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International expansion of Finnish platform-based new ventures:

A simple rules approach

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<p>Platforms have become more common and influential in the modern economy, and the amount of new ventures developing platforms is increasing worldwide. Research on platforms suggests that they change the value creation logic, strategies and even the internationalisation process of platform companies, but there is only a limited amount of normative insights on platform internationalisation. For example, although heuristics have been found to improve internationalisation performance, this perspective is missing from current research.</p> <p>Through a qualitative multiple-case study of four Finnish new ventures, three operating as a platform, this thesis develops a grounded model of the heuristics, or simple rules, that guide the internationalisation of platform-based new ventures. The study uses data from 11 semi-structured interviews and 6 secondary sources.</p> <p>The findings suggest that during internationalisation, platform-based new ventures create heuristics regarding similar categories: orientations, foundations and resources, market selection, organisation, localisation, and network building and scaling. Furthermore, some of the detailed heuristics within these categories are shared among multiple companies, supporting the concept of industry-level heuristics as an enabler of internationalisation.</p> <p>The main contribution of this thesis is to provide the first heuristics-focused normative model of platform-based new venture internationalisation from a small domestic market. It supports the resource-based views and process model of internationalisation and elaborates on platform specific phenomena in a global context. It contributes to practise by making the shared heuristics explicit so that they can be leveraged by other ventures as they internationalise, and may help them perform better in their foreign market entries.</p>			
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<p>Alustatalouden suosio ja vaikutusvalta on kasvanut nyky-yhteiskunnassa, ja alustoja kehittävien kasvuyritysten määrä on nousussa kaikkialla maailmassa. Alustat muuttavat yritysten arvonluontia, strategiaa ja kansainvälistymisen prosessia, mutta tutkimuksia alusta-yritysten kansainvälistymisestä on niukasti. Eri-tyisesti normatiiviset näkökulmat siitä, miten kansainvälistymistä tulisi tehdä, ovat puutteelliset.</p> <p>Tässä diplomityössä kehitetään teoria yksinkertaisista säännöistä eli heuristiikoista, jotka ohjaavat suomalaisten alustoja kehittävien kasvuyritysten kansainvälistymistä. Aineisto kerättiin haastatteleamalla työntekijöitä neljästä suomalaisesta kasvuyrityksestä, joista kolmen tuote on alusta. Haastatteluja kertyi yhteensä 11 kappaletta ja lisäksi dataa kerättiin kuudesta julkisesta lähteestä.</p> <p>Laadullisen tutkimuksen tulosten mukaan alustoja kehittävät kasvuyritykset muodostavat kansainvälistyessään heuristiikkoja samoista aiheista: suuntautumisesta ja ajattelutavoista, perustuksista ja resursseista, markkinoiden valinnasta, organisaatiosta, lokalisaatiosta ja verkoston rakentamisesta. Lisäksi osa yrityksistä muodostaa samanlaisia yksityiskohtaisia heuristiikkoja. Nämä aiheet ja jaetut heuristiikat ovat esillä diplomityössä kehitetyssä teoriassa.</p> <p>Tämän diplomityön keskeinen panos on luoda ensimmäinen heuristiikkoihin perustuva, normatiivinen teoria alustoja kehittävien kasvuyritysten kansainvälistymisestä. Löydökset tukevat resursseihin perustuvia kansainvälistymisteorioita, kansainvälistymisen prosessi-mallia sekä toimialan jaettuja heuristiikkoja kansainvälistymisen mahdollistajana. Lisäksi työ täsmentää alustoihin liittyviä ilmiöitä kansainvälisessä kontekstissa. Muut kasvuyritykset voivat hyödyntää näitä heuristiikkoja suoraan omassa kansainvälistymisessään.</p>			
Asiasanat:	alustatalous, kansainvälistyminen, kansainväliset kasvuyritykset, kansainvälinen yrittäjyys, heuristiikat		
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Esipuhe

Ennen yliopistoa vaihdoin aina tilaisuuden tullen oppilaitosta, sillä se tarjosi minulle mahdollisuuden keksiä itseni uudelleen. Nyt valmistuessani tietynlainen vaihdos on jälleen edessä. Tällä kertaa en kuitenkaan halua aloittaa uutta elämänvaihetta puhtaalta pöydältä, sillä opiskeluaikojen kokemukset ja kohtaamiset ovat auttaneet minua löytämään itseni. Lisäksi mukaan on tarttunut uskomattoman hienoja ihmisiä, ja heitä haluankin tässä kiittää - niin muistoista, kuin myös tulevista hetkistä.

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Chapter 1

Introduction

This chapter outlines the theoretical background, as well as scientific and practical motivation for the thesis. The research objective, scope and structure are also presented.

1.1 Background and motivation

Digital platforms have become increasingly important and common in the modern day economy (e.g. Stallkamp and Schotter, 2021; Zhao et al., 2020), and *"the term "platform" has become nearly ubiquitous"* among both academics and practitioners (Gawer and Cusumano, 2014, p. 418). Platforms refer to technologies, products or services that facilitate value-generating exchanges between multiple distinct groups of stakeholders (Parker et al., 2016). They are not a new phenomenon, as old concepts such as physical markets and newspapers are also platforms (Eisenmann et al., 2006; Stallkamp and Schotter, 2021). However, advancements in information and communications technologies have driven their increased emergence (e.g. Caillaud and Jullien, 2003; Nambisan et al., 2019; Yonatany, 2017). Today companies can reach new stakeholder groups and facilitate previously impossible interactions through digital channels (Nambisan et al., 2019). As a result, an increasing

number of platforms are created around the world and across industries: a phenomenon called "platformisation" (Nambisan et al., 2019) or "platform revolution" (Parker et al., 2016).

As a result of these technological developments, some of the world's most influential businesses are now platforms (Ojala et al., 2018; Parker et al., 2016). For example, the five most valuable brands in the world (Forbes, 2020) and four of the five biggest companies by market capitalisation (Statista, 2022) are all platform companies. In their global survey of platform companies valued over 1 billion dollars, almost 180 in total, Evans and Gawer (2016) found that the ten biggest companies had a combined market value of almost 3 trillion dollars, while the rest accounted for slightly more than 1 trillion dollars (Evans and Gawer, 2016). In addition, Evans and Gawer (2016) found that of the startups listed as unicorns (value over 1 billion) in 2015, 70% were platform companies, and the number of earlier stage startups developing digital platforms was also increasing (Ojala et al., 2018). Thus, platforms are a relevant topic in the context of established companies and startups (Eisenmann et al., 2011; Evans and Gawer, 2016).

What makes platforms interesting for academia and practitioners is that they change the value-creation logic of companies (Eisenmann et al., 2006; Parker et al., 2016). Therefore traditional assumptions, theories, strategies, and business practices are suggested to be misleading in platform markets (Eisenmann et al., 2006; Parker et al., 2016; Seamans and Zhu, 2014), and instead, platform companies should have different strategic objectives (Evans and Gawer, 2016). Specifically, platforms are proposed to *invert the firm*: because external stakeholders create the value, the focus of the platform company should shift from internal, firm-level activities and factors to external activities, networks and ecosystems (Parker et al., 2016; Zhu and Iansiti, 2019).

The existing platform research has mainly focused on a few fundamental principles and single design parameters that attract users to the platform (Zhao et al., 2020). It lacks empirical evidence of universal success factors

and does not provide a comprehensive view of how platforms evolve into those valuable companies identified by Evans and Gawer (2016) (Stummer et al., 2018; Zhao et al., 2020). Network effects, a phenomenon where the platform becomes more valuable with an increasing amount of users, was the focus of early research on platforms, but later research indicated that there is more to platform scaling than network effects (Hagiu and Rothman, 2016). However, the managerial mindset has continued to emphasise network effects, first-mover advantages and winner-takes-all markets; hence, platforms have pursued to grow as fast as possible (Cennamo and Santalo, 2013; Hagiu and Rothman, 2016) - even to international markets. As a result, many digital platforms have grown their global presence in a short time (Yonatany, 2017), and more platforms are expanding beyond their home markets (Evans and Gawer, 2016).

International business (IB) is a rich research stream, with traditional theories about multinational enterprises (MNE) dating back to the post-war era of the 1950s (Ruzzier et al., 2006; Zucchella, 2021). Internationalisation was driven by the recovering economy, liberalisation of global trade and advancements in communication technologies and international transportation, all removing barriers and reducing the costs of internationalisation (Knight and Cavusgil, 2004; Oviatt and McDougall, 1994; Ruzzier et al., 2006). Furthermore, as customer preferences became more similar across the world, product development became simpler (Knight and Cavusgil, 2004; Oviatt and McDougall, 1994) and increased connectivity made internationalisation easier even from distanced markets (Nambisan et al., 2019).

The traditional theories focused on the internationalisation of big, established companies due to their scale advantages, while a more contemporary perspective of international entrepreneurship (IE) has studied why some companies were able to internationalise quickly and at an early stage and, thus, deviate from the traditional assumptions (Zucchella, 2021). These *international new ventures (INV)* (Oviatt and McDougall, 1994) or *born globals* (Knight and Cavusgil, 2004) are small companies that aim to international markets from the beginning, and their international competitive advantage depends

on the possession of unique resources rather than scale advantages (Oviatt and McDougall, 1994). They emerge from all over the world, but countries with small domestic markets host a disproportionately large amount of INVs (Cavusgil and Knight, 2015). For example, 20% of European new companies fall into this category, but in Denmark, up to half are INVs (Eurofound, 2012). Cavusgil and Knight (2015) propose that entrepreneurs will pay little attention to national borders or locations of their customer groups in the future, and digitalisation is suggested to make resources "scale-free" and easily transferable, making internationalisation "a natural condition" of digital new ventures (Stallkamp et al., 2022). However, even fully digital ventures were found to face difficulties in orchestrating resources across multiple countries, suggesting that some barriers and challenges to internationalisation have remained (Stallkamp et al., 2022).

During the last few years, IB and IE scholars have recognised the increasing importance of platforms as the context within which companies internationalise (Autio, 2017; Zeng et al., 2019). Some platforms have also reached a strong global presence through a unique and fast internationalisation process, indicating that the platform business model may have considerable implications for internationalisation theories (Yonatany, 2017). Especially the external value creation logic is suggested to change traditional IB theories, much like they have changed theories in the field of strategic management (Chen et al., 2019; Monaghan et al., 2020; Stallkamp and Schotter, 2021; Zeng et al., 2019). Authors such as Nambisan et al. (2019) and Li et al. (2019) go so far as to challenge the relevance of IB theories for platform companies overall. Still, there is only a limited understanding of the applicability of internationalisation theories to platform companies (Stallkamp and Schotter, 2021; Zeng et al., 2019; Zucchella, 2021), and platform-specific research has primarily focused on single-country contexts (Stallkamp and Schotter, 2021). Thus there is a critical gap between platform and internationalisation research streams (Stallkamp and Schotter, 2021; Zeng et al., 2019; Zucchella, 2021).

A few recent studies have tried bridging this gap by uniting the two perspec-

tives. For example, Stallkamp and Schotter (2021) explored the scope of international network effects and their effect on internationalisation strategies, Li et al. (2019) and Nambisan et al. (2019) suggest that platform ecosystems change the nature of essential resources and capabilities needed to build international competitive advantage and Brouthers et al. (2015) proposes that the challenges in internationalisation are different for platform companies. Most of these studies adopt an IB perspective on platforms, and the number of studies uniting the IE perspective and platforms remains scarce (Zucchella, 2021). In addition, some of these studies are only theoretical propositions (e.g. Li et al. (2019); Nambisan et al. (2019); Stallkamp and Schotter (2021)) or use a sample of platforms originating from larger domestic markets like the U.S., China or Germany (e.g. Brouthers et al. (2015); Zeng et al. (2019)). However, as the number of new platform-based ventures increases even in smaller markets (Ojala et al., 2018), and the technological advancements make these ventures internationalise faster (Nambisan et al., 2019), the empirical studies of platform-based new venture internationalisation is important for both academics and practitioners (Yonatany, 2017). This thesis contributes to bridging this research gap by conducting an empirical case study of internationalising platform-based new ventures from small domestic markets.

Interestingly, Evans and Gawer (2016) identified that in the number of high-value global platforms originating from different continents, Europe was significantly behind North America and Asia. The authors suggested that access to a large demand in the domestic market has boosted the success of US, China and India-based platforms. In contrast, the fragmented European market might be a disadvantage (Evans and Gawer, 2016). Thus, it is essential to provide knowledge that helps European platform-based new ventures access greater demand through internationalisation in order to build competitive advantage against rivals from larger home markets. Finland provides a suitable research setting to find potential case companies, as the small market size forces domestic ventures to internationalise early.

Both IB and IE research are criticised for providing little knowledge about

how internationalisation should be done to gain competitive advantage (Autio, 2017). In order to provide normative insights that could help platform-based new ventures perform better in their foreign market entries, this thesis adopts a heuristics-perspective. Heuristics are cognitive shortcuts, or simple rules of thumb, that improve performance by focusing attention, time and resources during opportunity selection and execution (Bingham and Eisenhardt, 2011; Bingham et al., 2007). They are often formed from experience, individually or at a firm-level (Autio, 2017), or even shared among the industry participants (Monaghan and Tippmann, 2018). While most IB and IE theories identify the lack of knowledge as a critical impediment to internationalisation, Monaghan and Tippmann (2018) argue that industry-level heuristics provide knowledge that allows companies to overcome this challenge and internationalise early. Because heuristics do not provide detailed solutions but a common structure for a range of similar problems, it is possible for companies facing a similar problem to learn similar kinds of heuristics (Bingham and Eisenhardt, 2011). Even though platform-based ventures can operate in different industries, the similarities in the business model and the problem they are facing as they internationalise can cause them to form similar kinds of heuristics.

1.2 Research objectives and questions

This thesis studies the heuristics of internationalising platform-based new ventures from Finland. Because heuristics are formed from process experience (Bingham and Eisenhardt, 2011), it examines the internationalisation experiences of the case companies retrospectively and aims to identify the heuristics the case companies formed to improve their foreign market entry performance. The methodological approach is similar to Bingham and Eisenhardt (2011) who studied the heuristics learned from internationalisation, the high-level types of heuristics and the ways heuristics are formed from process experience. Like Monaghan and Tippmann (2018), this study examines the detailed contents of the learned heuristics, and if there are similarities among

companies sharing the same context and problem. However, the context of platform-based new venture internationalisation is unique, and as such, this is the first empirical study to adopt a heuristics perspective on platform internationalisation. In addition, this study focuses on new ventures originating from a small domestic market, a viewpoint that is relatively rare in the platform internationalisation research.

Because heuristics improve performance, the practical objective of this thesis is to improve the foreign market entry performance of other platform-based new ventures by making the industry-level heuristics more accessible and by creating a normative framework for platform internationalisation. This is an important research topic as the number of new ventures developing platforms in small domestic markets is increasing (Ojala et al., 2018), but they do not seem to reach global market positions as often as platforms from large domestic markets (Evans and Gawer, 2016). Thus, these ventures could benefit from normative insights into how they could improve their internationalisation performance.

To answer this research problem, two research questions are formed:

RQ1 What are the topics of heuristics that Finnish platform-based new ventures make heuristics about when they internationalise?

RQ2 Are there similarities in the heuristics learned by different platform-based ventures and if so, what are these similarities about?

The theoretical background in this thesis provides the basis for the empirical part of the study. The research questions are answered through a multiple-case study, where RQ1 guides the within-case analysis and RQ2 the cross-case analysis phase. Finally, both theoretical background and findings are used to form a grounded model of internationalisation heuristics of platform-based new ventures in Finland.

1.3 Structure of the study

The first chapter of this thesis introduces the reader to the topic, objectives and research questions to justify the theoretical and practical relevance of the study. The second chapter outlines the theoretical background by describing the current state of platform and internationalisation research, presenting the studies done at the intersection of both topics and finally, argues for the relevance of heuristics in internationalisation. The aim is to familiarise the reader with the relevant issues from both research streams. The third chapter presents the methodological approach, followed by findings from the empirical data. The fifth chapter reflects the findings against existing literature and constructs a grounded model of platform internationalisation. The final chapter summarises the answers to the research questions and discusses implications, limitations and directions for further research.

Chapter 2

Background

This chapter presents the theoretical basis for this thesis and aims to identify and describe the theories relevant for platform-based new venture internationalisation. The first section 2.1 defines platforms, describes the market dynamics and outlines most common strategies and design features related to platform building, scaling and competition. The second section 2.2 briefly outlines the traditional as well as more contemporary theories regarding internationalisation. The third section 2.3 presents the existing research on platform internationalisation. The chapter concludes in section 2.5 by presenting heuristics as a form of knowledge that new ventures gather through internationalisation experience.

2.1 Platforms and multi-sided markets

Platforms have been studied from multiple perspectives (Gawer and Cusumano, 2014) and consequently, the definitions vary across research fields and ambiguity exist around even the most fundamental concepts (McIntyre and Srinivasan, 2017). Following McIntyre and Srinivasan (2017), this thesis adopts a strategic management and economics perspective on platforms, but a short description of the technology perspective is also presented.

2.1.1 Definitions and characteristics of platforms

In the economics and strategic management perspective the term "platform", "transaction platform" or "multi-sided platform" (MSP), is used to refer to technologies, products or companies that mediate interactions between two or more distinct participant groups, or "sides" (e.g. Evans and Gawer, 2016; Gawer and Cusumano, 2014; Hagiu, 2013; Hagiu and Wright, 2015; Parker and Van Alstyne, 2005; Rochet and Tirole, 2003; Van Alstyne et al., 2016; Zhao et al., 2020). Each side must be directly affiliated with the platform (Hagiu and Wright, 2015). The technology perspective defines platforms as modular technological or product architectures that break complex systems into shared and reusable components (Gawer and Cusumano, 2014; Nambisan et al., 2019; Ojala et al., 2018). Other companies can use these components in the creation of new products or features, and the platform company aims to facilitate this innovation (Gawer and Cusumano, 2014; McIntyre and Srinivasan, 2017). Consequently, Evans and Gawer (2016) treat these definitions as different types of platform: transaction platforms (economics and strategic management), innovation platforms (technology), and integrated platforms (both). Examples include Netflix (transaction), Salesforce (innovation) and Apple (integrated) (Evans and Gawer, 2016).

The early economics theories on platforms mostly focused on the existence of multi-sided markets that exhibited network effects (Hagiu and Wright, 2015). Network effects, which will be further described in section 2.1.2, arise when *"consumers place a higher value on platforms with a larger number of users"* (Cennamo and Santalo, 2013, p.1331). Platforms were the result of these multi-sided markets, and the definition was reliant on network effects (Hagiu and Wright, 2015). Studies focusing on the technology perspective have on the other hand tried to identify optimal design choices, like the degree of openness, which would increase the level of innovation within the ecosystem (Cennamo and Santalo, 2013; McIntyre and Srinivasan, 2017).

Recently scholars like Hagiu and Wright (2015); Zhao et al. (2020) and Stalkamp and Schotter (2021) have defined multi-sided platforms as a type of a

business model, and network effects are neither sufficient nor necessary for platforms (Hagiu and Wright, 2015). Business model is a "*system of interdependent and interconnected activities underlying value creation and capture*" (Zhao et al., 2020, p.5). This perspective allows to look at the design and evolution of the platform holistically, instead of focusing on single design parameters (Zhao et al., 2020).

According to Van Alstyne et al. (2016), platforms have four stakeholders: *owners* that govern the interactions and own the IP, *providers* that create and maintain the interface for interactions, *producers* of the traded goods or services and *consumers* which purchase the goods or services from producers through the platform. Owners and providers are often represented by the same company, called a "platform provider" (McIntyre and Srinivasan, 2017; Ojala et al., 2018) or platform-based venture in this study. Producers, also called "complementors" (Nambisan et al., 2019) or "affiliates" (Yonatany, 2017), represent the supply-side of the platform while consumers, "customers" or "end users" are the demand-side of the platform.

The platform provider creates value by enabling interactions between the different sides, and by reducing their search and transactions costs (Hagiu, 2013; Stallkamp and Schotter, 2021; Van Alstyne et al., 2016; Zhao et al., 2020). This value creation is possible because of the infrastructure and rules the platform provider creates and maintains, but the main resources and sources of competitive advantage are the network of different participant groups and their interactions (Van Alstyne et al., 2016).

Traditional business models, like resellers and input suppliers, also include these different "sides" but their roles and relationships are different (Hagiu and Wright, 2015). In these companies, the value chain is composed of linear series of activities, and the value flows from left, associated with costs, to right, associated with revenue (Eisenmann et al., 2006; Van Alstyne et al., 2016; Zhao et al., 2020). With multi-sided platforms, cost and revenue are associated with all sides, even though the participation of one side is usually subsidised at the expense of the other side (Eisenmann et al., 2006).

2.1.2 Dynamics of multi-sided markets

As stated in the previous section, the existence of network effects in multi-sided markets has been studied extensively within the early economics perspective on platforms (Hagiu and Wright, 2015). Network effects refer to a phenomena where the value of the network, or platform, increases with the number of users (Katz and Shapiro, 1985), leading to a reinforcing cycle of organic growth for the platform (Evans, 2009). The value increases because first, larger network of users allows for more interactions, and second, potential adopters use the amount of current users to estimate the future size of the network (Chen et al., 2019). Consumers' expectations about the future size of the network affects their decision to join a platform, since they don't want to be trapped in a losing network, but if they can change platforms later, they might be less forward looking (Caillaud and Jullien, 2003; Zhu and Iansiti, 2012).

