What are SaaS firms and how do they internationalise with limited resources?
International Business application to Software as a Service

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Master´s Thesis in International Business

Thesis submitted as part of the requirements for the Masters in International Business at Aalborg University Business School

Masters in International Business in Economics and Business Administration at Aalborg University Business School

Theme:

Case Study

Supervisor:

Svetla Trifonova Marinova

Amount of characters (with space): 125,095

Number of pages: 72

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Abstract

Software as a Service has become popular in the business world. Born Globals have been introduced in International Business, and Born Globals include SaaS companies. What is exemplary about Born Globals is that they operate and internationalise under asset parsimony. Extant academic literature is still unclear on the internationalisation factors of Born Globals, as perspectives are still being investigated. This paper aims to introduce SaaS companies within the context of internationalisation by analysing the business model and the internationalisation behaviour of said firms. The paper includes a criticism of extant core theories, and further provides a perspective that could help in understanding the firm in context. The research paper builds on findings of other authors who have been investigating this phenomenon. Through interviewing five case companies at various stages of their business maturity stage, the research questions aim to complement existing research to provide further perspectives in the field.

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Introduction

Current International Business is concerned with understanding the process of internationalisation without taking into account the speed of internationalisation in choice of entry mode. Lately there has been an author who decided to take the approach of exploring business models relative to internationalisation speed. He found that the Business Model does in fact influence the internationalisation speed, where rapidly internationalising firms were given the term Born Globals (Hennart, 2014).

What Hennart (2014) understands as internationalisation, Panders (2014) views as scaling for Software as a Service firms. The exact influences for rapid internationalisation have not been generalised yet, and as Panders (2014) tackles the phenomenon from an industrial management perspective the International Business perspective seems to be lagging.
The latest work on Born Global internationalisation have not yet managed to identify what allows for such wide horizontal adoption of Born Globals, which could be associated due to the Born Global phenomenon being a relatively new term. The first research papers published on Born Globals were in the mid-1990s (Knight & Cavusgil, 2015; Hennart, 2014).
The aim of this research paper is to gain knowledge and understanding on SaaS Born Globals, their processes and to find out more about how they manage to internationalise so fast.

SaaS solutions are the latest popular way to bring software to customers all over the globe. SaaS is based on globally existing infrastructure broadcasting services such as the internet, and the SaaS platform can usually be accessed through a basic computer or smartphone. The reason why SaaS has become popular is the low cost and high complexity it is able to manage. SaaS services are predicted to see the highest growth among similar solutions, therefore the attention is warranted not only based on International Business literature (Lederman et al., 2007).

Mature industries are already all over the globe. These firms are based on functioning in multiple markets, and have reached a point where innovation has slowed or stopped altogether due to diminishing returns on investment. Why would an international firm spend more on being more efficient when that level of efficiency will not bring enough benefit?

SaaS companies tend to disrupt mature industries by bringing innovation back to the market at an affordable price (Lederman et al., 2007).

Literature Review

The literature review section will include an in depth investigation of the relevant concepts and the known research in International Business literature. First the concept of accelerated internationalisation will be introduced, then international business theories and frameworks will be reviewed, finishing off with how these theories are applicable to a case in point regarding the concept of accelerated internationalisation. Although the literature review touches on a lot more perspectives, it is important to bear in mind that the focus of the paper is Software as a Service firms in their early-mid stage of establishment.

What is a Born Global?

Born global firms are defined as “entrepreneurial start-ups that, from or near their founding, seek to derive a substantial proportion of their revenue from the sale of products in international markets” (Knight & Cavusgil, 2004, p. 1). This definition is adequate in the eyes of other scholars such as (e.g., Autio et al., 2000; Knight & Cavusgil, 1996; Oviatt & McDougall, 1994). Early adopters of internationalisation start with an overview of the global markets and develop capabilities strategically to achieve international ambitions. The born global firms can be distinguished by the global focus of the management at or near the establishment of the firm in order to specify resources to international markets. By contrast, the traditional internationalisation habits of MNEs (Multinational Enterprises) and established firms is to operate domestically for multiple years, then being a gradual entry into international sales. The early internationalisation to foreign markets of a born global is said to be a function of the internal capabilities of the entrepreneurial firm. Internal capabilities serve the importance of sustainable innovation, creation of new knowledge, and development of new organisational capabilities that are key to create competencies and embedded routines. The internal capabilities of the firm in turn lead to superior performance in challenging environments (Knight & Cavusgil, 2004).

Whether domestic or born global, in the case of a start-up the importance of the first customer, availability of resources and experience of the entrepreneurs is vital to shaping the value proposition early on in the case of a firm. A large part of the advantage of the start-up value proposition is the impact on the developments of the product/service by the customer, which is something that established firms do not provide. On the other hand, the more customers the start-up has, the less they are able to customise their value proposition to each customer. The creativity and objectives of the firm have to become aligned with its established customer base, limiting individual customer product specification in return for scalability. The goal of this is to create an internationally accessible scalable product (Panders, 2014). As markets become more homogeneous, scalability of the product plays a large role as born globals have the ability to expand into markets horizontally. The firm with a substantial horizontal market will have greater opportunity for growth (Lederman et al., 2007). From the business development perspective, the aim of internationalisation should be to increase revenue and decrease dependence on the domestic market. This is the case both for firms whether in the start-up phase or even if they have been in business for a considerable period of time. In the context of market entry strategies leading towards a successful internationalisation of a software exporting firm, it is important to understand there is no “silver bullet”. Successful market entry is dependent on a lot of factors including but not limited to: product types, touch of sale, personal network and the experience of the individuals within the firm. The successful internationalisation process can take up to years and even in the case of born globals it can be resource intensive (Huijs et al., 2015).

Software as a Service is a technology based and technology enabled method to create a product. Firms that are technologically intensive tend to follow the born global internationalisation speed and habits compared to labour intensive manufacturing companies (Paul & Rosado-Serrano, 2019). It was relevant to investigate what it means to be a born global firm before the SaaS business model and product characteristics were introduced.

What is the SaaS Business Model?

SaaS is an acronym for Software as a Business, which can also be referred to as on-demand software. The main value for the successful adoption of the SaaS business model is due to the customer value and benefit. SaaS users appreciate the low up-front cost, because the software is leased and the vendor is responsible for the product. The customer does not have to buy underlying infrastructure or pay a licence fee, and is able to use it on their own device or over the internet. There is decreased risk when deploying a SaaS-solution compared to traditional software, and the user benefits as the solution reaches them sooner (Lederman et al., 2007). Software as a Service is currently used for software that is provided over the internet, and usually accessible on a web browser where the vendor charges service fees (Jarvi et al., 2010).

The definition of a SaaS business model is “SaaS is different from traditional software licensing, which involves the buyer’s purchasing a perpetual use licence from the software publisher and then making additional investments for hardware, installation, and maintenance. In contrast, in the SaaS model, users buy a subscription to the software and the software publisher (seller) runs and maintains the software on his own hardware. Users with current subscriptions can obtain access to the software using the Internet.” (Choudhary, 2007, p. 141). In the case of firms using the SaaS business model for exporting, the only physical needs are related to keeping the software accessible at all times, but there is no need to have established delivery routes as long as there is internet. SaaS companies with large horizontal markets have higher opportunities for growth as the appeal of niche markets is the lack of competition. Great customer relationship management attracts many customers, and large corporate applications are less likely to have such a focus on customer relationships. Listening to the customers helps create understanding of the requirements of the solution, and creating a solution in a niche market that tends to every need of the customer will set the grounds for competitors to enter that niche market (Lederman et al., 2007).

The internationalisation of software firms is a topic with increased interest and has been for over the last two decades in international business (Ojala et al., 2019).

Despite substantial interest in the internationalisation of software firms, little is known about how the strategy of the firms concerned, in terms of focusing on either a product or on services impacts on their internationalisation (Ojala et al., 2019).

A software company that has ambitions towards internationalisation and wants to go abroad with their product undergo a different way of internationalisation compared to physical product companies. Their kind of products have a shorter life cycle and negligible distribution costs. Companies that consist of making and selling software have different opportunities on how their internationalisation process works.

Over time the internet has made a big impact on market entry strategies, so to choose a market, then enter that market hs become much easier. Easy distribution and direct connections to the customer makes it easier to enter a market through the involvement of e-commerce platforms for example (Huijs et al., 2015).

SaaS (Software as a Service) “is a software distribution model in which applications are hosted by a vendor or service provider and made available to customers over a network, typically in Internet” (Reuwer et al., 2013, p. 2). Customers pay for the use and access to the software rather than the full ownership of the software.

SaaS and Internationalisation

“The main reason for the success and adoption of SaaS is customer value and benefit.” (Lederman et al., 2007, p. 3). The most frequent benefit from SaaS users is the low upfront cost. The vendor leases the product and hosts the underlying infrastructure without enormous upfront costs to the customer. The next two most common benefits are the decrease in risk of deployment compared to traditional software integration, and the rapid time to user benefit. A customer is able to start using the SaaS solution immediately after purchase, as the customer is able to access the entirety of the product through the internet (Lederman et al., 2007).
An additional criteria for SaaS solutions in addition to the mentioned ones so far, is that the SaaS solution should be intended to enable or support the regular business activities of the user. This can be implemented through the user interface. This specification for the definition of SaaS in this paper is necessary as it is investigating B2B SaaS applications, and this definition differentiates the business model from providing a product to shift towards enabling the customer to streamline their activities to be more efficient (Lederman et al., 2007).
Broad horizontal markets are becoming significantly alike due to globalisation, meaning that a SaaS application now needs less differentiation from market to market. The meaning of market to market in that context has now become differentiating the market in Europe, the Middle East, and Africa (EMEA) to the Asia-Pacific. Due to globalisation and underlying communication channels such as the internet, the meaning of a market has now shifted closer to identifying an entire continent rather than a country (Lederman et al., 2007).

When a market is characterised as relatively slow-growth or mature, they tend to be ripe for a disruptive innovative approach. SaaS applications are often the ideal innovation in mature industries due to their disruptive approach to upgrade the existing solutions in the product cycle, especially when the previous solutions were stagnant for multiple years, sometimes even decades. SaaS vendors can be said to be so successful as their application takes advantage of the latest technological advancements to offer higher functionality, that is better integrated in order for the B2B customer to retain control of their resources rather than releasing control of their resources by outsourcing operations entirely, or with the large upfront expense of developing their own custom solution (Lederman et al., 2007). Furthermore, when a firm is running their own developed system that has been implemented two decades ago, the upkeep costs have been rising steadily, and if the software is in control of a high priority business function it is seen as high risk for the firm to keep running that solution which is where a SaaS solution comes into the picture. The SaaS firm is able to solve the exact same problems, while providing more functionality, keeping up with technological advancement, at a lower price. With that being said, mission critical applications might have fewer successful SaaS firms, as the customer-to-be firm has trouble building a very high level of trust. Lastly, some departments in a firm might be able to influence the SaaS purchase decision, as the IT department will have a lower priority than the sales department, as it is sales that generate revenue in most firms (Lederman et al., 2007).

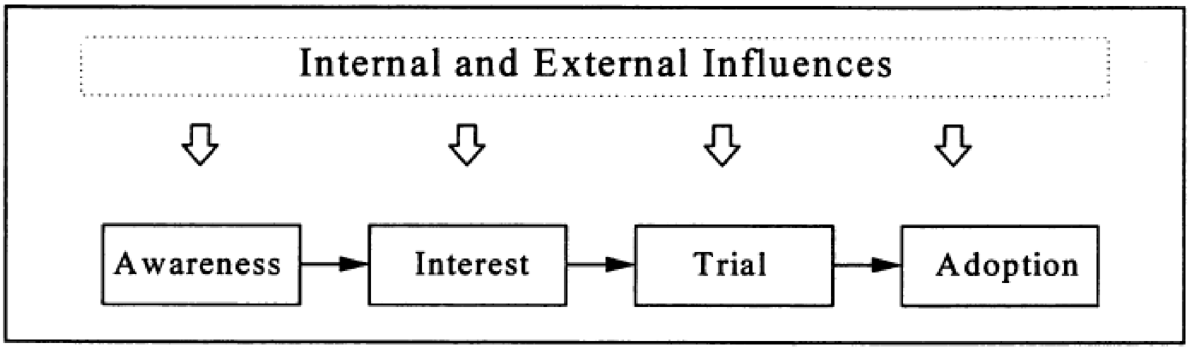
International Business view on entering new markets

The existing International Business literature on the topic of internationalisation of SaaS firms as well as the internationalisation of Born Globals is still not well established (Huijs et al., 2015; Reuwer et al., 2013). Even though there is still no distinct perfect match for understanding such internationalisation phenomenon, each author tackles it differently (Reuwer et al., 2013; Huijs et al., 2015; Knight & Cavusgil, 2015). In order to get a better overview, the literature review shortly outlines the core IB theories and frameworks to provide context. The reasoning as to why each International Business theory is expanded upon, is to provide clarity and oversight over which extant theories are able to most adequately explain the growth behaviour of SaaS firms to international markets globally.

Stage model of internationalisation

The stages model of internationalisation is a simple model where the exporting behaviour of a firm is decided through a set of stages in order to limit risk when entering a new market. This theory does not adequately explain the internationalisation process of small firms in high technology fields, however there is a possibility that it is able to explain the internationalisation of some firms (Wickramasekera & Oczkowski, 2006).

Figure 1: Stages in the Stage model of internationalisation (Wickramasekera & Oczkowski, 2006)



The figure above is an example of the stages model of exporting. The steps are: awareness, interest, trial, and adoption.

Awareness is the initial stage of the exporting decision. At this stage, this firm becomes aware that there is the possibility of exporting to a specific foreign market. Most usually, this model is used in the context of domestic firms, therefore at this stage the management of the firm is sceptical and will refuse to spend significant resources to explore this opportunity.

The second stage is interest. This is where the management team becomes interested in the innovation of exporting, and pursues the search for further information regarding the benefits of this activity. This stage is indicative of the management looking favourably to exporting as a viable strategy.

The third stage is a trial of exports. This is where an exporting activity is tested based on available information in order for the management to decide if they are able to make a firm conclusion or establish the need for more information. The experience and knowledge created during this stage will most likely be the deciding factor for the firm to further pursue exporting activities. This is when the management will make the decision to adopt or reject exporting.

The fourth and last stage of this model is the adoption stage. It is at this stage where the management has already decided to adopt the exporting decision, and the firm will continue with exports on a permanent basis. There is a level of commitment by the management to a full-scale adoption of exporting activities. The management will make a post-adoption evaluation, where it will be decided to strengthen the commitment and whether or not it is a healthy idea to consider other markets (Wickramasekera & Oczkowski, 2006).

