive advantage when entering new markets. Capturing economic value is essential to building a sustainable and successful business. Delivering value to existing and new markets can essentially be done through leveraging network relationships, customer data, local adoptions, digital infrastructure, and a strategic approach. This will enable Born Digitals to thrive internationally despite intense competition. Lastly, creating value is effectively achieved through leveraging customer data, networks, company culture, competent employees, and a niche product strategy. Such efforts will generate long-term success in the global markets.

6.1 Managerial Implications

Firstly, managers must recognize the level of investment required for the expansion. This is highly important as it can vary depending on the industry and local market conditions; industries that have existing digital infrastructure can expect both cheaper and quicker expansion whereas industries that require a local presence and a higher market understanding will face higher required investments. As such, managers must assess industry-specific dynamics and local market requirements to successfully design a proper strategy.

Secondly, Born Digital executives must prioritize achieving profitability early. This will decrease the need and dependency on investors and external funding and provide more sustainable growth in the long term. As such, managers must focus on building stable operations and developing revenue streams that support the company's expansion plans.

Thirdly, managers must understand the importance of building and leveraging networks. Financial networks are valuable for raising capital and reducing costs. However, building and maintaining even broader networks can provide valuable support and resources. This can enhance a company's understanding of local markets or provide access to expertise. As such, managers should actively cultivate and maintain network relationships.

Fourthly, managers must capitalize on the digital infrastructure as it can enable efficient value delivery to customers. The digital infrastructure allows companies to continuously collect and analyze customer data, make informed decisions, and tailor offerings to customer needs. As such, managers should prioritize data-driven decision-making and continuously analyze customer data to improve their services.

Fifthly, it is critical to recognize the need for adapting offerings and marketing strategies to meet the local market's specific needs. This may involve hiring local managers or establishing local offices to gain a deeper understanding of the local market.

Lastly, the internationalization speed should be determined from an offering and market perspective, rather than solely relying on digital infrastructure. On the one hand, some companies may benefit from rapid market expansion. On the other hand, others may be more effective at establishing a presence in one market before expanding further. As such, managers must evaluate market opportunities and develop a scalable strategy that aligns with both strategic goals and company resources.

6.2 Limitations and Future Research

This study was constrained by a limited industry and country representation. As the focus was on a relatively small sample size including Swedish service companies, the research did not encompass a wide range of industries. To ensure a broader understanding of the rationale of the findings, one could conduct cross-industry studies on Born Digital companies and experts in multiple countries for both examining product- and service companies.

Furthermore, the sample size was modest, even for the industries studied, which could potentially bias results. Future research should examine in-depth studies on specific industries and in multiple countries to obtain a comprehensive understanding of Born Digital companies' internationalization journey. Such studies could clarify the variations in perspectives observed in our study and thus clarify the concept. Additionally, a more thorough analysis can be contrived to supplement our findings by concentrating on distinct factors such as cultural or legal. This will provide an in-depth analysis of targeted areas.

In addition, longitudinal studies of Born Digitals firms could contribute to a deeper understanding of how the critical components and characteristics found in the study change over time as internationalization progresses. For example, one could investigate Born Digitals during a specific time frame to analyze challenges such as cultural or language barriers. This would help practitioners anticipate and overcome barriers.

Another potential area for future research would be to compare traditional firms with Born Digitals in their challenges and success factors. The comparison could present a stronger basis to support arguments for what is specific to Born Digitals and what is common to both. Additionally, investigating companies that have not succeeded in their international expansion, rather than just Born Digitals that have succeeded while still crossing challenges, would provide practitioners with an understanding of warning signs, thereby improving the chances of success.

It is essential to conduct broad and in-depth analyses of Born Digitals' challenges and success factors to deepen the understanding of the phenomenon and provide guidance to practitioners.

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Annual Report of Firm D. 2021. (The raw data is available from the authors)

Annual Report Firm E. 2021 (The raw data is available from the authors)

8. Appendix

8.1 Appendix 1 - GDPR form

Consent to participation in student's survey / interview

The student's project. As an integral part of the educational program at the Stockholm School of Economics, enrolled students complete an individual thesis. This work is sometimes based upon surveys and interviews connected to the subject. Participation is naturally entirely voluntary, and this text is intended to provide you with necessary information about that may concern your participation in the study or interview. You can at any time withdraw your consent and your data will thereafter be permanently erased.

Confidentiality. Anything you say or state in the survey or to the interviewers will be held strictly confidential and will only be made available to supervisors, tutors and the course management team.

No personal data will be published. The thesis written by the students will not contain any information that may identify you as participant to the survey or interview subject.

Secured storage of data. All data will be stored and processed safely by the SSE and will be permanently deleted when the projected is completed.

Your rights under GDPR. You are welcome to visit https://www.hhs.se/en/about-us/data-protection/ in order read more and obtain information on your rights related to personal data.

Project title	Year and semester
Aim of the study	
Students responsible for the study or interview	
Supervisors and department at SSE	Supervisor e-mail address
Type of personal data about you to be processed	

I have taken part of the information provided above and consent to take part in this study:

Signature	Place and date
Name	

Stockholm School of Economics · Sveavägen 65 · P.O.Box 6501 · SE-113 83 Stockholm, Sweden · Phone +46 8 736 90 00 · www.hhs.se

8.2 Appendix 2 - Company interview questions

Please state what countries you are currently available in.
Börja med att nämna vilka marknader ni för tillfället är tillgängliga i.

