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# Born digital firms entry mode in foreign markets

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## Abstract

The development of digitalization has led to the emergence of a new type of firm, born digital firms. However, how these firms enter a foreign market is not well researched by scholars within the field of entry mode theory in international business. This thesis aims to investigate how a born digital firm enters foreign markets and to explore potential influential factors of their entry mode choice. The empirical results were based on five cases of born digital firms within the health tech industry, and revealed partnerships as an entry mode. The prominent factors to influence the entry mode choice, are found to be the benefits of externalising contra internalising, the digital sphere that these born digital firms operate in, experiential knowledge and networks and relationships. The traditional theories have contributed to identify the aforementioned influential factors, however there is a need for revisitation with complementary research on how born digital firms enter foreign markets and to recognise a main determinant factor for the choice of market entry. With this, the thesis contributes to the existing literature by allowing for a more profound and combined understanding of the academic field within international business in relation to the entry mode of born digital firms.

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# 1. Introduction

The purpose of this introductory chapter is to present and convey general background about the subject and area of interest. This section will also describe the relevance that the topic has in society. A review of applicable literature and previous studies done in the subject area is discussed to provide a greater understanding of which areas have not been explored and why this study is relevant. A clear research question will be presented together with the purpose and outline of the thesis.

## 1.1 Background

The technology in our surrounding is constantly changing and evolving. It is safe to say that it is difficult to imagine a contemporary society in which electronic devices are absent (Laricchia, 2023). This digital revolution does not only affect the individual's lifestyle, it has a great impact on the society's economy and on industries. It urges firms to adapt to the innovation, to benefit from technology and thus contribute to economic growth.

Digitalization has the potential to continually transform itself and hence becomes vital to acknowledge when analysing what is happening in our environment (Mühleisen, 2018).

The digital advancements are noticeable in many different sectors. According to the United Nations, artificial intelligence technologies in the healthcare sector are continuously being used to save lives and facilitate the healthcare systems (United nations, n.d). The health tech industry is an evident example of this. This type of technology that is seen in this industry refers to IT tools or softwares that are designed in a manner to enhance hospital and administrative productivity, provide new insights into the medical field or improve the overall quality of the provided healthcare. By infusing the technological aspect into the healthcare scene will result in obtaining efficiency and quality (Sam Daley & Rose Velazquez, 2022). This can be seen for example with electronic recordkeeping which reduces the faults and inefficiency with paper-based records. Furthermore, innovative diagnostic metaphors enable healthcare professionals to detect illnesses earlier on, additionally artificial intelligence can speed up the drug discovery process and assist with imaging analysis. Because of the constant need to improve the efficiency, the digital development and the investments and encouragement from technological providers the industry will continue to grow and evolve (IRIS, n.d). It is important to note that those that are not connected in this digital environment

are most likely prevented from taking advantage of the benefits that it provides (United nations, n.d).

According to an article by Goldman Sachs, artificial intelligence could increase the global GDP by 7 percent and lift productivity by 1,5 percentage points over a 10 year period. An increased automation in society will as stated above produce new jobs by simultaneously replacing some. It is estimated that an equivalent of 300 million full time jobs will be replaced by automation (2023). This of course will result in a change both in the labour force and in society as a whole. Due to these digital developments in society institutions such as the European parliament have enforced enhanced regulations regarding digital services in Europe. The digital marketing act and the digital service act are put in force to provide a protected, equal and more transparent online environment. These regulations will simultaneously help promote the conditions that smaller and medium sized enterprises are faced with, as they will prevent larger firms from imposing unfair conditions and instead encourage innovation in the environment they operate in (European Parliament, 2021).

Digitalization has become a fundamental pillar for certain activities and enterprises. It has led to the emergence of new types of businesses as well as transforming existing ones (Casciaro, Edmonson & Jang, 2019). Furthermore, the digital transformation can also be seen within the interactions among customers, business partners, employees and investors. Thus, digitalization has been able to influence traditional business practices. These new types of businesses have emerged from the benefits that digitalization offers such as manufacturing productivity, reduced transmission costs, increased international interactions and connectivity (Cavusgil, Knight & Riesenberger, 2019).

Born digital firms is an example of an outcome of the digitalization, this type of firm relies on the internet for its production, operation and delivery process. This means that the value chain of born digital firms is digitally based (Monaghan, Tippmann & Coviello, 2019). Digitally based businesses are expected to contribute with up to 70% of the new value created in the economy over the next decade. It can be concluded that digitally based firms, such as born digital firms, are of great importance to economic growth (World Economic Forum, 2020).

## 1.2 Problem discussion

The international business field is dominated by theories that define different types of entry modes. Theories formed by authors such as Oliver Williamson transaction cost framework (1970), who proposes guidance in firms' choice of how to enter the foreign market through assessing different costs that will give guidelines whether a firm should internalise or externalise. Furthermore, Dunning's eclectic paradigm suggests that the appropriate entry mode for a firm should be dependent on the specific advantages that the firm holds (Dunning, 1988). The Uppsala model by the authors Johanson and Vahlne (1977) on the other hand suggest that firms should internationalise gradually through three different types of entry modes; an export based, a foreign sales subsidiary and lastly through foreign direct investment. Additionally, the developed 2009 Uppsala model (Johanson & Vahlne, 2009) on the other hand focuses on the shift of barriers from liability of foreignness to the barriers of liability of outsidership during the internationalisation process. What all of these theories have in common is that they provide a framework which suggests entry modes and determining factors for firms' entry into foreign markets.

Born digital firms are a relatively new phenomenon, and were not yet established in society when the above mentioned theoretical frameworks on entry mode were created. Therefore the established frameworks do not consider these types of firms when proposing foreign entry methods. This on the other hand does not mean that the aforementioned theoretical frameworks are not suitable for born digital firms, but it does indicate that the frameworks have not considered the characteristics of born digital firms when proposing different foreign entry methods. When traditional firms enter foreign markets there is a physical movement or establishment of the firm in the foreign market, whilst for born digital firms this does not necessarily happen. As born digitals operate online they can enter international markets through other methods (Monaghan et al., 2019), therefore these traditional methods may not be as relevant for born digital firms. Furthermore, how the entry is actually carried out by born digital firms in the market is still unknown since there is not much research available about the topic. With a growing digital society, it is most definitely a guarantee that the amount of born digital firms will also increase. Therefore it becomes vital to form a better understanding about these types of firms and find out how they operate through an international business point of view. It is important to establish a framework that not only considers the characteristics of traditional firms but also those of born digital firms.

By reading international business literature and related articles, it can be concluded that there are different terms to describe the phenomena of born digital firms which can further indicate that there is insufficient research to align the topic. This can be seen in Stallkamp and Schotter's (2021) article where they study the so-called 'digital platform firms' and in the article by Brouthers, Geisser & Rothlauf (2016) they refer to 'ibusiness firms'. The authors describe ibusiness firms as businesses that primarily operate through the use of digital technologies and the internet, nonetheless it is explained that they differ from the typical brick-and-mortar company. (Brouthers et al., 2016). Digital platform firms are also portrayed as firms operating online, somewhat more specific to online marketplaces enabling transactions between buyer and seller (Stallkamp & Schotter, 2021). The different terms share the same foundation to the characteristics that a born digital firm poses, having a digital business model and operating online - wholly or mainly (Monaghan et al. (2019). What is true for born digital firms, ibusinesses and digital platform firms is that they have the ability to easily reach customers in new markets, they are becoming increasingly significant in shaping the global economy and therefore it becomes vital to develop an understanding of the internationalisation of digital firms as they are also growing in the field of international business (Brouthers et al., 2016; Stallkamp & Schotter, 2021; Monaghan et al., 2019).

It can therefore be concluded that there are different terms to refer to the same type of business. However, to create consistency and avoid confusion, born digital firms will be the term used throughout this thesis. What is important with the term chosen for this thesis, is the detail of being digital since inception or quite early on (Monaghan et al., 2019). Yet we do believe, as it has been noticed that digitised business models are growing, that research on the internationalisation strategy of digital firms in general is needed. Accordingly, all of the three articles argue that the study within this topic of international business; internationalising with a digital business model, still remains at an early stage of research and the phenomenon is highly relevant to explore further. (Stallkamp & Schotter, 2021; Brouthers et al., 2016; Monaghan et al., 2019).

What is known about born digital firms is that they are growing rapidly in the digitised society. Stated by both Monaghan et al. (2019) and Ye, Kang, Scott-Kennel (2022), there are distinctive factors that commonly characterise these types of firms. Firstly, they are digital from inception meaning that they have the ability to enter international markets early.



Secondly, born digital firms build and leverage digital infrastructure which means that the firm has an identifiable online presence. Thirdly, they are dependent on the digital infrastructure to develop and obtain communication, collaboration and computing capabilities. These types of capabilities should be capabilities which allows the firm to create and sell its offering online. It can be concluded that born digital firms are organisations with a market offer that is both digital in nature and distributed by digital technology (Monaghan et al., 2019).

Born digital firms are fundamentally different from bricks-and mortar firms that gradually become digital through internalising their digital capabilities into the organisation (Ye et al., 2022). Since born digital firms operate in a digital environment, their offerings can rapidly become accessible to the international markets, for this reason it is prone that born digital firms internationalise more rapidly or even from their inception (Jarosiński, Sekliuckiene & Kozma, 2022). These types of firms have obtained a business model which enables the firm to serve foreign markets instantaneously (Monaghan et al., 2019). Because of these existing differences between characteristics that born digital firms have in comparison to traditional firms it thus becomes relevant to conduct an analysis whether existing traditional entry modes are suitable for born digital firms.

In connection to this online presence a born digital firm can have a physical footprint in the form of offices, warehousing, robotics space or data centres. However, unlike traditional firms, a born digital firm's need to acquire physical resources is not a critical factor as it is for traditional firms (Vadana, Torkkeli, Kuivalainen, Saarenketoo, 2019). Furthermore, the digitalization indicates that there is a lower investment in physical infrastructure that makes these types of firms flexible, as there is less commitment in international markets. This means that they are able to attract, employ and follow individuals regardless of location (Monaghan et al., 2019).

It can be concluded that born digital firms' internationalisation patterns vary from the theoretical ones, thus it is interesting to further investigate how these firms actually enter the international market. At times, born digital firms may even internationalise unintentionally. Moreover, born digital firms also deviate from the need for the traditional way of relationship building and networking. Born digital firms have the ability to interact instantly with customers and other stakeholders as a result of the digital infrastructures and hence they

succeed in reaching global markets more effectively (Monaghan et al., 2019). Further, Banalieva & Dhanaraj (2019) emphasise the reduction of information costs that digital firms can achieve by utilising the digitalization infrastructure by using communication technologies. Additionally, it is mentioned that these firms can leverage efficient coordination within the network through digitalization (Banalieva & Dhanaraj, 2019). In comparison to born digital firms, Monaghan et al. (2019) highlights that traditional firms have a more complex, resource-demanding and time-intensive internationalisation. With this being said, there is an objective to scrutinise what types of barriers exist in an online environment considering entry modes.

The expansion of born digital firms in this modern wave of technological advancement makes it highly appropriate and intriguing to analyse if there is a noticeable pattern of how these types of firms behave when internationalising, and detect possible factors that affect this behaviour. Traditional theories are mainly based on traditional firms as many theories emerged during an absence of a digitalization. Since there is a huge influence of digitalization in contemporary society and this influence will most likely increase, there are arguments for why the above concerns need to be addressed. (Afonasova, Panfilova, Galichkina & Ślusarczyk, 2019). Nonetheless, it is vital to develop a model within a theory considering the impacts of digital infrastructure and the digitised environment.

### **1.3 Research question**

How do born digitals enter foreign markets and which factors influence the entry mode choice?

### **1.4 Purpose**

The purpose of this thesis is to develop an understanding of how born digital firms enter foreign markets and to explore potential influential factors of their entry mode choice.

### **1.5 Delimitations**

The outline will depend largely on which firms that are willing to participate in the interviews. To increase the comparison possibilities we have decided to only include born digital firms that operate in the same industry in Sweden. As we have prior contacts within the health tech industry, this will be the industry that we focus on. Moreover, due to the

industry's relevance in modern society, as presented earlier, supports the reasoning for selecting this specific industry.

## 2. Theory

The purpose of this section is to set a theoretical background in order to enable an understanding of the subject that the research question aims to address. Existing literature on traditional entry modes has been used to create a fundamental base for the thesis.

### 2.1 Digitalization

In 1995, Negroponte expressed in his book about the phenomena of digitalization and the transformation it would bring upon the predicted future, in which the entire society was believed to be influenced by digital technologies. It was also implied that digitalization promoted new forms of creativity (Negroponte, 1995) and in a business context, it can be applicable to the idea of Vadana et al. (2019) shown in their article that digitalization has indeed shaped new types of companies (Vadana et al., 2019). Also supported by Autio, Mudambi & Yoo, (2021) digitalization is mentioned to revolutionise the way firms create, capture and deliver value. Yet, even with digitalization changing how new technologies emerge and new capabilities are required, there is limited research in the field of digital technologies and its role in firms internationalisation (Vadana, et al. 2019). However, it is clear that digitalization has allowed businesses to adopt new tools where the internet becomes a key actor, speeding up the firms' internationalisation process (Bell & Loane, 2010).