Current research suggests that the Stages approach of internationalisation is inadequate in explaining the instant internationalisation of Born Globals, especially in high-technology firms (Turcan et al., 2004).
The Stages model is further outdated in the context of the emergence of a global environment in which any firm is able to participate in global trade. Homogeneous markets worldwide with homogeneous demand exist due to the access to technology in any market, whereas the Stage model is mainly aimed at firms that are exporting goods or services that are reliant on localisation impling a risk of delivery supply chains being disrupted and each market being unique in its demand (Knight & Cavusgil, 2015).

The Stage model of internationalisation has little merit in the applicability in context of SaaS firms internationalising like Born Globals.

OLI (Eclectic) paradigm

The OLI (otherwise called the Eclectic Paradigm) is an internalisation theory and business method to analyse the attractiveness of engaging in foreign direct investment. It is based on the work of John H. Dunning from 1979. The OLI framework is based on three key factors:

- Ownership Advantage
- Location Advantage
- Internalisation Advantage

These three key factors are what measure the viability of a foreign direct investment in the context of the firm as a whole. The aim of the firm is to expand and gain more resources under its ownership. Upon the investigation of these factors, the firm will be able to interpret whether a foreign direct investment is an opportunity or a false hope (Pitelis, 2007; Corporate Finance Institute, 2020).

The OLI framework is one that is taking into account the domestic and foreign market resources and competitors, therefore it is necessary to have knowledge within that context (Pitelis, 2007). In this paper, the market in terms of available resources and the competitors in the markets are not taken into account and therefore this framework is not incorporated further than the literature review.

Ownership advantages is the first factor in the framework. It is aimed at understanding whether a unique or valuable component of a firm that is not easy to imitate resulting in an advantage in the market of competitors both domestically and internationally. Furthermore, the ownership advantages can also have a negative impact, since there are certain disadvantages or challenges that can be associated with a foreign direct investment such as liability of foreignness, language barriers, and lack of knowledge of demand trends to name a few. Firms and their management should also consider whether a competitive advantage can be transferred between countries, and whether it can be translated to economies of scale along with other competitive advantages (Corporate Finance Institute, 2020).

Location advantages is the second factor in the OLI framework. This is the understanding of the advantages associated with the geographical location of the resource. This could mean that a company is near the sea where supply chains are more integrated, or a geographical place where there are lower taxes and cheap labour-costs saving resources for the firm. In the context of location, the firm is able to evaluate the entry mode as well. It is possible that exporting is not the most reliable way to enter into a certain market, therefore the possibility of franchising or licensing is considered (Corporate Finance Institute, 2020).

The last factor of the OLI is internalisation. Not internationalisation, but internalisation, meaning the act of transferring resources under the ownership of the firm. The management team must consider if the value-chain activity that the resource will require should be performed by the internal team (internal team going to the location to perform the activity themselves) or if it should be outsourced to local labour efforts available in the foreign market. Outsourcing could have its benefits along with lower labour costs, better skills and talent for specific value-chain activities, or better knowledge of the local markets. For example this can be made possible through greenfield investment, joint ventures, or acquisitions (Corporate Finance Institute, 2020).

The Eclectic Paradigm is aimed at identifying the Ownership advantages of the firm, and how those resources provide a competitive edge in a specific market (Location Advantages). As SaaS firms lack resources in general, they possess little to no Ownership Advantages, and the Location Advantages of the firm are also non-existent due to its fast internationalisation behaviour, as the firm uses infrastructure that is available to anyone (Servantie, 2011).

The OLI paradigm does in fact have one positive perspective in the context of this research paper, as the last value is Internalisation Advantage. More specifically the management or operation of the value-chain of resources identified through the Ownership and Location Advantages. It is in this small niche of upkeep of internal resources where SaaS firms strive, as they provide the management system. SaaS firms help manage the control process of existing resources within other firms, improving the competitive ability of the firm. SaaS does not have the aspect of Location as it is accessible from anywhere with connection to the internet, nor Ownership as SaaS firms only own their software which is only valuable when there are resources for it to govern.

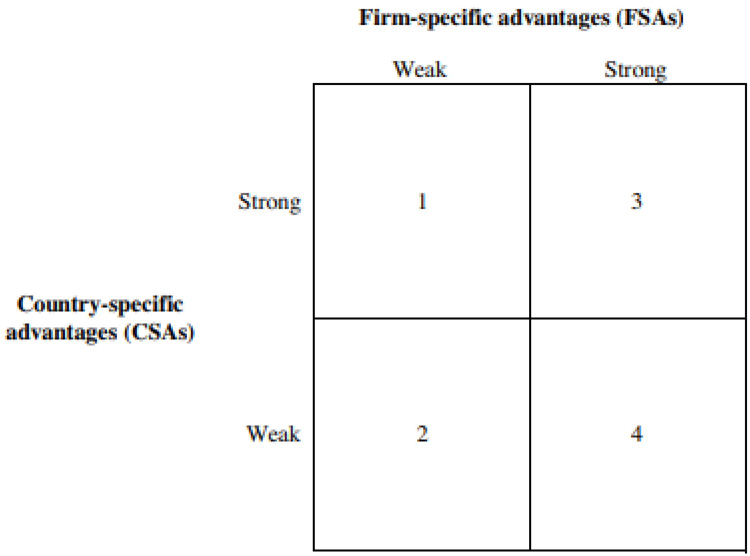
FSA/CSA

The FSA-CSA framework is a framework separate from the Eclectic paradigm. The FSA-CSA framework is defining the competitive ability of the firm in the foreign market it enters. When the firm enters a new market, it will be navigating in a foreign landscape with obstacles such as liability of foreignness, additional operating costs, and institutional and cultural differences between home and host country. In order to be successful in the market entry, the FSA-CSA framework investigates how resources owned by the firm can be utilised in combination with the resources that exist in the home market (Hillemann & Gestrin, 2016).

The FSAs are Firm-specific assets which are defined as “unique resources and resource combinations ranging from competences in innovation to transactional advantages” (Hillemann & Gestrin, 2016, p. 768). The transactional advantage is referring to the firm's efficiency at scale due to existing internal infrastructure and coordinational abilities.
CSAa are referring to home-country advantages and how those are used in combination with the resources the firm owns. An example of this could be natural resources such as the local product demand or favourable administrative regulations.

The idea behind the identification of these two categories is that FSAs refer to advantages gained from upstream and/or downstream economic activities, whereas CSAs refer to the country level factors that the firm has low control over such as culture. Once both resources can be interpreted in relation to competitive strength, it will influence the firm's international business activities (Hillemann & Gestrin, 2016).

Figure 2: The FSA-CSA framework (Hillemann & Gestrin, 2016)



The figure above is the FSA-CSA matrix, where there are cells numbered from 1 to 4 They are explained as (Hillemann & Gestrin, 2016):

Cell 1: This is the stage where country factors alone determine the internationalisation of the firm. CSAa are strong, yet FSAs are weak therefore the stronger factor leads the internationalisation.

Cell 2: Both FSAs and CSAs are weak, resulting in an internationalisation process that involves little strategy and forward thinking.

Cell 3: Strong FSAs and strong CSAs lead to the establishment of new FSAs. When the firm is able to exploit their non-location bound firm-specific advantages abroad combined with gaining access to the host country resources and know-how, the internationalisation is bound to be a success.

Cell 4: This is the stage where the firm has a strong non-location bound firm-specific knowledge, and it needs little to no requirement of combination with country-specific resources. This would characterise firms that are owners of tacit knowledge, marketing, brands or services. It is mentioned by (Hillemann & Gestrin, 2016) that this scenario is almost non-existent.

This last scenario in Cell 4 is perhaps the one that matters most in the context of this paper as Software as a Service firms are able to enter seemingly global markets in little time without having access to any country-specific resources such as market knowhow or cultural understanding. Software as a Service seems to overcome challenges in the perspective of international expansion in a way that makes it seem as if the firm is skipping these steps.

In the FSA-CSA, the country-specific resources are combined with firm-specific resources in order to gauge competitive ability. But what about the case where the firm-specific resources are combined with firm-specific resources of another firm that operates in the foreign market? This is one viable way to internationalise as this is a form of foreign investment.

While markets are becoming more homogeneous globally, niche firms that are highly specialised need to service multiple markets to grow as the domestic market will be exhausted quickly. Therefore the FSA/CSA theory is implicitly substandard due to the requirement to combine Firm Specific Resources with the Country Specific Resources. Firms that are highly specialised with few resources are motivated to engulf as much of the market share as possible to eliminate the opportunity from competitors that have more resources and capabilities than the early SaaS firm. SaaS firms are able to service international markets without the combination with Country Specific Advantages (Servantie, 2011).

Although Country Specific Advantages are out of context for this research paper, the Firm Specific Advantages are valuable to understand as the definition is "unique resources and resource combinations ranging from competences in innovation to transactional advantages" (Hillemann & Gestrin, 2016, p. 768). It is important to note that resource combinations are of importance to firms, which include transactional advantages. SaaS firms bring transactional advantages to local firms, enhancing the competitive strength of those firms (Tyrvainen & Selin, 2021).

Dunning´s bundling model

Hennart made the understanding through the use of Transaction Cost Theory that firms are able to establish Equity Joint Ventures with firms in the host-country in order to reduce risk and the associated high transaction costs of operating in a foreign market with relatively little host market knowhow. In a more contextual explanation: "there are two parties, a foreign firm seeking to exploit innovations (an MNE) on one hand, and a local owner of complementary resources on the other, combine their assets in order to undertake value-adding activities in a foreign market“ (Hennart, 2009, p. 1437).

Figure 3: Dunning´s Bundling Model for foreign market expansion (Hennart, 2009)

		Knowledge assets held by the MNE	
		Easy to transact	Difficult to transact
Complementary assets held by local owners	Easy to transact	1. Indeterminate	3. MNE is sole residual claimant = wholly owned affiliate of the MNE
	Difficult to transact	2. Local firm is sole residual claimant = wholly owned operations of local firm	4. Joint venture between MNE and local firm

The figure above defines the possible combination methods of resources between the home firm and the host firm.

Cell 1: Indeterminate meaning that it is uncertain whether the equity joint venture makes sense or is necessary. If all resources can easily be accessed, there is no need for the equity joint venture.
Cell 2: This is where the local firm owns local assets that are necessary to transact in the market, in which case the MNE would give their licence to the local firm to have the ability to produce goods.
Cell 3: This is where the home firm is the owner of resources and as the local resources are simple to transact, a wholly owned subsidiary is justified. Otherwise it could result in the local firm licensing their assets to the MNE.
Cell 4: This is where the equity joint venture would make the most sense, as both firms would incur high expenses without gaining access to the knowhow of the other.

The choice of entry mode is dependent on the costs the MNE must incur to get access to complementary assets necessary to incorporate their knowhow into local services relative to the costs that the owners incur when attempting to access the same knowledge through the markets it operates in (Hennart, 2009).

The bundling model follows the ownership of resources (or assets), however it shares those resources with another firm that is local to engage in sharing to risk when entering a new market. Varying in ambition, firms that operate in small and local markets tend to expand to international markets. Born Globals that originate from larger local economies are still prominently in sectors that are already highly internationalised (Servantie, 2011). It is possible then to speculate that SaaS Born Globals exist since they focus on highly internationalised sectors from inception.

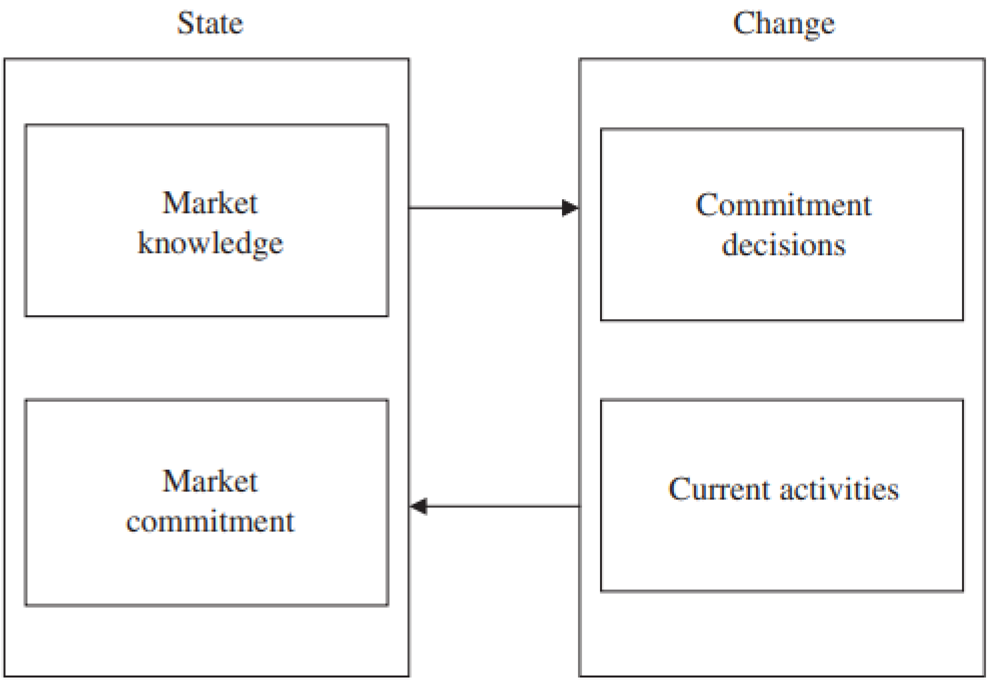
SaaS firms function by making transactions more efficient. In which case, the MNE would have to rely less on partnerships with local firms as it is the SaaS partner the brings the transactional governance system, keeping the resources of the MNE fully internal, while the MNE undergoes the internationalisation process.

Uppsala

The Uppsala model explains different characteristics of an internationalisation process, that any given company can go through with the goal of entering new international markets (Johanson & Vahlne, 2015).

The first version of the Uppsala model/theory from 1977, was based on empirical observation from literature that were back then within the field of International Business. However the model does not explore the extent of the commitment decision that a market might require. Based on the assumption that developing knowledge is fundamental to the internationalisation of the firm, the Uppsala is a behaviour based model where learning is incorporated into the iterative decision making. Furthermore, the model does not incorporate the aspect of networks into the decision making of the firm (Johanson & Vahlne, 2015).

