



**UNIVERSITÀ
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**DYNAMIC CAPABILITIES AND THE
INTERNATIONALIZATION OF B2B SAAS SMEs:
A MULTIPLE CASE-STUDY FROM EUROPE**

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Abstract - Estratto (Italiano)

La digitalizzazione ha modificato le condizioni attraverso cui le imprese si internazionalizzano, consentendo loro di raggiungere clienti esteri in modo più rapido, anticipato e con minori risorse fisiche rispetto ai modelli tradizionali di internazionalizzazione. Questo sviluppo è particolarmente rilevante per le imprese Business-to-Business Software-as-a-Service (B2B SaaS), le cui offerte possono spesso essere fornite oltre confine tramite infrastrutture cloud. Tuttavia, la portata digitale non genera automaticamente un'internazionalizzazione scalabile. Le imprese B2B SaaS necessitano ancora di capacità organizzative per convertire la domanda internazionale in vendite sostenibili, relazioni con i clienti e offerte adattabili.

Questa tesi esamina come le imprese B2B SaaS acquisiscono risorse internazionali e le trasformano in vendite e offerte internazionali scalabili nei contesti digitali. Lo studio applica il framework delle capacità dinamiche, concentrandosi su sensing, seizing e reconfiguration come processi chiave attraverso cui le imprese identificano, mobilitano e trasformano risorse internazionali. La ricerca è condotta come studio qualitativo basato su casi, utilizzando dati primari raccolti tramite interviste e materiale secondario relativo a imprese B2B SaaS europee.

I risultati mostrano che le imprese SaaS acquisiscono risorse internazionali attraverso segnali di domanda digitale, interazioni con i clienti, reti di partner, feedback di mercato e relazioni ecosistemiche. Tuttavia, queste risorse diventano preziose solo quando le imprese sono in grado di interpretarle e convertirle in routine organizzative ripetibili. Lo studio identifica diverse frizioni che limitano la scalabilità internazionale, tra cui una debole conversione delle vendite, barriere linguistiche e di localizzazione, complessità legali e di compliance, vincoli di risorse e la continua necessità di interazione umana nei processi di product-led growth e onboarding. Le imprese rispondono a queste frizioni riconfigurando i modelli di business, formalizzando le routine di vendita e customer success, riallocando il capitale umano e rafforzando le relazioni ecosistemiche.

La tesi contribuisce alla ricerca sull'internazionalizzazione delle imprese SaaS, sull'internazionalizzazione digitale e sulle capacità dinamiche, mostrando che la scalabilità internazionale non è una conseguenza automatica della distribuzione digitale del prodotto. Al contrario, essa rappresenta un risultato organizzativo dinamico, plasmato dall'apprendimento, dalla mobilitazione delle risorse, dalla riconfigurazione continua e dalle scelte manageriali riguardo a quali frizioni internazionali valga la pena affrontare.

Abstract (English)

Digitalization has changed the conditions under which firms internationalize by enabling companies to reach foreign customers earlier, faster, and with fewer physical assets than in traditional internationalization models. This development is especially relevant for Business-to-Business Software-as-a-Service (B2B SaaS) firms, whose offerings can often be delivered

across borders through cloud-based infrastructure. However, digital reach does not automatically create scalable internationalization. B2B SaaS firms still need organizational capabilities to convert international demand into sustainable sales, customer relationships, and adaptable offerings.

This thesis examines how B2B SaaS firms source international resources and transform them into scalable international sales and offerings in digital contexts. The study applies the dynamic capabilities framework, focusing on sensing, seizing, and reconfiguration as the key processes through which firms identify, mobilize, and transform international resources. The research is conducted as a qualitative case-based study using four primary interview data and four secondary case material from European B2B SaaS firms.

The findings show that SaaS firms source international resources through digital demand signals, customer interactions, partner networks, market feedback, and ecosystem relationships. However, these resources become valuable only when firms are able to interpret them and convert them into repeatable organizational routines. The study identifies several frictions that limit international scalability, including weak sales conversion, localization and language barriers, legal and compliance complexity, resource constraints, and the continued need for human interaction in product-led growth and onboarding. Firms respond to these frictions by reconfiguring business models, formalizing sales and customer success routines, reallocating human capital, and strengthening ecosystem relationships.

The thesis contributes to SaaS internationalization, digital internationalization, and dynamic capabilities research by showing that international scalability is not an automatic feature of digital product delivery. Instead, it is a dynamic organizational achievement shaped by learning, resource mobilization, continuous reconfiguration, and managerial choices about which international frictions are worth resolving.

Keywords

digitalization, internationalization, SaaS, “dynamic capabilities”, “born digital” “product led growth”, scaling

Declaration on the Use of Generative AI

A full declaration on the ethical use of generative AI tools during the research process is provided in Appendix

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1. Introduction

Digitalization has changed the conditions under which firms internationalize. In traditional international business research, firms were often expected to expand gradually, increase foreign market commitment step by step, and learn from accumulated market experience before entering more distant markets (Johanson & Vahlne, 1977). While this perspective remains important for understanding uncertainty, commitment, and learning, it does not fully capture the internationalization logic of digital firms whose products, customer relationships, and delivery models are partly or fully based on internet infrastructure. Digital technologies can reduce search, communication, coordination, and transaction costs, which allows firms to reach foreign customers earlier and with fewer physical assets than in many traditional industries (Drori et al., 2024). Therefore, the question is not only whether digital firms can internationalize rapidly, but how they build the organizational capabilities to make international growth scalable.

This question is especially relevant for Software-as-a-Service firms. SaaS firms deliver software through cloud-based infrastructure and usually operate through subscription-based business models rather than one-time product ownership (Chamelian, 2016). Because the product can be accessed online, SaaS firms can often serve foreign customers without establishing large physical operations in each market (Öim & Leis, 2024). This gives SaaS firms a strong potential for early and rapid international expansion. However, this potential should not be confused with automatic scalability. Even if a SaaS product can technically be sold across borders, the firm still needs sales capabilities, onboarding processes, customer success routines, localization ability, legal and tax readiness, trust-building mechanisms, and market-specific knowledge to convert foreign interest into sustainable revenue.

Based on this, the research question of this thesis is:

“How do B2B SaaS firms source international resources and transform them into scalable international sales and offerings in digital contexts?”

This research question is positioned at the intersection of SaaS internationalization, digital internationalization, born global research, and dynamic capabilities. The aim is not only to understand how SaaS firms reach international customers, but how they source, mobilize, and transform international resources into scalable sales and offerings. In this thesis, international resources are understood broadly. They may include customer feedback, inbound demand signals, partner relationships, market-specific knowledge, ecosystem connections, sales knowledge, compliance understanding, and human expertise. These resources do not create scalability by themselves. They become valuable when firms are able to interpret them, use them commercially, and reconfigure their organization around them.

Traditional internationalization theories are insufficient alone for explaining this process. The Uppsala model provides a valuable explanation of experiential learning and gradual commitment, but its original logic was developed in a context where international expansion often required stronger physical presence and sequential market entry (Johanson & Vahlne, 1977). SaaS firms can challenge this logic because they may attract foreign users, customers, and partners before they have made deliberate market-entry decisions. Digital internationalization research has added further understanding by showing how internet-based infrastructure changes the cost, speed, and scope of international expansion (Wittkop et al., 2018). Still, digital firms should not be treated as a homogeneous category. Wittkop et al. (2018) show that digital firms internationalize differently depending on their value creation logic. This matters for SaaS firms because they do not only sell a digital product; they also provide an ongoing service relationship that requires continuous development, customer retention, support,

and trust. Therefore, the internationalization of SaaS firms cannot be explained only through digital distribution. It must also be examined through the organizational capabilities that allow the firm to repeatedly identify, capture, and serve international opportunities.

Dynamic capabilities provide a suitable theoretical lens for this study because they focus on how firms integrate, build, and reconfigure resources in changing environments (Teece et al., 1997). This is particularly relevant for SaaS firms, which often operate in high-velocity markets where customer needs, technologies, competitors, and regulatory expectations change quickly. Teece (2007) divides dynamic capabilities into sensing, seizing, and reconfiguring activities. Sensing refers to identifying opportunities and threats, seizing refers to mobilizing resources to capture value, and reconfiguring refers to renewing and realigning the firm's asset base as conditions change (Teece, 2007). These activities fit the research question of this thesis because the study examines how SaaS firms source international resources and transform them into scalable international sales and offerings.

The existing literature provides several useful starting points, but a more specific research gap remains. SaaS internationalization has been discussed through born global, born digital, and digital platform perspectives, which show that SaaS firms may internationalize early because their offering can be delivered digitally (Schmitz & Parente, 2024). At the same time, recent SaaS-focused research shows that internationalizing SaaS firms still face internal challenges, such as limited capacity, weak competitiveness, insufficient references, marketing constraints, customer specificity, and trust-related barriers (Öim & Leis, 2024). These findings are highly relevant because they challenge the idea that digital firms can scale internationally without significant organizational barriers.

However, there is still limited qualitative understanding of how B2B SaaS SMEs move from sensing international opportunities to building scalable international sales and offerings.

Existing research has explained why digital firms can internationalize rapidly and what challenges they may face but less is known about the process through which international resources are transformed into repeatable sales routines, adaptable offerings, compliance capabilities, and ecosystem-based growth mechanisms. In particular, Õim and Leis (2024) provide valuable SaaS-specific insight into internal internationalization challenges through the case of an Estonian SaaS firm, but there remains room for broader case-based qualitative research that compares multiple European B2B SaaS firms and connects their internationalization processes to dynamic capabilities. This thesis addresses that gap by examining how SaaS firms source international resources and transform them into scalable international sales and offerings in digital contexts.

To answer the main research question, the study is guided by three supporting sub-questions. First, how do B2B SaaS SMEs sense and source international resources, opportunities, and market knowledge? Second, what frictions do SaaS firms face when trying to seize international opportunities and convert them into sales? Third, how do SaaS firms reconfigure their business models, routines, human capital, and ecosystem relationships to make international sales and offerings more scalable? These sub-questions follow the dynamic capabilities logic of sensing, seizing, and reconfiguration. They also ensure that the research question is examined as a process rather than as a single outcome.

The empirical scope of this thesis is limited to B2B SaaS SMEs in a European context. The focus is on firms that sell software-based digital offerings to business customers and face the challenge of scaling international sales, onboarding, customer success, and market adaptation. The study does not focus on consumer applications, large multinational software corporations, traditional manufacturing firms, or service firms whose internationalization depends mainly on physical delivery. This scope allows the thesis to focus on SaaS firms for which international growth is digitally enabled, but still organizationally demanding.

The study is conducted as a qualitative case-based study. This methodological choice is suitable because the research question asks how SaaS firms source and transform resources, which requires attention to processes, managerial interpretations, organizational routines, and contextual differences. The study uses primary interview data and secondary case material to examine how SaaS firms experience internationalization in practice. The purpose is not to produce statistical generalization, but to develop analytical understanding of how international scalability is built through dynamic capabilities.

The contributions of this study are threefold. First, the thesis contributes to SaaS internationalization research by showing that international scalability is not an automatic consequence of digital product delivery. Instead, scalability depends on the firm's ability to develop repeatable organizational capabilities around sales, onboarding, compliance, localization, and customer success. Second, the thesis contributes to dynamic capabilities research by applying sensing, seizing, and reconfiguration to the specific context of B2B SaaS internationalization. This helps explain how international resources are not only identified but also mobilized and transformed into scalable commercial routines. Third, the thesis contributes to digital internationalization and born global research by clarifying the gap between digital reach and scalable internationalization. A SaaS firm may be internationally visible before it is internationally scalable.

The thesis is structured as follows. After this introduction, the theoretical background begins with dynamic capabilities and explains why the framework is suitable for studying the transformation of resources in changing international environments. The following chapter discusses digital internationalization and explains how digitalization changes traditional assumptions about market entry, distance, and international growth. The next chapter focuses on born global firms, born digitals, and SaaS firms as a specific form of internationally oriented digital business. After this, the thesis connects the theoretical discussion to the use of dynamic

capabilities in SaaS internationalization. The methodology chapter then presents the qualitative case study design, case selection, data collection, and data analysis. The findings and discussion chapter analyze the empirical material through sensing, seizing, and reconfiguration. Finally, the conclusion answers the research question, presents theoretical contributions and managerial implications, and discusses the limitations and future research avenues of the study.

2. Dynamic Capabilities

Dynamic capabilities (DC) are an essential conceptual nexus for the thesis “How do B2B SaaS firms’ source international resources and transform them into scalable international sales and offerings?”, as the research question focuses on how firms transform resources into scalable sales. While earlier research like the Resource-Based View focused on explaining what resources a firm *has*, Dynamic Capabilities theory explains what a firm *does* with them (Teece, 2007) to maintain a competitive advantage in the rapidly shifting international Software-as-a-Service (SaaS) landscape.

SaaS markets are considered *high-velocity*, where market boundaries are blurred and the competitive landscape is characterized by an inherently unstable structure and ambiguous market players (Eisenhardt & Martin, 2000). To navigate this unpredictability, firms must move away from traditional, long-term analytic planning and instead rely on simple rules and experiential routines that prioritize real-time knowledge creation (Eisenhardt & Martin, 2000). In these market conditions, a firm does not scale through complex, rigid processes, but through flexible routines that allow for rapid international iteration (Eisenhardt & Martin, 2000).

2.1. Historical Source of Competitive Advantage: Firm's Internal Resources

The search for sustained competitive advantage begins with a firm's internal resource quality. While market positioning and external factors are critical, the Resource-Based View (RBV) posits that the true roots of a firm's international journey lie within the unique assets it controls (Barney, 1991). However, simply possessing resources is only a starting point, for a firm to

thrive in the global landscape, these resources must be strategically cultivated and leveraged to create value that competitors cannot easily replicate (Wang & Ahmed, 2007).

According to the RBV, a firm achieves sustained competitive advantage when it implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors, and when these competitors are unable to duplicate the benefits of that strategy (Barney, 1991). This inherent immobility of critical resources prevents competitors from easily acquiring or replicating the foundational elements of a firm's success, thereby sustaining its competitive edge (Teece et al., 1997).

Moving beyond individual resources, Prahalad and Hamel (1990) introduced the concept of “core competencies”. This posits of a firm's collective learning and technological integration, which reinforces the development of diverse end products or services (Prahalad & Hamel, 1990). Unlike physical assets, these competencies do not deteriorate with use; rather, they grow and are enhanced as they are applied and shared across the organization (Prahalad & Hamel, 1990).

2.2. The Evolution to Dynamic Capabilities

While the RBV provides a solid foundation, its static nature often fails in high-velocity environments (Eisenhardt & Martin, 2000), the exact environments inhabited by SaaS firms. In sectors characterized by rapid technological change and shifting global standards, simply having VRIN resources is insufficient (Teece, 2018b). Ambrosini and Bowman (2009) argues that dynamic capabilities are a valuable extension of the RBV, focusing on how firms refresh and reconfigure their resource stocks to sustain advantage in changing environments.

The dynamic capabilities paradigm defines a firm's ability to integrate, build, and reconfigure its internal and external competences to address rapidly changing environments (Teece, 2018a; Teece et al., 1997). This involves not only adapting to external shifts but also proactively shaping market evolution through strategic actions (Eisenhardt & Martin, 2000). According to Ambrosini & Bowman (2009), this paradigm extends beyond operational proficiency, it's about a company's skill in balancing and reshaping its resources, including core competencies, to adapt to fast-changing environments. This strategic agility allows firms to achieve competitive advantage by adapting capabilities "sooner, more astutely, and more fortuitously" than rivals (Wang & Ahmed, 2007, p. 36).

Teece et al. (1997) emphasize that *dynamic capabilities cannot be bought; they must be built*. This perspective is critical for understanding how firms can move beyond merely leveraging existing resources to actively creating new ones in response to market shifts (Wang & Ahmed, 2007). Compared to the RBV, which primarily focuses on the static possession of valuable resources, the dynamic capabilities framework emphasizes the dynamic processes by which these assets are renewed, integrated, and reconfigured to maintain relevance and competitive edge in volatile markets (Eisenhardt & Martin, 2000). Dynamic capabilities are therefore:

The firm's processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change. dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die. (Eisenhardt & Martin, 2000, p. 1107)

This continuous adaptation is crucial for firms operating in high-velocity industries, allowing them to not only survive but also thrive among constant technological disruption and market shifts (Ambrosini & Bowman, 2009).

A common academic critique of the DC framework is its *potential for tautology* - assuming a firm has dynamic capabilities simply because it is performing well (Wang & Ahmed, 2007). To avoid this, we must identify the specific enablers. In high-velocity SaaS markets, these routines are often semi-structured—purposely simple and iterative to allow for emergent adaptation, rather than being rigid or overly complex (Eisenhardt & Martin, 2000). These semi-structured routines facilitate timely responsiveness and rapid innovation critical for success in the global marketplace, enabling firms to effectively coordinate and redeploy internal and external competencies (Teece et al., 1997). This adaptability, however, comes at the cost of potentially unstable processes with less predictable outcomes, requiring a richer conception of routines that moves beyond traditional views of efficiency and rigidity (Eisenhardt & Martin, 2000). The inherent tension between efficiency and adaptability in dynamic capabilities highlights the need for a nuanced understanding of their microfoundations. (Teece, 2016)

2.3. Firm's Activities to Sustain Competitive Advantage

2.3.1. Meta-level Activities

In the dynamic capabilities framework, a firm's ability to remain competitive in fast-moving global environments depends on three primary clusters of activities (Teece, 2007):

- *Sensing*: This involves the capacity to identify and shape both opportunities and threats by scanning the external environment (Teece, 2007). It is an analytical capacity to sense, filter, and calibrate technological opportunities in relation to customer needs (Teece, 2007).

- *Seizing*: Once an opportunity is sensed, the firm must mobilize resources to address it and capture value (Teece, 2007). This cluster focuses on defining the customer solution and designing workable business models (Teece, 2007).
- *Transforming (or Reconfiguring)*: To sustain adaption, firms must undergo continued renewal, which involves the enhancement, combination, and protection of the enterprise's intangible and tangible assets (Teece, 2007). It requires the continuous alignment and realignment of organizational structures to ensure the firm does not become constrained by organizational rigidity as it grows (Teece, 2007).

By mastering these meta-competencies, an organization can achieve value-enhancing orchestration of its assets, allowing it not just to invent new products, but to innovate profitably on a global scale (Teece, 2007).

2.3.2. Managerial Influence

Besides the activities a firm possesses, the role of the management plays a crucial role in orchestrating these dynamic capabilities, particularly in smaller enterprises (Teece, 2016). Specifically, managers are instrumental in interpreting environmental shifts and deploying resources, with their individual acumen and perceptions significantly influencing how opportunities are seized and threats mitigated (Ambrosini & Bowman, 2009).

The specific skills and experiences of managers act as a managerial fixed effect, meaning the identity of the leadership team significantly impacts the firm's return on assets and strategic direction (Teece, 2016). In the managerial fixed effect perspective managers must act as *perpetual entrepreneurs*, using entrepreneurial management to sense and seize opportunities under conditions of deep uncertainty (Teece, 2016).

Crucially, dynamic capabilities are only leveraged if managers actually perceive the need for change. (Ambrosini & Bowman, 2009). How leaders interpret environmental complexity and uncertainty determines whether the firm successfully pivots or remains stuck in a failing international strategy (Ambrosini & Bowman, 2009). Therefore, for an internationalizing SaaS firm, the manager's ability to accurately perceive global market shifts is a *critical determinant of success*.

2.4. Dynamic Capabilities in SMEs and New Ventures

It is important to bridge general dynamic capabilities theory with the specific constraints and advantages of SaaS Small and Medium-sized Enterprises (SMEs) for this thesis' specific focus. For a new digital firm, internationalization is not just about what resources they have, but how they rapidly improve and specialize those resources to survive in high-velocity markets (Eisenhardt & Martin, 2000; McKelvie & Davidsson, 2009). In the SaaS environment, where firms are often "born global"—meaning that they were designed to global markets from the beginning (Berisha et al., 2025) the distinction between how a large corporation and an SME develop capabilities is vital. While large firms focus on the orchestration of existing vast assets, new firms must focus on the dynamic creation and modification of their limited resource base (McKelvie & Davidsson, 2009).

2.4.1. Resource Deployment and Development

For internationalizing SMEs, growth depends on careful balancing between internal R&D intensity and external collaborative intensity, so when these factors are disproportional, firms often fail to achieve positive revenue growth from their internationalization (Fredrich et al.,

2022). This requirement for balance extends to international ambidexterity, where firms must simultaneously deploy exploitative consolidation capabilities to ensure survival and profitability while fostering explorative disruption capabilities to drive future expansion (Prange & Verdier, 2011).

Traditional strategy often focuses on "resource stocks", the static amount of assets a firm possesses; however, for new ventures and SMEs, these initial stocks are often a poor predictor of success (McKelvie & Davidsson, 2009). Research by McKelvie and Davidsson demonstrates that *the improvement and modification of resources over time* is a far more significant predictor of capability development than the static stock the firm started with (McKelvie & Davidsson, 2009). Because new firms have a higher ratio of 'new' to 'total' resources, their competitive advantage lies in their ability to dynamically alter their resource base rather than merely defending it (McKelvie & Davidsson, 2009).

For an SME to develop these specific dynamic capabilities, it must possess specialized resource enablers rather than generic resources (McKelvie & Davidsson, 2009): human capital—as team business education and experience—to generate more promising ideas than resources allow; technological expertise to disrupt international markets with radical products that force competitor reactions; and technical skills plus modern infrastructure to rapidly convert ideas into market-ready software. This constant evolution of resources, driven by strategic situational awareness, allows SMEs to tailor their internationalization efforts to specific market conditions, ultimately facilitating economies of scope and scale (Fredrich et al., 2022). This continuous adaptation of resources and capabilities also influences the firm's internationalization trajectory, as evidenced by variations in market entry modes and the scope of international operations among diverse types of born globals (Prange & Verdier, 2011.).

