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The Role of Knowledge Acquisition in Internationalization

A dual case study of Swedish digital SMEs

by

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Abstract

This paper investigates the role of knowledge acquisition in the internationalization of digital small and medium-sized enterprises (SMEs). An organizational learning perspective is adopted by examining how each of Huber's (1991) five knowledge acquisition types are used in firm internationalization. An extensive overview of literature on the topic is provided, and additional insight is provided through case studies of two Swedish digital SMEs. Findings indicate that while the case firms did not internationalize immediately upon founding, reliance on a wide range of knowledge sources has enabled them to expand in a non-incremental manner, deviating from the incremental internationalization path. During their early internationalization, both case firms used mainly vicarious learning to compensate for lack of experiential knowledge. This knowledge acquisition type also remained impactful in the firms' later internationalization. For one firm, experimentation and grafting were also important, whereas congenital learning was more impactful for the second firm. Searching and noticing took a supplementary role. Additionally, findings suggest a potential positive impact of experiential learning on other knowledge acquisition types.

Keywords: knowledge, knowledge acquisition, congenital learning, experiential learning, vicarious learning, grafting, searching and noticing, internationalization, digital firm, SME

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1 Introduction

With the onslaught of improvements in information and communication technology, as well as the globalization and digitalization seen during the past few decades, a new type of business environment has emerged (Knight & Cavusgil, 2004). This has enabled firms to enter foreign markets in a much faster way than their predecessors, also changing the landscape of businesses that can achieve this goal in the first place (Johanson & Vahlne, 2009). In the past, it was primarily large multinational enterprises that were able to venture outside of their domestic markets. However, as a result of changes in both business and regulatory practices together with technological improvements, small and medium-sized enterprises (SMEs) are able to do the same, and perhaps at a more rapid pace. It seems that, contrary to the way it has been portrayed in traditional international business theories, internationalization may not always happen in an incremental manner. This is demonstrated by companies that are active in several markets right from their founding moment (McDougall, Shane & Oviatt, 1994).

Studies that have looked into this phenomenon have outlined several reasons for the change of pattern in the internationalization process of firms, such as the technological change and the consequent digitalization (Knight & Cavusgil, 2004), the change of business practices and regulatory landscape (Johanson & Vahlne, 2009) and simply the misplaced focus on large multinational enterprises of the traditional internationalization models (McDougall, Shane & Oviatt, 1994).

One aspect that the incremental internationalization model and newer models of rapid internationalization share is the significance of knowledge, and thus also knowledge acquisition. However, the models present different ideas as to how this knowledge is obtained. Furthermore, few papers have carefully examined the way in which knowledge is acquired and used during a firm's initial entry into foreign markets and the role this knowledge may play in the later stages of the firm's internationalization. Therefore, this study will examine the role of knowledge acquisition in the internationalization of digital SMEs.

1.1 Background

In economics, internationalization can relate to a firm that intends to capture more market share outside of its domestic market by branching out into foreign markets (Hayes, 2021). Although the definition has stayed mostly the same or similar throughout the years, there have been differing views on the characteristics of this process. One of the first studies on the topic is the early version of the Uppsala model of the internationalization process of the firm (Johanson & Vahlne, 1977), which emphasized the role of experiential knowledge in the internationalization of firms. The model has received criticism on several occasions, for instance in born-global literature (Knight & Cavusgil, 2004; McDougall, Shane & Oviatt, 1994), and has since been updated to also address other sources of knowledge which may be relevant to the firm's internationalization (Johanson & Vahlne, 1977; 2009; 2013; 2017). However, the way in which firms acquire knowledge is still not the focal point of the model. Therefore, this paper will look more closely into the knowledge acquisition of firms and how this affects their internationalization.

According to Lexico (2021), knowledge constitutes the competences, information and facts acquired through experience or learning. This definition will be loosely used in the current study for ease of understanding. However, as this paper focuses on knowledge acquisition rather than knowledge itself, this definition does not play a central role and may be influenced by the chosen theoretical frameworks and the empirical observations of the study.

One such theoretical framework is Huber's (1991) theory of organizational learning. Huber (1991) explains five types of knowledge acquisition: experiential learning, vicarious learning, congenital learning, grafting and searching/noticing. This paper will explore the role of each of these in firm internationalization.

The focus of this paper will be on digital firms since, typically, these are the companies that are not directly addressed by the Uppsala model. Such companies tend to internationalize early, before acquiring experiential knowledge, and quickly. For this reason, they are typically associated with the born-global literature's rapid internationalization rather than the Uppsala model's incremental internationalization.

Shaheer (2019) defines a digital firm as “ a firm whose core value proposition is enabled by digital infrastructures” (p.12). The definition is rather wide and may encompass several types of businesses, but the author emphasises the context of scale free nature, proposing that it would allow the best challenge for the assumptions of the existing theories, therefore, allowing a better way to complement existing knowledge (Shaheer, 2019). For this reason, the same definition will be used for the purpose of this paper.

1.2 Research Purpose

Two major streams of internationalization research, the Uppsala model and the born-global literature, agree that knowledge is a key factor in firm internationalization. However, they present conflicting suggestions about the main source of knowledge for internationalizing firms. This paper will attempt to address this disagreement by studying how firms actually gain knowledge which both models agree is of high importance. Thus, the purpose of this paper is to investigate the role of knowledge acquisition in the internationalization of digital SMEs.

Huber’s (1991) knowledge acquisition types will be used as a lens through which to examine how knowledge is acquired, thus incorporating an organizational learning perspective into the current research. Few studies have taken a similar approach (e.g., Bruneel, Yli-Renko & Clarysse, 2010; Fletcher & Harris, 2012; De Clercq, Sapienza, Yavuz & Zhou, 2012; Pellegrino & McNaughton 2015; Casillas, Barbero & Sapienza, 2015; Puthusserry, Khan, Knight & Miller, 2020). However, an overwhelming majority of research on the topic has been quantitative (e.g., Autio, Sapienza & Almeida, 2000; Fernhaber, McDougall-Covin & Shepherd, 2009; Bruneel, Yli-Renko & Clarysse., 2010; Milanov & Fernhaber, 2014; Casillas, Barbero & Sapienza, 2015; Jiménez & de la Fuente, 2016; Ali, Ali, Salam, Bhatti, Arain & Burhan, 2020), the survey method being one of the most prevalent (e.g., Autio, Sapienza & Almeida, 2000; Bruneel, Yli-Renko & Clarysse, 2010; Ali et al. 2020). That being said, there are also a few qualitative studies (e.g. Pellegrino & McNaughton, 2017), but the apparent limited number of similar studies suggests a need for more such research.

Only a limited number of studies investigating the role of knowledge acquisition in internationalization have focused on SMEs (e.g, Bruneel, Yli-Renko & Clarysse, 2010; Pellegrino & McNaughton, 2017; Puthusserry et al. 2020; Ali et al. 2020), and none of these on digital firms. Thus, to our knowledge, there is a lack of qualitative research on the role of knowledge acquisition in the internationalization of digital Swedish SMEs. Therefore, this paper aims to fill this gap, and in that way, contribute to the literature. The research question of this paper is:

What is the role of knowledge acquisition in the internationalization of digital SMEs?

And more specifically:

How do Swedish digital SMEs acquire and use knowledge to facilitate internationalization?

In an attempt to answer these research questions, this paper will first provide an in-depth review of prior literature on the topic and then contribute to this literature through a dual case study of two digital Swedish SMEs using a combination of primary and secondary data. In doing so, it will address the influence of knowledge sources such as direct experience, relationship networks and prior experience of a firm's founders on its internationalization. Furthermore, the role of hiring to access external knowledge as well as the role of research during a firm's internationalization process will be addressed. Additionally, potential interactions between the knowledge acquisition types will be addressed.

1.3 Outline of the Thesis

This paper consists of seven chapters. Chapter 2 will give an in-depth review of existing literature, providing the theoretical framework used to explore each case. Chapter 3 will present and motivate the choice of research design and data collection method. Additionally, it will address the study's validity and reliability, as well as its limitations. Chapter 4 introduces the case firms, providing detailed accounts of each firm and their respective internationalizations. These cases are at the heart of the paper, and in Chapter 5, they will be analyzed and discussed with respect to the literature. Finally, Chapter 6 will reflect on the extent to which the objectives of this paper have been fulfilled, summarize its main findings and practical implications, and make propositions for future research.

2 Literature Review

This section will begin with a review of two prominent streams of internationalization research, the Uppsala model and born-global literature, highlighting key research and outlining the role of knowledge acquisition in each theory. Then, from an organizational learning perspective, the types of knowledge acquisition as per Huber's (1991) definitions are explained. Finally, relevant studies on the role of these knowledge acquisition types in firm internationalization will be addressed in order to give a clear picture of existing research on the topic.

2.1 Internationalization Theories

There are two main streams of internationalization research in international business literature. The Uppsala model , which explains an incremental internationalization process (Johanson & Vahlne, 1977), was the first of its kind and is perhaps one of the most discussed internationalization models. Literature on born-globals and international new ventures first appeared in order to address companies that internationalize early, enter foreign markets in big steps rather than gradually, and where psychic distance does not seem to play as significant of a role as in the Uppsala model (McDougall, Shane & Oviatt, 1994; Knight & Cavusgil, 2004). Both theories are best described as behavioral rather than economic, and are therefore well-suited for studying the role of knowledge in the internationalization process.

2.1.1 The Uppsala Model

The Uppsala model (Johanson & Vahlne, 1977) is a dynamic model which explains how firms internationalize through the gradual acquisition, integration and use of foreign market knowledge. As the amount of such knowledge increases, according to the model, the firm also increases its commitment to the foreign market. Over the years, the model has been updated several times to address criticism it has received and to better apply to the business environment, which has changed considerably during the past few decades. For instance, in 2009, Johanson and Vahlne created a new version of the model which moved the focus from independent market actors to networks, trust-building and knowledge creation. This paper also addressed the critique the 1977 model had received over the years. Additionally, in 2013 and 2017, the authors revisited both versions and created a premise for a model with an even broader reach, highlighting the importance of evolution (Johanson & Vahlne, 2013; 2017). The upcoming sections will outline the foundations of the 1977 and the 2009 versions of the Uppsala model to better understand the way internationalization is presented and the role knowledge plays in each version of the model. Since revisions of the Uppsala model from 2013 and 2017 are tentative in nature and differ in the foundational theoretical framework from the original model, they will not be introduced.

The original Uppsala model, called the internationalization process of the firm, was developed based on empirical research of Swedish firms (Johanson & Vahlne, 1977). The model consists of two state aspects, market commitment and market knowledge; and two change aspects, commitment decisions and current activities. The change aspects constitute the input for the state aspects, which in turn affect the change aspects. In this regard, the model is dynamic and the cycle is, presumably, never-ending.

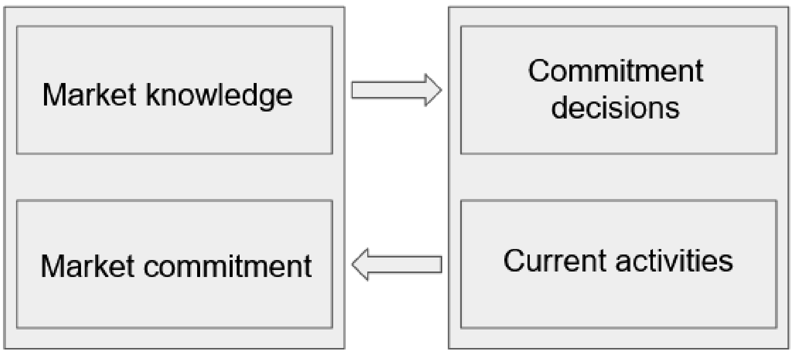

Figure 1 The Basic Mechanism of Internationalization - State and Change Aspects (adapted from Johanson & Vahlne 1977)

The first state aspect, market knowledge, refers to knowledge about foreign markets and operations. This includes objective and experimental knowledge, as well as general and market-specific knowledge. Knowledge of opportunities and problems are assumed to initiate decisions (Johanson & Vahlne, 1977).

The second state aspect, market commitment, revolves around decisions to commit resources to foreign markets. It is broken down into two sections: amount of resources and degree of commitment (Johanson & Vahlne, 1977). Johanson and Vahlne (1977) mainly focus on the degree of commitment as the amount of resources committed to the foreign market is considered to be positively correlated with the value derived from these operations.

The first change aspect, commitment decisions, is connected to the decision to commit resources to a foreign market, which depends on different alternatives and how these alternatives are chosen (Johanson & Vahlne, 1977). These decisions, in turn, are made in response to perceived problems and opportunities of the market. It is further proposed that these perceived problems and opportunities depend on the prior experience of the firm (Johanson & Vahlne, 1977). It is also important to note that according to Johanson and Vahlne (1977), each additional commitment also bears the economic effect of scale of operations in the market and the uncertainty effect, which comes with market uncertainty.

The second change aspect, current activities, indicates that the firm's current business activities are a source of experience (Johanson & Vahlne, 1977). Experience is broken down into the firm's own internal experience and the external market experience (Johanson & Vahlne, 1977). Both types of experience are assumed to be acquired through a long learning process, which makes the internationalization process slow and incremental (Johanson & Vahlne, 1977).

Interestingly, it is not necessarily the model itself that is the most famous in international business literature, but rather the indirect conclusions that stem from the interplay of the model and the empirical research of Johanson and Vahlne (1977). The first conclusion is that firms internationalize gradually. Usually, they start by exporting to a foreign country via an agent, then establish a sales subsidiary later on and, in some cases, finally begin production in the host country, forming an establishment chain (Johanson & Vahlne, 1977). The second conclusion is that psychic distance, defined as "the sum of factors preventing the flow of information from and to the market" (Johanson & Vahlne, 1977, p. 24), affects the time and order of internationalization such that firms tend to first enter markets that are physically and geographically closer to their domestic market (Johanson & Vahlne, 1977).

As the business, regulatory and economic environment changed rapidly in the decades following the 1977 Uppsala model, new theoretical advances were made, and the old model was met with criticism. As a result, in 2009, Johanson and Vahlne presented a modified model, which applied business network research as part of its core argument (Johanson & Vahlne, 2009). In the updated model, Johanson and Vahlne (2009) view markets as networks of relationships instead of independent players, these relationships also serving as a potential source of learning. Additionally, trust-building and commitment are considered preconditions for internationalization (Johanson and Vahlne, 2009). Furthermore, because Johanson and Vahlne (2009) view markets as networks of firms connected to each other in complex and sometimes invisible ways, the concept of insidership in relevant networks becomes important for successful internationalization. Connected to that is the liability of outsidership, which was not taken into consideration in the original model (Johanson & Vahlne, 2009).