Figure 4: The original Uppsala model (Johanson & Vahlne, 2015)

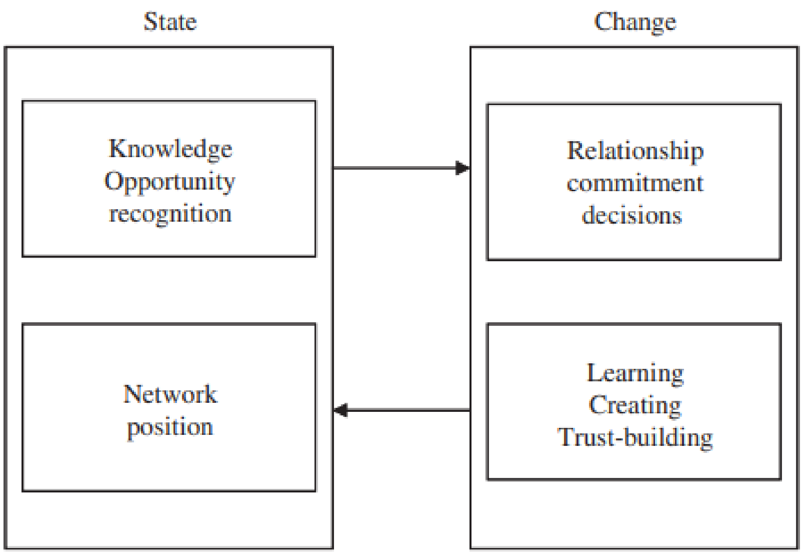


The above figure outlines the process of the Uppsala model and the decision making involved.

The market knowledge of the firm is used to create a decision of entry mode into the foreign market. This is based on experience and knowledge gained through time, which incorporates psychic distance, liability of foreignness, cultural distance, etc. First the firm will initially make a low commitment decision to the market such as exporting, in order to understand the market mechanisms better and if there is positive feedback from the foreign activities. Once those foreign activities have been evaluated another market commitment decision is made (Johanson & Vahlne, 2015).

The revised Uppsala model has a bigger emphasis on relationships and networking compared to the first model that had a more neoclassical market focus. The revised Uppsala model has more of the same factors as the original version of the model, but knowledge and trust-building creation were added in the 2009 version, to emphasise the fact that new knowledge is developed in relationships and to recognize the importance of networks in the internationalisation process of companies (Johanson & Vahlne, 2015).

Figure 5: The Revised Uppsala model (Johanson & Vahlne, 2015)



The Revised Uppsala model works similar to the original in terms of navigating through the steps, however it incorporates more perspectives and accounts for more factors throughout the internationalisation process (Johanson & Vahlne, 2015).

The Uppsala theory describes the process of the firm expanding to new markets, whereas INVs and Born Globals have the focus of being international from their inception. INVs are similar to Born Globals as both aim to be international early on after their inception, where the difference between INVs/Born Globals and the Uppsala is that INVs and Born Globals skip stages in the Uppsala. MNEs expand to new markets using the Uppsala theory, whereas Born Globals are able to use the network effect and be in multiple markets even before they start. The product/service that the firm is selling is also strongly related to the internationalisation speed. The business model of the firm is different if there is 100% customization from customer to customer, then it is for a fit-for-all solution for example (Ojala et al., 2019).

The Uppsala is one of the core internationalisation theories in International Business literature, however in the context of this research paper regarding the internationalisation of SaaS firms, it has little merit.

Network theory

Humans are social animals, and therefore their relationships result in networks. The Network Theory is about how interpersonal networks are shaping or re-shaping the global business architecture.

Network Theory is based on cultural factors, as each country has its own characteristics and varying culture even if they are geographically close. This involves factors such as prestige, status, influence, cohesion, power, trust, legitimacy and social capital. Network Theory helps create an understanding of business all around the world.

Cultural and business culture differences include many factors that firms have to figure out before they start networking internationally. The way countries do business, how they communicate, the legal regulations, economics policies and political orientation can all play a significant role that a firm should be aware of before they begin to build an international network (Parkhe et al., 2006).

When a company enters global networks, the firm will gain international knowledge through learning from other network actors, which assumes the establishment, development and protection of international business relations (HKT, 2021).

The differences in cultures, attitude towards cooperation and willingness to trust outsiders all have an influence on the continuation of network partnerships. The idea behind an individual creating a lasting network in international markets is due to the fact that trust is difficult and slow to build, but easy to destroy.

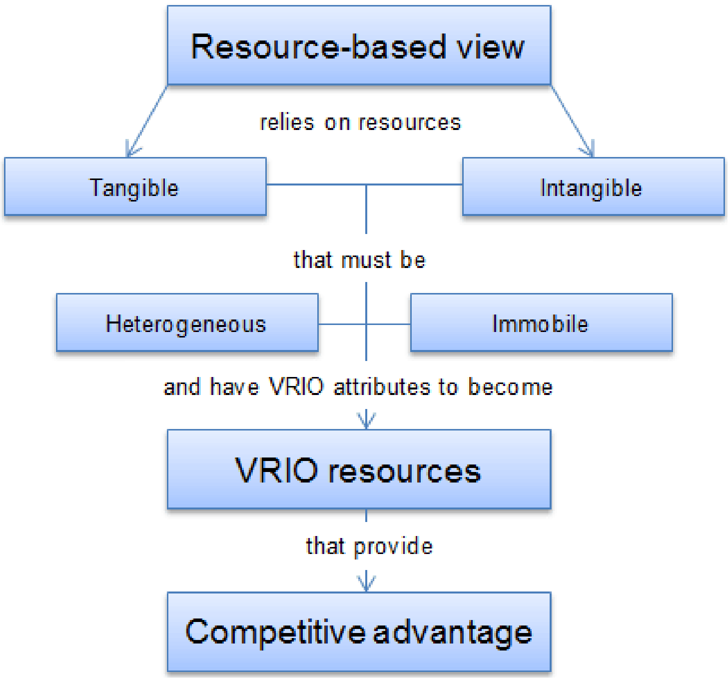
The network theory perspective in combination with the dynamic capability theory is able to explain the internationalisation of Born Global firms to an extent. The focal idea is that the network capability integrates the entrepreneur orientation to lead to rapid internationalisation (Falahat et al., 2015). However this perspective is using the assumption that the entrepreneur has a network at the point of founding the firm, whereas for SaaS firms this is not the case. Although firms no longer consider having few resources a barrier to entering new markets, the entrepreneurial orientation is still essential in creating new network capabilities. Network capabilities is where the firm learns through multiple sources of knowledge about multiple international markets. Acquiring such knowledge about markets is what is essential in the perspective of the entrepreneurial orientation to establish understandings about the markets to be able to make marketing efforts perform better, which also includes competencies that enable a rapid and superior performance in international markets (Falahat et al., 2015).

The Network Theory assumes that the internationalisation process will be easier and faster through the gained network of the entrepreneur, however SaaS firm have little to no network at the point of inception meaning that this theory is also missing the context of this research paper.

RBV (Resource based view)

The RBV is a theory based on the key resource portfolio of the firm that are already, or have the potential to lead to a competitive advantage or superior firm performance. It is more effective for a firm to exploit already internalised resources than to find or create new resources (Jurevicius, 2021).

Figure 6: The RBV theory (Jurevicius, 2013)



The RBV takes into perspective two types of resources: tangible and intangible resources. Tangible resources are assets that are physical. This could include property, capital, physical technology, etc. Intangible resources are assets that are not physical. This could include patents, trademarks, brand, etc.

Intangible assets being more competitive potential, as they are the most difficult to establish in a market. A factory can be bought, however brand recognition works differently. If something can be bought, it is easy to imitate meaning it has a lower competitive potential (Jurevicius, 2013).

The heterogeneity of a resource is referring to the variance of implementation of the same resource by similar firms. If there is a high variation between how a resource is used between competitors, that means a high heterogeneity. If each firm used their resources the same, there would be perfect competition in the market without any distinct firm having a competitive advantage. The RBV is therefore assuming that firms have a portfolio of resources with which they can create a unique value proposition (Jurevicius, 2013). Immobility is referring to the ability of a resource to move from one firm to another. Physical assets are simple to move, however brand recognition can not be transferred from one firm to another and be expected to have the same effect. Resources should be immobile for a firm to have a sustained competitive advantage (Jurevicius, 2013).

Once a resource is identified to be tangible or intangible, then identified whether it is heterogeneous and immobile, then the VRIO framework is applied. The aim of this entire process is to understand if the firm has a competitive advantage in a market. Each resource is taken into consideration to the size of the firm as a whole (Jurevicius, 2013).

Although small in scale and limited in tangible resources, Born Globals have distinctive intangible resources. It appears that these firms are proficient in finding resources during asset parsimony (Knight & Cavusgil, 2015). The Resource Based View theory is regarding the use of resources in various markets. The resources that Born Globals tend to gather are intangible resources, however those resources have limited competitive strength compared to established firms. Born Globals also do not have access to resources at the initial phase of internationalisation, however SaaS Born Globals collect resources through their internationalisation process (Gabrielsson et al., 2008).

SaaS firms are selling software, meaning that they have some intangible resources. Established firms tend to have both tangible and intangible resources, where the SaaS firm enters the picture is the use of those resources of the established firm. SaaS software rearranges the internal resource transactions to be able to provide a unique bundle of resources into a unique value proposition within the established firm without the established firm losing any competitiveness. The VRIO framework gives an indication of the value the established firm has before and after the application of the SaaS service.

International Entrepreneurship

The International Entrepreneurship theory is where the domain of entrepreneurship and international business intersect.
The International Entrepreneurship theory is aimed at understanding how International New Venture firms are able to derive a competitive advantage using little resources that are used to expand to multiple countries right after the inception of the firm (Turcan & Carter, 2003).
The definition of the International Entrepreneurship theory is "the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services" (Oviatt & McDougall, 2005, p. 540).

The International Entrepreneurship is made up of three key elements:

- **Entrepreneur Orientation**
- **Constructs surrounding the internationalisation processes**
- **Creation of value**

Entrepreneurial Orientation is regarding the entrepreneur as an individual and their ability to take on risk, be innovative, and tackle issues proactively (Turcan et al., 2004).
Internationalisation processes have to be created in such a way that they can accommodate cross-border activities that can be inward or outward for the firm. As the firm will not always be inward faced or outward faced, the internationalisation process is not always about expanding to markets but can also be about leaving markets. De-internationalisation is also a phenomenon that the theory includes (Turcan et al., 2004).

New economic activity in the form of organic international growth in volume can be attributed to the competitive aggressiveness of the entrepreneur. The enhanced definition of the International Entrepreneurship theory is "the process of creatively discovering and exploiting opportunities that lie outside a firm's domestic markets in the pursuit of competitive advantage" (Turcan & Carter, 2003, p. 16).

Perhaps International Entrepreneurship Theory is closely applicable to this paper, however due to its loose definition it is not used as the main theory. The factors that the IE Theory uses are actually closely linked to entrepreneurial orientation, value creation and internationalisation processes (Knight & Cavusgil, 2015). The IE can be applied in multiple perspectives, and one of those perspectives is in combination with the Transaction Cost

Theory (Turcan & Carter, 2003). IE theory is highly dependent on the entrepreneur as an individual (Turcan et al., 2004), whereas the goal of this paper is to understand what value mechanisms enable SaaS firms to be applicable in multiple markets simultaneously. As Born Globals are entrepreneurial ventures, IE theory would have been used in this paper if it was not for being so loosely defined by literature (Knight & Cavusgil, 2015). IE takes into account one key aspect of SaaS Born Globals, which is that internationalisation processes have to be created in such a way that they can accommodate cross-border activities. Furthermore the competitive aggressiveness of the entrepreneur and entrepreneurial orientation are also likely related to designing a business in a way that global transactions can take place. Lastly IE is also about the creation of value, and as SaaS firms tend to internationalise so rapidly, they must be providing some value.

Liability of Foreignness

Although expansion to foreign markets can result in many benefits, it is accompanied by competitive disadvantages relative to local companies that have been operating in that market.

The Liability of Foreignness is a theory that investigates the full range of additional costs a firm incurs when expanding to a foreign market. More specifically, the Liability of Foreignness identifies the tacit and social costs which firms face when entering a foreign market (host market), where such costs are not incurred by the local firms as they are embedded in that market (Denk et al., 2012). It incorporates factors such as the lack of local knowledge in a foreign market and the unfamiliarity with different norms, culture, values and social factors that a foreign market also contains (Nachum, 2016).

Depending on firm characteristics, some firms experience the Liability of Foreignness less than others. Some authors have studied the costs over time of expanding operation into a foreign market, and some costs can be identified to be permanent whereas others can be said to be temporary. Local firms are measured to perform better compared to foreign entrants, therefore the firm entering the market will tend to pay attention to the competition. Foreign firms however have more competitive ability due to their multinational characteristics, so they are able to adapt to the local standard overcoming the Liability of Foreignness to compete successfully (Nachum, 2016).

When measuring the Liability of Foreignness, most of the previous research is mostly conducted on the unit of analysis level of affiliates of the firm and their competitive ability in

the new market. This means that a sample of the local firms is used as a benchmark of critical importance to measure the entrant firm by its competitive ability. This theory is therefore based on the attributed liabilities originating from operating in a specific geographical market (Nachum, 2016).
Another perspective that can be attributed to the Liability of Foreignness is that the foreign entrant firm does not abide by the constraints of local norms, and as result this provides the firm access to resources that local firms can not utilise. An example of this could be the incentive to extract commercial value from R&D investments, where the firm will eventually have a portfolio of R&D in the context of each market that the individual local firms do not have access to (Nachum, 2016).

As SaaS firms deliver their products over the internet, their operation costs remain very much unchanged from market to market as they have no supply chain to manage. However there are still some costs associated with the psychic distance factors such as cultural differences especially during the sales process and customer support. Software is complicated, expensive and customers are often not able to view the product therefore only being able to make a purchase decision based on what they are told. Pricing level, marketing messages, experience by other customers, manner of initial talks and word of mouth are all important resources for these kinds of products especially. The customers of these products are international, and the software vendor is prepared to service multiple markets even if they are not present in that market. The sale of SaaS requires close customer contact especially during the delivery phase, therefore marketers have to be directly dealing with foreign customers (Panders, 2014).

When a SaaS firm begins its internationalisation process, the only hurdle to overcome is with the sales process. The only additional cost of entering a new market would be the customer service line if it is a new language. However, after the sale is made, the Liability of Foreignness would drop back down to zero as the SaaS firm would not incur any additional expenses.

Transaction Cost Theory

The Transaction Cost Theory “seeks to explain which activities are organised within the firm and which ones are performed by independent agents” (Hennart, 1987, p. 147). As multinational firms extend their hierarchies across countries, the transaction cost theory aims to explain the reason behind this type of growth (Hennart, 1987). At its inception, the transaction cost theory argued that organisations exist because they are able to economise the costs of exchanging goods and services in the market (Roberts & Greenwood, 1997). The applications of the transaction cost theory have mostly been about the internalisation of knowledge (Hennart, 1987).