2.4.2. Cognitive and Strategic Orientations

According to Wang and Ahmed (2007), a firm's behavioral orientation toward internationalization can be understood through three core dimensions of dynamic capability:

- **Adaptive Capability:** The ability of an SME to stay flexible and align its internal resources with shifting global environmental factors (Wang & Ahmed, 2007).
- **Absorptive Capability:** The capacity to recognize the value of new, external information (such as foreign market trends or user feedback), assimilate it, and apply it to commercial ends (Wang & Ahmed, 2007).
- **Innovative Capability:** The firm's ability to develop new products and markets through a strategic orientation toward pioneering rather than just imitating rivals (Wang & Ahmed, 2007).

Synthesizing these three dimensions enables digital and software firms to use rapid internationalization to shape market dynamics to use rapid internationalization to shape market dynamics actively, rather than merely reacting to them (Berisha et al., 2025). Its deliberate exercise guides an SME's expansion trajectory, allowing for more effective resource deployment across diverse geographic markets (Fredrich et al., 2022). Ultimately, this proactive posture helps ventures overcome traditional entry barriers through agile operational frameworks and digital technologies (Berisha et al., 2025).

Another critical challenge for SMEs is *distinguishing between a true dynamic capability and ad hoc problem solving* (Winter, 2003). Dynamic capabilities are high-level routines that are foundationally patterned, practiced, and repeatable, while ad hoc problem solving is a non-repetitive "firefighting" response to a novel challenge (Winter, 2003, p. 992-993).

Many small SaaS firms rely on ad hoc problem solving because it carries a lower cost burden than maintaining expensive, specialized routines (Winter, 2003). While this reactive approach allows for extreme flexibility during the early stages of internationalization (Winter, 2003), the firm must eventually transition these creative responses into practiced routines to ensure long-term evolutionary fitness as they scale globally (Teece, 2007). This transformation from ad hoc problem solving to formalized dynamic capabilities is essential for developing both exploitative capabilities, which optimize existing operations, and explorative capabilities, which drive new market creation (Prange & Verdier, 2011). This dual emphasis allows SMEs to pursue sustainable international growth by both optimizing current foreign market engagement and identifying novel opportunities for expansion (Prange & Verdier, 2011).

Similarly, Berisha et al. (2025) introduce their finding of hybrid of decision-making logics: While causation represents a planned, analytical strategy approach, effectuation allows for emergent, flexible responses to unplanned global opportunities and serendipitous partnerships that arise from previous referrals (Berisha et al., 2025). This hybrid approach is particularly relevant for born globals and SMEs, where resource constraints often necessitate an adaptive strategy that integrates both proactive planning and reactive flexibility in navigating complex international markets (Berisha et al., 2025). While Winter (2003) frames the relationship between dynamic capabilities and ad hoc problem solving as a strict dichotomy, Berisha et al. (2025) observe a more fluid integration of these approaches. They suggest that as firms evolve, successful founders do not merely choose one over the other, but rather dynamically shift between these logics, often starting with planned strategies before gravitating toward effectuated responses as timely windows of opportunity open in the international market (Berisha et al., 2025).

2.5. Synthesis of the General Dynamic Capabilities Framework

In summary, the academic evolution from the static Resource-Based View (Barney, 1991) to the active Dynamic Capabilities paradigm (Teece et al., 1997; Eisenhardt & Martin, 2000) represents a fundamental shift in how firms achieve global competitive advantage. Rather than relying on the passive possession of valuable, rare, inimitable, and non-substitutable (VRIN) resources, internationalizing SMEs must focus on how those resources are continuously renewed, integrated, and reconfigured over time (McKelvie & Davidsson, 2009). For resource-constrained ventures, this capability development is not static, but evolutionary, requiring managers to fluidly navigate the tension between structured, repeatable routines (Winter, 2003) and flexible, entrepreneurial agency (Teece, 2016).

This dynamic calibration is clearly reflected in the hybrid decision-making structures utilized by born-global founders. To survive in high-velocity markets, SMEs must actively balance planned, analytical strategies with emergent, flexible responses to unplanned opportunities (Berisha et al., 2025). When applied to international expansion, this hybrid approach demands that the firm synthesize its adaptive, absorptive, and innovative capabilities (Wang & Ahmed, 2007) to achieve international ambidexterity (Prange & Verdier, 2011). Ultimately, the firm must learn to exploit existing domestic operations to fund and fuel the active exploration of volatile foreign markets.

However, while traditional dynamic capabilities theory was built around the management of physical assets, cross-border value chains, and localized foreign direct investments, the emergence of the Software-as-a-Service (SaaS) business model introduces a radically different operational context. Because SaaS firms are natively digital, they are theoretically capable of near-instantaneous global reach from day one (Berisha et al., 2025). This architectural shift raises a critical academic question: how do these dynamic, hybrid, and adaptive capabilities

manifest when physical distance is replaced by virtual presence? To understand how born-digital ventures translate their dynamic capabilities into scalable cross-border revenue, we must move beyond general strategic management and explore the unique, multi-layered landscape of digital internationalization.

3. Digital Internationalization Perspectives

As the second theoretical pillar of this thesis, this chapter examines the diverse frameworks and perspectives of digital internationalization. While traditional international business theories were historically constructed around physical assets, tangible supply chains, and gradual geographic expansion, the rise of internet-mediated models requires a fundamental reassessment of how firms cross national borders. To address this shift, this chapter introduces the relevant theoretical perspectives in a structured, developmental sequence. This evolutionary discussion traces the progression from traditional internationalization models, through partially digitalized and digital firms, to fully digital, born-global ventures. By establishing this conceptual taxonomy, the chapter provides the necessary theoretical background to analyze how resource-constrained software-as-a-service (SaaS) SMEs operate and scale within virtual environments.

Digitalization has become one of the central forces reshaping firm internationalization. Bergamaschi et al. (2021) describe digitalization as a major phenomenon affecting both business and society, while Drori et al. (2024) argue that digitalization changes internationalization by shifting attention from the physical movement of goods and services toward flows of data, information, and knowledge. This shift is especially relevant for firms whose products, delivery models, and customer relationships are partly or fully based on internet infrastructure.

Traditional international business research often understood internationalization as a gradual process. In the Uppsala model, firms increase foreign market commitment step by step as they accumulate experiential knowledge and reduce uncertainty (Johanson & Vahlne, 1977). This logic remains useful because internationalization still involves learning, commitment, and

uncertainty. However, it does not fully explain digital firms that can reach foreign users, customers, and partners before establishing physical operations abroad.

Digital technologies reduce several barriers that traditionally made international expansion slower and more resource intensive. Drori et al. (2024) argue that digitalization lowers search, communication, coordination, and transaction costs across borders. This allows firms to identify foreign customers, communicate with them, test demand, and coordinate international activities with fewer physical resources than before. Fang et al. (2017) similarly show that firms may enter distant foreign markets more directly when they rely on global vision, networks, and accelerated learning rather than only on incremental expansion.

However, digital internationalization should not be understood as frictionless internationalization. Stallkamp et al. (2022) describe a digitalization paradox in which digital technologies can increase international reach without automatically creating proportional revenue growth. This distinction is important for SaaS firms because the ability to reach foreign customers digitally does not mean that the firm can automatically convert, onboard, support, and retain them. Therefore, the main issue is not only whether SaaS firms can reach international customers, but whether they can transform digital reach into scalable international sales and offerings.

3.1. The Evolution from Traditional to Digitalized Internationalization

Traditional internationalization theories were developed mainly in a context where firms expanded through physical products, local operations, and sequential market entry. The Uppsala model explains this process through gradual learning and increasing foreign market commitment (Johanson & Vahlne, 1977). According to this view, firms usually begin with closer

or more familiar markets because uncertainty is lower and experiential knowledge can be accumulated over time.

Digitalization challenges this logic by changing how firms access market knowledge and interact with foreign customers. Drori et al. (2024) argue that digital technologies reduce the cost of searching, communicating, coordinating, and transacting across borders. This weakens the need for firms to rely only on physical presence or slow sequential learning in the early stages of internationalization.

Fang et al. (2017) provide a useful contrast to strictly gradual internationalization. They argue that some firms can enter distant and challenging markets by using global vision, swift action, and continuous learning. Their argument does not mean that distance and foreignness disappear, but it shows that firms may overcome some traditional barriers through networks and accelerated learning.

For SaaS firms, this shift is especially important. Since SaaS products can be accessed through internet-based infrastructure, SaaS firms may reach foreign customers without building local production or distribution systems. Öim and Leis (2024) show that SaaS firms may internationalize early because their offerings can be delivered digitally. This gives SaaS firms strong potential for early international exposure.

However, early exposure is not the same as scalable internationalization. Öim and Leis (2024) also show that SaaS firms face internal barriers such as limited capacity, weak competitiveness, insufficient references, marketing constraints, customer specificity, and trust-related challenges. Schmitz and Parente (2024) add that institutional environments still shape the internationalization of born-digital firms because regulation, legitimacy, and local conditions influence what kind of market presence or adaptation is required. Therefore, even when SaaS

firms can technically serve foreign customers, they still need organizational capabilities to make international sales scalable.

Industry-level digitalization also helps explain why software firms differ from many traditional firms. Drori et al. (2024) use the concept of industry digital intensity to show that firms in more digitally intensive industries may internationalize more broadly because digital networks reduce some location-based constraints. For this thesis, this point is useful only as background: SaaS belongs to a digitally intensive context, but firm-level scalability still depends on how companies convert international demand into repeatable sales, support, and delivery routines.

Thus, the transition from traditional to digitalized internationalization should be understood as a change in conditions rather than a complete replacement of earlier theory. Digitalization can reduce internationalization costs and accelerate access to foreign customers, but firms still need to learn, adapt, commit resources, and build trust as international complexity increases.

3.2. Structural Transition from Digitalized to Natively Digital Firms

A distinction should also be made between digitalized firms and digital firms. Digitalized firms are traditional firms that use digital technologies to improve existing activities (Meyer et al., 2023). In these firms, digital technologies may support marketing, analytics, customer communication, or sales channels, but the core value creation may still depend on traditional processes.

Digital firms are different because digital technologies are central to their business model. Wittkop et al. (2018) argue that internet-based firms should be understood through how they propose, create, and capture value. Their distinction between value shop, value chain, and value

network firms is useful because it shows that digital internationalization depends on the firm's value creation logic rather than on digital technology alone.

Value Logic	Primary Characteristic	Internationalization Speed/Behavior
Value Shop	Individualized, border-independent consultation (e.g., service).	Highest: Can operate globally from a single office; expansion is highly planned and demand-driven.
Value Chain	Sequential value creation; internationalizes once domestic processes are stable.	Fast but localized: Still values physical proximity and often enters neighboring markets first.
Value Network	Value depends on a high density of local network participants (e.g. users).	Slowest: Scaling is difficult across borders until local network effects are established.

Table 1. Author's synthesis of digital firm types, adapted from Wittkop et al. (2018).

This matters because digital firms do not internationalize in the same way simply because they all use internet-based technologies. As it can be seen in the table, some digital firms can internationalize quickly because their service can be delivered remotely, while others depend more heavily on local partners, local users, or market-specific network effects.

Pörr et al. (2023) also argue that traditional measures of internationalization, such as foreign assets, employees, or subsidiaries, may be less suitable for digital firms. A digital firm may serve customers abroad without having a large physical footprint in those countries. SaaS firms may distribute software digitally, but they also depend on customer relationships, product updates, onboarding, support, and retention. Öim and Leis (2024) show that SaaS internationalization can be constrained by customer specificity, trust barriers, weak references, and internal capacity, suggesting that SaaS firms should be treated as a specific type of digital firm rather than as a generic example of digital internationalization.

The move from digitalized firms to digital firms therefore represents more than the adoption of digital tools. It changes the firm's value creation logic, internationalization process, and capability requirements. For this thesis, the key point is that SaaS firms may be internationally reachable through digital channels, but scalable internationalization still depends on how they organize sales, onboarding, customer success, localization, and support.

3.3. Native Digital Capabilities in the Digital Economy

The digital economy provides a broader environment in which digital firms internationalize. Teece (2018b) argues that digital competition is increasingly shaped by platforms, enabling technologies, ecosystems, and complementary assets rather than by isolated products or technologies. For internationalization, this means that digital firms do not only expand by entering foreign markets, but also by using digital infrastructure, partners, platforms, and external resources to reach and serve customers across borders.

Digital platforms can support this process by helping firms establish a virtual presence in foreign markets. Gong et al. (2024) argue that digital platform-based firms can use modular architecture and digital infrastructure to expand internationally with fewer physical assets. This helps explain why fully digital firms, including SaaS firms, may become internationally visible earlier than traditional firms.

However, the digital economy does not remove the need for non-digital resources. Stallkamp (2023) describes the foreign direct investment paradox, where born-digital firms can offer products abroad through internet-based channels but may still need physical or local resources to support profitable international growth. Schmitz and Parente (2024) similarly show that

institutional conditions continue to shape born-digital firms' entry choices, because regulation, legitimacy, and local market conditions influence how firms enter and serve foreign markets.

This is particularly relevant for SaaS firms. Öim and Leis (2024) show that SaaS firms may internationalize early because their offerings can often be delivered digitally across borders. At the same time, they also show that SaaS firms face barriers related to limited capacity, customer specificity, insufficient references, marketing constraints, and trust. Stallkamp et al. (2022) explain this broader tension through the digitalization paradox, where digital reach does not automatically translate into proportional revenue growth when firms lack the complementary resources needed to serve international customers.

For this thesis, the key implication is that the digital economy creates the conditions for early international reach, but not automatic scalability. SaaS firms may sense demand through inbound leads, online visibility, platforms, or digital customer interactions, but these signals do not guarantee scalability.

3.4. Summary on Internationalization Perspectives and Establishing Bridge to Born-Global Ventures

In summary, digitalization has changed the conditions under which firms internationalize by reducing some barriers related to distance, communication, coordination, and market access. However, the literature also shows that digital internationalization should not be understood as a single or uniform process. Digital firms differ in their value creation logic, business models, and dependence on physical, relational, institutional, and ecosystem-based resources.

For SaaS firms, the key takeaway is that digital delivery enables early international reach, but it does not automatically create scalable internationalization. A SaaS firm may become visible to foreign customers before it has developed the sales, onboarding, customer success, compliance, localization, and trust-building capabilities required to serve those customers sustainably. Therefore, the central challenge is not only reaching international markets but transforming digital reach into repeatable and scalable international sales and offerings.

This prepares the ground for the next chapter, which focuses on born global and born digital firms as specific forms of early internationalizing firms in digital contexts.

4. Internationalization of Born Global Firms

As introduced in the previous chapter, Teece made a distinction within the digital economy between firms that are merely digitalized versus those that are strategically digital (Teece, 2018). These strategically digital firms navigate natively within the environment by leveraging platform capabilities and dynamic capabilities to detect and capture global opportunities (Teece, 2018). In this chapter, the strategically digital or born global concept will be examined through different lenses: business models, general challenges, and opportunity enablers.

4.1. Defining Born Global Firms and The SaaS Business Model

The distinction between Born Digitals and traditional Born Globals (BG) lies in their value chain and distribution: born digitals are built around intangible digital offerings that can be distributed 100% through digital channels (Stallkamp et al., 2022.). This allows them to bypass traditional internationalization stages entirely, focusing instead on niche and developed markets with minimal resource commitments (Schmitz & Parente, 2024). Fu and Abdul Rahim (2025) define Internet Born Globals (IBG) as firms that leverage digital capabilities for international expansion from the moment of inception.

Software as a Service represents a paradigm shift in how software is delivered and consumed (Öim & Leis, 2024). Unlike traditional software, which requires local installation and perpetual licensing, SaaS is a cloud-native model where applications are hosted on a provider's remote infrastructure and accessed by users via the internet (Öim & Leis, 2024; Oliveira et al., 2019). This "on-demand" access is typically facilitated through a multi-tenant architecture, where the service provider maintains responsibility for continuous development, security, and maintenance (Oliveira et al., 2019).

The subscription-based service model comes with multiple changes in how firms conceptualize value delivery, customer relationships, and revenue generation (Chamelian, 2016). Customer centricity is in focus in the new business model: as revenue is recurring, the business logic focuses on minimizing customer churn and maximizing the lifetime value of the customer through continuous software updates and high-quality support services (Chamelian, 2016). Complementing these customer retention priorities, the subscription model aims to lower the entry barriers (Chamelian, 2016), frequently augmented by freemium tactics like time-limited "try before you buy" trials.

SaaS firms are frequently classified in academic literature as Born Digitals or Born Globals because their distribution model is 100% digital, and since the product is delivered via the internet, these firms can bypass many of the physical and logistical barriers that traditionally slow down international expansion (Öim & Leis, 2024).

4.2. Challenges and Internal Barriers of Born Global Internationalization

While the digital nature of Born Globals suggests a frictionless path to internationalization, digital ventures face significant internal and external hurdles that often require physical presence and relational strategies to overcome. (Öim & Leis, 2024) This paradox highlights that purely digital approaches may not suffice for navigating complex international markets (Li et al., 2025; Öim & Leis, 2024) While digital tools make going global easier for small businesses, online platform companies face complex challenges. (Li et al., 2025). Because of this, there is no one-size-fits-all approach to international expansion, success depends on many internal and external factors, requiring a unique strategy for every firm (Li et al., 2025).

The Enterprise Trust Deficit

One significant internal challenge for SaaS trust deficit when attempting to secure large enterprise clients (Öim & Leis, 2024). Large enterprise clients often demand relational trust traditionally built through geographic proximity, physical presence, and long-term human interactions—elements that digital channels alone may not fully replicate (Monaghan et al., 2020). New SaaS ventures often face significant credibility hurdles due to a lack of historical performance and industry references, which complicates the acquisition of major international clients (Öim & Leis, 2024).

The Boundaries of Virtual Presence

While digital tools facilitate initial market entry, the need for physical presence routinely reappears. Despite the perceived benefits of reduced distance costs in digital goods (Stallkamp, 2023), often the need for physical investment to manage non-digital local resources persists, especially given cultural distances (Li et al., 2025). Thus, while digital technologies reduce entry barriers, *a complete reliance on virtual presence is effective primarily for standardized and simple interactions*, whereas complex engagements, particularly those requiring nuanced local market understanding, still necessitate physical investment (Dos Santos & Williamson, 2024).

4.3. International Expansion Enablers of Born Global Ventures

Trust Automation via Digital Affordances

In contrast to traditional relationship-building, digital ventures possess a critical differentiator in their ability to automate trust (Monaghan et al., 2020). This relies on specific digital affordances that can serve as a near full substitute for the relational trust traditionally established

through geographic proximity and long-term human interaction, such as reputation systems, including online certifications and payment verification, reputation ratings and detailed customer feedback systems and automated tools for selling and marketing (e.g., Salesforce, HubSpot) that reduce the time and financial investment required to manage foreign operations (Monaghan et al., 2020). This automation facilitates rapid market penetration by bypassing the time-consuming relationship-building processes described in traditional internationalization models like the Uppsala model (Monaghan et al., 2020).

The Foreign Direct Investment (FDI) Paradox

The Foreign Direct Investment (FDI) Paradox highlights a fundamental tension in digital scaling: while digital products distribute instantly across geographic boundaries, monetizing them in culturally distant markets requires physical presence (Stallkamp, 2023). Because home-market expertise is rarely fungible across cultures, firms must invest in complementary, non-digital resources—such as local sales and support teams. These "boots on the ground" are essential to adapt digital offerings, demonstrate utility, and build trust, proving that technology mitigates geographical distance, but not cultural distance. (Stallkamp, 2023).

The Digitalization Paradox

The scaling of digital born globals reveals a fundamental "Digitalization Paradox": rapid global reach does not automatically translate into proportionate revenue growth (Stallkamp et al., 2022). This tension stems from a misunderstanding of non-digital resources. While digital assets scale seamlessly at zero marginal cost, the physical infrastructure required to service customers—such as local sales and support teams—does not (Stallkamp et al., 2022). Failing to effectively orchestrate these traditional resources alongside technology creates supply-side bottlenecks that ultimately stall international monetization.

Institutional Constraints on Entry Modes

Beyond cultural factors, host-nation structural and regulatory environments heavily dictate entry strategies. Schmitz and Parente (2024) argue that a born-digital's entry mode depends on the target market's institutional strength and digitalization level. In highly digitalized, institutionally advanced nations, firms opt for a "solely digital" entry to scale rapidly without physical infrastructure. Conversely, in markets with weak institutions or regulatory ambiguity, they rely on joint ventures or acquisitions to navigate local hurdles and secure legitimacy (Schmitz & Parente, 2024). Consequently, while maintaining lower foreign-asset ratios than traditional multinationals, they must still invest locally in country-specific payment infrastructures and localized support to ensure operational viability.

4.4. Strategic Development and Internal Transformation

The scaling trajectories of digital born globals often face a tension between rapid global reach and sustainable value capture (Meyer et al., 2023). While digital ecosystems facilitate swift expansion, long-term scalability depends on balancing digital resource orchestration with the strategic deployment of non-digital assets (Stallkamp et al., 2022).

Navigating Institutional Voids via Social Capital

When formal institutional frameworks are weak, founders navigate these "institutional voids" through the strategic use of social capital (Clipa et al., 2023). In economies lacking robust traditional institutional pillars, SaaS entrepreneurs rely heavily on personal and professional networks as a survival mechanism. Rather than depending on state-led support, they utilize bonding and bridging social networks to bypass national structural weaknesses and secure the critical resources necessary for innovation.

Entrepreneurial Bricolage

To overcome inherent resource scarcity, small born-digital firms often leverage entrepreneurial bricolage—defined as combining and recombining the physical artifacts, skills, and amateur capabilities at hand to solve internationalization challenges (Vadana et al., 2021). This approach allows firms to build flexible internationalization strategies by merging digital technologies with organizational marketing and existing networks, creating cost-effective, adaptable solutions to navigate legal regulations and limited budgets.

Infrastructure Depth and Digitalization Excellence

To sustain high growth, international SMEs focus on digitalization excellence through deep infrastructure integration rather than isolated software usage (Westerlund, 2020). Successful international SMEs are 1.87 times more likely to implement advanced Enterprise Resource Planning (ERP) systems than domestic firms. This infrastructure depth significantly increases export success by anchoring digital tools within broader organizational and process innovations (Cassetta et al., 2020).