### 2.2 Internationalisation in relation to entry mode

Internationalisation is a term that is continuously used throughout this thesis but its universal definition has been unclear for many years. According to Cambridge Dictionary (n.d) the term internationalisation stands for "*the action of becoming or making something become international*". This specific definition can be perceived as a very broad interpretation of the term. Lawrence Welch and Reijo Luostarinen (1988) defines internationalisation as "*as the process of increasing involvement in international operations*", in the context of the process model of internationalisation. Furthermore, Johanson & Vahline (1977) state that "*internationalisation is a process in which firms gradually increase their international involvement*".

It is clear that there is an inconsistent definition of the term since it highly depends on the context, this makes it possible for differentiated interpretations (Knight, 2004). But what can be concluded from aforementioned definitions is that they all contain similarities; that is in some way making something international. Adam Hayes (2021) states, in the context of economics, that internationalisation is a process where a firm takes a step in an effort to increase its footprint or to capture a greater market share outside of its domestic market and in the foreign market. Similar to the definitions above, this interpretation highlights the element of expansion but also provides an economic context to it. Furthermore, Hayes (2021) also states that the process of internationalisation includes the modification or adaptation of a firm's product to suit the specific needs of the new markets. Connected to internationalisation, Hayes (2021) simultaneously highlights the existence of barriers when entering new markets. These types of barriers can be cultural, information, labour or economical (Hayes, 2021) and even barriers of outsidership and foreignness such as mentioned in the Uppsala model (Johanson & Vahlne, 2009). It is safe to say that the term internationalisation covers many different aspects as it is a complex process, but when referring to internationalisation in this thesis it concerns the process that firms undergo when leaving their domestic market and entering a foreign market.

### **2.3 Born digital firms**

The concept of *born digital firms* refers to the digitalization being an integral part of the firm's business model, due to the fact that the firm becomes digital from the very beginning (Monaghan et al., 2020) through the major part of their value chain being highly digitalized from inception or soon thereafter (Vadana et al., 2019). As discussed by the authors, Birkinshaw (2022) and Monaghan et al. (2020), born digital firms are one of the new types of companies that have emerged from digitalization. Digital offerings to customers, apps for instance, enabling a broad reach internationally thanks to the digital infrastructure, is a characteristic for born digital firms (Stallkamp et al., 2023). As a consequence to the early adoption of digitalization the born digital firm can, with low additional expenditures, access foreign markets immediately (Stallkamp & Schotter, 2019). The digital solutions have been in their favour for these firms as it has delivered them opportunities of scalability, efficiency, cost-savings, rapid growth and innovation. As it can be argued that they leverage on the technology and digitalization, born digital firms can easily operate on a global level (Monaghan et al., 2020). Furthermore, Birkinshaw (2022) contends that the born digital firms

should embrace the mindset of “global by default” and argues that digitalization has brought the business environment an undeniable presence of globalisation. The firms should seek to adapt to globalisation as it becomes a part of the firm's unintended strategy (Birkinshaw, 2022). However, Stallkamp (2022) demonstrates that there is variation of speed in entering the foreign market. There is no equal pathway for every digital firm. Depending on; the level of digitalization in the industry, the digital infrastructure and the different entry mode approaches the respective organisation employs, it will affect the internationalisation process of the digital firm (Stallkamp, 2022). Vadana et al. (2019) confirms in their research that there will be a larger sample of born digital firms in industries that have highly developed digital infrastructure. Moreover, their research also shows that the digital infrastructure and its evolution influence the firm's reach to a foreign market (Vadana et al., 2019).

## **2.4 Entry mode**

In the research field of international business, there is modern literature where scholars address the subject of various entry modes to foreign markets. A foreign entry mode is the strategic approach in which a firm enters a foreign market, characterised by the way business activities are carried out in their internationalisation strategy (Shen, Puig & Paul, 2017). Promoted in their articles by Shen et al. (2017) and also Brouthers (2013) the decision of entry mode can be asserted to be a critical resolution in the firm's strategy plan to expand internationally. Cavusgil et al. (2019) describes the incremental phases of the internationalisation period and the different entry modes encountered along the way. It is suggested that firms begin their expansion to foreign markets through the simplest foreign market entry mode strategy being exporting. By gradually accumulating knowledge, firms tend to reach the stage of realising a foreign direct investment, also presented as a highly complex entry mode (Cavusgil et al., 2019).

It has been found that the firm correlates its experiences, resources and capabilities to the choice of entry mode (Shen et al., 2017). In the research analysis of Buckley & Casson (1998), it is mentioned that there are two important and mutually dependent choices within valuing the entry mode, being on location and type of control desired. Moreover, many previous studies have involved an analysis on the option to export or foreign direct investment. Past research has also come to the conclusion that in order for a firm to overcome

the liabilities occurring due to costs of foreignness, it needs to possess certain advantages that offset these costs (Buckley & Casson, 1998).

#### **2.4.1 Traditional entry mode theories**

An international expansion or entry can be executed through several different approaches. Traditional entry modes are ways for firms to enter foreign markets and are considered to be the most common and well established approaches used (Brouthers, Chen, Li & Shaheer, 2022). The most frequently used entry modes are exporting, foreign direct investments, joint venture, franchising and licensing agreements. These entry modes are the ones often used as a base for many theoretical international expansion models (Johanson & Vahlne, 1990). Since born digital firms were not yet established at the time the traditional theories were created, the authors of these theoretical frameworks do not consider these types of firms in their research. Nonetheless, this does not necessarily need to indicate that the conclusions made are inappropriate for born digital firms but rather that the field of these types of firms lacks research.

##### **2.4.1.1 Entry mode in the transaction cost framework**

The transaction cost framework was first introduced by Ronald Coase, where the author argued that the existence of firms can be explained through the demand to reduce transaction costs. The framework analysis factors which affect the decisions for firms to either internalise or externalise its production as well as decisions to form long term contractual relationships. By internalising market activities firms can minimise transaction costs that otherwise would have occurred in a course of market transactions. There are different types of transaction costs which can occur in different ways. Costs associated with finding information about potential partners, services or goods, costs associated with reaching agreements in terms of the transaction or costs associated with enforcing and monitoring the terms of the transaction (Ronald Coase, 1937). The idea of cost minimisation can generally be accurate for all types of firms, however if the evaluation of these costs lead to a result of either externalising or internalising activities is adopted by born digital firms, is of interest to research further.

Furthermore, Williamson (1988) created his own theory in regards to the transaction cost framework. This theory seeks to explain the behaviour and structure of organisations based on the concept of transaction. The theory is based on assumptions that economic actors are provided with limited information and limited cognitive capability and therefore cannot

always make perfectly rational decisions. Additionally, Williamson implies that opportunism is a common issue in transaction economics, where individuals or organisations act in their own self interest (Williamsson, 1988). Based on these assumptions Williamson was able to create a theory which explains how economic actors respond to transaction costs with an intent to minimise them (Williamsson, 1988). This minimization will be done as stated by Coase (1937) through the option of either internalising or externalising activities.

#### **2.4.1.2 Entry mode in Dunning's eclectic paradigm**

Dunning's eclectic paradigm, also known as the OLI framework (Mudambi, 2018), is presented as a framework in the theory of foreign direct investment. The framework is supported to have both descriptive and normative components as it includes multiple influential factors and hence does well at predicting entry mode choice (Brouthers, Brouthers & Werner, 1999). By evaluating a set of three key requirements that a firm must satisfy to ensure international success, it can be determined whether it is adequate for the business to enter the foreign market through foreign direct investment or what other action should be undertaken if not. These requirements, or rather to be referred to as certain advantages, include; ownership-specific, location-specific and internalisation (OLI) advantages (Dunning, 1988). Based on the fulfilment of the mentioned advantages, it either encourages or discourages a firm to implement international activities (Mudambi, 2018).

The first advantage corresponding to the ownership-specific one, deals with the presence of unique assets within a firm which provides competitive advantages and the possibility to distinguish from competitors, for instance organisational skills or technological capabilities. The incentives to internalise, i.e. pursuing international production in-house, are increased the more valuable the ownership-specific advantages are. The reason for why it is necessary to possess ownership-specific advantages is for the sake of outweighing costs arising from serving a foreign market that is unfamiliar to the firm (Dunning, 1980).

Secondly, location-specific advantages are derived from having valuable resources enabled from a particular location, such as a natural resource or low-cost labour (Cavusgil et al., 2019). It will have an impact on where the production should be set, thus having connection to the ownership-specific advantages but still analysed as a separate condition as the former is not sufficient to argue for international activities (Dunning, 1988). Since born digital firms operate in an online sphere (Monaghan et al., 2019) the eclectic paradigm should incorporate the meaning of this type of location when internationalising. Internalisation advantages, the

third condition, are achieved when value chain activities are internalised as the firm retains control over them. It could include owning foreign-based manufacturing or keeping the distribution in the control of the firm, instead of having external entities managing these activities (Cavusgil et al., 2019). The purpose of this last perspective is to understand the advantages arising beyond the ownership-specific advantages, being derived from internalising. Thus if there would not be any beneficial aspects from internalisation, foreign direct investment operations would be substituted by international transactions through contractual agreements between independent actors (Dunning, 1980). As born digital firms operate online their need to establish a physical presence in the foreign market is limited (Monaghan et al., 2019). This is an aspect that the eclectic paradigm has not considered. In a situation where a born digital firm has obtained all above mentioned advantages, but because of its online presence a foreign direct investment is not a relevant stage to initiate in their international expansion process.

#### **2.4.1.3 Entry mode in the Uppsala internationalisation model**

The renowned Uppsala internationalisation model (Johanson & Vahlne, 1977) is a theoretical framework which describes a firm's internationalisation as a process. The model is based on a study on the internationalisation of Swedish manufacturing firms. This framework was first developed by Johanson and Vahlne in 1977 but later refined as The network model in 2009. In the initial model the authors were able to establish two prominent elements in their analysis, the first being the establishment chain. The Uppsala model assumes that there is a lack of knowledge about the foreign market which is unfavourable for the internationalisation process. The framework therefore suggests that there should be an initial establishment of the domestic market and eventually increase the commitment in the target country through different stages. The authors state that knowledge and experience gained from operating in the foreign market will over time increase the commitment in the foreign market since firms learn from past experiences (Johanson & Vahlne, 1977). Many born digital firms do internationalise relative to their emergence (Monaghan et al, 2019), therefore this type of gradual integration into the foreign market described in the Uppsala model may not be as relevant for born digital firms.

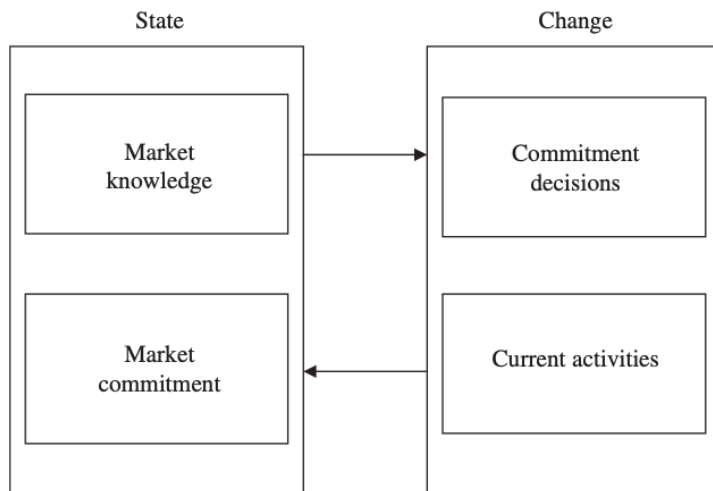
Johanson and Vahlne suggest that the migration to each stage should be executed once sufficient understanding and knowledge of the foreign market condition has been attained. This implication doesn't consider born digital firms that don't necessarily gain sufficient



knowledge about the foreign market before expanding into other markets. The first stages that the firms experience described in the framework is sporadic exporting, subsequently this exceeds towards and exporting through independent representatives. This stage should be continued by a gradual integration towards increasing investments in the foreign market through a foreign sales subsidiary and finally through a foreign direct investment.

The second element of the Uppsala model deals with psychic distance, which refers to the perceived distance between a firm's domestic and foreign market in terms of culture, language, education or industrial development (Johanson & Vahlne, 1977). The psychic distance are such factors that affect the flow of information, the Uppsala model suggests that firms are supposed to enter new markets with successively greater psychic distance which will result in the market commitment developing through stages such as in the above described establishment chain (Johanson & Vahlne, 1990). By following this procedure the firm can manage the disadvantages of operating in a foreign market known as the liability of foreignness. Less knowledge about the foreign market implies a greater psychic distance and uncertainty. By understanding the market the greater the chances for increasing the market position and gaining opportunities. There is a distinction between general knowledge which can be taught and market specific knowledge. The market specific knowledge is best gained through experiential learning and direct personal experience in the new market. (Johanson & Vahlne, 1977). As the Uppsala model doesn't consider firms with such characteristics as born digital firms that internationalise early on, this is a factor that should be included in a theoretical framework that born digital firms can utilise.

The Uppsala internationalisation model refers to two main aspects which influence the internationalisation process; the state aspect and the change aspect. The state aspect consists of two concepts, market knowledge and market commitment, these are assumed to affect the change aspect which are commitment decisions and how activities are carried out in the subsequent period, which will in turn influence market knowledge and commitment at later stages.