The expansion of a firm abroad can take four forms:

- **Horizontal expansion (Producing the same products abroad.)**
- **Vertical integration (Into an adjacent stage of the value-added chain.)**
- **Related diversification**
- **Conglomerate diversification**

Most of the foreign direct investments fall into the first two categories.

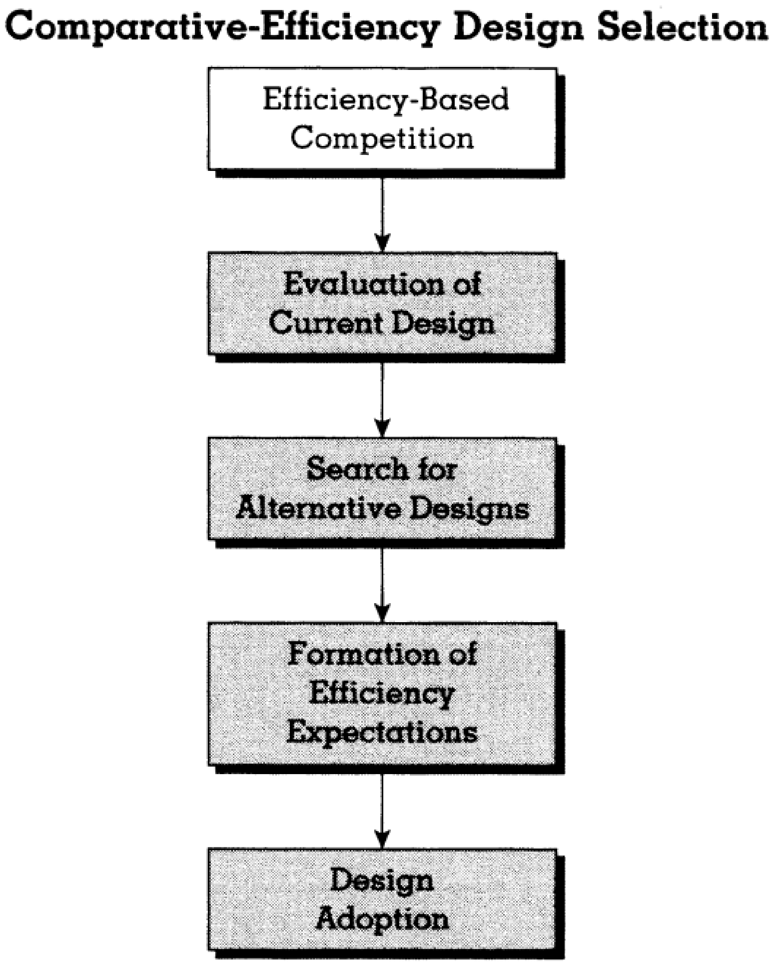
Horizontal expansion is a result of the internalisation of knowhow by the firm conducting international trade. Horizontal investments are made when a firm deems it more efficient to transfer knowhow internally rather than across the market. This could be in the form of technological knowhow, or it could also be market transaction costs such as goodwill to maintain the supply chain (Hennart, 1982).

Vertical integration is a result of internalisation of international market resources for intermediate inputs for production. This could be forward in the supply chain, or backward in the supply chain. Forward integration is usually motivated by costly use of independent wholesalers or retailers, whereas backward integration is motivated by insufficient supply of intermediate products for means of production (Hennart, 1982).

The transaction cost theory is dependent on the boundaries of the firm to minimise transaction costs to the extent possible. The applicability of the theory is further limited to situations where individuals are able to freely choose the method of transactions, whether the decision makers are the customers of the firm, or the firm itself.

Many different firms exist due to the fact that there are many transaction types to govern, and efficiency can only be achieved when governance structures are tailored to the specific needs of each type of transactions (Roberts & Greenwood, 1997). The transaction cost theory has been applied to many types of multinational firms, however the common theme is that the firm exists because it is able to govern transactions through organisational designs more efficiently than the set of available alternatives. To narrow it further, the transaction cost is based on comparative efficiency. In order to reach a comparative efficiency, the firm must first find the organisational design that brings efficient market transaction exchanges (Roberts & Greenwood, 1997).

Figure 7: The Comparative-Efficiency framework in the context of the transaction cost theory (Roberts & Greenwood, 1997)



As seen in the figure above, the choice for organisational design is not so simple to achieve on the first attempt. In a competitive market, firms are continuously evaluating the efficiency of their current designs, while actively searching for efficient alternatives. Firms gain a competitive edge through having the most efficient design to govern transactions, therefore the management have to be aware of all conceivable designs, even ones adopted by other organisations and ones yet to be discovered. Each design has criteria to match, and an expectation of efficiency in the current market. In the absence of constraints, the firm chooses the design with the most optimal efficiency. However, resources are often required in order to adapt to the most efficient design, meaning that in a relativistic sense it is not the most efficient but the more efficient firm that keeps the advantage (Roberts & Greenwood, 1997).

The evaluation of the current design: The management of the firm is driven by efficiency-based competition to continuously evaluate their current organisational designs, responding to small changes in efficiency. However this can be a resource intensive process, and it is more realistic for firms to initiate the search for alternative designs only once the prevailing design fails to meet expectations. Firms may stay with their organisational designs for longer than the comparative-efficiency framework would deem comparatively efficient. In the absence of market competition or in the case of weak market competition, the satisfactory efficiency for the firm may lead to a low efficiency and the firm may stay with the inefficient design until external influence from the market intervenes. On the other end of the spectrum, a firm in a highly competitive market forces a firm to establish strict efficiency requirements and design selection (Roberts & Greenwood, 1997).

The search for alternative design: This stage begins when the current design falls below the level of expectations. This level varies across firms and across time as the management learns about the potential improvements. Most often the exploration process starts with scanning the set of known alternative designs. The choice of design is based on the search ability and the time allocation of the decision makers, as more efficient designs might exist, yet remain undiscovered due to a discovered design having a satisfactory level of efficiency (Roberts & Greenwood, 1997).

Formation of efficiency expectations: The management of the firm is bound to make inaccurate assessments of the efficiency that an organisational design will accomplish. This is a limitation especially due to efficiency being difficult to measure in itself. When can an organisational design be said to be efficient? And at what point will it become inefficient? Therefore the overall evaluation of a given organisational design is measured through the performance of the observed organisation rather than the actual efficiency implications of its designs. This further boils down to the efficiency of each transaction within the network, as the network is best functioning when all members of the transactional network are under the implication of basic social agreements (Roberts & Greenwood, 1997).

Design adoption: At this stage, the new design is implemented into the firm. The firm may be able to adopt new designs, however it is possible that it meets certain limitations in the freedom to do so. Socio-political and cultural factors can influence this freedom, as the firm may only adopt the more efficient design if it is backed by institutional leaders. These institutional leaders can be from within the organisation such as the board of members, or it could be external decision makers that have the power to influence the end-decision such as policy makers (Roberts & Greenwood, 1997).

As explored in earlier sections of the literature review, the aim of internationalisation of Born Globals is to increase revenue and decrease dependence on the domestic market. The early internationalisation is a result of internal capabilities of the entrepreneurial firm (Knight & Cavusgil, 2004). One of the values that developing internal capabilities brings is the creation of new knowledge to create competencies and embedded routines. Following that to the SaaS perspective, one of the keys to the successful adoption of SaaS is the early customer value benefit. Local firms appreciate the low up-front cost of benefitting from software as the firms avoid heavy investment into servers and development costs of custom software (Lederman et al., 2007). Transaction Cost Theory does not take into account that mature industries innovate at a slower pace. When disruptive innovation brings a purposeful unique value proposition to established firms with little to no upfront costs without needing additional resources the firm is incentivised to take advantage. This is the case when costly software solutions become accessible at a low cost (Lederman et al., 2007). Just like Born Globals, SaaS firms lack resources therefore they bank on their internal capabilities, competencies and routines. Therefore the traditional approach of the Transaction Cost Theory is not applicable to the internationalisation of SaaS Born Globals, however if the "internal resources" perspective of the Transaction Cost Theory is replaced with "resources", it might be possible to develop insight into the value proposition of the SaaS firm.

The Transaction Cost Theory provides a unique insight into how SaaS firms mitigate costs for themselves and their customers that International Business literature is founded upon. On top of that, the Transaction Cost Theory is applying perspectives from the International Entrepreneurship theory as the entrepreneurial orientation influences the mindset of the entrepreneur. Since the entrepreneur arrived at using the SaaS business model for their company, it is valuable to understand what they believe is the driver of the rapid internationalisation process.

To summarise the Transaction Cost Theory will be used to recreate the organisational transaction designs of the SaaS firms, along with how those transaction designs are used. SaaS firms provide a niche solution to their customers that are integrated into everyday operations. It is important to have an understanding of what is being exchanged in the transactions, how transactions are taking place, and who owns the resources that are being exchanged. SaaS firms can not be explained through the transactions of internal resources due to SaaS firms having relatively little to no internal resources. Using the perspective of "how and what resources are being exchanged" instead of "how and what *internal* resources are being exchanged" will allow the Transaction Cost Theory to address questions such as: who owns the resources that are being exchanged, who creates the resources being exchanged, what is the exchange governance design, who own and who creates the exchange governance design and what the goals of the governance design are all questions that the Transaction Cost Theory aims to answer. This way, the emphasis will shift from efficient transactions of internally owned resources to efficient transaction of resources.

The business model explains how businesses work. During the internet era, the interpretation of the business model in the context of Born Globals are regarding the value the firm creates for the market, how various stakeholders are engaged, what their participation consists of, what key resources the firm brings to their customers, and how these are relevant to the structure of the Born Global. By understanding the refined business model, it is possible to understand why and how the firm went through such a fast internationalisation process (Servantie, 2011; Hennart, 2014).

Conceptualisation

Explanatory power of the traditional core International Business Theories such as the OLI, FSA-CSA and Uppsala in the context of Born Globals are limited in the case of exploiting intangibles. Internationalisation theory has some validity, however they lack the ability to provide a general understanding of a firm´s foreign footprint through intangible resources (Hennart, 2019). Furthermore the process of internationalisation through the understanding of the Network theory is the act of using networks to combine FSAs with CSAs to develop a stronghold in the new market. This method of thinking falls apart when FSAs no longer have the requirement of being combined with CSAs (Autio, 2017; Hennart et al., 2021). There is surprisingly little known about the internationalisation approach of purely intangible products/services (Autio, 2017). So how does International Business literature deal with a case where there is an intangible firm resource that does not need any combination of country specific advantage (Hennart et al., 2021)?

In a complementary perspective, the existing literature does not specify the link between the selection of markets in relation to the exploitability of opportunity (Dow, 2017). Hennart (2014) is the first to propose the perspective that the business model influences the speed of internationalisation, however multiple authors agree that this is an under-researched phenomenon therefore it can not be said to be true as of now (Hennart et al., 2021). Dow (2017) seconds the research of Hennart (2014), and further advances the research by proposing that additional factors have not been understood well either including push factors such as small domestic markets, or facilitating factors such as foreign entry having less barriers and needing fewer resources to enter a market. Hennart (2014) explores the influence of the business model of a firm in relation to its internationalisation speed, whereas the Resource Based View explains the entrepreneurs and the individuals in the firm and the firm's ability to seize opportunity. Both views are necessary, however neither alone can provide an adequate explanation for Born Globals (Dow, 2017). It has not been tested rigorously whether the networks or experience influences the niche business model of Born Globals, in turn affecting the internationalisation speed (Hennart et al., 2021). However it is also explored whether experience is related to the ability of grabbing opportunity when presented with one. Can it be assumed that inexperienced entrepreneurs are less likely to use opportunities when presented with them (Dow, 2017)? The Resource Based View interprets the value of the entrepreneur, the value the individuals within the firm bring, and the relevance of the firm in the marketplace. Hennart (2014) argues that it is more the business model that relevance that brings internationalisation. It is not investigated whether there is an overlap between the two (Dow, 2017).

Henart (2014) further concluded that high degree of focus and high technology is also influencing the speed of internationalisation, however Dow (2017) made the point those might just be placeholders for the business model, as the research of Dow (2017) concluded that low technology and low focus firms are also able to become born globals. However this research was done in Australia where exporting activities are high (Dow, 2017). When a niche business model is said to be high technology, it is also not investigated whether high technology is a false indicator for firms having a lower transportation costs intensity, high concentration of customers, or an advantage in innovation and product quality (Dow, 2017). Another downfall of Hennart (2014) is that it was not measured whether the sales of companies were due to a strong marketing effort or sales activities. Lastly, the advantages of the first mover were also not investigated in order to be able to understand its influence (Hennart et al., 2021).

In another perspective, literature has not yet explored how internationalisation could be used to create a competitive advantage. Reversing the question of how can a resource advantage be exploited through internationalisation, to how can a firm exploit internationalisation to create a lasting competitive advantage. International Entrepreneurship is able to answer the former question, however it is limited when attempting to understand the latter (Autio, 2017). Additionally, there is little research on which governance mode of market entry is best when expanding abroad with the goal of establishing long-lasting performance. There is little research on how firms exploit learnings during the internationalisation process, incorporating them into the existing business model and governance systems of the firm (Autio, 2017). Current literature in International Business is aimed at the process of internationalisation rather than the outcome of internationalisation, limiting its explanatory power for entrepreneurs to have a standard that could be put into practice (Autio, 2017).

It is also untested whether niche Born Globals face less differences in customer preferences. It remains unknown whether niche Born Globals have a niche customer segment that are therefore more homogeneous across markets, meaning that the Born Global would be able to service international customers with less product re-fitting for each market (Dow, 2017). It is unclear whether markets as a whole are becoming more homogeneous or if the niche customers are becoming more homogeneous across markets (Dow, 2017). Digitalisation reduces horizontal & vertical asset specificity, so does that mean vertical value chains can be horizontally applied across markets? This also remains unanswered while on the other hand cross border operations can now be managed from afar through technology, meaning that digitalization undermines the centralisation of an industry (Autio, 2017)
It is not for certain, yet it is argued that business models are a better indicator of the speed of internationalisation of the firm than the International Entrepreneurship Theory, provided the global mindset of the entrepreneurs at inception. In any case, new research regarding the determinants of internationalisation is overdue (Hennart et al., 2021).

Methodology

In this chapter the methodology is presented for data collection. The reasons for the choice of research questions, research perspective, data gathering method, and the choice of framework are justified.