Synergistic Reconfiguration and Resource Complementarity

Sustainable scaling ultimately requires synergistic reconfiguration of internal processes. According to Cassetta et al. (2020), digital technologies only accelerate sales growth when bundled with high-quality human capital and process innovations. By orchestrating both digital and non-digital resources together, born global firms can manage the dual nature of digitalization—using it to reach a massive audience while maintaining the internal capacity to handle that growth (Cassetta et al., 2020). This strategic maturity allows the firm to move from a state of rapid, potentially unstable expansion to a model of long-term, profitable scaling.

4.5. Summary of the Born Global Characteristics

In conclusion, the literature on the digitalization paradox demonstrates that the ability of a SaaS firm to establish a virtual presence is not synonymous with its ability to capture value internationally (Meyer et al., 2023.; Stallkamp et al., 2022). While digital tools provide the necessary speed for market entry, the resulting supply-side bottlenecks—caused by a lack of traditional resources like sales teams and customer support—can lead to a state where growth does not result in revenue (Stallkamp et al., 2022). As discussed, the transition toward digitalization excellence requires more than just software adoption; it requires a deep integration of infrastructure (Westerlund, 2020), and the bundling of technology with high-quality human capital (Cassetta et al., 2020).

Ultimately, avoiding the risks of scaling too fast or too slow depends on the firm's ability to constantly reconfigure its internal processes. This orchestration of digital and non-digital assets ensures that the firm remains flexible while building the legitimacy needed for long-term survival (Schmitz & Parente, 2024). However, to understand how SaaS firms actually perform this reconfiguration in practice, it is necessary to look at the specific organizational routines that drive these changes. This transfers the focus from the "what" of internationalization barriers to the "how" of strategic execution, leading to the final pillar of this research: the application of dynamic capabilities.

5. Using Dynamic Capabilities in SaaS

Building on the findings from the previous section, it is clear that simply adopting digital tools does not guarantee international success—the digitalization paradox highlights a critical gap between global presence and value capture (Stallkamp et al., 2022). To resolve this, firms must look beyond the technologies themselves to the organizational mechanisms that orchestrate them. Dynamic Capabilities serve as this missing piece, providing the necessary framework for SaaS firms to sense market shifts, seize international opportunities, and reconfigure their resource base to sustain growth in volatile environments.

5.1. How Dynamic Capabilities Work in the Digitalized World

The traditional dynamic capabilities framework must be refined to account for the unique speed and ecosystem-driven nature of the digital economy. This involves integrating concepts of digital affordances and network orchestrating capacities into the conventional sensing, seizing, and reconfiguring mechanisms, thereby adapting the framework to the specific challenges of digital internationalization.

To address the complexities of international business in the digital age, Meyer et al. (2023) propose a refined activity-based perspective on dynamic capabilities. They identify four specific activity clusters—Sensing, Learning, Integrating, and Coordinating—that enable firms to navigate digital transformation (Meyer et al., 2023). These capabilities are essential for ventures to manage the tensions inherent in balancing internal development with external collaboration within innovation ecosystems, redesigning internal structures for flexibility, and improving overall digital maturity (Meyer et al., 2023).

This framework emphasizes the need for SaaS firms to continuously adapt their organizational structures and processes to capitalize on digital opportunities (Schmitz & Parente, 2024). While Teece's original conceptualization of dynamic capabilities provides a foundation, the SLIC framework offers a more granular, actionable approach for digital-native firms to operationalize these capabilities for international scaling (Vadana et al., 2021).

Chebbi et al. (2023) expanded on the concept of microfoundations (Teece, 2007), suggesting that the actual acceleration of internationalization is determined by the microfoundations of speed. They emphasize that while technology facilitates global reach, individual attributes alone are insufficient; instead, success requires a synergistic combination of individual, structural, and processual factors (Chebbi et al., 2023). Specifically, "sensing" of international opportunities relies heavily on a manager's international entrepreneurial orientation, past experience, and existing networks (Chebbi et al., 2023). This cognitive process is fundamentally powered by Absorptive Capacity —the ability to acquire and explore external knowledge, which Siqueira et al. (2024) identified as the mandatory foundational capability for tech startups.

For SaaS firms aiming to achieve global scale within the critical window of the first two years of inception, these microfoundations ensure that managerial cognition is translated into concrete organizational actions, such as market-related learning and intensive R&D activities (Chebbi et al., 2023). Together, these frameworks suggest that while SLIC provides the map for digital orchestration, the microfoundations of individuals and processes provide the engine necessary to navigate that map at the speed required by the SaaS business model.

5.2. Updated Managerial Resources in Emerging Markets

Under utilizing the dynamic capabilities, the research of the managerial capabilities got a distinct focus, too. Multiple research found that without consideration of the human capital, technological adoption often fails to translate into superior international performance: Cassetta et al., (2020) argue that digital technologies only boost export propensity and sales growth when they are bundled with internal organizational process innovations and high-quality human capital. This synergistic requirement is particularly critical for SaaS firms operating from emerging markets, where institutional voids—such as a lack of formal home-market support—place a heavy burden on the individual manager (Jafari-Sadeghi et al., 2021). The efficacy of these drivers is often enhanced through the leveraging of social capital, which facilitates innovation and market entry, particularly within the challenging institutional landscapes of emerging economies (Clipa et al., 2024).

Successful internationalization within these emerging environments is driven by micro-level drivers across three core areas: international networking, international vision, and experiential competence (Jafari-Sadeghi et al., 2021). While managerial networking creates external expansion paths and global vision proactively targets new markets, specialized competences, such as education or international experience that directly enables managers to compensate for missing institutional infrastructure in their home markets (Jafari-Sadeghi et al., 2021).

For instance, in emerging economies like Romania, founders leverage social capital to drive innovation within international markets, expanding beyond traditional economic views to encompass strategic networking for competitive advantage (Clipa et al., 2024). Similarly, Ōim and Leis (2024) found that Estonian SaaS firms encounter significant internal barriers to internationalization, which managers must navigate through strategic digitalization and also network development (Ōim & Leis, 2024). Ultimately, these micro-foundations allow managers

to act as central decision-makers, utilizing their personal vision and global networks to orchestrate the digital and organizational resources necessary for scaling across borders (Jafari-Sadeghi et al., 2021).

5.3. Updated Frameworks for Modern SaaS SMEs

The transition from internal readiness to market-facing success for SaaS firms follows a structured evolution from foundational model adjustments to long-term community orchestration. This evolution consists of a progression from initial product-market fit validation via business model adjustments (Cavallo et al., 2020) to the deployment of scalable digital sales channels (Öim & Leis, 2024) and the cultivation of engaged user communities that sustain international expansion and revenue growth (Stallkamp et al., 2022). This chapter will outline the strategic moves firms employ to leverage digital technologies for rapid international growth, examining how digital platforms deploy innovative approaches to market penetration and global scaling.

5.3.1. Enhancing Competitiveness by Business Model Innovation

Before any international engagement occurs, the firm must possess the capability of Business Model Innovation (BMI). Cavallo et al. (2020) demonstrate that BMI is not a consequence of expansion but a critical prerequisite, as it allows firms to scientifically pivot their value structures to meet foreign customer needs. This proactive adaptation of the business model ensures firms are not constrained by domestic market limitations but rather develop flexible architectures capable of achieving rapid scale through strategic partnerships and iterative reconfiguration. (Cavallo et al., 2020)

This structural flexibility ensures that the firm's core logic is born to adapt rather than just defend a static product. Moreover, it ensures that firms do not remain stuck in niche or depressed markets, but instead build the flexible architectures necessary to achieve scale through strategic partnerships and continuous reconfiguration (Cavallo et al., 2020)

5.3.2. Intelligent Sensing through Digital Interactions

To solve the international knowledge gap without the heavy financial burden of physical co-location, modern SaaS firms utilize intelligent digital architecture as a primary sensing mechanism (Dos Santos & Williamson, 2024). Digitalization has fundamentally shifted the core emphasis of international business away from the physical flows of goods toward the fluid flows of data, information, and knowledge (Drori et al., 2024). Viewed through an internalization theory lens, high digital intensity mitigates traditional market failures by drastically increasing information availability while lowering search, transaction, and coordination costs across borders (Drori et al., 2024). A foundational historical milestone of this shift was the 2006 release of free web analytics tools, which established a turning point by allowing nascent firms to track traffic and consumer behavior at a distance for near-zero cost (Drori et al., 2024).

In the modern digital economy, digital platforms serve as the essential infrastructure for this advanced sensing capacity (Gong et al., 2024). These platforms act as vital marketing channels that facilitate direct contact with final consumers on a global scale (Gong et al., 2024). Because these digital platforms support complex, multilateral transactions and exchanges, they generate highly accurate data regarding user interactions (Gong et al., 2024). For instance, in business-to-business (B2B) contexts, these platforms allow expanding firms to triangulate information from multiple distinct sources to efficiently verify market participants and reduce operational risk (Gong et al., 2024).

The sophisticated intelligence capability, derived from the automated collection and analysis of engagement signals, enables a highly nuanced, global understanding of customer sentiment and behavioral patterns (Fu & Abdul Rahim, 2025). Managers can leverage these continuous feedback loops to adapt and optimize their value propositions rapidly based on live interaction metrics, leading to swift market penetration (Fu & Abdul Rahim, 2025).

Consequently, this technological shift empowers SaaS firms to bypass traditional, slow-moving market research by tracking and analyzing revealed consumer preferences directly from real-time global user interactions (Dos Santos & Williamson, 2024). Driven by artificial intelligence and machine learning algorithms, this data-centric approach enables firms to navigate foreign markets with high precision. By using granular behavioral metrics—such as the exact time spent by a user before engaging with a feature—such models systematically reduce a firm's ignorance of the implicit rules shaping local demand. Ultimately, as Dos Santos and Williamson (2024) argue, these automated sensing methods can act as a strategic substitute for the localized experiential knowledge and physical presence historically required for international expansion, offering a highly scalable, country-agnostic mechanism to adapt to individual consumer segments across geographical distances.

5.4. Ensuring longevity and Growth in SaaS SMEs

This section provides the closure, the future enabler aspect to the SaaS internationalization journey by shifting from the mechanics of initial entry to the sustainable management and evolutionary growth of a global firm. It explores how continuous digital innovation and strategic resource orchestration contribute to enduring competitive advantage and resilience in dynamic

international markets. Furthermore, it addresses the challenges of maintaining market relevance, fostering organizational learning, and navigating evolving regulatory landscapes to ensure long-term viability.

5.4.1. Establishing Stability in Global Markets

Once a firm has successfully entered a foreign market, long-term survival depends on a delicate balance of internal and external capabilities. Internally, the firm must integrate organizational process innovations, mobilize high-quality human capital (Cassetta et al., 2020), and leverage its absorptive capacity (Wang & Ahmed, 2007) to dynamically reconfigure competencies as global demand shifts. Externally, survival is facilitated by forging strategic alliances and embedding the venture within global digital ecosystems (Monaghan et al., 2020). These networks provide essential resources, external legitimacy, and complementary capabilities that are critical for orchestrating value chains and securing operational resilience (Fu & Abdul Rahim, 2025; Stallkamp et al., 2022).

Building on this internal-external calibration, Prange and Verdier (2011) argue that post-entry survival is ultimately sustained by international ambidexterity, the dynamic capability to balance exploitation (consolidating existing markets for immediate profitability) and exploration (seeking new markets for future growth). Failing to manage this equilibrium can trap a firm in critical learning cycles. Excessive exploration risks a "failure trap" of continuous experimentation without commercial returns, while over-reliance on exploitation breeds core rigidities and competence traps, leaving the firm highly vulnerable to sudden market shifts (Prange & Verdier, 2011). Maintaining this strategic balance is therefore essential for preventing operational obsolescence and ensuring sustained organizational learning across competitive international landscapes.

5.4.2. Gaining Credibility through Ecosystems

To sustain growth, especially for ventures originating from emerging markets, firms must actively overcome institutional voids and resource scarcities (Buyukbalci & Dulger, 2022). When reflecting on these findings, a clear, progressive chain of logic emerges regarding how digital ventures experience and combat these institutional deficiencies. While Jafari-Sadeghi et al. (2021) describe the severe structural burden that a lack of formal state support places on expanding SMEs, Clipa et al. (2024) introduce the immediate, localized solution: founders actively counter these domestic gaps by leaning on social capital and informal bonding or bridging networks as a primary survival mechanism.

Moving a step further, Buyukbalci and Dulger (2022) demonstrate that this strategic reaction is not confined to the home market. To fully bypass domestic voids, firms intentionally reach across borders, embedding themselves into well-known international ecosystems, accelerators, and science parks to acquire the external legitimacy and credibility needed for global scaling. This integration directly mitigates the trust deficit often faced by nascent SMEs from emerging markets (Öim & Leis, 2024), fostering a perception of operational reliability essential for securing larger clients and strategic partnerships (Buyukbalci & Dulger, 2022).

For firms lacking established corporate reputations, this external validation serves as a critical mechanism for overcoming the liabilities of foreignness and newness, thereby facilitating market entry and scaling within competitive global landscapes (Buyukbalci & Dulger, 2022). Furthermore, by utilizing expat communities and international customers within their home markets, these ventures can successfully bridge "origin bias" and navigate the complex contextual differences required for global competition (Buyukbalci & Dulger, 2022).

5.4.3. Reaching Strategic Maturity through Collaboration and Community Orchestration

The final stage of strategic evolution involves a transition from basic, transactional networking to deep relational collaboration (Pundziene & Geryba, 2024). In volatile digital markets, superior performance is increasingly driven by a firm's capacity to move beyond loose, agreement-based partnership networks and instead embrace true relational collaboration, where value and operational benefits are co-created and jointly owned (Pundziene & Geryba, 2024).

This transition is critical as a firm matures throughout its international lifecycle. To sustain expansion, management must distinguish between the transactional, "entry-phase" capabilities needed to break into a foreign market and the complex post-entry capabilities required for long-term growth (Yang, 2025). Ultimately, this evolution culminates in a cognitive shift for leadership, where the strategic focus shifts from the technical administration of a standalone software product to the dynamic orchestration of a global online community (Yang, 2025).

5.5. Summary of Recent Practices for Utilizing Dynamic Capabilities in Born Global SaaS Firms

In conclusion, modernizing the Dynamic Capabilities framework is essential because traditional models were built for a physical world that moves too slowly for the digital economy. In the SaaS landscape, simply having a great software tool is not enough to survive the digitalization paradox; firms must actively modernize their inner workings through two key pillars. The first consists of the structural tools, specifically operationalized through the SLIC framework, which allows a firm to coordinate global value chains and scale without owning physical assets. The second is the human aspect, which serves as the actual engine driving those tools.

Once this internal readiness is achieved, firms must operationalize these capabilities into outward-facing market routines. This transition is often coupled with business model innovation to pivot value structures before scaling, and with intelligent sensing architectures that use platforms and AI to learn real-time user preferences from a distance.

Ultimately, reaching strategic maturity requires a transition from transactional networking to deep relational collaboration focused on value-sharing partnerships. This evolution is marked by a cognitive shift in management, moving beyond technical product oversight to the active orchestration of global online ecosystems. By utilizing continuous feedback loops within these communities, SaaS firms establish long-term strategic resilience, ensuring their digital solutions remain a permanent and indispensable component of the international user's infrastructure.

6. Methodology

Following the theoretical background from the previous chapter, this chapter will focus on the methodological approach used in this study. The opening subsections will explain the main features of academic research, the methodology chosen for the research, and the reasons for the timing and research strategy on the topic of internationalization of born-global companies, with special attention to SaaS firms.

This chapter also includes a section where the four primary and four secondary case companies are presented, just as well as the chosen approach of analysis and research design will be explained. It concludes by examining the research data: how it was collected and analyzed, while also offering an assessment regarding the quality of the data. Together with the theoretical background, the methodology chapter will serve as a foundation for the actual findings of the research which is presented later in the following chapter.

6.1. Research approach

This section details the methodological framework employed to investigate how SaaS firms source international resources and transform them into scalable offerings. To ensure a systematic and rigorous research design, this study adopts the Research Onion framework proposed by Saunders et al. (2023). This framework facilitates a layered approach to research design, ensuring that the selected methods and strategies are philosophically and theoretically aligned with the research objective of understanding the internal barriers to SaaS internationalization.

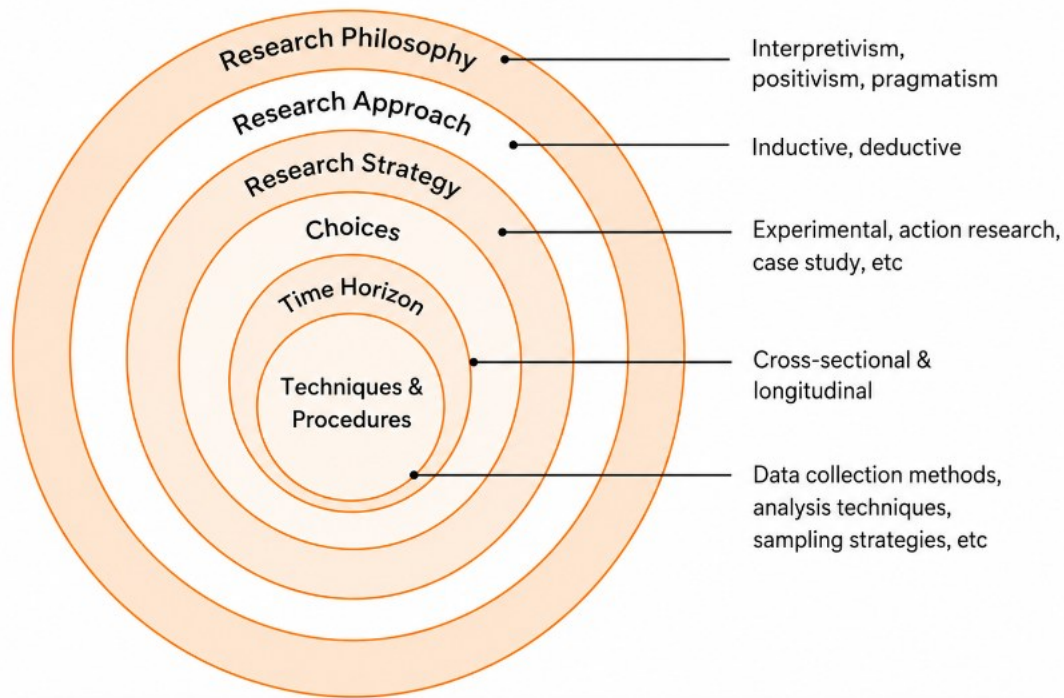


Figure 1. Author-developed visualization of the research onion, generated with AI and adapted from Saunders et al. (2023).

The philosophical layer of this research is based on interpretivism. In contrast to a positivist stance that seeks universal laws, an interpretivist philosophy suggests that *social reality is constructed through the subjective meanings and actions of individuals* within their specific organizational contexts (Denzin & Lincoln, 2018). For this thesis, an interpretivist lens is essential to capture the complex, nuanced perspectives of SaaS managers and founders regarding the "how" of resource transformation. This approach allows the exploration of the reality of digital internationalization experienced by the actors involved, where their subjective interpretations of internal barriers are central to understanding the researched phenomena (Denzin & Lincoln, 2018).

In alignment with the interpretivist philosophy, an inductive approach is utilized. Rather than beginning with a rigid hypothesis to be tested against empirical data, this study is building on patterns and theoretical insights from the ground up (Saunders, 2023). By analyzing primary interview data and secondary sources, the research aims to identify emerging themes and causal

theories related to dynamic capabilities in the SaaS sector. This inductive logic is particularly suited for digital contexts, where existing theories may not fully account for the rapid scalability and resource fluidity seen in the SaaS model.

The research strategy is defined as a multiple case study. According to Yin, case studies are the preferred strategy when "how" or "why" questions are being posed about a contemporary set of events over which the investigator has little or no control (Yin, 2014). To enhance the generalizability of the findings, this study utilizes a *design involving four primary cases and four secondary cases*. This multi-case approach allows for cross-case synthesis and replication logic, where findings from one case can be compared against others to identify consistent patterns or significant variations (Yin, 2014). The inclusion of secondary cases further strengthens the evidence base, providing a broader perspective on the internationalization trajectories of European SaaS SMEs.

This study adopts a qualitative methodology, focusing on the depth and richness of data rather than numerical generalizability (Flick, 2022). To ensure the validity and credibility of the findings, data triangulation is employed, which is defined by Denzin and Lincoln (2018) as the use of multiple data sources to converge on a single phenomenon. In this research, primary data collected through semi-structured interviews is triangulated with secondary data, specifically selected YouTube content (founder interviews). This combination of sources allows for the corroboration of emerging patterns and provides a more comprehensive understanding of how SaaS firms navigate international resource sourcing (Denzin & Lincoln, 2018; Flick, 2021).

Regarding the time horizon, this research is cross-sectional. This means that data collection occurs at a single point in time, providing a "snapshot" of the firms' internationalization efforts and dynamic capabilities during the study period (Saunders, 2023, p. 148). Primary data records early stage startups, and secondary data sources include developed SaaS firms, but in those

interviews early-stage navigation is the focus. At the same time, as those interviews are retrospective, the richness of the data is naturally lower, as exact details and experiences might fade with time as more recent challenges overwrite the founders focus and memory.

While SaaS internationalization is an evolving process, the research focuses on a dedicated stage, and this cross-sectional horizon is appropriate for a master's thesis to address the research question within the constraints of the academic calendar. By employing retrospective semi-structured interviews, informants reconstruct the chronological trajectory of their first foreign market attempts, allowing the study to analyze the process of resource transformation and capability emergence without requiring a multi-year longitudinal design (Saunders et al., 2023).

6.2. Case Selection Criteria

The selection was guided by specific criteria to maintain research focus while allowing for sufficient variation to identify broader patterns (Saunders, 2023; Yin, 2014):

- **Geographic Focus:** All eight companies possess European roots or remain headquartered in Europe. This regional delimitation ensures a narrower, high-quality focus, allowing for a comparative analysis within the specific regulatory and economic framework of the European digital market.
- **International Maturity:** Each firm has secured at least one international client, with the majority having already achieved global reach. While this variety allows for the exploration of diverse potential challenges, *the primary interviews focus specifically on*

the firm's first attempts at internationalization. This targeted approach is designed to capture the immediate internal barriers and resource transformation challenges encountered during the initial phase of digital scaling (Saunders, 2023).