**Figure 2** The basic mechanism of internationalisation: state and change aspect (Johanson & Vahlne, 1977)

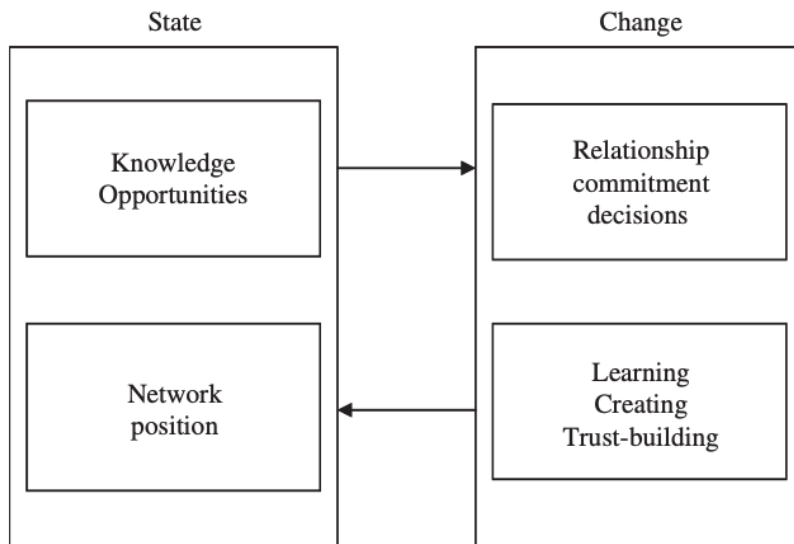
What can be stated by this theoretical framework is that the basic patterns of the firms internationalisation is to start in and continue to invest in markets with low psychic distance such as neighbouring countries. This commitment should be carried out carefully, continuously and simultaneously with learning of the market (Johanson & Vahlne, 1977). For this framework to consider the internationalisation process of born digital firms, it should include the differences of how born digital firms act in their international expansion process.

#### **2.4.1.4 Entry mode in the network model for internationalisation**

The 1977 Uppsala model has been profoundly influential in the international business field, but nonetheless it has been subjected to criticism in regards to its limitations. In their article authors Welch and Luostarinen (1988) criticised the model for its oversimplification. They implied that the model assumes that firms have a clear and consistent internationalisation strategy, which is not always the case. Firms may be opportunistic or even more flexible in regards to their internationalisation which Welch and Luostarinen do not believe the Uppsala model takes into account. Another example is from the authors Cavioli and McAuley (1999) who also implies that not all firms have such linear and gradual internationalisation that the Uppsala model suggests. The authors indicate that the size of the firm can be a contributing factor, the process for smaller firms may follow a more sporadic or disordered approach. Furthermore, Johanson and Vahlne themselves have in their revised article (Johanson & Vahlne, 2009) criticised the initial model in regards to firms operating in emerging economies and entering foreign markets. The authors suggest that there is not only the issue of liability

of foreignness that was proposed in the original Uppsala model but also the liability of outsidership (2009). Therefore, Johanson and Vahlne created a revised framework that would include these shortcomings.

The network theory is a development of the Uppsala model which captures a perspective beyond the firm centric one and is a dynamic model that assumes bounded rationality. The theory considers the broader institutional and social context of the internationalisation process. The focus in this theory is to incorporate other contributing factors in the internationalisation process, such as social relationships, trust building and networks which the initial model overlooks. Johanson and Vahlne suggest with this theory that social networks provide firms with access to information, resources and opportunities which can facilitate the internationalisation process. By having such networks firms will not only overcome the liability of foreignness as mentioned in the initial Uppsala model, but simultaneously overcome the liability of outsidership. This liability refers to disadvantages that may arise for firms operating in foreign markets such as lack of knowledge about local business practices, regulations in the foreign market and differentiated culture which can contribute to higher levels of risk, uncertainty and cost. According to Johanson and Vahlne the liability of outsidership decreases by the amount of time spent in the foreign market gaining knowledge and forming relationships. This indicates that firms with networks and strong relationships in the foreign markets will gain insidership and the ability to overcome liability of outsidership (Johanson & Vahlne, 2009). Because of the characteristics of born digital firms that can internationalise relative to their emergence and operate in an digital online sphere (Monaghan et al., 2019), they may be able to enter foreign markets without needing strong relationships and networks in the market. This is an aspect similar to the 1977 Uppsala model, that the Network theory has not taken into consideration.



**Figure 2** The business network internationalisation model (Johanson & Vahlne, 2009)

Similar to the 1977 model the 2009 business network model consists of two variables; the state and change variables. In this model there is a change of focus from traditional barriers to relationships and network barriers. Here opportunity is added as a critical element of knowledge but other factors such as strategies, needs and capabilities also play important roles in the knowledge sector. According to Johanson and Vahlne, knowledge opportunities can provide valuable information that is a fundamental base for the firm in the process of deciding on the relationship commitment. On the other hand, good relationship commitment decisions will help the firm to gain knowledge opportunities. Since knowledge is also created through exchanges within the networks, firms can gain information regarding their own activities but simultaneously information about their partners activities and through that gain knowledge opportunities. Furthermore, the network position is built on a process of learning, creating and trust-building. Here the authors suggest that in a successful relationship where the firm has a strong network position, they will be able to increase the learning and trust within the network. The authors further imply that a high level of knowledge, trust and commitment in a relationship will lead to efficient creative processes that will increase the network position. This revised framework provides a nuanced and comprehensive understanding of the internationalisation process and the development of the international business field with basis from the 1977 model. Nonetheless, the model does not give an insight of what other type of connections that firms who are born digital utilises in their international expansion process, that does not involve creating long forming relationships.

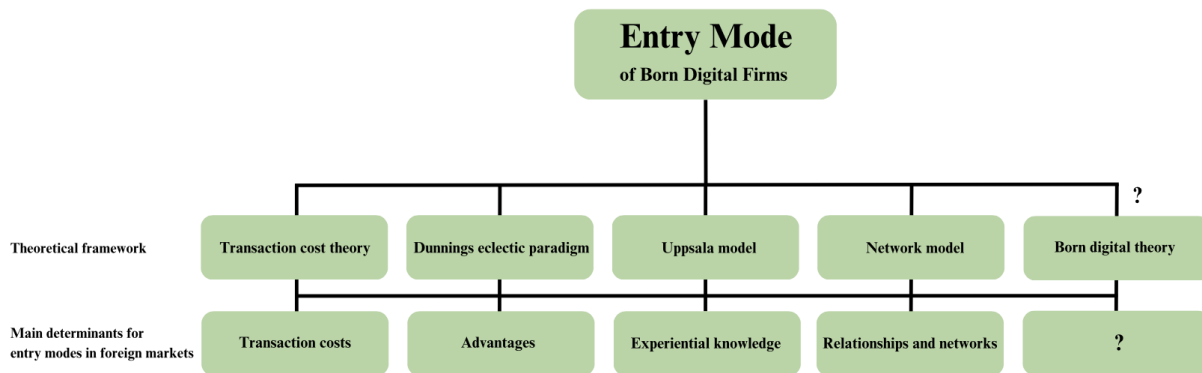
### **2.4.2 Non-traditional entry modes**

A new wave of literature and interest on the topic of entry mode has been introduced in international business, also referred to as non-traditional entry modes. Due to innovations such as the recent development in technology and digitalization that increase international integration, firms find the option of using non-traditional entry modes instead of one of the classics (Brouthers, Chen, Li & Shaheer, 2022). Hennart and Slangen (2014) conclude in their article that they believe that more research in entry mode is needed, potentially by putting, among other questions, the question of why firms try to repeat past mode choices in the centre of further investigation.

Conventional theories, such as the entry mode of foreign direct investment do not involve a significant reflection of the technology aspect and the utilisation of the internet when seeking to expand to a foreign market (Nachum & Zaheer, 2001). For instance, while the geographic distance is still important in the choice of entry mode as there is a need for investment overseas for firms to achieve proximity to knowledge and skills, it has been proven that technological innovation does reduce some of the communication and coordination costs and thus it allows firms to accelerate the spread of economic activities on an international level (Nachum & Zaheer, 2005). In line with this, born digital firms have the possibility to leverage on technological innovation as they are digitally based. Further, the digitalisation allows for an international expansion relative early to their emergence (Monaghan et al., 2019).

Brouthers et al. (2022) categorises some of non-traditional entry modes. Firstly, the entry mode through capital access which advocates for utilising the ease of global financial flows that require relatively low embeddedness in local networks. Secondly, innovation outpost as a non-traditional entry mode is presented as a strategy of the firm to share a continuous flow of knowledge that relies on the firm's ability to integrate in local networks of both economic and social relations, and thus the firm can engage in the local network simultaneously as they acquire new knowledge to enhance their competitive position. The third non-traditional entry mode is referred to as virtual presence which emphasises the ability of leveraging on digital technologies from a remote location (Brouthers et al., 2022).

## 2.5 Conceptual model



**Figure 3** Own compilation of the conceptual model of the theoretical frameworks

From the entry mode theories in the theoretical section we were able to establish that each framework has different main determinants for an entry into foreign markets. These determinants provide a useful base of what to evaluate and what to take into consideration when addressing the research question. The conceptual model provides a framework and aims to understand which of the determinant factors according to corresponding theoretical framework, as represented by the bottom question mark, is relevant to consider in the choice of entering a foreign market as a born digital firm. Further, the unknown square in the model seeks to address what is the entry mode of born digitals and what are the influential factors in this decision.

Firstly, from the transaction cost framework it can be concluded that the main determinant for entering a foreign market are the transaction costs. The higher the transaction costs are for a firm, the higher the chance for the firm to fail or increase the price for the transaction as it gets tougher to execute the transaction. In line with the theory, the firm should use the transaction cost framework in order to evaluate the different entry modes and locate the one offering the lowest transaction cost, whether it will be through exporting, foreign direct investment or contractual relationships. The entry mode will provide diverse benefits depending on the company's resources and which market they are active in (Williamsson, 1988).

Dunning's eclectic paradigm on the other hand places an importance on different types of advantages which affects the entry mode selection. The paradigm is a theoretical framework explaining three types of advantages that a firm must possess in order to succeed in

implementing foreign direct investment. These are; ownership advantages, location advantages and internationalisation advantages. Based on the evaluation of which advantages are in the firm's possession, it will influence the decision of entry mode and propose the optimal one (Dunning, 1988).

In the Uppsala model experiential knowledge is the main determinant. As the firm accumulates experiential knowledge gradually, the Uppsala model poses that the internationalisation process is incremental. The type of knowledge referred to in the model is that of the foreign market a firm plans to enter, involving language skills, business practices and cultural awareness. Accordingly, the possession of little or no knowledge, corresponds to a stage in the model of sporadic exporting. As the knowledge increases, it will lead to the second stage being exporting through independent intermediaries. When knowledge is further increased, the third stage advocates for establishing a foreign sales subsidiary. The model suggests that when the firm's knowledge is optimal, undertaking foreign direct investment and locating production plants abroad is appropriate (Johanson & Vahlne, 1977).

Lastly, in the network model relationships and network are the most important aspects when seeking to enter a foreign market and hence can be concluded to be the main determinants. The model argues that social relationships, trust building and networks are powerful factors in the internationalisation process and can overcome barriers of outsidership when entering a foreign market. The relationships and networks contribute with valuable information, resources and increased learning to help surmount the liability of foreignness (Johanson & Vahlne, 2009).

Since digitalization is a recent development and as the majority of born digital firms were formed in the last decades, these theoretical frameworks have not taken into account how born digital firms behave when entering a foreign market. Therefore the question still stands of how do born digital firms enter foreign markets and what is the influential factor or, if multiple, factors. As we can not conclude what the one determinant may be, as found in the other theories, the thesis aims to reach the influential factors that can provide clues and indications of what poses a significant effect in born digitals entry mode. In conclusion, the purpose of the thesis and the collection of empirical data is to find the missing elements in the conceptual model as seen in figure 3.

### 3. Method

This chapter outlines the methodology used in the thesis including different perspectives concerning research methods which will hopefully provide the reader with a comprehensive understanding of the work process.

#### 3.1 Research approach

The approach chosen for the research study largely depends on the philosophical stance that the researcher takes (Easterby-Smith, Thorpe & Jackson, 2015) but simultaneously on the way it will be performed and analysed (Bryman & Bell, 2015). There will be an introduction and explanation of the research approaches used, furthermore a critical reflection will be added to provide a reliable outcome.

The literature theory has tailored the structure and research approach of this study. By gathering and comprehending theory, there remains a desire to gain an understanding of the absence of information the theory does not take into account. In the case of the study, there is a lack of information on how born digitals enter foreign markets, and therefore it is appropriate to carry out a case study in order to collect potential data that can inform the research questions. Thus, the role of theory has been crucial and the determinant for structuring the interview questions. As supported by Dubois and Gadde (2002), the role of theory in a case study is portrayed to be created in the process. In the article, it is stressed that important theory is an evolution over time, and it is argued to not require a review of all background literature before doing further research but to combine the theoretical conceptualization with the empirical fieldwork carried out to complete the process of discovering new things. This is allowed to be done by using a systematic combining and it eliminates the constraint to exclusively abide by a previously developed theory (Dubois & Gadde, 2002).