Research Questions

As explored in the literature review and conceptualisation, the problem formulation is based on a knowledge gap in academic literature about niche SaaS firms´business model and their internationalisation. The problem formulation was created with an explanatory mindset in mind, together with the goal of learning more about how core international business theories can understand the phenomenon of niche SaaS firms. The aim is to enhance international business theories in a new context by investigating niche SaaS firms expanding to international markets seemingly overnight with few resources.

As developed in the literature review and conceptualisation, various authors have been exploring the phenomenon of Born Globals and their rapid internationalisation behaviour with no luck of striking gold and creating a general understanding of the topic as a whole. The aim of this research paper is to understand how internationalisation of SaaS Born Global firms is facilitated through taking a new perspective on existing International Business theories. This includes how a SaaS firm operates, how their product functions, what values they bring to their customers, what resources they have internalised, what resources they have access to, and lastly how they enter new markets. Understanding these concepts should provide a more sound understanding of the business model of SaaS firms, and what matters during their internationalisation process.
In relation to the SaaS business model, the authors reflected on earlier research in international business literature, where Hennart (2014) has stated that the business model is a key factor to the speed of internationalisation. Therefore the understanding of the business model of SaaS became a main focus point of the research paper, with the theme of

internationalisation. Research questions were discussed within the group to determine how impactful the business model is in the context of a SaaS company and they go as follows:

Research Question 1:

“Applying the International Business perspective, what is the business model of the SaaS Born Global firm?”

Research Question 2:

“How does the business model enable SaaS firms to rapidly expand to multiple markets seemingly overnight?”

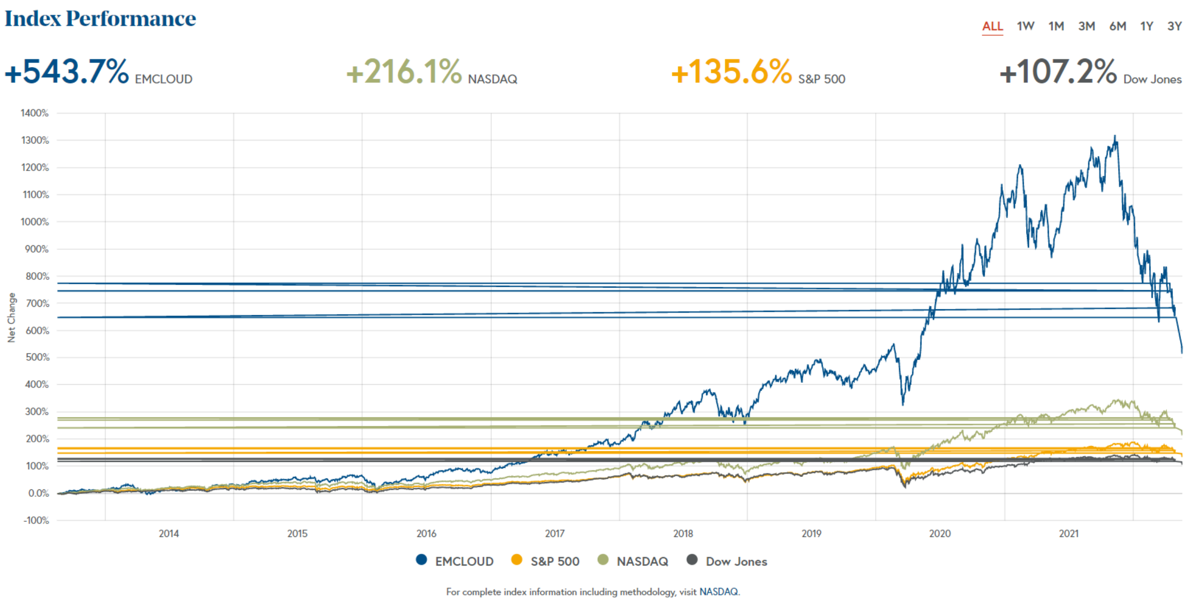
The aim of these two questions is to first explore the business model of the SaaS firm in the context of internationalisation enablers through the application of a refined theory, then to create an understanding of what the internationalisation process is for these firms.

Motivation

The phenomenon of SaaS was introduced just over 20 years ago, yet it has seen great growth since (Lederman et al., 2007). The authors of this project are a part of the millennial generation meaning that we have been aware of this phenomenon and have witnessed its growth over the years. The academic motivations of the exploration of this phenomenon have been thoroughly explained, however there are some personal motivations that are important to shed light on for further researchers to understand the scale of the influence of this business model.

The Bessemer Venture Partners have created an index of how various businesses are performing, and it is clear to see how SaaS has been growing over the years.

Figure 8: Bessemer Nasdaq Emerging Cloud Index (Bessemer Venture Partners, 2022)



The Bessemer Cloud Index (as seen above) overlays the growth of the Nasdaq, the S&P500 index, the Dow Jones industrial average, and the EMCloud index. The EM Could index is measuring the performance of emerging cloud companies that are publicly traded on the stock market. As it can be seen, the EMCloud index has been outperforming the S&P500 and other indexes by not merely a few percentage points, but by multiples. This industry is seeing unprecedented growth, which provides us with enough incentive to pursue more knowledge about it.

Philosophy of Science

First the purpose of the scientific paradigm will be introduced, then the paradigm chosen for this paper will be explored and defined.

A scientific paradigm through the understanding of Kuhn is “universally recognized scientific achievements that for a time provide model problems and solutions to a community of practitioners” (Kuhn, 1962, p. viii). In order to advance scientific research, a research paradigm enables sharing of understandings and views of reality. The “worldview” is a set of related premises that build up to reality, where a paradigm is a comprehension of all constituents of that reality (Kuhn, 1962; Guba & Lincoln, 1994).

The research paradigm identifies the researcher´s judgement on the methods of investigation for the phenomenon at hand. It is divided into two philosophical fundamentals which are

ontological and epistemological (Bryman, 2012). The philosophical approach for this project is appropriate for the social sciences. They define a paradigm as “the basic belief system or a worldview that guides the investigator, not only in choices of method but in ontologically and epistemologically fundamental ways” (Guba & Lincoln, 1994, p. 105). Their approach to investigating phenomena are defined by positivism, post-positivism, critical theory and social constructivism (Guba & Lincoln, 1994). For this research paper, the social-constructivism approach is chosen as it is the one that enables the perspectives of the authors and the perspective of the interviewees to complete into a more well rounded perspective. This approach is further explained in the ontology, epistemology and methodology approach sections.
Before the ontology, epistemology and methodology is presented, it is important to understand the aims of each, to be able to structure the philosophical perspective appropriately.

Figure 9: Philosophical positions (Guba & Lincoln, 1994)

Ontology

"What is the form and nature of reality, and what is there that can be known about it?"

Epistemology

"What is the nature of the relationship between the knower or would-be knower and what can be known?"

Methodology

"How can the inquirer go about finding out whatever he or she believes can be known?"

The figure above is outlining the fundamental purpose of the sections of the philosophy of science in order to give a simple overview to any reader in simple words. These are important to define in association with the methodology of the investigation.

As it is pointed out throughout this paper, there is no perfect theory or framework in the International Business literature that is able to understand the internationalisation process or phenomenon of born globals, more specifically software as a service born globals. Therefore it is important to understand the fundamentals that enable this phenomenon to exist, and how it can be interpreted.

Social-constructivism allows the authors to take into account the perspective of interviewees, and to build knowledge together rather than separate from the data source.

This paper's topic is *“What are SaaS firms and how do they internationalise with limited resources? International Business application to Software as a Service”*. This is due to the combination of the lack of attention to niche business models in International Business Literature and the clear success of Software as a Service business models in the business world (Bessemer Venture Partners, 2022). The “qualitative data method” was chosen as the researchers are attempting to understand the perspective and approach of SaaS firms and how they expand to international markets including the time taken for that internationalisation. A fit method for understanding behaviour and mindset of individuals involved in situations are in person interviews, as they help conduct perspective. More specifically semi-structured interviews. The researchers are involved in the reality being investigated, as they are collecting primary data from individuals that have been in that reality for multiple years. The paper does not have the end goal to create a full understanding of the phenomenon of SaaS firms internationalising as their view is from the outside perspective. The researchers take part in the reality they attempt to convey, therefore influencing the data collection process from previously created beliefs and experiences about the topic (Bryman, 2012).

Social-constructivism is the most appropriate philosophical approach for this research as it allows primary data to be interpreted in a way that allows the authors to build more rigorous knowledge. Social-constructivism is a philosophical approach that considers the existence of multiple realities held by individuals and considers it while studying reality (Guba & Lincoln, 1994). To further expand on the ontological, epistemological and methodological viewpoint of social-constructivism, each will be elaborated on in the following sections.

Ontology

Ontology attempts to answer “What is the form and nature of reality, and what is there that can be known about it” (Guba & Lincoln, 1994, p. 108). In different words the purpose is to understand what we can find out about reality. The researcher should aim to understand reality through the individual's eyes and how they perceive reality. If no such thing as ultimate truth can be found, then one´s perspective can not be closer to the truth than another individual's perspective. A relativism ontological view assumes multiple, sometimes conflicting realities created by multiple individuals exist. These realities may change as the individual becomes more informed (Guba & Lincoln, 1994).

Taking relativism as our ontological viewpoint is the most appropriate for this research due to the qualitative nature of the primary data collection. The goal is to understand what matters for SaaS companies to grow to new markets. International Business literature has a certain understanding of it, the individuals who are within the SaaS companies have a certain understanding of it, and these views might be in conflict with each other even if the ultimate truth is unattainable. The goal of the research is to discover patterns that could help build an image of the reality that is being investigated by the researchers.
The goal of the research is to shed light on patterns that enable the researchers to build an image of reality regarding the phenomenon (Guba & Lincoln, 1994).

Epistemology

The epistemology deals with "what is the nature of the relationship between the knower or would-be knower and what can be known" (Guba & Lincoln, 1994, p. 108). Epistemology refers to how we know things, and what should pass as adequate knowledge (Bryman, 2012).

Transactional and subjectivist epistemology assumes that individuals can not separate themselves from what they know. The researchers and the object of research are linked in the understanding that who the individual is and how they understand the world are central to how they understand themselves, others and their reality. This leads to knowledge not being able to exist on its own, nor can it be found as it is the product of interaction between actors (Bryman, 2012). In this case, it is the product of the researchers and the individuals being interviewed.

In the attempt to investigate a specific reality, the researcher becomes an "instrument of data collection" in order to collect data, understand it, then interpret it. The researcher proceeds to

add their own knowledge and viewpoints regarding the topic while carrying out the research, with the aim to shed light to further knowledge. This can be seen as a process of co-creation of knowledge between the actors that are involved in the interview process and the researchers (Hamza & Antwi, 2015).
When applying this perspective to this research paper, it means that the authors are understanding the topic better as a whole. Software as a Service is not a well defined phenomenon in the International Business context, therefore when presented with new information the authors attempt their best to convey that information in context. When creating knowledge, the aim is to present findings in such a way that the reader is able to follow the connections between theory and primary data.

Methodology Approach

The two main approaches are inductive reasoning and deductive reasoning. Inductive reasoning has the aim to build a theory, starting with observations of specific scenarios in order to establish general trends within the topic being investigated. Deductive reasoning aims to test theory, which begins with the established theory and attempts to test whether the theory is applicable to the set of scenarios (Hyde, 2000). This research paper uses a deductive reasoning approach, meaning that a best fit theory/framework will be chosen through research within the academic scope of International Business, then the collected primary data will be interpreted through that theory/framework. The decision to work deductively was as a result of testing the possibility of extant IB theory that has not been used before. The Transaction Cost Theory is one that has not seen many applications throughout the IB field in the context of SaaS. Most research papers that are interpreting SaaS and/or Born Globals are using other theories and frameworks in order to understand the phenomenon, and some are working inductively to create new knowledge (Hennart, 2014).

As the researchers are conducting qualitative research, it has to be outlined that the qualitative research approach is the phenomenological research approach. This approach aims to conduct qualitative research to understand and describe the phenomenon being investigated. Qualitative being in person interviews in order to understand the perspectives, drives, behaviours, and mindset of each individual regarding a certain phenomenon (Bhandari, 2020). The interviews were based on the Transaction Cost Theory in order to understand the internationalisation of SaaS firms. In order to provide proof for the choice of theory, some questions in the interview were incorporated to prove/disprove reasoning for other theories. For example, questions about geographical resources were included in order to gauge the importance of such factors in the decision making of the internationalisation process.

Within the approaches of conducting interviews, the semi-structured interview process was chosen in order to gain the knowledge through the interactions with niche professionals. Semi-structured interviews are exploratory in nature, meaning that aspects that the researchers could not have predicted also come forward during the data collection process. A semi-structured interview is a mix between a structured interview and an unstructured interview. In a structured interview, the researcher will know every question that will be asked and the phrasing of questions is carefully set. In an unstructured interview, the researcher has no idea what questions will be asked. The advantage of semi-structured interviews is that the data is rich in detail, however the downsides are that it has a lower validity and has the risk of being biassed (George, 2022).

As the current understandings were explored in the literature review, and the current unknowns were listed in the conceptualisation section, the interview guide is based on the developed gaps that the problem formulation aims to investigate. This happens to be an understanding of the SaaS firm as a whole through the lens of the refined Transaction Cost Theory. The aim was to understand the characteristics of the firm, to put into context when they answer questions regarding their internationalisation processes, their business model functions, and their mindset of tackling the markets they have entered. The interview guide can be found in the Appendix section under Appendix 1.

Choice of Framework

The decision was made to use the Transaction Cost Theory due to various key points. SaaS is a distribution model delivering software products to customers. SaaS evolved from the recognition that the internet is a viable method for customers to access software without the need for upfront investment of the customer into infrastructure, logistics and manpower to maintain the necessary conditions to run software (Chang, 2022). In order to be able to bring such availability of values to the customers of the SaaS firm, SaaS firms are innovating in their product delivery methods and their structuring of efficient exchanges of resources of internal resources of the customer of the SaaS firm. Additionally, the Transaction Cost Theory has not had one instance of direct application to SaaS Born Globals, therefore the aim is to further expand understanding of the phenomenon through a theory that has not been done before (Hennart, 2014). The Transaction Cost Theory has been used in the perspective of the optimization of the transactions of internal resources of the firm in the context of International Entrepreneurship theory, however it did not take into account resources that the firm was able to control that were not under the ownership of the firm (Turcan & Carter, 2003).

Data gathering

In this section, the case companies are introduced. The data gathering happened in the form of qualitative interviews with 5 SaaS based companies, all at various stages of their globalisation process. Each company is shortly described with the goal of providing context to the later analysis.