- **Market and Niche Diversity:** The sample includes a mixture of different SaaS niches to ensure that findings are not restricted to a single industry.
- **Business Model:** To maintain consistency in the analysis, the study focuses on the B2B sector. One firm operates a B2B/B2C mediation model, providing insight into the complexities of facilitating transactions across different user bases.

By focusing the primary interviews on the first attempts of international scaling, the study aligns with the inductive goal of identifying specific patterns of behavior and decision-making during the most vulnerable stage of an SME's international trajectory (Saunders, 2023).

Case ID	SaaS Focus	HQ / Founding	Global Presence	Date of First Foreign Client	Target B2B Segment	Data Source
Firm P1	OpsTech	Finland / 2019	Core traction in USA & Nordics, few global clients	Immediate	Large Enterprises / MNCs	Primary Data
Firm P2	MarTech	Finland / 2013	Core traction in North America, remainder mostly Europe	Immediate	Large Enterprises & Universities	Primary Data
Firm P3	HRTech	Hungary / 2019	CEE, Europe	2020	Enterprise Frontline Workforce	Primary Data
Firm P4	MarTech	Hungary / 2021	Hungary & Romania	2023	B2C Brands / Consumer Retail	Primary Data
Firm S1	MarTech	Finland / 2016 (SaaS pivot in 2020)	Global	2018	Micro-businesses	Secondary Data
Firm S2	HRTech	Sweden / 2005	Nordics, EU, US, Australia	2006	Frontline Workforces	Secondary Data
Firm S3	SalesTech	USA (Estonia roots) / 2010	Global	Immediate	SME-s	Secondary Data
Firm S4	CommTech / SalesTech	USA (France roots) / 2014	Global	2014	Sales & Support Teams	Secondary Data

Table 2. Case overview developed by the author, distinguishing primary interview cases and secondary cases. Data of the recordings (who was interviewed, when, length of recording, etc.) can be found in Appendix 4.

6.3. Case profiles

The selection of cases for this research follows a purposive sampling strategy, which is essential in qualitative research to select information-rich cases that are most relevant to the research question (Saunders, 2023). To ensure a comprehensive analysis of the internal barriers to SaaS internationalization, a total of eight distinct SaaS firms were selected. This multi-case approach (comprising four primary cases derived from original semi-structured interviews and four secondary cases sourced from carefully selected digital content; extensively with data from five distinct European countries) aims to provide a detailed view of the internationalization process across varying organizational contexts (Yin, 2014).

6.4. Companies

Below are concise summaries of each case profile, expanding upon the overview presented in the summary table - Table 2. While the primary analytical focus of this research remains the internationalization of SMEs, the case selection reflects the dynamic nature of the SaaS industry. Specifically, several cases —particularly within the secondary data set—have secured significant venture capital funding and successfully scaled to become large enterprises.

The inclusion of both SMEs and transitioned large enterprises is a deliberate choice in the research design to allow for a more comprehensive view of the internationalization lifecycle (Saunders, 2023). According to Yin, selecting cases that represent different stages of a phenomenon allows for "theoretical replication," where findings can be compared across varied organizational contexts to identify consistent patterns or distinct differences in how internal barriers are managed (Yin, 2014). This diversity ensures that the study captures the evolution

of dynamic capabilities from the initial "first attempts" of internationalization through to the complex resource transformation required for global scaling (Saunders, 2023).

6.4.1. Primary Data (Interviews)

Firm P1:

P1 is a Finnish-based OpsTech provider founded in 2019 that specializes in cloud-based strategic management and execution software. Operating under the structural logic that its local domestic market was too narrow to sustain growth, the firm was engineered from day one to pursue an international trajectory, launching with an entirely English-facing digital infrastructure. For this study, the analysis focuses on P1's low-cost, fully remote internationalization mechanism.

Firm P2

P2 is a Finnish-based MarTech firm founded in 2013 that engineered a global enterprise-grade site search engine and custom search API—a set of protocols allowing different software applications to communicate with each other. The company was established with an immediate global mindset, implementing all core software functions and marketing collateral strictly in English. For the purpose of this study, the analysis focuses on P2's deliberate strategic shift away from low-value, self-service website accounts toward high annual contract value large enterprises and universities.

Firm P3

P3 is a Hungarian-based MarTech startup established in 2021 that operates a specialized digital verification and student loyalty platform aimed at the Gen Z consumer demographic. Operating as a classic digital marketplace, P3's scaling relies on a dual-sided mechanism: digitizing student access to exclusive validation tech while simultaneously enabling global consumer brands to target a verified youth market. For this research, the analysis focuses on P3's recent experience of entering their first international market, and cultural friction points within Central and Eastern Europe (CEE).

Firm P4

P4 is a Hungarian-based HRTech venture launched in 2019 that developed an all-in-one employee lifecycle platform specializing in corporate internal communications and digitized administrative workflows. Emerging originally from a local employer branding agency, after a business model innovation the product experienced an exponential growth spike driven by pandemic-induced workplace disruptions. To this study, the analysis highlights the heavy financial and operational friction born from traditional outbound scaling attempts. The case provides thesis insights into strategic restructuring.

6.4.2. Secondary Data (Public Transcripts)

Firm S1

S1 is a lean Finnish-based MarTech provider established in 2016 that offers automated customer review, testimonial, and social proof software engineered to drive website conversion rates. Following a severe operational crisis during the 2020 global pandemic that crippled its original on-site video production services, the firm executed a complete strategic pivot into a pure Product-Led Growth (PLG) SaaS model. For the purpose of this research, S1 documents friction points in pure self-service internationalization. The case details how the firm overcame its digital scaling bottleneck.

Firm S2

S2 is a prominent Swedish-based HRTech corporation established in 2005 that developed a cloud-native, AI-powered workforce optimization platform built explicitly for scheduling and engaging large frontline workforces. Originally conceptualized by its founder at age 18 to solve scheduling bottlenecks at a local McDonald's facility, the firm expanded rapidly across the globe. As S2 maintains offices, for this study S2 models an exemplary journey beginning from a startup to a highly structured, capital-intensive cross-border entry strategy.

Firm S3

S3 is an enterprise-recognized SalesTech giant founded in Estonia in 2010 that develops operational pipeline automation and customer relationship management (CRM) software. Facing a severe home-market boundary with a domestic population of just 1.3 million, the founders were forced by necessity to implement a global architecture from day one. For the purpose of this study, S3 serves as an analytical benchmark for managing the operational friction of deep, multi-market localization. Furthermore, it outlines the internal friction points of coordinating core teams split across conflicting time zones.

Firm S4

S4 is a high-growth CommTech/SalesTech organization founded in France in 2014 that engineered a cloud-based business phone network designed to replace outdated, rigid hardware call center infrastructure. By focusing on intensive phone-using departments (such as sales and customer support lines) the firm expanded its digital cloud capabilities globally, allowing businesses to instantly generate localized phone numbers anywhere in the world. For this research, S4 highlights a highly efficient, ecosystem-led go-to-market model. The case provides contemporary relevance to thesis themes of strategic restructuring and business model innovation.

6.5. Data collection

The primary data collection for this study was executed through semi-structured interviews. This method was selected based on its capacity to offer a balance between thematic consistency and the conversational flexibility required to explore complex organizational phenomena (Flick, 2021; Saunders, 2023). Grounded in the "Gioia methodology," this approach acknowledges that organizational participants are "knowledgeable agents" who can provide rich, subjective accounts of their experiences (Gioia et al., 2013, p. 15). Employing a semi-structured format facilitated the disclosure of hidden internal barriers and friction points within the internationalization process that standardized, static surveys might fail to capture (Gioia et al.,

2013). By facilitating an open-ended dialogue, the researcher could dive deeper into specific examples of resource transformation and capability gaps as they emerged during the conversation.

The research design follows Yin's framework for multiple-case study research (Yin, 2014). By examining eight distinct cases the study employs replication logic to enhance the validity of the findings (Yin, 2014). In a multiple-case design, each case serves as a distinct experiment that either predicts similar results (literal replication) or produces contrasting results for predictable reasons (theoretical replication) (Yin, 2014). This methodology ensures that *the identified internal barriers to SaaS internationalization are not idiosyncratic to a single firm but are representative of broader patterns* within the industry.

To ensure internal validity and mitigate the bias inherent in single-source qualitative data, a dual-layer strategy of data triangulation was implemented (Denzin & Lincoln, 2018). The empirical dataset was structurally bifurcated to balance firsthand insights with global scaling benchmarks.

The first layer comprises the primary empirical data, consisting of four semi-structured interviews conducted directly with senior executives from growing European SaaS firms. This sample represents a varied cross-section of industry verticals and market maturity levels, offering an inside look at the exact operational and strategic hurdles faced during cross-border expansion.

To complement these findings, the second layer incorporates secondary data gathered from four detailed, public interviews with B2B founders. These transcripts were sourced from verified digital tech platforms such as SaaStr, SaaS Group, and specialized industry podcasts on YouTube. Utilizing these public video interviews as secondary qualitative data is highly

valuable, as it allows for a direct comparison between the initial international steps of smaller SMEs and the well-established trajectories of global SaaS giants. (Flick, 2022; Yin, 2014).

6.5.1. Questionnaire Architecture

The data collection was guided by Yin's Case Study Protocol (2014) to maintain methodological rigor across all eight cases (Yin, 2014). The semi-structured framework for both the primary interviews and the analysis of secondary transcripts was constructed around four core pillars:

1. **Background demographics and founding context:** Establishing the firm's origins, business model (B2B), and initial international mindset.
2. **Sensing international market needs:** Identifying how firms spot the internal capability gaps for potential foreign markets, and how they screen them.
3. **Seizing (cross-border) opportunities:** Investigating how they mobilize their resources to establish international business and best serve their foreign clients.
4. **Managing international operational friction:** What changes and how inside the team by accommodating new cross-border needs: addressing legal compliance, time-zone synchronization, and providing extraordinary customer support required for global clients.

While the primary interview questions and the content of the secondary public transcripts overlap significantly in thematic focus, they are not exact matches. This gap is methodologically justified through the use of *thematic coding*, which focuses on identifying conceptual patterns rather than rigid linguistic consistency (Saldaña & Saldana, 2021). By mapping all eight

datasets with thematic coding, the research ensures that the analysis remains focused on the core research questions, and at the same time allows the unique context of each case to emerge.

6.5.2. Data Collection Practices

The execution of primary data collection was standardized where possible to ensure reliability and facilitate future replication (Yin, 2014). While mostly relying on online data collection, a hybrid approach was employed to accommodate the availability of the participants. Three of the primary interviews were hosted and recorded via digital conferencing platform (Google Meet), allowing for a controlled environment and creation of audio record to ensure the transparency and reliability of the data (Flick, 2021). The fourth interview was conducted in person following a startup event where the participant was involved in a panel discussion regarding startup internationalization. In this instance, data was gathered through a combination of the public panel insights and a subsequent one-on-one session to address the remaining specific research questions. Such process controls and the use of multiple recording formats are essential for establishing the quality and rigor of the research design (Flick, 2021; Saunders, 2023).

Even though diverse linguistic backgrounds were present, all primary data collection was conducted in English for consistency across the entire dataset. Furthermore, English language was preferred as it is the language of the industry within the global SaaS and technology ecosystem. This way the study mirrors the actual operational environment of the scaling firms and strengthens the internal validity and linguistic coherence of the qualitative analysis (Saunders, 2023; Yin, 2014).

6.6. Data Analysis

The main goal of the analysis was to conduct systematic cross-case pattern matching and build inductive theory (Grodal et al., 2020). For the primary data and secondary benchmarking data, the preparation involved a multi-step workflow. After given permission from interviewees, AI tools were utilized to generate initial transcripts and perform preliminary data cleaning. To ensure academic rigor, this AI-assisted process was strictly supervised; every transcript was manually cross-audited against the raw audio and video files to correct technical SaaS terminology, semantic nuances, and conversational noise (Flick, 2021).

The coding process followed the logic of data reduction suggested by Saunders et al. (2023) and Saldaña & Saldana (2021). A structured codebook was developed based on the dynamic capabilities framework, focusing on four pillars:

1. sensing international demand
2. seizing opportunities and scaling talent
3. managing operational friction and transformation of internal capabilities
4. and overcoming international scaling barriers: unexpected challenges and best practices

To compare the eight firms effectively, cases were coded as P1–P4 for primary interviews and S1–S4 for secondary sources (Yin, 2014). This organization allowed the researcher to filter out irrelevant data to keep the analysis focused on the research questions (Gioia et al., 2013; Yin, 2014)

The final stage involved integrating these codes using cross-case synthesis logic to identify recurring patterns (Grodal et al., 2020; Yin, 2014). The findings are supported by "empirical proof" in the form of direct verbatim quotes from both the primary executives and the

benchmarking founders, ensuring that the results are transparent and grounded in the data (Gioia et al., 2013). Although this qualitative approach is limited by the small sample size of organizations, the triangulated eight-case design provides a deep understanding of the internal barriers and capabilities required for successful internationalization.

6.7. The Assessment of the Quality of the Data

To ensure the scientific nature of this master's thesis, the research design was evaluated against the four quality criteria established by Gibbert et al (2008): construct validity, internal validity, external validity, and reliability.

Construct validity refers to the extent to which the study accurately investigates the intended phenomenon—in this case, the internal barriers to SaaS internationalization. This was primarily achieved through data triangulation, as suggested by Denzin and Lincoln (2018). By pairing four primary empirical interviews with four public benchmarking cases, the research aims to avoid relying on isolated anomalies (Denzin & Lincoln, 2018; Yin, 2014).

Internal validity was maintained through thematic pattern matching (Yin, 2014). Although the primary interview questions and secondary transcripts were not identical in wording, all eight datasets were analyzed using a unified case study protocol. This ensured that every case was evaluated against the same theoretical pillars.

External validity involves the generalizability of findings to the wider SaaS economy. In this study, generalizability is established through literal and theoretical replication logic across eight cases (Yin, 2014). The sample was purposefully diversified to include multiple B2B software verticals and several geographical regions across Europe. When a barrier, such as a trust deficit or language bottleneck, is identified in both a lean startup and a global leader, it can suggest

that the findings may not be isolated in this narrow research but might be identified wider in the whole SaaS sector.

Reliability ensures that another researcher could replicate this study and achieve similar results (Saunders, 2023). For the primary data, reliability was enforced by standardizing the interview questions and maintaining anonymity to encourage honest executive insights (Flick, 2021). While the majority of these sessions were conducted under identical conditions via recorded remote video conferences, consistency of a hybrid interview setup that took place immediately following an industry startup panel discussion was standardized by using a combination of public panel notes and additional notes of a private one-on-one session using the exact same semi-structured interview guide. Secondary data, meanwhile, was sourced exclusively from verified, industry-recognized platforms like SaaStr and SaaS Group to maintain standard baselines across both data streams. Additionally, the transcription process used AI tools followed by a manual audit by the researcher to correct semantic errors. A standardized codebook and a clear audit trail from raw audio to final findings were maintained, ensuring transparency and procedural consistency throughout the analysis (Saldaña & Saldana, 2021; Saunders, 2023).

7. Findings and Discussion

This chapter presents and discusses the empirical findings in relation to the research question: How do SaaS firms source international resources and transform them into scalable international sales and offerings in digital contexts? The analysis is organized around the dynamic capabilities framework of sensing, seizing, and reconfiguration. First, the chapter examines how SaaS firms sense international opportunities by identifying external demand signals, customer knowledge, partner networks, and market-specific cues. Second, it analyzes how firms attempt to seize these opportunities by converting international interest into sales, while encountering operational, legal, cultural, and human-resource frictions. Finally, the chapter explores how firms reconfigure their business models, organizational routines, human capital, and ecosystem relationships in order to transform initially fragmented international resources into more scalable sales processes and offerings. Together, these three stages show that international scalability in SaaS does not emerge from digital products alone, but from the firm's ability to continuously interpret, mobilize, and reorganize resources across markets.

7.1 Sensing

The first pillar, sensing international demand, refers to how SaaS firms identify, interpret, and validate opportunities outside their domestic markets before committing substantial resources to international expansion. Across the interviews, sensing did not appear as a single formal market research activity. Rather, it emerged as a combination of necessity, digital trace data, inbound customer signals, founder intuition, early customer conversations, and experimentation across markets. The cases suggest that SaaS firms often begin internationalization not because they have completed a fully structured expansion plan, but because the domestic market is too

limited, because international users already start appearing in their funnel, or because the problem they solve is perceived as globally relevant.

7.1.1. Internationalization motivations

Within the framework of dynamic capabilities, the capacity to "sense" cross-border opportunities cannot be evaluated as an isolated, passive exercise in environmental scanning. Instead, managerial cognition and the direction of a firm's digital radar are fundamentally dictated by its underlying internationalization motivations and strategic push or pull factors. To understand exactly how a software enterprise identifies foreign market needs, it is first necessary to discover why it is driven to expand beyond its domestic borders, as these foundational motives define the parameters and boundaries of its subsequent sensing routines. Eventually, both the literature and the empirical data demonstrate that these expansion drivers are not homogeneous across the software sector. Rather, in alignment with Wittkop et al. (2018), the internationalization behavior of digital firms can be understood through their underlying value creation logic. Instead of treating internet-based firms as a homogeneous category, Wittkop et al. (2018) show that firms internationalize differently depending on whether their value creation resembles a value chain, value shop, or mediating network logic.

By evaluating the cross-case trajectories within this study, distinct strategic patterns emerge regarding how initial motivations dictate early market-sensing strategies. These pathways range from survival pressures in constrained domestic domains where the home market is functionally non-existent:

"The biggest part of it was necessity. There was no other way. When you think of a whole market which is 1.3 million people as a population... you're in a situation where you have to." – Founder of S1 Firm

to highly deliberate, sequential expansions deployed only after achieving domestic market saturation:

"So, we felt like we needed to expand when we reached the product-market fit phase in Hungary. " – Head of BD of P4 Firm

The empirical research suggests that these empirical patterns do not emerge by accident; they exhibit a structural convergence with the underlying operational models defined by Wittkop et al.'s (2018) application of value-configuration logic to digital internationalization. Wittkop et al. (2018) use the value chain, value shop, and value network distinctions originally associated with Stabell and Fjeldstad's framework to explain how different digital firms internationalize according to their underlying value-creation architecture. To systematically analyze this dynamic, each firm's foundational value logic was mapped against its primary internationalization motivation. The resulting configuration matrix below illustrates how a firm's internal value-creation architecture shapes its capacity to detect, interpret, and act upon global market signals.

Main Internationalization Motivation	Sample Firms	Identified Value Logic	Verbatims from the Cases	Theoretical Alignment and Boundary Conditions
Sequential Market Satiation	P4	Value Network	"So we felt like we needed to expand when we reached the product-market fit phase in Hungary [...] and because of that product-market fit, we reached the profit levels which can be reinvested [...] Also, we were thinking about which countries are the ones where our partnerships from Hungary are going to follow us, because that's how we can scale ourselves really easily. It's a marketplace..." – P4	Local Network Dependency: The firm cannot expand fast because value requires simultaneous local node connection. Motivation must wait for domestic financial maturity.
Service Migration	S1	Value Shop	"And when the COVID hit 2020, our project business, it was impossible to do anything. So our revenue went down from the hundreds of thousand to almost zero, and we almost went bankrupt because of that. But we had that piece of software... and started to build cash flow with help of that piece of software, and that is how our SaaS started." – S1	Productized Diagnosis: Motivation springs from protecting and scaling pre-existing relational capital rather than scanning for entirely unmapped foreign markets.
Platform Defaults	S3, P1, S4, P2	Value Shop	"We had very clear from the day one that the domestic market doesn't really exist. So we had to build the whole business logic and everything based on the international growth because we are focusing on certain very niche...." – P1 "The immediate idea was that it would be an international company. [...] if you want to scale as a SaaS company, then just being very localized in Finland is very limited market." – P2 "The biggest part of it was necessity. There was no other way. When you think of a whole market which is 1.3 million people as a population, and then you get to numbers which are actually there for you as potential customers you're in a situation where you have to." – S3 "As we integrate with 100+ softwares, 85% of those integrations were not done by us, but built by the software vendors themselves (...) so this helped us grow because those companies are building something on top of us and then they say, 'Hey, our software we sell it but we also have S4 that is connected to it...' – S4	Default Solution Scalability: The software solves a borderless problem, meaning the motivation to internationalize is integrated into the asset itself from day one as a structural default.
Enterprise Replication	S2, P3	Value Chain <i>Chain/Shop Hybrid</i>	"So in, for example, in Germany, you would have at least like six to ten people who you would need to get in touch with in the sales process.(...) if you go to a developed market where the organizations are built in a more complex way, the people that are involved are a lot more complicated as well." – P3 "The approach we've done with S2 when we've entered key geographies is to actually do quite a bit of investment in terms of hiring a local team and sending over executives from the head office in Stockholm in parallel. So you get the culture over, you get application knowledge and expertise into the market quickly." – S2	Sequential Delivery Duplication: Because value creation requires complex onboarding and local integration pipelines, the motivation is highly calculated, localized, and resource heavy.

Table 3. Author-developed mapping of internationalization motivations against value-creation logics adapted from Wittkop et al. (2018).

The interplay between product architecture and motivation reveals several distinct expansion pathways, demonstrating that while the overarching delivery model remains Software-as-a-Service, variations in the underlying value logic create entirely different internationalization behaviors. For instance, SaaS platforms that operate under a localized, dual-sided mediation logic are structurally bound by regional network densities. Even though their product delivery is completely cloud-based, their international motivation is shaped by intense local network effects, transforming their expansion into a highly calculated, sequential duplication of their home-market success because the system cannot provide value in an unfamiliar territory until both user segments are established simultaneously. In contrast, service-born SaaS models that began with a legacy of high-touch professional services experience a path-dependent migration. For these ventures, a strategic pivot or an environmental shock prompts them to automate their customized problem-solving expertise into a scalable digital tool, often migrating their pre-existing enterprise relationships over to the new software delivery system.