Systematic combining in a case study is mentioned by Dubois and Gadde (2002) in the research paper to be an abductive method and is beneficial to utilise as it allows for a simultaneous progression of theoretical framework, empirical fieldwork and case analysis. Furthermore, it is suggested to be well suited for when developing a new or weak theory, which provides arguments for why it is safe to say that the abductive approach becomes highly relevant to be influenced by in our study. It can be concluded that the study considers



to take on a research approach of a case study as the theory has been operationalized into an interview guide and by adapting the interview questions with regards to the literature, the research method has been inspired by what the authors refer to as an abductive approach (Dubois & Gadde, 2002). An example of how the abductive approach can be seen in this thesis, is through rearranging information from the theoretical framework due to the outcome of the interviews.

### **3.2 Research design**

Sam Goundar (2012) suggests that there are different existing research methods frequently used by scholars. The author divided these methods into the viewpoint of the objective that the study has; exploratory, explanatory and descriptive and thirdly correlational research. The exploratory method is used to investigate an area where there is little knowledge, here the primary objective is to generate initial insights and identify and explore solutions or alternative explanations. This study focuses on exploring how born digitals enter a foreign market and therefore it becomes relevant to understand the exploratory method option.

Qualitative and quantitative research methods are approaches used to gain knowledge by means of direct or indirect observation. In business research, the qualitative research method is increasing as a methodological option. It is commonly adopted when seeking to analyse a complex research question of understanding consumers and organisations behaviours (Ting et al., 2021), thus being an appropriate methodology in this thesis. A firm's entry into foreign market is a phenomenon which is highly affected by human behaviour, since the decisions taken regarding internationalisation are done by individuals. To explain and analyse this behaviour it is vital that a thorough and in depth analysis is conducted. Therefore a qualitative method is the most suitable for this type of study since it can provide a deeper understanding of the research question (Turner, Ting, Mun, Wong, Tze, Lim & Tan, 2021). Creswell (2014) agrees that the qualitative research is convenient for a study with exploratory sequential design. Further, an interview is exemplified as exploring the research question qualitatively (Creswell, 2014). Because of the in-depth analysis that is needed to answer the research question, it is relevant for this particular study to consider a qualitative research method for the sake of exploring an issue rather than explaining it. It is important to note that qualitative research has its drawbacks, firstly it is extremely time consuming to conduct and the risk for objectivity and ethical concerns (Ting et al., 2021). Therefore it is vital to take these disadvantages into account when conducting our qualitative research.

Goundar describes different approaches adopted in the process of finding answers to the research question. Interviews have the ability to take form as structured, unstructured or even a combination of the both described as semi-structured (2012). The interview conducted in this study involves predetermined questions that have been designed based on the analysed literature in the theory chapter with an aim to answer the research question. Furthermore, the informant is given the opportunity to respond freely to the questions. This method is characterised as a semi-structured interview which is a combination of a structured and an unstructured approach. It uses the advantages that both approaches provide, by utilising the structure of predetermined questions and the flexibility of asking open-ended questions that allows for follow-up questions. This provides the flexibility of an unstructured approach with the standardisation and guidelines of a structured approach (Leavy, 2014). The complete interview guide can be found in the appendix.

### **3.3 Selection of cases**

#### **3.3.1 Criterias for being a selected case**

The selection of cases has been based on two criterias. Firstly, there is a specific criterion that the firm of interest must be a born digital firm in order to be relevant to the research question. As mentioned, qualitative interviews were the optimal data collection technique to be used and it was therefore important that the search for firms to interview were found to be born digitals. Another criterion for being interviewed in this study is that the firm has already an established presence or is planning for entering the international market. This criterion signifies that the firm is operating on a market outside Sweden or is engaging in any kind of international activities in order to understand how born digital firms enter a foreign market.

The starting point of the case study was set out to locate the hub of health tech born digitals provided at Sahlgrenska Science Park. Moreover, from the list acquired of the companies fulfilling the first criterion, the following step is to narrow it down to those engaging internationally in any aspect. This provided us with a kind of catalogue of appropriate firms to seek contact with. Hereafter, the process of contacting firms by email or phone started and it was meant to communicate our research purpose and make an interview request in order to reach desired cases to include in the thesis.

### 3.3.2 Cases and relevant interviewees

Predicare AB, is the first firm to be interviewed in the case study. The firm has been chosen as it fulfils the criterias for being a selected case for this study, being both a born digital firm and operating in foreign markets. The same goes for the cases 3, 4 and 5. The informant representing the firm is the CEO of the company. The CEO is highly relevant to interview since it is usually the person responsible for making strategic choices in the company. By interviewing the CEO, it provides insights and one can gain an understanding of the firm's perspective on strategy and decision making. This study aims to understand the particular decision making framework of born digitals market entry, advocating that the CEO is a highly relevant, and possibly the most appropriate candidate for an interview.

Out of the five firms interviewed, four of them were represented by an informant with chief position, being either the CEO or CFO. An exception was the fifth case, where the informant was a part of the department of global partnership and commercial lead. As he is engaging in the department of international activities, he has an valuable understanding of the firm's thoughts on internationalisation strategy and was therefore considered to be suitable for the interview.

We came across a contact at a digital firm named Mabel AI, that is recently established and thus has not had the opportunity to realise their internationalisation plan yet. However, they were still chosen as an interviewee and considered to be relevant to this study as they provide useful insights in contemporary terms to the research question. The criterion of being born digital is met, but the firm lacks in having international activities. This sample was chosen as the firm's business model revolves around translation and the inclusion of multiple languages, thus assuming that international engagement is mandatory for the firm's product to be used. Further, this indicates their planning of international expansion and the probability of it being realised.

In line with what is discussed by Yin (2014), to gain a better understanding and enhance the validity of the research it was decided to only include born digital firms that operate in the same industry, in this thesis being the health tech industry. The decision was made since the approach to compare within an industry is appropriate when the research objective is to identify a practice and its patterns. Nevertheless, it helps us to control for possible differences

occurring in the broader economic business environment (Yin, 2014). Furthermore, the reason behind selecting the health tech industry as a restricted area for this study, is first and foremost due to the incremental growth of this particular industry. According to a report by Deloitte (2021), it showed that health care systems are undertaking a digital transformation and is expected to further develop within this area. In the conclusion of the report, it suggests a preparation and realisation of digital transformation being essential in the improvement of health care (Shudes et al., 2021). Furthermore, it is a recurring topic that is often discussed in news reports. The well known Swedish news site *Dagens Industri* has even dedicated a whole section to ‘health tech’ where analyses and articles upon the theme are gathered. News about Kry’s journey and them becoming Europe's largest digital healthcare provider (Agazzi, 2022), a digital platform named Mindmore helping healthcare providers to ease the process of testing patients for diseases such as depression (Karlsson, 2022) and how firms manage to develop an app to provide a solution through artificial intelligence to detect signs of dementia (Ek, 2021) are all found in the section. As noticed, it is a highly discussed and relevant theme and hence it became an interesting industry to focus on. Secondly, we already had some contacts in this industry that were of interest to interview for the case study, therefore it was reasonable to make the decision to concentrate on the health tech sector. The contacts were also fulfilling the criterion of being born digital and made the choice quite obvious already from the study's inception.

### **3.4 Data collection**

The data collection is a fundamental part of the formation of this study. The qualitative study collected is based on different types of data. According to Wiedersheim-Paul and Eriksson (1997) there are two specific categories of data collection, primary data collection and secondary data collection. The authors define primary data as data collected by the researcher for a specific purpose. Which indicates that the data has not previously been published or collected by any other entity. Secondary data on the other hand has already been collected for a different purpose. Furthermore the authors also conclude that with specifically case studies there is also an option to gather information through documentations, interviews, archival records, direct observations, participant observations or physical artefacts (Wiedersheim-Paul & Eriksson, 1997)

The primary source of data for the case studies were collected from 5 interviews. The interviews consisted of open ended questions which gave the informants room to answer more in depth and openly. This openness also allowed for follow up questions once the respondents answers needed to be further developed. The characteristics of open ended questions are primarily used in case studies (Yin, 1994). Even though the interview was very open in its characteristics, an interview guide was used in an effort to organise and drive the interview in the right direction. This also makes it easier to compare the different cases. The interview questions also included elements of the theoretical frameworks described in the theory section. As mentioned above the cases were selected from Sahlgrenska Science Park, the focus was to choose digital firms from one specific industry, the health tech industry. We chose respondents from their position in the firm, in an effort to guarantee that they had been a part of the internationalisation process. The interviews were conducted both through video calls and telephone calls because of the convenience and flexibility, and lasted for about 25-30 minutes. See the specific details about the interviews and the interviewees in table 1.

Secondary data was also collected for the study to support the primary data. Here the firm's website was used as complementary information together with statistical records, peer reviewed literature and books related to the subjects of entry mode, digitalization and born digital firms. This secondary data was primarily collected through the database Business Source Premier at the University of Gothenburg but also through Google Search and Google Scholar. Published reports and academic articles have also been an extensive source for collecting secondary data throughout the study.

Company	Informant	Date	Job title	Duration of interview
Predicare	Daniel Poté	3 May 2023	CEO	12:09 min
Mabel AI	Shahid Jabbar	8 May 2023	CFO	22:22 min
Opatus	Petter Knagenhjelm	8 May 2023	CEO	45:27 min
Paindrainer	Erik Frick	9 May 2023	CEO	19:29 min
FirstVet	Gabriel Prescott	11 May 2023	Global partnership and commercial lead at FirstVet	29:16 min

**Table 1** Overview of the conducted interviews and the firm representatives

### **3.5 Data analysis**

A conceptual model was constructed to provide a framework for the study and clarifies for what the study aims to investigate. The inclusion and development of the conceptual model built on past literature facilitates the comprehension of the research problem at hand for the reader. Nonetheless, it will be helpful in the analysis of the empirical data to refer back to the conceptual model that summarises the existing literature and to supplement the gap of born digital entry mode in the international business theory. Hence, the purpose of the conceptual model is to address it with the help of the compiled empirical data and to transform the comparison into an analysis that shall address the research question.

Applying Yin's (2011) five-step approach to data analysis it allows for the data to be thoroughly analysed and provides useful insights throughout the research process where we as researchers are able to fully understand the data collection. The approach was developed by Yin (2011) with regards to case studies and is thus relevant for us to utilise when conducting this research thesis. The five phases involve compiling, disassembling, reassembling, interpreting and concluding the data collected. These phases can help to manage all the qualitative data. Yet, the author highlights the interpreting phase to be dealt with further care as it is a crucial moment for data analysis (Yin, 2011).

Data analysis can be identified throughout the study where Yin's (2011) five-step approach can be recognized. In the chapter of theory, multiple models and frameworks were compiled, disassembled and interpreted. In the method chapter, different techniques and research methods were balanced against each other to find the most appropriate one for this particular research study, thus being interpreted and concluded in the research. For the empirical data collection, companies and relevant interviewees were evaluated in order to reach a solid source of information for the research question. Here, data was compiled through the form of interviews.

Finally, the analysis of all data acquired and discussed is compiled into a final review in the analysis section in order to make a conclusion of the solution to the research question. In the

last chapter, all of the five phases of data analysis become relevant to address for achieving a well-developed and thoroughly analysed end result. The analysis was structured as a cross-case analysis, with the purpose of identifying categories of statements common to all participants. Thus, the theory and empirical data were transformed into a comparative analysis (Ayres, Kavanaugh, Knafl, 2003).

### **3.6 Quality and ethics**

The author Yin (1994) states that research design should represent a logical chain which connects the empirical data collected with its conclusions. The author mentions four tests that should be considered when determining the quality of the research design; construct validity, internal validity, external validity and reliability (Yin, 1994). In some circumstances these terms can overlap due to their interconnectedness which can make them hard to distinguish between (Chisnall, 1997).

#### **3.6.1 Validity**

Validity is defined by how well a specific research method measures what it is meant to measure. Validity is generally more difficult to resolve than reliability because of its complex characteristics (Chisnall, 1997). As mentioned above there are different determinants for quality, when referring to validity there are three different types of validities that should be achieved (Yin, 1994).

- Construct validity: Establishing the correct operational measure for the studied subject.
- Internal validity: The problem with creating casual relationships between variables in an explanatory case study.
- External validity: Establishing whether the findings can be generalised or not.

To achieve these validities in this thesis multiple sources of information during the data collection process were used. A chain of evidence was established so that any external reader can trace each step of the thesis and understand where the information was collected from (Yin, 1994). This can be seen through our reference list. Our supervisor and other academic students have reviewed drafts of the research during several stages of the writing of the thesis in an effort to increase the validity. According to Wiedersheim-Paul and Eriksson (2001) high

external validity can be difficult to achieve with single case studies, this can indicate that the respondents may answer incorrectly, withhold information or even lie. Even though this type of validity is difficult to overcome, it has been severely considered by ensuring that the respondents are the correct people being interviewed at the start of the interview and offering them the opportunity to be anonymous. This created a safe space where each respondent could answer without fear. We made sure that the respondents either had a high position in the company or had been involved in the internationalisation process, to ensure that they could answer the interview questions and bring relevant information to the study.

### **3.6.1 Reliability**

Furthermore, reliability on the other hand measures the possibilities to do the same research all over again and get the same result. The main objective with reliability is to minimise errors and biases in a study (Yin, 1994).