Superb

The interview took place between the authors of this research paper and a business developer from Superb.

The company is a medium sized customer experience management firm that provides restaurants with an integrated platform to help service their customers in the restaurant and manage takeaways. They have a SaaS business model, as their solution only needs internet and an internet accessible device to use. The restaurants use this tool to help manage taking orders, create reservations, integrate pre-payment to reduce no-shows for those reservations and create a short history of each customer if they are a frequent guest which all amount to the restaurant being able to engage in improving guest experience. Superb does not supply any physical product to these restaurants

Queue-it

The interview took place between the authors of this paper and the marketing manager from Queue-it.

The company is an established large company. They make a SaaS based add-on for companies who have a large influx of traffic to their website that is difficult to handle due to scaling problems. An example of such an event is Black Friday when there is an influx of 100 times the number of customers to a specific website that the servers are unable to keep up with, therefore Queue-it provides the companies with a proxy solution that puts the excess visitors into a queue on a first-in-first-out basis. Their solution is integrated into the customer´s solution/website through a code integration.

MapsPeople

The interview took place between the authors of this research paper and a sales representative from MapsPeople.

The company is a medium-large sized company that has been acquired by google, who is selling indoor maps as a SaaS solution. Their key client base is ones who integrate the indoor maps of MapsPeople into their own custom solution to service their clients. Furthermore MapsPeople also provide end-users with their self-built indoor map application and they are creating an IOT solution to track activity and conditions of various rooms/offices. MapsPeople helps create the internal map for buildings, however it is not MapsPeople that are the owners of said buildings.

AskCody

The interview took place between the authors of this paper and the CEO of AskCody.

The company is a large established international company providing a SaaS solution for all-round meeting management. They handle every and any type of activity related to arranging meetings for large companies with many thousands of employees, often in multiple time-zones at the same time. When a meeting is created, AskCody replaces the 15 emails necessary to arrange coffee at the meeting, catering, room booking, size check of the room along with many other factors that are difficult to think about when not being in that situation. AskCody integrates all functions into their platform where the user can arrange a meeting effortlessly, saving time for employees and management. This is not limited to companies operating only from one large office, but it could be that the company has offices in China, America and Europe where each of those offices are in the same online meeting yet in 3 different offices with 30 attendees.

DeskSpace

The interview took place between the authors of this research paper and the CEO of DeskSpace.

The company is a small scale start-up that is creating a SaaS based solution for coworking-spaces (shared offices) and people looking for shorter-term office rentals where people can make a booking ahead of time. They shorten the amount of time and the difficulty of finding a desk to work from or a meeting room to rent.

Analysis and Research Findings

The analysis of this paper is based on the interviews that have been conducted for the purpose of this research paper. Interviews were conducted with five different companies that are all using the SaaS business model, and the data gathered was purposefully to be able to analyse using the refined Transaction Cost Theory explained earlier in the literature review. The aim of the analysis is to understand whether the firm's activities abroad can be understood using the Transaction Cost Theory, to potentially link internationalisation activities to the business model.

Superb

Superb have a number of different resource exchanges in connection to their guest experience service platform for restaurantes. The company exchanges resources in the form of making the structure of restaurantes more organised and smooth, this includes saving time, helping the waiter to get an overview before meeting into work and then knowing where to have the focus. The restaurantes also save time on the administrative level where insights to daily business, bookkeeping and also online transactions/payment are put together on one platform.

These kinds of exchanges help the restaurantes to recognize where there is a need for training for the staff and where they should focus their marketing efforts towards, moreover help the restaurantes to have a bigger focus on a more personalised customer experience.

Superb does not own many internal resources and the reason for this is that they are only providing a platform for restaurants and restaurant goers. As respondent one said while having the interview: *"you own the guest relation yourself, you own the guest there yourself, or if you want to market something or make a discount, you decide when and where to do that" (Superb, personal communication, May 12, 2022, p. 8).* As from this quote, Superb only provides the restaurant with the platform that has all the tools for them to make the restaurant more organised and structured towards a more personalised customer experience in their own way. With this said Superb does own the data that the restaurants get out from the use of their platform, which means that the data that comes from interaction between the restaurant and their customers, Superb will have that in their database.

Superb does not own that many internal resources as listed above, that leads to the understanding that they do not have many internal resources that they create by themselves. Superb are using an operating system based platform, which means that they do not internally create a whole operating system, they create their own software platform and use the already existing operating system to distribute their service/product out to the customers. Basically they internally create the platform for smartphones, tablets and browsers to find and use their software product/service, which then allows transactions to take place between Superb, their customers and the customers of their customers. They use the data that they internally own, then via their product engineers, graphic and UX designer to create more features to their platform so that the restaurantes can get their needs covered and make the customer experience even more personalised as Superb states under the interview: "*it's more about understanding what is the needs of the restaurant and what they want to provide their guests in terms of personalised experiences" (Superb, personal communication, May 12, 2022, p. 8).*

The governing mechanism is internally created for Superb. The company has made a collated system that has combined many different features, which in earlier days restaurants had to get or do separately through different vendors and suppliers within the restaurant industry. With this platform from Superb, it allows transactions to happen between the restaurants and the company and the reason for this is that Superb are providing a software tool that supports managing restaurants and helps with time efficiency and to increase the customer experience, which then results in the customers coming back to the restaurants. Hereby the customers of Superb do also have an influence on which different transactions/features that company should edit to their platform. This is communicated via data from the use of their platform and customer feedback as respondent one says: "*Of course there's a lot of opportunity of the restaurants to request features or give feedback, and we are very aware of these things because of course we live off of that feedback right? That's our only opportunity for improvement and bettering ourselves as well" (Superb, personal communication, May 12, 2022, p. 6).* Superb states that the customers as in the restaurants, have influence of which transactions there are included on Superbs platform.

Figure 10: Superb Transaction Mechanism

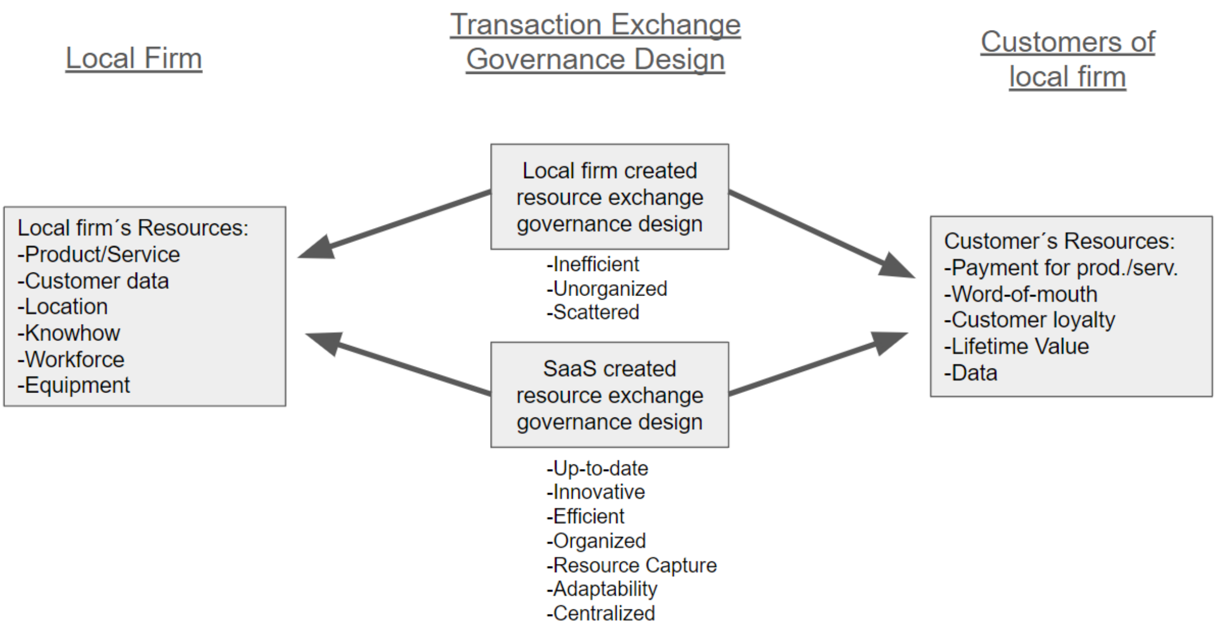


Figure 10, showcase an overview of the governing mechanisms that are happening between the local firm, the customers of the local firm and lastly the SaaS firm. It provides an overview over the transactions of resources that happen between the three parties and which resources they possess. It also gives an oview over which exchanges the local firm gets when using Superbs software.

It was explained in the interview that Superb does not distinguish between a customer from one country to that of another country. The company bases their customer acquisition more on the compatibility of individual restaurants and their expectations for a customer management system. Superb does not see a difference between a restaurant from Germany or a restaurant from Denmark besides the obvious language and cultural differences. With that said, it was also explained in the interview that the sales process is one that requires high touch of sale meaning that Superb makes sure that the restaurant will benefit from their solution before making a yes or no decision. Their internationalisation was more of a continental basis than a country basis, as customers in Europe generally tend to act the same. There are some variations in how people from various cultures would use the product, however they would all be using it for the same purpose. It was mentioned in the interview that the restaurant industry stopped innovating about 20 years ago, which is where Superb has been able to see such success. It was outlined that they conduct both marketing efforts and sales efforts, therefore their sales are not solely reliant on one source. Sometimes restaurants approach them, sometimes they approach restaurants. When asked about which country they prioritise, their response was practically “Europe”.

Queue-it

Queue-it is providing some exchanges in relation to what the customers of Queue-it gain by using their virtual waiting room service. These exchanges come in the form of a safety net and an insurance policy to help company customers that have a lot of traffic on their webpages during sales of tickets and retail typically in cases when there is a higher demand on the limited supply of servers for accessing a website. This gives the company customers a peace of mind and do not have to worry about the safety of their infrastructure and a webpage crash which then might result in lost revenue. The exchanges also reach the end-customers that try to get into a webpage where there is a queue, then Queue-it provides fair communication and reduces the stress from a customer point of view of the process of getting a ticket or other retail stuff where there is a limit of supply.

Internal resources owned by Queue-it is a limited amount because they are only integrating their system to a cloud infrastructure where then companies have different possibilities of implementing Queue-it software system into their own system and respondent two explained that under the interview: “*All of the CEM's, cloud flare like all of those major like tech companies that kind of provide cloud computing systems. We started integrating through those systems which is kind of in between the point between servers and the end-user. Which* *makes the experience more reliable and all those kind of stuff, it also has helped us to find new partnerships in the industry to help support like us getting entries to new customers" (QueueIt, personal communication, May 20, 2022, p. 3).* This quote from Queue-it states that the company gets through to customers via these big cloud providers and hereby also signals reliability in relation to getting customers. When a company chooses Queue-it as a protection software of their online infrastructure so it does not crash, then they tie their systems together, and this results in where Queue-it starts to own data internally through their customer webpage infrastructure.

Queue-it as mentioned above does have limited internally owned resources, which then also translates to their creation of internal resources within their company. Their internally created resource is their own virtual waiting room service, which means that they are not ones who make the cloud computing systems. Queue-it integrates their own created resource to the cloud providers, which then help distribute their system out to customers that have problems with their own infrastructure crashing. Their own internally created system is available for all kinds of devices, cloud infrastructure computing, servers as long as they just have the internet, they have access to their product and hereby open up for transactions to happen between customer and Queue-it. They have a product team and a development team that use and treat the data that they own to then help customers survive a big spike of traffic. "*We help to both kind of balance out that traffic so we move people on to our infrastructure into a virtual waiting room and then we pass them back into the customers infrastructure in a first in and first out order at the speed that they choose. So we basically let them process without having to like endure this huge spike of traffic" (QueueIt, personal communication, May 20, 2022, p. 1).* Queue-it explains what their internally created resource helps their customers with.

The governing mechanism is created within Queue-it. The software system they have made has helped ticket and retail companies that have had problems with their online infrastructure crashing, when there has been a lot of people trafficking on their webpages. With this kind of help Queue-it has enabled transactions to happen because of the insurance they provide, which helps customers having their online infrastructure to run smoothly and efficiently. This leads to the customer also having an impact on the transactions/development that Queue-it makes on their own virtual waiting room service software. This is done through customer feedback. "*We have a product team where a product marketing group that functions in the* *company. Their role is essentially customer interaction and orchestrating like our priorities for the development team. That is ,like, based on customer feedback and also based on of internal expertise" (QueueIt, personal communication, May 20, 2022, p. 4).* Based on this quote from Queue-it, it shows that development of their virtual waiting room service software is an ongoing process, where through customer feedback data they develop their software continuously. This means that they integrate their own product/service on the cloud computing system and then customers can use and get in touch with Queue-it. Hereby the company can make transactions happen between themselves and their customers.

Figure 11: Queue-it Transaction Mechanism

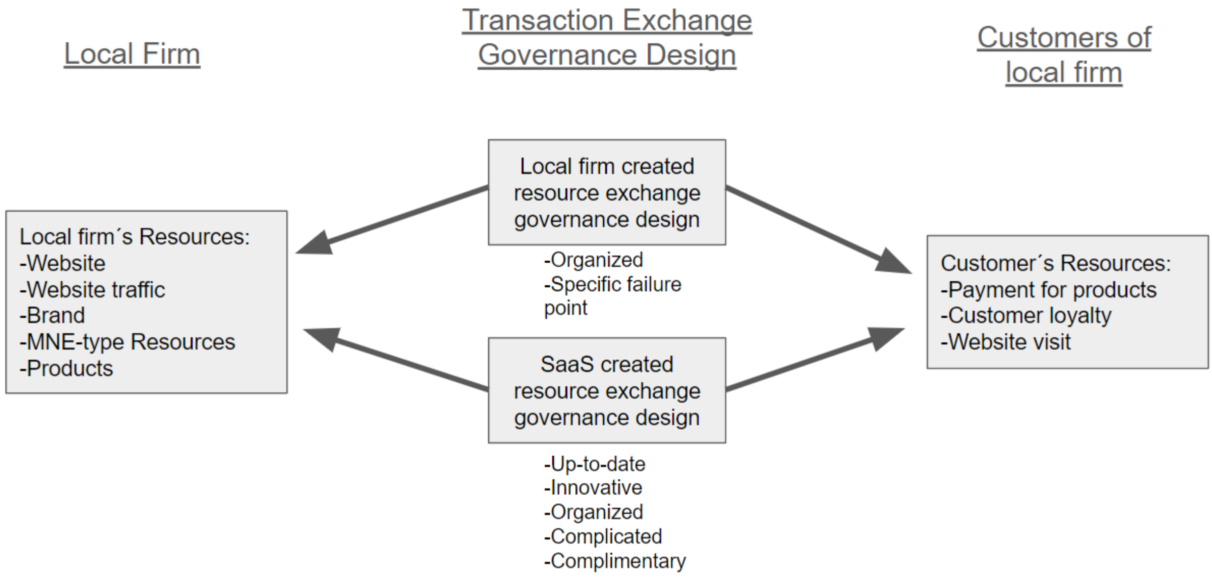


Figure 11, puts the governing mechanisms into a visual overview. It shows the interaction between Queue-it, the company customers and the end-customer and what resources that are being transacted between the three parties. Furthermore it visualises which exchanges that Queue-it provides by using their platform. Queue-it has the function of being mission-critical, which means that they are essential in preventing a web page not to crash. An example of this can be if retail stores have a lot of traphik online on black friday and their webpage crashes, they lose a lot of revenue.