Network effects can either be direct or indirect (Cennamo and Santalo, 2013; Hagiu and Wright, 2015; McIntyre and Srinivasan, 2017). With direct, or within-group, network effects users value the possibility to interact with other users on the same side of the platform, an example being telecommunications or social networks (Cennamo and Santalo, 2013; McIntyre and Srinivasan, 2017). With indirect, or cross-group, network effects the value is dependent on the amount of consumers or complementors on the other side of the platform (Cennamo and Santalo, 2013; Hagiu and Wright, 2015; McIntyre and Srinivasan, 2017). Especially indirect network effects are considered as a source of competitive advantage (Zhao et al., 2020), because they pose the potential of first-mover advantages (Eisenmann et al., 2006).

Both direct and indirect network effects can vary in strength, where weak network effects leave more room for other factors, like quality, to affect the overall value of the platform (McIntyre and Srinivasan, 2017; Zhu and Iansiti, 2019). Over time the strength can also change, and for example network effects may weaken when the platform grows as each additional user doesn't bring as much value as the previous one did (Zhu and Iansiti, 2019). While

usually network effects are positive, they can also be negative in that sense that more users on the same or other side of the platform decreases platform's overall value (Evans, 2009), an example being advertisers affect on users of social media. Most research, including this study, focus on positive network effects.

Network effects expose the platform to a "chicken-and-egg" dilemma: no side will join without the other side (Caillaud and Jullien, 2003; Hagiu, 2013; Stummer et al., 2018). According to Caillaud and Jullien (2003) *"to attract buyers, an intermediary should have a large base of registered sellers, but these will be willing to register only if they expect many buyers to show up"* [p. 310]. The challenge is not just in attracting the first users to the platform, but about attracting a critical mass of them (Caillaud and Jullien, 2003; Evans and Schmalensee, 2010; Stummer et al., 2018). Only after having reached this "inflection point" the network effects turn self-sustaining (Hagiu and Rothman, 2016; Stummer et al., 2018). Before this point the platform does not provide enough value for the acquired users to keep using the platform, eventually leading to zero users (Evans and Schmalensee, 2010; Stummer et al., 2018). Platform providers can leverage different strategies to reach the inflection point (Stummer et al., 2018), and depending on the patience of the users, the platform has some time before the already acquired users lose interest and churn (Evans, 2009). However, solving the chicken-and-egg dilemma is one of the biggest challenges of any multi-sided platform, and according to Evans and Schmalensee (2010), the fact that so many platforms fail reflect the difficulty of reaching the critical mass.

Once the inflection point has been reached, the markets have been predicted to eventually "tip" in favour of the platform with the largest number of users, called a winner-takes-all (WTA) outcome (Caillaud and Jullien, 2003; Cennamo and Santalo, 2013; Eisenmann et al., 2006; Zhao et al., 2020). The dominant position is sustained by network effects and high switching costs, creating high barriers to entry (Eisenmann et al., 2011; Hagiu, 2013) and affecting consumers expectations, as users don't believe anyone will join another platform (Caillaud and Jullien, 2003). In WTA-markets, first-mover

advantages are crucial since even a small lead on the amount of users or complementors would attract more users because of network effects, and eventually lead to the first-mover winning the whole market (Eisenmann et al., 2006). As a result, platform companies have tried to scale really quickly, using aggressive strategies to expand the amount of users on all sides, lock them in and undermine their competitors (Buge and Ozcan, 2021; Cennamo and Santalo, 2013). Platform companies believe that competitors will exit the market once the dominant-platform has emerged, and are willing to sacrifice profits in order to secure their market position (Zhao et al., 2020). This has led to fierce competition in multi-sided markets (Zhao et al., 2020).

However, scholars have found WTA-outcome to be *"neither universal nor unconditional"* (Cennamo and Santalo, 2013, p.1346). Instead, multiple platforms can coexist when there are weak or local network effects, differentiated customer preferences, and possibility and low costs of switching or multihoming (Cennamo and Santalo, 2013; Eisenmann et al., 2006; Zhu and Iansiti, 2012). For example, Zhu and Iansiti (2012) found that when the strength of network effects and consumers' expectations about the future size of the network were low enough, a late entrant with a quality advantage was able to assure users to switch and capture market share from the first-mover. Users can also multihome when the cost of adopting multiple platforms is low, which may lead to a situation where the platforms engage in direct price competition that eventually erodes their profits (Caillaud and Jullien, 2003; Zhu and Iansiti, 2019). The early economic models did not think switching or multihoming was possible, which is one of the reasons why the WTA-outcome was emphasised (Evans and Schmalensee, 2010; Hagiu and Rothman, 2016).

The belief in the unconditional WTA-outcome is problematic because it has guided researchers to focus too much on single design features aimed to achieve network effects (Zhao et al., 2020) and encouraged practitioners to leverage strategies that might be detrimental for the future success of the platform (Cennamo and Santalo, 2013; Hagiu and Rothman, 2016). First, *"growing too quickly can exacerbate the flaws that are inevitable in any business model"* [p.4] and those flaws are harder to fix when the platform is bigger

and more complex (Hagiu and Rothman, 2016). Second, platforms may be tempted to combine multiple strategies, like form exclusive deals with complementors while embracing competition among the same group, which in combination may hurt the overall performance of the platform (Cennamo and Santalo, 2013). Third, being the first-mover makes the platform vulnerable to competition, as later entrants can avoid the mistakes done by the first entrant and with a quality advantage, convince users to switch (Zhu and Iansiti, 2012).

Therefore, platform providers should carefully consider how quickly the market develops and will it eventually have a dominant platform, and whether they have the resources to fight for dominance (Eisenmann et al., 2006). If the market develops slowly, late-mover advantages may be more salient (Eisenmann et al., 2006), and if there is regulatory complexity, platforms should scale slowly, prioritizing trust-worthiness, reputation, risk management and iterative expansion and growth over speed (Buge and Ozcan, 2021). Platform providers should also make sure that their business model is scalable before trying to grow heavily (Buge and Ozcan, 2021; Eisenmann et al., 2006; Hagiu and Rothman, 2016).

2.1.3 Platform strategies and design features

This section presents some of the most common strategies and design features platforms can leverage to reach critical mass of users, scale the platform and keep their market share. These strategies include pricing and subsidisation, differentiation, embracing competition among complementors, making exclusive deals with complementors, investing in platform quality, timing and staging the launch of the platform.

2.1.3.1 Pricing

Pricing in multi-sided markets is more complicated than in traditional industries (Eisenmann et al., 2006), because the platform providers can utilise

registration and transaction fees from multiple sides of the platform, leading to multiple interrelated sources of revenue and profit (Caillaud and Jullien, 2003). Usually at least one side is offered the service for free or at a subsidised price in order to attract users from this "subsidy-side" (Eisenmann et al., 2006; Hagiu, 2013). The losses of subsidisation are covered and profits are derived from the other side or sides, "money-sides" (Eisenmann et al., 2006; Hagiu, 2013; Stummer et al., 2018). The objective is to facilitate positive indirect network effects, where attracting users from the subsidy-side increases money-side's willingness to pay to access those users (Eisenmann et al., 2006; Seamans and Zhu, 2014; Zhao et al., 2020).

According to Stummer et al. (2018), subsidisation is an effective market penetration strategy. Many platforms have been found to set their initial prices low, and once the critical amount of users and complementors have been reached and positive indirect network effects kick in, the prices have increased. In addition to price cuts, free usage and special offers, platforms can also subsidise by providing support or content, or pay the users for using the service. (Stummer et al., 2018)

The challenge for multi-sided platforms is to determine which side they should subsidise, and to what degree (Eisenmann et al., 2006; Hagiu, 2013). Hagiu (2013) suggests that generally, the side that stands to benefit more or extract more value from the interaction should be charged more, while Eisenmann et al. (2006) and Seamans and Zhu (2014) propose price sensitivity as the indicator of the subsidy-side. According to Eisenmann et al. (2006) platforms should also consider user sensitivity to quality (charging more from side that needs to provide quality), output costs (variable costs on the subsidy side can easily increase losses) or user's "brand" value (subsidising participation of important users or complementors) in their pricing decisions.

2.1.3.2 Differentiation and targeting

The WTA-outcome has implied that the platform should position itself where there are most consumers available, but the competition in the mass market segment might be fierce and costly. Like traditional businesses, platforms can also choose to differentiate and target specific market niches that are not catered by competitors, and thus incur better market conditions. It is important that the positioning is distinctive enough, since intermediate levels of positioning can decrease performance as the platform fails to deliver distinct value for the niche and simultaneously misses out on the the mass market. (Cennamo and Santalo, 2013)

By focusing on these definite target groups, e.g. niches or certain geographical regions like cities, the platform can reduce the total market size and the amount of users needed to reach the critical mass (Stummer et al., 2018). With a lower inflection point, the platform requires less resources and time to reach the point when network effects start to affect (Stummer et al., 2018). Performing well within a niche, whether it is based on preferences or geographies, can also increase potential consumers' expectations about the future growth of the platform, affecting adoption decisions positively (Stummer et al., 2018; Zhu and Iansiti, 2012).

Attracting high-valued users or complementors, called "marquee users" or "influencers" is a commonly mentioned strategy (e.g. Brouthers et al., 2015; Eisenmann et al., 2006; Rochet and Tirole, 2003) to start building the network. These marquee users bring "*extraordinary value for other platform users, thereby potentially attracting a higher number of new users*" (Stummer et al., 2018, p.169). These users can be e.g. exceptionally big customers, opinion leaders, change agents or boundary spanning individuals (Brouthers et al., 2015; Eisenmann et al., 2006; Stummer et al., 2018). Stummer et al. (2018) also brings up loyal users as a potential target group to focus, since they are less likely to churn and platforms don't need to use as many resources to lock these customers in.

2.1.3.3 Competition among complementors

By embracing competition among its supply-side complementors, the platform provider can try to increase the amount and quality of complements and thus, generate and leverage indirect network effects (Cennamo and Santalo, 2013). According to Gawer (2009) and Schilling (2002), managing complementors may be more important than focusing on acquiring end users, because increasing the variety of complementary products is one of the main mechanisms to attract end users. Increasing competition through e.g. licensing policies, technical support or inducements would stimulate larger production of complementary goods, which in turn increases value-exchange opportunities and lowers transaction and searching costs for the demand-side users (Cennamo and Santalo, 2013).

2.1.3.4 Exclusivity

Platforms may use exclusivity contracts with their complementors or users, where they deny the sale of the transacted good, or even participation of these users, on other platforms (Cennamo and Santalo, 2013; Stummer et al., 2018). The aim of the exclusivity with complementors is to enhance the competitiveness of the platform with high-quality complements that users can't obtain on other platforms and thus, attract more demand-side users (Cennamo and Santalo, 2013). Exclusivity contracts with marquee users and high-quality complementors are especially important, not just because of their high value (Eisenmann et al., 2006), but also because it may signal positive growth prospects to potential users, positively affecting their adoption decisions (Stummer et al., 2018; Zhu and Iansiti, 2012). Exclusive contracts are usually enforced by better incentives for the marquee user or complementor, and thus signing them may be expensive (Cennamo and Santalo, 2013; Eisenmann et al., 2006).

However, Cennamo and Santalo (2013) found that the combination of exclusive contracts and increased competition between complementors hurt plat-

form performance because it posed conflicting incentives on complementors. Exclusive deals are usually enforced by better incentives, meaning that non-exclusive complementors incur worse conditions and may have less incentives to invest in developing good quality products. This lowers the overall quality on the platform, which in turn hurts performance. (Cennamo and Santalo, 2013)

2.1.3.5 Quality

Even though much of the platform strategies are based on leveraging network effects, the quality of the platform is still important for long-term success (McIntyre and Srinivasan, 2017; Zhu and Iansiti, 2012). However, there are no coherent ways to measure platform quality (Zhu and Iansiti, 2012). Quality is also a subjective attribute, and it may vary across industries or geographies based on user preferences (Chen et al., 2019; McIntyre and Srinivasan, 2017). In general however, the overall platform quality includes two attributes: the quality of the platform itself, and of the quality of complementors' products/users' content.

The quality attributes of the platform itself exist independently of the network of users or complementors (Chen et al., 2019), and may include functional and technical capabilities and improvements, performance and reliability of matching users with each other or with complementors, graphic design, ease of use, security, features, etc. (Chen et al., 2019; McIntyre and Srinivasan, 2017; Zhao et al., 2020). In addition to these technical attributes, brand image, user experience, support and management of distribution channels can influence the user's perception of quality (McIntyre and Srinivasan, 2017; Zhu and Iansiti, 2012).

While the quality of the content or complementor products has been found to affect the overall platform performance (Cennamo and Santalo, 2013), there are inconsistencies among scholars about its relevance in comparison to the quality of the platform itself. Hagiu and Rothman (2016) argues that the quality of content/products on the platform is what differentiates the

platform and brings competitive advantage, but according to Zhu and Iansiti (2012) the quality of the platform is more important because it correlates with the quality of the complementors. Platforms can leverage user based review and rating systems to give a measure of complementor quality, but that is often inadequate in its own, and users tend to hold the platform at least partially responsible for the complementor quality (Hagiu and Rothman, 2016).

Platform providers can limit misbehaviour and low-quality content through access and governance rules, which determine who gets access and what they can do on the platform (Hagiu, 2013; Van Alstyne et al., 2016). Usually tighter rules *"reflect a trade-off of quantity in favor of quality"* (Hagiu, 2013, p.10). On the other hand, having an open platform and allowing access will increase the ability of potential complementors to participate, and having an open governance and allowing participants to shape rules will increase the incentives to participate (Van Alstyne et al., 2016).

2.1.3.6 Timing of market entry

The winner-takes-all outcome of multi-sided markets suggests platforms to enter markets early in order to enjoy first-mover advantages that may tip the market to their favour, but as noted earlier, this scenario is over emphasised (Cennamo and Santalo, 2013). In markets where network effects are weak and customers do not appreciate the future variety of complementors that much (Zhu and Iansiti, 2019), or where the market moves slowly, late-mover advantages could be more beneficial (Eisenmann et al., 2006). Late-movers can avoid the errors made by others, focus on building a good quality product and reverse-engineer competitors' products (Eisenmann et al., 2006). They can also strategically choose to differentiate and cater to certain customer groups left unserved by the first-movers, and avoid head-to-head competition (Cennamo and Santalo, 2013; Zhu and Iansiti, 2012).

2.1.3.7 Platform staging

Platform-staging is a sequential entry strategy, where the platform provider focuses on one market side at a time (Evans, 2009; Hagiu and Wright, 2015; Stummer et al., 2018). In the first stage the platform may develop a "single-sided platform" e.g. social media (Evans, 2009; Stummer et al., 2018), or create a more traditional vendor-based business model where they provide supply independently or by utilising third-party suppliers in a more traditional way (Stummer et al., 2018). In the second stage the business model can transform into a multi-sided platform by bringing all the sides together (Evans, 2009; Stummer et al., 2018). The design of the platform should be developed based on the architecture of a multi-sided platform from the start (Stummer et al., 2018).

The objective of the staging strategy is to avoid the situation where the lack of network effects underneath the inflection point eventually leads to zero users (Stummer et al., 2018). Even if the indirect network effects don't turn positive for some of the platform's sides after reaching the critical mass, like is the case with bringing advertisers to social media, the sequential approach allows the platform to reach significant direct network effects that help overcome the negative indirect network effects (Stummer et al., 2018).

2.2 Internationalisation

Internationalisation refers to "*geographical expansion of economic activities over a national country's border*" (Ruzzier et al., 2006, p.477), and international business (IB) is a rich, although fragmented and dispersed research field (Ribau et al., 2015; Ruzzier et al., 2006). Andersen et al. (2014) outlined nine different theories in their review of field, while Ribau et al. (2015) has listed over 20 different theories. These theories often have different perspectives on same issues (Ribau et al., 2015).

The IB research stream has often developed through observations of inter-

nationalising companies that do not adhere with the existing internationalisation theories. First, the traditional internationalisation theories were challenged by the process model of internationalisation (Johanson and Vahlne, 2009), and both were subsequently challenged by the research stream of international entrepreneurship (IE) (Autio, 2017). While traditional theories mostly focused on MNEs, the other perspectives aim to explain the internationalisation of small and medium-sized enterprises (SMEs) (Andersen et al., 2014; Ribau et al., 2015). However, even the contemporary approaches share partly the same premises as older theories (Autio, 2017; Ribau et al., 2015).

This section briefly described the aforementioned perspectives in order to introduce the fundamental concepts related to internationalisation, and focuses more attention to theories and concepts related to new ventures and digital resources.

2.2.1 Traditional theories and resource-based views

The traditional and dominant theories in the field of international business are internalisation theory, transaction cost theory and eclectic (OLI) paradigm. They all focus on explaining the foreign entry modes of companies, and are based in the theory of the nature of the firm (Coase, 1937, cited in Andersen et al., 2014), which explains why firms control some activities and transactions internally (i.e. within the firm) and some externally through markets (Andersen et al., 2014). Low control entry modes, e.g. licensing or exporting, are preferred when market competition is perfect (Andersen et al., 2014; Ruzzier et al., 2006), meaning that there are no monopolies (Hayes, 2022). Higher control entry modes, e.g. subsidiaries and acquisitions, are preferred when cost of governing the activities internally is lower than through exporting and licensing (Andersen et al., 2014; Ruzzier et al., 2006).

Internalisation and transaction cost theories are not able to compare the different entry modes or take the effect of certain locations into account (Andersen et al., 2014). The eclectic paradigm was developed by Dunning (1977)

to explain why certain countries and entry modes were selected (Andersen et al., 2014; Ruzzier et al., 2006). It uses three types of advantages to explain internationalisation: *"the ownership advantages explain who can locate its operations overseas, the location advantages show where to locate the operations, and the internalization advantages indicate why a firm chooses FDI rather than licensing its technology and brand"* (Andersen et al., 2014, p.54). Even though this paradigm has been updated to include knowledge-based resources, its applicability to SME internationalisation is considered poor, and the model is criticised of being static and not being able to distinguish between ownership and internalisation advantages (Ribau et al., 2015).

The aforementioned theories are based on the notion that firms have unique capabilities and resources, which in IB research are referred to as firm-specific advantages (FSA) (Andersen et al., 2014; Autio, 2017; Li et al., 2019). Barney (1991) defines resources as *"assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness"* [p.101], and possession of certain resources will provide the firm competitive advantage over competitors (Barney, 1991; Stallkamp et al., 2022). FSAs have been defined as company specific strengths over competitors that allow firm survival, growth and profit, including for example knowledge, brand, capabilities and relationships (Stallkamp and Schotter, 2021).

The resource-based views on internationalisation assume that internationalisation is driven by firms seeking to exploit their existing resources, or FSAs, on a global scale (Li et al., 2019; Stallkamp et al., 2022; Teece, 2014). These existing resources allow internationalising firms to compete with local rivals, despite the challenges associated with operating in foreign markets (Stallkamp et al., 2022). Majority of theories assume that internationalisation builds on top of existing FSAs, not that internationalisation would be used to develop FSAs (Autio, 2017). Traditional theories assumed these FSAs are scale advantages of established companies (Oviatt and McDougall, 1994), but they can also be e.g. knowledge-based resources.

Not all resources are equally valuable for international expansion, as some resources are only valuable in certain countries or locations (Li et al., 2019; Stallkamp and Schotter, 2021). These kind of resources are *location-bound* FSAs, while *non-location bound* FSAs can be exploited in multiple locations and across borders at low costs (Stallkamp and Schotter, 2021). These non-location bound FSAs are often upstream assets like technology, brand or management capabilities (Li et al., 2019; Stallkamp and Schotter, 2021). Specifically, fully digital companies have been proposed to be "scale free", bringing new perspectives to resource-based internationalisation. These fully digital ventures are presented in section 2.2.4.

Firms often need to replicate some of their location-bound resources and parts of the value chain in the foreign markets they enter, and combine those with their non-location bound resources (Stallkamp et al., 2022; Teece, 2014). Thus, firms need to continually reconfigure, renew and orchestrate their resources (Stallkamp et al., 2022). Resource orchestration is hard already in the home market, and internationalisation only increases the complexity, making internationalisation a hard, slow and uncertain process (Stallkamp et al., 2022).

2.2.2 Process and business network model

The original process model of internationalisation, the Uppsala model, was developed by Johanson and Vahlne (1977) based on observations of companies that started with low-control entry modes iteratively progress toward high-control entry modes (Johanson and Vahlne, 2009). The model explains internationalisation through reinforcing learning and commitment loops, where market knowledge creates commitment, which realises in activities in the foreign market that create more knowledge (Johanson and Vahlne, 1977, 2009). Unlike internalisation theory or eclectic paradigm, the process theory does not specify the form of increased commitment, i.e. the use of some entry mode (Ribau et al., 2015).

The lack of knowledge about foreign market knowledge creates uncertainty, hindering internationalisation and causing liability of foreignness for the firm (Johanson and Vahlne, 2009). Liability of foreignness refers to the “*disadvantage a firm operating in a foreign market faces vis-à-vis local firms*” (Yonatany, 2017, p.3). To “measure” the lack of knowledge between certain countries, Johanson and Vahlne (2009) defined the concept of psychic distance as the “*factors that make it difficult to understand foreign environments*” [p.1412], like differences in language, education, culture, business practises or industrial development (Johanson and Vahlne, 1977). The model predicts that internationalisation starts in foreign markets with small psychic distance (Johanson and Vahlne, 2009), which controls risks and builds experiential knowledge that can be used in expanding to markets where the psychic distance is larger (Ribau et al., 2015). The firms will also start with small commitments in the foreign market in order to minimise investment risk while maximising learning and access to knowledge (Brouthers et al., 2015). Since the model is descriptive, it doesn’t provide basis to how internationalisation could be used to create competitive advantage (Autio, 2017).