As quality is an extremely important aspect of a thesis, only highly reliable sources were used in an effort to achieve reliability. Regarding the interviews, each respondent was informed about the objective of the study by email and also right before the interview started. This was done in order to create transparency and a clear understanding for all participants. The interview guide was constructed in Swedish but later translated to English, which might result in translating errors, which is something that was taken into account. Therefore, translation applications were used as support to ensure that the information was translated correctly. The interviews were thereafter recorded with the respondents approval, furthermore, notes were taken during the interview to ensure that the information was correctly transcribed. We began and ended the interviews by giving the respondents a chance to ask questions about the study or about any questions asked throughout the interview. The respondents also had the option to intervene at any time if they were unsure or did not understand a question. We were also able to ask follow up questions and ask the respondents to elaborate their answers, this was done to minimise any misunderstandings that could have appeared. After the interviews were conducted each respondent was contacted again in order to correct eventual misunderstandings and mistakes and to ensure that the answers have been correctly interpreted. This increases the transparency of the process and the reliability of the empirical result. Furthermore, according to Bell et al., (2019) data processing is a fundamental aspect of ethical research. The data collected must be ensured by the researchers to be complete, accurate and truthful. Due to this, it was decided to keep the data secure and only use it for



the purpose of this thesis. This ensured that the respondents felt comfortable to participate in the study knowing that their information would solely be used for this research project.

## 4. Empirical data

This section summarises the information obtained from the interviews and the reflections shared by the informants for the respective firm. The aim of the section is to understand the thoughts and experiences of each born digital firm interviewed regarding their strategy for entering a foreign market that later on in the thesis will be further analysed.

### 4.1 Case 1 Predicare

The first case to be presented, is a firm named Predicare AB established in 2013. This firm develops and manages a triage system called RETTS, that began to be researched in Sahlgrenska Science Park in 2005. The triage system is a systemized methodology and a risk assessment to determine how urgent it is for a patient to get health care and is meant to be utilised in the very beginning of the emergency chain. Predicare is primarily active in the Swedish and Norwegian market, however they are during the commissioning of further expanding in international activities but do not claim to have any clients in these areas yet. In essence, Norway was the initial foreign market that the firm entered.

The CEO, Daniel Poté, explains in the interview that the usage of RETTS in the early beginning was free of charge as it was a developing research project and suddenly it got a broad reach due to the spread of word-of-mouth. The formation of the company urged after the increased attention for RETTS and led to the firms commercialization, hereafter they could charge a fee for the usage of the system. Poté further justifies that the same story applies for the reach of the Norwegian market. It is said during the interview that a well-structured marketing plan was conducted, however the informant admits to the realisation that it was a result of various samples, tests and interests generated through web searches and articles that gave rise to the international outreach. Thereafter, it led to the result of someone working with this periodically and having the customer being built up.

#### **Entry mode of the firm**

Predicare's strategy to enter foreign markets is based on externalising activities, being to form partnerships and using distributors. Partners and distributors can provide an entrance to

valuable networks, since developing own relations requires investment of funds and time. Further, Poté mentions that the firm seeks to enter markets that pose similarities in the healthcare system relative to their home market.

#### **4.1.1 The influence of transaction costs**

Poté reports that the firm will focus on externalising activities when concerning internationalisation and it is due to how their product is structured. Had it been an app of a simpler kind, the informant means that the probability that the firm would internationalise instead is high. However, in this case it includes an implementation of their solution into a foreign technological infrastructure, in addition to that also an integration with foreign contacts and foreign markets. Thus, their final conclusion is that externalisation is the optimal choice for the firm to grow and expand internationally.

#### **4.1.2 The influence of advantages**

The informant states that he does not believe that the internationalisation strategy of a born digital company in general differs significantly from that of a traditional company. On the other hand, Poté clarifies that their strategy in this specific case does, as an expectation to that statement. In the interview it is said that their product was perceived as a research project where you teach and take part of the material that is somehow available to everyone and is no one's to own. Further, it is believed that this type of internationalisation where you shape the company as a result of being acknowledged is not at all common, and then to charge a fee afterwards is also unusual.

#### **4.1.3 The influence of experiential knowledge**

In line with the firm's experience of engaging in foreign markets, there are language barriers they have come across. The informant stated that "there are language barriers, and they have to do with the ease of communicating the product and its value to the counterpart" (Poté, 2023). He elaborated that these barriers are said to be decreased if it is easy to convey the product and its value to the recipient. As a common language barrier has been identified by the firm, English is mentioned to be a fairly good solution. Moreover, there is an absolute barrier with regards to the regulations for medical devices, for instance as European regulations on medical devices have determined that you must have the product and its information in the country's own language. Poté puts up the scenario that in some cases with expensive systems, it would result in significant investments if you would have to make a

translation. In addition, if the system would have few users and a limited reach, then it implies a huge cost for the firm.

Poté illustrates how a potential internationalisation strategy for a nordic company like themselves could be designed when seeking to enter a foreign market. Germany, the United Kingdom and the Netherlands are mentioned to be common starting markets to enter as they are claimed to be large countries that can potentially pose a payback for the firm if the effort is invested. These markets are on a similar level both medically and technically to Predicare's home market, although there are certain disparities within laws in the health sector that should be acknowledged. As it requires a lot of activities and resources to internationalise, it is beneficial to the firm if they enter a market with a similar health care system. However, the CEO finishes his point by admitting that they have accepted the way their internationalisation happened and seek to expand from there.

#### **4.1.4 The influence of network and relations**

Networks and relations are mentioned in the interview to play an important role for the firm's entry mode to other markets and therefore the firm has made the choice of adopting a "partner's strategy" corresponding to the use of distributors or other partnerships. The CEO argues that it takes a long time to build up personal contact and trust with one person, let alone with many more that would be needed when entering a foreign market. Therefore, if there is someone who already has the developed relationship and can consider expanding your sales into that network, it is beneficial for both parties.

#### **Key points of Predicare's entry mode strategy to a foreign market:**

- Word of mouth has been the reason behind the firm's reach in their first foreign market, Norway.
- Networks are believed to play a vital role for the firm entering foreign markets.
- Partnerships and distributors are a part of the firm's strategy to enter foreign markets.
- The company finds it difficult to communicate its product to the counterparty because of the complex environment in which it is to be delivered.
- Other than the language barrier perceived, the firm encounters regulatory barriers within the healthcare sector.

## **4.2. Case 2 Mabel AI**

The second case to be presented, is a firm named Mabel AI that was founded in 2022. Mabel AI has developed an in-device AI app that produces real time translations which creates interpretations of secure conversations across different language barriers. The data that is obtained does not leave the phone, furthermore the app can also be used offline. The app uses full speech recognition so that the patient can speak freely and is created to facilitate and safeguard the communication in primarily the medical sector. Sweden is not the firm's primary market to operate as the CTO Shahid Jabbar believes that there are more attractive and bigger markets, as the firm wants to target markets with many refugees. Nonetheless Sweden is the first market Mabel AI is planning on launching its product in.

### **Entry mode of the firm**

In the interview Jabbar explains that the firm has not yet expanded into foreign markets but that Germany is an attractive market that they are planning on entering in the coming year. The language market in Germany is relatively large and it is a country that has received many refugees from both Syria and Ukraine. Furthermore, Jabbar explains that for many Germans health care providers have difficulties in communicating to patients because of the language barriers, it is therefore a favourable market to expand their product in.

The first market that Mabel AI has planned on entering is Germany. The firm has a planned strategy to enter Germany with a partnering consulting firm that they have found through their incubator Sahlgrenska Science Park. Mabel AI is now looking to expand in Hannover city which has the highest number of Ukrainian refugees and also has other migration shelters. The strategy to enter Germany is based on the language market size, the refugee market size, the relationships and the cultural knowledge.

### **4.2.1 The influence of transaction costs**

Jabbar explains in the interview that the firm will focus on internalising their activities including activities concerning their international expansion. Because of the complexity of the product the firm needs continuous feedback to improve and adapt the app to the changing environment, behaviours and needs of the different markets they plan on entering. This feedback will according to Jabbar be best obtained if there is not a distributor or other type of middleman present in the firm's activity. Rather Jabbar explains in the interview that the firm

works with and will continue to work with consulting partners to obtain information about the market. This means that the firm will have full control over all of their activities but still obtain information and consulting through their partners.

#### **4.2.2 The influence of advantages**

Jabbar believes that an important factor to consider in regards to the international expansion of traditional firms in comparison to digital firms is that they produce physical products that are different to digital products. According to Jabbar traditional products do not scale as easily, therefore larger factories are often needed when entering foreign markets in comparison to digital firms that may not need a physical movement to the foreign market when internationalising. That is because digital products scale differently, Jabbar states that “they can scale indefinitely” (Jabbar, 2023). Further, he believes that a fundamental element that is needed for digital firms is enough people that can support the aftermarket. The needs during an international expansion process differ because of the different characteristics that born digital products and traditional products possess.

#### **4.2.3 The influence of experiential knowledge**

Mabe All has not yet entered any foreign markets; they therefore lack experiential knowledge concerning the international expansion process. Jabbar believes that having partners that possess experiential knowledge to support the process is important when expanding into foreign markets. There are barriers that the firm will encounter when expanding into foreign markets, Jabbar suggests that a support system of knowledge about the market are two important factors that will help the firm overcome these barriers. Germany is the first foreign market the firm is planning on entering, the CEO Karolina Sjöber Jabbar and Shahid Jabbar have both lived in Germany and are able to speak the language. Germany also has a strong privacy culture which the firm is familiar with in regards to the privacy standards that their product has to follow. Jabbar insists that there are cultural differences that have to be considered when entering new markets. Therefore it is good for the firm to have someone present in the market that understands and has experience in regards to the factors that the firm may lack.

#### **4.2.4 The influence of network and relations**

Jabbar describes in the interview the importance of networks and relationships in the firm's international expansion plan. Jabbar believes that the support system is one of the most

important factors that the firm should possess before entering a new market. As Germany is the first foreign market the firm is planning on entering, having German speaking people on support is a variable resource. The consulting firm that the firm is in contact with possesses links and connections and knows who to talk to, since Germany itself is a very bureaucratic country.

**Key points of Mabel AI's entry mode strategy to a foreign market:**

- Mabel AI plans to enter the German market first hand, given the size of the language and refugee market.
- Mabel AI is planning to enter Germany with a partnering firm that has been found through their incubator Sahlgrenska Science Park.
- The firm will work with consulting partners to obtain information about the market, however they will focus on internalising their international activities in order to maintain full control.
- The firm believes that having a support system including partners with experiential knowledge and networks, such as German-speaking support, is essential for their international expansion plan, both for understanding cultural differences and to provide connections in the market.

**4.3 Case 3 Opatus**

The third case to be presented, is a firm named Opatus AB that was established in 2013. The firm provides objective assessment of behavioural profiles to support practitioners in determining possible diagnoses through a test. Furthermore, the firm has developed an instrument to measure symptoms of ADHD in the form of a software application, Opatus CPTA that can be downloaded from the App Store to a smartphone.

**Entry mode of the firm**

The CEO and innovator, Petter Knagenhjelm, with a well-educated background in technology highlights that the firm knew that Germany was of particular interest for the firm to enter, and that Sweden was not a priority for them. This is amongst other things, due to the fact that the market is bigger in Germany, also on the private side of the market. Additionally to that fact, the informant explains that their solution helps to streamline the professionals diagnosis process and as the healthcare system is not as digitised in Germany compared to Sweden, the

firm sees potential in the German market. The informant opines on key factors that influence a born digital firm's entry mode decision, namely to maintain a high focus and search for markets with high demand for the firm's offering.

Regarding the idea of constructing an internationalisation plan to enter foreign markets, this is what Knagenhjelm has to say about it: "For me it has really been a random process, a random walk, I try a bit here and I try a bit there" (Knagenhjelm, 2023). Thus, Knagenhjelm explains that the entry to the foreign market started as a random process, however has now established a market plan in Germany. Further, he elaborates that the company has grown generically by getting one customer, then another and then an additional one, and so on. Currently, Opatus has about 25 German customers, one in the United Kingdom and five in Sweden in the business-to-business market. The CEO believes that the company has the potential to grow fast and states that an accelerating growth can occur suddenly in the firm's environment.

#### **4.3.1 The influence of transaction costs**

In the interview, Knagenhjelm points out that payments require customers to make international payments which some find complicated. Nonetheless, to make these payments the bank takes out a fee for the foreign transaction. As the payment of the customer to the firm amounts to a fairly small sum every month, the bank fees of the payment are high relative to the price. Moreover, the CEO mentions that they would need a German bank account for easy payments. However, to get such an account a legal German company is needed. Thus, as he mentions in the interview, a partnership would be suitable in this situation.

Knagenhjelm sees great potential in the company, but believes that there is a need for him to travel to places and show up physically in order to help customers get started with the product, and convince them this way since it is a product that is being implemented in a more complex environment. However, it is costly for him to travel only to meet a customer. In Germany he therefore finds customers by looking in the public register of doctors, getting addresses and then sending out emails. The informant details that he searches for people in an area that seems interesting, with ADHD as the main field. Then he sends out an email saying he will attend in that area, and asks if he can pitch his idea once he gets there. Based on the answers, he sets up routes and visits these places physically in order to pitch and explain his

software and how to use it. The informant mentions that COVID-19 posed challenges to his visiting routes, as he was restricted to travel for two years and the possibility to visit hospitals was severely limited.

#### **4.3.2 The influence of advantages**

The CEO introduces a landing page also referred to as a free trial on their webpage which was made at the request of a customer, however the firm has managed to only acquire one customer through this approach. Instead, Knagenhjelm found that the way of travelling the planned routes as earlier mentioned, he manages to convince the customer by providing a physical review of the product.