Queue-it again did not distinguish between a customer from one country to that of another country. They see customers as companies who are using websites as their main source of sales, and as a website can be accessed from anywhere, their customers can be from anywhere. The differences between data laws such as GDPR have to be applied differently based on the applicable legal system in the specific country. The sales process is a close and long process, ranging from customer to customer. As the customers of Queue-it are already operating in international markets, language and cultural barriers are usually already dealt with. Since the benefit of the SaaS system is easy to understand and easy to communicate, the second process along the sales cycle is the SaaS integration into the code or systems of the customer. This is also efficiently overcome, as most of the programmers are able to speak english as most of them learn english to learn to write programs. The internationalisation process is non-existent in this case as the company is able to have customers on the other side of the planet from day one without incurring any additional expenses in the eyes of the Transaction Cost Theory.

Mapspeople

Mapspeople is a company that makes a number of exchanges in different B2B segments through their indoor mapping software platform. For the universities they exchange in form finding the way around the building much easier with wayfinding, the option of booking study rooms much more efficient and flexible in connection to if someone has booked a room and does not show up, there is the possibility of putting a buffer on the bookings. For the hospitals, MapsPeople are making exchanges in the form of time efficiency and efficiency of the staff because the nurses are spending a lot of time guiding visitors or patients around the building. All these features are located and can be located into one simple application.

Mapspeople as the two previous companies does not own many internal resources in regards to their software solution. They are backed by google maps, which means that their Maps-Indoors software is provided via google's system. "*We are google maps premium partner, that is our business model. We found a lets call it a hole in the market, which were the indoor mapping part" (MapsPeople, personal communication, May 20, 2022, p. 1)*. What Mapspeople is quoting here is that Mapspeople are providing an indoor mapping platform for buildings on the B2B segment, with the goal of making things more efficient and easy to find a given location. But, Mapspeople do own the data that their system gathers through the use of their software system at universities and hospitals. Which means that the interaction between the company business and their customers, are also stored at Mapspeople database.

Mapspeople do not own that many resources themselves and the same goes for their internal created resources. They are not the creator of a whole cloud operating system as google. Mapspeople are backed by google, which means that they use the resources that google provides and then create their internal resource based on google and thereafter use their cloud infrastructure to distribute their own Mapsindoors as a concept management system. "*If you go to a "stue" in Odense you can download our standard application and then be guided around the building. So it's kind of looks like google maps, the same idea. Aalborg university also has it" (MapsPeople, personal communication, May 20, 2022, p. 1)* & "*Here is it as a patient have "mine aftaler" application on the phone, you see a appointment and you can choose a option called "get me there", then it will guide you from where you are to the room where the doctor is and where your appointment is, so you don't need to ask the staff for help" (MapsPeople, personal communication, May 20, 2022, p. 2).* Mapspeople has quoted here that Mapspeople creates their internal resources, which is their mapping software to the universities where everyone who needs to enter the university has the possibility of getting guided to any given location on campus. The same goes for the healthcare system. They have an application for that as well that shows appointments for the patient and then it can provide them with a wayfinder directly to the room where the doctor is. Their software is available with smartphones and systems, people just need the internet to interact with the application. With this said, Mapspeople have enabled transactions to take place between the customers and themselves.

Mapspeople have their own internal governance procedures. By assisting businesses in mapping their buildings, the Mapsindoors technology has enabled them to be more adaptable and efficient. This means that patients or students can figure out how to get to rooms where classes are held and where they have appointments without bothering the staff. Transactions between Mapspeople and its customers are now possible thanks to their in-house developed software. This is accomplished through their capacity to customise their software to match the needs of their clients' buildings, allowing employees to be more productive and get more out of their jobs. They also have the ability to expand the flexibility of their program. *"But it is a question of fitting a broad spectrum of people and it is a question of fitting a broad spectrum of markets, that is the idea why we have chosen to go the STK route, as we can call it but we have chosen to go that way, so we increase the flexibility of our partners and our customers, because then it will automatically fit different markets, where we don't need to change the product" (MapsPeople, personal communication, May 20, 2022, p. 5).*

Mapspeople states that they are developing their internal resources for a very broad audience so that they do not have to make adjustments to their products, which means that the customers of Mapspeople need to allow them to make a map over their buildings. Even if Mapspeople does not need to make many changes to their product, they must nonetheless listen to their clients. Customers then have a say in which transactions take place within Mapspeople in relation to their buildings.

Figure 12: MapsPeople Transaction Mechanism

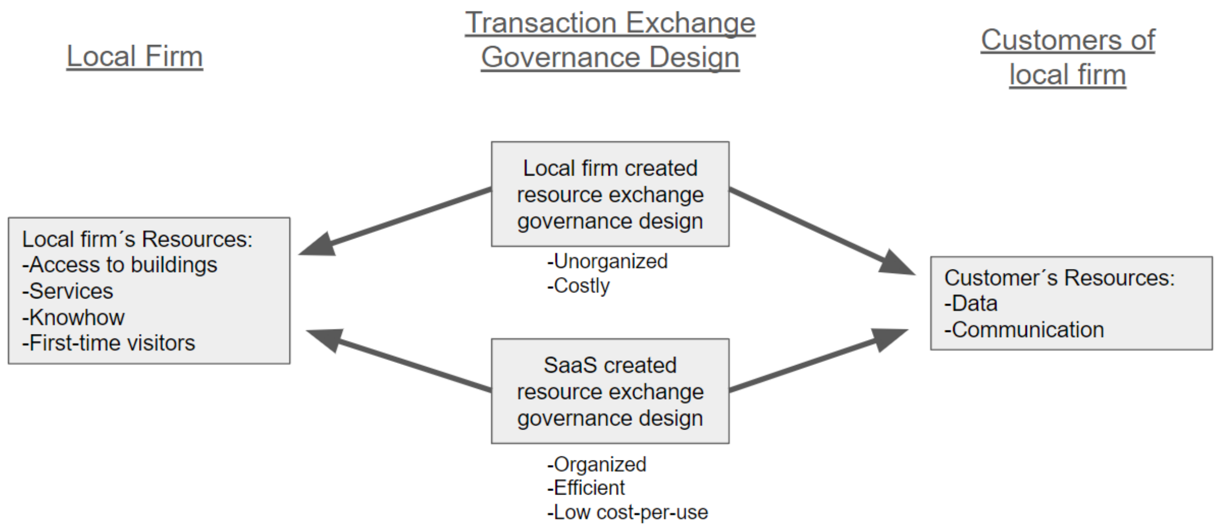


Figure 12 gives an overview of the governance mechanisms that exist between the local firm, the local firm's clients, and Mapspeople. It gives an overview of the resource transactions that take place between the three parties, as well as the resources that they own. The exchanges that Mapspeople provides for the customer companies are also shown on the figure.

MapsPeople perhaps has one of the highest touch of sale out of all our case companies. As MapsPeople need to go on site and create the indoor map of the building(s) of their customers, they need to be able to go there physically. It could be argued that anywhere can be reached with a short flight, however this incurs costs that local firms would not have to incur. From the interview, it was gathered that the hospital application of their software, along with universities and other publicly governed bodies is not a for profit act, but more of a marketing effort. The customers that remain the focus of MapsPeople are ones that would integrate their indoor maps solution into their own product, which would in turn grow their user-numbers exponentially. As MapsPeople take commission based on the number of users, this would enable their customer acquisition cost to be negligible compared to the value that the customer would bring. MapsIndoors were bought by Google, and have set up a subsidiary in America as about 40% of their customers are there. However their AMerican subsidiary is selling the exact same software product, and scaling software solutions are significantly more efficient compared to scaling manufacturing physical products. MapsPeople are looking for large scale companies who are established MNEs, therefore the main barriers to gaining customers are cultural differences. As a significant percentage of the workforce speaks English, communication is not a problem, and the sales cycle of MapsPeople is around 3 months. They look for customers based on business size, rather than geographical market as they can apply their solution anywhere in the world. An exception to this is China, as the internet based services they use are different from the ones that are used in Europe or America, and the information laws in China are also more strict, therefore it is a difficult market to enter.

AskCody

AskCody has created a software that goes under the category of "meeting management resource scheduling". When a customer uses the AskCody's platform, they receive a variety of benefits, including the ability to manage meetings smarter, the ability to organise meetings smarter and faster, assistance with scheduling, taking care of meeting-related service, and assisting receptionists with organising daily plans so they can stay on top of when and where activities are held. Basically AskCody takes care of everything when it comes to meetings and the bookings of meetings.The friction of manual and tiresome activities around meeting management in large organisations and corporate offices is alleviated by AskCody's exchanges.

AskCody, like the three other SaaS companies listed above, does not have a lot of internal resources aside from the data they get from their clients when they use their platform. AskCody is using the cloud to distribute their own created platform and then customers can connect through the cloud of microsoft 365 and hereby with one click acquire AskCody's platform and implement it into their system. "*the pain or the challenge we solve is the friction, with manual tedious tasks around meeting management in large organisations and corporate offices" (AskCody, personal communication, May 20, 2022, p. 3).* AskCody states in this comment that they help to relieve the pains associated with scheduling meetings, implying that they only give tools to assist clients and are not a part of their whole system. As a result, AskCody's only internally held resource is the data that their clients generate as a result of their platform interactions.

AskCody's limited owned resources are linked to their creation of internal resources. As previously stated, the internal resource that they have created is their own software platform, through which companies can contact them via cloud providers, which in this case is Microsoft 365, where AskCody is an extension of their cloud platform, allowing them to avoid having to build their own cloud computing system. *The cloud got robust and solid enough to take care of enterprise applications as well and to be the place to go and of course that mega trend has formed SaaS in general on a global scale and of course also highly impacted Askcody and our ability to build a software the way we wanna build a software and take the software to the market" (AskCody, personal communication, May 20, 2022, p. 2).* AskCody clarifies that they only build their platform and use a large cloud provider to distribute their system software to businesses, which they then integrate into the customer's system and provide them with tools to help them organise everything related to meeting management, scheduling, and more. As a result of the interaction between AskCody and the consumer, transactions are made.

The governing mechanism is something that is internally created for AskCody. The company has created a platform that combines a number of features to assist customers with meeting management and scheduling in such a way that they become more efficient and organised as a result of their use of their platform. They have gathered all these features on one platform, which beforehand has been manually or in disjointed systems or across multiple platforms or by email. AskCody's software system has allowed transactions to happen between customers and themselves. As a result of the engagement between AskCody and their clients, the customers agree to allow AskCody to integrate with their system, resulting in a two-way transaction.*"I mean no customer, no Askcody, no business I mean so yes of course. Again it depends on maturity and it depends on timing and yes early on we build to the customer and we tried to customise to get next new customer. Take any SaaS company to the market and it is not feature complete and there is also the next customer waiting for that extra feature and then they want to buy" (AskCody, personal communication, May 20, 2022, p. 3).* AskCody clarifies how essential clients are in the development of their software platform and the production of new features. Customers have a significant impact on which system transactions AskCody must perform. It's an on-going process of attempting to understand and meet the wants of customers.

Figure 13: MapsPeople Transaction Mechanism

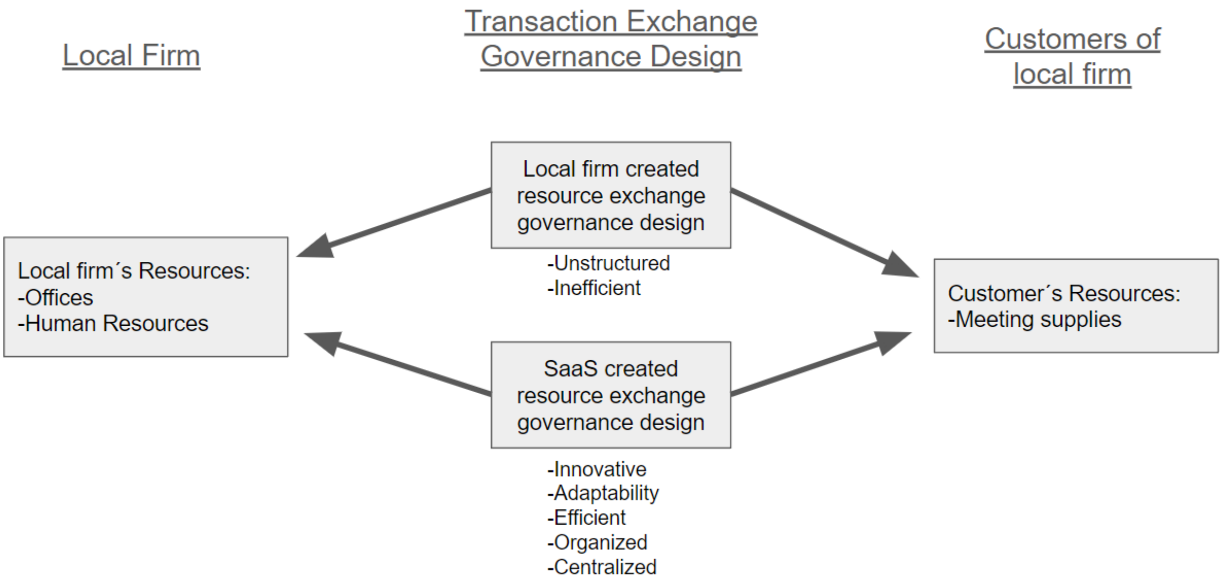


Figure 13, is a graphic representation of the governing mechanisms. It visualises the relationship between AskCody, the company's customers, and the end-customer, as well as the transactions of resources between the three parties. It also shows which exchanges AskCody provides through their platform to their local firm customers.