Essentially, Johanson and Vahlne (2009) see internationalization now as the firm's effort to improve their market position in a business network, which includes a large number of different actors engaged in interdependent relationships. Networks are seen as borderless, which causes the distinction between entry and expansion in the foreign market to become less relevant (Johanson & Vahlne, 2009). Therefore, existing business relationships play an important role in choosing the particular geographical market the firm will enter (Johanson & Vahlne, 2009).

Learning and commitment building are developed within the relationships of the firm, which is also strongly connected to the recognition and exploiting opportunities (Johanson & Vahlne, 2009). This is slightly different from the 1977 model, where the main attention was on opportunity recognition based on experiential knowledge (Johanson & Vahlne, 1977). Furthermore, it is assumed in the updated Uppsala model that some types of knowledge are only accessible to network insiders, which means that strong commitment to partners lets firms develop their knowledge and this in turn helps them to discover and create opportunities (Johanson & Vahlne, 2009).

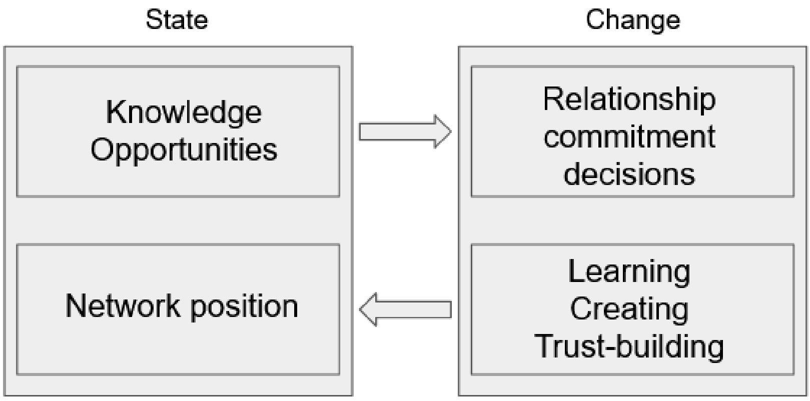

Figure 2 The Business Network Internationalization Process Model (adapted from Johanson & Vahlne, 2009)

The 2009 Uppsala model is similar to the original one, but nevertheless, there are some differences. For example, in the first state variable, the recognition of opportunities is added to the concept of knowledge, as opportunities are considered a subset of knowledge. Johanson and Vahlne (2009) claim that by including this variable, they want to show that opportunities are fundamental in the body of knowledge and drive the internationalization process. Furthermore, strategies, capabilities, and the needs and networks of related firms in their institutional contexts are also important components of knowledge (Johanson & Vahlne, 2009).

On a similar note, the previous state aspect market commitment is replaced by the network position, because Johanson and Vahlne (2009) now assume that the internationalization process happens within a network. The relationships within those networks are defined by a distinct level of knowledge, trust and commitment that might be unequally distributed in the said network (Johanson & Vahlne, 2009). This in turn may cause a different experience concerning the process of internationalization (Johanson & Vahlne, 2009). Nevertheless, as Johanson and Vahlne (2009, p.1424) claim, “if the process is seen as potentially rewarding, a desirable outcome of learning, trust and commitment building will be that the focal firm enjoys a partnership and a network position”.

The change variable current activities is changed into learning, creating and trust-building in order to acknowledge the outcome of current activities (Johanson & Vahlne, 2009). Johanson and Vahlne (2009) describe current activities as important, but regular, daily actions the firm does which incrementally lead to more knowledge, trust and commitment. In the new change variable, learning no longer includes solely experiential learning, although this is still considered important. Instead, learning is portrayed at a higher level of abstraction (Johanson & Vahlne, 2009). Johanson and Vahlne (2009) also made the dimension of trust-building more obvious, and highlighted opportunity creation due to its critical role in relationships and producing knowledge. Furthermore, they suggest that more knowledge, trust and commitment in a relationship results in a better creative process (Johanson & Vahlne, 2009).

Lastly, the second change variable was changed from commitment decisions to relationship commitment decisions, in order to make it clear that commitment refers to commitment to relationships or a network of relationships (Johanson & Vahlne, 2009). This aspect means that the firm decides its level of commitment to relationships in its network, which may manifest on a psychological level, but is usually more noticeable through organizational changes, entry modes and level of dependence (Johanson & Vahlne, 2009).

The updated Uppsala model also addresses the critique the original model received. Johanson and Vahlne (2009) acknowledge the notion by McDougall, Shane and Oviatt (1994) that internationalization may be more rapid and less dependent on psychic distance than presented in the original model, but maintain that their establishment chain was never part of the initial model, but rather an observation of their empirical data. Additionally, they claim that the changes in the behavior of firms is connected to changes in the internationalization behavior and not the internationalization mechanism itself (Johanson & Vahlne, 2009).

Furthermore, Johanson and Vahlne (2009) discuss whether or not their model suits what McDougall, Shane and Oviatt (1994) call international new ventures and Knight and Cavusgil (2004) call born-globals. They propose that born-globals are actually born regionals, since their international activities do not usually involve the whole globe, and that therefore, the Uppsala model does, to an extent, apply to such firms (Johanson & Vahlne, 2009).

Johanson and Vahlne (2009) agree that the prior knowledge and relationships of a firm's founders might have an impact on its internationalization. However, they disagree that this would have an impact on their model (Johanson & Vahlne, 2009). Furthermore, should the company lack such prior experience, then their model would be particularly suitable, as learning and trust building takes time (Johanson & Vahlne, 2009). They also argue that the Uppsala model does not imply that internationalization cannot occur quickly, as long as the firm has time to learn and build relationships (Johanson & Vahlne, 2009).

Regarding the argument that their model relies too heavily on experiential knowledge, Johanson and Vahlne (2009) maintain that the way people learn and make decisions has not changed. They argue that experiential learning is still the basic requirement for creating business and, therefore, for internationalization (Johanson & Vahlne, 2009). Partner firms still have to take part in an exchange which results in experience. This still takes time, and there is continuously some risk of failure (Johanson & Vahlne, 2009).

Johanson and Vahlne (2009) do agree, however, that the connection between psychic distance and the order of foreign markets entered has changed. They maintain that psychic distance is important, but admit that individuals or firms might have some general knowledge about foreign markets, giving them the confidence to cope with psychic distance (Johanson & Vahlne, 2009). Furthermore, it is the decision maker, not the firm, who impacts the psychic distance and order of foreign market entry (Johanson & Vahlne, 2009).

Naturally, the modified version of the model has several implications for the internationalization process. Firstly, internationalization is highly dependent on the firm's relationships and networks (Johanson & Vahlne, 2009). The firm is expected to internationalize because of relationships with important partners who are committed to developing the business through expansion abroad (Johanson & Vahlne, 2009). The firm might also follow its partners abroad if the partner has a valuable network, either due to potential opportunities abroad or because the partner wants the firm to follow in order to display commitment to the relationship (Johanson & Vahlne, 2009). Furthermore, the firm might choose where to internationalize based on both its own and its partner's view on the existence of opportunities (Johanson & Vahlne, 2009). This may be a market where the firm's partner has a strong position in or, in the absence of a partner, the focal firm might try to find a partner that is already established in the new market (Johanson & Vahlne, 2009). The last implication of the revised model is that the establishment of relationships is best facilitated by short psychic distance, which in turn is important for identifying and exploiting opportunities (Johanson & Vahlne, 2009).

2.1.1.1 The Role of Knowledge in the Uppsala Model

The Uppsala model concentrates on the description of the internationalization process and its dynamics, and knowledge is a key part of that. It is the driving force of the Uppsala model due to its position as one of the state aspects - market knowledge. Market knowledge is directly related to the other state aspect, market commitment, and is also the input of the change aspect commitment decisions, hence playing an important role. Johanson and Vahlne (1977) choose not to define market knowledge, instead breaking it down into several types of knowledge.

The first type of knowledge is classified based on the way knowledge is acquired. One type, objective knowledge, can be taught. The other type is called experiential knowledge, and can only be acquired through experience (Johanson & Vahlne, 1977). The second type of knowledge mentioned in the Uppsala model is also left undefined, merely broken down into general knowledge and market-specific knowledge (Johanson & Vahlne, 1977). The first is concerned with marketing methods and knowledge about customers unrelated to their location and therefore not market-specific (Johanson & Vahlne, 1977). The latter, on the other hand, is concerned with the specific characteristics of a foreign market.

According to Johanson and Vahlne (1977), experiential knowledge is the most critical type of knowledge in the context of internationalization as it cannot be acquired as easily as objective knowledge. This is due to the fact that this kind of knowledge can only be acquired through foreign operations. Furthermore, experiential knowledge provides a concrete feel for opportunities whereas objective knowledge merely provides theoretical opportunities for the firm (Johanson & Vahlne, 1977).

Experience is broken down into firm experience and market experience. Firm experience signifies the experience gained from a firm's current activities, while market experience can be gained through hiring personnel with experience (Johanson & Vahlne, 1977). Although both general and market-specific knowledge are important when internationalizing, market-specific knowledge can only be acquired through experience in the market, which is why it is seldom readily available (Johanson & Vahlne, 1977). This is also why the internationalization process is assumed to be slow and incremental (Johanson & Vahlne, 1977).

In the 2009 version of the Uppsala model, knowledge also plays an important role. Not only is it seen once again in the state variable of knowledge opportunities, but the role of knowledge runs through other parts as well, such as opportunity creation as well as trust and commitment building. It is argued that opportunity development stems from the interaction between partners who then develop knowledge together and build trust and commitment further in regards to their relationship (Johanson & Vahlne, 2009). It is further explained that trust is a salient element for successful learning and the creation of new knowledge (Johanson & Vahlne, 2009). It is even claimed that trust can be a substitute for knowledge, for example by a firm letting a middle-man run its foreign operations when there is a lack of market knowledge (Johanson & Vahlne, 2009).

Johanson and Vahlne (2009) still consider experiential knowledge to be the most important, but acknowledge other types of knowledge acquisition, for example through search as well as through the imitation or acquisition of firms. In this sense, the knowledge creation process is embedded in the activities of business relationships. Knowledge accumulates from both the firm's and its partner's actions, and because the partner also has its own set of relationships, the firm is indirectly involved in a knowledge creation process that can go on indefinitely (Johanson & Vahlne, 2009).

Furthermore, Johanson and Vahlne (2009) describe how firms can create new knowledge through exchange of information within its network of interconnected relationships. The concept of relationship-specific knowledge is introduced, which refers to knowledge developed through the interaction between two firms (Johanson & Vahlne, 2009). According to Johanson and Vahlne (2009, p. 1416), this means that the creation of knowledge "is not only a matter of learning extant knowledge from other actors. The interaction between a buyer's user knowledge and a seller's producer knowledge may also result in new knowledge". Additionally, it is proposed that knowledge development stemming from relationships is superior to market research because of heterogeneity and the unavailability of information as opposed to the knowledge from the insiders within the network of relationships in a market (Johanson & Vahlne, 2009).

Johanson and Vahlne (2009) acknowledge that organizational learning is much more complex than assumed in the 1977 model, but stand by their goal for the Uppsala model to be a general model that simply tries to explain central elements rather than describe the complex reality . Therefore, the Uppsala model is simply not able to consider all kinds of knowledge that might be relevant. Even so, the authors agree that non-experiential knowledge, such as the acquiring of other firms, searching and imitation, may complement experience on different occasions (Johanson & Vahlne, 2009).

In sum, Johanson and Vahlne (1977) consider knowledge to be a critical resource. They suggest that the better the firm's knowledge about a market, the more committed a firm will be to the market (Johanson & Vahlne, 2009). Consequently, even after different types of knowledge are introduced in the updated Uppsala model, they surmise that experiential learning continues to be the principal component of internationalization (Johanson & Vahlne, 2009), despite the advances in organizational learning theory.

2.1.2 Born-Global Literature

Another prominent stream of internationalization research is born-global literature. The concept of born-globals was first established by Knight & Cavusgil (2004). However, prior to this, McDougall, Shane and Oviatt (1994) had introduced the term international new ventures. The definitions of the two concepts are very similar, and for the purposes of this paper, they will therefore both be considered part of the born-global literature.

2.1.2.1 International New Ventures

McDougall, Shane and Oviatt (1994) were one of the first to challenge the traditional internationalization theories. They found that young firms, which they call international new ventures (INVs), could internationalize early and often not as incrementally as suggested by, for example, Johanson and Vahlne (1977). They define INVs as firms who from their founding moment search for considerable competitive advantage from the use of resources and the sale of outputs in several countries (McDougall, Shane & Oviatt, 1994).

McDougall, Shane and Oviatt (1994) examine five generally accepted internationalization theories in their study and suggest that these models failed to explain the internationalization process of these new types of firms. The main reason for this is that the older models tend to concentrate on firm-level analysis of large, mature firms instead of performing small group analysis of entrepreneurial firms and their social networks and business alliances, therefore missing the nuances of the individuals in the company and their effect on the internationalization process (McDougall, Shane & Oviatt, 1994).

To explore their idea of INVs, McDougall, Shane and Oviatt (1994, p. 470) tried to answer three questions: "Who are the founders of INVs?", "Why do these entrepreneurs choose to compete internationally rather than just in their home countries?" and "What form do their international business activities take?". Briefly summarized, the authors found that founders of INVs are usually individuals who spot unique opportunities based on their own previous knowledge and networks (McDougall, Shane & Oviatt, 1994). The reason such firms choose to internationalize early is to avoid path-dependence on domestic competencies, and create international business competencies (McDougall, Shane & Oviatt, 1994). Lastly, INVs usually use hybrid governance structures to internationalize to tackle the lack of resources during a cash flow heavy formation process (McDougall, Shane & Oviatt, 1994).

2.1.2.2 Born-Globals

Born-globals are defined by Knight and Cavusgil (2004) as business organizations that are in search of superior international business performance right from the time of founding by applying knowledge-based resources to the sale of outputs in several countries. Born-globals internationalize relatively quickly, usually within 3 years or less after domestic establishment (Knight & Cavusgil, 2004). The distinguishing features of born-globals are their youth, small size, lack of experience and tangible resources, and more importantly their international entrepreneurial orientation, which consists of distinctive entrepreneurial competences and perspective, and international marketing orientation, which consists of a mindset that highlights value creation through marketing for foreign customers (Knight & Cavusgil, 2004). Furthermore, managers of such firms usually have a global mindset, and the firms demonstrate a strongly innovative nature which supports the development of particular types of knowledge which aid the development of organizational capabilities (Knight & Cavusgil, 2004). These capabilities drive early internationalization and success in a diverse range of foreign markets (Knight & Cavusgil, 2004).

Knight and Cavusgil (2004) argue that globalization and technological advances have reduced business transaction costs and made internationalization a cost-effective option. However, what truly causes born-globals to internationalize early, and succeed in doing so, is their ability to sustain innovation and consequently create new knowledge (Knight & Cavusgil, 2004). This then results in "the development of organizational capabilities, consisting of critical competencies and embedded routines" (Knight & Cavusgil, 2004, p. 126).