The company delivers an app that runs on the user's own hardware, the smartphone. The challenge is therefore not the delivery but learning how to incorporate it in a clinical context. The informant explains that in contrast to the offer of a physical product, it is easier to transport their digital software solution to the recipient however it is highlighted that there is a difficulty for customers to start using the product and understand it. Thus, the informant says that in this situation digital methods and infrastructure are not of much help, as you need to be there physically anyways in order to introduce your product for a greater probability to sell it to customers. In the interview it is revealed that this problem has been attempted to be solved through providing manuals on the website with instructions on how to use the software, but presence seems to still be required and key to reach the firm's customers.

#### **4.2.3 The influence of experiential knowledge**

As Opatus is active in the health tech industry, it is said in the interview that there are regulatory differences between countries that are important to acknowledge and understand. Additionally, there are discrepancies in behaviour and perspective towards healthcare and thus the CEO states that it is vital to adapt to the customer. In the German market, Knagenhjelm means that they appear to be interested and have a positive view on objective measures to the clinical assessment. However, it is also pointed out that Germans tend to exhibit a strong inclination towards avarice in paying for products and services, and therefore value a favourable agreement in the context of financial matters. The informant relates an earlier experienced work related example to illustrate their point, where his previous workplace within the same industry had acted rigidly, had charged a high price for their product and behaved as everything had to be done in their way for them to end up losing



many customers, especially in Germany. Knagenhjelm compares Germany to that in Sweden another perspective on healthcare is found and he notes that clients require several studies and validations on the product. As Germany seems to exhibit pragmatic tendencies, this is in favour of Opatus and poses a greater potential to reach out to the market. By the informant, it is concluded that it is easier to conduct sales activities in Germany. The informant also mentions that in Norway they urge a focus on data security and they are reluctant to allow data to leave the hospital or clinic.

Knagenhjelm describes the several ways that the firm adapts to its customers. Firstly, their software and website is available in multiple languages. Secondly, as his German customers are reluctant to speak English, the firm offers the possibility for the customer to ask a question in their native language for the firm to then respond in English. Thirdly, the informant mentions that the countries prefer to be approached more or less formally which is considered when interacting with the customers.

#### **4.2.4 The influence of network and relations**

The informant Knagenhjelm shares that he had a former German contact who was interested in the firm's business idea and it resulted in him buying a share into the company. This customer is also mentioned to have written a book about Opatus CPTA, and the informant means that this is the biggest customer he has. Networks and relations are said in the interview to have been colossally important in the beginning of the firm's establishment. Nonetheless, Knagenhjelm highlights the very helpful connection to the innovation outposts Sahlgrenska Science Park and Healthtech Nordic, and the ability to use contacts obtained from forums for growth creation. It was through a company that helped with providing leads for firms at Sahlgrenska Science Park that Opatus managed to get in contact with the customer in the United Kingdom, which is expressed in the interview to be of high value for the firm as the British market is a very important market.

The firm is a single-member limited company where Knagenhjelm is the CEO and the only employee. The informant explains that it is difficult to do everything yourself, thus he shares his openness and enthusiasm for entering partnerships with others. He has already tried to ally with medical companies in Germany, but expresses the difficulty to get a partner. Nonetheless, it is further elaborated that it is challenging to get investors as the software involves a lot of regulatory matters and it is hard to convey what the product really provides.

### **Key points of Opatus' entry mode strategy to a foreign market:**

- Opatus began without an intended internationalisation plan to enter foreign markets, and grew generically by gaining one customer after another. Now, the firm has established a market plan in Germany.
- Opatus believes that a partnership would be suitable for the firm as it currently is a small company and in order to avoid issues with payment procedures from foreign customers, partners would ease the process.
- The CEO sees great potential in the company, but believes that there is a need for a physical presence to be able to convince customers since the product is being implemented in a complex clinical environment.
- It is said in the interview that there are discrepancies of interpretation and focus of regulations between countries that are of importance to acknowledge.
- The firm opines on key factors that influence a born digital firm's entry mode decision, namely to maintain a high focus and search for large markets.

### **4.4 Case 4 Paindrainer**

The fourth case to be presented is the firm named Paindrainer which was founded in 2018. Paindrainer has created a medical device that is currently certified according to the medical device regulation framework in Europe. Furthermore, the company also has a FDA clearance for sales to consumers but are now looking for FDA clearance for sales to healthcare providers. The product is a digital mobile application that is controlled by an AI -network. The purpose of the application is to help patients that have had chronic pain for more than 3 months to mitigate the pain through different recommendations depending on the patient's condition. The recommendations are regarding how the patient can adjust its day to day life in an effort to decrease the pain. They are planning on selling to healthcare providers such as hospitals and other types of physiotherapy and clinics.

#### **Entry mode of the firm**

In the interview the CEO Erik Frick explains that the firm does not have any commercial activity in any other markets other than Sweden. Paindrainer has started pre sales in the USA, but since they do not have FDA clearance for sales to healthcare providers they can not start selling there yet. Since the large health care market and the fact that the USA has many

patients suffering from pain problems, it is a favourable location for the firm to enter. The firm has also conducted several clinical studies and worked with hospitals in the USA. Furthermore, the firm has also looked into England and Germany as options for foreign expansion because of their relatively big market and their strong digital development in health care. Currently Paindrainer has come in contact with hospitals through the founders networks in the American market, the firm is also currently evaluating the use of distributors to oversee the sales of the application in the market. Frick also explains the possibility that sales in the coming three years may be done through recommendations.

#### **4.4.1 The influence of transaction costs**

The informant explains that the firm is currently looking at externalisation, the reason for this is that they need to create scale. Frick believes it is difficult to internalise for now since Paindrainer still is a small start up firm with only 5 employees, it would be difficult for the firm to control all activities in the firm by themselves. The informant suggests that a distributor can contribute with a sales strength. This strength can get the application sold, even though they may not receive as much revenue for each unit sold, they will still be able to reach other customers' and clinics that they would not have been able to reach without a distributor. Frick believes that a distributor or partner is good to have for firms that are entering a foreign market that is far away from its home market.

#### **4.4.2 The influence of advantages**

As the application that paindrainer offers is supposed to be sold into hospitals and other clinics. He believes that there is therefore a need to establish an understanding regarding the hospital's system and also help the hospital understand the application. Therefore, it is fundamental to meet the doctors and patients to see and understand how they work and show the functionalities of the product. Therefore a physical presence in the market is more important for this type of product. Frick believes that other digital products such as CRM systems on the other hand may not need this type of physical presence. Digital products can be different to understand and to create a fictional image when entering foreign countries. In the case of Paindrainers application, it is a more complex digital product that demands a physical presence in the form of physical meetings with the customers.

#### **4.4.3 The influence of experiential knowledge**

Paindrainer has as mentioned above worked with hospitals conducting several clinical trials in the USA. Frick explains that the firm has not experienced direct cultural differences during their

international expansion process. He believes that difficulties have come from the complexity of the industry through the legal requirements and regulations for patient safety. But he explains that these are factors that affect every company in this type of industry, therefore it is important to have knowledge regarding the industry itself. Furthermore the informant says that he has not experienced differences in speaking with doctors in different countries, the medical language is the same. But on the other hand he suggests that how digitised countries are may differ and also how the systems are built in regards to the regulations. He does not believe that these differences are because of cultural differences but rather how the systems are built, which is something firms may have to consider. And as mentioned above the informant believes that middlemen or distributors with experiential knowledge of integrating new products into markets are a vital recourse to have when a startup firm like Paindrainer are entering foreign markets. They can help the firm overcome barriers in regards to gaining recommendations, establishing a presence in the market and selling the product. Frick believes that there are less difficulties entering markets that are closer to what the firm is familiar with, for example entering Denmark or England that are similar to Sweden in many ways, but at the same time does not see huge differences in entering markets that are further away from Sweden such as the USA.

#### **4.4.4 The influence of network and relations**

When Frick was asked about the importance of relationships and networks in a firm he stated that “I would say that for our firm it is everything” (Frick, 2023). He believes that it is difficult to reach out and enter a new market without contacts. As a small Swedish start up company in the US, that is not as established and known in the market it is hard to get people to listen without any references or contacts. With a network on the other hand you can succeed in coming out in a context where people know each other. The firm itself has used contacts and as mentioned above will rely on recommendations for their upcoming sales.

#### **Key points of Paindrainer’s entry mode strategy to a foreign market:**

- Paindrainer plans on entering the market in the USA given the large market size, its prior work in the market and connections that the firm has in the market.
- Paindrainer is evaluating the option of entering the USA with a partnering distributor that will help the firm with increasing its sales by finding new customers.
- Networks and relationships are very important for the firm as Paindrainer plans on gaining sales during the coming three years from recommendations.
- Paindrainer have not encountered huge cultural differences between countries during their international expansion, rather difficulties in regards to the industry they are in.

- Some digital products may need physical meetings in the market before selling.

#### **4.5 Case 5 FirstVet**

The fifth case to be presented, is the online veterinary named FirstVet. The company is a born digital care provider for pets, founded in 2016 in Sweden. Additionally, the firm is currently active in Sweden, Finland, Norway, Denmark, Germany, the United Kingdom and USA.

##### **Entry mode of the firm**

Gabriel Prescott, global partnership and commercial lead at FirstVet, explains that the firm introduced their digital solution early on and was one of the first companies to provide such a service in the veterinary sector. The firm was primarily launched in Finland due to the fact that their partners already had a presence in the Finnish market. The following year, the firm entered the Norwegian and Danish market. Prescott presents the strategy for entering new markets and notes that it is pretty much the same launch strategy they follow for each. Their strategy relies on cooperating with insurance companies as it is easier to reach new markets and attract potential customers through them. It is elaborated on that insurance companies cover the costs of the pet, given that it is insured, and people who see their pet as a family member will thus see value in having insurance. Hence, the customers of insurance companies become FirstVet's target group. Further, the informant mentions that in the beginning, the firm's internationalisation strategy involved multiple digital marketing activities such as TV commercials, in order to try to reach a broad audience in the foreign market. However, Prescott admits to the firm's realisation that this strategy was an expensive way of figuring out that they were in fact totally dependent on insurance companies.

##### **4.5.1 The influence of transaction costs**

FirstVet has the desire to own their brand and their customers. Yet, Prescott explains that they externalise as much as possible because they are, as previously mentioned, dependent on partnerships with insurance companies in order to reach potential customers. As there is a high rate of pet insurance in Sweden they could possibly succeed to reach a high number of customers from internal activities and own marketing, however in many other markets the interviewer highlights that such a rate is found to be much lower and thus they need the insurance companies.

Conflicts have arisen for the firm in situations where the insurance company brands FirstVet as their own service, while the firm wants them to mention their name and brand properly. However, it is said that the firm is starting to move more towards the offering of the service resulting in the brand itself losing value.

#### **4.5.2 The influence of advantages**

The informant acknowledges that the firm's digital solution allows for scalability, which traditional businesses may not have to the same extent. Prescott compares FirstVet with physical veterinary clinics in which their firm avoids the extreme cost associated with having to invest in local infrastructure and machinery. They have the advantage in the sense of being able to withdraw easier and be responsive in the reception of a market, as opposed to a physical clinic. In essence, they believe their firm has a head start with their digital product to reach out globally. Moreover, as they had first mover advantage in being quite disruptive with their solution on the market, they had potential to reach many insurance companies. These companies are often quite large and reach a large number of customers, says Prescott.

#### **4.5.3 The influence of experiential knowledge**

According to Prescott, there are cultural differences in how pets are viewed in different countries. He further argues that studies show that some see their pets as family members while others may use them for hunting or on the farm. This leads to people having different perspectives on providing care for their pet. This is reflected in the rate of pet insurance in each country. Moreover, this poses a barrier for the firm to acknowledge and when choosing entry mode. Here, the interviewer's prior argument for adopting internalised or externalised activities becomes relevant. He does also mention the language barrier to be vital to overcome, as the health sector requires that the care is provided in local language with veterinarians possessing local licence.

There is another barrier presented in the interview to be resistance from veterinary clinics as they see FirstVet as competitors. Even pet owners who are used to visiting physical clinics may see them as a threat to their habits. Further, Prescott describes the difficulty for FirstVet to bring in veterinarians who work clinically in animal hospitals due to these entities seeing the company as a competitor. But FirstVet focuses a lot on cases that animal hospitals do not

treat and do not make money from. In line with this, they are well received by animal hospitals.

#### **4.5.4 The influence of network and relations**

Prescott opines on the role of network and relations to be of extremely high importance to the firm. A large part of their business is based on developing relationships with insurance companies. “We really have to work in order for them to believe in us as a company, purely in terms of B2B branding, that they are convinced that this company knows what they are doing. And this way they are also convinced to buy our product” (Prescott, 2023) is what the informant says about making sustainable relationships and forming trust in them.

As mentioned, the firm was early with introducing their solution on the market, which allowed them to easily reach out to insurance companies and get them to turn to FirstVet. However, the informant points out the effort being put into connecting with insurance companies by actively meeting with them, participating in industry events and other relationship-building activities.

