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## Digital innovation, platforms, and global strategy

### 1. Introduction

The widespread emergence of digital technologies and platforms has profoundly impacted the global strategies of both firms and social ventures in this latest stage of globalization. While early researchers posited that digitalization would seamlessly enable firms to become “born-global” or expand internationally with ease, the reality has proven far more complex. This special issue of *Information and Organization* aims to explore, in greater depth and from diverse perspectives, how digital innovation is impacting multiple aspects of global strategy, with a particular focus on the role of digital platforms.

The pervasiveness of digital technologies and their ongoing rapid evolution are having important implications for firms as they innovate and develop strategies for international business in processes of globalization. Researchers have long claimed that digitalisation can readily enable firms to be “born-global” such as international new ventures (INVs) (Cannone & Ughetto, 2014; Ferguson & Henrekson, 2019; Hennart, 2014; Knight & Cavusgil, 1996, 2004; Kudina et al., 2008), or seamlessly expand internationally for “go-global” (Luo & Tung, 2007, 2018; Monaghan et al., 2020). More recently, digital innovations - such as digital platforms with network effects - have led to the rise of young digital companies, such as Airbnb and Uber, which have demonstrated impressive abilities to scale globally in a short period. For example, Airbnb which was launched in 2007, now boasts a presence in over 220 countries and with over 7 million listings.

At the same time, however, other digital firms such as Amazon, despite its size, clout, and growth potential, still derives 61 % of its revenue from the US market and its global market share in e-commerce remains only around 6 %. Clearly the relationship between digital innovation and global strategy is a great deal more complex than initially assumed (Guillén, 2021a, 2021b).

Geography also plays a role in the expansion of digital businesses, but research on how ‘space’ matters for ‘born-global’ INVs or ‘go-global’ MNEs with digital innovation is still developing. Studies on mobile money platforms in emerging economies highlight how a digital innovation trajectory intersects with place-based trajectories, influencing adoption rates and outcomes for financial and social inclusion. For example, while M-PESA saw rapid diffusion in Kenya, its expansion into Tanzania was more modest, and its South African rollout failed twice within five years. Even within Kenya, M-PESA’s role in enabling clean energy and social inclusion faced sustainability challenges over time among low-income populations (Barrett et al., 2024).

Research also shows that digital platforms, infrastructures, and ecosystems introduce new forms of competition and alliance-building, where platform systems, rather than individual firms or industries, define competitive dynamics (Cennamo, 2021; Constantinides et al., 2018). The spatial characteristics of digital-platform-based firms impact their global strategy, influencing factors such as economies of scale, multi-homing, differentiation, and entry barriers. Digital innovation and digital platforms shape MNEs’ business models and spatial strategies in their internationalisation processes, necessitating further research into how spatial dynamics influence competition in emerging global and digital business environments.

The strategy literature on platforms provides valuable insights into how firms orchestrate value creation within digital ecosystems (Adner, 2017; Jacobides et al., 2018). Research highlights the role of digital platforms (Baldwin & Woodard, 2009; Gawer & Cusumano, 2002) in enabling innovation across ecosystems (Barrett et al., 2016), where firms coordinate action towards shared goals defined by a keystone firm or ecosystem orchestrator. Information and communication technologies (ICTs) and digital technologies, as modular architectures (Baldwin & Clark, 2000; Yoo et al., 2012), shape digital innovation ecosystems structured by platform sponsors (Ghazawneh & Henfridsson, 2013; Yoo et al., 2010).

Contrasting centralized and decentralized perspectives, recent research highlights distributed, non-centralized forms of ecosystem orchestration (Gupta, 2018; Olk & West, 2023). This research emphasizes collective governance by multiple firms or consortia,

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particularly in defining application programming interfaces (APIs) and standards (Eisenmann et al., 2011; O'Mahony & Karp, 2022). APIs play a structuring role in digital innovation ecosystems, as demonstrated by Pujadas et al. (2024), who show that web APIs enable firms to integrate capabilities across organizations for co-producing services and products.

This special issue seeks to engage with and bring together these parallel streams of research on digital and platform ecosystems. It is timely to explore how digital innovation and platforms shape global strategy from diverse perspectives.