The original authors later revised the model to take business networks into account, consequently naming it as the *business network model of internationalisation* (Johanson and Vahlne, 2009). In the new model, markets are replaced by business networks within which the firm tries to secure its position, become an “insider” in the network instead of being an “outsider” (Andersen et al., 2014; Johanson and Vahlne, 2009). The model still assumes two reinforcing loops, where existing relationships enable identification and exploitation of opportunities in the target network, and commitment happens by building relationships and trust, which leads to gaining experiential knowledge that can be used to enhance network position (Johanson and Vahlne, 2009). Initially the firm is engaged only in their domestic network of business relationships and while internationalising, the firm has to establish relationships to the new country network and further develop those relationships (Ruzzier et al., 2006). Entering new markets happens because of the opportunities posed by existing relationships, or by cooperating with local

partners (Andersen et al., 2014; Brouthers et al., 2015; Johanson and Vahlne, 2009).

The biggest impediment in the new model is the liability of outsidership, caused by lack of market embeddedness (Brouthers et al., 2015; Johanson and Vahlne, 2009). Being an outsider in the target network makes it impossible for the company to develop and run a business, and the firm needs an insider opportunity to start the process of internationalisation (Johanson and Vahlne, 2009). Liability of foreignness still causes uncertainty and hinders internationalisation, and in addition, it is assumed to complicate the process of overcoming the liability of outsidership (Johanson and Vahlne, 2009). The whole process is still gradual, slow and iterative, as trust builds up slowly (Autio, 2017).

2.2.3 International entrepreneurship

The international entrepreneurship (IE) research stream emerged from the observation of new kinds of firms that did not internationalise due to their scale advantages as proposed by traditional IB theories, and skipped stages presented in the process model (Autio, 2017; Oviatt and McDougall, 1994, 2005). Oviatt and McDougall (1994) called these early and fast internationalisers as "international new ventures" (INVs), while a decade later Knight and Cavusgil (2004) named them "born globals". IE research has further developed to take the multidisciplinary nature of both IB and entrepreneurship research into account, with a focus on opportunities: *"International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities, across national borders, to create future goods and services."* (Oviatt and McDougall, 2005, p.540). This section focuses on the original IE theories and their adjustments.

The emergence of INVs was driven by improved information and communication technologies, trade liberalisation and financial deregulation, and advances with production, transportation and logistics, all which reduced the

friction, barriers and costs of foreign market expansion (Autio, 2017; Knight and Cavusgil, 2004; Oviatt and McDougall, 1994; Ruzzier et al., 2006). Another driver was the homogenisation of markets, as consumer preferences have become more similar globally (Knight and Cavusgil, 2004; Oviatt and McDougall, 1994), even though recently Stallkamp et al. (2022) found that differences in preferences still exist and hinder internalisation. These advancements have made the process of internationalisation shorter, simpler and more cost-effective, allowing firms with unique but limited resources to access and exploit international opportunities (Nambisan et al., 2019; Oviatt and McDougall, 1994).

Oviatt and McDougall (1994) define *"international new venture as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries."* [p.31]. These companies are usually young and lack experience and resources available for mature organisations (Coviello, 2015; Knight and Cavusgil, 2004). Instead, they rely on unique, often intangible assets like knowledge-based resources to bring them competitive advantage (Knight and Cavusgil, 2004; Oviatt and McDougall, 1994). INVs are often less bureaucratic and quicker than MNEs at bringing innovations to market, and their innovative orientation *"supports these businesses in developing particular types of knowledge, which drives the development of organizational capabilities that support early internationalisation and superior performance in diverse international markets"* (Knight and Cavusgil, 2004, p.135). The emphasis on capabilities shows that this perspective is also based on the resource-based view (Coviello, 2015).

While the original authors Oviatt and McDougall (1994) argue that INVs challenge the process model of internationalisation, Autio (2017) and Johanson and Vahlne (2009) propose that they build on top of similar process and constraints as the business network model. From this perspective INVs have pre-firm capabilities, like the international experience and established relationships of founders, which offer the first insider opportunity in a foreign network and accelerate the internationalisation process (Autio, 2017;

Johanson and Vahlne, 2009).

Recently scholars, e.g. Autio (2017) and Zucchella (2021) have criticised both IB and IE for only describing internationalisation, and for the assumption that internationalisation builds on existing FSAs and is a result of existing competitive advantage. Scholars are also inconsistent about the drivers of success in internationalisation, especially in regards to whether improvisation increases or decreases performance (Bingham, 2009).

Autio (2017) has developed a normative *Strategic Entrepreneurial Internationalisation (SEI)* framework that describes what firms should do in order to use internationalisation as a driver of competitive advantage. According to Autio (2017), internationalisation presents challenges that can be used for learning and capability development, i.e. to create or strengthen FSAs, which in turn can be leveraged to build competitive advantage. The firm will be more successful if it adopts a *learning orientation*, investing in the effort of articulating insights and explicating successful practises. The firm will also benefit from a *niche orientation*, focusing on a specific customer group, which makes capability development more efficient, aids at building a coherent activity system and reduces risk of competitive retaliation. Internationalisation also opens opportunities, which the firm can leverage to build a difficult-to-copy business model by *exploiting asymmetries* and creating cross-border linkages, and by *experimenting with their business model*. (Autio, 2017)

In the study of the drivers of success for internationalisation, Bingham (2009) found that more successful companies decreased improvisation in their market selection and deliberately chose and sequenced their market entries, but increased improvisation in the execution phase and were more likely to locally adapt their products and practises. Non-successful companies were found to do the exact opposite, increasing improvisation in selection but decreasing it in execution. (Bingham, 2009)

2.2.4 Internationalisation of digital ventures

Today INVs are no longer an exception but the norm (Autio, 2017), and many ventures are formed around fully digital resources (Monaghan et al., 2020; Stallkamp et al., 2022). These digital ventures rely on digital infrastructure and internet for the production, operations and delivery processes, as well as sell their offering through digital channels (Monaghan et al., 2020). Their internationalisation is assumed to be shorter, broader and less reliant on physical aspects (Monaghan et al., 2020), because the scale-free nature of digital resources and internet-based distribution remove barriers, lower the cost and difficulty of foreign market entry and facilitate becoming an insider in the target network quicker (Monaghan et al., 2020; Stallkamp et al., 2022).

According to Stallkamp et al. (2022), the variance in the internationalisation performance of digital ventures suggests that challenges to internationalisation still remain. First, consumer preferences still vary across countries, especially in the B2C segment, meaning that local adaption is needed which limits the ability to leverage existing digital resources. Second, digital ventures need complementary non-digital resources in order to create and capture value, including for example marketing, sales and support activities and personnel. These resources are not scale-free and create bottlenecks to foreign expansion. In addition, firms need to structure and orchestrate these digital and non-digital resources, which may be challenging for new ventures with little experience. (Stallkamp et al., 2022)

2.3 Internationalisation of multi-sided platforms

Several scholars such as Autio (2017); Nambisan et al. (2019); Stallkamp and Schotter (2021); Yonatany (2017); Zeng et al. (2019) and Zucchella (2021) argue that platforms have serious implications for both IB and IE theories and question their relevance, yet the studies linking internationalisation and

platforms are scarce (Ojala et al., 2018; Stallkamp and Schotter, 2021; Zucchella, 2021). This section reviews the current research and assumptions on platform-specific FSAs, how platforms are considered to fit into the current internationalisation theories, as well as suggestions what platform providers should take into account when internationalising and what tactics they have at their disposal. Finally, a model summarising most important points is presented.

2.3.1 Definitions, resources and FSAs

Interestingly, original definitions for platforms have also emerged from IB scholars. For example without referencing existing platform definitions, Brouthers et al. (2015) has identified iBusinesses as digital ventures that offer *"internet-based platform which allows users to interact with each other"* [p.514]. They remove the barriers and friction that has previously prevented these users from interacting, and create value by facilitating and channelling their interactions and content (Brouthers et al., 2015; Chen et al., 2019). Instead of having distinct group of complementors, the users themselves produce the content on the platform (Brouthers et al., 2015). Zeng et al. (2019) integrates platform research and expands the definition to include complementors: *"we define such firms as multi-sided platform companies (MPCs) that, from their inception, are primarily focused on providing infrastructure, information, and technology—intangible assets that enable direct transactions or value creation over virtual platforms by linking different user group and complementors, extracting a significant proportion of their revenue from this process"* [p.1]. However, Zeng et al. (2019) also argue that MPCs rely on network effects to drive growth, which suggests that existing research on platform internationalisation may rely on older, economics based theories on platforms instead of the recent business model approach.

According to the resource-based theories, also platform providers need FSAs to drive their internationalisation (Li et al., 2019). While these FSAs can be similar to FSAs in traditional companies, two platform-specific FSAs have

been identified: platform quality and the network of users and complementors (Li et al., 2019; Zeng et al., 2019). Platform quality has been found to positively influence market penetration by both platform and internationalisation scholars, and is important to sustain competitive advantage (Chen et al., 2019; Li et al., 2019; Zhu and Iansiti, 2019). The current network of users and complementors drives network effects (Chen et al., 2019; Li et al., 2019; Zeng et al., 2019) and may constitute a unique and hard-to-imitate resource for platform companies (Chen et al., 2019). In addition, complementors may be leveraged to access local knowledge and adapt the offering, and to share the risks with the platform provider (Chen et al., 2019). These FSAs are potentially complemented by ecosystem-specific advantages (Li et al., 2019), but those were left out from the scope of this study.

Depending on the platform, the aforementioned FSAs may be location-bound and not valuable in foreign markets. The quality of the platform itself often relates to technological aspects and would thus possess the scale-free nature of digital resources. However, quality is a subjective measure that depends on customer preferences that have been found to differ between segments and markets (Chen et al., 2019; Stallkamp et al., 2022), suggesting that platform quality can be, to some extent, a location-bound FSA.

The location boundness of the user and complementor network, as well as the complementor network quality, depend on the scope of network effects. In theory, large network of international users should increase the value of the platform, but in many cases users only value the participation of their local network cluster as they mostly interact with them (Chen et al., 2019; Stallkamp and Schotter, 2021). The compatibility between these different clusters of networks in the platform’s industry is what determines the strength and scope of network effects (Chen et al., 2019; Zhu and Iansiti, 2019). Stallkamp and Schotter (2021) specifically studied the effect of network effects on international expansion, dividing both direct and indirect network effects to **within-country and cross-country network effects**. If either is at a cross-country level, network effects were seen as a non-location bound FSAs, otherwise network effects, and thus user and complementor networks and

complementor network quality, were location-bound. The scope of network effects has implications for the market selection, entry mode and strategic posture of the platform companies, which will be presented in more detail in section 2.3.3.

Another important implication of the international scope of network effects is that when cross-country network effects exist in a market, those markets tend to consolidate globally to a winner-takes-all situation, or to a few dominating platforms (Stallkamp and Schotter, 2021). If there are only within-country network effects, it is unlikely that there will be a global winner-takes-all situation, but there can be local winners in each market (Stallkamp and Schotter, 2021).

In contrast to purely internet based digital ventures and iBusinesses, many digital platforms operate *"in the interface of virtual and physical world"* (Stallkamp et al., 2022, p.98). This intersection increases complexity of coordination and makes the resource orchestration more challenging than in other digital ventures (Stallkamp et al., 2022). In addition, platforms also need to orchestrate their whole ecosystem of external complementors, which it does not have direct control over (Nambisan et al., 2019). This ecosystem orchestration could be considered to encompass orchestration of all resources within the ecosystem, internal and external, and is suggested by Nambisan et al. (2019) to be a dynamic capability and thus part of the competitive advantage.

2.3.2 Internationalisation process and challenges

While most traditional internationalisation theories are firm-centric, platforms are suggested to follow externalisation logic in their internationalisation because they shift *"the locus of value adding activities outside organizational boundaries"* (Chen et al., 2019, p. 173). This means that internationalisation is driven by user interaction and participation rather than market commitment decisions, thus not adhering to the process model of internationalisation

(Chen et al., 2019; Li et al., 2019). However, network building and user interactions could also be considered as insidership building activities coherent with the business network model of internationalisation.

Since the value of the platform is dependent on users and complementors, but with within-country network effects the existing users and complementors are not valuable in the foreign market, the internationalising platform provider has to build the network from scratch and solve the chicken-and-egg dilemma in each new market (Brouthers et al., 2015; Zeng et al., 2019). Because of the liability of outsidership, reaching the critical mass of users is particularly hard in foreign markets (Chen et al., 2019). Thus the biggest challenge for the platform provider is overcoming the liability of outsidership. If the platform is able to stage their entry and form relationships with foreign complementors, the platform provider can leverage them by gaining access to local market knowledge lowering the liability of foreignness, which is another impediment to internationalisation (Johanson and Vahlne, 2009; Yonatany, 2017).

The process model and business network model suggest that companies increase their commitments and build their network position incrementally in order to overcome liability of outsidership and foreignness (Johanson and Vahlne, 2009), but this iterative and slow approach might be problematic for platforms. Since the network effects do not affect when the critical amount of users have not been reached (Evans and Schmalensee, 2010; Stummer et al., 2018), the platform might not start growing organically with small commitments. However, if the platform provider still starts small, they might not get positive results for their commitments and as a result, never make large enough commitments to reach the critical mass of users.

Ojala et al. (2018) has proposed a model of platform internationalisation, but because their data is based on a single-case from the video game industry, the model might not be generalisable. The model is based on the idea that during their lifecycle, platforms need to secure access to relevant technical and content resources and solve technical and strategic bottlenecks. The model explains how young platforms become MNEs through four stages:

establishment, early initialisation, commercialisation and globalisation. They argue that platforms will internationalise before the commercialisation of the product only if they lack resources in their home market. If they do not lack the necessary resources, they will commercialise the product first, and deliberately select and enter countries based on the potential size of the user network. In the globalisation phase market selection is less driven by the firm, and more by the actions of the ecosystem stakeholders - resembling the externalised internationalisation proposed by Li et al. (2019). (Ojala et al., 2018)

2.3.3 Strategies and tactics

Even though internationalisation theories mostly focus on describing the process of becoming an MNE, there are some suggestions on how platforms can overcome the challenges associated with single market entries. This section presents the suggestions from the platform internationalisation research, but strategies presented in section 2.1.3 are also valid. The suggestions are divided to four different categories that present either separate phases or strategic questions within the expansion to a single foreign market: market selection, choice of strategic posture, choice of entry mode, and market penetration. These categories are adapted from Stallkamp and Schotter (2021) international strategies that are affected by network effects.

2.3.3.1 Market selection

Existing theories on internationalisation propose that firms internationalise to countries with a **small psychic distance** (Johanson and Vahlne, 1977, 2009), **existing network connections** (Johanson and Vahlne, 2009) or other **location-specific advantages** (Dunning, 1977). In addition, platforms should consider the **scope of network effects** (Stallkamp et al., 2022), **competitive situation** (Brouthers et al., 2015), **access to necessary resources** (Ojala et al., 2018), and **country's strategic importance, i.e.**

”country clout” (Bingham, 2009; Chen et al., 2019).

If cross-country network effects exist, platform providers can choose countries where their current user base is more valuable and thus, strengthen their cross-country network effects. The current user base is more valuable if there are cultural, economic and social connections, especially if information and people transfer between the countries. (Stallkamp and Schotter, 2021)

Platforms can also manipulate network effects in their favor by first entering countries with strategic importance, ”country clout” (Chen et al., 2019). This way the platform can leverage the market’s characteristics and relationships to other markets, and use the accomplishments in ”high clout countries” to build legitimacy and credibility in other markets (Bingham, 2009; Chen et al., 2019). This implies that the platform provider needs to deliberately think about the sequence of market entries (Chen et al., 2019) which also reflects greater cognitive sophistication from the decision makers (Bingham, 2009). The idea of high clout countries is based on social network theory, but instead of focusing on individuals, the focus is on the network-level (Chen et al., 2019).

The platform provider should also consider the competitive situation in the market, as that affects the difficulty of entry, as well as the strategies and tactics it should employ in the market penetration phase (Brouthers et al., 2015). Brouthers et al. (2015) describe three potential competitive situations in the target market:

1. *Market with no similar offering.*

Potential for first-mover advantages, but increased difficulty and cost of entry, because no existing user base or even awareness of this type of a platform (Brouthers et al., 2015).

2. *Market with a dominant platform.*

High barriers to entry and liability of outsidership, but if the consumer exceptions are low enough and the later entrant has better quality than

the incumbent, may convince users to switch (Brouthers et al., 2015; Zhu and Iansiti, 2012).

3. *Market with multiple rival platforms, but no dominant.*

Late-mover might benefit from existing users, as switching costs are likely to still be low. However, there is a race for dominance and the entrant needs to move quickly (Brouthers et al., 2015).

2.3.3.2 Strategic posture

The international strategic posture refers to the positioning that the platform company adopts internationally and in each foreign market. The company can either adopt a **globally integrated or multidomestic and locally adapted posture** (Stallkamp and Schotter, 2021). In comparison to market selection, strategic posture is not a distinct stage during internationalisation, but a key strategic decision.

The optimal posture is determined by the features of the platform. With cross-country network effects, the platform should make sure that the users from different countries can interact with each other, and therefore the platform should adopt a global posture with centralised decision-making and standardised products (Stallkamp and Schotter, 2021). Platforms with within-country network effects tend to adopt multidomestic strategies, because they need to build the user base in each country, requiring extensive adaptation to satisfy local consumer preferences (Stallkamp and Schotter, 2021).

Especially if one the platform's sides is B2C, demand heterogeneity is likely to be a challenge, and the platform should adapt the service locally in each market (Stallkamp et al., 2022). This challenge is even more pressing if the subsidy-side is B2C, because the platform needs to acquire high volumes of those users in order to attract the money-side, making end user adoption crucial for the whole business model (Stallkamp et al., 2022).

The competitive situation of the target market affects the level of differentiation needed in the target market. In markets with multiple rivals but no

dominant platform, Brouthers et al. (2015) suggest that the platform should aim to differentiate and avoid costly and resource consuming direct competition. Also in the case of an existing dominant platform, the entrant can try to find a customer segment which needs are unmet, and differentiate for that segment (Brouthers et al., 2015).

2.3.3.3 Entry mode & governance

Much like traditional IB theories, platform internationalisation research has treated entry mode as a relatively irreversible decision instead of slowly increasing commitments in the target market. The suggested entry modes are **acquisitions, alliances and independent entries**, such as subsidiaries, and they are affected by the scope of network effects, as well as the availability of resources and knowledge (Miric et al., 2021; Stallkamp and Schotter, 2021).

If cross-country network effects exist, first-mover advantages are not as crucial in a single country, and the platform may prefer to enter markets independently by establishing a subsidiary, even though it is a slower approach than acquisitions and alliances (Stallkamp and Schotter, 2021). With within-country network effects and existing competitors in the market the local competition is likely to be fierce, in which case the entrant platform can try to speed up market penetration by accessing an existing user base through alliances or acquisitions (Stallkamp and Schotter, 2021). Because scope of network effects also affected the strategic posture, independent entry is favoured with the global strategic posture while acquisitions and alliances are leveraged with multidomestic strategic posture.

Acquisitions were found by Miric et al. (2021) to be a common strategy for digital platforms to scale effectively, especially if they faced critical resource deficits and winner-takes-all markets. This founding also supports the early initialisation phase identified by Ojala et al. (2018), in which platforms internationalise to gain access to critical resources. Acquisitions may also help the platform *"overcome the internationalisation hurdles related to demand*

heterogeneity and the need for complementary resources” (Stallkamp et al., 2022, p.98). First, they can provide quick access to knowledge, brand and customer relationships (Stallkamp et al., 2022), which can help in overcoming the liability of foreignness and outsidership. Second, they can provide the non-scalable, complementary resources that the platform provider would need to acquire in the target market anyways (Stallkamp et al., 2022).

However, not all platforms with a multidomestic posture use acquisitions or alliances to enter new markets. Traditionally, subsidiaries have been managed hierarchically (Zeng et al., 2019), which would also be relevant for a platform with a global posture (Stallkamp and Schotter, 2021). With the multidomestic posture it is important that the subsidiary has the capabilities to tap into the local market knowledge and continuously innovate, experiment and adapt the platform in order to drive platform adoption and utilisation (Zeng et al., 2019). Allowing these activities requires decentralised decision making structure (Zeng et al., 2019).

2.3.3.4 Market penetration

Market penetration refers to the stage when the company develops its relationship in foreign markets’ networks and tries to become an insider in the network (Johanson and Vahlne, 2009; Ruzzier et al., 2006). In this study, it is used to refer to the stage when the platform provider starts to build their network of users and complementors, although relationship building could also include recruitment and similar activities. Based on the chosen entry mode, the platform either has to build the network from zero (independent entry) or it can start with an existing network position (alliances and acquisitions). The following tactics can be leveraged in both situations to build the network position, but they are especially relevant to overcome the liability of outsidership associated with independent entry.

Ojala et al. (2018) points out that before commercialising, i.e. launching the platform in any market, the platform needs to have secured necessary resources for its technical architecture, and solved most of the strategic and

technical bottlenecks. When acquiring complementors, platform must *"convince its partners about the technical capability of its platform, and the possibilities to generate economic value to all the actors participating in the multi-sided market in question"* (Ojala et al., 2018, p.735), implicating that a ready platform, at least to some extent, is a precedent for internationalisation and building of the complementor network.

In the case of cross-country network effects, the platform can leverage it's current user base to overcome liabilities of outsidership (Brouthers et al., 2015). According to social network theory, large user network increases the possibility of indirect ties to users in the target market's network (Brouthers et al., 2015). Diverse user network, where dissimilar users have direct ties with each other, helps bridge structural wholes and diffuse information within the network (Brouthers et al., 2015). The platform can also identify users that occupy boundary spanning and central positions, and try to leverage their position to gain access to users on the target market's network (Chen et al., 2019; Stallkamp and Schotter, 2021). As already described, the platform may leverage social network theory in market selection and enter the countries with strategic importance first (Chen et al., 2019). If the platform also has cross-country network effects, users from these "high clout" countries are seen as more valuable, affecting the potential adopters' expectations and decisions.