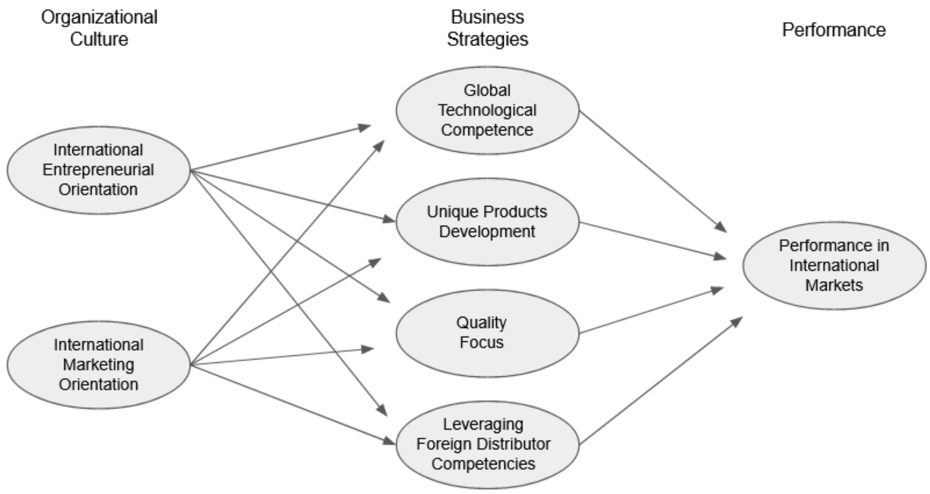

Figure 3 Conceptual Framework of Constructs and Linkages (adapted from Knight & Cavusgil, 2004)

Knight and Cavusgil (2004) argue that the small size of born-globals gives them the flexibility and agility to conquer bureaucracy and be free of strongly embedded managerial infrastructure, subsequently allowing early and rapid internationalization. The organizational culture of born-globals is affected by their international entrepreneurial orientation. This, in turn, is reflected by the innovation-oriented nature of management which leads to high quality products that are distinctive, advanced and associated with international success (Knight & Cavusgil, 2004). Furthermore, the international marketing orientation of firms leads to improvisation of customer knowledge, product development and adaptation and targeting of forein customers (Knight & Cavusgil, 2004).

When it comes to strategy, Knight and Cavusgil (2004, p. 136) explain that "global technological competence, quality focus, and leveraging foreign distributor competencies all appear to be significant drivers of superior performance overseas". Born-globals are therefore able to perform in niche markets globally. Additionally, born-globals achieve superior performance through relationships with foreign distributors, which can be a key strategy to target countries worldwide with limited traditional resources (Knight & Cavusgil, 2004). These distributors can provide local knowledge and aid in collecting market intelligence, creating links with foreign contacts and developing new customer segments (Knight & Cavusgil, 2004).

2.1.2.3 The Role of Knowledge in Born-Global and INV Literature

McDougall, Shane and Oviatt (1994) do not define knowledge in their research paper, nor do they explicitly address knowledge acquisition. Implicitly, however, the authors discuss the superior information that the founders of a firm may have and subsequently use to create opportunities which can be profitable (McDougall, Shane & Oviatt, 1994). These opportunities are influenced by the previous experience of the firm's founders, which sometimes may come in the form of a network that supplies critical business knowledge (McDougall, Shane & Oviatt, 1994). Although not explicitly stated, the authors seem to favor the unique pre-existing knowledge and networks of the founders, explaining how this is one of the aspects that has a major impact on the internationalization process of the international new ventures.

It is argued by Knight and Cavusgil (2004) that knowledge is the most important resource for the firm, and that the assimilation of the specialized knowledge of individuals is the backbone of organizational capabilities. They assert that born-globals leverage knowledge, along with innovativeness and capabilities, to successfully enter foreign markets near their founding. More specifically, firms create new knowledge through sustained innovation, which creates organizational capabilities that include important competences and embedded routines (Knight & Cavusgil, 2004). Furthermore, Knight and Cavusgil (2004) argue that there is a direct link between organizational knowledge and overall firm performance.

Additionally, Knight and Cavusgil (2004) note that knowledge is involved in customer value creation, which is affected by the nature of the firm's organizational routines. These involve turning tacit knowledge in individuals into business activities. This mechanism is further enhanced by the born-global firm's innovative culture, which aids knowledge acquisition and creation of capabilities that facilitate internationalization and improve organizational performance.

It therefore appears that, according to Knight and Cavusgil (2004), knowledge is a key resource closely connected to the innovative and organizational capabilities of the firm. Knowledge aids in the creation of these capabilities, which then become embedded in the firm's organizational culture. As this creates a unique configuration of resources, the firm is able to internationalize rapidly, despite lacking traditional resources.

2.2 Knowledge Acquisition

The focus of this paper is not so much on the nature of knowledge itself as it is on the way in which said knowledge is acquired by firms. For this reason, Huber's (1991) concept of knowledge acquisition is of extremely high relevance. In the context of organizational learning, this can be defined simply as "the process by which knowledge is obtained" (Huber, 1991, p. 90). It can be divided into five sub-constructs, each of these representing different ways in which organizations gain knowledge: Congenital learning, experiential learning, vicarious learning, grafting, and searching or noticing (Huber, 1991). This section will introduce these terms, which will subsequently provide the foundation for the analysis of case material later in this paper.

2.2.1 Congenital Learning

The congenital knowledge of an organization can be defined as "a combination of the knowledge inherited at its conception and the additional knowledge acquired prior to its birth" (Huber, 1991, p. 91). Thus, congenital knowledge is defined solely by the time of acquisition, meaning it can actually occur through any other type of knowledge acquisition. This may include vicarious learning, grafting or searching that occurs before the firm is officially established (Huber, 1991). Congenital learning can therefore refer to knowledge acquired by the firm's founders individually before the firm's conception, or even knowledge acquired by the firm before it has been officially established. In this sense, it is both easy and difficult to differentiate between congenital learning and the other knowledge acquisition types. On the one hand, the definition of congenital knowledge is rather straightforward: any knowledge acquired before the firm's birth. On the other hand, how this knowledge is actually acquired is left unaddressed and thus, other than congenital and experiential learning, the definitions of the types of knowledge acquisition are not mutually exclusive.

2.2.2 Experiential Learning

Experiential learning is a facet of knowledge acquisition which, as opposed to congenital learning, takes place after the firm's birth. It can be defined as the knowledge an organization obtains through direct experience, and may be systematic or unsystematic, though usually the latter (Huber, 1991). Experiential learning can be further divided into five subprocesses: Organizational experiments, organizational self-appraisal, experimenting organizations, unintentional or unsystematic learning, and experience-based learning curves (Huber, 1991). However, most commonly, experiential learning takes place unsystematically as the firm learns from its experience in international markets (Huber, 1991).

2.2.3 Vicarious learning

Huber (1991) defines vicarious learning as learning through other organizations. This may include learning about their strategies, practices and technologies (Huber, 1991). Imitation is one type of vicarious learning, and may differ in usefulness depending on the organization's environment. In particular, fast-paced, competitive industries may render mimicry less effective as there is a time lag in learning by imitation (Huber, 1991). Additionally, firms can engage in vicarious learning through direct interaction with other parties. Worth noting is the fact that experiential learning, too, can result from engaging in relationships, perhaps suggesting that the knowledge acquisition types are not actually defined solely by their source.

2.2.4 Grafting

Grafting involves gathering knowledge through “acquiring and grafting on new members who possess knowledge not previously available within the organization” (Huber, 1991, p. 97). A large-scale example of grafting is the acquisition of one firm by another (Huber, 1991). Based on the concept’s definition, however, the hiring of new employees with the intent of accessing their prior knowledge can also be considered grafting. Much like congenital knowledge, grafting can incorporate other knowledge acquisition types, as long as the knowledge is accessed by the firm through new employees.

2.2.5 Searching and Noticing

Searching and noticing may be the form of knowledge acquisition most commonly used on a conscious level by managers (Huber, 1991). It can be looked at through three subprocesses: scanning, focused search and performance monitoring (Huber, 1991). Scanning focuses on looking for threats or opportunities in the firm’s broad external environment, while focused search, as the name indicates, involves a focused search on a narrower area of the firm’s internal or external environment (Huber, 1991). Performance monitoring centers around observing the firm’s success in reaching its targets , which may be broad or narrow as well as internal or external (Huber, 1991).

Knowledge acquisition through searching and noticing may also occur with a goal unrelated to learning in mind. For instance, members of an organization may feel the need to gather information in order to justify decisions to other members (Huber, 1991). Thus, it could be argued that this type of knowledge acquisition occurs also on a subconscious level and may not always lead to learning.

2.3 Knowledge Acquisition and Internationalization

This section will give a detailed overview of prior research on the role of each of Huber’s (1991) knowledge acquisition types on firm internationalization. Furthermore, literature suggesting possible interactions between the knowledge acquisition types will be addressed.

Literature included in this section will reappear when discussing the findings of this study to reflect upon similarities and differences.

2.3.1 Congenital Learning and Internationalization

Oviatt and McDougall (2005) suggest that firms with founders who have experience living abroad or working internationally are likely to internationalize faster. It is theorized that these firms have a higher absorptive capacity than firms whose founders lack such international experience and are thus more likely to recognize international opportunities (Oviatt & McDougall, 2005; Fernhaber, McDougall-Covin & Shepherd, 2009). As they have international experience, they are also less hesitant to pursue the international opportunities they come across (Oviatt & McDougall, 2005; Sapienza, Autio, George & Zahra, 2006). Furthermore, prior experience of managers decreases the costs associated with trial and error when entering international markets, while also reducing the time needed to arrive at solutions, thus lessening the risk of missing opportunities (Sapienza et al. 2006).

Congenital knowledge may also affect internationalization by contributing with preexisting networks for the firm to use (Sapienza et al. 2006). Casillas, Moreno, Acedo, Gallego and Ramos (2009) propose that existing membership in networks by a firm's management is positively related to internationalization as it improves their ability to recognize international opportunities. Thus, it seems that prior international experience of founders or managers may also help a firm's internationalization through easier access to networks.

Bruneel, Yli-Renko and Clarysse (2010) assert that young firms may compensate for their lack of experience with congenital learning. They found that the effect of congenital learning on internationalization was higher the less experiential knowledge the firm had. This suggests a potential short-term impact of congenital learning on firm internationalization, which diminishes as the firm gains experiential knowledge (Bruneel, Yli-Renko & Clarysse, 2010).

The time-boundedness of congenital learning suggested by Bruneel, Yli-Renko and Clarysse (2010) has been reiterated by several other researchers. It is often argued that congenital learning is most used in the earliest stages of a firm's internationalization and is later substituted with other forms of knowledge acquisition (Sapienza et al. 2006; Casillas, Barbero

& Sapienza, 2015; Pellegrino & McNaughton, 2015; Pellegrino and McNaughton, 2017). Pellegrino and McNaughton (2017) suggest that the main difference in the learning of incrementally and rapidly internationalizing firms is found in the pre-internationalization stage, where the former relies on experiential learning and the latter on congenital learning. It is argued that their learning types converge in the early and late stages of internationalization, and therefore that the rapidly internationalizing firm no longer relies on congenital learning after the pre-internationalization stage. Thus, this coincides with Bruneel, Yli-Renko & Clarysse's (2010) assertion that the effect of congenital learning on internationalization diminishes over time and is eventually substituted with experiential learning from first-hand international experience (Pellegrino & McNaughton, 2017).

There are several explanations as to why congenital learning may have a central role only at the initial stages of firm internationalization. Casillas, Barbero and Sapienza (2015) suggest that knowledge acquired through congenital learning may appear to lose relevance over time. Because congenital knowledge is, by definition, obtained prior to a firm's birth, it is inherently time-bound in a way that other forms of knowledge acquisition are not; it is impossible for a firm to gather new congenital knowledge in the later stages of internationalization. Thus, in an ever-changing business environment, it may not be too surprising for congenital knowledge to eventually be substituted with more recently gained knowledge.

Pellegrino and McNaughton (2017) offer an additional, or alternative, explanation for the diminishing importance of congenital learning over time. It is proposed that, since certain types of learning are more costly to engage in than others, the type of learning used by firms will be influenced by the availability of resources. Due to the fact that its cost is incurred before the birth of the firm, congenital learning is among the cheaper types of learning (Pellegrino & McNaughton, 2017). It is thus implied that a potential reason that firms engage in congenital learning during the earliest stages of internationalization is that they lack the resources to engage in, for instance, experiential learning and grafting. This also helps explain why such firms may later substitute congenital learning for experiential learning, as they have then gained the resources required to do so.

2.3.2 Experiential Learning and Internationalization

It has been claimed that experiential learning is the most salient type of knowledge acquisition, especially during the later stages of a firm's internationalization. Pellegrino and McNaughton (2015) suggest that while other types of knowledge acquisition may initially be in focus, experiential learning gains significance in the later stages of internationalization. Similarly, according to Pellegrino and McNaughton (2017), incrementally and rapidly internationalizing firms only differ in their pre-internationalization phase learning, while adhering to similar patterns in the early and late phases, where experiential learning takes on a key role.

Bruneel, Yli-Renko and Clarysse (2010) found empirical support for the effect of experiential learning on the extent of internationalization in young technology-based firms. Similarly, Puthusserry et al. (2020) found that through experience in international markets, firms develop learning capabilities which then help them in their continued expansion. This means that firms with prior experience are better at navigating cultural differences and building relationships in foreign markets (Puthusserry et al. 2020). Additionally, experiential learning improves the firm's ability to recognize cross-border acquisition opportunities (Buckley, Munjal, Enderwick & Forsans, 2016) and may also facilitate non-experiential knowledge acquisition (Buckley et al. 2016).

However, some research has found little to no effect of experience on internationalization. For instance, Autio, Sapienza and Almeida (2000) found that years of foreign operating experience had no impact on foreign growth. Conversely, the idea of learning advantages of newness was introduced. Such advantages suggest that since younger firms are more flexible, they can more readily acquire the capabilities necessary to succeed in foreign markets (Autio, Sapienza & Almeida, 2000).

Eriksson, Johansson and Majkgård (1997) suggest that experiential knowledge is not market-specific but rather firm-specific, and can therefore be applied to any country. However, the extent to which experiential knowledge is transferable across markets has been debated upon. For instance, Hilmersson and Jansson (2012) found an insignificant effect of experiential internationalization knowledge on uncertainty reduction.

2.3.3 Vicarious Learning and Internationalization

Oviatt and McDougall (2005) suggest that networks are a key factor affecting the speed of a firm's internationalization, as they determine how quickly a firm can exploit an international opportunity upon discovery. Strength, size and density of these networks are therefore considered significant determinants of internationalization speed. In the case that a firm or its founders has preexisting network ties, this enables the firm to internationalize more quickly than if such ties have not yet been established (Oviatt & McDougall, 2005). The importance of networks in internationalization is also emphasized by Puthusserry et al. (2020).