## 2. Digital ventures and global strategy

Digitalisation has potentially far-reaching impacts on the nature of global competition and hence global strategy. In particular, digital connectivity has opened up new avenues for creating and capturing value for both budding and established MNEs (Gupta, 2018; Nambisan & Luo, 2022). Companies can now use a digital platform, for example, to apply the same core value proposition and digital assets across different foreign markets while maintaining the possibility of some local responsiveness to regional policies and market needs (Verbeke & Kano, 2016) or even personalisation of the offering. Digital connectivity reduces inter-firm coordination and transaction costs, allowing MNEs to leverage the expertise and scale that lie hidden in their organizations and across the globe by combining specialized capabilities and capitalizing on shared services to fashion business models. Remotely performed business processes can now form a critical part of a globally linked service value chain system and may not require geographical proximity between foreign customers and service providers (Benito et al., 2019). The success of such business models, however, depends on effectively integrating globally disaggregated business processes and activities (Pitelis & Teece, 2018).

The advent of a variety of digital global platforms - some focused on facilitating knowledge sharing and R&D consortia, some dedicated to global supply chain and resource sharing, and others underpinning global e-commerce - is thus fundamentally changing the way multinational enterprises (MNEs) can reach, serve, and retain global customers. This is enabling the emergence of a range of new business models, from online retail platforms like Amazon and Alibaba to car-hailing apps such as Uber and Lyft. Companies such as WhatsApp are leveraging these technologies to start as born-global companies, achieving global scale with remarkable speed. Such firms deploy their core business formula and core value propositions globally while maintaining some level of local responsiveness (Coe & Yeung, 2015; Kuemmerle, 1999).

This rapid pace of technological adoption and digital innovation is reducing the lifespan of existing business models and forcing global executives to make quicker decisions and commit resources much more rapidly (Dhanaraj & Parkhe, 2006). In addition, other technologies, such as 3-D printing, automation, new materials, data-enabled genetics technology, micro-processing, new energy, next-generation analytics, and contextual and social user experience, are working alongside digital technologies to further shape the ways of doing business among MNEs and the experiences enjoyed by global consumers (Manyika et al., 2018). These developments, in turn, continue to lead to the redefinition of capabilities and processes required to that support innovative business models in global competition (Sirmon et al., 2007; Tallman et al., 2018).

Digitalisation is also fortifying the availability, diffusion, sharing, and utilization of global open resources, thus reducing the internal resource requirements needed to satisfy global operations. Firms now have access to constantly growing and better-developed global open channels or markets for applied technologies, key components, intermediary resources, professional services, logistics providers, crowdsourcing, user feedback platforms, and more. This resource availability has opened the way to re-invigorated transnational business models, allowing MNEs to focus on distinctive activities or processes where they maintain competitive advantages while taking advantage of the expanding pool of global open resources via cross-licensing, alliances, and acquisitions (Nambisan & Luo, 2022). Unlike patterns of international expansion in decades past, where strategies were much more path-dependent and resource-constrained, digitalisation today helps overcome some of the historic barriers created by of geographic, economic, and sociocultural distances between countries and nurtures sharing, diffusion, and improvisation of global open resources (Buckley & Ghauri, 2004). The best MNEs are adept at leveraging these global open resources in ways that create specific competitive advantages and enable them to pursue unique paths for growth.

Digitalisation can also play a significant role in facilitating cross-border activities by making it easier to modularize, deploy, and transfer technologies, services, and open innovation, thereby addressing some of the inherent difficulties in transferring core elements of a business model across countries. Through a globally orchestrated digital connectivity system, MNEs can streamline sharing of key resources such as technology, distribution channels, key components, supply base, and other assets among their foreign subsidiaries (Guillén, 2021a, 2021b; Luo, 2022). This also facilitates business and knowledge process offshoring, where operational ownership of one or more business or knowledge processes is transferred to foreign entities that conduct or manage the services according to predefined metrics. In addition, digitalisation can smooth the paths of intra-MNE links, sharing, and harmonization, thereby streamlining the implementation of transnational business models, which rely on digital connectivity between headquarters and foreign subunits and among foreign subunits that operate in different regions and countries.