Diffusion of innovation theory also provides tactics that the platform can leverage to initiate and accelerate user adoption and overcome the liability of outsidership. At the start when the platform is unknown, the potential users may experience uncertainty about the future size of the network. Mass media channels, like social media, help establish awareness and legitimacy and decrease the perceived uncertainty by the potential adopters. Later interpersonal channels, like opinion leaders, influencers and change agents, can be leveraged to become more embedded in the network. (Brouthers et al., 2015)

In addition to leveraging the complementor knowledge to localise the plat-

form and positively affect adoption decisions, the platform can also try to form relationships with indirect partners, such as local communities and universities, allowing the platform to integrate to the local ecosystem and enhance their network position (Chen et al., 2019; Zeng et al., 2019).

Figure 2.1 conceptualises the presented strategic issues within the context of expanding to a single foreign market. Unlike the figure may suggest, these issues are not considered linearly after each other. However this format aims to explain how the different choices relate to each other and at which point should certain issues be addressed. It also integrates the platform scaling strategies presented in section 2.1.3.

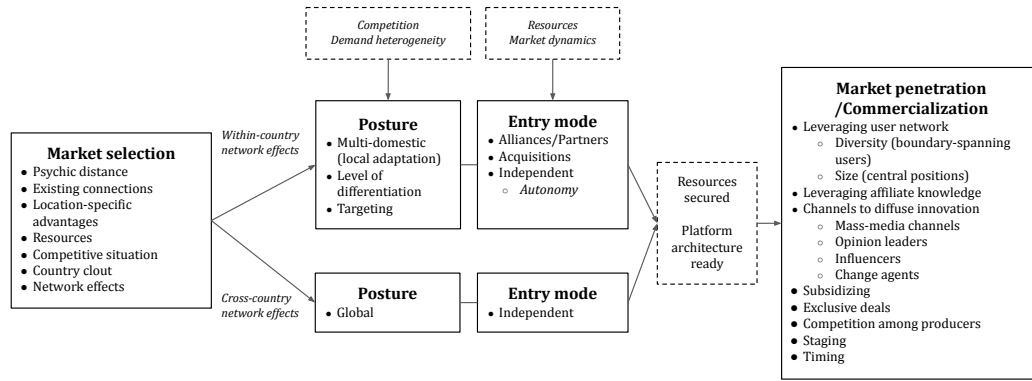


Figure 2.1: Summary of factors and strategies relevant for platform company's foreign market entry, assembled from existing research

2.4 Heuristics

While this study focuses on platform internationalisation, heuristics are used as the unit of analysis in the empirical part. This section introduces what heuristics are, to what issues they relate to and what is their role and relevance in internationalisation.

2.4.1 Role of heuristics on internationalisation

Internationalisation has been categorised as an organizational process (Bingham et al., 2007; Sapienza et al., 2006), even though only process model by Johanson and Vahlne (1977) does it explicitly. Processes are sets of "*actions that accomplish a business task that repeats over time*" (Bingham and Eisenhardt, 2011, p.1437), and executing them well may lead to competitive advantage and superior performance (Bingham and Eisenhardt, 2011). High-performing process are developed through experience, as firm representatives can learn from the repeated engagement with the actions and outcomes (Bingham and Eisenhardt, 2011; Bingham et al., 2007). With internationalisation this means that firms that engage in more country entries become better at them (Bingham et al., 2007), which is evident in the process model as firms enter countries with successively higher psychic distance that they can overcome with experience (Johanson and Vahlne, 1977).

While studying the effect of experience on the internationalisation performance, Bingham et al. (2007) found that it is not the mere experience and tacit knowledge that creates a high-performing process, but the active articulation of the experience into *heuristics*, which improve performance. Heuristics are cognitive shortcuts, informal "rules of thumb" or "simple rules", that focus on opportunity capture within the process, and emerge when there is limited information, time, and processing capacity (Bingham and Eisenhardt, 2011; Bingham et al., 2007; Newell and Simon, 1972). In contrast to routines which are very detailed responses to particular problems, heuristics "*provide a common structure for a range of similar problems, but supply few details regarding specific solutions*" (Bingham and Eisenhardt, 2011, p.1439). Heuristics improve performance because they focus attention and time, limit errors and provide structure while still allowing improvisation and flexibility, which is often needed in dynamic markets (Bingham et al., 2007).

Bingham and Eisenhardt (2011) argue that heuristics do not just create high-performing processes, but are the basis of value-creating strategies in unpredictable markets where there is only limited amount of experiences. In addi-

tion, while all firms in the sample of Bingham et al. (2007) study possessed similar types of heuristics, the specific details were unique and formed the basis for differentiation in the firms' strategies. Bingham et al. (2007) go as far to say that *"heuristics are not just relevant for strategy, but perhaps are the strategy, especially in dynamic markets and among entrepreneurial firms"* [p.42].

Bingham et al. (2007) also notes that some heuristics relate to industry-level best practises, which Monaghan and Tippmann (2018) identified as a type of knowledge that enables rapid internationalisation. While internationalisation theories focus on building knowledge through time consuming means (e.g. experience or imitation), in the face of winner-takes-all markets these means might be too slow, and firms may instead leverage industry-level heuristics, "industry recipes", to increase knowledge and start the internationalisation process (Monaghan and Tippmann, 2018). In comparison to other theories that allow early internationalisation, foreign market entry is not necessarily initiated by an initial insider opportunity through pre-existing networks and experience, but through *"a set of heuristics that are shared within an industry"* and which *"enable firm behavior in the presence of uncertainty"* (Monaghan and Tippmann, 2018, p.475).

In conclusion, Bingham et al. (2007) and Bingham and Eisenhardt (2011) identified the importance of firm-level shared heuristics on the performance of processes, like internationalisation, and Monaghan and Tippmann (2018) noted the importance of industry-level heuristics to enable the beginning of the internationalisation process when other forms of knowledge are not easy or fast enough to attain.

2.4.2 Types of heuristics

In their study of internationalisation heuristics, Bingham and Eisenhardt (2011) found that even though heuristics are idiosyncratic in details, the types of heuristics can be similar because they address the same general problem.

They identified *lower-order heuristics*, which were about capturing a single opportunity, and *higher-order heuristics*, which linked multiple opportunities together (Bingham and Eisenhardt, 2011; Bingham et al., 2007). Monaghan and Tippmann (2018) also identified two types of heuristics, corresponding roughly to the types included in the lower-order heuristics.

Lower-order heuristics include selection and procedural heuristics. *Selection heuristics* are rules for choosing (or ignoring) an opportunity, and *procedural heuristics* are rules about the actions to execute the selected opportunity (Bingham and Eisenhardt, 2011; Bingham et al., 2007). They improve performance by providing focus to certain opportunities in a larger set, and by structuring actions and improving efficiency of execution by telling what to do and not to do (Bingham et al., 2007). Within industry-level heuristics, Monaghan and Tippmann (2018) identified declarative and procedural knowledge. *Declarative knowledge* is about what should be known, while *procedural knowledge* describe how to enact the declarative knowledge to suit firm-level idiosyncrasies. Declarative knowledge corresponds to selection heuristics (Bingham and Eisenhardt, 2011), while procedural knowledge refers to procedural heuristics.

Monaghan and Tippmann (2018) goes a step further into specifying the content categories of the heuristics within internationalising companies in the SaaS-industry. The declarative heuristics were related to organisational structure, location choice and market selection, all based on optimising the use of scarce resources. Procedural knowledge included three mechanisms: regulating speed, cherry-picking skills and contacts and quick cycles of action. Speed regulation aims to limit errors, while the other two are based on maximising knowledge acquisition. Even though the specific contents of heuristics are industry specific, the authors expect that industry-level heuristics can explain rapid international expansion in other industries where other forms of knowledge acquisition are not suitable. (Monaghan and Tippmann, 2018)

Higher-order heuristics, which include temporal and priority heuristics, re-

quire greater cognitive sophistication and were found to develop after the lower-order heuristics, signaling higher expertise (Bingham and Eisenhardt, 2011; Bingham et al., 2007). *Temporal heuristics* are rules relating to sequence, pace or synchronisation of the opportunity captures, and *priority heuristics* are rules that specify the ranking of opportunities that adhere to the selection heuristics (Bingham et al., 2007). The development of these heuristics requires that individuals remember information about several experiences in order to make links between them, a reason why higher-order heuristics require more cognitive sophistication and experience than lower-order heuristics (Bingham and Eisenhardt, 2011). They improve performance because they for example synchronise actions and focus attention to most valuable opportunities (Bingham et al., 2007).

As stated in section 2.2.3, deliberately sequencing market entries facilitated better market entry performance (Bingham, 2009). The reasons for better success were that temporal heuristics created alignment, coordinated action, helped prioritise opportunities and alleviated the decision maker's cognitive dissonance, allowing them to improvise in the execution phase (Bingham, 2009).

In addition to finding that firms develop heuristics in a specific order, Bingham and Eisenhardt (2011) also found that companies simplify their portfolio of heuristics by adding new and removing outdated heuristics. This "simplification cycling" allowed firms to balance between efficiency of consistent actions and flexibility to improvise (Bingham and Eisenhardt, 2011).

2.4.3 Development of heuristics

The process of creating heuristics is not automatic, but instead requires active cognitive engagement (Autio, 2017; Bingham et al., 2007). Making knowledge and action-outcome relationships explicit helps individuals understand and communicate those within the organisation (Bingham and Eisenhardt, 2011), and not explicating them may result in failure to learn, or in only routine-

based adjustments (Autio, 2017). It is also important that the heuristics are simple enough in order to allow new information to be combined with them (Bingham et al., 2007).

A crucial part of the strategic entrepreneurial internationalisation (SEI) framework is the learning orientation as a driver of competitive advantage (Autio, 2017). Learning orientation is *"the intensity of effort a given firm invests in articulating cognitive insights and explicating effective organizational practices from cross-border experience"* (Autio, 2017, p.218). From the heuristics point of view, learning orientation could be interpreted as the cognitive effort a firm invests into developing heuristics from process experience.

2.5 Summary of existing research

Platforms are technologies, products or services that mediate and facilitate interactions between multiple distinct user groups (e.g. Gawer and Cusumano, 2014; Hagiu and Wright, 2015; Parker et al., 2016) or/and provide a foundation and building blocks on top of which others can develop complementary technologies, products or services (Evans and Gawer, 2016; Gawer and Cusumano, 2014; Nambisan et al., 2019). Platforms often incur network effects, which can be *direct or indirect* (Cennamo and Santalo, 2013), work *within-country or cross-country* (Stallkamp and Schotter, 2021), be *positive or negative* (Evans and Schmalensee, 2010) and vary in *strength* (McIntyre and Srinivasan, 2017).

At the beginning it is often hard for a platform to attract users from any side as there are no other users, and only after reaching a critical mass of users the network effects cause the network to grow organically (Stummer et al., 2018). To attract users the platforms can *subsidise participation, differentiate, focus on quality, make exclusive deals, facilitate competition within the complementors, time and stage their launch* (e.g. Cennamo and Santalo, 2013; Eisenmann et al., 2006; Stummer et al., 2018; Zhu and Iansiti, 2012). Network effects may also lead to a winner-takes-all outcome in the

market on a global or local scale (Stallkamp and Schotter, 2021), suggesting that platforms should scale quickly to benefit from first-mover advantages (Eisenmann et al., 2006), while slow scaling is more sustainable if the WTA-outcome is not inevitable (Buge and Ozcan, 2021). The *scope of network effects, speed of market development, costs of multihoming and consumer preferences* affect whether the market will eventually converge to a single or a few winners (Buge and Ozcan, 2021; Eisenmann et al., 2006; Stallkamp and Schotter, 2021).

Both traditional IB research as well as contemporary IE research have built on top of resources, or firm-specific advantages (FSAs), as the basis for internationalisation (Li et al., 2019). For multinational enterprises FSAs can be scale advantages, and for international new ventures they are often upstream resources such as knowledge or technology (Autio, 2017). The extent of FSA *location boundness* affects the company's *market selection, entry mode, strategy and tactics* (Stallkamp and Schotter, 2021). Digital resources are often considered "scale-free" and non-location bound, but in reality the extent depends on consumer preferences (Stallkamp et al., 2022). They must also be combined with physical or other location-bound resources, and this resource orchestration may be a challenge for digital ventures (Stallkamp et al., 2022). Platform-specific FSAs are *the quality of the platform, networks and network effects*, which can all vary in the extent of location boundness (Chen et al., 2019; Li et al., 2019; Zeng et al., 2019). Process theory describes the incremental nature of internationalisation, where challenges are overcome through incremental commitments (Johanson and Vahlne, 1977). Challenges are the lack of knowledge, causing *liability of foreignness* and lack of network position, causing *liability of outsidership* (Johanson and Vahlne, 2009). In the context of platforms, liability of outsidership is the most pressing issue as the platform needs to solve the chicken-and-egg dilemma in each foreign market (Brouthers et al., 2015; Zeng et al., 2019).

Most theories have aimed to describe internationalisation, but some normative insights have been provided for young ventures and platforms (Autio, 2017). These firms should deliberately *select and sequence their market en-*

tries to manipulate network effects in their favour (Bingham, 2009; Chen et al., 2019), and choose their *strategic posture, entry mode and organisational structure based on their FSAs*, especially the scope of network effects (Stallkamp and Schotter, 2021). Within single market entries, the platform can use the general tactics to attract users, as well as try to *leverage their existing network relationship* to overcome liability of outsidership (Brouthers et al., 2015) and *gain knowledge from their local network complementors or partners* to overcome liability of foreignness (Yonatany, 2017). Companies may also use industry-level heuristics to increase their knowledge, overcome liability of foreignness and accelerate their internationalisation (Monaghan and Tippmann, 2018), and improve internationalisation performance by articulating experience into heuristics through a *learning orientation* (Autio, 2017; Bingham and Eisenhardt, 2011).

Most platform internationalisation research has either focused on specific phenomena, like network effects in a global context (Chen et al., 2019; Stallkamp and Schotter, 2021), platforms from large or medium-sized domestic markets, like China or Germany Bhatti et al. (2022); Brouthers et al. (2015); Zeng et al. (2019), single-case studies to depict the process Bhatti et al. (2022); Ojala et al. (2018), or purely theorised the implications of platforms on international business theories (Li et al., 2019; Nambisan et al., 2019; Stallkamp and Schotter, 2021). Therefore there is a need for multiple-case studies of platform internationalisation from small domestic markets that have a broad view on internationalisation, and this thesis aims to answer to that need. Additionally, heuristics are an under-explored area within internationalisation research even though they have been proposed to improve performance, justifying their use as the unit of analysis.

Chapter 3

Methodology

The following chapter describes the methodology used in this thesis. First, the research approach is presented, and the selection of multiple-case studies as a method is justified. The chapter continues by outlining the data collection methods and sources, followed by data analysis methods. Finally, the methodological limitations of this study will be discussed.

3.1 Research Approach

The objective of this research is to discover similarities between heuristics learned by Finnish platform-based new ventures as they expand internationally. The motivation arose from a practitioner's point of view, as companies, especially startups that share the same investors, commonly share knowledge about their challenges and learnings. The broad research topic emerged by focusing on a certain challenge around which this knowledge sharing could happen, international expansion, in the specific context of companies with a platform business model.

Even though there is an abundance of theories about internationalisation and an increasing amount of research about platform business models and strategies, there is only a limited amount of empirical studies combining these two

research fields (Stallkamp and Schotter, 2021; Zucchella, 2021). In addition, studying companies originating from Finland, a small home market, might present unique characteristics compared to companies from other markets.

As the research context is unfamiliar, a qualitative research design is needed to generate novel insights and new understanding of the existing phenomena (Eisenhardt, 1989, 2021; Gioia et al., 2013). No *a priori* theory should be selected to guide the analysis, as it might create bias to be theoretically conservative. Thus, the chosen research approach is a theory-building inductive multiple-case study, with some identifiable features of abductive theory-elaboration approach (Eisenhardt, 1989; Ketokivi and Choi, 2014). To achieve analytical rigour, elements from Gioia et al. (2013) are also utilised in the analysis.

Case studies are well suited to understand complex phenomena and contemporary events and to answer explanatory questions (Yin, 1984). The multiple-case study approach described by Eisenhardt (1989) relies on Yin (1984) work on cases and replication logic, treating each case as a standalone observation. It is also rooted in Glaser and Strauss (1967) work on grounded theory building, emphasising the continuous and iterative comparison of data and theory in order to create an empirically valid theory from qualitative research. Uniquely, Eisenhardt (1989) describes the within-and cross-case analysis, with the aim to increase the reliability of results. The resulting theory is often empirically valid and novel (Eisenhardt, 1989, 2021).

Ketokivi and Choi (2014) note that research approaches are not mutually exclusive and should instead be considered as ideal types. Even though the chosen approach in this research was theory-building, some elements of theory-elaboration approach can also be identified. In contrast to theory-building, theory-elaboration chooses an *a priori* general theory and aims to provide new concepts, create more understanding of relationships or find boundary conditions (Ketokivi and Choi, 2014). A fairly comprehensive theoretical background research was conducted before the data collection to familiarise with the most important concepts from internationalisation and platform re-

search. This was used as a basis for the formation of interview questions, but no single general theory was chosen as a specific perspective. Also, especially in the later stages of analysis, the findings were closely examined against existing internationalisation research, and the existing theories were elaborated in the context of Finnish platform startups. However, the constant iteration between existing and emerging theory is also essential in the theory-building approach that aims to build a grounded model (Eisenhardt, 1989; Glaser and Strauss, 1967).

3.1.1 Case companies

The research included case studies from four separate companies, which were chosen based on theoretical sampling and the researcher's access to potential interviewees. In contrast to statistical sampling based on choosing a sample from some population, in theoretical sampling the aim is to choose cases where the studied phenomena are observable and that *"are likely to replicate or extend the emergent theory"* [p.537], for example by selecting extreme or polar cases. (Eisenhardt, 1989). The case companies and interviewees are pseudonymised, and some details could be altered in order to protect their pseudonymity. All case companies are presented in table 3.1.

Initially, the goal was to only choose companies that are multi-sided platforms, meaning that they facilitate direct interactions between two or more groups of users (Hagiu, 2013). However, one company that does not fill Hagiu's definition was also included in the study as a polar case. This allows the comparison of emerging concepts between platform cases and a non-platform case and aids in separating the platform-specific concepts from more general ones. This case company also has to deal with two or more customer groups, but instead of facilitating direct interactions, all groups only interact with the case company.

All selected companies were founded after 2005 and had received outside funding to fuel their growth and expansion. They had also started interna-

tionalising very early on, making IE a relevant internationalisation perspective. A prerequisite was that the companies had tried to sell their product in at least two new markets in addition to establishing operations in their home market, Finland. This would allow studying how the process of internationalisation had developed through multiple entries. Success in these foreign market entries was not demanded.

company	business model	number of entered markets
Company-A	Platform	2-5
Company-B	Platform	5-10
Company-C	Platform	+10
Company-D	Non-platform	+10

Table 3.1: The case companies

In line with theoretical sampling, all companies represented different industries and had idiosyncratic businesses and contexts. However, they had a few similarities that are relevant to point out:

- All sold their products to both consumers (B2C) and businesses (B2B), but with differing emphasis.
- None had a product that could be consumed purely in a digital form but that using the service included some kind of a physical aspect.
- All relied mostly on digital channels for selling their product in foreign markets and did not use resellers.

3.2 Data Collection

The data in this thesis was collected from multiple sources to enrich results and to allow for better triangulation of data (Eisenhardt, 1989). The primary source of data was semi-structured interviews with employees from the case

companies. This data was enriched with secondary data from public interviews about expansion with case companies' founders and decision-makers. Websites and business news were also collected to allow for better understanding of the industries, companies and timelines.

3.2.1 Semi-structured interviews

The primary source of data was 11 semi-structured interviews with the employees or founders of the case companies. At least two people from each case company were interviewed to allow for a comparison of emerging concepts within the individual case. For all companies, at least one of the interviewees had been working in the company since the first phases of internationalisation, either completely before any international activity or since when the company was operating in only one foreign market. For the cases where the founder or C-level perspective was lacking, the primary data was enriched with public interviews about the company's expansion, which are presented in section 3.2.2 and table 3.3.

The interviewees' roles ranged from product and project management to expansion, growth and C-level or founder positions. In general, companies in the later stages of international expansion (Company-C and Company-D) were larger, and roles were more specialised, whereas the companies in earlier stages of internationalisation (Company-A and Company-B) had more general roles. It was also easier to access founders and decision-makers in the latter group of companies. The purpose of including multiple kinds of roles was mainly to gain insight into how the issues around internationalisation are shared within the company and to gain a more comprehensive understanding of the case company.

The interview structure (appendix A) was created based on the initial literature review and revised after every interview. Overall the interview loosely followed the structure developed by Bingham and Eisenhardt (2011) in their study about heuristics in internationalising companies. The main objective

was to understand what the informant had learned from foreign market entries, why and how these perspectives developed through time. The interview included three major themes: 1) background information about the interviewee and the firm, 2) a somewhat chronological description of country entries since the interviewee had joined the company, 3) questions related to platforms, playbook and summarising the learnings. Part 1 was adjusted based on the interviewee's role in the company (founder vs employee). For part 2, the interviewee could freely describe the market entries, however, a timeline of companies expansion and funding events was constructed in order to ask more specific questions about certain market entries or to guide the conversation back to the chronological timeline.