Fernhaber, McDougall-Covin and Shepherd (2009) found a positive relationship between the international knowledge of a new venture's external sources and the new venture's level of internationalization. Relationships studied were those with alliance partners, venture capital firms, and firms in close proximity. All three of these external knowledge sources were found to contribute to knowledge acquisition in the studied firms, illustrating that several kinds of relationships have the potential to contribute with knowledge to internationalizing firms (Fernhaber, McDougall-Covin & Shepherd, 2009). Similarly, Milanov and Fernhaber (2014) suggest that new firms' international intensity is affected by the international experience of domestic partner firms. This indicates that not only relationships with foreign partners are valuable - internationally experienced domestic partners, too, can contribute with knowledge beneficial to a firm's internationalization.

Bruneel, Yli-Renko and Clarysse (2010) found a relationship between interorganizational learning and the extent of internationalization. Several key exchange partners, including suppliers, customers, commercial partners, technology development partners, and investors, were found to contribute to such learning (Bruneel, Yli-Renko & Clarysse, 2010). Interorganizational learning includes vicarious learning (Bruneel, Yli-Renko & Clarysse, 2010), indicating that vicarious learning, too, may have a positive impact on the extent of internationalization.

Ali et al. (2020) argue that vicarious learning improves the absorptive capacity of firms, as well as affecting the firm's overall performance. Specifically, it is suggested that firms should learn from the past success of local firms and seek long-term reciprocal relationships with them (Ali et al. 2020). Jiménez and de la Fuente (2016), however, argue that firms can learn vicariously from other firms' failures as well as their success.

Oviatt and McDougall (2005) differentiate between strong and weak network ties, and argue that the latter are more beneficial to a firm's internationalization. Customers, suppliers and other relationships that do not require extensive investments are listed as important weak network ties. Further emphasized is the importance of relationships with those referred to by Oviatt and McDougall (2005) as brokers. These are parties that act as the middle-man of a relationship, enabling indirect ties between other actors (Oviatt & McDougall, 2005). One reason that weak network ties are especially important to a firm's internationalization speed is the fact that they can be easier to establish than strong ties (Oviatt & McDougall, 2005). However, contrary to this argument, Ali et al. (2020) suggest that firms should establish strong ties with local partners in order to benefit as much as possible from the partner's knowledge.

Young firms may use interorganizational learning to compensate for lack of experiential knowledge when internationalizing (Bruneel, Yli-Renko & Clarysse, 2010). Based on the findings of their study, Bruneel, Yli-Renko and Clarysse (2010) argue that the effect of interorganizational learning on the extent of internationalization is stronger for firms with less first-hand experience. It is emphasized, however, that interorganizational learning does not cease to exist in the firm's later internationalization; its influence merely takes a backseat to experiential knowledge as the latter is more easily acquired (Bruneel, Yli-Renko & Clarysse, 2010).

Bruneel, Yli-Renko and Clarysse (2010) suggest a potential explanation for the diminishing effect of interorganizational, and thus also vicarious, learning. It is proposed that relationships are costlier and more difficult for firms to engage in than the internal generation of knowledge. This concurs with Oviatt and McDougall (2005), who note that strong network ties require investment and maintenance. This could explain why firms may steer away from vicarious learning when they start gaining first-hand experience. Notably, however, this seems contradictory to the idea that younger firms rely more on vicarious learning than older firms do, since younger firms typically have more limited resources available than older firms.

2.3.4 Grafting and Internationalization

According to Loane, Bell and McNaughton (2007), management teams are formed from the beginning, especially in knowledge-based firms, but are generally augmented through grafting to compete successfully in a complicated international and technological environment, especially when it comes to internationalization. Loane, Bell and McNaughton (2007) found that firms hire new employees in order to fill perceived capability gaps. Grafting was mainly done to gain knowledge of international markets, contacts through a new business network, technical capabilities or to get access to financial resources (Loane, Bell & McNaughton, 2007).

Gabrielsson, Kirpalani, Dimitratos, Solberg and Zucchella (2008) also found that because born-globals tend to concentrate on entrepreneurial learning and collecting market-related intelligence, the firm either needs an experienced founder or has to acquire such experience relatively early. Hiring personnel with the needed experience was found to support rapid organizational learning and build closeness with customers within the organization (Gabrielsson et al. 2008). Similarly, Fletcher and Harris (2012) suggest that smaller firms use recruitment to acquire indirect experience.

Lastly, it has been proposed that grafting is more prominent in the post-entry stage of internationalization (De Clercq et al. 2012). Furthermore, grafting seems to be well-suited for rapid learning when it comes to internationalization (De Clercq et al. 2012). This is because it allows firms to obtain knowledge quickly through external recruiting.

2.3.5 Searching/Noticing and Internationalization

It should be noted that searching and noticing can take on different names in the literature, but with similar meanings (De Clercq et al. 2012). For example, searching and noticing can be linked to concepts such as learning orientation, entrepreneurial orientation or marketing orientation, all of which emphasize searching for new information, opportunities and new markets (De Clercq et al. 2012). According to De Clercq et al. (2012), only a small number of papers have examined how searching or noticing has influenced the internationalization process of firms. Even so, there are studies which touch upon searching indirectly, and sometimes inadvertently. Interestingly, these tend to reach similar conclusions.

Firms that have entrepreneurial orientation are more likely to internationalize. For example, Chandra, Styles and Wilkinson (2009) found that firms with entrepreneurial orientation are usually innovative and open to international opportunity, even if they may not deliberately search for such opportunities. Additionally, based on Chandra, Styles and Wilkinson's (2009) empirical observations, these types of firms are more likely to internationalize early.

Burpitt and Rondinelli (1998) suggest that firms with learning orientation as opposed to economic orientation are more likely to search for opportunities and expand into foreign markets. This is because they perceive internationalization as an experience they can learn from. Firms with economic orientation, on the other hand, simply see it as a threat to profits (Burpitt and Rondinelli, 1998).

Similarly, Zhou (2007) finds that searching is part of entrepreneurial proclivity, which is composed of the proactiveness, risk-taking and innovativeness of firms. Zhou (2007) argues that entrepreneurial proclivity promotes acquisition of knowledge through market scanning and provides a foundation of knowledge from experimentation. Firms with this proclivity tend to be forward-looking and have the tendency to take initiative to anticipate rising opportunities in the marketplace. This gives rise to more information-scanning activities which help rapidly build a knowledge base to tackle the external market environment, and subsequently internationalize early (Zhou, 2007).

2.3.6 Interactions Between Knowledge Acquisition Types in Internationalization

The relationship between congenital learning and vicarious learning is unclear. Fernhaber, McDougall-Covin and Shepherd (2009) found vicarious learning to be most beneficial to firms with less preexisting international knowledge, suggesting that firms rely less on vicarious learning when they have extensive congenital knowledge. In other words, it seems that congenital knowledge may moderate the effect of vicarious learning on a firm's internationalization, and that the two types of learning may serve as substitutes to one another. On the other hand, it is suggested by Sapienza et al. (2006) that congenital knowledge can contribute with pre-existing networks for the firm to use, which seems to suggest that congenital knowledge could potentially facilitate vicarious learning. This seems to contradict Fernhaber, McDougall-Covin and Shepherd's (2009) argument.

2.4 Chapter Summary

This chapter introduced two of the main streams of internationalization research, the Uppsala model (Johanson & Vahlne, 1977; 2009) and the born-global/INV literature (Knight & Cavusgil, 2004; McDougall, Shane & Oviatt, 1994). Due to the fact that knowledge plays a key part in each of these theories, Huber's (1991) knowledge acquisition types were introduced. Then, literature exploring the role of these knowledge acquisition types in firm internationalization was examined. Literature included in this chapter will later form the basis of this paper's analysis and discussion.

3 Method

This chapter will present the research design and data collection of the current study. Furthermore, the process used to analyze the data will be explained, and the validity and reliability of the collected data will be addressed. Finally, limitations of the study will be discussed.

3.1 Research Approach

In order to explore the role of knowledge acquisition in the internationalization of digital SMEs, a qualitative case study was conducted using abductive reasoning with a deductive focus. According to Bell, Bryman and Harley (2019), abductive reasoning is used to overcome the limitations of deductive and inductive approaches. As the themes of the thematic analysis in this study were formed by the literature rather than the data, the goal of the research was not to build theory. Therefore, inductive reasoning was not used. However, the strict logic of theory testing using hypotheses, as per the deductive approach, was avoided as well in order to allow the potential discovery of new themes in the data.

Furthermore, Mantere and Ketokivi's (2013) interpretive research approach, which involves the production of reflective narratives by utilizing the dialogical process between the theory and data, was used. This approach is further complemented with Shepherd and Suddaby's (2017) iterative cycles of engagement with literature which aided the study of empirical evidence to enable theoretical exploration of the data. The goal was to avoid creating explanatory generalizing models and instead focus on the intricacies of each individual case.

In terms of ontological considerations, this study took the position of constructivism, where the organization, culture and other phenomena are considered socially-constructed entities, made real by the actions and understandings of humans (Bell, Bryman & Harley, 2019). This approach was chosen because the definitions of the concepts of this study, such as internationalization, knowledge and knowledge acquisition, are strongly affected by the underlying assumptions of the actors involved and cannot be defined in a uniform way. As an example, internationalization in this study is first defined according to Johanson and Vahlne (1977; 2009) and then revised by differing views of the process by McDougall, Shane and Oviatt (1994) and Knight and Cavusgil (2004). This emphasizes the fact that the researcher always presents a particular interpretation of social reality, as opposed to one that can be considered as definitive (Bell, Bryman and Harley, 2019).

Regarding epistemological considerations, interpretivism is applied because the purpose of this study was to understand human behavior in the context of knowledge acquisition in the process of internationalization, while taking into consideration the differences between people and the objects of natural sciences (Bell, Bryman & Harley, 2019). According to Bell, Bryman and Harley (2019), this interpretative approach concentrates on the conceptions of social actors and suggests that understanding has to stem from the experience of those who work in organizations. Similarly, in this study, interviews were conducted with members of the case firms to understand their experiences of knowledge acquisition in the internationalization processes of their respective organizations.

3.2 Research Design

The goal of this study was to understand the unique circumstances and characteristics of knowledge acquisition in each firm's internationalization. Therefore, an intrinsic case study was conducted on two firms. This research design allows for in-depth study of a case firm with the purpose of understanding the complex and unique situation of the case, rather than falling into the pitfall of trying to gain insight about generic problems (Bell, Bryman & Harley, 2019).

The case study approach was complemented with thematic analysis of the data. According to Bell, Bryman and Harley (2019), thematic analysis is one of the most frequently used approaches to qualitative data analysis. One of the main strengths of this approach is its inherent flexibility, enabling data-driven analysis of themes but also the use of data to explore particular theoretical ideas (Braun and Clarke, 2013). Both of these approaches were used in this study, in order to understand the internationalization process and knowledge acquisition in relation to the literature review but also to allow freedom to discover new themes.

What Braun and Clarke (2013) refer to as complete coding was used initially, to understand the data set and identify protruding themes. This was followed by selective coding, which was based on the theoretical concepts introduced in the literature review, forming researcher-derived codes, which as Braun and Clarke (2013) explain, allow for analysis of theoretical interpretations of the data, which are not always explicit.

3.3 Data Collection Method

3.3.1 Selection of Case Firms

Case firms were selected from a list of 121 Stockholm-based startups (Seedtable, 2021). This list was chosen due to the fact that it provided a comprehensive, up-to-date overview of Swedish start-ups, many of these being digital SMEs. This list was then narrowed down to the firms which were entirely digital, had internationalized, and fulfilled the SME criteria of 250 or fewer employees, as per the European Commission (2003). These firms were contacted by email and asked if somebody knowledgeable about the firm's experience in foreign markets would be willing to participate in an interview over video call. Once they had agreed to participate, each interviewee received a set of preliminary questions to make sure they understood the intent of the study and to allow them to prepare for the interview.

It should be noted that one interviewee requested for their firm to remain anonymous. For the purpose of consistency, both firms will therefore be anonymized. Throughout the paper, they will be referred to as Firm 1 and Firm 2.

3.3.2 Primary Data Collection

Primary data was gathered through interviews with a representative from each case firm. Both interviewees were executives knowledgeable about the internationalization of their firm. A date and time for each interview was scheduled based on the interviewee's availability and preference. Interviews were held over Zoom in April and May of 2021. The interviews were semi-structured and centered around questions from an interview guide created on the basis of the relevant literature (Appendix A). Semi-structured interviews provide greater flexibility for the researcher compared to structured interviews (Bryman & Bell, 2011), which was the main reason behind this choice of method. Questions were adapted depending on topics that arose during the interview and interviewees were free to go beyond the interview questions.

After permission was granted by the interviewee, each interview was recorded for transcription purposes. Interviewees were given a brief introduction to the researchers and the purpose of the study, and were given the chance to ask questions. Then, the interview commenced and questions were asked primarily based on the guide to ensure all relevant topics were covered. Notes were taken during each interview, in case recordings were to malfunction. Recordings were transcribed using online transcription services and proof-read multiple times to check for errors.

3.3.3 Secondary Data Collection

Relevant secondary sources were identified through a rigorous web search of each firm. Data was gathered from an array of news sources as well as from each firm's website. Since the secondary data centered around the case firms, the keywords used in the search engine to find relevant information consisted only of the firm names.

Due to the young age of both firms, secondary sources were not abundant. Therefore, every article found was reviewed for relevant information pertaining to internationalization or knowledge acquisition. The secondary data includes articles in both English and Swedish. Table 1 (Appendix B) presents the secondary sources used. In upcoming chapters, these will be referred to solely as Source 1, Source 2, and so forth. Detailed information has been excluded in order to ensure anonymity of the case firms, but each secondary source was downloaded and archived to ensure future availability.

3.4 Data Analysis

Interview transcripts were read several times to gain familiarity with the data and discover relevant themes and patterns. Themes were identified based on two elements: the internationalization theories examined in the literature review and the five knowledge acquisition types based on Huber's (1991) organizational learning theory. The identified themes were color-coded. Findings were discussed and revised in order to draw final conclusions based on the data and the literature review. Some knowledge acquisition types were categorized by a secondary trait, such as the type of relationship in the case of vicarious learning. Interactions between the types of knowledge acquisition were also noted. The color-coded data was then summarized into a table, which was used to describe and analyse the data. As a final step, the two case companies were briefly compared to each other to detect similarities and differences.

Much like the interviews, the secondary data was coded using thematic analysis, which centered around Huber's (1991) five knowledge acquisition types as well as internationalization themes. Secondary data also helped build the narrative of the two case firms by supplying information about the nature and operations of the firms. This was used to create an in-depth understanding of the complex and unique reality of each case.