Meanwhile, pure-play, standardized SaaS applications designed to solve universal, context-free administrative or technical problems face a completely different reality. Because the core asset requires minimal localized diagnostic adjustments to function across borders, their motivation depends entirely on geographic positioning; if they emerge from structurally tiny domestic economies, absolute market constraints act as an immediate push factor from inception, whereas strong alignment with major cloud ecosystems turns global expansion into an automatic structural default. Finally, complex enterprise SaaS variants often require a hybrid approach where high-touch, sequential resource deployment is necessary to handle installations, legal compliance, and extensive handholding, forcing highly deliberate geographic targeting.

7.1.2. Sensing International Demand

The examination of how firms sense demand is a critical component of this thesis, as it shifts the focus from traditional, often reactive market entry models to a dynamic understanding of how digital-age ventures identify and validate international opportunities. In the high-velocity Software-as-a-Service sector, the liability of outsidership can no longer be overcome solely through slow, deliberate market research (Clipa et al., 2024). Instead, sensing demand has become a continuous, multidimensional process where firms must simultaneously leverage digital data, network relationships, and entrepreneurial intuition to navigate global markets. Understanding these sensing mechanisms is vital because they determine the speed and direction of a firm's internationalization, dictating whether a venture adopts a born global trajectory or follows a more incremental, network-dependent path.

The following analysis presents four sensing patterns that were identified from the literature review and supported by the empirical findings of this study. To better explain how SaaS firms recognize opportunities in international markets, the researcher developed four “Sensing Archetypes”: Natively Digital, Reactive, Relational Bridging, and Conventional Testing. These archetypes are not taken directly from one single theory. Instead, they were created by combining ideas from the literature with the practical findings from the case companies.

The archetypes help to show the diverse ways in which firms notice and interpret international demand. Each company was placed into an archetype based on empirical signs found in the data. These signs are called “analytical triggers” in this study. They include, for example, website traffic from foreign markets, unexpected customer contacts, referrals through existing partners, or planned market research before entering a new country. In other words, these triggers show what kind of signals helped the firms realize that there might be demand outside their home market.

The table below summarizes the four sensing patterns and the main triggers connected to each one. It also shows that SaaS firms do not all sense international opportunities in the same way. Some rely more on digital data, some on inbound interest, some on networks and partners, and some on the founder's own judgement and vision.

The "Natively Digital" Archetype Digital infrastructure sensing (Drori et al., 2024) and digital interaction sensing (Gong et al., 2024; Dos Santos & Williamson, 2024)	The "Reactive " Archetype Absorptive capability (Wang & Ahmed, 2007) and effectual decision logic (Berisha et al., 2025)
<u>Analytical Trigger:</u> Unsolicited cross-border web traffic, organic product telemetry, automated freemium sign-up loops. <u>Case Alignment:</u> Firm P1, Firm P2, Firm S1	<u>Analytical Trigger:</u> Unplanned organic international customer requests, sudden inbound customer pull, organic regional word-of-mouth. <u>Case Alignment:</u> Firm P3, Firm S2
The "Relational Bridging" Archetype Bridging social networks (Clipa et al., 2024) and ecosystem-based opportunity sensing (Jafari-Sadeghi et al., 2021; Chebbi et al.,2023)	The " Conventional Testing " Archetype Entrepreneurial management (Teece, 2016) and managerial agency (Ambrosini & Bowman, 2009)
<u>Analytical Trigger:</u> Signals from existing professional networks, multinational partner alliances, ecosystem accelerators, or investor referrals. <u>Case Alignment:</u> Firm S3, Firm S4	<u>Analytical Trigger:</u> Deliberate geographic market screening, strategic outbound hypothesis testing, targeted localized validation campaigns. <u>Case Alignment:</u> Firm P3 (specifically the strategic Germany market entry), Firm P4

Table 4. Author-developed sensing archetypes of international demand recognition, synthesized from literature and case evidence.

1. Sensing of the "Natively Digital" Archetype

This pattern is characterized by relying on digital infrastructure to sense demand directly from global user interactions. Multiple firms reported partly or solely relying on digital tools to sense where their customers might be.

"We had targets and the targeting was done by Google advertisements. So, we tested several countries like USA, Mexico, Canada, UK, then German-speaking Central Europe, just to see how much traffic we can get from certain countries. So that was one important learning, and then of course this quite classical search engine optimization is important because you can see that where the traffic is coming to your sites and which language versions and what kind of keywords are used". – Founder of P1 Firm

"The roadmap was like in 2022, we launched a freemium product. We started to get the freemium signups, but we skipped the activation part. When we started to measure the activation level after couple of months, it was a couple of like 8% or something of the signups. And then now the activation level is more than 50% or something. And every week we got a small increase to that activation level. And after a year, we started to get the conversions... so the paying users".
– Founder of S1 Firm

Similarly, CEO of P2 explained how inbound digital traffic naturally dictated their core geographic focus without an initial planned expansion:

"[...] So it naturally happened that when there were marketing—and back then it was mainly like Google Ads, socials—then the most of the traffic started coming from North America and in different countries in Europe. So it wasn't that, hey, let's now expand to US... just traffic started coming from there as well as the customers themselves." – CEO of P2 Firm

As the P1 Firm's experience also shows, unlike traditional models that rely on slow market proxies, this archetype utilizes product telemetry, web analytics, or as it could be seen by S1 Firm; automated freemium loops are also used to capture needs from a global audience. This aligns with digital infrastructure sensing (Drori et al., 2024), as the firms used digital systems such as Google Ads, SEO, web traffic, and freemium infrastructure to detect international demand before committing to physical market entry. It also reflects digital interaction sensing (Gong et al., 2024; Dos Santos & Williamson, 2024), as the firms interpreted user-level behavioral signals, including sign-ups, activation rates, conversions, keywords, and product engagement, as evidence of where international demand was emerging.

2. Sensing of the "Reactive" Archetype

This pattern shows reactions to unplanned organic international customer requests, sudden inbound customer pull, or organic word-of-mouth beyond domestic borders. It integrates Wang & Ahmed's (2007) conceptualization of absorptive capability in a sense that these cases demonstrate ability to recognize, assimilate, and apply external knowledge, and let it shape their expansion market directions. Together with Berisha et al.'s (2025) effectual decision logic - showing that in high-velocity software markets, firms frequently operate with limited resources for formal causal planning, instead responding flexibly to coincidental partnerships or sudden inbound feedback - these theories help explain the second cluster of firms, which sense demand in a reactive way.

"We did have inbound. And a lot of times, it was coming from companies where we would work with the Hungarian subsidiary, and they would have the global meetings somewhere and they would present about what they do here." – International BD Lead of P3 Firm

"We have, however, implemented our software in more than 50 countries around the world because we've sold to a global business that rolled out the software". – Founder of S2 Firm

In these cases, we can see that international growth was often a response to external pull rather than a pre-defined plan. Consequently, this reactive sensing mechanism focuses less on active searching and more on the firm's capacity to absorb unexpected environmental signals to pivot its strategy accordingly.

3. Sensing of the "Relational Bridging" Archetype

This pattern is based on utilizing signals from existing professional networks, multinational partner alliances, ecosystem accelerators, or investor referrals. Grounded in the research of Clipa et al. (2024) regarding the role of social capital, the theoretical reasoning posits that for ventures originating from smaller or emerging environments, sensing depends heavily on bonding and bridging social networks to capture external expansion paths and bypass the liability of outsidership.

"It has an amazingly strong program for accelerators, so we went into one. [...] Angel investors and micro-VCs, they're really well connected to SMBs, to influencers. Just getting the product into their hands as we worked through that network, it was very important". – Founder of S3 Firm

Furthermore, relational sensing can occur through platform ecosystem partnerships, where integration into major cloud marketplaces exposes the firm to continuous qualified demand, as articulated by the founder of S4 Firm:

"[...] our big integrations, the ones we built like Salesforce, HubSpot, Intercom, Zoho (...) trust us and recommend us systematically when their customer asks: 'Okay, but my workforce is using a lot the phone system, do you provide something? Do you have a possibility?' And this helps us a lot." – Founder of S4 Firm

This relational sensing allows firms to leverage the experience of others to validate international opportunities. It reflects bridging social networks (Clipa et al., 2024), as the firms used accelerator contacts, investor networks, and existing professional relationships to access international market signals that would otherwise have been difficult to identify from a smaller domestic base. It also aligns with ecosystem-based internationalization (Jafari-Sadeghi et al., 2021), as multinational partners, accelerators, and connected investors functioned as ecosystem actors that helped firms recognize and evaluate foreign opportunities. Finally, it demonstrates external knowledge absorption (Chebbi et al., 2023), as the firms did not rely only on internal market analysis, but absorbed international knowledge through partners, networks, and relational information flows. While this pattern was mostly visible in more established firms who went through accelerators, it was also utilized in the early phases of one primary case examined, although it was not the only pattern of theirs.

4. Sensing of the " Conventional Testing " Archetype

This pattern views sensing as a deliberate, cognitive process driven by the founder's personal vision or the top management team's strategic intent (Ambrosini & Bowman, 2009; Teece, 2016). This pattern was seen through P3 Firm's strategic entry into the German market, where demand was sensed through active, targeted validation rather than passive absorption.

"So, I think you need to have this kind of attitude when you have an idea like this: to go all-in, do the market validation before even having anything tangible. And this is what he (the founder) did, and he really wanted—I think that was the brave part—that he went to Germany instead of having to go to some local event here". – International BD Lead of P3 Firm

Similarly, the Head of BD of P4 Firm described a structured, data-driven screening process across European markets prior to entering Romania:

"We were just sure that we would like to expand, but was not sure that we are going to Romania. And for that, we just screened EU countries... We listed the demographics, the economics, the market, cultural differences, the status of the competitors. To be honest, Romania had the most green flags, and that's why we made this decision." – Head of BD of P4 Firm

Grounded in Teece's (2016) framework of entrepreneurial management and Ambrosini and Bowman's (2009) concept of managerial fixed effects, this archetype defines sensing as an active, deliberate process driven by the top management team's expert vision. Within this framework, managers leverage practical wisdom and insights to formulate hypotheses about future market directions (Ambrosini & Bowman, 2009; Teece, 2016). Unlike the digital or inbound archetypes, this is an active, outbound process characterized by deliberate market screening and the testing of specific strategic theses.

7.1.3. Results of Sensing in SaaS Firms

Based on the analysis, sensing demand in SaaS firms represents a shift from traditional, linear market-entry planning toward a dynamic and continuous process of international opportunity recognition. The findings show that SaaS firms do not rely on one dominant sensing mechanism. Instead, they identify and validate foreign demand through different combinations of digital trace data, inbound customer pull, network relationships, ecosystem signals, and entrepreneurial judgement. These mechanisms are shaped by the firm's underlying value logic and internationalization motivation: some firms sense demand through scalable digital interaction data, while others depend more heavily on relational networks, planned market testing, or unexpected customer requests.

Overall, the sensing findings suggest that SaaS internationalization often begins before formal market commitment. Firms may become aware of international opportunities through weak but visible signals, such as website traffic, freemium sign-ups, referrals, partner activity, or founder-led validation. However, sensing alone does not explain successful internationalization. While these mechanisms help firms recognize where demand may exist, they do not automatically convert that demand into revenue, customer adoption, or scalable operations. This creates the transition to the next pillar of the analysis: how firms seize international opportunities once demand has been identified.

7.2. Seizing

While sensing demand represents the initial recognition of international opportunity, the transition from market awareness to strategic execution reveals what this study conceptualizes

as the “Execution Gap”: a critical structural barrier where SaaS firms encounter the material constraints of mobilizing resources across borders.

Dynamic capabilities provide the overarching analytical framework for this study, structuring the analysis around sensing, seizing, and reconfiguring processes. Within this framework, the Digitalization Paradox, the Institutional Constraints perspective, and the FDI Paradox are used as complementary explanatory lenses to interpret the specific frictions that emerge during the seizing stage of SaaS internationalization. These perspectives therefore do not replace the dynamic capabilities framework but help explain why the conversion of sensed international demand into scalable revenue, customer adoption, and operational presence remains difficult for born-digital SaaS firms.

The Execution Gap phenomenon aligns with the Digitalization Paradox identified by Stallkamp et al. (2022), which describes how firms that expand their market presence through digitalization without enhancing their revenues become locked in a digitalization paradox. The paradox emerges from a widespread misunderstanding concerning the relationships between digitalization, internationalization, and the complementary role of traditional, non-digital resources in serving customers and generating international revenues (Stallkamp et al., 2022). While digital technologies promise scale-free expansion with marginal costs approaching zero (Stallkamp et al., 2022), this theoretical promise raises an important analytical question for SaaS internationalization: what happens when globally scalable digital demand must be converted into actual revenue, customer adoption, and organizational delivery across foreign markets?

To address this question, the following section examines five seizing-related frictions that constitute the Execution Gap, which emerged across the cases. These findings are theoretically grounded in three complementary frameworks: the Digitalization Paradox (Stallkamp et al., 2022), Institutional Constraints perspective (Schmitz & Parente, 2024), and the FDI Paradox

(Stallkamp, 2023). Collectively, these perspectives introduced below demonstrate why born-digital firms, despite their theoretical capacity for frictionless global expansion, are often constrained in scaling.

Friction A Failed or Weak Conversions	
Friction B Localization and Language Friction	
Friction C Legal, Tax, and Compliance Friction	
Friction D Market-Entry Costs and Resource Constraints	
a) Investments into Offline Presence	b) Virtual Optimization
Friction E Human Element in Product-Led Growth and Onboarding	

Table 5. Author-developed classification of seizing-related friction patterns identified across the cases.

7.2.1 Friction A – Failed or Weak Conversions

The first friction encountered by firms attempting to seize international demand is the realization that inbound interest does not automatically translate into revenue. Moving past basic digital engagement requires structured sales processes, proving that the digital product cannot sell itself. This finding resonates with Chamelian's (2016) observation that the ability to convert potential customers from trying to buying is a critical technique in SaaS.

"The first eight or seven months, we got mostly only the freemium signups, but not any upgrade [...] and we did a mistake that we focused on the signup and then we focused on to get them to convert to paying user. And we skipped the activation part." – Founder of S1 Firm

This evidence shows that freemium loops could generate interest, but they did not convert automatically into paid subscriptions.

"And last year we had this two sales agents working for me. And they tried to identify customers in certain markets like USA and Central Europe [...] but they were not able to actually go beyond to actually push them into buying mode, that they would abandon the existing Excel spreadsheets which they are using. So that was a huge disappointment". – Founder of P1 Firm

The inability of these agents to "push" customers into a buying mode highlights how deep-seated institutional inertia—such as a reliance on traditional Excel-based workflows—cannot be disrupted by a digital asset alone (Schmitz & Parente, 2024). These case findings reveal that while freemium loops and digital onboarding can generate initial interest, the conversion to paid subscriptions often requires sophisticated sales capabilities that are neither scale-free nor country-agnostic (Stallkamp et al., 2022).

7.2.2. Friction B – Localization and Language Friction

The second group of frictions are interconnected, representing the human-centric requirements of scaling to enterprise customers. The empirical data demonstrates that scaling, to large enterprises often requires investment in local-language support customer service. This finding aligns with Stallkamp's (2023) observation that born-digital firms need to demonstrate the utility of their products and provide customized offerings and technical support to business customers.

"I had a couple of calls with the French users, and they didn't speak English at all. And then with my own bad English, we tried to—we used the comment section to translate and we used our hands... I was screaming!" – Founder of S3 Firm

As seen above, when digital platforms capture demand in non-English proficient segments, the operational reality breaks the assumption of hands-off scalability. Firms are forced into ad-hoc,

high-friction communication fixes to bridge severe language barriers that technology alone cannot resolve.

"The DACH region required German-speaking customer support. They are very picky about not speaking English. [...] And the legal part as well. So, it's a lot more complex than just selling the product. [...] You do need to have legal documents in all the languages [...] In our case, it's English, Hungarian, and German." – International BD Lead of P3 Firm

Beyond baseline translation, this localization barrier frequently appears as legal and bureaucratic friction during enterprise compliance evaluations. International buyers in specific markets routinely push back against a SaaS provider's native infrastructure.

This friction is particularly acute for firms from emerging markets, where Schmitz and Parente's institutional framework highlights how weak institutional environments create additional barriers to internationalization (Schmitz & Parente, 2024). The need for local language proficiency and cultural knowledge significantly increases the cost and complexity of international expansion (Stallkamp et al., 2022), forcing firms to make difficult trade-offs between speed of expansion and depth of market penetration.

7.2.3. Friction C – Legal, Tax, and Compliance Friction

Continuing with the closing thought of the last friction, the third friction represents the operational wall of regulatory complexity. The empirical evidence reveals that firms encounter unexpected challenges with US state tax Nexus rules, localized GDPR contracts, and liability insurances.

This aligns with the perspective of Institutional Constraints, which suggests that a country's institutional environment dictates company boundary choices, as the environment reflects the principles that define a firm's actions in a given market (Schmitz & Parente, 2024). For digital ventures, institutions play a critical role in either supporting or hindering market mechanisms, often forcing firms to incur "hidden" costs to ensure the effective functioning of their cross-border transactions (Schmitz & Parente, 2024).

"So, there is a [...] term of 'Nexus' [...] which means that you actually issue a tax declaration as well to local taxes. So that limit for Nexus depends on state-by-state [...] Texas, for instance, allows us to do business over 600,000 euros dollars per year without having this Nexus [...] and then you have few states that are having the limit very low [...] in Massachusetts there is no limit. Which basically meant that we couldn't do the business directly with them in their headquarters". – Founder of P1 Firm

The inability to conduct direct business in Massachusetts due to Nexus rules demonstrates how the Digitalization Paradox manifests: while the firm has the technical capacity to serve the customer, the lack of non-digital, localized legal resources creates a revenue bottleneck (Stallkamp et al., 2022.). Similarly, even when a firm manages to enter a market, it faces shifting expectations regarding data security, which acts as a secondary institutional constraint that requires context-specific human expertise rather than just software code (Schmitz & Parente, 2024). As noted by P2 Firm's CEO:

"The only [...] thing that creates more [...] complexity is expectations for information security [...] because [...] even in US different states might have different regulations, for example, on how the data can be processed. Sometimes customers have expectations that we meet certain state laws, when it comes to data processing" – CEO of P2 Firm

"And the legal part as well. [...] But it's a very high risk and as a SaaS company, you have insurance. But in case of some kind of malfunction or data leakage we have a very serious insurance, and that also requires us to —because the company is based in Hungary—that we need to operate based on Hungarian law". – International BD Lead of P3 Firm

The requirement to operate under Hungarian law while serving a global market highlights how firms are caught between their digital aspirations and their institutional realities (Schmitz & Parente, 2024).

These frictions exemplify the FDI Paradox identified by Stallkamp (2023), where born-digital firms theoretically can offer products in foreign markets through internet-based channels without ever setting foot in a foreign country, yet many establish a physical presence through foreign direct investment. The paradox emerges because profitably exploiting digital technologies typically requires complementary resources that are neither fully fungible nor easily scalable, including locally embedded human resources and context-specific skills such as legal compliance and stakeholder relations (Stallkamp, 2023).

7.2.4. Friction D – Market-Entry Costs and Resource Constraints

The fourth friction encompasses the physical capital required for critical team mass, travel, and local offices, which directly exposes the limits of a purely virtual presence. The literature suggests that internationalization costs can vary significantly between sectors, with international new ventures offering services facing greater costs than those in manufacturing (Õim & Leis, 2024). Financial and human resources can constrain the adoption of new technological solutions, as these are often costly and demand a high level of expertise (Õim & Leis, 2024).

However, the empirical evidence reveals a divergence in how SaaS firms navigate this resource boundary. Rather than adhering to a single scaling standard, firms split into two distinct strategic pathways: those that deploy capital to establish a physical presence, and those that enforce a fully remote architecture while actively accepting the commercial consequences.

Pathway 1: Investments into Offline Presence

Firms targeting larger enterprise accounts or complex corporate landscapes frequently realize that digital channels alone cannot bridge trust gaps, forcing heavy expenditures on travel and physical localized staff. This creates a massive capital drag and risks operational burnout:

"We just burned a load of money with all the travel, with all these events, paying the guy's salary in Germany. [...] We hired foreign colleagues in Budapest to do sales from here. But then the cost of traveling was also quite high. [...] That ended up in a burnout on my side, actually [...] to do that every single week". – International BD Lead of P3 Firm

On the other hand, some established firms have reported the positive sides of this investment, too:

"The approach we've done with S2 when we've entered key geographies is to actually do quite a bit of investment in terms of hiring a local team AND sending over executives from the head office in Stockholm in parallel. So, you get the culture over, you get application knowledge and expertise into the market quickly". – Founder of S2 Firm

Despite the high costs, this way, they have not only served their customers better with experienced professionals being physically available but also used that investment to build the team and train new professionals on site more efficiently.

Pathway 2: Virtual Optimization

Conversely, a parallel group of firms consciously reject the cost overhead of physical expansion. These ventures leverage remote operational capabilities, preserving high profit margins by deliberately trading off physical market exposure:

"I've never been abroad for this company to meet any customers face-to-face. So that is something that I think COVID changed so that you can do business remotely. [...] We are also quite unique company because we don't have office space, we are fully remotely operative". –

Founder of P1 Firm

"We don't go to physical events much, especially in US we have not gone to anywhere. So I think that there is a lot of things that we are also missing from marketing and sales point of view that we are not present there [...] At the same time, I think that with this we keep very much lighter team structure as well as costs, so we are able to profitably grow". – CEO of P2 Firm

This virtual optimization pathway represents a deliberate strategic effort to preserve the pure, scale-free economic benefits of a digital-native asset. While Pathway 1 firms adapt to the pressures of the FDI Paradox by deploying traditional "boots on the ground," Pathway 2 firms align strictly with the foundational baseline of Stallkamp's (2023) framework: utilizing internet-mediated channels to bypass the liabilities of foreignness and location-bound asset investments entirely. By operating in a space of high Industry Digital Intensity (Drori et al., 2024), these ventures leverage cloud-native infrastructures to substitute physical administrative networks. The application of digital architecture drastically minimizes cross-border transactions and governance costs.