Two interviews were conducted face-to-face, while others were held over video conferencing tools. The interviews ranged from half an hour to one hour. All of the interviews were recorded and transcribed to allow for further analysis. The list of all semi-structured interviews is shown in Table 3.2.

3.2.2 Public interviews in podcasts, events or other theses

The primary data was complemented with secondary data gathered from publicly available interviews with the companies' founders, decision-makers or early-time employees. The materials were found during the background research by searching for the company's name in combination with certain keywords. The materials included interviews, podcasts and theses from other Finnish universities or polytechnic schools. Also, notes made by the researcher during previous event presentations were used to enrich the company's case. In total, six secondary data sources were collected.

The podcasts were transcribed, and parts discussing the company's international expansion were included in the data. With the other theses, direct quotes from the company representatives were added to the data to limit the perspective of the author, with a few exceptions if the author clearly

referenced what their interviewee had said.

Complementing the primary data with these data sources had two significant benefits. First, it enabled accessing the perspectives and views of the founders and decision-makers of case companies, especially for Company-C and Company-D, which lacked this perspective on the basis of the interviews. Second, it allowed for better triangulation of emerging concepts, as it increased the number of informants for the case companies. All secondary data is shown in table 3.3.

3.2.3 Websites and news

Company websites and news articles from major Finnish media outlets were used to prepare for the interviews and construct a timeline of the case company's market entries. This knowledge was used to guide the second part of the interview.

After the interviews, some additional news were accessed from the archives of Talouselämä and Kauppalehti, and used to add more detailed information about expansion plans in addition to actual market entries. The articles were also used for triangulation purposes and to provide more insight into the earlier phases of the larger case companies Company-C and Company-D, but they were not used in the creation of completely new codes during analysis.

company	role	source	length
Company-A	Management	Interview	61min
Company-A	Management (founder)	Interview	25min + 32min
Company-A	Management (founder)	Interview	38min
Company-B	Management (founder)	Interview	46min
Company-B	Management (expansion)	Interview	34min
Company-C	Product/Other employee	Interview	33min
Company-C	Product/Other employee	Interview	37min
Company-C	Expansion	Interview	37min
Company-C	Expansion	Interview	36min
Company-D	Product/Other employee	Interview	27min
Company-D	Expansion	Interview	44min

Table 3.2: Primary interview data

company	amount and role	source
Company-B	Management	Partial interview quotes (<i>550 words</i>) + paraphrased summary
Company-B	3 x Management	Partial interview quotes (<i>620 words</i>) + paraphrased summary
Company-C	Expansion	Partial interview quotes (<i>130 words</i>) + paraphrased summary
Company-C	Management (expansion)	Full public interview (<i>32min, transcribed</i>)
Company-D	2 x Management	Full public interview (<i>34min, transcribed</i>)
Company-D	Management (expansion)	Public interview (<i>30min, notes</i>)

Table 3.3: Secondary interview data

3.3 Data Analysis

The data analysis followed the phases in the multiple-case study approach by Eisenhardt (1989), as the interviews and cases were first analysed individually, resembling the within-case analysis, and after the initial analysis, the cases were compared against each other, adhering to the cross-case analysis. The analysis itself was influenced by the Gioia methodology in order to achieve analytical rigour and create a transparent grounding for the emergent theory (Gioia et al., 2013).

The analysis started by open coding the transcribed interview data with informant-centric, 1st-order codes that represented the interviewees' perspective and did not reflect any theoretical terms or ideas. After having coded all interviews from the first case company, the code system was revised by merging and dividing the codes and formulating preliminary 2nd-order categories. The process of open coding interviews and modifying the code system was continued for each case. The analysis then moved to axial coding, in which relationships among the 1st-order codes were identified, 2nd-order categories were formed, and some of the interviews were also re-coded. The Atlas.ti code co-occurrence table was used to find overlaps and relationships among the codes. The initial aggregate dimensions were then formed based on the categories and comparisons to existing literature, however these dimensions were modified in the later stages of the analysis. At this point the result of the analysis was a unified code system that suited all case companies, although not all categories were equally relevant in each.

In the next part of the analysis, the 2nd-order categories and aggregate dimensions normalised appearances were compared across the cases using the Atlas.ti code-document table (appendix B). Further adjustments were made to exclude irrelevant categories and refine the aggregate dimensions to better describe the overall data while allowing differences among case companies (e.g. across more experienced vs. less experienced, or platform vs. traditional). The result was a preliminary model of important topics during

platform internationalisation.

The final part of the data analysis was to identify heuristic types of "simple rules" that the informants had learned and which they often brought forward in a normative (how should be done) manner among the existing codes. The heuristics were then grouped into similar types based on existing literature, and the appearance of individual heuristics were compared against each case (table 4.1). The heuristics deepened some aspects of the emergent model from the previous part of the analysis, but in general were related to the same topics that emerged from the data in the previous phase.

Chapter 4

Findings

This chapter presents the key findings from this study. The structure is based on the dimensions identified during the data analysis: the role of resources during internationalisation and approaches to acquire those resources, network and the product as a key source of competitive advantage and thorough market selection as an important activity during internationalisation. The emphasis of these categories among the case companies can be found in appendix B. Since all the findings do not necessarily relate to heuristics, the chapter concludes by identifying and presenting the shared heuristics. The appearance of these heuristics among case companies can also be found at the end of this chapter in table 4.1.

Some of the details in the quotes have been deleted or replaced, and only the role category of the interviewee is presented to protect the anonymity of the interviewees and the case companies.

4.1 Resources needed for internationalisation

A key theme emerging from all case companies was the role of resources for internationalisation. Based on interviews and secondary source data, all companies started to internationalise within a few years of their establishment,

although some had plans to enter international markets already at the time of their founding. At this point, companies often have minimal resources, unlike established corporations that would internationalise to leverage scale efficiencies. The limited resources were mentioned by informants in all companies, although the informants that had been present at the early stages of internationalisation stressed the issue more.

"Because we only have a few people, we needed to prioritize where we put the limited effort we have." - Company-A, Management

"No one just had enough time to put into it." - Company-B, Management

"The idea about where we should invest and focus our limited resources and limited money was probably the biggest thing..." - Company-C, Expansion

"You always have some scarce resources that you implicitly divide and focus, which highlights the importance of decisions making [transparency]." - Company-D, Other

The challenges caused by limited resources were mostly related to time, financial or human resources. However, the crucial resource for internationalisation was knowledge because it allowed the companies to know where to focus their other definite resources. This dimension was identified from all case companies, regardless of the business model. In addition to experience, knowledge was acquired through the process of systematic testing as well as recruitment. Recruitment also emerged as a separate dimension, being one of the most time-consuming, hardest, and most important activities during internationalisation.

4.1.1 Knowledge as a crucial resource

The possession of knowledge emerged as an important dimension from the first interviews and was present with 10 of 11 interviewees. From the identi-

fied dimensions, knowledge was among the most often discussed topics, which can be seen from B.

The themes of knowledge varied between companies and situations, which is natural as the companies and interviewees encountered idiosyncratic challenges and requirements. However, the majority of the knowledge that interviewees described they had gained, or needed to acquire, was related to issues regarding internationalisation, such as:

- Selection of foreign markets

"After a few markets we had a lot of ideas (...) about what is the right way to choose the foreign market" - Company-D, Other

- Foreign market knowledge itself

"It is crucial in every business... the local people know what is valuable and impressing in that country. (...) [As a foreigner] you can think you know, but you don't." - Company-C, Expansion

- Actions and tactics to penetrate the market

"In everything we do we have the focus in that one thing that we know that works" - Company-B, Management

- Who to hire in the market

"We have found quite a good of a role, and even a profile, for what we look for in the recruitment for the [complementor] side." - Company-A, Management

- How to organise and lead international operations

"Today we no longer have a separate local team in [one market] and a separate local team in [another market], instead we

lead everything from the same place.” - Company-B, Management

These themes were explicitly mentioned as knowledge needs, but they also appeared from the experiences of interviewees. For example, in the case of market selection, knowledge development was evident from the stories about how market selection progressed through time. Also, knowledge acquisition was evident from the descriptions of ”learnings” that the informants gathered from specific market entries.

The start of internationalisation could be defined as the point when the firm invests the first resources into foreign markets, e.g. by letting people devote their time through market research or activities in those markets. Referring to this point in time, some interviewees explicitly mentioned that their company did not yet have much knowledge about internationalisation or did not know what they should do (Company-A and Company-C). With the other companies the lack of knowledge was not mentioned as explicitly, but it was evident from the description of challenges related to their first market entry (Company-B and Company-D).

”[Market] was the first foreign country, in Finland we started... We had no idea how it [foreign expansion] should be done.” - Company-C, Expansion

”We had no common vision or pioneer to show us that this would be the best way to internationalise.” - Company-A, Management

”At that point we had gotten it [penetrating Finnish market] done, but actually we had not understood how. And that is why it took so long in the [first market].” - Company-D, Expansion

”That was probably the mistake we made [with first foreign market], that... we thought we knew what we were doing, burned a lot of money and didn’t know.” - Company-B, Expansion

While all companies suffered from knowledge deficiencies during their first market entry, the extent depended on their experience from the home market:

specifically, whether the companies had been able to find product-market fit and a scalable business model. Not having a scalable business model, and not even having a product, was a challenge for Company-A and Company-B. Both company interviewees explicitly mentioned challenges with the Finnish market or product during the start of internationalisation:

"...but we did not have that many resources to put into it, because Finland was still in such a crippled state." - Company-A, Management

"There were still things that weren't ready, or that we did not know how to do well in Finland. We went a bit too hastily to open the business in [the first foreign market] with a business model we had not yet completely validated." - Company-B, Management

Both companies also explicitly stated that their internationalisation came quickly, maybe even too quickly: *"We had the problem of going too fast to wander around the international markets."* - Company-A, Management. They ended up reallocating their resources to the home market and exiting, at least partly, their first markets.

Company-C and Company-D had found some success before internationalising, but the extent to which they were aware of how they had done it varied. Company-C had some core principles based on actions in Finland, while Company-D had not fully understood the drivers of their success. Despite their success, both companies ended up exceeding their expected timelines to get the market up and running, and they needed to take a timeout to figure out what they had done in Finland and focus on making the product and operations internationally scalable. Company-D interviewee stated that with later market entries they *"knew what the core thing was"* - Company-D, *Growth*, which allowed them to be more efficient in scaling the markets.

The acquisition of knowledge allowed the companies to improve their actions and limit mistakes, and develop their "playbook" for internationalisation.

With the playbook, the companies could enter markets better, quicker and more efficiently:

"Then the "machine" started working, that was probably the time when we started understanding how we should do this thing." - Company-C, Expansion

"We had the playbook which we applied faster every time, so that we could reach a certain point in sales and awareness weeks or even months faster [than in previous markets]." - Company-D, Other

Even though not explicitly stated, knowledge allowed the companies to find where to focus their limited resources - especially at the earlier stages of internationalisation. For example, without the knowledge of most influential actions, the companies tried a lot of different tactics *"We tried a lot of different tactics of how to get this to work."* - Company-D, Expansion, *"We tried all kinds of marketing with all [complementors] (...) which was just stupid because we could have focused on the one thing that we knew that worked."* - Company-B, Management. Company-A also tried multiple different markets *"We tried to see where we could get traction."* - Company-A, Management, which eventually led them to focus their resources only on certain markets. On a related note, a Company-D representative stated that not fully committing to a market might result in only partial or "false" learnings.

When companies had progressed further in their internationalisation, the learnings were also leveraged to develop internal processes and tools that make the organisation nimbler and more efficient in their foreign market entries: *"How much it required hard work from us, and in hindsight how somehow immature the way we did things were (...) and how many times faster it is today."* - Company-C, Other.

4.1.2 Accumulating knowledge

External stakeholders, especially experienced investors, were mentioned as crucial sources of knowledge because it allowed the focal companies to avoid mistakes made in other companies or leverage existing network relationships and market knowledge. With Company-A, the founders' existing connections also provided multiple initial internationalisation opportunities.

However, the accumulation of knowledge was mostly attributed to gaining experience within the firm. As already described, with the first market entries, companies went with an explorative mindset, tried a lot of different tactics to find the best-performing ones, and learned by doing and failing. Many of the companies emphasized this approach for future as well, but with the addition of doing background work properly: *"Within that frame [that you make the decisions] you should just execute quite boldly and systematically."* - Company-D, Other.

Especially companies that had progressed further in their internationalisation, Company-B, Company-C and Company-D, had formalised their knowledge gathering around hypothesis testing and validation. This approach emerged in the core of the way these three companies operated and was a commonly mentioned way to approach a wide variety of subjects:

"... you really should at least test the hypothesis that how does it work in other markets." - Company-B, Management

"With these hypotheses we have been able to map the business impact of each foreign country and get (...) some kind of a monetary estimate of the potential of each country." - Company-C, Expansion

"I see this that there are probably two big things you might want to test. Oftentimes you want the raw data of how good the country is compared to other countries. (...) On the other hand it is a new country so you can test for example individual channel's impact as a standalone." - Company-D, Expansion

Company-A also recognised the need to validate certain aspects of their business but had not embraced the systematic approach of hypothesis testing like the other companies. One reason could be that the other companies had understood at least some of the drivers for their success and could thus create testable hypotheses around them. Instead, Company-A did not have similar awareness and was also still looking for the drivers of their success.

Hypotheses were made and validated about multiple aspects of the businesses, some parts first in the home market and then further in each foreign market. Some of the most common aspects to validate were:

- Product-market fit, international scalability, business model and profitability

"[Market] was nice in that sense that it validated that the technology we had implemented here [in Finland] for our [complementor-side] customers was completely scalable there." - Company-A, Management

- Tactics to build all sides of the network

"What we validated at the start was that can we get [complementors] onboard. We learned that we can. Then, can we get the demand-side traction to the platform. We have validated that we can." - Company-B, Expansion

- Each market

"You validate the chosen strategy and business model over again in each market." - Company-B, Expansion

This approach of creating testable and measurable hypotheses also affected the process by which those particular companies internationalised. The interviewees described a process of testing new markets with small effort and investment, and once the crucial hypotheses were validated, more resources could be invested into the market: *"And then after we've seen that the same*

business logic that works elsewhere also works in a particular foreign market, we decide to invest more." - Company-C, Management, or *"Start at your own pace, test and validate before you invest a lot of resources..."* - Company-B, Expansion. The companies described this iterative process as agile (Company-C and Company-D), "fail-and-learn" (Company-D), or "lean internationalisation" (Company-B, Company-C, Company-D). This approach differed from their earlier internationalisation efforts, since with their first market entries the companies tested *what* works, and later the companies tested if *something* works as assumed, and if not, fixes and iterations could be made. However, the key enablers were that the companies had found proper ways to measure these hypotheses and that they had some data to compare the results against.

The mentions of following a process described above often overlapped with the mentions of learnings and knowledge accumulated. In general, this connection could suggest that following this kind of process was a way for the companies to minimise the use of resources while maximising learnings. Some interviewees described that they had learned to start small through failed markets:

"Our learning after many failed countries was that we prefer to start small and organically scale through happy customers." - Company-C, Expansion

Some informants also brought forward the need to balance the investments to the expectations, and not draw conclusions based on a few failed tests: *"The worst could be that you make something, or maybe three failed tests. (...) It is very common that you get three failed tests. But if you look at them too closely, the firm may come to a conclusion that something does not work too hastily (...) without statistical significance."* - Company-D, Expansion. Important is to find balance in required investments: *"What is the kind of a minimum [effort or investment] required that we can see if this thing works."* - Company-C, Management. Interviewees also brought up the need to focus

on most important actions and keep the "nice-to-haves" to a minimum as a way to control the costs of internationalisation.

Another emerging pattern for the companies that had progressed further (Company-C and Company-D) was that they had formalised parts of the collection, analysis and sharing of knowledge. These companies held regular debriefs, company-wide meetings, set up communication channels and documented their learnings in the playbook. In addition, knowledge sharing was improved by having a dedicated team for expansion, in which it was easier to share knowledge informally. For Company-A, knowledge was also shared informally, but multiple informants identified the lack of documentation and the need to focus more on the playbook.

4.1.3 Recruitment a key activity

From the identified activities that firms must engage in during internationalisation, recruitment and onboarding were one of the most commonly discussed topics alongside pre-entry analysis of markets (*section 4.3*) and building the complementor network (*section 4.2.1*). This was highlighted especially within the platform companies (A, B, C). Recruitment was also mentioned consistently as one of the main challenges, as it takes a lot of time, which these startups were usually lacking. If the proper time was not given, challenges regarding the quality of people, management, and resource orchestration arose.

"My own experience is that finding people and training them is always the hardest part. It is never the building of the entity, businesses has always been set up in countries, but the right people you might not always find. And that takes the most of your time and is the most challenging part in this business." - Company-C, Expansion

"And as the company grows, everything gets harder, you get a lot of new people, too much time goes into recruitment and not

enough to onboarding, responsibilities change and what not.” - Company-D, Expansion

”You need to be really smart about what kind of a person you get on the ground, if you’re getting local resources. They need to be able to accomplish (...) those things that are important when starting in the market, meaning selling on both sides of the platform. Because that is the prerequisite that there is even a product to offer in the market. And the longer it takes, the more it costs us. ” - Company-A, Management

”One of the biggest [challenges] was that (...) most of the time went into our funding round. Not into preparing and thinking through our strategy... We would have need a lot of time for A. knowing what kind of a person we need, and B. finding that person and especially onboarding them.” - Company-B, Management

All companies used and hired local resources from the target market, but the recruitment profile, entry mode and governance structure varied between companies. In general, the companies used two different ”entry modes”, either setting up a local team in the target market or hiring locals to work, physically or remotely, from the HQ. The entry modes and related governance issues are presented in section 4.1.4. However, some of the companies (A, B, D) learned the optimal structure for them only by trying multiple entry modes and making mistakes.

A key driver for all companies to hire local people was to access local market knowledge and to be able to use the local language. The ability to create content and have support in the local language was emphasised by B2C companies (B, C, D), and the need for local market knowledge was explicitly highlighted by the platform companies (A, B, C). All of the studied platform companies were dependent on having local complementors in their network, and they needed local knowledge about the markets and which complementors they should partner with. In contrast, Company-D in principle was not reliant on local resources in order to deliver value to their customers, al-

though they also needed language skills and local knowledge. Instead, they accessed some of this knowledge by focusing on the feedback from their local customers. In summary, the greater need for local market knowledge and resources seemed to be one explanation for why platform companies highlighted recruitment more, but the extent varied between companies.

"We always build a local team, because I think it is really important in every business... The local people know (...) You need the local team in order to tailor your service to that country." - Company-C, Expansion

"It is hard to push things forward with only Finnish resources. At least you need to allocate time (...) But I feel that with businesses like ours you need to have local resources as well." - Company-A, Management

Another way knowledge was related to recruitment was through the discovery of the correct recruitment profile in the target market. Especially Company-A and Company-B highlighted learnings about whom to hire in the target market, as both had entered their first markets with the wrong type of roles, which caused challenges, used limited financial resources and ultimately were not able to succeed in the market. The exact recruitment profiles depended on the actions that were needed in the target market. For example, as a B2B, Company-A emphasised sales while Company-B was more focused on local content. However, both companies understood that the first resource does not necessarily need to be a leader that would be able to build and lead the local organisation. Instead, the person should be a "jack-of-all-trades" that would be willing to do what was necessary in order to scale the service in the target market. Depending on the tasks, the first role might be a junior position, as the senior resources from HQ can, to some extent, help even remotely.

"In my opinion, [what learned] definitely the need for a good own resource. Of course we kind of acknowledged that we need good

own resources and we had a resource workign full-time for that [market], but frankly it was a wrong kind of a profile. And we kind of learned to rather hire hands and not leaders in the beginning."

- Company-A, Management

"When we saw how these [market entries] went so much better than [the first market entry], even though we had juniors doing remotely and cheaply, well... That opened our eyes that we can do this [internationalisation] a bit differently than just opening local teams." - Company-B, Management

The recruitment patterns of other companies share similarities in their first hires. In a secondary source, Company-D representative stated that they often start in a market without a country manager, and their first hire is a "jack-of-all-trades" role. On the other hand, Company-C had an idea that they would not open markets without a country manager, *"But I am not sure if that has realised in any country after that."* - Company-C, Expansion. Instead, at this point of internationalisation, they build the local team that is needed to scale in the market and have dedicated expansion resources leading the market until the country manager is found.

Some of the companies also highlighted the quality of hires. With Company-A, this aspect emerged mostly with the recruitment profile, while with Company-C it emerged independently as a central theme. In addition to interviewees, secondary sources confirmed the company-wide focus on recruiting high-quality people. Even though keeping the quality high made recruitment even more challenging and time-consuming, it was seen as one of the drivers for the success of the company.

"A classic recruitment learning, that you shouldn't hire people for pain. (...) So the quality of recruitment and such, is something that we have learned quite a lot about, that you should find the right people and not hire for pain." - Company-C, Expansion

As the only one in the sample, Company-C also emphasised the quality of

expansion resources. In their company expansion, people are in charge of the foreign market and local team until it can sustain itself and a country manager has been found. Thus, expansion people are important cultural advocates that help build the company culture in each market. The importance of onboarding and unified culture is explained in more detail in section 4.1.4.

"Really important is that the people who open this business are kind of cultural advocates. In my opinion they need to be the ones that are most excited about this and can spread the excitement to others." - Company-C, Expansion

4.1.4 The importance of entry mode and governance

As mentioned previously, all companies hired local resources, but the way they orchestrated the resources and entered the markets varied between companies and even within companies. The companies either hired locals from the target market to work at their HQ, an entry mode which most closely resembles *exporting*, although this was not specified by the interviewees. Another way was to hire a local team and create a *wholly owned subsidiary* in the target market. While Company-B and Company-D acknowledged exporting as a more cost-efficient, easier and agile approach, the high reliance on local resources and knowledge, as well as legal and business model aspects, seemed to drive companies towards the slower and costlier subsidiary approach. However, the division between having locals work remotely for the HQ and having a local team is not straightforward, as local teams also work closely with the HQ.