At the same time, the classic challenges presented by the need to balance the opportunities to reap economies through the integration of global activities (termed "global integration" in the literature) while simultaneously enabling local subsidiaries to deviate from global norms as they adapt to local peculiarities in consumer tastes, resource availability and supply conditions, institutional environments, and competitive rivalry (termed "local responsiveness") remains (Birkinshaw et al., 1995; Prahalad & Doz, 1987). Moreover, even when a transnational business model is designed and deployed effectively to create value, the heterogeneity, dynamism, and complexity of institutional and competitive environments in different countries may limit the value capture (appropriation) from the model (Tallman et al., 2018). While MNEs can design their business model with considerable discretion, they cannot always control or predict host-country institutional constraints that impede the process of value delivery and value capture from their activities.

Digitalisation also adds further opportunities and complexities to the trade-offs between global integration and local responsiveness that MNEs must manage. This is because digital linkages between actors in the global economy potentially generate new types of network effects that go beyond the traditional economies of scale that lie at the heart of MNE advantages arising from integrated international expansion. A positive network effect occurs when the value of using a service rises for all users as the number of users increases (Chen et al., 2019; Cusumano et al., 2019; Rysman, 2009). A similar network effect may arise when activity of existing users increases (Hinz et al., 2020). These network effects may result in stronger first-mover advantages or tipping points in user recruitment or usage that may generate sources of monopoly power.

As platforms expand internationally and formulate their competitive strategies, therefore, they need to consider the implications of the geographic scope of these potential network effects, which can be local, national, or global, depending on the level at which the value of the network to any one user increases with the number of users (Knee, 2017; Nambisan, 2020; Stallkamp & Schotter, 2021). Local network effects are based on the immediacy of user co-location as is the case for ride hailing platforms. National network effects arise when cultural, economic, political, and social institutions define the benefits that users can obtain from participating in a national group, such as regulations restricting who can stream video content in a certain country or apply for certain jobs. Global network effects, meanwhile, arise where the digital service knows no boundaries, making distance irrelevant, as is often the case for music or video streaming. The geographic scope of these network effects will impact the economics of alternative configurations of international activities and hence the business model an MNE chooses and the way it should internationalise in order to build competitive advantage.

A particularly important aspect of these network effects in the context of digitalisation is the scope for data network effects. Data network effects arise in a digital space, such a digital platform, if “the more that the platform learns from the data it collects on users, the more valuable the platform becomes to each user” (Gregory et al., 2021:535). These data network effects create the potential to generate new sources of competitive advantage if effectively harnessed and internalised by MNEs. Rapid recent advances in artificial intelligence (AI) and machine learning (ML) are presenting new ways of harnessing these data network effects at speed and scale.

In sum, increased global connectivity through digitalisation has the potential to: enable new forms of value creation and value capture strategies; harness potential network economies and data network effects; reconfigure and re-bundle value-creating features and services; extend the use of globally-available open resources, platforms, and ecosystems; facilitate the modularity, portability and scalability of global operations; nurture cross-unit sharing and decision making, and global orchestration; and spur the mobilisation and deployment of global resources (Luo, 2022).

These developments suggest we urgently need to adjust our traditional theories of internationalisation and global strategy to the new, digital realities. Insights from the information systems (IS) and organization theory (OT) literatures can play a potentially important role in extending and adjusting current international business (IB) theories and frameworks in a number of ways.

First, IB theory has traditionally assumed that local presence through foreign direct investment (FDI) is key to understanding local consumer preferences when entering a new, overseas market (e.g. Johanson & Vahlne, 1977). IS theory in the areas of recommender systems (Batmaz et al., 2019) and machine learning (ML) aimed at discovering complex patterns in large datasets (Shrestha & Mahmood, 2019), however, raises the possibility of that local preferences could be understood remotely using digital tools. This suggests the need to rethink the role of FDI and the types of investments required when seeking to enter new markets drawing on insights from the IS literature.

Second, the IS literature has also extensively discussed the power of network economies and data network effects, in (Gregory et al., 2021; Hinz et al., 2020). These findings are particularly relevant to global strategy because they may open up potentially new ways of creating competitive advantage among MNEs. Incorporating these potential network effects into IB theories about competitive advantages enjoyed by digital firms as they internationalise can thus help extend our existing understanding of global strategies. Of particular significance here is the potential for digital firms to capture first mover advantages through rapid international expansion.