As Õim and Leis (2024) observe, because early-stage internationalization frequently suffers from a severe scarcity of financial resources, managers must rigorously balance expansion risks

against operational costs. Choosing a fully remote posture functions as a highly calculated resource-efficiency routine; the firm intentionally sacrifices top-of-funnel physical market exposure to insulate itself from capital drain and burnout, ensuring sustainable, profitable growth within its localized boundaries.

7.2.5. Friction E – Need for Human Element in Product-Led Growth and Onboarding

The final empirical insight challenges the assumption that product-led growth models can operate without human intervention. Evidence suggests that successful internationalization requires employees with the requisite skills and knowledge (Õim & Leis, 2024), and that firms must strategically balance digital automation with human interaction to effectively seize international opportunities.

"When you acquire bigger customers, then bigger customers also have expectation of more handholding [...] they require onboarding and we have one person who just does the implementation and onboarding for our bigger customers as well as answers their questions already during sales process". – CEO of P2 Firm

The example below provides empirical proof that even in a PLG model, human-to-human interaction remains a vital seizing mechanism to fill the gaps of unready software infrastructure.

"I think that we followed that product-led growth approach maybe too strictly [...] because we wanted to see the impact of activities we do with the self-service funnel. But after six months without any paying new client [...] we installed live chat [and] started to have those conversations with those anonymous, no-face self-service users' [...] and we started to learn faster." – Founder of S1 Firm

This pattern also depicts the fundamental tension in digital internationalization: while software resources are inherently scale-free (Stallkamp et al., 2022), cross-border B2B expansion is dependent on non-scale-free human assets—as seen in Friction E, such as salesforces, account managers, and technical support staff—because personal interaction is essential for building trust when buyers evaluate high-value, new product purchases alongside digital self-service platforms (Stallkamp, 2023).

7.2.6. The Execution Gap’s Meaning for Seizing International Opportunities

The five distinct frictions identified in this chapter collectively map the operational profile of the Execution Gap – a structural void that emerges when firms attempt to transition from sensing international demand to actively seizing value from those opportunities. While the empirical data did not show any of the challenges present in all firms, each pattern mentioned was seen at least by three of the examined cases, visualized in the table below.

While Table 6 shows strong patterns for the identified frictions, some firms clearly faced multiple frictions simultaneously, while others reported only a few during their international expansion. This variation can be partially explained by the dual nature of the data collection. The primary cohort, where interviews were conducted directly with company management, consisted mostly of early-stage SMEs. In contrast, the secondary cohort, where data was retrieved from public web-based interviews, consisted mostly of mature scale-ups. Because these scale-ups are further along in their journey, their managers may have shared fewer detailed memories of their early internationalization struggles. Another key factor behind the varying number of frictions is the digital-native nature of each firm and the specific business models they operate.

Friction Pattern	Affected Cases	Empirical Evidence
Friction A: <i>Failed or Weak Conversions</i>	S1, P1, P2, P3	S1: Suffered 7 months of zero paid conversions due to a pure freemium loop that bypassed the critical onboarding activation phase. P1: Burned 50% of annual revenues from external sales agents who failed to convert clients out of traditional Excel spreadsheets. P2: Reached stagnant growth constraints that nearly forced the owners to close down the firm before Google exited the market. P3: Experienced transactional failure when its first foreign Italian client defaulted on payments.
Friction B: <i>Localization & Language Friction</i>	S1, S3, P3, P4	S1: Forced into hand-and-gesture ad-hoc translation calls with non-English-speaking French users on the live platform. S3: Had to execute localized product/knowledge translation parameters (e.g., Brazilian Portuguese) for non-English-proficient regions. P3: Demanded specialized German-speaking support and legal documents in three native languages to navigate DACH region sales. P4: Encountered communication pushback due to Romanian cultural preferences for long, person-to-person email threads rather than transactional B2B messages.
Friction C: <i>Legal, Tax, & Compliance Friction</i>	P1, P2, P3	P1: Blocked from direct enterprise sales in Massachusetts due to state-level corporate "Nexus" tax declaration requirements. P2: Faced fragmented state-level information security and data-processing regulations when attempting to scale to US enterprise buyers. P3: Blocked by contract standoffs regarding legal jurisdiction, as enterprise clients rejected Hungarian courts, requiring high-liability data insurance.
Friction D(a): <i>Investments into Offline Presence</i>	S2, P3	S2: Financed high-density regional offices (15–70 people) and dual-staffed foreign hubs by relocating head-office executives to preserve company culture. P3: Incurred massive cost overhead and executive burnout from constant travel, live conventions, and regional salespeople based in Germany/Romania.
Friction D(b): <i>Virtual Optimization</i>	S1, S4, P1, P2	S1: Shifted completely to fully remote, automated online review loops to insulate operations from regional location dependency. S4: Bypassed traditional regional GTM costs by leveraging open APIs to let partner marketplaces (Salesforce/HubSpot) drive organic scaling. P1: Operated as a completely remote-first startup with zero physical office footprint to preserve capital and completely bypass foreign offices. P2: Intentionally chose not to attend physical events or set up entities in the US, choosing a light cost profile to grow profitably from Finland.
Friction E: <i>Human Element in PLG & Onboarding</i>	S1, S3, P1, P2	S1: Forced to step back from an automated, self-service PLG funnel, deploying live chat lines and free "expert calls" to drive activation. S3: Observed an immediate, measurable increase in conversion rates only after formalizing customer support from a soft metric into a hard routine. P1: Discovered that clients could not use the tool effectively without the founder acting as an active consultant to guide their legacy habits. P2: Added a dedicated implementation manager to provide high-touch "handholding" and onboarding to clear enterprise procurement blocks.

Table 6. Author-developed table visualizing the corresponding cases to each seizing friction identified through the cases.

Additionally, these findings provide strong empirical support for the established frameworks of the Digitalization Paradox (Stallkamp et al., 2022), Institutional Constraints (Schmitz & Parente, 2024), and the FDI Paradox (Stallkamp, 2023), while simultaneously extending these theories by demonstrating exactly how they manifest within the specific architectural constraints of SaaS internationalization.

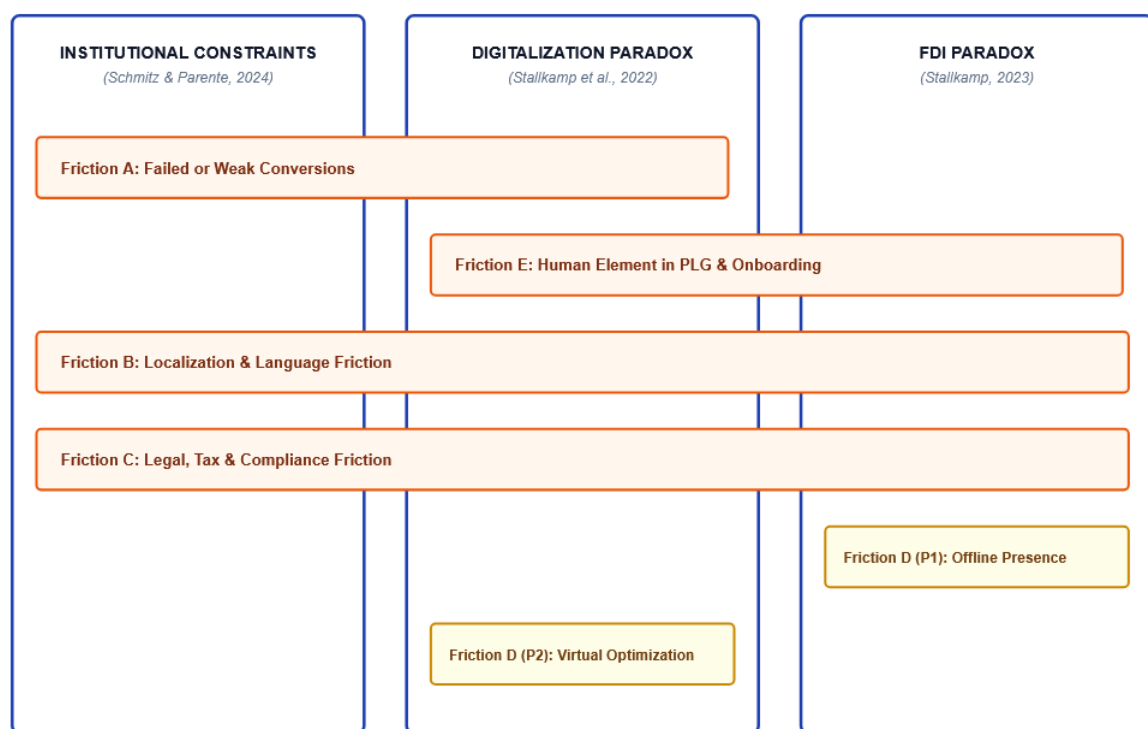


Figure 2. Author-developed interpretation of seizing-related frictions through the Digitalization Paradox (Stallkamp et al., 2022), Institutional Constraints perspective (Schmitz & Parente, 2024), and FDI Paradox (Stallkamp, 2023).

As illustrated by the conceptual framework developed from these theoretical perspectives and empirical findings, the underlying foundations of the Execution Gap do not exist in isolation; instead, they function as interdependent vertical pillars.

While the model highlights the primary theoretical alignments for each friction, these relationships are not mutually exclusive. Rather, the empirical frictions identified across the

SaaS cases manifest as cross-cutting horizontal bands that span across these theoretical boundaries:

- **Friction A** spans across *Institutional Constraints* and the *Digitalization Paradox*, illustrating how local user inertia and legacy workflows stall the monetization of digital signup volumes.
- **Friction E** bridges the *Digitalization Paradox* and the *FDI Paradox*, demonstrating that high-value B2B buyers require non-scale-free human relationships and dedicated account management alongside self-service software loops.
- **Frictions B and C** cut directly from *Institutional Constraints* to the *FDI Paradox*, highlighting how regional language expectations, localized legal compliance, and sub-national tax laws inevitably drag born-digital firms away from purely virtual, footprint-free channels.
- **Friction D - Strategic Divergence:** This boundary represents the point where operational models branch out. Expansion-stage ventures face a distinct structural choice: they must either align with the strategic path of the *FDI Paradox* by executing “Offline Presence” (Pathway 1) investments or anchor themselves inside the economic logic of the *Digitalization Paradox* by enforcing a lean, remote “Virtual Optimization” (Pathway 2) model.

Despite the choices firms make about their primary operation models, the empirical evidence suggests that the scale-free promise of digital business models is fundamentally constrained by the non-scale-free nature of complementary organizational capabilities (Stallkamp, 2023; Stallkamp et al., 2022). This exposes a critical insight for both the theory and practice of B2B SaaS firms: successful internationalization in the digital era requires more than just cloud

deployment. It demands the active bridging of the Execution Gap via traditional, human-centric resources capable of navigating the shifting institutional, cultural, and operational complexities of foreign markets. The Execution Gap, therefore, represents not a temporary operational failure, but an inherent, structural feature of digital internationalization that ventures must strategically manage through deliberate resource configuration and organizational design.

7.3. Reconfiguration and Asset Transformation

The final phase of the dynamic capabilities framework requires transforming (or reconfiguring), which is defined as the continuous alignment, realignment, enhancement, and redirection of an enterprise's tangible and intangible assets to maintain evolutionary fitness in volatile global markets (Teece, 2007). For an internationalizing SaaS SME, this phase represents a critical developmental threshold. Once a firm encounters the structural boundaries of the Execution Gap during the Seizing phase, it cannot rely on static configurations. Instead, managers must execute a corporate-level reconfiguration. The most common corporate reconfiguration dimensions identified in the empirical research were *business model innovation, systemic routine formalization, human capital reallocation, and relational ecosystem transformation*.

Before exploring these dimensions individually, a critical methodological distinction must be outlined regarding the empirical distribution of these capabilities across the cases. Because dynamic capabilities are evolutionary, their development and codification are inherently bound to the firm's maturity and internationalization lifecycle (Helfat & Peteraf, 2003). Grounded in Helfat and Peteraf's (2003) Capability Lifecycle framework, the empirical cohort is classified across three developmental stages to illustrate how the capacity for asset transformation evolves over time. In the Founding Stage, nascent ventures operate with fluid, uncoded

configurations, relying on solo-founder improvisation and ad-hoc firefighting rather than structured transformations. Ventures in the Development Stage face acute cross-border selection pressures that trigger active capability search, Business Model Innovation (BMI), and monetization realignments to survive initial performance bottlenecks. Finally, firms in the Maturity Stage exhibit stabilized, repeatable routines and flattened learning curves, enabling complex capability branching through standardized international replication and platform ecosystem recombination. As shown in Table 7, this evolutionary progression demonstrates that programmatic asset transformation is not an innate startup trait, but a structured competence codified through organizational maturity.

Capability Lifecycle Stage	Case Codes	Verbatims Used to Categories Cases Under Lifecycle Stages
Maturity Stage (Scale-Ups)	S2, S3, S4, P2	"The approach we've done with S2 when we've entered key geographies is to actually do quite a bit of investment in terms of hiring a local team and sending over executives from the head office in Stockholm in parallel." S2 "With S2 now in the UK, for example, we are I think 70 people... Then it's a proper business; you really reach scale and have something that will be more self-sufficient long-term." S2 "When we didn't have a proper sales function at all... then the conversion after we implemented a proper customer support function actually took a serious increase. I realized that that is a hard factor, not a soft factor." S3 "Driving that process and having the culture around it, this is what I've seen helps people and also organizations to help send that fear into the background where it belongs..." S3 "As we integrate with 100+ softwares, 85% of those integrations were not done by us. Were built by the software vendors themselves... so this helped us grow because those companies are building something on top of us..." S4 "From 10 million ARR on, you know, you have to bring leadership, you have to bring experience, you have to bring people that have done it already... Early stage, focus on your team... Then it becomes more complicated." S4 "We have taken, for example, security certificate SOC 2, which is especially valued in US, just to show that we are meeting a lot of the governance and security expectations that US companies have." P2 "When you acquire bigger customers, then bigger customers also have expectation of more handholding." P2
Development Stage	S1, P3	"When the COVID hit 2020 and our project business, it was impossible to do anything... But we had that piece of software... and that is how our SaaS started." S1

7.3.1 Business Model Innovation and Strategic Pivoting

The first dimension of transformation involves reconfiguring the firm's core value proposition, architecture, and monetization mechanics to unlock cross-border value capture. In digital internationalization, Business Model Innovation (BMI) represents the ultimate act of strategic reconfiguration (Cavallo et al., 2020; Teece, 2018). Digital ventures often cannot directly scale out their domestic operations in a linear, friction-free manner; instead, they actively pivot their business models when their early assumptions fail in foreign markets (Cavallo et al., 2020). This prevents the firm from falling into path-dependent stagnation, allowing it to design models tailored for high-velocity digital environments (Teece, 2018) and optimize SaaS-specific monetization structures (Öim & Leis, 2024).

On the other hand, BMI is not always necessary. The empirical evidence within the cohort demonstrates that this strategic architecture change is frequently observed when early product configurations collide with the Execution Gap, but some cases completely lack business model refinement.

An example is observed in S1 Firm. The firm began as a localized, high-touch content and production business. However, when the COVID-19 pandemic made physical, face-to-face video production impossible, the firm's core model collapsed, forcing a radical structural reconfiguration. As the founder of S1 Firm detailed:

“[...] And when the COVID hit 2020, our project business, it was impossible to do anything. So, our revenue went down from the hundreds of thousand to almost zero, and we almost went bankrupt because of that. But we had that piece of software... and started to build cash flow with help of that piece of software, and that is how our SaaS started.” – Founder of S1 Firm

This shift enabled S1 to transition away from manual service-delivery boundaries into a borderless, PLG platform, leveraging its in-house software to survive an existential threat.

A similar evolution is observed in P4 Firm, whose digital product model was born directly out of a legacy consultancy architecture. Rather than building software from scratch in an isolated lab, the firm utilized human consultative knowledge to bypass geographical delivery constraints:

"So, the solution itself was a predecessor of the company that was, let's say, an HR communications agency... [...] So that's actually how the idea was born: like, why not create an app..." – Head of BD of P4 Firm

Furthermore, their operational model was refined by analyzing the offline habits of physical, blue-collar workers:

"The predecessor of P3 Firm was always involved in building a local employer brand... we would put up stickers in the toilets, or stickers on the bottom of the floor, or these printed papers on the trays at the canteen... [but] every time somebody goes out to smoke, they pick up their phone and they look at it. So that's actually how the idea was born." - International BD Lead of P3 Firm

Finally, the case of P2 Firm demonstrates how external macro-environmental shocks can trigger a profound business model realignment. Facing strategic stagnation and a potential shutdown, the venture capitalized on a massive market vacuum created by Google's product decisions:

"I know that the owners of P2 were thinking of even closing down the company. But then what happened in the market was that Google had a similar service at the time and they shut it down... and P2 was always listed there [as a possible substitute - the researcher] and that's when also

we got the first really big corporations, big names that we were not really after at all first." –
CEO of P2 Firm

The inflow of enterprise clients led to a permanent change in strategy. The firm moved away from low-ticket, self-service models, reconfiguring its product and operational capabilities to focus on high-value enterprise clients. This transition confirms that business model innovation serves as the primary mechanism for aligning a venture's core value proposition with complex international demand.

In summary, business model innovation appears as one of the clearest forms of transformation because it changes how the firm creates, delivers, and captures value across borders. The cases show that such pivots often occur when the original domestic or service-based model reaches its limits under international or crisis conditions. From a dynamic capabilities perspective, this reflects Teece's idea of reconfiguring the firm's asset base to maintain fit with changing environments. However, the evidence also shows that business model innovation is not required in every case. It becomes most visible when the existing model blocks scalability, when foreign demand differs from the original customer logic, or when external shocks make the previous model unsustainable.

7.3.2 Systems Realignment and Developing Formalized Routines

The second dimension shifts focus towards the internal operational workflows, moving away from reactive, chaotic crisis management toward deeply integrated, repeatable digital structures. This process reflects on the classic distinction between ad hoc problem solving—characterized by temporary, unpredictable "firefighting" patches—and true dynamic capabilities, which manifest as patterned, practiced, and highly repeatable organizational routines (Winter, 2003).

Furthermore, for internationalizing SMEs, long-term survival necessitates moving beyond the mere adoption of standalone digital tools toward a systematic reconfiguration where these technologies are deeply embedded within organizational and process innovations (Cassetta et al., 2020).

This routine formalization is visible in how mature scale-ups reconfigure their operational systems. As P2 Firm transitioned to target enterprise clients, the firm had to formalize its security and governance protocols. Rather than dealing with security ad hoc, the company institutionalized its compliance:

"We have taken, for example, security certificate SOC 2, which is especially valued in US, just to show that we are meeting a lot of the governance and security expectations that US companies have. So, this is maybe a concrete example of how we are trying to meet the requirements from US with that." – CEO of P2 Firm

Similarly, the case of S4 Firm illustrates how formalizing internal operations can transform support from a localized cost center into a direct driver of conversion performance:

"I actually think, looking back, when we didn't have a proper sales function at all in a company; then the conversions after we implemented a proper customer support function actually took a serious increase. I realized that it is a hard factor, not a soft factor... It's a software as a service, right? We can't do one and not the other." – Founder of S4 Firm

By formalizing customer support into a dedicated organizational routine, S4 proved that structural systems realignment acts as a critical mechanism to bridge the gap between digital reach and cross-border sales.

To conclude, systems realignment shows how firms transform international learning into formal routines. While early-stage firms often rely on improvised problem solving, more mature firms

begin to codify security, support, onboarding, governance, and customer success into repeatable organizational processes. This distinction is important because, in dynamic capability terms, repeated and patterned routines are what separate mature capabilities from ad hoc firefighting. The cases therefore show that international scalability depends not only on digital tools, but on embedding these tools into stable internal systems. Systems realignment becomes the operational foundation that allows firms to serve foreign customers more consistently.

7.3.3 Human Capital Bundling and Talent Reallocation

The third dimension addresses the human resource layer, detailing how internationalizing ventures break down internal silos and actively blend technical code with specialized human skills. Empirical insights suggest that digital technology investments are structurally incomplete unless they are bundled with internal organizational process innovations and high-quality human capital (Cassetta et al., 2020). To navigate this dynamic, expanding SaaS firms must leverage international ambidexterity—the managerial capability to fluidly reallocate human talent so the firm can simultaneously exploit current market positions while exploring new geographic niches (Prange & Verdier, 2011).

The necessity of this resource bundling is demonstrated by how firms reconfigure their internal routines and temporal schedules to absorb geographic and time zone friction without establishing expensive physical administrative offices abroad.

"Now we do all the training remotely. It's working pretty good... I'm holding often demos and customer trainings something like 9 o'clock in the evening here, and customers do understand that there is a time difference." – Founder of P1 Firm

By delivering real-time trainings and sales demos late into the Finnish evening, P1 reallocated its existing human assets to maintain continuous cross-border operations, utilizing remote-first capabilities to substitute for physical local infrastructure. At the same time, this existing human asset mainly refers to the founder himself, which does not suggest a clear reconfiguration pattern, rather an ad hoc problem solving, although it is a working routine. Furthermore, this model of temporal absorption introduces structural boundaries to growth. To prevent employee burnout and maintain organizational sustainability, P1 actively restricted its geographic scope, deliberately avoiding Asian markets to protect the team's capacity limits. As P1 Firm reflected:

"And that's now again a good point: even though this methodology [related to the firm's product] is widely used in Asia, we don't do any marketing attempt in that direction because then it would mean that you would need to serve them early mornings as well. And actually, in the future, it will be an important thing that we need to discuss from the day one: how this work-life balance is handled." – Founder of P1 Firm

This trade-off highlights a critical dimension of the Digitalization Paradox: while digital channels allow frictionless reach into any global market, the human capital required to support and close those opportunities remains strictly bounded by time, energy, and work-life balance constraints (Stallkamp et al., 2022).