"We have decided to do everything centrally from Finland as long as we can. It makes things easier, nimble and otherwise... well, we can quickly react. Actually, we just opened [some markets] and no one from the expansion team had to visit those countries." - Company-D, Management

"You need the local team in order to tailor your service to that country." - Company-C, Expansion

"We can do a lot from Finland, but really... in our type of business you must have local resources." - Company-A, Management

The companies had also tried other entry modes, such as partnerships, agencies and acquisitions. These entry modes allowed quicker access to the market or lower risks and costs. However, there were also negative sides related to the slow integration of people into the company, the handover of knowledge and clients from partners, or the wrong incentives of agencies.

"The biggest challenge in the beginning is to find the team (...) and we acquired a small competitor from [the market]. We thought that we can much quicker scale in that country because the people are already experienced." - Company-C, Expansion

"...we don't incur any long-term fixed costs or commitments to the personnel in the local country before we get something launched."
- Company-A, Management

All companies leveraged HQ resources for internationalisation and, for example, found the ability to modify and maintain core technology from the HQ as a positive thing. Simultaneously, they tried to limit the need to use developer resources for internationalisation by using or developing tools and processes that improved the scalability of the company.

"Earlier opening a new [market] required a lot of development work. But during our internationalisation we have built internal tools to support it, so that we no longer need the product engineers to be a part of putting the [platform] live, but that the expansion team can do it quite independently." - Company-C, Other

As described in the previous section 4.1.2, the companies further in their internationalisation had a dedicated expansion team that focused solely on

internationalisation and scaling the business in foreign markets. This structure allowed the team to share knowledge better. The work of the expansion team also varied across companies because of the different entry modes.

At the earlier stages of internationalisation, the teams were usually smaller, roles more general, and for example, founders were engaged in internationalisation or sent to the target markets. The challenge of this approach was that especially founders have limited time because they are also focusing on things such as funding. For example, both Company-A and Company-B identified that they had spent too little time with the local teams.

Despite the differing entry modes and ways to organise the HQ resources, what was common for all companies was the perceived risk of building multiple different "companies" instead of building the same company and that local teams would do and perceive things differently than the HQ. This would, in turn, increase complexity, complicate cooperation and decision-making, and make the overall management of the company and the brand harder.

"Otherwise [if expansion resources not cultural advocates] you risk that you build many different companies under the same name, and each have their own culture and each does things slightly differently and with a different passion. In my opinion, that's maybe the most important thing." - Company-C, Expansion

"...even playbooks don't help [as a standalone], you also need to go them through in onboarding of the new people and make sure that people understand what to do. And when there are people coming from different backgrounds and doing different things, you'll notice that within the firms things are done in many different ways."
- Company-D, Expansion

"Internationalisation and growing the team remotely brings its own challenges. And we want to support our firm as a whole in that we can do things smartly and work together. So we can't justify that working remotely would happen at the expense of developing our internal ways of working." - Company-A, Management

"Afterwards we have found a lot of things like "damn, what has been done here [in the market], what is this deal, why has this deal been made". " - Company-B, Management

The importance of spending time with the local team and onboarding them adequately was highlighted as a way to build a unified company that works together, which in turn improves long-term scalability and efficiency. As mentioned previously, for Company-A and Company-B this need to devote time was not evident from the start, and instead, it was learned through previous market entries where not enough time was committed. Naturally, this issue of spending time with the local team did not come up with entry modes where locals were hired to the HQ, but onboarding was still a relevant issue. In addition, some interviewees emphasised that onboarding should focus on transferring the most important principles and ways of working to the local team, not just the exact contents of the playbook.

"I supposed we learned that, especially when you set up offices and hire people physically more distant locations, we have to drive those people in to the company better, so that we can be smarter in our work. And in the long run that will improve our scalability and efficiency and decrease the costs at which we will go to a new market." - Company-A, Management

"And maybe then [another learning] that (...) and bring the firm you are scaling into that market, so that it is that firm and not just a firm with a same name in that country, but actually the same thing. We have spent months there doing the work alongside them [the local team]." - Company-C, Expansion

"First of all I need to constantly emphasise our vision to the team, what kind of a service we want to build, and it [the vision] must be something that people really get excited about." - Company-C, Expansion

"It is so complex that if you write "do this", that "do this" might actually not work very long. So instead you should more teach

how to think and question things, and what kind of people are there to do and question and think about these issues.” - Company-D, Expansion

4.2 Strategies and tactics to penetrate and scale in foreign markets

While the role of resources and ways to orchestrate them were consistently important among all case companies, the activities to penetrate and scale the market differed between the platform companies and the other company. Naturally, Company-D did not engage in building a network of complementors, and instead, the interviewees focused on tactics to capture and generate demand. For the platform companies, building the network of complementors was a key activity and most interviews focused on that side of the network more than on the demand-side. In addition, for the platform companies, the network itself was the key source of value in the service, but the informants also identified that focusing on the local end users by localising drove competitive advantage.

4.2.1 Network building a key activity during internationalisation

All of the studied platform companies identified that their core value proposition was based on giving the different sides of the network access to each other. Specifically, the supply-side, meaning the network of complementors, was the main source of value and having them was necessary for companies to conduct business. While all platform companies had one or many digital products through which the interactions of the sides happened, some interviewees described the network as the product.

”A lot of our strategy originates from our [complementors], be-

cause we are not... without them, we are nothing." - Company-C, Expansion

"In practise you must have the [complementors] before our service is of any value to anyone." - Company-B, Management

"You do not need that much [product] localisation when [the complementors] are the product." - Company-C, Other

"In the end the network of [complementors] is a prerequisite that there is a product that we can even offer." - Company-A, Management

While for some companies (Company-B and Company-C) this insight seemed to be self-evident, Company-A learned it through experience in their first foreign market entry, where they tried to sell to the demand-side before they had any complementors on their network. The supply-side being the source of value for the platform companies also indicates that, for the majority of the time, the company must secure complementors into their network *before* opening the platform to the demand-side. In addition to not being able to provide anything to the demand-side customer, the company's user acquisition tactics might be reliant on having complementors, making it impossible to secure demand-side users before having any complementors.

"Well it is kind of clear with any marketplaces, that it starts with building of the supplier network, and then the demand comes later. (...) we haven't even been able to [execute our marketing strategies] if there are no [complementors]. It is self-evident that we need the [complementors] first." - Company-B, Expansion

"Biggest learning was that we need to have the [complementors]. We need to have the product up before we start selling or marketing it. Which was kind of opposite in [market], we had a big demand-side client there already. (...) And then sales to anyone except that one client was practically impossible when we did not have [complementors]. " - Company-A, Management

"You need to have the thing in order at all fronts when you push the button to go live." - Company-C, Other

Multiple interviewees recognised the "chicken-and-egg" dilemma of multi-sided networks, but the term was mostly used to describe a situation where the supply-side is needed to attract the demand-side, and not the other way around as suggested by the existing research. This was highlighted in the example from Company-A, where securing a big demand-side client did not attract supply-side complementors. However, building the supply-side without the demand-side did not appear to be challenging for any of the companies, as all of them seemed quite skilled at signing up complementors and recognised this skill as crucial for the success of the company.

Companies leveraged several tactics to convince the complementors to join, including subsidising and deals, expectation management, making joining as easy as possible, showing that they share the same interests as the complementors and assuring that the complementors don't lose anything if they join or stay on the platform. The key message was often that joining the platform can only benefit the complementors, and even without the demand-side users, participation does not burden the complementors. To reach complementors in new markets, the companies leveraged professional networks, expanded with existing complementors and did outbound sales.

"In my opinion, we don't have that big of a problem with [getting the complementors]. With honest expectation management it is very easy for us to get the "egg" to exist. (...) They [complementors] understand very well that this is only about to be published and there are no customers coming yet." - Company-A, Management

"We know how to get [complementors], we have a good strategy for that." - Company-B, Expansion

"We need to be really good at convincing those [complementors] that they should join us. This is a big challenge in the beginning."

It might mean that you use some money for it, but often it just means that you care about their [complementors'] business.” - Company-C, Expansion

While signing complementors without demand was relatively easy, balancing the supply and demand after the launch of the platform seemed more challenging for all companies. If the ratio was unbalanced, there was a risk of disappointing either side of the market because no value was provided or the service level was too low. Some interviewees also wondered how long they could sustain an unbalanced situation before users or complementors would begin to churn. However, complementors were described as patient and understanding about the fact that a new service would not have users in the beginning. An interviewee also identified that after a certain point, growth becomes easier and more predictable, resembling what literature has identified as reaching the critical mass. For other companies this point was not brought forward.

”When you have a certain amount of [complementors] and [demand-side customers], and then you try to balance that... That has brought some challenges as no one has been able to properly predict, how quickly it will start to grow. (...) So balancing that is quite a big challenge in the beginning. Then when the country really starts to grow, it becomes quite a lot of easier and more predictable.” - Company-C, Expansion

”We follow that balance closely (...) and it is very delicate. If we don’t follow it what might happen is that either our customers or the complementors are unhappy.” - Company-B, Expansion

Initially some of the companies started by just acquiring any kind of complementors anywhere in the market, or even anywhere in the world, a strategy called by one of the interviewees as *”shooting with a shotgun” - Company-A, Executive* . However, this approach was found inefficient in attracting

demand-side users or even harmful as it affected the user experience negatively. Instead, all platforms learned to focus on certain geographic areas within the markets, which limited the size of the network and, thus, lowered the number of users and complementors needed to reach the critical mass. These areas were usually chosen based on the amount of either complementors or existing demand, and the prioritisation of areas guided the activities within the market. The scope of geographical areas and the extent to which the companies relied on this strategy varied between companies. The general idea of this strategy was to provide enough value and a good user experience to reach positive network effects.

"If you want to launch fast, but you try to launch the whole [country] at once, you need a lot of complementors. (...) If you open a service with not enough [complementors] they will be like "well this is a bad service I won't use this again". (...) So you rather open a smaller area so that your first customers are happy, tell about you to other and there it goes. So you open a good customer experience to as many people as you have the time to do.

" - Company-C, Expansion

"This goes one piece at a time, we have learned that we can open [a scoped area] at a time. " - Company-B, Expansion

In addition to geographical scope, Company-B and Company-C considered other complementor-specific attributes to guide their complementor selection process. While the specific attributes were idiosyncratic to the corresponding industries, they generally related to the complementor having existing demand, either at the brand or category level. The existing demand and user base could then be targeted with different marketing tactics and be attracted to transact on the platform. Since the complementors are the main source of value for the end users, the carefully curated portfolio of them was also used to differentiate the platform from competitors. However, with high-demand complementors and categories there could be more competition among all platform companies present in the market, and signing those complementors

might be harder and costlier for the company. In general, the selection of correct complementors emerged as an important strategic activity because it affected and guided the other activities, such as marketing towards the demand-side users.

"Often you need some "loss leader" [complementor] that will bring a big clientele." - Company-C, Other

"Now the [complementors] are obtained with the idea of what kind of [complementors] we need to get this kind of [a marketing tactic] to work." - Company-B, Management

"I could say that in the beginning, our strategy is almost 95% about what kind of [complementors] we provide for the customers, how do we price our service and to what target group we offer this service." - Company-C, Expansion

Leveraging existing demand was the most commonly described way to acquire demand-side users to the platform, especially at the beginning in a new market. This "tactical marketing", a term used by one of the interviewees, entails a lot of different, often digital, tactics and channels, such as search engine optimisation (SEO), search engine marketing (SEM) and social media advertisements. The aim is to gain the attention of users that already have the willingness to purchase from the complementors or from a category of complementors, attract them with offers and then convert them to returning customers, e.g. through good user experience. After validating the product-market fit in the market with existing demand, Company-D also engaged in marketing campaigns aimed at generating demand by building awareness and trust. "Launch" campaigns were often classified as awareness and brand campaigns. However, multiple interviewees recognised that this type of marketing could be very expensive, and the platform companies mostly used user acquisition tactics that captured the existing demand and avoided big launch and brand campaigns.

"Based on our results, it is best to go to a market where people are

already used to using a service like ours. It is easier to bring the people a better service to their current problem than teach them a completely new problem and a solution for that.” - Company-C, Expansion

”In the bigger picture (...) it [customer acquisition] has been quite traditional and simple and cost-efficient.” - Company-C, Expansion

”If you think that it works, that you can validate this tactical marketing, then you can start thinking about building the brand and generating demand.” - Company-D, Expansion

Companies also used influencers and opinion leaders to acquire demand-side users in foreign markets, and encouraged their current users to refer the service to others. User referrals, influencers, and opinion leaders were used to both accelerate positive same-side network effects and to create trust among consumers. However, getting users to recommend the service requires an excellent user experience. While the supply-side could patiently wait for the demand-side users to come, the importance of first impressions for demand-side users was highlighted by some interviewees. If the platform is available but does not provide enough value or a good user experience for the demand-side user, they won’t return to use the platform. Limiting the geographical availability was thus a way for some platform companies to assure high value and good user experience.

”...you have to make sure that the platform works really well, because you can only make the first impression once. (...) If you go a market and you get the early adopter interested, but the product doesn’t work or isn’t fine tuned, it doesn’t separate from the masses, what is then the incentive of the people to return to that product?” - Company-C, Other

Contrary to the marketing-focused approaches, Company-A mostly relied on sales in new markets, possibly because their business was B2B-focused and

they hadn't yet found the most effective marketing tactics. In addition to outbound sales, they scaled their existing clients from previous markets and used big deals to build brand and trustworthiness, but these tactics were rather slow in scaling new markets. Also, relying only on a few big deals was identified as a risky strategy. In general, the interviewees emphasised the need to focus on the most effective tactics, strategies and value propositions instead of doing a little bit of everything. This could mean that the operations, strategies and leadership explicitly emphasise those things. In contrast to doing everything, having focus was operationally easier, more cost-efficient and possibly even more effective in scaling the market. Focus also created simplicity in an otherwise increasingly complex system, enabled learning by making action-outcome relationships easier to understand and thus enhanced the knowledge-creation process.

"In the end, it just makes everything so much simpler and easier if you know that one thing that works and you clearly focus on that." - Company-B, Management

"And then just removing all the nice-to-haves... (...) I think that is one of our secrets that we have focused on the core things. (...) There could be a million things to do, but just keep your own focus. (...) I feel that many firms still fail this." - Company-C, Other

4.2.2 Posture and sources of competitive advantage

All case companies acknowledged that Finland is a small market and that originating from such a small home market has affected their internationalisation decisions, product development and sources of competitive advantage. Starting in Finland also provides some advantages. Especially the platform companies were driven to international markets because their "volume-based" business models required scale. Since all companies recognised the need to internationalise, they focused on building an internationally scalable

product and company from the beginning. In addition, building and scaling the product first in Finland forced the companies to focus on different aspects compared to global competitors from large home markets, such as localisation instead of building just scale. This focuses on international scalability, technology and local presence were described as strengths and advantages of the case companies and thus appeared to be drivers of competitive advantage.

"We have that lucky position that we started in Finland so we knew that we have to be able to localise this to different countries, because the Finnish market is so small. So we built our product from the beginning so that it would be easy to take to other countries, for example through how easy it is to translate the product to different languages." - Company-C, Management

"But we started with the assumption that this is kind of a global service. And that is how we have built this, so that we are asset-light and can, in practise, quite easily expand to new markets." - Company-A, Management

Even though all companies focused on international scalability from the beginning, especially the platform companies faced challenges concerning the scalability of their technology and operations during their first market entries. As described in section 4.1.1, all companies had to take some form of a "timeout" after their first market entry. Where Company-D focused on understanding the drivers of their success, all platform companies focused to some extent on the scalability of their technology and operations. While interviewees from Company-A and Company-B stated that the companies focused on scaling the product in Finland, Company-C secondary sources also stated that the company had to reconfigure their processes and product for international scaling after the first market entry. An interviewee from Company-A explicitly stated that they had underestimated what internationalisation requires from the product and the operations, and the pathways of other platform companies suggest a similar pattern. Even if the technology

and business model could easily be transferred to new markets, transferring operations and business relationships require hard work.

"We believed that this thing will scale really fast. That the technology is easy to implement, and we should just go. (...) We had a naive understanding of what this [building the product and scaling] will take." - Company-A, Management

Focusing on the customer experience and building a good quality product were also identified as valuable components that drove the competitive advantage of the studied companies. As previously described, the excellent customer experience was related to a variety of other factors, such as the scope of the network, the selection of complementors, possibility of reaching positive network effects through referral marketing tactics. Company-C and Company-D also described that good customer experience is at the core of their strategies, and scaling happens on top of it, instead of first focusing on scaling like the global competitors and then trying to improve the customer experience. On the other hand, Company-A had a sales-focused angle in their first market entries but described that they were giving increasing attention to the product and customer experience in the future.

"For us the strategy has often been that we think how can we get a few people to love us, rather than many to like us. (...) And then we scale that "happiness", rather than first scaling the business and then try to build the happiness." - Company-C, Expansion

"Quality is a really important element. (...) It starts with the product, and on top of that it is easy to build marketing and brand and everything else. (...) That is the core, and then scaling on top of it." - Company-D, Management

"We can build a truly valuable and a good service for the local people or entities, which are after all the big mass in each market. There is more money there, than amongst these "trophy"

customers which our competitors are fighting for and trying to acquire global contracts with global big companies.” - Company-A, Management

The focus on customer experience also had a heavy influence on the localisation decisions of the platform companies since they thought they could provide more value and better user experience to local end users by localising their products and communication. Some companies had, or were still using, a global product in English to minimise development efforts or to purely test markets before larger commitments. However, often translations to the local language were seen to unlock growth in those markets, and most interviewees did identify translations as the most common ways to localise the product for the foreign market. All platform companies also went further in their localisation efforts and saw it important to tailor the product for the local needs and even “feel local”. Together with the internationally scalable technology and processes, this local posture was seen to provide competitive advantage because the companies saw that the market potential for locally focused platforms was bigger than for globally focused ones. However, it also made the platform companies more reliant on local knowledge and people.

”We specifically want to make the service a part of that person’s everyday life. Then we need to be local. Of course we scale this and make sure that everything we do can then be done in the next [market area]. But I believe that in the long term the one who wins this competition is the one that can offer the end user a good service, and not just to the [global decision makers].” - Company-A, Management

”It is really crucial to feel local. Of course we use the local language, our advertisements are at the local language. (...) We want the [demand side user] to think this is a local service. And of course what kind of [complementors] we get on board has a big effect on that.” - Company-C, Management

The extent of localisation varied between companies. Often translations were created to the user acquisition campaigns and channels, as this was often crucial in order to capture local demand. B2C companies also commonly provided customer service in the local language. Some companies did also translate the platform itself, while some companies were more reluctant to maintain translations. However, bigger product customisation was prioritised carefully, and usually, customisation was done to unlock growth in markets that had already been entered. In addition, some factors, such as currencies, needed to be localised in order to operate at the target market and not just to scale more efficiently.

While localisation was seen as an important activity and source of value to the end users, the companies still needed to keep the unity of their operations, brand and culture as described in section 4.1.4. One interviewee described that important was again to find the balance between keeping the culture, vision and style of the company the same while finding room for the little twists and cultural aspects of the foreign markets.

"But then we have nevertheless kept our style and that this is us, this is what we are using here. Of course small things are adjusted and optimised, but keeping our core thing, not thinking too much about the country. (...) But remembering the small local twists of course." - Company-C, Expansion

4.3 Evolution of market selection

As mentioned in the previous section, all companies knew that they had to internationalise early on due to the small size of their home market, and internationalisation was described as mandatory for Finnish organisations. Other reasons for early internationalisation were the potential global market size, the volume required for the business model and the possibility of gaining funding. Only one company explicitly mentioned that their internationalisation was partly driven by the possibility of raising more funding because of

it, but secondary data revealed that all companies in the study had internationalisation plans even before or during their first funding rounds. While pre-seed rounds were mostly targeted to product development, the other rounds were often stated to be used for international expansion, among other things.

In general, all companies had quite ambitious visions for their international expansion, even though some of the interviewees mentioned that their companies had no exact plans nor knowledge about how internationalisation should be done. These visions were related to early internationalisation, entering large markets, and becoming global market leaders. Some companies planned and even announced at the very beginning to launch in major cities simultaneously or just after they had launched their business in Finland since they wanted to prove their "scale-based" business in a larger market.

Only a few of the interviewees could provide information about the pre-internationalisation phase of the companies, but the data was enriched from secondary sources to form a more comprehensive timeline for all case companies. Company-A had the most internationally inclined approach, and they started their business by doing projects all over the world, and only after a while they focused on launching their product in certain markets. The other companies launched their product first in Finland. Company-B and Company-C announced early on, usually together with the news about their first funding round, that they will be launching in foreign markets within a year of establishing the company. While these companies had some operations in foreign markets within the planned timeline, the actual launch of the service in the first foreign market was delayed by up to one year. Around the time of the actual launch the companies also published news about new financing rounds, which were explicitly used for international expansion. Company-D had a different approach, first focusing on building the business in Finland, but also announced that they will use their first round of financing for expanding internationally. In summary, all companies were internationally focused from the very beginning but ended up underestimating how much time launching in foreign markets required.