Third, digital platforms may now have the potential to replace at many of the historic functions of country-based subsidiaries in foreign markets. Bringing together OT theories concerning the structures, capabilities, and limitations associated with digital platforms can, therefore, help us to re-think the roles of local subsidiaries, their processes and structures, and the capabilities they require as postulated by IB theories.

### 3. Conceptualising social innovation and digital platforms

Platforms that enable social innovation are increasingly recognized as vital mechanisms for addressing complex societal challenges. Social innovation is the process of creating, capturing and distributing social value through new collaborative configurations across sectors and stakeholders, with the aim of addressing complex societal challenges (Logue, 2019). In doing so, this may transform existing institutional arrangements or build new ones. Platforms offer a digital environment that enables, fosters, and supports social innovation by, for example: building new relational structures through connecting diverse stakeholders; reducing transaction costs for participation and collaboration on solutions to social problems within or beyond geographical boundaries; increasing collective capacity to generate ideas to complex problems; and producing new forms of institutional infrastructure for how social innovation occurs in markets (Dessy et al., 2024, this issue). The role of platforms in social innovation has garnered significant attention in recent years, as these digital environments facilitate, change and intensify collaboration, knowledge sharing, and the co-creation of solutions to societal challenges. Digital platforms serve as new forms of intermediaries that connect diverse stakeholders, enabling them to engage in collective action and innovation processes. These platforms can be categorized based on their structure, roles, and processes, particularly in the context of scaling innovations.

### 3.1. Types and their roles

Social innovation platforms can be categorized into several distinct types based on their operational frameworks, objectives, and the mechanisms they employ to foster innovation. These platforms play a crucial role in addressing social challenges by facilitating collaboration among various stakeholders, including users, organizations, and communities. Building on Nambisan's (2009) categorization for platforms for collaboration, social impact platforms can be similarly classified into the following types:

#### 3.1.1. User-centric innovation platforms

These platforms emphasize the active participation of users in the innovation process. By democratizing innovation, they allow users to engage directly in the development of solutions tailored to their needs. This approach not only enhances the relevance of the innovations produced but also empowers users to become co-creators rather than passive recipients of services (Rauch & Ansari, 2022). Such platforms are particularly effective in sectors where understanding the specific needs of communities is essential for successful outcomes (Purtik & Arenas, 2017).

User-centric innovation platforms play a pivotal role in democratizing the innovation process by actively involving users in the development of solutions that cater to their specific needs. This participatory approach not only enhances the relevance of innovations but also empowers users to transition from being passive recipients to co-creators of services and products. Research indicates that such platforms are particularly effective in sectors where understanding community-specific needs is crucial for achieving successful outcomes (Purtik & Arenas, 2017). By leveraging the unique insights and knowledge of users, these platforms facilitate responsible innovation, ensuring that the innovations produced are aligned with societal expectations and requirements (Rauch & Ansari, 2022).

#### 3.1.2. Collaborative networks and communities

Online innovation communities serve as collaborative networks where participants share knowledge, experiences, and resources. These platforms facilitate generative collaboration, enabling diverse stakeholders to contribute to the innovation process. The open sharing of ideas within these communities fosters collective problem-solving and enhances the overall innovation capacity (Safadi et al., 2021). Such platforms often utilize digital tools to support communication and coordination among members, thereby enhancing their effectiveness (Logue & Grimes, 2022).

Collaborative networks and communities further enhance the innovation landscape by serving as platforms where diverse stakeholders can share knowledge, experiences, and resources. These online innovation communities foster generative collaboration, enabling participants to contribute collectively to the innovation process. The open exchange of ideas within these networks not only enhances problem-solving capabilities but also increases the overall innovation capacity of the community (Calic & Mosakowski, 2016; Seidel et al., 2020).

#### 3.1.3. Civic crowdfunding platforms

These platforms enable communities to fund social initiatives through collective financial contributions. Civic crowdfunding platforms not only provide a means for raising funds but also foster community engagement and ownership of social projects. They serve as a bridge between social innovators and potential funders, facilitating the realization of projects that address local needs (Logue & Grimes, 2022). The effectiveness of these platforms often hinges on their ability to cultivate institutional infrastructure that supports user engagement and governance (Logue & Grimes, 2022).