#### **Key points of FirstVet’s entry mode strategy to a foreign market:**

- FirstVet is dependent on partnerships with insurance companies in their strategy of entering foreign markets as they provide a large reach of their target group.
- Externalising activities is necessary because of the partnerships, yet the firm desires to maintain control of their brand and customers.
- The firm highly values creating relationships and trust building in order to establish a strong network.
- Prescott highlights the importance of understanding cultural differences as it affects the perception of their solution, and it gives indication of how to enter the foreign market and how to reach the customers.
- As the firm’s solution is relatively new to existing services in the industry, the firm focuses on highlighting their product's benefits and offering what the physical entities might not provide in order to reach attention.

	Case 1	Case 2	Case 3	Case 4	Case 5
Entry mode	Partners/distributors and word of mouth	Internalised activities through consulting partners	Networking through physical presentations	Networking through partners/distributors	Partnerships
Influence of entry mode	<ul style="list-style-type: none"> <li>• Complexity of the product</li> <li>• Networks</li> <li>• Differences in industry environment</li> <li>• Conveyance of product value</li> </ul>	<ul style="list-style-type: none"> <li>• Market knowledge</li> <li>• Scalability of the product</li> <li>• Desire of control</li> <li>• Complexity of the product</li> <li>• Conveyance of product value</li> </ul>	<ul style="list-style-type: none"> <li>• Networks</li> <li>• Complexity of the product</li> <li>• Conveyance of product value</li> </ul>	<ul style="list-style-type: none"> <li>• Networks</li> <li>• Complexity of the product</li> <li>• Conveyance of product value</li> <li>• Recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• Complexity of the product</li> <li>• Conveyance of product value</li> <li>• Networks</li> </ul>

**Figure 4** Summary table of the respective case’s entry mode and influencing factors

## 5. Analysis

This section synthesises the findings from the literature review and the empirical results into a final discussion including a cross-case analysis. The analysis aims to address the research question and draw definitive conclusions, with the use of the conceptual model and our own reflections.

### 5.1 Entry modes of born digital firms

The empirical results show that the majority of the firm's entry mode to a foreign market involves the use of partners and distributors. Moreover, it is understood that in line with the use of distributors and partners, they plan to externalise. This is repeatedly argued with the reason of being a small sized company and thus not having the resources to internalise. However, even in the case of larger companies such as FirstVet, externalising activities are relevant. When using an intermediary, such as a distributor for many of the firms’ cases, from literature we understand that it involves externalisation of activities. Externalising implies



that the activities are neither owned nor controlled by the firm itself (Williamsson, 1988), however the firms have the ability to facilitate their market reach. On the opposite side to the majority, Mabel is found to be the one firm who seeks to internalise with the desire to maintain control over all of their activities. Yet, they do express the need to use consulting partners, pointing towards the fact that it is challenging to enter a foreign market without external assistance. Further, due to companies' belief in the importance of acknowledging differences in markets, the knowledge becomes utterly vital to address. Thus, having knowledge about the foreign market becomes essential, as justified in the Uppsala model. As viewed in the conceptual model, the determinant for the Uppsala model (Johanson & Vahlne, 1977) is experiential knowledge, and this seems to pose a strong influence on born digital firms. If the firm lacks that kind of knowledge, partnerships and distributors seem to be the solution to many of the firms. Therefore, experiential knowledge can be concluded to be an influential factor in the entry mode choice. This can be interpreted by all the firms interviewed.

At least two companies have not directly planned their initial expansion and have managed to enter foreign markets, allegedly by chance. In line with this, Monaghan et al. (2019) note that the internationalisation at times is unintended for born digitals which can be supported by how Predicare managed to unintentionally enter the Norwegian market without having followed any plan, but rather crediting the success of the expansion on the effective phenomena of word of mouth. Firstly, the firm was established in a unique way, going from a research project to a business. During their time as a research project they succeeded in attracting attention to their digital solution creating a buzz spread, without putting any effort in the expansion resources. Further, Predicare mentions that they gained a lot of attention through appearing on the web, both on the home market but more importantly in the foreign market in Norway, thus indicating that the digital product could scale without any intentions for it, as implied by Monaghan et al. (2019). Opatus, undertakes another way of not initially following a plan and applies the approach of trial-and-error. Yet, he illustrates the process of searching for contacts and setting routes to convince customers, which can be assumed as having a strategy. It is also mentioned that the firm intended to go abroad, indicating some type of aimed internationalisation.

Based on empirical data, it can be concluded that companies operate in a complex environment where healthcare products require a convincing strategy to be accepted and

implemented in the industry. Although the firms provide digital solutions that can streamline the workflow, it is still a challenge for companies operating in a digital realm to reach out internationally, as physical presence can still be crucial to ensure success. The physical presence allows companies to showcase and demonstrate the functionality of the product and the value it brings. For example, both Opatas and Paindrainer see the need of a physical presentation to the counterpart in order to be able to sell it in the complex clinical environment. One can understand that not only does the healthcare field as a whole present a more demanding environment, but also that the health tech industry, which is introducing new infrastructure in the form of digitalisation, presents challenges for the company in terms of communicating its product. As technological innovation has proven to allow firms to accelerate the spread of economic activities on an international level (Nachum & Zaheer, 2005), the Uppsala model (1977) on the other hand mentions the physical presence in the foreign market as a step in the gradual internationalisation process. However, the distinction of the physicality for these cases of born digital firms, regards a need for physical presentation of the product rather than establishing a physical presence in the form of a manufacturing plant or sales office in a foreign market.

The general aim of the eclectic paradigm (Dunning, 1988) is to evaluate whether a firm possesses certain criterias to consider engaging in foreign direct investments. Thus, it might not be the most suitable model for born digital firms, as they do not necessarily need to establish a physical presence in the foreign market they seek to enter and since operating in a digital sphere, their definition of location specific advantages can differ (Monaghan et al., 2019). However, the phases within the paradigm can pose useful insights. Dunning (1988) suggests that if a firm possesses ownership specific advantages, they can overcome the liability of foreignness mentioned in the Uppsala model (1977) and should engage in international activity. Since all the firms express the complexity of their product they can all be said to possess an ownership advantage through their asset of technology and innovation. According to Dunning, the next phase proposed assuming the firm has fulfilled the ownership specific criteria, is the location specific advantage. If the firm does not meet the criteria of location specific advantages, they should consider exporting, however if the criteria is met then the next phase regarding internalisation advantages becomes relevant. If we assume that the digital sphere where the born digital firms operate (Monaghan et al., 2019) can fall under the definition of the location specific advantage, the eclectic paradigm would therefore

suggest to go beyond exporting. In spite of that, it is seen that all of the firms in some way, except Mabel AI, adopt exporting activities.

What is important to mention is whether or not the digital sphere has location specific advantages. As mentioned by Brouthers et al. (2022) the digital sphere can be argued to be a virtual presence that can provide the ability for digital firms to leverage on digital technology resulting in location specific advantages. Thus, in the case that the firm has location specific advantages, then they should look at their internalisation advantages. If they do not, then the firm should produce at home and export according to the theory. Since the majority of the firms are considering exporting as an entry mode, then the digital sphere might not be considered a location specific advantage according to Dunning's eclectic paradigm (1988). On the other hand, the argument of Brouthers et al. (2022) indicates that the digital sphere could indeed classify as a location specific advantage. The last phase is described by Dunning to evaluate if the firm possesses any internalisation advantages. The empirical data do not provide sufficient information to conclude whether the firms presented do acquire these types of advantage. Yet, if internalisation advantages are obtained by the firm, then Dunning recommends that the firm should undertake foreign direct investment operations. Nevertheless, neither of the firms interviewed mentions pursuing or planning for foreign direct investments. Even though Opatius argued for a physical presence when introducing a digital product, with support from the empirical results one could argue that a physical presence in terms of entering a foreign market is not needed. This is because of having a digitally based product, and hence may be the reason why foreign direct investment is not as relevant for these firms. Although, if the firm lacks internalisation advantages, then contractual relationships can serve as a viable option. Regarding the analysed cases, and in the absence of internalisation advantages, the firms opt to enter through contractual relationships in the form of partnerships. Thus, the model poses a relevant element as it is revealed that all of the firms seek to involve partnerships in their internationalisation plan. Furthermore, Dunning's eclectic paradigm (1988) poses relevant insights yet it is evident that it has not taken into consideration the characteristics of born digital firms and therefore we do not believe that it is sufficient on its own to explain the entry mode choices of born digital firms.

Because of the industry's complex environment that is perceived by many of the firms, it seems to be another reason for the firms to externalise and utilise partners or distributors.

This can be argued in line with the theory of Johanson and Vahlne (1977) and as seen in figure 2, that market knowledge affects the market commitment. If the industry appears to be complex, it could thus correspond to that it is a market that might be difficult to understand. This relates to the knowledge about the market which in turn affects the firm's decision and how it carries out its activities. Empirical data points to the majority of firms using partners or distributors, and it can be concluded that the possible reason for this is due to the complex knowledge that the market requires, specifically for this industry. Additionally, Johanson and Vahlne (2009) advocate for the network's role in overcoming liabilities of outsidership. As firms have expressed that they lack enough contacts, they utilise the benefit from partnerships and their network. Furthermore, similar to Johanson and Vahlne (2009), in the theory of non-traditional entry modes Brouthers et al., (2022) categorises innovation outposts as a form of entry mode. As the majority of the firms included in the study have had a partnership with Sahlgrenska science park this theory becomes relevant in the analysis. For instance, Opatus mentions the innovation outpost as a helpful source providing valuable contacts and thus allowing for an expansion of the firm's network. As all firms emphasised the importance of networks, the innovation outposts become highly relevant as firms can integrate themselves in local networks to gain continuous flow of knowledge (Brouthers et al., 2022).

**Key takeaways:**

- The majority of the firms consider an entry mode consisting of externalising activities through partners and distributors.
- To overcome the barrier of foreignness the firm uses partners and distributors to acquire experiential knowledge.
- Foreign direct investments are not as relevant for born digital firms, since the majority of these types of firms do not need to establish a physical presence in the foreign market. On the other hand, a physical presentation in the market seems to be a vital aspect for multiple firms. It is seen as a way for them to convince the market about their product.
- The complexity of the industry that the firms operate in is an important factor in this thesis, as it in some way has affected the firms entry mode choice and certain aspects of the analysis.

## **5.2 Influence of entry modes applicable to born digital firms**

From the empirical results it can be found that there have been different determining factors for the choice of entry into foreign markets for the five born digital firms. Most of the firms also have similar factors which have influenced their method of entry. From our above analysis it can be concluded that all firms used some type of partnership to enter the foreign markets. The complexity of the product and the conveyance of product value are common influential factors for all cases. Predicare, Paindrainer, and FirstVet believe that because of their product structure, the digital complexity and the industry that they are active in, it is difficult for them to integrate and sell the product by themselves as there are different foreign technological infrastructures between the foreign markets. Therefore some sort of partner or consulting firm has been a way for these firms to enter the market, as the partners and distributors have market knowledge and knowledge regarding the technological infrastructures of the specific market, which the firms themselves may lack. The complexity of the digital products is a technological asset that the firms in all cases have which is seen as an ownership advantage in line with the eclectic paradigm (Dunning, 1988). According to Dunning, firms should consider international activity if they have ownership advantages. Therefore, this framework aligns with all of the five born digital firms' choices to consider entering a foreign market. While it can be perceived as the location specific advantages corresponding to a physical location, another location becomes important for born digitals being the digital sphere. One advantage emerging from the digital sphere mentioned by Mabel AI, Paindrainer, Opatus and FirstVet, is the scalability of digital products. This is something that differentiate physical products from digital products, since digital products can scale indefinitely. Dunning's eclectic paradigm does not consider the characteristics of digital products in the definition of location as these types of products have an ability to instantly connect with global markets since they operate in an online sphere (Monaghan et al., 2019). Operating in a digital sphere allows for the location specific advantages, as argued by Brouthers et al. (2022), to be of relevance for all of the five cases. In contrast to the suggestion by Dunning (1988) of evaluating the possibility of internalising when possessing location specific advantages, born digital firms have the possibility to export through distributors or other types of partners.

Predicare, Mabel AI, Opatus and FirstVet acknowledge that the role of physic distance has influenced their entry mode choice. Predicare, Opatus and FirstVet have entered markets

physically close to the Swedish market, as they share cultural similarities. As for Mabel AI, the firm has knowledge and language skills of the German market and believes that cultural differences should be considered when entering foreign markets. Paindrainer on the other hand, believes that there may be advantages or less difficulties of entering markets that are closer to the home market because of the familiarities, but simultaneously does not believe that the psychic distance has been as relevant for the firm's internationalisation choices. From the empirical results it can be concluded that for the majority of the firms the liability of foreignness has influenced their decision in regards to their international expansion. In line with Johanson and Vahlne's Uppsala model (1977), the liability of foreignness still seems to play an important role for born digital firms. But rather than gaining experiential knowledge about the market to overcome this barrier, firms use partnerships of distributors or other types of consulting partners in the foreign market. By doing this the firms do not have to engage in a gradual integration as the integration is done directly through the distributors and partners. Furthermore, all of the firms have acknowledged the importance of being physically present in the form of meeting the customers and partner to convey information about the product usage and value. Instead of using a gradual integration that ends with a physical presence through a foreign direct investment in the market, born digital firms are physically present through their partnership and finding customers and the after sales service. Due to the characteristics that a digital product holds and the online sphere that born digital firms operate in, a physical presence through foreign direct investments will not benefit the firm in the same manner it would a traditional firm that is, for example, in need of manufacturing facilities. Instead they focus on a virtual presence that is not tied to a physical location, presented by Brouthers et al. (2022) as a non-traditional entry mode.