"In hindsight I could say that we may have been even too global in the beginning, thinking that we could break in an even bigger [market]. That would have been a good thing in terms of funding. (...) But then we realised that this is kind of local. (...) And we noticed that we need to focus on certain markets so that we get the service running at some level first." - Company-A, Management

Sweden was the first successful market expansion for all of the studied companies, but it was not the first market where Company-A and Company-C tried to establish operations. Company-A had multiple international projects, but the first market they tried to build their network and platform was a big market in Asia, and simultaneously they were also trying to build their network in Northern America. Eventually, they ended up seizing active operations in both of those markets and instead focusing on scaling in Finland and expanding to Sweden. Company-C also announced that they are preparing to launch in a big European market but instead launched later in Sweden. Company-B and Company-D did expand to Sweden first, but neither found immediate success and had to change their approach and entry modes several times. Even though Sweden is an active market for all companies, interviewees from multiple companies mentioned that it is still not performing as well as anticipated.

For Company-A, the decision to enter their first markets was based on an opportunity in those markets, which emerged because of the founders' existing network of connections. As a result, the company signed a deal with a demand-side client in their first foreign market before having launched their network in it. In addition, with their international projects, they were also trying to see which markets would show traction instead of deliberately selecting markets where they would start building the network.

"We had a person there and a client there who was willing to buy our service with certain conditions, which we were never able to execute. We kind of went too boldly as a small company after a

big client and... Made the decision on the grounds of trying how the [market] feels like." - Company-A, Management

With Sweden, all companies did some kind of preliminary analysis of the market conditions, but except for Company-A, the interviewees did not mention that the market would have been compared and ranked against other markets. Also, for Company-A, Sweden was not necessarily the best of the ranked markets, although it was "among the best ones". Mostly the preliminary analysis focused on the good attributes of the Swedish market as being a culturally similar but bigger market than Finland. The final decision to go to Sweden was described by multiple interviewees in multiple companies as "natural and logical for a Finnish company" and that it was easy to physically go there, start doing and try what internationalisation "feels like". Thus, while most companies later on emphasised the importance of thorough market selection and pre-entry analysis, the decision to go to Sweden was more driven by the perception of easiness than actual analysis and rankings against other markets.

"Sweden is kind of like a home field, in my opinion it was always a no-brainer that we will go there." - Company-A, Management

"Sweden was natural, a Finnish firm always goes first to Sweden."
- Company-B, Expansion

"We did not do that much background work with it, just went there and got an office and started hiring people." - Company-C, Expansion

"Culturally close enough, and the market was in principle really similar, but then even better from the business point of view (...) So that way significantly better than Finland." - Company-D, Expansion

After the first market entries, the companies started dedicating more time to the pre-entry analysis of markets and developed models for ranking markets

against each other. Within the companies that had progressed further in their internationalisation, the pre-entry analysis and ranking of markets was a major part of the expansion team's work, and the selection models were highly sophisticated. These models were developed based on past experience with foreign market entries. In addition to identifying, analysing and comparing the most important attributes of the markets, the companies could calculate the potential business impact based on previous results and use that to prioritise. Markets could also be ranked based on, e.g. estimated costs of entering, potential and time of reaching profitability, and/or potential for learnings.

"The biggest thing that changed in the future was that we did a lot more background work, examined the situation and the possibilities for our business in the countries we enter." - Company-C, Expansion

"We decided that we will be within Europe, and we analysed almost all European countries. (...) And based on those, [two markets] were the biggest markets in Europe with not too many dominant competitors so we thought that the risks are not too big, we can enter those." - Company-B, Expansion

"We have looked all the attributes and fetched data from multiple sources, looked at demographic, marketing, competitor and all kinds of data we have ranked in different levels." - Company-D, Expansion

Pre-entry analysis emerged as one of the most often mentioned activities alongside recruitment, onboarding and network building, and Company-B, Company-C and Company-D explicitly identified analysis and selection as an important practice. However, interviewees also emphasised that the market dynamics change constantly and that the optimal selection model, as well as the optimal playbook of actions, evolves with the changing conditions. Thus the goal of thorough market analysis and selection is to create understanding

that helps in the actual market penetration, not just to provide the "right" answer with a complex model. In the execution phase, the companies should still be curious and test markets systematically, and iterate both their actions and the selection criteria if needed.

"It is good to do the kind of an overall estimate, the practise itself is most likely good, then you know the variables. But then this kind of a scientific "this is the best" is actually not the thing, but maybe that you understand this issues and the way they are emphasised." - Company-D, Expansion

"In my opinion one should be curios about the target market, question and wonder and investigate before you do." - Company-B, Expansion

"At any point we haven't been like "now we do these X countries", but instead we have been quite agile and decided to take certain countries, do them now and then iterate and think about the next [markets] only after, because the world and the situation changes. You can't fix your goals for years, because in that time many other companies may enter these countries, and... The attractiveness of each country changes all the time." - Company-C, Expansion

Even though the market selection models were idiosyncratic, some common features and dynamics appeared to be important for most companies. These were the target market's competitive situation, market features such as size and regulation, culture, consumer behaviour, specific demand and supply-side demographics, as well as networks between countries and their existing experience with those markets.

The competitive situation was the most commonly mentioned and analysed aspect of foreign markets, however the perspectives on competition also changed as the companies gained more experience. In the beginning, some of the platform companies thought their markets would develop into a winner-takes-all situation, and thus they gave more emphasis to first-mover

advantages and tried to become the leading platform in each of their foreign markets. However, through experience they noted that coexisting with a few competitors was possible and that markets would converge to a few winners locally. Instead of trying to avoid competition completely, the companies learned to differentiate, focus on different target groups and avoid certain kinds of competitors. For example, competitors could be segmented based on their efficiency and potential to participate in pricing wars, and strong competitors with global positions and an efficient business could be avoided. In general, a weak competitive situation was considered a positive factor in the selection of markets.

"I think we have seen that multiple players can coexist in the market. Of course if you have a monopoly that is really good for the business, but it is not always good for the [complementors] and [users] because the pricing is what it is when one firm can determine it." - Company-C, Expansion

"It just means that we need to focus on, for example, that our technology suits the European market better than our US-based competitors, because this is a really fragmented market." - Company-A, Management

Market size, whether that referred to a whole country or a more restricted geographical area, was the second most common factor to consider in the selection of markets. While bigger markets were considered better, they also often had more competition and could require bigger investments. Regulation was important especially to the platform companies, and most companies did prefer operating within the EU due to the similarities in the legal landscape. Expanding outside the EU was speculated to increase the complexity of market selection, market penetration and overall operations. Understanding the local language was another positive factor, especially for companies with more restricted resources, since they could better leverage existing resources from the HQ.

Some companies also analysed demographics and consumer behaviour. Especially the level of digital adoption was found important, which was natural since all of the companies were reliant on digital channels at some point in their customer journey. This kind of knowledge was related to estimating the demand for the product or service. The platform companies also analysed the potential complementors for their supply-side.

As a B2B, Company-A emphasised the network connections in the selection of markets more than other companies. In addition to considering their founders' and workers' business connections, which were the drivers for their early market entries, they later focused on the network connections of demand-side clients and supply-side complementors. Specifically, they looked into whether their existing complementors also operated in other markets and tried to expand with these multinational complementors. They also considered whether their existing demand-side client companies were present in the target market and tried to leverage the existing client relationship for sales in new countries. Additionally, they considered the flow of people within the target country and their existing markets.

In summary, the companies gathered lots of data from multiple sources and about various different aspects, but the goal of even sophisticated market selection was to be able to create understanding, not just correct answers, and provide some sort of benchmarks to evaluate the market performance against. Also, when the companies progressed further in their internationalisation and started opening foreign markets simultaneously, it became important to also consider and balance the whole portfolio, and not just individual markets.

"Sure we have had to balance that if you have a bigger country, there is a bigger risk for the business and you don't want just to do these "big bets". Instead you want a balance there that you have these big bets but you also have quite easy countries where you build this baseline-business, or at least build it more surely."

- Company-C, Expansion

4.4 Summary of findings

As all case companies were new ventures at the time when they entered their first foreign markets, limited resources emerged as a crucial factor affecting their internationalisation. These resources were related to time, people, finance, and especially knowledge. Knowledge deficiencies related to not just internationalisation but also to the commercialisation of their service or product, e.g. the product-market fit or tactics to scale their service. This lack of knowledge caused challenges both in the home and foreign markets. Companies accumulated knowledge through experience in their domestic market as well as foreign markets, and this knowledge allowed them to focus on the most influential issues and tactics and, therefore, perform better. This finding supports the role and use of heuristics as a way to understand how Finnish platform-based new ventures perform better in their international market entries.

Shared heuristics about opportunity selection and prioritisation were related to the selection of foreign markets, which attributes are important to consider and how these potential markets could be ranked and prioritised against each other. Even before the market selection heuristics were formed, all companies shared a heuristic about entering Sweden among the first foreign countries, although the informants questioned whether this heuristic lead to better performance. All platform companies learned heuristics about what kind of supply-side complementors they should sign-up to their platform. Company-A and Company-B specifically formed heuristics about the correct recruitment profile in foreign markets, although Company-C and Company-D seemed to possess similar kinds of heuristics already. To support the relevance of selection heuristics for internationalisation, companies also formed heuristics about the importance of focusing their limited resources - and one way to find focus was to use other selection heuristics. For example, Company-C and Company-D specifically learned about the importance of conducting a thorough pre-entry analysis of markets.

Shared heuristics about opportunity execution were related to suitable entry modes and governance structures for the company, the importance of onboarding new hires properly, and the importance and ways to build a unified company culture and processes. Especially the platform companies formed heuristics regarding their strategic posture and the extent to which they need to localise their service, and that they need to have the supply-side ready before launching on the demand-side. Company-B and Company-C also learned to scope the market in order to limit the amount of supply-side complementors needed. Company-B and Company-D emphasised the heuristics they had formed about the user acquisition tactics, while Company-A stressed the importance of learning these kind of heuristics in the future. The more internationally progressed companies also formed heuristics about the formalised approach to acquire knowledge through hypothesis testing. Even though not stated directly, a heuristic about the need to have the product commercialised in the domestic market prior to internationalisation also emerged from the challenges related to the first market entries.

The appearance of heuristics across case companies is presented in table 4.1. These heuristics represent the "simple rules" identified from the data (identification process described in section 3.3). Some of the selection heuristics included a variety of different, idiosyncratic details: examples of those detailed heuristics are marked with *italics*. All heuristics are further categorised based on existing literature and aggregate dimensions, forming the basis for the grounded model presented in the next section 5.

Category	Heuristic	Heuristic type	C-A	C-B	C-C	C-D	Totals
Orientations	Increase knowledge through hypothesis testing	Procedural	1	1	1	1	4
	"Lean" internationalisation	Procedural	0	1	1	1	3
	Start in foreign markets with little effort and investment, increase iteratively	Procedural	1	1	1	1	4
	Try to keep simplicity and don't overexpand	Procedural	0	1	1	1	3
	Focus on most influential, "proven" tactics	Priority	1	1	1	1	4
	Focus on customer experience	Priority	1	1	1	1	4
	Focus on certain markets at a time	Priority	1	1	0	1	3
Foundations	Complexity increases as the company grows	Temporal	1	1	1	1	4
	Internationalisation requires major investments	Procedural	1	1	1	0	3
	Should build and scale product in domestic market before internationalisation	Temporal	1	1	0	0	2
	Build proper foundations for internationalisation and market entries	Temporal	0	0	1	0	1
	Scale only when keeping good customer experience	Procedural	0	0	1	1	2
	Create and use internal tools/processes to support internationalisation and related processes/activities	Procedural	1	1	1	0	3
	Localised product as a source of differentiation and competitive advantage	Procedural	1	0	1	1	3
	Supply-side as a source of differentiation and competitive advantage	Procedural	1	1	1	0	3
Market Selection	Choose markets based on rankings	Priority	1	1	1	1	4
	Thorough pre-entry analysis of markets is important	Temporal	0	1	1	1	3
	Market attractiveness changes all the time	Procedural	0	0	1	1	2
	Market selection criteria	Selection	1	1	1	1	4
	<i>Market selection criteria: Size</i>	Selection	1	1	1	1	4
	<i>Market selection criteria: Competition</i>	Selection	0	1	1	1	3
	<i>Market selection criteria: Networks & Connections</i>	Selection	1	0	1	0	2
	<i>Market selection criteria: Legal</i>	Selection	1	0	1	0	2
Organisation	Coexisting with competitors is possible	Procedural	1	1	1	0	3
	Need local resources and knowledge (figuring out the entry mode)	Procedural	1	1	1	1	4
	Lead people from the same place (HQ / local)	Procedural	1	1	1	0	3
	Recruitment selection criteria	Selection	1	1	1	1	4
	<i>Recruitment selection criteria: Juniors</i>	Selection	1	1	1	0	3
	<i>Recruitment selection criteria: First hire should do, not to lead</i>	Selection	1	0	0	0	1
	Quality of local and expansions resources is crucial	Procedural	1	1	1	1	4
	Challenge with a growing company is that teams do things differently	Procedural	1	1	1	1	4
Localisation	Build a united organisational culture and values for different local teams	Procedural	1	0	1	1	3
	Onboarding people is important	Procedural	1	1	1	1	4
	Localisations	Procedural	1	1	1	1	4
	<i>Localisations: Customer acquisition (sales, channels, content)</i>	Procedural	1	1	1	1	4
	<i>Localisations: Translations</i>	Procedural	1	1	1	1	4
Network: Supply	<i>Localisations: Product</i>	Procedural	1	1	1	0	3
	Try to keep major product adaptations to a minimum	Procedural	1	0	1	1	3
	Need to have supply-side of the network ready before launching for the demand	Temporal	1	1	1	0	3
	Scope the launches (geographically)	Procedural	0	1	1	0	2
	Complementor selection criteria	Selection	1	1	1	1	4
Network: Demand	<i>Complementor selection criteria: Existing demand</i>	Selection	0	1	1	0	2
	<i>Complementor selection criteria: Expand with current complementors</i>	Selection	1	0	0	0	1
	Tactical marketing for the existing demand (of supply side)	Procedural	0	1	1	1	3
	Expand through/with demand side users	Procedural	1	0	1	1	3

Figure 4.1: Appearance of heuristic across case companies.
 Number 1 indicates that the heuristic was identified, although not necessarily applied in practice.

Chapter 5

Grounded model: The simple rules for internationalising platform-based new ventures in Finland

This chapter presents the grounded model emerging from the empirical findings and the theoretical background. The model, *simple rules for internationalising platform-based new ventures in Finland*, is depicted in figure 5.1. The categories in the model present the topics around which heuristics were formed, and each category includes summaries of the specific heuristics that were shared among at least two case companies. Thus the normative simple rules are the detailed heuristics within the categories. The categories answer the first research question, while the detailed shared heuristics answer the second research question.

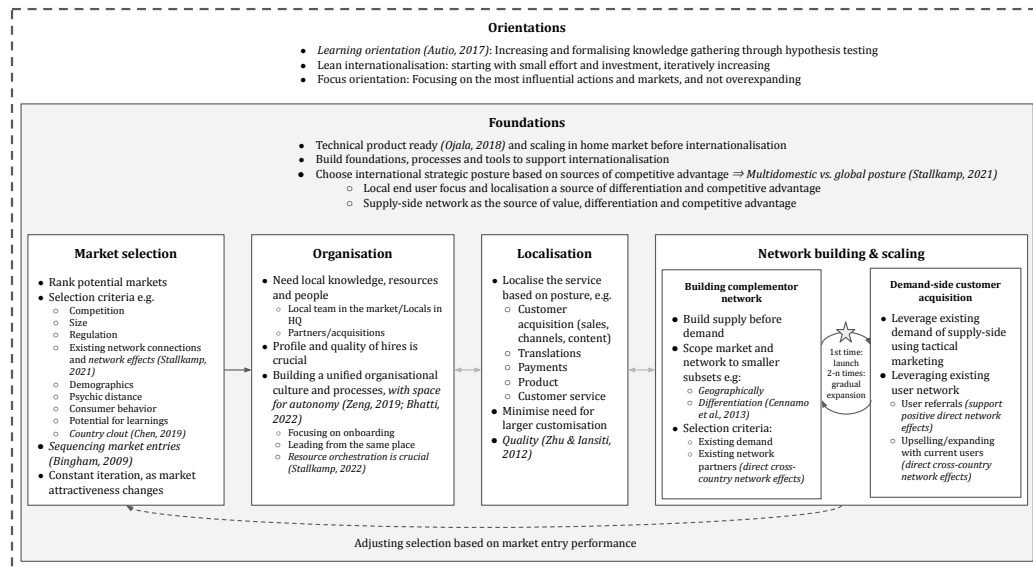


Figure 5.1: A grounded model of the categories of heuristics and simple rules relevant for the foreign market entries of platform-based new ventures in Finland

The model does not describe the *process* of platform internationalisation, and as such, it does not adopt a viewpoint of any existing internationalisation theory. However, it builds on the assumptions of resources-based views on new venture internationalisation (Autio, 2017; Ojala et al., 2018; Stallkamp et al., 2022), integrates aspects from the normative SEI-framework (Autio, 2017) and includes on an emerging concept, lean internationalisation (Autio and Zander, 2016; Neubert, 2017; Rasmussen and Taney, 2015). It specifically elaborates the within-country network effects perspective of platform companies' international strategies, as the emergent categories resemble the international strategy categories outlined by Stallkamp and Schotter (2021). It also finds support from Monaghan and Tippmann (2018), as the categories are to a large extent congruent with the industry-level heuristics identified from internationalising SaaS companies.

Categories "Market selection", "Organisation", "Localisation" and "Network building and scaling" relate to strategic issues and activities relevant during *single market entries*. Despite the linearity in the figure, these categories are

not distinct from one another and are often worked on simultaneously. The exceptions are two temporal heuristics: first, *a thorough pre-entry analysis should be done before entering the market*. Second, *an initial network of supply-side complementors should be built before launching the service to the demand-side for the first time*.

”Foundations” category surrounds the aforementioned categories because *the company needs certain resources and should build the business foundations before entering foreign markets*, which is the third temporal heuristic. These resources and foundations also determine some strategic decisions that will affect other categories, for example the strategic posture affects entry mode and localisation decisions. However, as these decisions are less straightforward, the model does not explain the causal relationships. The last category, ”Orientations”, describes the way the companies should operate as they make decisions related to all other categories, and thus it encompasses all other categories.

5.1 Orientations

The outermost category of the model, ”*Orientations*”, indicates the mindsets and ways of working that guide the company’s decision-making and activities. The first orientation is learning orientation, including heuristic: *1. Increase and acquire knowledge through hypothesis testing, experiments and active articulation of experiences* (Autio, 2017). Second orientation is lean internationalisation with the heuristic: *2. Minimise the investments needed in order to get feedback and iteratively increase* (Neubert, 2017; Rasmussen and Tanev, 2015), and the third is focus orientation, including heuristic: *3. Focus on most influential actions and markets, and don’t overexpand*. While these orientations and heuristics are separated in the model, in practise they are often highly interrelated.

The original process model of internationalisation suggests that companies incrementally increase commitments in foreign markets in order to acquire

knowledge while controlling costs and risks (Johanson and Vahlne, 1977). With a learning and experimentation orientation, the company can actively manage their knowledge acquisition process, formalise it through hypothesis testing and increase the amount and speed at which they gain knowledge. Adopting a learning orientation will allow the company to articulate heuristics from their experience, which is suggested to improve performance (Autio, 2017; Bingham and Eisenhardt, 2011), and experimentation may enhance the competitive advantage of the company (Autio, 2017). Having knowledge is crucial for the focus orientation, which aims to allocate resources to actions that maximise performance instead of spreading resources too wide and not succeeding in any action or market.

The basis for the first two heuristics can be found in a popular lean startup methodology. Lean emphasises a hypothesis-driven, iterative approach, in which the company experiments with minimum-viable-products to get customer feedback and, based on the feedback, either validates or refines the hypothesis and tests again (Blank, 2013; Rasmussen and Tanev, 2015; Ries, 2011). If the company has adopted lean approaches to identify its business model, it can continue with a similar mindset while internationalising. However, this mindset can also be learned and applied to internationalisation later on - for example, Autio (2017) refers to the lean approach as a heuristic itself. Even though lean startup methodology has been widely adopted in practice and is suggested to improve the internationalisation performance of companies (Neubert, 2017), it has gained only a little attention from internationalisation scholars.

The heuristics in this category are based on the logic of acquiring and optimising the use of scarce resources, which is the same logic behind the industry-level heuristics identified by Monaghan and Tippmann (2018), providing further support for the relevance of these orientations on internationalisation performance.

5.2 Foundations

The category "Foundations" focuses on the necessary resources for internationalisation, and sources of competitive advantage in international markets. It contains three specific heuristics: *1. Have the technical product ready and scale in home market before internationalising 2. Build internationally scalable foundations, tools and processes to support internationalisation 3. Choose the international strategic posture based on sources of competitive advantage .*

The model is based on the assumption that companies possess some resources (FSAs), like knowledge, technology and network of connections, that enable internationalisation (Li et al., 2019; Stallkamp et al., 2022). Platform quality and the existing networks of users and complementors are also important, platform-specific FSAs (Chen et al., 2019; Li et al., 2019), but they can only be used to drive internationalisation after the platform has been launched in some market. The company should acquire the necessary technical resources to launch the first version of its platform and establish product-market fit in some, often the domestic market, before internationalising (Ojala et al., 2018). This allows the company to gather knowledge about e.g. building and scaling the platform, which it can use to form hypotheses and experiments and find focus in foreign market entries. Multiple active markets increase the complexity, and may make finding the product-market fit more challenging later on.

However, even though the company should first focus on one market, most new ventures know they need to internationalise at some point, and they should start building an *internationally* scalable product, modular technology and international company from the beginning. Internationally scalable means that the technology as well as internal tools and processes support operating in multiple foreign markets, e.g. by allowing translations without the need to involve development resources. If the company builds their product only for one market, it might need to renew it during internationalisation,

which slows down growth and may cause challenges.