Civic crowdfunding platforms represent another critical type of social innovation platform, enabling communities to collectively fund social initiatives and also expanding the geographical boundary of a community, or creating new digital communities around a particular problem or cause. These platforms not only facilitate the financial backing of projects but also promote community engagement and ownership of social endeavors. They serve as a vital link between social innovators and potential funders, thus facilitating the realization of projects that address local needs (Tello-Rozas et al., 2015). The success of civic crowdfunding platforms often depends on their ability to cultivate an institutional infrastructure that supports user engagement and governance, ensuring that community voices are heard and considered in the funding process (Tello-Rozas et al., 2015).

#### 3.1.4. Open innovation platforms

Open innovation platforms leverage both internal and external knowledge sources to drive innovation. These platforms encourage collaboration among various stakeholders, including businesses, non-profits, and individuals, to co-create solutions to social problems. By integrating diverse perspectives and expertise, open innovation platforms can accelerate the development of impactful solutions (Logue, 2019). They are particularly valuable in sectors where collaboration across different disciplines is essential for addressing complex social challenges (Ferraro et al., 2015). Open innovation platforms are particularly valuable in sectors where collaboration across different disciplines and industries is essential for addressing complex social challenges (Van Wijk et al., 2019; Randhawa et al., 2017).

Open innovation platforms leverage both internal and external knowledge sources to drive innovation by encouraging collaboration among various stakeholders, including businesses, non-profits, and individuals. This collaborative approach allows for the integration of diverse perspectives and expertise, which is essential for addressing complex social challenges (Gafni et al., 2020; Kammerlander et al., 2018). Open innovation platforms are particularly valuable in sectors where interdisciplinary collaboration is necessary, as they can accelerate the development of impactful solutions by harnessing a wide array of insights and experiences (Wilden et al., 2022).

### 3.1.5. Social media-driven platforms

While not necessarily fitting the definition of a ‘social mission platform’ (SMP), social media platforms have undeniably transformed the landscape of social innovation by facilitating real-time interaction and collaboration among users. They are also used in conjunction with the operation of other platforms. These platforms allow for the rapid dissemination of ideas and feedback, enhancing the efficiency of the innovation process. They also lower barriers to participation, enabling a broader range of voices to contribute to social innovation efforts (Rietveld & Ploog, 2021). The integration of social media into innovation processes not only democratizes participation but also enriches the knowledge base by incorporating diverse perspectives (Huq, 2018).

Social media-driven platforms have transformed the dynamics of social innovation by facilitating real-time interaction and collaboration among users. These platforms enable the rapid dissemination of information (and disinformation), ideas, and feedback, thus enhancing the efficiency of the innovation process (Patriotta et al., 2011). By lowering barriers to participation, social media platforms enable a broader range of voices to contribute to social innovation efforts, enriching the knowledge base with diverse perspectives (Ansari et al., 2015). The integration of social media into innovation processes potentially democratizes participation and fosters a more inclusive environment for idea generation and problem-solving (Hajli, 2016).

### 3.2. Scaling and network effects

Platforms, and especially social mission platforms represent a distinctive organizational form and strategy for scaling social impact through digital infrastructure, sitting at the intersection of technological innovation and social value creation. As Dessy et al. (2024) show, SMPs’ ability to scale social impact is shaped by key organizational dimensions including identity (social vs. commercial orientation), boundary (open vs. closed access), governance (interventionist vs. non-interventionist), and technology reliance. These dimensions create different configurations for scaling - from serving as the fulcrum of a social impact ecosystem to acting as a repository of technological tools for social innovation.

While digital platforms can theoretically scale rapidly through network effects, potentially amplifying social impact through increased connections between stakeholders, there is often an inherent tension between organizational growth and maintaining quality of social impact, as occurs in any form of purpose driven organization in terms of risk of “mission drift” (Logue & Grimes, 2022). This tension manifests distinctly in SMPs through what Dessy et al. (2024, this issue) identify as the challenge of balancing open access and mission alignment, or managing the trade-off between rapid platform growth and ensuring meaningful social value creation and distribution.