In terms of AskCody looking for customers, they do not differentiate between a customer from one country or another. They see their internationalisation rather as normal sales rather than country specific customization. The customers of AskCody are small to large MNEs that can gain value from using the SaaS solution. As there are no additional costs of a customer from one country or another, there is no need to internalise country specific resources to gain a competitive advantage as it would not provide AskCody with a competitive advantage. As organising meetings is a very niche task, the procedures can be said to be relatively similar no matter where one is in the world. A meeting room needs to be arranged, catering has to be organised if necessary, etc. What AskCody provides is a more efficient method of organising a meeting, as they eliminate the need to send 15 emails back and forth to the correct people and then having to repeat that procedure in case the arranged meeting room is already otherwise used. This problem is happening across international markets, and email exchanges are happening online, therefore there are no additional costs incurred when having sales in another country. Again, AskCody views internationalisation as more of a scaling process than a market-entry process.

DeskSpace

DeskSpace is a start-up company that has not launched yet. The purpose of the interview was to obtain a better understanding of what the start-up phase for a SaaS company is like. DeskSpace provides a service where users can book coworking spaces instantly. In this case the exchange that DeskSpace provides is the flexibility of an individual that is making use of a coworking space. Furthermore the ease of use of the product and less time spent on signing up through management of a coworking space office are also things that they exchange when using their platform.

DeskSpace does not have a large number of internal resources. DeskSpace is a startup that has yet to launch, but they have established a website to serve as a platform for now. "*If it is a user they don't have to log in, they can just find a coworking space and book a desk. If it is a coworking space then they will have a log in and then they log in into the admin page and there they can change different stuff about their coworking space" (DeskSpace, personal communication, May 23, 2022, p. 1).* This statement from DeskSpace says that the webpage is where the communication is going to happen. This means that the only method for DeskSpace to generate internal owned data is for coworking space management offices and end-customers to engage and hence receive data.

DeskSpace has a small amount of internal resources that it owns, and it also creates a small number of internal resources. They have made their first attempt at developing an internal resource by creating a webpage, as explained in the previous section. This page includes an image of the many coworking spaces that are part of their system. To update their information, coworking space managers must log in to the DeskSpace website.
"It is just you enter the website and there is maybe two or three coworking spaces, you take a look on them and then you have an input where you put the date and time and the it shows you the available desks and then you just click book, put your card in and that is it" (DeskSpace, personal communication, May 23, 2022, p. 1-2). The statement made from

DeskSpace clarifies that the end-customer has the possibility to choose which ones are free and put date and time into the reservation and hereby reserve a place in the chosen coworking space. This interaction between DeskSpace and their customers leads to a transaction with the customer and DeskSpace.

DeskSpace governing mechanism is internally built for DeskSpace. Even though they have not launched yet, they have provided a platform for customers to see. They have made a new system that helps the customer organise their coworking spaces, which is based on the web. This means that if customers have the internet, they can log in and make their edits, etc. In the early days it was different, where information and such has been distributed through mail and calls. The result of this leads to transactions being allowed by DeskSpace and their customers. "*Of Course we wanna make it so that the customer likes it, so we are going to try and listen to their feedback, but we should try and solve the problem itself" (DeskSpace, personal communication, May 23, 2022, p. 2).* In the future DeskSpace also wants customer feedback to play a role within their development of their platform. This means that customers of DeskSpace influence the decision of making transactions happen when they have to develop their platform.

Figure 14: DeskSpace Transaction Mechanism

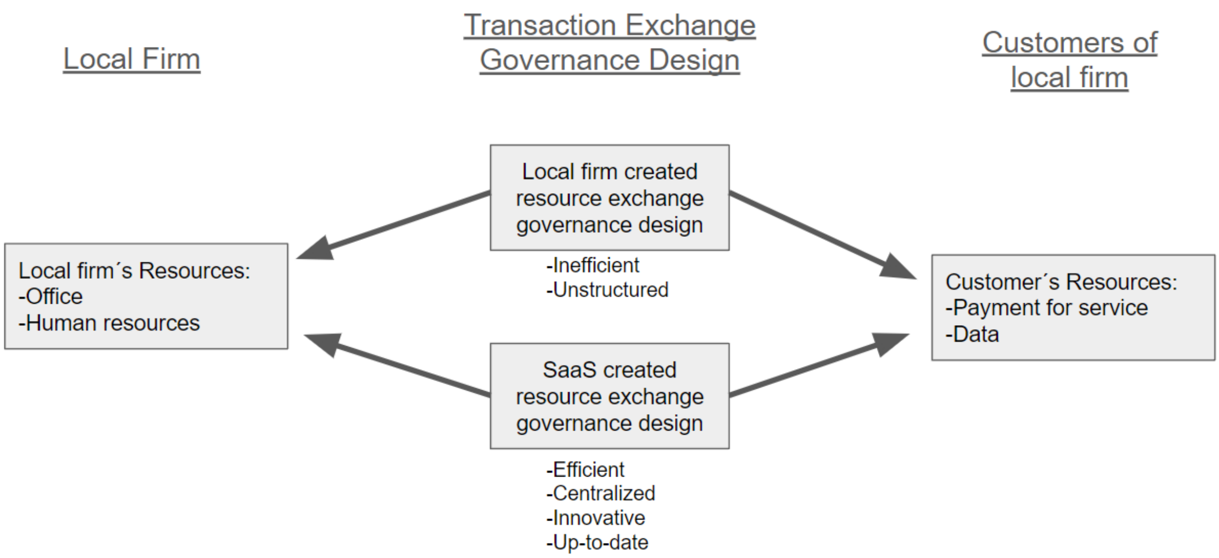


Figure 14 gives a visual representation of the governance mechanisms there are in place between the local firm, its clients, and DeskSpace. It gives an overview over the resource transactions that take place between the three parties, as well as the resources that each own. It also depicts the exchanges that DeskSpace delivers to their customers.

Although DeskSpace does not have any foreign customers, they have already adopted the SaaS global mindset. From the interview it was clear that their platform is being designed in such a way that it should be able to handle multiple markets at the same time. The entrepreneurial mindset was the most important takeaway from this interview as the company is lacking customers and a well defined resource transaction governance structure. The firm is a SaaS based solution that is combined with physical resources that the customers own. Much like AskCody, DeskSpace is providing a governance system for the resources of their customers. As they are similar to AskCody, their internationalisation process will most likely be similar however this is only speculation as DeskSpace has not yet been through their internationalisation process.

Summary and Common Themes

To summarise, the five different SaaS companies have some things in common. The company shares a number of similarities in the nature of the exchange that they enable their customers where time efficiency, platform features, resource organisation are the most common themes. They all lack internally owned resources and the same goes for internal creation of resources. The reason for this is that they share the SaaS business model and they do not need many resources to get their software out to the market. The internet and big cloud providers help them to distribute their platforms out to companies that need their ability to make things more efficient and smart. Lastly the governing mechanism of the five different SaaS companies also have things in common where the customer feedback is important to develop their platform, with the purpose of them getting new customers but also for existing customers, which then will have their needs satisfied. It seems that most of these SaaS firms have identified niche horizontal industries where their solutions are applicable with few market adoptions. It seems the internationalisation without resources is not a problem or a barrier in any context, since each firm views almost any global market indifferent. They do not require additional costs or resources to enter a new market. This could be attributed to them not needing to combine their products/services with locally owned internal resources. From the understanding developed in the interviews, each of these firms are B2B, in which case it was

observed that each firm enables their customers to function more efficiently in the eyes of the traditional Transaction Cost Theory.
Lastly, their internationalisation could be more described as "scaling" as explained by Panders (2014).

Discussion

The aim of this chapter is to take past knowledge and combine it with the perspectives in this research paper.

The internationalisation of Born Globals has not been understood in the general sense through International Business theory, therefore it is perhaps unwise to explore SaaS firms as their internationalisation is even more accelerated and borderless. If International Business has difficulty explaining Born Globals, how could it explain SaaS Born Globals? SaaS firms are accelerated Born Globals, so perhaps it is better to go straight to the source of the phenomenon. The SaaS business model is not well understood by International Business literature, especially the core theories. If SaaS were understood in this context, it could be argued that there would be a clearly applicable theory. Some theories are entirely missing the context as explained in the literature review section, however there are ones that are able to explain snippets here and there.

Some International Business theories can be re-defined in context to be applicable to the new phenomenon which proved to allow an exciting analysis, however it has its limitations in validity, rigour and replicability. Furthermore it remains unanswered whether it is the delivery method that enables the rapid internationalisation or the business model of the firm. It is hard to separate the business model from the delivery method as the two are tied together, therefore this research paper is not testing for this separately but rather as a complete package.

SaaS firms seem not to need the requirement to combine internal resources with country specific resources, so is it possible to deny that the delivery method is not important? Software has been around for a long time, so why is it that SaaS firms see such high growth rates compared to other firms?

The understanding that firms are built not on the sharing of knowledge but on sharing resource transaction governance designs is a perspective in International Business literature that has not been mentioned at all, therefore it could be that the authors have their perspective entirely wrong or that they are opening up a new understanding of what value delivery could take form as. Is it SaaS as the niche, or is it resource transaction governance design as the niche of these firms?

Conclusion

It seems that SaaS firms operate in a very niche industry, and they stay loyal to the niche. This seconds the work of Hennart (2014), that Born Globals operate using a niche business model. SaaS firms tend to have few intangible resources and even fewer tangible resources, however they do have the benefit of the value their business model brings to their customers. The SaaS firms that were interviewed for this research paper are all B2B. They all have their business models built around organising the resources their customers have internalised, re-arranging them to be more efficient in the perspective of the traditional Transaction Cost Theory. This implies that if the Transaction Cost Theory were to be applied to the customers of the SaaS firms, their exchange of internally owned resources would be classified as highly competitive with above-market efficiency (within the context of the resources governed using the SaaS solution). SaaS firms internalise little resources, yet seem to have the ability to create a governance design for the resources of their customers that makes those resources more valuable and competitive.
Combining the value these firms bring to their customers with a fully online delivery process with no need for any additional infrastructure, the customers benefit from acquiring methods for reaching relatively costly internal resource governance designs at a low cost. SaaS firms are able to operate at scale, therefore their product development costs are not being compared to the diminishing returns of reaching new levels of resource exchange transaction efficiencies.

The internationalisation behaviour of these firms could most adequately be described as a process of seeking for customers anywhere in the world. It is almost as if they see borders and feel no borders. They know who their target customers are, and they know that those customers exist in any and every geographical market. The most similar steps in the internationalisation process of these SaaS firms seems to be when they step from one continent to another. This could be for various reasons, however the ones that were mentioned during the interviews were governmental laws and cultural barriers from one continent to another. It is important to point out that the DeskSpace was the only one not being able to answer if they distinguish between a customer from one country to another, whereas Superb, Queue-it, MapsPeople and AskCody were all able to answer that they see no difference in what they do or how they do it from a customer in one country to another. DeskSpace is an early stage startup, therefore their internationalisation understanding is limited due to the lack of it. On the other hand, the other firms are established multinationals who are knowledgeable. When talking about similarities in the entrepreneurial context, every firm has had international ambitions from early inception.

Limitations

Throughout the process of writing the masters thesis the limitations that have impacted the process of writing this paper are mentioned in this chapter.

The largest limitation for writing the thesis was due to lack of applicable international business theories and literature on the phenomenon of SaaS. There is no specific theory that covers the internationalisation process of a software as a service company, therefore one had to be refined in order to be applicable to this perspective.

Another limitation is that the interviewers could be biassed in their questions and perspectives as the interviews were semi-structured interviews that were based on the conceptualisation chapter.

Since only one person was representing each company during the data gathering process, it could be that the individual was not representing the company as a whole but only their understanding of it.

There seems to be some research about this phenomenon, however the more literature was interpreted, the more perspectives were found. It could be that studies should focus on replicability rather than exploration of perspectives in order to provide more sound research.

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Appendix

Appendix 1

Interview guide for conducting semi-structured interviews.

Q1: Company Introduction

- What does the company sell?
  - How does that work?
  - Who are the stakeholders when using the product?
  - How do the users interact with the product?
- Can you give us a short history about the company?
  - Which is the home country of the company? And which countries has it expanded to in how much time?
- What is the "person" role and involvement at the company?

Q2: Product/service

- How does the customer use your product?
  - What needs are there for the customer to be able to use the product?
    - Do they need a smartphone, tablet, internet, etc.?
    - Is this an app that can be installed on any device?
- How has technology enabled you to create a product that can be used more diversely?
- What has lead your choice in choosing how the customer interacts with the product?
  - Is it based on feedback from the customers?
  - Is it based on an opinion from the top management?
- How are the products delivered to the customers?

Q3: Providing value

- What value does the product/service provide for the customers? (the perspective of the firm of what value they bring to the user.)
- How difficult is it for anyone to start using your product?
  - How much learning does one need to do to use your product?
- How do you differentiate yourself from others in the market? (understand the unique value proposition)
  - What advantage do your customers say they are happy about?
- What is the business model?
  - Where does your income come from?
  - What are the sales channels?

        - What are your biggest expenses?

Q4: New Markets

- What does the process of entering a new market look like?
    - What entry barriers are you facing each time you have a customer in a new country?
- What does it mean to you to have a new customer in a country you are already in, vs a customer in a country you are not present in?
    - What are the differences between those two customers?
    - (looking for how/if the company distinguishes between customers in existing and new markets)
- How long did it take from founding the company to having domestic sales to having foreign sales?
    - And are most of your customers in other countries or in the home country of the company?
- How long did it take for you to be in international markets?
    - First foreign sale, second foreign sale, 25% of total sales being foreign. What is the time scale of that?
- What are your costs when you get one more customer?
    - (a lot or insignificant? not exactly looking for a kroner amount)
    - What are the delivery costs?
    - What are the onboarding costs?
    - What are the software hosting costs?
- Do you think that the business model is important to be able to make sales internationally?
- What is the motivation of the company to have international customers?
    - What resources do you use in markets outside of your home country?
        - Delivery supply chains, internet infrastructure, etc.?
- Is it the company that is making sales in various countries or are customers seeking you out?
- What are the drivers for entering new markets? (the gains of the firm for entering new markets, customer pull effect or a company push effect)

Q5: Global Company

- What marketing efforts have you done in which countries?
    - What are the marketing costs?
- Are customer acquisitions driven by sales or by marketing (customer attraction)
- How do you decide which countries to prioritize?
- How does having a network in a country affect the expansion into that country?

- How are learnings from existing customers and feedback implemented into the business model?
    - What/Who are the decision makers who decide what the business model looks like?
        - What influences the business model?

Appendix 2

The interview transcriptions are not attached in this paper, however they are attached as external attachments with this research paper.