Conversely, when entering highly strategic foreign markets, firms may deploy a dual-staffing model that blends local hires with home-office executives to accelerate knowledge transfer. As outlined regarding S2 Firm:

"The approach we've done with S2 is when we've entered key geographies is to actually do quite a bit of investment in terms of hiring a local team and sending over executives from the head office in Stockholm in parallel. So, you get the culture over, you get application knowledge and expertise into the market quickly." – Founder of S2 Firm

By pairing centralized corporate knowledge with local cross-border talent, S2 illustrates how ambidextrous talent reallocation (Prange & Verdier, 2011) bridges the execution gap during rapid expansion. Whether through the temporal flexibility of centralized teams (as seen in P1) or the coordinated deployment of hybrid local-executive hubs (as seen in S2), these configurations demonstrate that SaaS internationalization is fundamentally sustained by bundling software with strategically structured human resources.

7.3.4 Relational Ecosystem Transformation through Strengthening Connectivity

The final dimension of transformation explores how SaaS firms shift away from isolated, transactional outbound selling and instead embed themselves within deep, value-sharing international digital ecosystems (Yang et al., 2025). Achieving mature cross-border performance in the digital economy requires a cognitive transition where management stops viewing the firm as a standalone technical platform and begins treating it as an active orchestrator of an international ecosystem (Pundziene & Geryba, 2024). This orchestrating role allows organizations to exploit complementarities and co-create value in a sustained manner with diverse international stakeholders (Yang, 2025). For digital ventures originating from smaller economies, this ecosystem orchestration serves as a critical mechanism to borrow external legitimacy (Buyukbalci & Dulger, 2022). By leveraging these digital networks, firms can successfully bypass domestic institutional voids where formal systems fail to provide the necessary information or knowledge required for global scaling (Clipa et al., 2024).

The strategic execution of this relational transformation is illustrated by S4 Firm. The firm transformed its go-to-market model by utilizing open APIs, effectively shifting from traditional outbound sales to marketplace ecosystem orchestration:

"As we integrate with 100+ softwares, 85% of those integrations were not done by us. Were built by the software vendors themselves... so this helped us grow because those companies are building something on top of us and then they say, 'Hey, our software we sell it but we also have S4 that is connected to it...'" – Founder of S4 Firm

By allowing external vendors to build on top of their API, S4 leveraged partner ecosystems (e.g., Salesforce) to automatically pull its product into new geographic markets, bypassing the high costs of regional marketing and direct sales.

Similarly, the case of P4 Firm demonstrates how a bilateral marketplace can scale by leveraging existing partnerships across borders.

"You need to make your partners follow you... because that's how we can scale ourselves really easily." – Head of BD of P4 Firm

P4 utilizes relational assets to mitigate the operational frictions of scaling dual-sided marketplaces (Stallkamp et al., 2022). This strategy brings initial trust that reduces customer education barriers. However, these network effects facilitate the transition rather than replacing the need for organizational reconfiguration.

These cases show that mature dynamic capabilities are not limited to internal restructuring. They also involve the ability to transform external relationships into repeatable growth mechanisms. Community orchestration provides a strategic advantage for born-digital SMEs because it allows firms to move from simple international connectivity toward purposeful ecosystem participation.

At the same time, community orchestration should not be understood as a complete substitute for localized fieldwork, direct sales, or cultural adaptation. As Helfat and Peteraf (2003) emphasize, reaching the maturity stage of a capability lifecycle does not signify an end to

strategic evolution, but rather necessitates that firms actively navigate internal and external selection pressures—such as those encountered when orchestrating multi-sided platforms—by leveraging dynamic capabilities to reconfigure assets and maintain fitness in volatile environments. The empirical cases also show that even mature ecosystem-based firms still need to adapt their organization, communication, and customer-facing activities to local conditions.

7.3.5 Systemic Asset Realignment and Deployment

The four dimensions of transformation discussed in this chapter—business model innovation, systems realignment, human capital reallocation, and relational ecosystem transformation—should not be understood as separate or isolated activities. Instead, they form an interconnected process of organizational reconfiguration. This finding directly reflects Teece's (2007) view of dynamic capabilities as the firm's ability to continuously align, realign, and redeploy tangible and intangible assets in response to changing environments. In the context of SaaS internationalization, transformation therefore means more than improving single operational functions. It refers to the broader managerial capacity to reshape the firm's business model, routines, people, and external relationships so that international demand can be served in a scalable and sustainable way (Teece, 2018).

The empirical cases show that this reconfiguration becomes necessary when firms encounter the limits of earlier sensing and seizing activities. In the sensing phase, firms identify international demand through inbound signals, digital data, networks, or founder judgement. In the seizing phase, they attempt to capture this demand through sales, marketing, product localization, or early market entry. However, the findings show that these actions often reveal an Execution Gap: the software may be technically scalable, but the organization behind it is not yet fully prepared to deliver, support, commercialize, and adapt the product across borders.

Transformation is the stage where firms respond to this gap by changing the underlying configuration of the company. This interpretation is consistent with Teece's argument that sensing and seizing must ultimately be supported by continuous transformation if firms are to maintain evolutionary fitness in changing environments (Teece, 2007).

This is why the four transformation dimensions are interdependent. A business model pivot often requires new routines, new skills, and new relationships. For example, when S1 moved from a project-based service model to a product-led SaaS model, the firm did not only change its revenue logic. It also had to develop new sales routines, new customer interaction mechanisms, and a more scalable operating model. Similarly, when P2 shifted toward enterprise customers, it had to formalize security and governance routines, showing that business model innovation creates pressure for systems realignment. In the same way, S4's ecosystem-based growth through integrations was not only a relational strategy. It also depended on product architecture, partner management, and internal routines capable of supporting a broader ecosystem.

The findings therefore support Teece's argument that transformation is a corporate-level capability rather than a narrow operational adjustment (Teece, 2007; Teece, 2018). Mature SaaS firms do not simply solve internationalization problems one by one. They build the ability to repeatedly reconfigure their asset base when foreign market conditions expose weaknesses in the existing model. This includes redesigning the business model, formalizing internal systems, reallocating human capital, and orchestrating external networks. In this sense, the transformation phase represents the most advanced form of dynamic capability observed in this study.

At the same time, the cases also support Helfat and Peteraf's (2003) capability lifecycle perspective. The ability to transform is not equally developed across all firms. Younger and

earlier-stage ventures are more often observed engaging in ad hoc problem solving, experimentation, and reactive moves. Their routines are still emerging and are often tied to individual founders or small teams. More mature firms, by contrast, show more codified and repeatable reconfiguration patterns. They have developed managerial experience, organizational slack, and accumulated learning needed to redesign structures rather than only react to immediate problems (Helfat & Peteraf, 2003). This uneven distribution is not a weakness in the findings, instead, it is one of the central empirical insights of the study: dynamic capabilities mature over time through repeated exposure to international friction.

The chapter also shows that transformation is triggered by the contradiction at the heart of digital internationalization. SaaS products may be technically borderless, but SaaS organizations remain embedded in human, legal, cultural, temporal, and relational constraints. Firms can reach foreign customers quickly through digital channels, but they cannot always support, convert, retain, or scale those customers without deeper organizational change (Stallkamp et al., 2022). This is visible in the need for enterprise security routines, local customer support, senior international talent, time-zone management, local trust-building, and ecosystem partnerships. Therefore, transformation is the mechanism through which firms convert digital reach into organizationally sustainable international growth. This reflects the role of dynamic capabilities in maintaining fit between the firm's asset base and changing external conditions (Teece, 2007).

Overall, the findings suggest that mature dynamic capability development in internationalizing SaaS SMEs is characterized by a shift from reactive adaptation to deliberate reconfiguration. Less mature firms respond to international friction through temporary fixes, founder effort, and improvised routines. More mature firms institutionalize learning into business models, systems, human capital structures, and partner ecosystems. This suggests that successful internationalization depends not only on sensing foreign demand or seizing early opportunities,

but also on the firm's ability to continuously transform its internal and external asset base as international complexity increases.

7.4 Findings of International Resource Sourcing to Scalable SaaS Internationalization

This chapter has answered the research question by showing how SaaS firms source international resources and transform them into scalable international sales and offerings in digital contexts. The findings demonstrate that this process does not occur through one linear path. Instead, it develops through the interaction of three dynamic capability stages: sensing, seizing, and reconfiguration. In the SaaS context, international resources are not limited to financial capital, employees, or physical market presence. They also include digital demand signals, product usage data, customer feedback, inbound requests, partner relationships, local market knowledge, legal and compliance understanding, sales capabilities, and ecosystem connections. The central finding of this chapter is that SaaS firms become internationally scalable only when they are able to identify these resources, mobilize them commercially, and then reconfigure their organization around the requirements of international growth.

First, the findings show that SaaS firms source international resources through different sensing mechanisms. The four sensing patterns identified in this study — Natively Digital, Reactive, Relational Bridging, and Conventional Testing — demonstrate that international opportunity recognition can emerge from several types of signals. Some firms sense international demand through digital traces such as website traffic, search engine data, freemium sign-ups, product telemetry, or user activation metrics. In these cases, the digital product itself becomes a mechanism for discovering where international demand may exist. Other firms sense opportunities reactively, through unexpected inbound requests, word-of-mouth, or existing customers expanding the product across borders. A third group relies more strongly on relational

and ecosystem-based signals, where investors, accelerators, partners, or professional networks provide access to foreign market knowledge and legitimacy. Finally, some firms use more deliberate market testing, where management actively validates specific countries or customer segments before committing further resources.

These findings suggest that SaaS internationalization begins with a broad and partly digitalized resource-sourcing process. However, the empirical evidence also shows that sensing international demand is not the same as building scalable international sales. Digital tools may make foreign demand visible earlier and at lower cost, but this visibility does not automatically create revenue. This distinction is important because it challenges overly simple assumptions about SaaS firms as inherently borderless or automatically scalable. The firms in this study were often able to detect foreign interest before they had the organizational capacity to convert that interest into sustainable international business. Therefore, sensing creates the possibility of internationalization, but it does not yet solve the problem of international scalability.

Second, the seizing phase showed that SaaS firms encounter an Execution Gap when they try to transform sensed international demand into actual sales, implementation, and customer value. The five frictions identified in this chapter — weak conversions, localization and language barriers, legal and compliance complexity, market-entry costs, and the continued need for human support in product-led growth — show that digital reach must be supported by non-digital capabilities. In several cases, firms could attract users, leads, or customers internationally, but struggled to convert them into paying customers without stronger sales routines, onboarding processes, customer support, or local trust-building. This demonstrates that international sales scalability depends not only on the software product, but also on the organizational system surrounding it.

The Execution Gap is therefore one of the main findings of the study. It explains why SaaS firms may appear internationally scalable at the level of product distribution, but remain constrained at the level of sales, delivery, support, and customer conversion. The findings show that foreign markets introduce frictions that are not fully removed by digitalization. Customers may expect local language support, localized contracts, market-specific compliance, face-to-face interaction, enterprise-level security standards, or more intensive onboarding. These requirements create pressure on the firm's human, legal, commercial, and operational resources. As a result, SaaS firms must make strategic choices about how much localization, physical presence, customer support, and organizational investment they are willing and able to provide.

The seizing findings also show that SaaS firms respond to the Execution Gap in different ways. Some firms invest in offline presence, local teams, travel, or country-specific sales capabilities in order to overcome trust and market-entry barriers. Others deliberately remain remote and lean, accepting that they may miss some opportunities in exchange for maintaining lower costs and operational efficiency. This distinction is important because it shows that scalability does not have one universal meaning in SaaS internationalization. For some firms, scalability means entering key markets more deeply through local investment. For others, it means protecting a remote-first model and growing profitably within the limits of digital channels. Therefore, seizing is not only about capturing every available international opportunity. It is also about deciding which opportunities fit the firm's resource base, strategic priorities, and organizational capacity.

Third, the reconfiguration phase showed how more mature SaaS firms transform international resources into more scalable sales processes and offerings. The findings identified four main forms of reconfiguration: business model innovation, systems realignment, human capital reallocation, and relational ecosystem transformation. These dimensions show that international scalability requires deeper organizational change after firms have encountered the limits of their

earlier sensing and seizing activities. In other words, firms do not become scalable simply by adding more markets or customers. They become scalable when they redesign the way they create value, organize internal routines, allocate human capabilities, and build external relationships.

Business model innovation was visible when firms changed their value proposition, revenue logic, or service architecture in response to international or crisis-driven pressures. In some cases, this meant moving from service-based work toward a more productized SaaS model. In others, it meant shifting from low-touch self-service customers toward larger enterprise clients. Systems realignment was visible when firms formalized processes such as security, governance, onboarding, customer support, and sales. This distinction is important because repeated and codified routines are what separate mature dynamic capabilities from ad hoc problem solving. Human capital reallocation showed that even digital firms depend heavily on people, time, expertise, and managerial judgement. Finally, relational ecosystem transformation showed how firms can use partners, integrations, marketplaces, and communities to extend their international reach without relying only on direct sales.

Taken together, these findings show that scalable SaaS internationalization is an organizational achievement rather than a purely technological feature. The software product may be digitally distributable, but the firm itself must still develop the capabilities needed to sell, support, adapt, and legitimize the offering across markets. This is why the dynamic capabilities framework is useful for answering the research question. Sensing explains how firms identify and access international resources. Seizing explains how they attempt to mobilize those resources commercially and where they encounter bottlenecks. Reconfiguration explains how firms transform their business models, routines, people, and networks so that international sales and offerings become more repeatable and scalable.

The chapter therefore contributes to the understanding of SaaS internationalization by showing that digital contexts change the timing and visibility of international opportunities, but do not remove the need for organizational transformation. SaaS firms can sense foreign demand earlier through digital channels, but they still face market-specific, human, institutional, and relational constraints when trying to convert that demand into revenue. The ability to scale internationally depends on how effectively firms bridge this gap. Less mature firms often respond through improvisation, founder effort, and temporary fixes. More mature firms begin to institutionalize learning into repeatable structures, such as formalized sales routines, customer success processes, enterprise compliance systems, international talent allocation, and ecosystem partnerships.

In conclusion, the findings answer the research question by showing that SaaS firms source international resources through digital, relational, reactive, and deliberate sensing mechanisms, but transform these resources into scalable international sales and offerings only through seizing and reconfiguration. International scalability is therefore not automatic, even in digital contexts. It emerges when firms are able to convert fragmented international signals into organizational capabilities that can be repeated, adapted, and sustained across markets. This chapter has shown that the movement from international opportunity recognition to scalable international growth depends on the firm's ability to continuously align its digital product, commercial routines, human resources, and ecosystem relationships with the changing demands of foreign markets.

8. Conclusions

8.1 Answer to the research question

This thesis examined the research question: How do B2B SaaS firms source international resources and transform them into scalable international sales and offerings in digital contexts? The study finds that SaaS firms source international resources through digital demand signals, customer interactions, partner networks, market feedback, and external ecosystem relationships. However, these resources become valuable only when firms are able to mobilize and reconfigure them through dynamic capabilities. The central answer is therefore that B2B SaaS firms do not become internationally scalable simply because their products are digital. Instead, scalability emerges when firms transform international signals and fragmented market knowledge into repeatable sales routines, adaptable offerings, customer success processes, compliance capabilities, and ecosystem-based growth mechanisms.

8.2 Theoretical contributions

This thesis contributes to the literature on dynamic capabilities, digital internationalization, and born global SaaS firms in three main ways. First, it supports the relevance of the dynamic capabilities framework for explaining SaaS internationalization. The findings show that sensing, seizing, and reconfiguration provide a useful structure for understanding how digital firms move from opportunity recognition toward more scalable international operations. In this context, dynamic capabilities are not abstract strategic concepts, but practical mechanisms through which firms interpret foreign demand, mobilize resources, and reshape their organization.

Second, the thesis challenges the assumption that SaaS firms are automatically scalable or frictionless internationalizes. While digital products can be distributed globally with relatively low marginal cost, the organization behind the product still faces market-specific, relational, legal, cultural, and human constraints. This distinction is important because it shows that digital reach and international scalability are not the same phenomenon. A SaaS firm may be visible in several markets before it has developed the internal capabilities needed to sell, support, retain, and adapt across those markets.

Third, the thesis contributes by developing the concept of the Execution Gap. This gap describes the distance between sensing international demand and converting that demand into sustainable international revenue. The Execution Gap helps explain why early foreign interest, inbound leads, or product usage do not automatically lead to scalable sales. It also clarifies the role of reconfiguration as the stage where firms begin to institutionalize learning into business models, routines, human capital structures, and ecosystem relationships.

Lastly, an additional theoretical implication is about how different approaches of scalability can work at the same time: the empirical results suggests that reconfiguration should not be understood only as a movement toward more traditional or locally embedded international organization. The findings suggest that some SaaS firms deliberately avoid transforming into a classic scalable organization with local sales teams, extensive market-specific adaptation, or heavier customer support structures. Instead, they may choose to preserve a highly digital and standardized model, even when this limits their ability to penetrate certain markets deeply. This means that the trade-off is not simply between successful scalability and failed scalability, but between different forms of scalability. Some firms pursue deeper market penetration through organizational expansion and local adaptation, while others accept narrower international monetization in order to maintain digital efficiency, low complexity, and strategic focus.

This finding refines the digitalization paradox by showing that the gap between digital reach and international revenue is not always treated by firms as a problem to be fully solved. In some cases, it becomes a strategic boundary. Firms may recognize that language barriers, enterprise trust requirements, compliance demands, or local support expectations reduce conversion potential, but still decide not to build the non-digital resources needed to overcome them. Such firms remain internationally visible and digitally accessible, but intentionally limit the degree to which they adapt their organization to each market. Therefore, international scalability in B2B SaaS should be understood not only as the ability to expand across markets, but also as the managerial choice of which frictions are worth resolving and which are accepted as the cost of remaining digitally lean.

8.3 Managerial implications

The findings have several practical implications for B2B SaaS managers. First, managers should treat international demand signals as starting points for analysis, not as proof of market readiness. Website traffic, freemium users, inbound requests, or foreign customer interest may indicate potential, but they do not guarantee that the firm has the ability to convert that potential into profitable growth.

Second, SaaS managers should actively identify where the Execution Gap appears in their own internationalization process. For some firms, the gap may be related to sales conversion or onboarding. For others, it may involve localization, compliance, trust-building, enterprise procurement, customer support, or lack of international talent. By identifying these bottlenecks early, managers can avoid mistaking product demand for organizational scalability.

Third, the findings suggest that managers should invest in repeatable routines before expanding too broadly. International growth becomes more sustainable when firms codify sales processes, clarify customer segments, formalize support practices, build compliance readiness, and develop partner relationships. This does not mean that early-stage SaaS firms need heavy bureaucracy. Rather, they need enough structure to prevent every new market from becoming a separate ad hoc problem.

Finally, managers should recognize that scalability may require selective commitment. Not every market with visible demand is worth entering. B2B SaaS firms must evaluate whether a market fits the firm's resources, product maturity, strategic priorities, and ability to support customers over time. In this sense, successful internationalization is not only about expanding quickly, but about choosing where and how the firm can scale responsibly.

Moreover, selective commitment can be extended to another managerial implication: that SaaS firms should not assume that every international friction must be solved through local hiring, physical presence, or heavy market adaptation. For some firms, remaining fully digital may be a rational strategic choice if the expected revenue from deeper market penetration does not justify the added complexity. However, this choice should be made consciously. A fully digital model may preserve efficiency and scalability in a technical sense, but it can also limit enterprise trust, customer conversion, onboarding quality, and market-specific responsiveness. Managers should therefore evaluate whether they want to scale broadly through standardized digital access or deeply through stronger local and relational capabilities.

8.4 Limitations and future research

This study has several limitations. First, it is based on a qualitative multiple-case design. This approach provides rich insight into how European B2B SaaS firms experience internationalization, but the findings cannot be statistically generalized to all SaaS firms. Second, the study combines primary interview data with secondary public case material. Although this strengthens triangulation, public case material may emphasize successful outcomes and provide less visibility into internal failures, tensions, or unsuccessful market entries.

Third, the study focuses specifically on B2B SaaS firms. Therefore, the findings do not apply directly to digitally oriented firms, such as digitalized manufacturing firms, service firms with physical delivery requirements, or digital firms operating under quite different platform logics. While this differentiation is clearly outlined in the literature review supporting the research, practically these firms are similar in many aspects and therefore their experiences overlap too, suggesting the importance of highlighting this limitation.

Fourth, the study captures capability development at a specific point in time. Since dynamic capabilities evolve gradually, a longer time perspective would be needed to understand how firms move from early experimentation to mature international routines. Furthermore, the eight firms examined were in different maturity stages. This further worsens the generalizability of the empirical results, as the experience of early-stage startups with first few international clients might significantly differ from scaleups with customers around the globe. And as dynamic capabilities are –as the name suggests— evolving with time, the way firms sense and seize new

opportunities differ a lot with time, especially when firms went through transformation to better meet customer needs. Their experience might not be directly comparable with SMEs' current struggles but rather layer the overall depth of experience.

Future research could build on this thesis in several ways. Longitudinal studies could examine how SaaS firms develop international capabilities over time and how the Execution Gap changes as firms mature. Quantitative research could test how regional institutions, partner ecosystems, and local trust requirements influence the scalability of digital internationalization. Future studies could also compare different SaaS models, such as product-led growth firms, enterprise SaaS firms, and platform-based SaaS firms under the international expansion lens. Future research could examine the different scalability choices made by SaaS firms in more detail, as this thesis shows that some firms reconfigure their resources toward more formalized international sales and support routines, it also indicates that other firms may intentionally remain digitally standardized and avoid deeper local adaptation. Therefore further studies could compare these strategic paths and examine when a fully digital model is sufficient, when hybrid local-digital capabilities become necessary, and how these choices affect long-term international growth. Finally, reflecting on the most current market shaping force, further research could explore the extent to which the advancement of AI development and the entry of non-technical developers impact the structural dynamics, scope, and tempo of international expansion of early-development phase SaaS SMEs.

8.5 Closure

Overall, this thesis shows that digitalization accelerates the visibility of international opportunities, but it does not remove the need for organizational transformation. B2B SaaS firms may reach foreign users faster than traditional firms, but sustainable international growth depends on their ability to transform fragmented signals into repeatable capabilities. International scalability is therefore not an automatic feature of the SaaS business model. It is a dynamic organizational achievement built through learning, resource mobilization, continuous reconfiguration across markets, and the strategic choice of which frictions and capabilities are worth reconfiguring in the first place.