3.5 Validity and Reliability

Validity involves the extent to which a source of measurement really measures the concept which it is supposed to be measuring (Bryman & Bell, 2011). In this qualitative study, the main point of investigation is the knowledge acquisition types as described by Huber (1991). The questions included in the interview guide constructed for this study were formulated based primarily on definitions of these concepts. Thus, there should be a fairly strong correspondence between the two. However, it is worth acknowledging that in interviews, what is really measured is the interviewee's subjective experience. That is, while the main point of interest of this study is the firm's experience as a whole, the fact that only one representative from each firm was interviewed means the data might be subject to bias. This may reduce the validity of the study. In an attempt to counter this issue, interview data was complemented with secondary data.

Generalizability is often a central point of discussion when analyzing the validity of a case study (Bryman & Bell, 2011). Due to this study's limited sample size, generalizability is inherently low. However, it should be noted the aim of the study is not to generalize any findings, but rather to give an in-depth view of these particular firms' experiences in their unique context. On the other hand, it is possible that insights derived from this research could be applied to firms similar to those studied here.

Reliability revolves around consistency and refers to several factors, including replicability and inter-observer consistency (Bryman & Bell, 2011). The reliability of this study is limited by its methodology, as semi-structured interviews have lower reliability than structured interviews (Bryman & Bell, 2011). Additionally, interview data is subject to interpretation by researchers. However, the method was chosen due to the benefits resulting from the very elements compromising its reliability and validity. For instance, a semi-structured interview leaves room for the researcher to vary the order and wording of questions, and to add follow-up questions during the course of the interview (Bryman & Bell, 2011). While this lack of standardization reduces reliability, it also provides flexibility and an opportunity to venture beyond predetermined questions to avoid missing information.

With this in mind, measures were taken in order to increase the replicability and therefore also the reliability of this study. Detailed description of the study's research design is included, as well as the interview guide used for both interviews (Appendix A). This ought to clarify, in detail, the process through which primary data was collected, enabling it to be replicated as closely as possible. Furthermore, inter-observer consistency was accounted for by each observer first coding the data individually, before comparing these interpretations to ensure they did not differ between observers.

3.6 Limitations

The methodology of this study is subject to a number of limitations. Firstly, interviewees may have been reluctant to share potentially negative aspects of their firm's internationalization. They may also not have wanted to discuss topics revealing too much of their firm's strategy. On a similar note, interviews may also be subject to error due to the retrospective nature of most questions. However, these limitations have, to an extent, been addressed by complementing the interview data with secondary data from news sources.

Additionally, interviews were conducted with one representative from each case firm. This decision was made with the small size of the firms in mind; since both are SMEs with a small number of employees, it seems reasonable for a single interviewee to have fairly comprehensive knowledge of the firm and its internationalization. Furthermore, each interviewee was an executive involved in, and knowledgeable about, their respective firm's internationalization. Despite this, it is worth acknowledging that information may have been missed. Similarly, an interview inherently relies on the subjective experience of the interviewee and, in that sense, data may be biased. However, once again, secondary data was used in addition to interview data, which should address these limitations to some extent. Additionally, interviewees were sent outlines of interview content beforehand to give them the opportunity to consult colleagues should they wish to do so.

Furthermore, the data collected in this study is fairly dependent on the questions asked during the case interviews. Consequently, the data is, to a large extent, limited to that which fits within the theoretical framework used in the study, as this formed the basis of the interview guide. However, semi-structured interviews were used in order to leave room for follow-up questions. Additionally, interviewees were given the chance to give additional comments.

Despite its benefits, the use of semi-structured interviews also gives rise to certain limitations. For instance, although an interview guide with an outline of questions was used, interviews varied in terms of content and exact questions asked. This may limit the comparability of the cases. On the other hand, the themes covered in the interviews remain similar for both firms.

3.7 Chapter Summary

This chapter explained the method used for the current study, outlining the research approach and design, data collection method, and data analysis. Furthermore, the reliability and validity of the method was addressed, along with its limitations. The research approach of this study is abductive, while the research design consists of a dual case study. Thematic analysis is used to analyze the primary data, gathered through semi-structured interviews with a representative from each case firm; and the secondary data, consisting of various online articles.

4 Cases

This chapter will introduce the cases, describing each firm's history and internationalization process in detail. In the next chapter, these cases will then be analyzed and discussed in relation to the literature. As explained earlier in the paper, each case is based on both primary and secondary data. Unless otherwise stated, information included in this chapter is based on primary data from interviews with the case firms. Secondary sources will be clearly referenced using the names they were assigned in Chapter 3.

4.1 Firm 1 Case

Firm 1 is a Swedish technology start-up founded in 2014 (Source 1). It is one of the leading platforms providing the fundamental online esports infrastructure for all relevant user groups to gather, practice, or compete in esports (Source 1). The platform offers game integrations that automate complex tournament infrastructures, enabling gamers to participate in tournaments, competitions and leagues on various devices or consoles (Source 2). The aim of Firm 1 is to provide a space for community building for gamers on all levels, but also for organizers and game developers (Source 1). The company's core goal is to deliver the best competitive gaming experience for any game into people's homes, regardless of the player's experience or abilities - to create a fun and inclusive community (Source 3).

According to Source 4, the esports industry is unbalanced, with heavy investment in top-tier esports, which puts high pressure on high level players to succeed and ignores the growth potential in the lower levels of esports. Furthermore, the esports industry is built excessively around sponsorship, venture capital and advertising revenue, whereas consumer revenue and participation would make it more sustainable in the long run (Source 4). This is where Firm 1 steps in, with the goal of creating a sustainable platform which enables community building and monetization at scale for a variety of organizers (Source 1).

Currently, Firm 1 has about 40 employees and is physically active only in Sweden. Digitally, however, the firm is operating nearly all over the world, currently with a focus on Europe and the US. The only market that Firm 1 is currently closed to is China.

Various partnerships, including those with investors, have played an important role in Firm 1's growth right from the beginning. For example, in 2017, the company announced it had gathered a total of 1.3 million dollars from a variety of investors, including a world-renowned soccer player. This allowed the company to leverage its growth and persist in building solid relationships with brands, game developers and esports organizations (Source 5). In 2020, Firm 1 secured another 12 million dollars, the funding round led by a large innovation fund (Source 3). According to the co-founder, these funds were used to push towards the firm's goal of making esports accessible to regular players and tournament organizers, as well as for product development and further expansion into the United States (Source 6). Additionally, the company aimed to use the funding to integrate Firm 1 into the products with the help of developers while also allowing more brands, game developers, content creators and tournament organizers to reach, engage and monetize their target audience through esports (Source 6).

Firm 1 has collaborated with a variety of partners, among them the largest digital festival, a global football association and a famous esports team (Source 1), and just recently with a famous brand of energy drinks (Source 7). Partnerships are important for Firm 1 for several reasons. As explained by the chief business development officer (CBDO), partnerships help the firm overcome cultural and legal barriers while also helping the growth and establishment of Firm 1's brand in their respective countries. Furthermore, as a platform, Firm 1 needs both the demand and the supply side to grow. However, the supply side, in the form of tournament organizers, is particularly important in order to grow the firm's audience through events and competitions hosted by the supply side actors. Building trust and friendship, while also offering a suitable product, was the backbone for long-term contracts with these partners and investors, allowing the company to gain credibility. Having more partners opens Firm 1 up to more audiences that might use their product.

When asked about the reasons behind Firm 1's internationalization, the CBDO explained that the firm had plans to expand into foreign markets right from its conception, even when the founders were still figuring out the business model and building the technology. However, Firm 1 was initially active only in Sweden, primarily for testing purposes. This enabled the company to gain knowledge from its domestic experience which could, to some extent, be applied to future expansions.

The plan to expand abroad arose mainly from the tiny size of the Swedish market. The interviewee noted that out of the 10 million people in Sweden, only perhaps around half a million are competitive gamers who may be interested in Firm 1's product. Additionally, as a fully digital company, Firm 1 had very low costs to open up to the rest of the world, especially Europe, which meant expanding and thus increasing the addressable market was a logical choice. This seems reasonable considering that globally, 2.5 billion people play video games, and around 250 million of them watch professional esports tournaments (Source 2).

There was some international experience within Firm 1 prior to the firm's internationalization. The firm's CBDO mentioned that one of the company's founders had worked in a fairly international company, where according to the interviewee, this person had also handled some internationalization events. In addition, the CBDO believes that they were also hired in order to complement the knowledge of the founders when it came to the firm's first expansion into Europe. They had previous experience from working at a well-known digital streaming brand, where they led international marketing and also worked with internationalization and localization managers. In regard to how this prior knowledge affected the company's initial internationalization, the respondent said that having prior experience helped keep things such as cultural intricacies of different countries in mind: "How willing are people to open their wallets for your product? How are people going to react to your marketing? Again, you know, pricing, right – Pricing needs to be different for different markets."

As explained by the firm's CBDO, Firm 1 opened up to Europe first. This was mainly because legal matters were more easily handled there, including issues such as unfamiliarity with local laws regarding, for example, gambling. However, despite this, there are countries within Europe with significantly different cultures, which also pose a few challenges when expanding.

As Firm 1 gained experience in the European market, the company also collected data about its users. This was of paramount importance in learning about different markets and discovering behavioral patterns, as confirmed by the interviewee. Data helped the company to develop predictions about markets by comparing them to other, similar, markets. This data was also used to make predictions during the company's later internationalization, by comparing users from different markets to find comparable patterns based on, for example, paying behavior and purchasing power. The CBDO then provided an example of how this works in practice:

> [I]t is easy to assume that, in terms of playing and also buying behavior, a Brazilian will be much closer to a Russian user than to a Swedish user, just because the markets are very similar, the playing behavior is very similar, the purchasing power is very similar, and so on.

Firm 1's European expansion became a source of experience during the company's later expansion into the US. The interviewee explained that the firm spent a lot of time reflecting on what was done well during the European expansion and could be replicated, as well as what steps should be taken in the US based on the company's experience in Europe. Furthermore, the resources gained from the European expansion allowed the firm to try everything that went well in Europe all at once in the US, rather than one step at a time like in Europe.

Firm 1's CBDO believes that the biggest challenges for the firm in Europe were credibility and the building of the company's brand name. Additional challenges included the aforementioned cultural differences and legalities, as well as technical differences. The latter mostly involved differences in the technical infrastructure which would allow Firm 1 to effectively provide their product, such as payment methods.

Firm 1 announced its expansion into the US in 2021, as the company began working with local partners, such as a well-known amateur esports organization and a large Esports Association, while also hiring more employees from the local market (Source 8). According to the firm's CBDO, when expanding into the Americas, the situation was different compared to the European expansion. On the other hand, though, the main challenges remained almost the same, just on a different scale. The reason behind this was the relative similarity of the American market to the European market compared to, for example, the Asian market; Europe and America are more similar in terms of games and gaming styles, which are the most important factors for the company and their product offering. However, the building of relationships and brand name was, just like in Europe, a challenge. Legal and technical issues also remained relevant in the new market. However, experience gained in Europe helped the company replicate successful solutions.

There were several differences between Firm 1's European and American expansions. One of these was that in the second expansion, the company's network broadened to include universities, communes and influencers in addition to partnerships. Another difference was the amount of available resources. In the latter expansion, increased resources enabled the firm to hire additional employees to expedite the process. This included a marketing manager, a business intelligence team of two employees, people in charge of partnership management, and people from local markets. This allowed the firm to have much more focus and make deliberate decisions, as explained by the CBDO. The interviewee also gave specific examples of employees who were hired in local markets during the firm's American expansion, showcasing the extent of new hires: "[W]e hired somebody ... down in Venezuela. And we hired another employee ... in Brazil. And we hired … an American guy based out of Arizona … So we basically went and hired those people and then started the expansion process…"

What also helped Firm 1 in its later internationalization was data gathered from the European expansion, and reflection about what went well and what did not. Prior experience helped the company figure out the best and cheapest way to grow in America. As explained by the interviewee, due to the higher level of resources, the company was also able to apply the steps all at once instead of one by one. Furthermore, experimentation with smaller test groups also played a big role in Firm 1's expansion into the Americas. Market research was applied as a secondary tool to make sure that existing assumptions were solid. Additionally, the CBDO had previous experience, particularly in South America, which also helped during the expansion. Moreover, Firm 1 had already established relationships partners in the new market, which they could now utilize.

As previously mentioned, data played an important role in retaining knowledge gained from Firm 1's European internationalization, but it also enabled the company to learn about its users during the expansion process into the US. For example, as explained by the CBDO, one use of such data could be to see if there was enough supply to meet the demand; if not, the firm could step in and, for instance, establish more partnerships in the region to tournament organizers to increase the supply of content. The CBDO also explained that since they were in charge of both expansions, and had the European experience fresh in mind, it might have been easier for Firm 1 to retain that experience than if Firm 1 had instead been a bigger company with a different person in charge of the later expansion.

However, in the American market, the firm could no longer ignore legal issues or technical limitations. In this sense, there was experience missing when it came to issues such as transitioning into the USD currency or figuring out the legalities of what happens if an American user wins money. However, as explained by the CBDO, experience from the European market still helped the firm overcome these obstacles.

Testing and experimenting has remained important for Firm 1 in the American market. According to the interviewee, Firm 1 either picks specific partners or creates a smaller version of what they want to do. This remains similar to what the firm did in its domestic market but also during its European expansion.

When asked about Firm 1's main source of learning for its second expansion, the CBDO said that partnerships and experimentation are both very important. They elaborated on the role of the latter: "[P]art of being a startup is also not being scared to try things even when you don't know what you're doing ... I think that that is definitely the biggest source of knowledge for us." This suggests that, in addition to partnerships, trial and error has been a significant source of knowledge during the firm's internationalization.

4.2 Firm 2 Case

Firm 2 is a digital exam platform founded in Sweden in 2011 (Source 10) and headquartered in Stockholm (Source 9). The idea for the company was born during its founders' university studies (Source 10; Source 11). After some annoyance during their handwritten exams, the founders began thinking of a solution (Source 14). The product was officially launched in 2014 (Source 12; Source 13). At the time, Firm 2 consisted of three people (Source 10).

Firm 2's technology allows students to take exams on their own computers (Source 10;

Source 11). This is ideal for students who are used to working digitally (Source 9). The platform also intends to simplify every step of the exam process for teachers, from the creation of an exam to its grading (Source 14; Source 9). Firm 2 reduces the time spent by teachers grading exams, so that this time can instead be spent in the classroom with students (Source 10; Source 9; Source 13). The platform works for open- and closed-book exams (Source 14) and has support for both online and offline use, to remove the risk of data being lost due to internet issues (Source 14; Source 9). Additionally, it has features to prevent cheating by students and can anonymize exams to inhibit biased grading (Source 9).