The international competitive advantage depends on how the company combines and coordinates its firm-specific advantages with location-specific advantages so that the product is relevant and valuable in each foreign market (Bhatti et al., 2022; Johanson and Vahlne, 2009; Neubert, 2017), leading to either a globally integrated or multidomestic strategic posture (Stallkamp and Schotter, 2021). Having a multidomestic posture and a localised platform alleviates the liability of outsidership and eases network building if the within-country indirect network effects are the source of value for the platform (Brouthers et al., 2015; Stallkamp and Schotter, 2021). Global posture is proposed to best realise the benefits of cross-country network effects, but the model focuses on multidomestic posture because it was adopted by all the platform companies in the study. With a multidomestic posture, the internationally scalable technology can be an important driver of competitive advantage as it allows the companies to easily create a locally valuable service in contrast to competitors from larger home markets that do not focus on localisation.

5.3 Market selection

”Market Selection” is the first market entry related category of heuristics, and the same category was identified by Monaghan and Tippmann (2018) and Stallkamp and Schotter (2021). The heuristics include: *1. Rank potential markets, 2. Selection criteria for markets, 3. Continuously iterate the selection criteria and selected markets*, and in addition the temporal heuristic that *4. Conduct a thorough pre-entry analysis of potential markets*.

Selection and priority heuristics are used to identify and choose the most potential opportunities, like foreign market entries (Bingham et al., 2007). Based on their experience with foreign market entries, companies form a wide variety of heuristics for identifying, prioritising and selecting most potential markets. However, with the first market entries the company may not

have these heuristics and it can enter sub-optimal markets based on psychic distance or initial insider opportunity (Johanson and Vahlne, 2009). The company should conduct a thorough pre-entry analysis even of their first markets based on their timely assumptions and focus on ranking, and even sequencing, the markets to facilitate better performance (Bingham, 2009; Chen et al., 2019). The thorough pre-entry analysis increases local market knowledge as well as allows the company to better localise and improvise in the execution phase - even if the market itself was sub-optimal Bingham (2009).

The most common characteristics used to evaluate the market were presented in section 4.3. In general, the market selection criteria was rather traditional, focusing on issues such as market size, competitive situation or regulation, and network effects or current user network did not play a significant role in selection. The companies adjusted and refined the market selection criteria as they gained more experience (Bhatti et al., 2022), developing evermore sophisticated selection models as they expanded. However, it was important to continuously iterate the selection criteria and selected markets, as the attractiveness and situation changes all the time.

5.4 Organisation

The "Organisation" category includes heuristics about the optimal entry modes to foreign markets and how to govern and lead an international organisation, and was also identified by Monaghan and Tippmann (2018) and Stallkamp and Schotter (2021). The heuristics are: *1. Need for local knowledge and resources, 2. Profile and quality of local and expansion people is crucial, and 3. Build a unified organisational culture.*

With foreign market entries, companies usually face some resource deficiencies regarding local market knowledge and people. With a multidomestic strategy, this need is crucial for localisation, the building of the network (Stallkamp and Schotter, 2021) and the consequent realisation of the com-

petitive advantage. Stallkamp et al. (2022) and Miric et al. (2021) propose acquisitions and alliances as a way to acquire these resources, and specifically suggest that these entry modes are more common for platforms with a multidomestic strategy. However independent entry modes, like building a local team or hiring people from foreign markets to the HQ, were identified as a more common approach in this study. The independent entry also allowed the platform to drive localised network learning Zeng et al. (2019) and localisation while making sure that the FSAs important for competitive advantage are leveraged. With independent entry, the companies should focus on hiring the correct skill sets and high-quality people, and the companies may develop more detailed heuristics regarding the recruitment.

It is also crucial that the companies focus on building a united organisational culture, e.g. through onboarding and spending time with the local team, instead of having multiple "different" companies that do things slightly differently within the company. As described in the "Foundations" category, the international competitive advantage comes from the combination of FSAs and LSAs. One aim of the unified culture is to ensure that the FSAs are conveyed to the local teams, e.g. through mission and values. Trustful relationships within the company and ecosystem partners, where participants share the same goals and mission, but get enough local authority, increase motivation and enable local learning and adaptation (Bhatti et al., 2022; Zeng et al., 2019).

5.5 Localisation

The category "Localisation" is highly dependent on the strategic posture and entry mode, but with the multidomestic posture, some extent of localisation is essential for local growth. The category includes two heuristics: *1. Localise the service based on chosen posture to gain local competitive advantage, and 2. Minimise the need for larger customisation.*

The platform may localise its user acquisition content and channels, e.g.

translate and adapt sales and marketing to drive higher user adoption, and adapt the product and customer service to increase customer retention and experience. In addition, the platform often must localise payment methods, logistics, taxes etc. in order to enable the transactions in the first place. As stated in the "Foundations" category, these localisations can be supported by implementing a scalable technology that allows the local team to do the necessary changes. However, larger adaptations should be carefully prioritised to keep the unity of operations, brand and other FSAs.

Platform quality is an important FSA for the company (Zhu and Iansiti, 2012), and through localisations, it can be made relevant and competitive in the local market. The company can emphasise high quality by focusing on the customer experience and use that focus to prioritise localisations. However, like the international posture, this customer focus is already determined at the foundations level, not at the level of single market entries.

5.6 Network building and scaling

Heuristics related to supply-side network building and demand-side customer acquisition are very interrelated; thus, both are included in the category "Network building and scaling". The detailed heuristics related to the supply-side include: *1. Have an initial supply-side before launching for the demand-side* *2. Scope the network to smaller subsets* *3. Selection criteria for supply-side complementors*, and for the demand-side: *4. Leverage the existing demand of supply-side complementors* *5. Leverage existing user network*.

Because the supply-side complementors are a necessary resource for the platform to provide value (Ojala et al., 2018), the platform should stage its launch. It should first build a curated network of complementors and launch the platform only after the network provides enough value for some demand-side user group. Like other staging strategies, this helps the platform to reach the critical mass of users and start positive network effects (Stummer et al., 2018). While complementors are often patient, first impressions can be cru-

cial for the demand-side users. However, by scoping the market to a smaller subset, e.g. geographically or by differentiating, the platform can lower the number of supply-side complementors required to make the platform valuable for that definite demand-side user group and reach positive indirect network effects easier (Stummer et al., 2018). After the initial launch, the platform can iteratively scale the network scope.

Platforms may select their supply-side complementors based on the existing demand of those certain complementors or the categories they represent (Brouthers et al., 2015; Eisenmann et al., 2006; Stummer et al., 2018). This demand can then be leveraged to attract demand-side users with different marketing tactics. In general, the quality of the network has a significant impact on the demand-side user acquisition (Brouthers et al., 2015), and the platform should carefully curate the portfolio of complementors for the chosen network scope. Supporting Hagiu (2013), in some cases the quality may be more important than the quantity of complementors.

Staging and scoping the platform launch, as well as pursuing high network quality, are all related to facilitating positive within-country indirect network effects between the supply and demand-side users. This type of network effects was the strongest and most emphasised among the companies in this study. Platforms may also leverage within or cross-county direct network effects on each side. For example, the platform can encourage their users to refer the service to others and facilitate positive, mostly within-country network effects. Depending on the types of users and complementors, platform companies can also try to grow with them, within or across countries. Overall, the tactics to leverage direct network effects had a minor role in this study compared to the other tactics that aimed to reach positive indirect network effects.

Chapter 6

Discussion

The final chapter shortly summarises the answers to the research questions, and describes the theoretical and practical implications of the findings and the grounded model. It concludes by outlining the limitations of this study and by providing ideas for future research.

6.1 Answers to research questions

RQ1 What are the topics of heuristics that Finnish platform-based new ventures make heuristics about when they internationalise?

The case companies in this study formed heuristics about the orientations and ways of working, resources for internationalisation and sources of competitive advantage, market selection, entry mode and governance of the international organisation, needs and extent of localisations, and network building and scaling. The platform-based ventures specifically formed heuristics regarding the building of the supply-side network, which further affected the heuristics formed regarding the demand-side user acquisition. The grounded model 5.1 answers to this research question by presenting the kinds of heuristics as categories.

RQ2 Are there similarities in the heuristics learned by different platform-based ventures and if so, what are these similarities about?

In addition to forming heuristics regarding the same categories, the case companies also shared some detailed heuristics within those categories. The summaries of those heuristics are presented in the grounded model figure 5.1 as simple rules within each category, and the appearance of those heuristics within the case companies is shown in table 4.1. Thus the answer to the research question two is that similarities exist regarding the categories of heuristics, as well as some simple rules within those categories.

6.2 Implications to theory

This is the first study to adopt a heuristics-perspective introduced by Bingham and Eisenhardt (2011) on platform internationalisation, and among the earliest empirical multiple-case studies of platform-based new ventures that internationalise from small domestic markets. It addresses the research gap of the applicability of internationalisation theories on platforms (Stallkamp and Schotter, 2021; Zeng et al., 2019; Zucchella, 2021) by providing empirical evidence about the relevance of resource-based views and process model of internationalisation, partly contradicting the propositions by Nambisan et al. (2019) and Li et al. (2019). It specifically elaborates Stallkamp and Schotter (2021) by providing details regarding the international strategies and competitive advantage of platforms in the case of within-country network effects. Finally, the heuristics approach allows the study to provide insights on how internationalisation should be done to increase performance. Therefore it contributes to normative approaches on internationalisation, which is a viewpoint that has been lacking in the internationalisation research (Autio, 2017).

The finding that the platform companies were still reliant on resources makes two contributions to existing internationalisation theories. First, it supports the view of resource-based internationalisation, research on INVs, and most

recently Ojala et al. (2018), in that platforms should secure some resources, "foundations", on top of which it can start internationalising the platform. In addition to having the technical architecture of the platform ready before launching (Ojala et al., 2018), the findings suggest that the platform should acquire knowledge about product-market fit and scaling in their domestic market. This will help them focus their actions and limit complexity when entering a new market. Second, the findings support the view of Stallkamp et al. (2022) that while digital resources are practically scale-free, companies and especially platforms operating *"at the interface of virtual and physical worlds"* (Stallkamp et al., 2022, p.98) are still constrained by resources and resource orchestration. Internationalisation is still relatively firm-centric and progresses through the commitments made to the market. As such, this thesis contradicts the view of Li et al. (2019) and Chen et al. (2019), who suggest that platform internationalisation could be externalised to the network of users and complementors. However, externalisation might be a relevant approach with, e.g. fully digital platforms with cross-country network effects, or in the later stages of internationalisation (Ojala et al., 2018).

Brouthers et al. (2015) propose that *"the question of how to internationalise has moved away from learning how to minimise investment risks by choosing the right entry mode to learning how to become embedded in the foreign market user network by undertaking the right actions to influence and manage adoption and build a critical mass of users"* [p.518]. While it is true that network building is perhaps the most critical activity during foreign market entries, this thesis suggests that it does not necessarily diminish the role of entry mode, risk management and knowledge. Instead, they might form the basis for the platform to become embedded in the first place. For example, the platform needs to acquire local resources and knowledge to overcome the liability of foreignness and localise their service, which was crucial in overcoming the liability of outsidership. This confirms the presumption by (Johanson and Vahlne, 2009) that liability of foreignness complicates solving the liability of outsidership.

The study also revealed that like traditional companies, platforms preferred

to start with small investment and effort to minimise risk while maximising knowledge acquisition (Brouthers et al., 2015), supporting the relevance of the process model of internationalisation (Johanson and Vahlne, 1977, 2009). Additionally, some of the companies adopted and emphasised a more active learning orientation (Autio, 2017) and a hypothesis-driven approach to acquire knowledge, "lean internationalisation" (Autio and Zander, 2016; Neubert, 2017; Rasmussen and Tanev, 2015). While lean internationalisation adopts the lean startup methodology that actively seeks feedback and knowledge, the logic appears to be the same as in the process model, making lean internationalisation an elaboration of the model rather than a completely new internationalisation theory. This learning orientation allowed the companies to learn more effectively from their experience by articulating heuristics and thus, improved internationalisation performance (Bingham and Eisenhardt, 2011).

This thesis also elaborated on the chicken-and-egg dilemma, which implicates the difficulty of getting any side to join the platform without the participation of the other side (Caillaud and Jullien, 2003; Hagiu, 2013). The findings revealed that with foreign market entries, getting the first complementors on the supply-side without having demand-side users from that country was not considered very challenging. The reasons were that the companies became better at signing complementors, and even without cross-country network effects, they could use their existing networks to convince complementors of their value more easily. Instead, reaching the critical mass of users on the demand-side, and keeping the balance of users and complementors, was considered challenging and as the cause of failure in some markets (Evans and Schmalensee, 2010). Differentiation (Cennamo and Santalo, 2013), scoping the network to a definite user group, and staging platform launch (Stummer et al., 2018) were all used to lower the critical amount of users required to start the positive network effects.

The implications of within-country network effects on international strategies of platform companies by Stallkamp and Schotter (2021) were also confirmed in the case of multidomestic strategic posture, and the study elaborated on

the available entry modes. In contrast to Stallkamp and Schotter (2021) and Miric et al. (2021), acquisitions and alliances were not favoured because with independent entry modes the platforms could localise the service and better orchestrate the firm-specific advantages with location-specific advantages (Bhatti et al., 2022; Neubert, 2017; Stallkamp et al., 2022) by building a unified operations and culture. The findings also elaborated on the selection of strategies because even though one of the case companies had cross-country network effects, they prioritised the stronger within-country network effects and adopted a multidomestic posture. However, network effects were not explicitly brought forward as something that affected the decision-making in the case companies. This could implicate that network effects are either so self-evident that their role does not need to be mentioned, that the interviewees were unaware of their role or that they really did not affect the decisions and strategies that much. The last reason would support the view of Hagi and Rothman (2016) that network effects have been overemphasised in research and practise.

Adopting the heuristics-perspective on internationalisation allowed this study to examine what companies had learned about what they should or shouldn't do, thus contributing to the normative approaches to internationalisation. The findings specifically supported the learning orientation aspect from another normative approach, the SEI framework (Autio, 2017). The emergent categories were also similar to the industry-level heuristics identified by Monaghan and Tippmann (2018), supporting the existence of industry-level heuristics. However, the reason for the similarities among the categories and heuristics might also be that the interviewees learn these same heuristics from existing internationalising theories that do emphasise the role of resources, entry modes and knowledge. The existing internationalisation theories can also guide the companies to focus on certain aspects during internationalisation, and form the heuristics related to those focus points, which would also explain the similarities among the categories. Nevertheless, the findings confirmed that companies do learn heuristics from their internationalisation experience, which allow them to perform better.

6.3 Implications to practice

The heuristics presented in this thesis already provide important information about the learnings of platform-based new ventures, and the model 5.1 outlines the simple rules that other platform-based new ventures can leverage during internationalisation. This kind of information is often shared among practitioners, but this thesis makes the knowledge more accessible and provides an academic angle to it.

The similar findings of Monaghan and Tippmann (2018); Stallkamp and Schotter (2021) and Autio (2017) suggest that the emergent categories are generalisable enough to be relevant in practice. Thus an important implication is that platform-based new ventures should consider each of these topics before and during internationalisation. Specifically, they should articulate the knowledge they already have about these issues and adopt a learning orientation that allows them to increase and refine their knowledge, and improve performance. Specifically, they should try to carefully choose even their first market entries and strategies, be able to change those plans and understand that they will most likely learn only by making sub-optimal decisions.

All case companies in the study aimed at the international markets from near founding, making them fit the definition of international new ventures (Knight and Cavusgil, 2004; Oviatt and McDougall, 1994). However, one of the reasons why they struggled in their first foreign market entries was that their technology, tools and processes did not support internationalisation, and they needed to modify them. An important implication to practice is that because these INVs know they have to internationalise at some point, they should start building an internationally scalable product and an international company from the beginning, even if they focus on achieving product-market fit in their home market first. Stakeholders of these new ventures, such as investors, should support the companies in their quest to build the international foundations from the start. The ability to create an internationally scalable product and company might even be a source of com-

petitive advantage in comparison to companies from bigger markets that may not have paid attention to these issues early on and so are not able to adhere to multidomestic postures and may face greater liability of outsidership.

6.4 Limitations and suggestions for future research

This study was conducted on a sample of four Finnish companies, of which three represented platform-based ventures, and the small size notably limits the generalisability of the results. Also, the similarities between the companies in terms of the network and strategies may explain some of the similarities found, and so some of the results might not be valid for different types of platform companies. The limited amount of interviewees for each company, and especially the lack of founder perspective for more progressed companies, also limits the generalisability of findings within each case company. However, the theoretical support from similar research supports the robustness of the emerging categories and the relevance of this research topic. Therefore a potential research avenue is to increase the validity and generalisability by increasing the sample size and variety of companies included in a similar study.

The aim of the study was to create a normative model that would help internationalising ventures perform better, and even though heuristics are proposed to improve performance, the identified heuristics might not have anything to do with success. The sample also had survivor bias because the comparison of successful versus non-successful companies was limited. Thus the model presented in this study does not guarantee success, and neither does it state that one couldn't be successful with completely different strategies and heuristics. A future study could look into the differences between heuristics learned at successful and failed ventures, but even that study would have its limitations. Because success is a combination of multiple factors, including luck, it is impossible to attribute it to any single model.

The biases of the interviewees, as well as the researcher, also limit this study. As it was done retrospectively, the interviewees might explain their actions in hindsight rather than describing the situations and learnings as they happened, which could be prevented by conducting a longitudinal case study. In addition, as the researcher was involved with one of the case companies, she might not be objective and might exercise confirmation bias in regards to her previous experiences, although her own experiences were not included in the data.

This study also brings forth some interesting avenues for future research. First, the patterns of first market selection and success could be investigated with a large sample of new ventures from Finland, and the reasons behind the success or failure in that first market could be further studied. This kind of study could provide valuable information for new ventures, and help them choose, time and execute their first market entries - which is critical for companies originating from a small market such as Finland. Another study could also look into the strategic posture of platform companies in Finland and determine whether it is a mere coincidence that all companies in the sample had adopted a multidomestic posture or does originating from a small market push companies to localise their service for other markets. Finally, as platform internationalisation is suggested to be externalised (Chen et al., 2019; Li et al., 2019) but that was not found to be the case in this thesis, another study good try to identify when, or with what kind of platforms, the focus shifts from firm-centric to ecosystem-centric internationalisation.

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Appendix A

Interview structure

This appendix presents the initial questions for the semi-structured interviews, which were continuously adapted throughout the study as well as during each individual interview. Majority of time was spent on part 2, and for example platform specific phenomena often arised during this part and was only summarised in part 3.

Part 1: Background

Introductions, explaining the study, confidentiality. Short background questions to understand role and state of internationalisation when the person joined/when the company was founded.

- What do you do in your daily work and how is it/has it been related to internationalization?
- *For non-founders:* When did you join? At the time, what was the state of internationalization in the company, and how were the previous experiences regarding internationalisation introduced to you?
- *For founders:* What role did international markets and expansion play when founding the company?
- *For founders:* Describe the start of internationalisation: when and why, which markets, what kind of support/experience you had at the time?

Part 2: Market entries, chronologically 1st-N

Asking the interviewee to freely describe how the internationalisation evolved in the company by going through each market entry in chronological order,

starting from the first market entry where they were involved. A specific timeline of company's market entries was used by the interviewer to guide the conversation. Guiding questions for each market entry:

- Why that market?
- What actions did you take in the market?
- What did you learn from the experience?

Part 3: Bigger picture and platform-specific phenomena

Question related to overall picture or platform-specific phenomena, going deeper into the topics arising from the previous part or asking about completely new topics.

- How would you summarise the most important learnings from your company's internationalisation? How have they been communicated?
- Are these learnings included in your internationalisation playbook? What other things does it entail?
- How platform-specific phenomena have been taken into account during internationalisation (e.g. network effects, winner-takes-all markets, chicken-and-egg dilemma)?
- What advice would you give to another startup internationalising from Finland?

Appendix B

Code dimension distribution

The following table presents the distribution of the codes related to aggregate dimensions presented in chapter 4. The absolute value represents the number of times the codes appeared within the single case, and it is normalised to account for the different amount length of documents within each case. The darker the color, the more this dimension appeared. The table also shows the column-relative percentage (how much dimension appeared within case) and row relative (how much dimension appeared in the case compared to others).

	Company-A		Company-B		Company-C		Company-D		Totals
	Absolute (normalised)		Absolute (normalised)		Absolute (normalised)		Absolute (normalised)		Absolute
	Column-relative	Row-relative	Column-relative	Row-relative	Column-relative	Row-relative	Column-relative	Row-relative	% of Total
Organisation and human resources	74		61		81		58		275
	18,0 %	26,9 %	14,9%	22,3%	19,7%	29,5%	14,2%	21,3%	16,69%
Knowledge acquisition and role	97		117		99		163		476
	23,5 %	20,4 %	28,5%	24,7%	24,0%	20,8%	39,5%	34,2%	28,89%
Foreign market selection	110		70		91		102		374
	26,8 %	29,6 %	17,1%	18,9%	22,1%	24,4%	24,7%	27,2%	22,67%
Network building	85		123		68		48		324
	20,6 %	26,2 %	29,8%	37,9%	16,5%	21,0%	11,7%	14,9%	19,66%
Porture and competitive advantage	46		40		73		41		199
	11,1 %	23,0 %	9,6%	20,0%	17,7%	36,6%	9,9%	20,4%	12,09%
									1648

Appendix C

Visualisation of research connections

The following picture visualises the connections and citations of around 80% of the theoretical background used in this thesis. The aim is to highlight the separation of the two research streams, platforms and internationalisation. The map is created using litmaps.com.