Primary questions;

1. When choosing these markets, what factors did you consider and how were they evaluated?
   När ni valde dessa marknader, vilka faktorer tog ni hänsyn till och hur utvärderades de?
   a. Did you have much knowledge about the market prior to expansion and if so, how did you gain this knowledge? *Hade ni mycket kunskap om den nya marknaden innan expansionen? Om ja, hur samlade ni in det?*
   b. Did the market change or affect your expansion strategy? *Påverkade marknaden ni ville expandera till er strategi?*

2. Have you made the expansion with your original offer or tweaked it to meet the new market requirements and customer segments? *Expanderade ni med ert originella erbjudande eller anpassade ni det för att bättre passa den nya marknaden och de nya kunderna?*

3. Did you, or any of the other managers involved in the expansion, have any similar experience? *Har du eller någon annan i teamet som varit involverad i expansionen, haft någon tidigare liknande erfarenhet?*
   a. Did you feel a lack of expertise from management? *Kände ni någon gång brist på kompetens från ledningen?*

4. Do you think your product was *that* good/unique, or was it your *strategy* that made your company successful in foreign markets? *Tror du att framgången berott på att er produkt varit så bra/unik, eller har det varit en strategi som bidragit till framgång på utländska marknader?*
   a. Was there any characteristic of your product that increased the success rate of your expansion? *Var det någon produkt attribut av ert erbjudande som ökade er framgång under expansionen?*

5. Have you taken advantage of being highly digital when expanding and not requiring any resource commitments in the new markets? *Har ni tagit nytta av att ha en digitaliserad näringskedja under expansionen eller har ni ändå behövt / investerat i resurs åtaganden i den nya marknaden? Tänk till exempel H&M som behöver investera i nya butiker för att kunna expandera (innan e-commerce).*

6. Have you experienced any barriers during the expansion? Think about aspects such as; Har ni mött några utmaningar under er expansion? T*änk på aspekter som bland annat;*
   a. financial barriers *finansiella utmaningar*
   b. cultural/social barriers *kulturella/sociala utmaningar*
   c. internal barriers (etc management or employees) *interna utmaningar*

7. Can you identify any success factors that can be specifically derived from your technological characteristic during the expansion? Think about factors such as; *Kan du identifiera några framgångsfaktorer som specifikt kan dras från er teknologiska karaktär?*
   a. The process
   b. The strategy

8. How dependent are you on your established network? Did you experience any changes during/after your expansion? *Hur beroende är ni av ert etablerade nätverk? Har ni upplevt några förändringar under eller efter er expansion?*

9. If you were to do it today again…
   Om du/ni skulle få göra expansions resan på nytt

     a.   … what would you do differently?

        ...vad skulle du/ni göra annorlunda?

     b.   … what would you do again?

        ...vad skulle du/ni göra igen?

Secondary questions;

1. Does technological development have an impact on your organizational structure? *For example, with digitalization employees can be present online instead of physically in an office. Har den teknologiska framväxten haft en påverkan på er organisations struktur? Till exempel har digitaliseringen möjliggjort anställda att jobba hemifrån istället för fysiskt på ett kontor.*

2. How flexible are you on responding to new market trends that emerge from new technologies? *Hur flexibla är ni på att reagera på nya trender i marknaden som uppkommer på grund av teknologi?*

     a.   Is it a prerequisite for you to be flexible and adaptable to stay relevant in the market? *Är det en förutsättning att vara flexibel och ha en anpassningsbar strategi för att hålla er relevanta på marknaden?*

3. Do you see any difference in consumers buying power between the different countries you are active in? *Ser ni någon skillnad i konsumenternas köpkraft mellan de olika länderna som ni är verksamma i?*

     a.   If **yes**, is the lower buying power correlated to the products uniqueness in that region? *Om **ja**, är den lägre köpkraften relaterad till produktens unikhet i den regionen?*

     b.   If **not**, is your product not considered unique in the market? *Om **inte**, är er produkt sedd som unik på marknaden?*

4. The market you operate in, do you consider it to be much movement with new entrants and old ones leaving? *Marknaderna ni är verksamma inom, anser ni att det är mycket rörelse i form av nya inträden och gamla spelare som lämnar?*

5. When looking back, would you prefer an accelerated or gradual expansion process? *När du ser tillbaka på er resa, har du föredragit en accelererad expansion eller en gradvis?*

6. Has your instant access to customer data changed any of your offerings or your strategy of expansion? *Har er tillgång till kunddata påverkat ert erbjudande eller expansionsstrategi?*

8.3 Appendix 3 - Expert interview questions

Primary questions
1. What role do you think networks play for Born Digitals in their expansion? *Vilken roll tror du att nätverket spelar för Born Digitals i deras expansion?*
2. How do companies typically gain market knowledge prior to an expansion? *Hur skaffar sig företag vanligtvis kunskap om en marknad innan en expansion?*
   a. Do they typically offer the same products to all markets or tweak it to fit the new market? *Erbjuder de vanligtvis samma produkt till alla marknader eller anpassar de något till den nya marknaden?*
3. What characteristics of Born Digitals do you see potential in? What makes them succeed in having an international expansion? *Vilka karaktärer/attribut av Born Digitals ser du potential i? Vad får de att lyckas i en internationell expansion?*
   a. Managerial/Interal *Ledning/Internt*
   b. Product *Produkt*
4. What are the main challenges that Born Digitals face? *Vilka är de främsta utmaningarna som Born Digitals behöver behärska vid en expansion?*
5. What are the potential risks of operating highly digitally from inception? *Vilka är de främsta riskerna av att ha en digital näringskedja från start?*
6. What would you suggest as the best do's and don'ts for Born Digitals when expanding internationally? *Vad skulle du säga är de bästa do's and don'ts for Born Digitals vid en internationell expansion?*

Secondary questions
1. How important do you argue product uniqueness to be in an expansion? *Hur viktigt är en unik produkt vid expansion?*
2. How important do you think the instant access to customer data is to Born Digitals when expanding? *Hur viktigt anser du att tillgången till kunddata är för Born Digitals i deras expansion?*