The firms Predicare, Paindrainer, Opatas and FirstVet all have or are considering externalisation. In Paindrainers case, due to being a small start up firm they believe it would be more difficult to control all activities by themselves. This goes in line with Williamson's transaction cost theory (1988), which suggests that if the friction cost is less than the control cost, the firm should externalise. Thus, Paindrainer believes that a partner or distributor is a valuable resource to have when they are entering a foreign market. Predicare on the other hand chose to externalise because of the difficulties that arise when integrating their solutions into a foreign technological infrastructure. By having a distributor that is aware of the foreign technological infrastructure and market they can overcome this problem. Similar to Predicare, FirstVet, Paindrainer and Opatas also believe a distributor or partner is needed to reach out to

customers as many of the firms also rely on recommendations and word of mouth for their sales. One could argue that in some way the benefits of externalising are in this case higher than the ones for internalising. Rather than comparing the costs, the benefits are put against each other. This could be another way of using the transaction cost theory. Born digital firms may consider the advantages of using a distributor against the advantages of internalising the activities. Mabel AI and Opatus are the two firms that are considering internalising their activities. Mabel AI has a desire to control the activities as it relies on direct feedback from its customers to adapt and improve its products. Therefore the firm believes that having a distributor can disrupt the direct contact. In Opatus' case, on the other hand, the firm considers internalising because of the friction costs being higher than the control costs. Yet the informant mentions Opatus are considering partnership but a physical presence in the beginning in order to introduce the product. It is important to note that these two firms still believe that partners and more specifically consulting firms are valuable resources to have. Moreover, the transaction cost framework is considered to be useful for practitioners in their internationalisation strategy as the choice of externalising or internalising affects the entry mode.

From the empirical results we found that market knowledge is a factor that has in some way influenced a majority of the firm's choice to use partnerships when entering foreign markets. Mabel AI believes that some type of partner is needed to integrate the product in the foreign market. As mentioned above, the majority of the firm rely on either word of mouth, recommendations or networks that they have when operating in the international market. In line with Johanson and Vahlnes revised Uppsala model (2009) network and relationships have seen to play a fundamental role to influence these firms' entry choice. A noticeable pattern is found when analysing the empirical results, which is that the vast majority of the firms have started their activities in the market through their networks and relationships and highlight the importance of the influence of innovation outposts such as Sahlgrenska Science Park for providing valuable connections.

**Key takeaways:**

- Experiential knowledge is considered a key influential factor in overcoming the liability of foreignness.

- Network and relationships are important aspects that affect the choice of entry mode of a born digital firm, all of the above mentioned firms have in some way expressed relying on relationships and partners and the influence of innovation outposts.
- The digital sphere of born digital firms can affect how the firms enter foreign markets, compared to traditional entry modes.
- The evaluation of transaction costs pose influential insights to the choice of entry mode.

### **5.3 Relevance of existing theory**

The conceptual model was formed in order to gain an understanding of how born digital firms enter foreign markets and what are possible influential factors that affect the choice of entry mode. However, as the entry mode literature revealed, it has not considered the digitalised infrastructure that has advanced businesses into being born digital. Empirical data is therefore necessary to collect and to analyse to fill out the gap.

There is a common found influencing factor for all firms entry mode choice that refers to networks. The influence of networks and relation is of high value and cannot be excluded when discussing either of the cases in the empirical study. Thus, it can reveal that networks have a high probability to affect born digitals entry mode to foreign markets. The networking theory by Johanson and Vahlne (2009) is found to be highly relevant when understanding the behaviour of the firms presented in the empirical chapter, as the authors discuss the overcoming of outsidership that can be realised through the use of networks. Furthermore, as mentioned in the non-traditional theory (Brouthers et al., 2022), innovation outposts as Sahlgrenska Science Park is an entry mode option which aligns with the thoughts of Johanson and Vahlne (2009) of overcoming barriers of outsidership through networks.

The eclectic paradigm constructed by Dunning (1988) mentions the first step being the ownership advantage, which provides the firms' an reflective idea of what resources and capabilities they possess. Thus, it can appear to be a general aspect that can be used in the analysis of all types of firms. Further, the eclectic paradigm poses an interesting discussion concerning the location advantage for born digital firms. Extensively, for born digitals, in the context of location, the relevant aspect to analyse becomes the digital sphere. Dunning (1988) claims that a particular location can pose benefits to a firm that should be taken advantage of.



Further, Dunning (1988) mentions these benefits to be valuable resources such as natural resources, yet for the born digital firms the benefit can be derived from the digital infrastructure in an online environment as also argued by Brouthers et al. (2022). In line with what Dunning (1988) advocates, the firm should situate in this location that poses benefits. The firms utilise their digital product and engage in partnerships to situate in the digital sphere, becoming flexible. Lastly, the empirical results indicate that the born digitals analysed rely on partnerships that involve externalising, which diminishes the significance of the internalisation advantage mentioned in Dunning's framework (1988). As the model seeks to address why firms engage in foreign direct investment, it may question the validity of the theory for born digitals. However, digitalisation is more and more visible in society and it should be an additional factor to the model or be explored further. The model can therefore be considered relevant, but requires to be revisited and concretized in order to be applicable for born digitals entry mode choice.

Furthermore, the transaction cost theory can be argued to be relevant as the results show that most of the firms consider these costs and highlight the benefits arising from externalising international activities. Williamson's (1988) assumption of the economic actor to minimise the transaction costs, is accurate for all the presented cases. From the empirical research, it is understood that the born digitals entry mode choice involves the procedure of evaluating the firm's costs and thus the transaction cost theory proves to be relevant. Additionally, this evaluation then proceeds to the decision of either externalising activities or internalising them. Empirical results convey that the firms view the lack of knowledge to be of high cost and choose to externalise through partners or distributors to decrease these costs.

Similar conclusions about existing literature have emerged in modern theory about non-traditional entry modes, which discusses the unacknowledged effect of digitalisation (Brouthers, Chen, Li & Shaheer, 2022; Nachum & Zaheer, 2001). In essence, influential factors can be understood with the help of existing literature. Furthermore, traditional entry modes become relevant as they explain what determines the choice of entry mode for traditional firms and give the indication of what could determine for born digital firms. Nonetheless, the existing literature needs to be supplemented with further research. All theories can be considered relevant in some manner, but they do not consider the digital aspect.

**Key takeaways:**

- The transaction cost framework is revealed to be highly relevant for all cases, as each firm evaluates their costs of externalising or internalising.
- The overall objective of Dunning's eclectic paradigm of engaging in foreign direct investment is not significant for born digital firms, yet if the model is to be revisited and concretized it can be of relevance.
- Experiential knowledge and psychic distance as elucidated in the Uppsala model is found to be valid in the case of the born digital firms.
- The network theory is identified to be a prominent factor for the choice of entry mode, and is thus considered to be a relevant and useful model for born digital firms.

## 6. Conclusions

The purpose of this thesis has been to explore and research the field of entry modes in international business. We have sought to answer the research question of how born digitals enter foreign markets and which factors influence the entry mode choice. Thus, this section aims to conclude the analysed findings.

### 6.1 Conclusions

It can be concluded that all of the cases included in the empirical study, have employed or are considering utilising distributors or other types of partnerships to enter the foreign market. The transaction cost framework (Williamsson, 1988) contributes with the important consideration of transaction costs which are dependent on how the firm chooses to conduct activities. However, the behaviour of the majority of born digitals interviewed, can be understood with the transaction cost framework that advocates for the focus on the advantages gained from externalising activities through partners and distributors contra internalising them. Nonetheless, by using partners and distributors the firms succeed to overcome the barrier of foreignness through acquiring experiential knowledge indirectly. In line with the Uppsala model of Johanson and Vahlne (1977), this could be argued as an exporting entry mode. While on the other hand, these partners and distributors are discovered through networks, which can indicate an entry mode described in Johanson and Vahlne network theory (2009).

What has been detected to influence this choice of entry mode is the benefits of externalising or internalising, the digital sphere, experiential knowledge and networks and relationships. Firstly, Dunning's eclectic paradigm (1988) provides useful insights of the firm's resources and capabilities, however it is believed that the construction of the model is not suitable for born digitals. The model says that the firm should possess the relative advantages in a specific order, and once they are achieved the firm is encouraged to undertake an foreign direct investment. However, for born digitals, a foreign direct investment is not considered to be relevant due to their digital product not needing a physical plant. Rather, the digital sphere becomes significant to the born digital firm and possesses ownership and location specific advantages.

Furthermore, as the Uppsala model by Johanson and Vahlne (1977) also discusses the gradual entry into foreign markets which in the end leads to an foreign direct investment, a similar analysis of the model is made as for Dunning's eclectic paradigm. Additionally, the experiential knowledge and physic distance has proven to be influential on the decision of the born digitals entry mode. Majority of firms revealed in their cases that they rely on partnerships to be able to enter a foreign market due to lack of knowledge and at least two firms confirmed that they chose markets with similar healthcare systems as their home market. The network theory (Johanson & Vahlne, 2009) can be concluded, as supported by empirical evidence, to show the strongest significance in the born digitals international expansion as it has played a role in all of the firm's strategy of entering an foreign market, even in the occasion of accidental reach in foreign markets. The cases provide an understanding of the firm's interpretation of networks and that it is a factor that cannot be ignored. All of the firms mention that the network is vital for their entry to a foreign market, regardless of entry mode. This can be further strengthened with the argument of Brouthers et al. (2022) that mentions the innovation outpost as a non-traditional entry mode. Further, partnerships seem to be relevant for each firm in their strategy, indicating the adequacy of the network.

What can be concluded is that the four theories have contributed to understanding how born digital firms enter foreign markets. Further, since these theories were created before the emergence of born digital firms, they do not consider the characteristics of born digital firms. Therefore, the theories lack relevant connections to how born digital firms actually operate. The empirical findings portray a representative image of how the digital aspect has

influenced the internationalisation of firms. In accordance with the beliefs put forth by Hennart and Slangen (2014) regarding the imperative for additional investigation in the realm of entry modes in international business, and given the deeper exploration of born digital firms conducted by Monaghan et al. (2019), it can be inferred that there is a relevant imperative for further research of how born digitals enter foreign markets. Nonetheless, it is clear that traditional entry mode theory lacks the acknowledgement of the digital innovations, whilst the non-traditional entry mode takes into account these elements the theories are not well-researched on. Thus, it can be concluded that there is a need of updating the traditional entry mode theory or develop a new theory that addresses the determinant factor of born digital firms' choice of entry mode to foreign markets.

## **6.2 Limitations and future research**

It is safe to say that the field of born digitals is not well-researched, thus it is suggested that future research studies are carried out with more focus on the internationalisation process of a born digital firm and how to overcome the barriers of foreign market entry. For future research it is advisable to consider limitations that may have affected the results of the study. Since the delimitation of the thesis was set on analysing one specific industry, it creates a restriction on the empirical result. By analysing only one industry it becomes difficult to generalise the findings. To see if the results are representative for a whole population where the industry is an independent variable, additional research where several different industries should be included in the analysis.

Furthermore to create a more representative sample, the size of the sample should be increased. The fact that the empirical data was limited to only a few cases creates challenges in generalising the results since the sample size is not big enough to represent a whole population. In this thesis referring to including more cases and interviewing more firms, future research. By considering the aforementioned constraints, future research can achieve a more accurate portrayal of the chosen entry mode of born digitals and what influences their choice.

## **6.3 Practical implications**

This study holds relevance and poses useful insights for born digital firms, as well as for managers and policy makers. It can provide valuable information into the thought processes

of entering a foreign market and crucial factors to consider when planning the entry mode. Since enough research has not yet been conducted regarding this topic of born digital firms in international business, this thesis contributes to a fundamental understanding.

As a manager or policy maker, relying solely on previous literature can give a misleading image of the internationalisation process of entering a market for born digital firms. Furthermore, for business advisors at Sahlgrenska Science Park, it is of importance to acknowledge that these types of firms behave differently in their way of entering a foreign market as shown in the findings from the thesis. Thus, the comprehension of the behavioural characteristics of born digitals allows practitioners to adapt and tailor their internationalisation strategy.

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## Interviews

Poté, Daniel; CEO at Predicare. 2023. Interview 3 May.

Jabbar, Shahid; CFO at Mabel. 2023. Interview 8 May.

Knagenhjelm, Petter; CEO at Opatus. 2023. Interview 8 May.

Frick, Erik; CEO at Paindrainer. 2023. Interview 9 May.

Prescott, Gabriel; Global partnership and commercial lead at FirstVet. 2023. Interview 11 May.

# Appendix

## Interview guide

1. Briefly describe the company and your position in the company.
2. Which markets are you active in?
3. Which was the first market you entered and what was the reason for choosing that particular market?
  - a. Was it unconscious or planned to enter the foreign market?
4. How did you enter the international market?
  - a. If you are active in several foreign markets - did you use the same strategy to enter different countries' markets?
5. What do you think is the most important factor for entering a foreign market?
6. What do you think is different in your strategy compared to a traditional company?
7. What role have relationships and networks played in the strategy to enter the international market?
8. According to the theory of transaction costs, companies set up costs for entering the international market against each other to evaluate whether to externalise (through partners and distributors) or internalise (the company owns all activities). How have you reasoned about these costs and are they conscious choices?
9. Do you experience difficulties in entering a foreign market, in relation to language barriers, cultural differences and ways of doing business?