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Appendices

Appendix 1: Declaration on the Use of Generative Artificial Intelligence (AI)

In accordance with institutional guidelines on academic integrity and the ethical conduct of research, this section provides a transparent disclosure regarding the utilization of generative Artificial Intelligence (LLMs) during the preparation of this Master's thesis.

AI tools were not used to fabricate empirical data, alter qualitative analysis, or replace independent critical judgment. Instead, they were leveraged strictly as a collaborative cognitive and linguistic assistant across the following domains:

- **Conceptual Brainstorming & Ideation:** In the initial phases of the research, generative tools were used to explore theoretical connections between Dynamic Capabilities and Digital Internationalization, helping to structure the initial literature review architecture.
- **Research Instrument Design:** AI assistance was utilized to refine the phrasing, ordering, and thematic flow of the qualitative semi-structured interview guide, ensuring the questions remained non-leading and academically rigorous.
- **Text Optimization & Academic Polishing:** Bullet points, rough conceptual notes, and primary drafts written by the author were processed through the LLM to enhance academic tone, improve sentence flow, and ensure professional prose.
- **Linguistic Proofreading & Syntax Correction:** The tool acted as an automated copyeditor to identify grammatical errors, correct passive voice overuses, and polish structural transitions across all chapters.
- **Structural Drafting Assistance:** AI was utilized to help format and synthesize the structural outlines for the Abstract, Introduction, and Conclusion chapters, ensuring the overarching research questions were consistently addressed.
- **Data Visualization & Formatting Support:** Generative assistance was employed to construct conceptual figures and summary tables (e.g., the synthesis of value logics and the research onion diagram).
- **Translation:** The abstract was translated to Italian with the use of AI

Statement of Authorship and Accountability

The ultimate responsibility for the content, interpretation of empirical data, theoretical conclusions, and academic defense of this thesis rests solely and entirely with the author. All source materials, case studies, and literature citations have been independently verified for accuracy and authenticity.

Appendix 2. Introduction letter



Research Project: Scaling SaaS Internationally

Researcher: Reka Szebeni, Double Degree Master's Candidate at University of Vaasa (FI) and University of Pavia (IT)

1. The Problem I am solving: SaaS products are infinitely scalable, but the organizations behind them are not (people, culture, and sales processes don't scale instantly). My thesis explores how firms manage this friction when expanding internationally.

2. Interviewees: I am interviewing leaders who have experienced international scaling, preferably have navigated the transition from a *local firm* to an *international player*. I want to understand the operational reality behind this process, the bottlenecks and structural changes required. I aim to identify similarities in what leads to successful international scaling.

3. The Interview Topics: The conversation is semi-structured and open and **lasts 40-45 minutes**. 3 main pillars:

- **The trigger:** What signals made you decide to expand to specific markets?
- **Resources:** How did you source the necessary capital, talent, or local knowledge?
- **(Re-)structuring:** How did your internal organization (sales, support, HR) change to support this growth?

4. Confidentiality & Data Protection:

- **Anonymity:** All company names and individual names will be anonymized in the final thesis (e.g., "Company A, a mid-sized B2B SaaS").
- **Recording:** With your permission, the call will be recorded for transcription purposes. I wish to use the help of AI tools to make the transcript, but you can decline this freely. The recording will be deleted immediately after the thesis is graded.

I would be happy to share the anonymized results with you, which could offer some interesting data on how your peers are tackling these same friction points.

Appendix 3. Semi-structured interview guide

Part 1: Warm-up & Context (5–10 mins)

- **1. The Origin Story:** "To set the stage, could you briefly walk me through [Company Name]’s journey? In which country did you launch, and how did you go from being a domestic player to landing those first few international clients?" Have you been a domestic player at all?
- **2. The Reality Check:** "Because you are a SaaS company, your software theoretically works anywhere with an internet connection. But looking back at your first major foreign client, what was the actual, operational reality of taking your product across the border?" Any surprises?

Part 2: Sensing Opportunities & Needs (10 mins)

- **3. The Trigger (Active vs. Passive):** "How did those first international clients actually happen? Was it a deliberate strategy where you targeted a specific country, or did they find you organically? What made you decide to pursue them?"
- **4. Spotting the Gaps:** "Before you fully committed to serving those foreign clients, how did you figure out what you were missing? For example, how did you identify the local rules, cultural nuances, or technical tweaks you would need to actually succeed there?"

Part 3: Seizing Resources on a Budget (10 mins)

- **5. The Knowledge/Talent Gap:** "As a smaller team, you can't just open a massive foreign office. When you needed local expertise—whether for legal compliance, translation, or local sales—how did you actually source that? Did you use freelancers, local partners, or rely on your existing network?"
- **6. The Social Capital (The Network):** "Did your personal or professional networks play a big role in helping you secure the resources or introductions you needed for those international accounts?" (*Prompt: e.g., reaching out to other founders, using investors' contacts*).

Part 4: Reconfiguring (10–15 mins)

- **7. The Hidden Friction:** "Even with just a handful of international clients, many SaaS firms find that serving them takes a disproportionate amount of effort compared to domestic clients. What were the hidden internal frictions or unexpected tasks that popped up when managing those foreign accounts?" (*Listen for: GDPR/legal, time zones, language barriers*).

- **8. The Ad-Hoc Stretch:** "Because you are an agile team, you couldn't just hire a whole new international department. How did your *existing* team have to stretch, adapt, or juggle their roles to accommodate these new borders? Who had to wear extra hats?"
- **9. Software vs. Service:** "The software code is the same everywhere, but the 'human' wrapper around it isn't. Did you find yourselves having to provide more hands-on service—like custom onboarding, translations, or extra hand-holding—than you originally anticipated for these international users?"

Part 5: Closure - Wrap-up (5 mins)

- **10. The Advice Question:** "If you were advising another SME SaaS founder who is about to take on their first three international clients today, what is the number one (organizational bottleneck or) hidden trap you would warn them about?"
- **11. The Blindspot:** "Is there anything about managing international SaaS clients that we haven't talked about, but that takes up a massive amount of your team's time and energy?"
- **12. Snowballing:** "This has been incredibly helpful. Are there any other founders or managers in your network who have been through these same growing pains that you think might be open to a quick chat with me?"

Appendix 4. Records of Interviews – additional information for Table 2

Case ID	Data Type	Interviewee	Date of Interview	Length of interview	Data Collection Tool/Source
Firm P1	Primary Data	Founder & CEO	17/03/2026	49:07 min	Google Meet
Firm P2	Primary Data	CEO	18/03/2026	40:48 min	Google Meet
Firm P3	Primary Data	International Business Development (BD) Lead	25/03/2026	47:50 min	Google Meet
Firm P4	Primary Data	Head of Business Development (BD)	24/03/2026	33:14 min Panel discussion + 23:44 min Individual	In Person
Firm S1	Secondary Data	Founder	15/05/2025	53:29 min	SaaS Group Podcast
Firm S2	Secondary Data	Founder & CEO	8/01/2024	34:22 min	Vaam Podcast
Firm S3	Secondary Data	Founder & CEO	8/05/2018	27:08 min	SaaStr Podcast
Firm S4	Secondary Data	Co-Founder	25/03/2023	24:12 min	Wynter Podcast

Appendix 5. Selected Qualitative Transcript Excerpts

Note on Data Availability & Archiving:

In accordance with academic research integrity standards and commercial confidentiality agreements, complete raw interview transcripts and audio recordings are securely archived. Due to page-budget considerations, representative verbatim excerpts illustrating core dynamic capability mechanisms (sensing international demand, seizing frictions, and organizational reconfiguration) are reproduced below directly from the interview records. Full, unedited transcripts and audio records are available upon request for academic evaluation.

Primary Data Cohort (Conducted Interviews)

Case P1 - Interview with the Founder

Interviewer: *"[...] Actually with bringing that in, the external agents, I would then move to the next part, which is about how the internal resources support the scaling itself. And my first question would be [...] as you have a smaller team as an SME, I believe you cannot just open the foreign office. Um, so how did you find these local expertise which is needed to scale into other countries—like whether it's about dealing with legal compliance or translation or the sales? So what is the way that you actually source these resources to the company?"*

Founder: *"Good question. We—again, coming back to the business model—we do all the sales from Finland, we do all the implementation from Finland. I've never been abroad for this company to meet any customers face-to-face. So that is something that I think COVID changed so that you can do business remotely... Now we have possibility to scale without having these local offices. The need for local offices is coming from other reasons. And that's the legal reason. So, for instance, within European Union, there is the regulations that there is kind of free trade within the European Union, so I can do software sales directly from Finland without registering the company. I don't need to pay taxes—that's VAT zero business because it's software service, and there is a special tax exempt, not only within European Union but between European Union and many other countries, which makes it easy. And then—if take example, the USA, which is the biggest market for us—there is a—in principle—this tax exempt valid, which means that I do business from Finland and don't need to pay taxes. So there is a kind of term of 'Nexus' that has to be established, kind of juridical entity into the USA, which means that you actually issue a tax declaration as well to local taxes. So that limit for Nexus depends on state-by-state, and that's one of the things what we are always checking when we get new client that in which state they are located. Um, and the boundaries are actually really diverse. Texas, for instance, allows us to do business over 600,000 euros—dollars per year without having this Nexus, which is a huge, whilst—and then you have few states that are having the limit very low, like some tens of thousands. And—and the one that I mentioned in beginning, this medical company, they are located in this Massachusetts, and there is no limit. So—which basically meant that we couldn't do the business directly with them in their headquarters. Luckily they have a subsidiary in Switzerland, and then we agreed*

that we actually sign the agreement, the financial transactions are done between us and the Switzerland entity."

Case Metadata: Primary Semi-Structured Interview | Conducted remotely via Google Meet |
Full Transcript Length: 10 pages (approx. 4,100 words).

Case P2 - Interview with the CEO

Interviewer: *"Yeah, thank you, that's actually a really good point, like how internationalized the workspace in all of these countries and most likely the companies you are working with is. Another question I would have is—or like something which was not yet mentioned, but other founders told me which was usually an issue is the legal side. So although the environment is very international, these different countries have I think a different legal environment. Isn't that a barrier where you would need some local expertise?"*

CEO: *"The only—maybe the only thing that creates more complexity is expectations for information security, because different areas also have—even in US different states might have different regulations, for example, on how the data can be processed. So sometimes customers have expectations that we meet certain state laws, when it comes to data processing... We have taken, for example, security certificate SOC 2, which is especially valued in US, just to show that we are meeting a lot of the governance and security expectations that US companies have. So this is maybe a concrete example of how we are trying to kind of meet the requirements from US with that. And of course, as a Finnish company, we are obliged to follow GDPR anyway, so that's kind of enough for European companies just to say that we are registered in Finland we have to comply those anyways."*

Interviewer: *(reflecting to an earlier question) "And just to so it's clear for me, so the strategy change came before the first big customer arrived, or did you see first the need or the interest from the bigger customers and then you shifted your strategy towards them?"*

CEO: *"Yeah, good question. So it happened before I came on board, but so what happened there was that, there was a good growth at the beginning, but then at some point the growth kind of stagnated after a few years. And I know that the owners [...] were thinking of even closing down the company. But then what happened in the market was that, Google had a similar service at the time and they shut it down. So thousands of Google's customers all of a sudden wanted to find a different service for their need. And many of them found <P2 Firm>, and many of them were still quite small customers. But because there was a lot of talk about this and a lot of kind of media started also talking about alternatives for Google and <P2 Firm> was always listed there, then it started also getting a lot of visibility among also bigger customers. And that's when also we got the first, like really big corporations, big names that we were not really after at first. After that happened, then there was a kind of a re-evaluation that how should we go forward. And that's when then the strategic decision was made that it looks like we are able to meet also the needs of those bigger corporations..."*

Case P3 - Interview with the International Business Development Lead

Interviewer: *"Do you have any, -like you said that this first Italian client was kind of random-, is there like any stories like from it, like if it was something surprising to have them, or like anything which was unexpected when you started to onboard them?"*

International BD Lead: *"Well, they didn't pay. But actually these first ones I don't have, like we don't work with them anymore, first of all. And they're not like the biggest success story... And then we also done a lot of DM campaigns. So we would do outbound email and Sales Navigator campaigns based on lists that we bought for our target markets. So in the very early days, it was the DACH region. But to enter that market, it's very expensive. And we couldn't afford a local marketing agency. So everything was, you know, kind of like a trial and error from here, based in Budapest, with very junior marketing colleagues. So that was just a lot of money burning in, let's say, in 2021 and 2022. We just burned a shitload of money with all the travel, with all these events, paying the guy's salary in Germany. And then I think he worked for us for like three years and all he could manage was five clients that were kind of small."*

Interviewer: *"Yeah, I would have wanted to ask like who had to wear, like, multiple hats because you didn't have these colleagues, but yeah, I kind of got the answer from—"*

International BD Lead: *(Laughs) "Um, most of the time it was me. And then when we would do demos or have meetings, then I could involve other colleagues as well. And it doesn't only involve sales because marketing needed to learn about these foreign markets, which was I think, again, a very big struggle because you don't really know the market... We hired foreign colleagues in Budapest to do sales from here. But then the cost of traveling was also quite high. We hired someone in Germany, his salary was also super high... and that's why at this point, we hired locally and have sales people based in Romania. So there is one guy in Timișoara and then there is a girl in Belgrade who are there locally, so we don't need to spend that much on traveling. Because that ended up in a burnout on my side, actually, and on <my colleague's> side as well, the Croatian colleague that is here, to do that every single week."*

Case P4 - Panel Discussion and Interview with the Head of Business Development

Panel Moderator: *"Yes, yeah. And for you, <name of the Head of BD of P4 Firm>, when you were preparing to expand into Romania, what were the priorities that you had to really prepare for and what were some of the challenges that you faced?"*

Head of BD: *"Okay, I told it in my previous response, but I would like to highlight it again: market research, market research, market research. Because it's really, really important. You need to make your decision based on data and not just by the vibes or the feelings you have. Also, we were thinking about which countries are the ones where our partnerships from Hungary—the companies—are going to follow us, because that's how we can scale ourselves really easily. It's a marketplace: we need to find students and brands, and there is, like, it's not working if you have neither of them. We started with companies, because I'm from the business development side. We were thinking that the decision-making is usually based within CEE if you are working with Hungarians who wanted to pick someone from the CEE. That's why we prioritized to see that can we scale our existing partners to new markets. Also I would like to add, and I think you really need to prioritize, is to hire someone for partnerships and hire someone for marketing, because you really need to understand the needs and the problem maps of the students or customers or users or whatever you are working with culturally."*

Panel Moderator: *"I see, thank you. And just out of curiosity, what were some of the differences that you found when you launched the product in Romania compared to Hungary?"*

Head of BD: *"It's really funny and it just took me like three months to learn it. I always wanted to support our sales team or our partnerships manager—that's a nice way to say it—in Romania to write shorter, more direct emails and don't be that chit-chatty with the others when we met, because that's how we do business in Hungary. And after three months, I just realized that other Romanians also told me that this is the way how we need to do business, because here we are more person-to-person than business-to-business. They write these huge emails to each other every time, and if you are not writing an email like that, they will feel like you are evaluating to them even if you are just in a negotiation phase. That's a thing that I had to learn, like culturally, that there are differences and you need to always have an open ear to hear what the others from that culture teaches you."*

Case Metadata: Primary Data (Hybrid: Startup Panel Discussion + One-on-One Semi-Structured Session) || Full Transcript Length: 11 pages (approx. 4,800 words).

Secondary Data Cohort (Benchmarking Cases)

Case S1 - Podcast with the Founder

Host: *"All right, that's interesting. Like you said you were just starting with the sales motion, so it's been PLG. But I was wondering because you started with this kind of more of a service business, how your customer base has changed and if you have used any of those customers or migrated them to your SaaS model and yeah how your communication with them changed."*

Founder: *"When the COVID hit 2020 our project business, it was impossible to do anything. So our revenue went down from the hundreds of thousand to almost zero, and we almost did a bankrupt because of that. But we had that piece of software, and we—all of the other people, not the sales rep, but all the other people but not sales, they went to the holiday and we*

continued with the sales reps and started to build cash flow with help of that piece of software, and that is how our SaaS started... I think that the first eight or seven months, we got mostly only the freemium signups, but not any upgrade or... and we did a mistake that we waited to have upgrade, do the paid conversion too early. And we focused on the signup and then we focused on to get them to convert to paying user. And we skipped the activation part... We—I remember that we installed live chat. We kicked out the Intercom chat we used to have and we took premium live chat to our product and we started to have live conversations with our users through the chat, on our product. And we started to share the Google Meet link with the users that, 'Please join the call...' And I remember I was, you know, I had a couple of calls with the French users and they didn't speak English at all. And then with my own bad English, we tried to—we used the comment section and we used to translate it and we used our hands and we said... I was screaming! But it was very funny. I learned a lot from the cases."

Case Metadata: Secondary Video/Audio Interview (SaaS Group Podcast, Ep. 48) | Full Transcript Length: 15 pages (approx. 7,400 words).

Case S2 - Podcast with the Founder

Host: *"We move on to a topic of your choice. The floor is yours."*

Founder: *"I'll go back to internationalization. I know this is a topic that many Nordic SaaS companies struggle with. The approach we've done with <S2> when we've entered key geographies is to actually do quite a bit of investment in terms of hiring a local team AND sending over executives from the head office in Stockholm in parallel. So you get the culture over, you get application knowledge and expertise into the market quickly. We've done that for most of our markets and then gradually put more responsibility on the team we hire locally. I really recommend trying to send people over from Stockholm for at least a couple of years when setting the business up."*

Host: *"This is super interesting. I'm going to stay on internationalization for a while because you said start with around four to six people at the beginning... but then you said, as soon as you can, build it up to a more proper organization. How many is that number according to you?"*

Founder: *"I think when you get to a level where the local office can have a proper after-work party and it feels like a proper team—whatever that is, maybe 15, 20 people upwards. I think you reach a critical scale where you're not as vulnerable if someone leaves and you can manage those types of events. Most people find more motivation coming into an office which has people in it; there's a community sense. That is always difficult if you try to build a satellite office with one or two people; it's just going to feel a little bit lonely."*

With <S2> now in the UK, for example, we are I think 70 people. Our Dutch office is also around 70 or 75 people. Then it's a proper business; you really reach scale and have something that will be more self-sufficient long-term."

Case Metadata: Secondary Executive Podcast Interview (Vaam Podcast) Full Transcript
Length: 6 pages (approx. 3,100 words).

Case S3 - Podcast with the Founder

Host: "Starting on the theme of internationalism, you went international and global very early. A question from <an industry peer>, why did you choose to go international so early? What were the core benefits?"

Founder: "The biggest part of it was necessity. There was no other way. When you think of a whole market which is 1.3 million people as a population, and then you get to numbers which are actually there for you as potential customers you're in a situation where you have to. As far as SaaS SMB goes, we had to look for customers everywhere. That's outside of our home market. That's our story. In terms of benefits we had to, because of that situation, think in global terms of what is the main problem to solve for everybody? It also forced us to think, what makes different regions approachable in a global manner and where localization is almost a must from day one?"

Host : "I thought it was a nerdy question. I do want to finish saying, before we move into the quick fire round, on the SMB market itself <S3's> attacked it so well. I speak to so many VCs. They say, 'Oh, Harry. Such low ACVs, SMB's just so hard.' I'm intrigued. What do you make of this kind of statement and sentiment? How do you think of optimizing the funnel to ensure that the continuous flow of converting leads?"

Founder: "I think some things have to be done really well. Product has to be very good, otherwise you don't have a chance. I think we've been on a good path, a lot of work to do. That has created a very strong flow of leads coming in. Now, you go toward converting. I think service has to be very good. The same way. It's a software as a service, right? We do work well with our customers before they join and during the lifetime, which has to be done really well in any business that wants to convert these Bs. I actually think, looking back, when we didn't have a proper sales function at all in a company then the conversion after we implemented a proper customer support function actually took a serious increase. I realized that that is a hard factor, not a soft factor."

Case Metadata: Secondary Podcast Interview (The Official SaaStr Podcast, Ep. 182) | Full Transcript Length: 11 pages (approx. 5,400 words).

Case S4 - Podcast with the Co-Founder

Host: "So in 2014 when you got started, what was the opening that you saw in the market?"

Founder: "What was incredible back at the time is that we all had mobiles. We all had mobile phones, we all had even smartphones. And so making a call through internet was something pretty normal. We all knew Skype, we all knew different video conferencing tools. It was existing. But the phone systems were always the same. It was always this black box in front of you, on your desk, and people, you know, picking up and hanging up the phone, and that's it. You know, it was very one-way. And we thought, okay, we need to digitalize that... And so the idea started from there, where we asked ourselves: What if your phone system now is on your computer? It's a software, it's easy to install, you don't need a CIO or you don't need someone tech to put in place your phone system, and it's just going to be easy. And so the opportunity was there at that moment where we realized, okay, people are looking for simplicity. People are looking for a phone system that you can set up in minutes anywhere in the world. And so we started from that concept. And then we realized, of course, that very quickly we realized that the one that makes most of the phone calls in a company are always the same: either sales team, either customer support departments. And so we built the software, we built <S4> around those teams to bring them productivity. And to bring them productivity, we had to connect to all the tools they were already using: CRMs, help desks, etc., to make sure that when they do a call, they can do it fast, they can do it efficiently, they can know who they are on the phone with, they can have the history of the calls, they can listen back to the calls, etc."

Host: "Today there are, you know, a lot of players in this space... Why did you guys succeed? What did you do differently or better?"

Founder: "I would say we focused very much on our ICP, so Ideal Customer Profile... When you start, it's important to focus on the right team at the right moment. Second, the tech. So we took a lot of risk with trying to make everything live... 'set up your phone system and call center software in less than three minutes.' And this was a big risk because we thought what people need is instance now. They need instantly things. And being able to provide a phone system, a cloud-based phone system with numbers anywhere in the world, no matter where you're sitting yourself—that was incredible by the time... The second reason is probably the most important, is that very early we understood the fact that companies love to have products that communicate with each other... And this is what we've been known for the past years is it's easy to set up, easy to use, and easy to manage."

Case Metadata: Secondary Video Interview (Wynter Podcast) | Full Transcript Length: 6 pages (approx. 2,900 words).