When it comes to creating new partnerships with schools, Firm 2 usually starts by offering the technology to teachers for free (Source 11; Source 9). These teachers can then become advocates for the technology, helping the firm sell licenses to the schools (Source 9). Thanks to this mechanism, the firm can acquire new customers without having to spend money on marketing (Source 9).

Firm 2 stayed domestic for a period of time after its founding, but there were always plans for international expansion. Due to its small size, Sweden was regarded by the company as more of a test market (Source 11). This point was reiterated by Firm 2's CEO, who said that Firm 2 saw Sweden as "a perfect test market". Looking at other countries was essential to the company's growth.

As explained by the CEO and co-founder of Firm 2, none of the firm's co-founders had any international business experience at the time of founding, as they started Firm 2 directly from school. However, the CEO notes that they did have some international experience, though not in the business context: "I am originally from Iran and I've lived in many countries. So in that perspective, we had some experience from different cultures, different sales cultures… [B]ut not professionally."

Firm 2's CEO explained that the company's first customer outside of Sweden was a school in Finland. When asked what made the company decide to work with a Finnish school, they described the step to a neighboring country as a "natural step to take" for Nordic startups like Firm 2. A reason behind the choice of Finland was that the country was already focused on education and digitalization, making it more receptive to Firm 2's product. They added, however, that there was also a certain degree of randomness to the decision, noting that it could just as well have been Denmark or Norway instead of Finland.

It was explained by the CEO of Firm 2 that in Finland, as well as in all of the firm's other markets, the firm has been able to learn from schools they work with. In this way, the firm has gained what they described as formal knowledge, regarding aspects such as legalities, as well as informal knowledge, such as vocabulary used in the area. The CEO added that first customers are often especially keen to help in this way. However, in terms of growth as a result of the relationship, Firm 2's relationship with its first Finnish school was not as successful, as the company did not have the resources to benefit fully from the relationship in this sense. Being only three people, time was especially limited. Similarly, the firm had plans of engaging in institutional relationships but once again lacked the resources to really benefit from these plans.

After Finland, the CEO explained, Firm 2's next customer outside of Sweden was in Israel. It appears that this was not much of a conscious decision, as it was the school that contacted Firm 2 and showed interest in the product. Quickly, it became clear that cultural differences may bear consequences for the company, because the school required Hebrew support. However, as pointed out by the CEO, Firm 2 found a way of dealing effectively with this request without wasting resources.

> They reached out to us, were interested, I had online meetings with them, they invited us to Israel. I said "No, you know what? Let us just see if there is something you might like … we cannot just travel for the sake of a meeting." So we had those kinds of meetings and then they said, you know, "It looks really great, but we would need to have support for Hebrew in your platform." And of course, we had only one developer, one person … So what we did, and I proposed, at that time was ... "OK, let's do a pilot exam in English. If you think that everything is good besides the Hebrew support, and you are willing to sign a letter of intent, then we are willing to develop that…"

By the autumn of 2015, Firm 2 had grown to 20 employees (Source 10), and by the end of the year, the firm was working with 420 schools in 23 countries (Source 15). In addition to Finland and Israel, business had also spread to India, despite no active targeting of the market by the company (Source 10). In fact, an exchange student from India had told their home university about the technology after having studied in Sweden (Source 10). The CEO of Firm 2 believes his prior experience helped the firm during interactions with universities in India, as such experience helps understand people from different cultures and their needs, as well as build trust.

Meanwhile, during the summer of 2015, two Firm 2 employees, including the CEO at the time, had moved to New York. This marked the company's first steps into the US market (Source 10). Subsequently, during the early autumn of the same year, Firm 2 opened the doors to its New York office (Source 10; Source 11). This office was shared with several other tech companies, which also presented the company with a potential opportunity to establish business contacts (Source 10).

At the time of Firm 2's entrance into the US, the company had already been in contact with an Ivy League university and there was a deal in place (Source 10; Source 11; Source 16). Thanks to this relationship, the school could be used as a reference, facilitating relationships with additional US schools, including a well-known independent school in New York (Source 16). Through this partnership, the company was able to establish more relationships with even more schools in the area (Source 16). Being one of the first US partners, the school was also able to help Firm 2 with features to implement for the US market (Source 17).

In the US, it was especially important for Firm 2 to work closely with partner schools in order to really understand their needs. These schools expected their requests to be adhered to, as there were several companies wanting to work with them (Source 16). Another challenge for Firm 2 was building trust, especially as a small Swedish company entering the US (Source 16). Due to the fast-moving nature of digital industries, it has also been consistently important for the company to continue developing from a technological standpoint (Source 18).

Firm 2 continued extending its list of partner schools, and by 2016, the firm was working with over 1000 schools in around 50 countries (Source 19; Source 14). One of these was a university in London, a relationship which, in 2016, marked the firm's entrance into the British market (Source 11; Source 12). This was also accompanied by the opening of a London office in the spring of 2016 (Source 20).

Firm 2 also continued gaining new partner schools in the US. For instance, in December of

2016, the firm announced a project with the business school of a private university, this after the school had reached out to the firm (Source 20). Around the same time, the company also partnered with the business school of an Ivy league university (Source 20). By the end of 2016, over 2000 schools in 79 countries were using Firm 2’s technology (Source 15). A year later, this number had grown to 2800 schools all over the world (Source 16).

As explained by the CEO and co-founder of Firm 2, the firm later closed its New York office after being unable to gain customers as quickly as expected, despite good conversations with several schools in the area. As a result, money ran short and the company could no longer afford to stay there. The CEO believes that perhaps the timing of the initial US expansion was not ideal, and added that the Firm 2’s fast-paced growth made it difficult for the firm to retain control. Additionally, despite initial interest being shown, the firm struggled to convert schools to customers, especially the bigger, more prestigious schools. When faced with demands from prospective customers, the firm was unable to control the sales dialogue. The CEO expressed that in this situation, it would have been better for the firm to suggest a pilot and then adapt to additional requests once the pilot had been approved by the school. According to the CEO, this experience has changed the firm’s way of approaching prospective customers and is one of many “expensive lessons” the firm learned during the expansion. Additional such lessons involve everything from relationship-building to sales forecasts.

The CEO of Firm 2 explains that during the firm’s first US expansion, American salespeople were hired due to their knowledge of the market. The firm believed this knowledge would enable the new employees to sell Firm 2’s product in the US. However, this turned out not to be the case. The firm’s CEO believes this had nothing to do with the hired employees’ sales abilities, and everything to do with the way they were onboarded. Put simply, the new hires lacked the “[Firm 2] DNA and culture”, which turned out to be just as necessary as local market knowledge.

However, the firm was able to learn from its first US experience and later returned to the market, albeit not physically. Notably, the CEO explained that the company is actually much more successful in the US market now that the office is no longer there. In fact, they note that during the past 14 months or so, the majority of Firm 2’s new customers have come from the

North American market, despite no physical presence nor marketing in the area.

As explained by the CEO, Firm 2 chose not to hire sales representatives during its second US expansion, after having learned that it is more effective for the founding team to be the ones to communicate with the first customers in a new market. However, they believe that if they were to hire US salespeople now, this may be more successful, as a result of what was learned the first time around. The firm's CEO also noted that during its second US expansion, Firm 2 has tried attending events held by independent school associations. However, while such relationships may have helped to an extent, the firm has seen no measurable effect.

At the time of writing, Firm 2's only office is its headquarters in Sweden. However, that has not stopped the firm from expanding to new markets. For instance, the firm very recently gained its first ever German customer. The CEO attributes this new partnership to the Covid-19 pandemic, and explains that as a result, the German market finally opened up as schools were left with "no other options". In this particular market, the biggest obstacle for Firm 2 has been the strict German laws, and the company has received help from the customer in navigating this complex business environment. Additionally, the school could contribute with suggestions for other schools in the area who may be interested.

Firm 2's overall internationalization strategy seems to have changed as of lately. According to the firm's CEO, the company no longer approaches internationalization from a solely geographical perspective. Instead, certain types of schools, such as business and law schools at universities and private schools when it comes to K-12 schools, are targeted regardless of location. According to the CEO, this is a vertical approach made possible by the fact that the entire onboarding process for new customers is digital.

A certain part of Firm 2's international expansion is opportunity-based, and schools that show interest and have the required resources are not turned down. For instance, the firm has customers in Hong Kong and India, despite the fact that these are not focal markets. However, although prospective customers are not turned down on the basis of geographical location, the firm does focus on certain geographical areas, such as the US. The CEO explained that Firm 2 now opts for markets which already have a "product market fit", noting that "this is also a lesson learned, you know - try to find those customers or those prospects that will find value in the product immediately from day one, not necessarily requiring a lot of new things." By doing this, the firm can minimize the need for adaptation to the product:

Additionally, the CEO of the company pointed out that as of later years, the firm has relied more on data to determine its future plans, and that the randomness associated with such decisions has reduced as a result. They explained that the company now uses a mix of strategy and opportunism: “[T]he US expansion is actually the one, the only one, and [the] UK, which are within specific strategy and structure we are aiming to replicate more and more. The other ones are more opportunistic, you know, low hanging fruits coming in.”

5 Analysis and Discussion

In this chapter, each case will be analyzed and discussed in connection with the previously introduced literature. This will include discussion of each firm's internationalization path in relation to the Uppsala model (Johanson & Vahlne, 1977; 2009) and born-global literature (Knight & Cavusgil, 2004; McDougall, Shane & Oviatt, 1994). Additionally, the role of Huber's (1991) knowledge acquisition types in each firm's internationalization will be explored.

5.1 Firm 1

5.1.1 Internationalization

Firm 1 focused on the domestic market for about four years before rapidly expanding into the whole of Europe. Despite the delayed internationalization process, the company had plans to internationalize right from its founding moment. The domestic market was used for testing purposes while the company was developing its technology and business model. With this in mind, it may be argued that Firm 1 has not followed the Uppsala model (Johanson & Vahlne, 1977) in terms of incremental internationalization. Although the firm stayed domestic relatively long, its rapid expansion into several countries at once was certainly not incremental, especially taking into account that the firm internationalized from its domestic market to the whole of Europe in an instant.

On the other hand, Firm 1's internationalization process does show similarities to the Uppsala model in terms of psychic distance, as the firm's main reason for expanding into Europe first was the more familiar legal system. Additionally, Europe is geographically closer to Sweden than, for example, the US or Asia. Thus, Firm 1 did first expand into a market with lower psychic distance, while avoiding markets such as Asia. However, Europe includes a variety of countries with different cultures, meaning that the company still needed to tackle the issue of some countries having higher psychic distance from Sweden than others in terms of culture, local laws and geographical distance.

To overcome psychic distance, Firm 1 relied on a variety of relationships, such as partnerships. In doing so, the company could acquire knowledge about local markets and manage its internationalization into more distant countries. This relates to the updated Uppsala model rather well, as Johanson and Vahlne (2009) see the business as part of a network, where the focal firm can learn and identify opportunities as a result of trust and commitment toward its partner firms.

Additionally, the fairly long time it took for Firm 1 to internationalize somewhat matches the Uppsala model, since Johanson and Vahlne (2009) argue that their model can apply to rapid internationalization if the firm has first managed to gain enough knowledge, experience and trust. It may be argued that Firm 1 did exactly that before its international expansion, and that this is one reason the firm then managed to internationalize so rapidly.

The use of data and experimentation by Firm 1 to gather information indicates the significance of experience. This also lines up with the Uppsala model, where experience is considered the most salient knowledge type. In addition to this, Firm 1 consciously gathered data from its expansion into Europe and utilized this knowledge when expanding into the US, once again proving the importance of experience as per the Uppsala model.

Due to staying domestic for more than three years, Firm 1 does not perfectly fit the definition of INVs given by McDougall, Shane and Oviatt (1994) nor Knight and Cavusgil's (2004) definition of born-globals. However, in correspondence with McDougall, Shane and Oviatt's (1994) findings, the co-founders of Firm 1 were individuals with global ambitions who could spot unique value propositions in the gaming industry based on their previous knowledge. Additionally, to avoid lack of resources during its early internationalization, Firm 1 used hybrid governance structures in the form of investor funding and partnerships, as per McDougall, Shane & Oviatt's (1994) empirical findings.

Despite the slower start to its internationalization process, there are ways in which Firm 1 fits

Knight and Cavusgil's (2004) definition of born-globals. Once it expanded into Europe, the firm began seeking superior performance by applying knowledge-based resources, in the form of their digital tournament organisation technology, to sales in several countries in Europe and America. Additionally, with only around 40 employees, Firm 1 is still considered an SME, allowing for flexibility and freedom of a start-up when it comes to bureaucracy and strict management hierarchy, which coincides with the findings of Knight and Cavusgil (2004). The firm also had a low level of tangible resources and experience during its first internationalization, as per Knight and Cavusgil's (2004) findings regarding born-globals.

Furthermore, Firm 1 seems to have a global mindset, which both McDougall, Shane and Oviatt (1994) and Knight and Cavusgil (2004) promote. The firm's founders had plans to internationalize from the start and designed the business model and technology accordingly, as predicted by McDougall, Shane & Oviatt (1994). The company is certainly innovative in terms of product development and value proposition.

Firm 1 also shows signs of Knight and Cavusgil's (2004) entrepreneurial innovation orientation. The firm's technology is considered advanced and distinctive, with a small number of direct competitors. The success of the company can be seen through successful funding and rapid internationalization into Europe, where millions of tournaments were organized on the platform monthly, not to mention the firm's recent expansion into the US.

Furthermore, Firm 1 displays Knight and Cavusgil's (2004) international marketing orientation. The firm gathers data about its users, analyzes the data for patterns, and reflects on previous knowledge. As a result, Firm 1 has a good grasp of how to develop and adapt the product in order to target users in foreign markets. Additionally, with over 8000 partners globally, Firm 1 leverages foreign partnership contributors, which has enabled the firm to perform successfully overseas and gain knowledge about local markets in the absence of experience and resources. This also fits Knight and Cavusgil's (2004) findings about born-globals.

5.1.2 Knowledge Acquisition

The founders of Firm 1 had some congenital knowledge through business and internationalization experience from their previous work. However, the firm still chose to graft an executive with international experience, which indicates that the congenital knowledge of the founders wasn't sufficient. Thus, congenital knowledge presumably did not compensate entirely for the firm's lack of experience during the early stage of internationalization as was suggested by Bruneel, Yli-Renko and Clarysse (2010). Additionally, it was mentioned several times during the interview that the main source of knowledge was experimentation and partnerships, which indicates the key roles of experiential and vicarious knowledge while consequently implying the lesser importance of congenital knowledge.

As mentioned, Firm 1 relied on experimentation in the domestic market as a way to collect experience, and used grafting to compensate for the lack of internationalization knowledge. Since congenital knowledge acquisition was not as significant in comparison, it seems that it was replaced with experiential knowledge and grafting relatively early on. This somewhat supports Bruneel, Yli-Renko & Clarysse's (2010) assertion that the effect of congenital learning on internationalization diminishes over time and is substituted with experiential learning. However, it instead seems as though congenital knowledge was not very influential in the first place.

Firm 1 turned to grafting in preparation for its expansion into Europe by hiring an executive with international experience. This supports the claim of Fletcher and Harris (2012) that smaller firms use recruitment to acquire indirect experience. This also supports Loane, Bell and McNaughton (2007), who argue that management teams, although formed from conception, are often augmented via grafting in knowledge-based firms to enable them to compete in a complex international and technological environment.

On the other hand, Firm 1's grafting of an executive prior to internationalization contradicts Pellegrino and McNaughton's (2017) assertion that young firms would choose congenital knowledge acquisition due to lacking the resources for grafting. Instead, it seems that due to limited congenital knowledge, grafting was used despite scarcity of resources. This played an important role in the internationalization of Firm 1 by building a solid base for expansion into Europe and collecting market-related intelligence.

Firm 1 used grafting during both its early and later internationalization. This contradicts De

Clercq et al. (2012)'s claim that grafting is only prominent in the post-internationalization stage; for Firm 1, grafting was of paramount importance both before and after the first internationalization. However, these findings do support De Clercq et al.'s (2012) notion that grafting is also prominent post-internationalization. Grafting was extensively utilized during the second internationalization into the US, when the company had the resources to hire people with specific skills in specific markets to aid the expansion.

Firm 1 has relied on vicarious knowledge acquisition since its early internationalization into Europe due to the firm's platform nature. Firm 1 needs tournament organizers to create events, which provide the supply side. Users who take part in these events then form the demand side. Since the firm began operating in several European countries at once, they needed knowledge about both sides of the platform in different markets. This type of knowledge was best acquired from established partners in these countries. This is similar to Ali et al.'s (2020) suggestion that firms seek long-term reciprocal relationships in order to improve their overall performance.

In another case of vicarious learning, Firm 1 managed to learn from a competitor's example, allowing the firm to choose a more suitable path. Interestingly, this was not a case of observing and copying another firm, but rather of learning from another firm's mistakes. Thus, this is similar to what Jiménez and de la Fuente (2016) suggest about the ability of firms to learn not only from each others' success, but also from each others' failure.

Oviatt and McDougall (2005) argue that vicarious knowledge can be acquired through strong and weak network ties, and that the latter are more beneficial to a firm's internationalization. In Firm 1's case, strong ties appear more important, contradicting the aforementioned claim to some extent. Firm 1 seems to rely on long-term relationships with partner firms and investors who enable vicarious learning for the firm, even if it takes resources to build these relationships. Firm 1's partners act like what Oviatt and McDougall (2005) refer to as brokers, because they are able to create a contact point with users in the form of an event. This seemingly corresponds to Ali et al.'s (2020) notion that firms should establish strong ties with local partners in order to benefit as much as possible from these partners' knowledge.

As per Bruneel, Yli-Renko & Clarysse's (2010) empirical findings, Firm 1 used interorganizational learning, which can be equated to vicarious learning, to compensate for lack of experiential knowledge in the European markets when first internationalizing. However, due to the firm's platform nature, Firm 1 relied just as heavily on its partner firms during its second expansion into the US. Therefore, it can be argued that vicarious learning did not necessarily diminish during the firm's later internationalization as suggested by Bruneel, Yli-Renko and Clarysse (2010). Instead, Firm 1 continued building partner relationships and also built new types of relationships in the US, for example with local communes and influencers. However, it should be noted that in Firm 1's case, vicarious and experiential learning go hand-in-hand; through data collection and first-hand experience, the company can draw knowledge for future estimations in order to keep performing successfully in foreign markets.

Firm 1 appears to be very experience-driven. Even when it was only operating in the domestic market, the firm used experimentation to gain experience and collect data. This data has helped the company retain information, find patterns and use these findings during its European expansion, only to repeat the process for its later American expansion. The CBDO explained the power of data as a source of knowledge for the firm:

> [E]ssentially, as long as you still know, what were the key events to what happened, what made your company grow, you will be able to just pull up any data related to those events ... And then you can correlate a lot of that data to, how successful was this? Should we do this?

Firm 1 has actively gathered experiential knowledge by the means of experimentation and data collection since the firm's conception, which contradicts Pellegrino and McNaughton (2015)'s assertion that experiential learning gains significance only in the later stages of internationalization; in Firm 1's experience, it seems to have been important from the start. Experiential learning has been at the forefront of Firm 1's knowledge acquisition, while also facilitating vicarious knowledge acquisition, specifically by arranging small-scale experiments with chosen partners in order to learn, gain experience and build partnerships. This coincides with Buckley et al.'s (2016) suggestion that experiential knowledge can facilitate other types of learning.

Undeniably, Firm 1's European expansion became a valuable source of knowledge for the company during its later expansion into the US. This allowed the company to make more deliberate decisions at scale, showcasing the continued importance of experience during the firm’s later stages of internationalization. Furthermore, much like Puthusserry et al. 's (2020) findings, Firm 1 became better at navigating cultural differences and building relationships in foreign markets after gaining experience from its expansion into Europe.

Searching and noticing seems to be the least used knowledge acquisition type for Firm 1. During its expansion into Europe, the firm relied entirely on other knowledge acquisition types. During the expansion into the US, on the other hand, Firm 1 used searching and noticing only as a complementary knowledge source to confirm existing assumptions.

5.2 Firm 2

5.2.1 Internationalization

Firm 2 was active in several foreign markets by 2015, just a few years after the company’s founding in 2011. However, although this internationalization occurred not long after the firm’s founding, it was not immediate. Therefore, the firm was not technically international from conception as per McDougall, Shane & Oviatt (1994) and Knight and Cavusgil (2004). However, the firm’s small size, as well as its limited resources and experience at the time of internationalization, goes along with Knight and Cavusgil’s (2004) depiction of born-globals. Additionally, it is evident that the firm’s founding team had foreign markets in mind right from the beginning, exemplifying the global mindset described by Knight and Cavusgil in relation to born-global firms (2004).

On the other hand, it is made clear by the firm's CEO that its initial international expansion was always going to be to a neighboring Nordic country, whether this be Finland, Norway or Denmark. Thus, it seems as though Firm 2, despite being a digital company, followed an incremental internationalization pattern in its first expansion abroad by opting for a first expansion to a country with low psychic distance from Sweden. This first step was thus similar to what may be expected based on Johanson and Vahlne’s Uppsala model (1977).

The impact of psychic distance on Firm 2’s internationalization is further showcased by the emphasis the CEO placed on legalities when asked about barriers during the firm’s expansion.

This seems to imply that such factors indeed do affect the company's path of internationalization, which goes well with what is explained in the Uppsala model (Johanson & Vahlne, 1977). The same goes for the significance of experiential knowledge during the firm's internationalization.

However, Firm 2's collaboration with an Israeli school after the Finnish one seems to contradict the idea of an incremental internationalization process; the step from Finland to Israel is drastic in terms of psychic distance, as exemplified by the extra effort needed to adapt Firm 2's product to the Israeli school's requests. Worth noting, however, is the fact that this opportunity was not actively searched for by Firm 2. Instead, the firm was contacted by a prospective customer in Israel and chose to investigate the opportunity from there.

Firm 2's expansion to Israel, along with expansions to markets such as India and Hong Kong, is not reflective of a gradual internationalization. This indicates that the firm does not steer away from foreign countries on the basis of, for example, psychic distance. However, when it comes to markets targeted deliberately by the company itself, Firm 2 does seem to have first focused on countries with lower psychic distance, such as the US and the UK. As described by the CEO, the firm prefers to target areas where there is already a match between the product as it is and the market, so that no extensive changes need to be made to the product.

In addition to Firm 2's initial expansion to a neighboring country and focus on markets with lower psychic distance, there are also other aspects of the company's internationalization that point to similarities with the Uppsala model. For one, Firm 2 has taken several measures to tackle the higher psychic distance it has faced in foreign markets. One of these is learning through its partner schools, which seems coherent with the role Johanson & Vahlne (2009) give networks in the newer version of the Uppsala model. Additionally, the firm's CEO points to the difficulty and importance of building reputation and credibility when expanding abroad, which aligns well with the updated Uppsala model's emphasis on trust and relationship-building as preconditions for international expansion (Johanson & Vahlne, 2009).

Thus, it seems as though Firm 2 has followed the incremental internationalization presented in the Uppsala model (Johanson & Vahlne, 1977; 2009) to some degree, at least when it comes to markets specifically targeted by the company. However, when opportunities have presented themselves in markets beyond those explicitly targeted by the firm, Firm 2 has not followed an incremental pattern. Instead, the firm's internationalization has then been very opportunity-based, made possible by the digital nature of the firm. Firm 2 has successfully entered markets with high psychic distance, such as Israel and India, quite early in its internationalization and therefore in a non-incremental manner. This may be attributed in part to the firm's management's global mindset, consistent with Knight and Cavusgil's (2004) theory of born-globals.

5.2.2 Knowledge Acquisition

During Firm 2's initial internationalization, when experiential knowledge was lacking, the firm relied to a large extent on congenital and vicarious learning through its partner schools. These findings concur with Bruneel, Yli-Renko and Clarysse's (2010) argument that lack of experiential knowledge in young internationalizing firms can be compensated for by congenital and vicarious knowledge. However, contrary to what may be expected based on prior research, both of these knowledge acquisition types remained evident even when the firm started gaining experiential knowledge.

Though not acquired in a business context, the congenital knowledge of Firm 2's founding team has been useful to the firm throughout its internationalization. As mentioned, the role of this knowledge did not diminish as Firm 2 acquired experiential knowledge. Instead, it appears to have been just as prominent later on, as exemplified by the CEO's account of how his prior knowledge came into use when the firm worked with schools in India; notably, the school given as an example was not part of the firm's initial expansion, suggesting that congenital knowledge has remained relevant even in the firm's later internationalization.

This contradicts the idea that the impact of congenital learning lessens over time, as suggested by several researchers (Bruneel, Yli-Renko & Clarysse, 2010; Sapienza et al. 2006; Casillas, Barbero & Sapienza, 2015; Pellegrino & McNaughton, 2015; Pellegrino and McNaughton, 2017). Contrary to the argument made by Casillas, Barbero and Sapienza (2015), congenital knowledge does not seem to have lost relevance for Firm 2. Additionally, since the firm also engaged in grafting early on, Pellegrino and McNaughton's (2017) suggestion that young firms rely on congenital learning due to having insufficient resources to engage in experiential learning or grafting does not seem to apply.

Firm 2 has benefited heavily from vicarious knowledge acquisition through its partner schools. This has been the case throughout the firm's entire internationalization process, with vicarious learning being evident right from the beginning and then remaining prominent. During its recent internationalization, for instance, the firm's first German customer helped the firm navigate the psychic distance arising from the country's complex laws. It therefore seems as though, just like in its earlier stages of internationalization, Firm 2 has been able to learn vicariously through partner schools in Germany. Interestingly, the only indication of vicarious learning that was not entirely effective was during the firm's initial expansion to Finland, perhaps even indicating that vicarious learning has become more effective during the firm's later internationalization.

This seems to contradict Bruneel, Yli-Renko and Clarysse's (2010) notion that vicarious knowledge becomes less influential as firms gain experience. The explanation behind this claim is that relationships are costly for firms to engage in (Bruneel, Yli Reno & Clarysse, 2010). While this initially may seem inconsistent with the findings of this study, that may not necessarily be the case. Regardless of knowledge acquisition, relationships with customers are crucial. Therefore, Firm 2 would need to invest resources in maintaining these relationships even if no knowledge could be acquired from them. Thus, it could be argued that no extra costs are incurred in order for the firm to learn vicariously through customers. This could explain why Firm 2 has continued to learn vicariously from its customers even in its later internationalization.

Vicarious knowledge acquisition through associations and alliances, however, was ineffective for Firm 2 during both its first and later internationalization. It may be the case that such relationships are costly and require additional investment of resources to reap the benefits. In the early stages of Firm 2's internationalization, this seems to have been the case, as the firm was unable to benefit from its plans to engage in institutional relationships due to lacking resources.

However, Firm 2 struggled with institutional vicarious learning during its later internationalization, too. This was illustrated by the fact that despite attending events held by school associations in the US, the firm saw no significant impact. Perhaps Firm 2's vicarious learning through its partner schools provides enough knowledge for the firm not to need additional support from institutional relationships. In that case, it is reasonable for the firm not to focus on such relationships. Alternatively, it is possible that the knowledge needed by Firm 2 for its internationalization is simply more easily acquired through close relationships with partners than through other relationships.

Thus, it seems as though vicarious learning through partner schools is Firm 2's primary type of vicarious learning. This has been prominent in the early as well as the later stages of the firm's internationalization, often with a significant positive impact in terms of learning. Vicarious learning has been used to overcome significant legal barriers in multiple markets, including Finland in the firm's first internationalization and Germany in a more recent expansion. Institutional relationships, however, have been of very limited help in terms of vicarious learning. In the early stages, the CEO of the company attributes this to lack of resources. However, it seems as though even in later stages, such as during its second US expansion, Firm 2 has seen little to no benefits from these types of relationships.

Network effects have created opportunities for Firm 2 to expand without needing to make significant investments in marketing. This finding corresponds with research emphasizing the importance of networks in internationalization (e.g., Oviatt & McDougall, 2005; Puthusserry et al. 2020). Furthermore, the key contribution of Firm 2's customers during its internationalization concurs with Bruneel, Yli-Renko and Clarysse (2010). Due to the fact that Oviatt and McDougall (2005) classify relationships with customers as weak network ties, these findings may also provide support for their argument that weak ties are the most beneficial to a firm's internationalization.

No trade-off between congenital and vicarious knowledge was seen in Firm 2's internationalization, as both of these knowledge acquisition types were evident at the same time. Thus, the argument that vicarious learning is most beneficial when a firm lacks congenital knowledge made by Fernhaber, McDougall-Covin and Shepherd (2009) is not supported by these findings. It is worth noting, however, that as this study does not compare firms with less versus more congenital knowledge, this claim by Fernhaber, McDougall-Covin and Shepherd's (2009) cannot be refuted either.

Notably, it seems possible that experiential learning may have been involved even before the company's internationalization; Firm 2's CEO expresses that Sweden was seen as "a perfect test market" for the firm. While not explicitly stated, this experimental behavior implies that the firm may have had experiential learning in mind when deciding to start domestically. It seems possible that this testing may have led to domestic knowledge which could facilitate future international expansion.

As suggested by Pellegrino and McNaughton (2015; 2017), experiential knowledge has played an important role in Firm 2's later internationalization. This was evidenced, for example, through the lessons Firm 2 learned from its initial US expansion which subsequently shaped its later return to the market. Furthermore, as explained by the CEO, experiential learning may have improved the firm's ability to engage in successful grafting in the future. This coincides with Buckley et al.'s (2016) assertion that experiential knowledge may further non-experiential knowledge acquisition.

When it comes to grafting, Firm 2 hired American sales representatives during its first US expansion. This adheres to Fletcher and Harris's (2012) suggestion that smaller firms try to gain indirect experience through recruitment. However, this approach was not as successful as the firm had hoped due to the fact that the new hires lacked knowledge about the firm culture. Thus, it seems that grafting was not efficient in the firm's early internationalization. A potential reason for this seems to be that the grafted knowledge was not successfully combined with existing company knowledge of the product and the company itself.

As a result, during the firm's more recent US expansion, grafting has rarely been used. However, some grafting is still evident in the firm's later internationalization. For instance, the CEO explains that when the firm needs additional legal support, lawyers are brought in to access their expertise. This appears to be an example of short-term, need-based grafting. Additionally, as previously noted, the CEO believes grafting of sales representatives could be more effective now that the firm has gained experience. As mentioned, this indicates the potential for experiential knowledge to enable other types of knowledge acquisition.

Although searching and noticing was not explicitly discussed during the interview with Firm 2's CEO, it seems as though the firm utilized searching and noticing in order to help determine the market for its initial international expansion. When asked what made Firm 2 decide to choose Finland as its first non-domestic market, it was implied by the CEO that markets were researched to discover the best opportunity. Thus, although searching and noticing does not seem to have been in focus for Firm 2, it may have been used to supplement other knowledge acquisition types in the firm's initial internationalization.

5.3 Chapter Summary

This chapter connected the narratives of the firms introduced in the case chapters to the theoretical framework first explored in the literature review. The analysis was broken down according to the theories of internationalization and knowledge acquisition. The internationalization experience of both firms was analyzed using the Uppsala model (Johanson & Vahlne, 1977; 2009) and the born-global literature (McDougall, Shane & Oviatt, 1994; Knight & Cavusgil, 2004). Their knowledge acquisition was discussed through the lens of Huber's (1991) five knowledge acquisition types.

6 Conclusion

The final chapter will begin by summarizing key findings of this paper and discussing the extent to which the paper's objectives have been achieved. Thereafter, practical implications will be addressed. Finally, suggestions for future research will be presented in light of the limitations of this study.

6.1 Key Findings

The internationalization of Firm 1 matches the updated Uppsala model to some extent. This can be seen through the long period of time the firm remained in the domestic market, as well as through its reliance on experiential knowledge and business networks to expand into foreign markets. However, once the firm did internationalize, it was a rapid process, which better adheres to the born-global literature. The firm expanded into the whole of Europe at once, several countries having higher psychic distance than one would perhaps predict based on the Uppsala model. Furthermore, the psychic distance and lack of resources were tackled through an innovative approach and global mindset, as per the born-global literature.

Firm 2's initial internationalization, as well as its deliberate expansion plans, have been fairly gradual, not dissimilar to an incremental internationalization pattern. On the other hand, the company's more opportunity-based expansions have deviated from the incremental internationalization path. Along with the company's digital nature, knowledge acquisition has played an important role in enabling such expansion.

For Firm 1, vicarious learning has been a fundamental source of knowledge since the company's founding due to the platform nature of the firm. Firm 1 has also engaged in experiential knowledge acquisition right from the beginning, by creating small-scale experiments to gain experience. Experiential knowledge has also been collected in the form of data, allowing the firm to find patterns in behavior of users in different markets. Additionally, vicarious and experiential learning was heavily complemented with grafting during the firm's early and later internationalization. Congenital knowledge did not appear as crucial to Firm 1's internationalization. Meanwhile, searching and noticing was only used to solidify the firm's assumptions and did not appear to be a key source of knowledge for the firm.

During its early internationalization, Firm 2 used congenital and vicarious learning to compensate for its lacking experiential knowledge, and these knowledge acquisition types remained relevant in later expansions. They appear especially helpful in markets where experiential knowledge may be the most lacking and there is significant psychic distance - such as the aforementioned markets that deviate from the incremental internationalization pattern. Thus, it seems possible that congenital and vicarious knowledge have played a part in enabling the firm to venture beyond the incremental internationalization path. Additionally, as expected, experiential learning became an important source of knowledge during the later internationalization of Firm 2, and it was suggested that this type of knowledge acquisition could also enable more efficient grafting for the firm. Similarly to Firm 1, searching and noticing was used as a complementary knowledge acquisition type but did not appear to be as influential as other sources of knowledge.

The two case firms are similar in their size and digital nature. However, they differ in their business models and structure. When it comes to internationalization patterns and knowledge acquisition, there are both similarities and differences between the firms.

Both firms pursued an internationalization path which did not adhere solely to either of the two internationalization theories introduced in Chapter 2. Instead, the firms have expanded in what appears to be a mix between an incremental and rapid internationalization. However, Firm 2 has expanded on a school-by-school basis and is not very geographically oriented when it comes to expansion. Firm 1, on the other hand, appears to focus on one large geographical area at a time, like Europe or the Americas. However, the two case firms have met similar obstacles when internationalizing; both interviewees specifically emphasized legal barriers and the building of brand name as key challenges in their international expansion.

As for knowledge acquisition, both firms' founders had some congenital knowledge prior to their firm's internationalization. Furthermore, vicarious learning played a key role for both firms, making relationship-building crucial to their growth. However, the most significant relationship type differed between the firms; for Firm 1, such relationships were mostly partners, while Firm 2 often learns vicariously through its customers. Additionally, experiential knowledge was influential for each of the firms. Notably, both firms started actively seeking experiential knowledge before internationalizing and continued doing so throughout their internationalization. Furthermore, each firm engaged in grafting during both their early and later internationalization, and utilized searching and noticing as a complementary source of knowledge.

6.2 Research Aim and Objectives

The aim of this paper was to investigate the role of knowledge acquisition in the internationalization of digital SMEs. To achieve this, a thorough literature review was first conducted to highlight key research on the topic. Thereafter, two case studies were conducted using primary data collected through semi-structured interviews with representatives from each firm and secondary data gathered from an array of web and news sources. The case studies contribute to existing literature by providing in-depth empirical examples of the various ways in which digital SMEs gather and use knowledge to facilitate international expansion. Thus, the objectives of this paper have been achieved.

6.3 Practical Implications

This paper has several practical implications. For founders and management of digital start-ups, insights derived from this paper may illustrate the role of knowledge acquisition in the internationalization process. This may provide an understanding of the alternatives for knowledge acquisition that exist and under which circumstances they may be most impactful. In addition, institutions and investors can learn more about how digital SMEs function in the legal and institutional landscape and how they may be funded and supported in the most effective way.

6.4 Limitations and Future Research

The limitations of this paper present interesting possibilities for future research. Firstly, it may be argued that the use of a retrospective interview limits the accuracy and detail of findings because, inevitably, the method relies on the memory of interviewees. For this reason, a longitudinal case study with interviews spanning several years may be an alternative approach for future research on the topic. While this was not a feasible method for the time frame of this paper, it would certainly provide further insight into firm internationalization.

Furthermore, as previously mentioned, no generalized conclusions can be drawn from the two cases studied. However, to further investigate the findings of this paper, it would be highly beneficial to conduct similar case studies of other firms, especially other digital SMEs. Additionally, since the case firms of this study were Swedish, it may be relevant to conduct similar studies using firms from other parts of the world to discover potential cultural differences in the role of knowledge acquisition in internationalization.

The findings of this paper also present several interesting avenues for further research. For one, the internationalization trajectories of the case firms indicate a merge between incremental and rapid internationalization worth investigating further. Additionally, in regard to knowledge acquisition, several findings are noteworthy. For instance, the prospect of experiential learning facilitating more effective grafting is worth further examination. Perhaps it is possible that experiential learning has a positive impact on other knowledge acquisition types as well. This possibility could be addressed in future research.

Additionally, the findings suggest some degree of multidimensionality to the knowledge acquisition types. Vicarious learning, for instance, seems to differ in impact depending on the type of relationship the firm engages in. The case firms have benefited mostly from vicarious learning through partners and customers, while institutional vicarious learning appeared ineffective. Research on the reasons behind such differences would not only provide theoretical contributions, but also the means for firms to analyze and effectivize their own learning from relationships. Moreover, the knowledge acquisition types seem to vary in impact over time. This is another reason it would be relevant to research the impact of each of the knowledge acquisition types on internationalization through a longitudinal case study.

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Appendix A

Interview Guide

General questions

Information about the interviewee

1) Name
2) Position
3) Responsibilities/role in the company
4) How long have you been at the company?

Information about the firm

1) Name
2) Type of firm
3) Number of employees
4) What markets is the firm currently active in (physically or digitally)?

Specific questions

Early internationalization

1) What made the company want to internationalize as opposed to staying domestic?
    a. Was the decision to internationalize a conscious one (or did it "just happen", accident/product or service specific/active search for opportunities?)?
2) Please describe the company's first expansion abroad:
    a. When did this take place?
    b. What market?
        i. Why was this chosen? (geographical/psychic distance, etc.)
    c. What entry mode?
        i. Why was this chosen?

Congenital knowledge

3) Did anybody in the company have international experience from outside the firm prior to the firm's international expansion?
    a. If so:
        i. Who (what was their role/position in the company)?
        ii. What prior experience did they have (from what markets/industries etc.)?
        iii. How did this prior experience affect the internationalization decision (which market etc.)?
        iv. How did this prior experience affect the internationalization process/outcome (positively and/or negatively)?

Grafting

4) Was there a need to hire individuals with prior experience of either internationalization or the foreign market?
    a. If so:
        i. Who -- what was their role/position (temporary or permanent)?
        ii. What prior experience did they have (from what markets/industries etc.)?
        iii. How did this prior experience affect the internationalization decision (which market etc.)?
        iv. How did this prior experience affect the internationalization process/outcome (positively and/or negatively)?

Vicarious knowledge

5) Did the firm engage in any relationships in conjunction with this international expansion (partnerships, alliances, acquisitions, subsidiaries, institutions, investors, etc.)?
    a. If so :
        i. Who was the other party in the relationship?
        ii. Why did the firm decide to engage in this relationship?
        iii. Please describe the nature of this relationship (formal/informal, long-term/temporary, etc.).
        iv. In what way, if any, was your company able to learn from the relationship?

1. What kind of knowledge were you able to acquire from the relationship?

v. Did the other party in the relationship have prior experience in the market?

vi. How did this prior experience affect the firm (positively and/or negatively)?

vii. Were there any issues with acquiring knowledge from the other party?

6) In what way, if any, did this market's customers/consumers/users affect the company's internationalization process (and/or product/service offering)?

Barriers

7) Did the company face any barriers when first expanding abroad?

a. Formal barriers (e.g. regulations)?

i. If so, how did the company deal with them?

b. Informal barriers (e.g. cultural barriers, lack of knowledge/experience)?

i. If so, how did the company deal with them?

Outcome

8) Would you consider this expansion successful? (did you reach any goals you were trying to achieve with the internationalization?)

a. What reasons do you see for this?

9) How did the internationalization into this market affect your operations in other markets?

<u>Recent internationalization</u>

10) Please describe the company's most recent expansion abroad?

a. What market?

i. Why was this chosen?

b. What entry mode?

i. Why was this chosen?

Congenital knowledge

11) Did anybody in the company have international experience from outside the firm prior

to the firm's international expansion?

a. If so:

   i. Who (what was their role/position in the company)?

   ii. What prior experience did they have (from what markets/industries etc.)?

   iii. How did this prior experience affect the internationalization decision (which market/entry mode etc.)?

   iv. How did this prior experience affect the internationalization process/outcome (positively and/or negatively)?

12) Was there a need to hire individuals with prior experience of either internationalization or the foreign market?

a. If so:

   i. Who -- what was their role/position (temporary or permanent)?

   ii. What prior experience did they have (from what markets/industries etc.)?

   iii. How did this prior experience affect the internationalization decision (which market/entry mode etc.)?

   iv. How did this prior experience affect the internationalization process/outcome (positively and/or negatively)?

Vicarious knowledge

13) Did the firm engage in any relationships in conjunction with this international expansion (partnerships, alliances, acquisitions, subsidiaries, institutions, investors etc.)?

a. If so :

   i. Who was the other party in the relationship?

   ii. Why did the firm decide to engage in this relationship?

   iii. Please describe the nature of this relationship (formal/informal, long-term/temporary).

   iv. In what way, if any, was your company able to learn from the relationship?

      1. What kind of knowledge were you able to acquire from the relationship?

   v. Did the other party in the relationship have prior experience in the market?

vi. How did this prior experience affect the firm (positively and/or negatively)?

14) In what way, if any, did this market's customers/consumers/users affect the company's internationalization process (and/or product/service offering)?

Experiential knowledge

15) In what way, if any, did the firm's prior international experience (or lack thereof) affect its entry into this new market (positively and/or negatively)?

   a. Did your prior international experience cause you to do anything differently than you did before?

   b. Did your prior international experience affect…

      i. … choice of market?

      ii. … mode of entry?

      iii. … relationships?

   c. Do you actively retain knowledge from previous experiences? If yes, then how?

   d. Have you had to unlearn any knowledge from your first internationalization experience?

Barriers

16) Did your company face any barriers when expanding abroad?

   a. Formal barriers (e.g. regulations)?

      i. If so, how did the company deal with them?

   b. Informal barriers (e.g. cultural barriers, lack of knowledge/experience)?

      i. If so, how did the company deal with them?

Outcome

17) Would you consider this expansion successful? (did you reach any goals you were trying to achieve with the internationalization?)

   a. What reasons do you see for this?

18) How did the internationalization into this market affect your operations in other markets? (was there a trade-off?)

Appendix B

Table 1 Sources of Secondary Data

Name	**Source type**	**Publication/Website**	**Year**
Source 1	Online news article	EU-Startups	2020
Source 2	Online news article	TheGamer	2020
Source 3	Online news article	Forbes	2020
Source 4	Online opinion piece	Esports News UK	2020
Source 5	Online news article	The Esports Observer	2017
Source 6	Company blog post	-	2020
Source 7	Online news article	European Gaming	2021
Source 8	Company blog post	-	2021
Source 9	Online news article	TechCrunch	2016
Source 10	Online news article	Svenska Dagbladet	2015
Source 11	Online news article	Dagens industri	2016
Source 12	Online news article	Dagens industri	2016
Source 13	Online news article	Dagens industri	2016
Source 14	Online news article	VentureBeat	2016
Source 15	Company blog post	-	2016
Source 16	Online news article	Breakit	2017
Source 17	Company website	-	2021
Source 18	Online news article	Dagens industri	2017
Source 19	Online news article	Entrepreneur	2016
Source 20	Company blog post	-	2016
Source 21	Company blog post	-	2017