It’s also important to consider that scaling a digital platform for social innovation, can occur through different modes (Logue et al., 2024), including scaling up (influencing higher-level actors), scaling out (geographic expansion), and scaling deep (improving quality and community engagement). For example, platforms that act as ecosystem fulcrums can simultaneously scale deep through strong stakeholder engagement while scaling up through institutional influence. However, this requires careful attention to governance structures and mechanisms for social value distribution that are critical for maintaining mission alignment while scaling. Thus, the effectiveness of digital platforms designed for social innovation and social impact depends not just on their technological capabilities, but on their ability to design organizational configurations that sustainably balance growth with social value creation and distribution.

### 3.3. Governing for platform outcomes

This suggests that digital platform governance mechanisms, be that through regulations or institutional infrastructure, are important in governing for the desired outcomes of social innovation, or social mission platforms. In addition to the values that can be ‘baked in’ to the design of platforms (of any form or purpose), social mission platforms also play a role in redistributing networks of relations. They can change the distribution of responsibility (for participation and contribution), and the distribution of the ultimate impact. For example, in their study of a civic crowd funding platform in the UK, Logue and Grimes (2022) show how residents from other geographies (or indeed, globally), now shape and influence local development in other regions – geography no longer matters for local participation, for better or for worse. Ultimately, platforms may enable social innovation through creating new forms and modes of relations, new means of attracting finance and investment, and new sources of innovation, and yet it is important to avoid assuming this is inherently positive. As with any digital innovation, power and politics are at play, and the social cannot be separated from the technological innovation.

## 4. Contributions to digital platforms and global strategy

In this Special Issue we explore and bring together theories and insights in an interdisciplinary manner across information systems, international business and strategy/ organization theory. The set of papers provide fresh insights into key areas: internationalisation strategies, opportunity identification processes, regulatory complexity, digital interdependence and information security, and platform design and social impact.

### 4.1. Internationalisation strategies

The papers by García-Canal et al., and Santos & Williamson offer complementary perspectives as to how digitalization can influence the processes by which firms internationalise and the strategies they pursue. García-Canal et al. argue that very few platforms achieve a truly global footprint. Despite the potential for modern digital technologies to connect a wide range of far-flung locations across the

globe, they attribute the failure of platforms to seamlessly achieve global reach to factors such as competition, imitation, innovation, and cultural and political barriers that hamper a digital platform's international growth path. The paper then focuses on what the authors contend is a key determinant of the extent to which platforms can competitively internationalise: the geographical scope of network effects that impact users at various levels from the local to the global. Their analysis builds on the finding in the literature that network effects may arise exclusively among users in specific locations, rather than across all users globally. This restriction on the scope of networks effects can operate at different levels, including city, country, or region (Guillén, 2021a, 2021b; Stallkamp & Schotter, 2021).

In exploring these network effects at different geographic levels, they model the dynamics of international platform competition and predict its outcomes for global market shares using a simulation of competition between two platforms, one in its home country, the other competing from abroad. Within this framework they explore different internationalisation strategies under different assumptions about the power of local versus global network effects. They find that network effects play a key role, with global effects benefiting first movers and local effects favouring followers (especially those competing in market different from that of the first mover). Not surprisingly followers in a first-movers domestic market need to innovate if they are to gain market share, while followers in markets with local network effects have more options to compete, including launching a clone.

These findings offer valuable insights to aid strategy development and regulatory initiatives related to market share, market power, and international expansion. When network effects operate at a global level mergers and acquisitions are likely to benefit both user and platform owners, although when the original platforms are differentiated, some users can be worse off as their preferred choice has been removed (Farronato et al., 2023). Where networks effects are local, by contrast, mergers and acquisitions in the same market are more likely to be anticompetitive. As it pertains to the internationalisation strategies of digital firms, the paper shows how firms introducing a new digital platform need to adapt depending on the nature of network effects.

The paper by Santos & Williamson, meanwhile, explores the potential for artificial intelligence/machine learning technologies (AI/ML) to open the way for new internationalisation strategies. They show how firms can create digital interactions from which information about individual's revealed preferences can be imputed. The use of this information by a proprietary AI model, rather than using FDI designed to learn about the characteristics of country markets as proxies to predict the general behaviour of consumers located there, provides a new, country-agnostic way to enter foreign markets and adapt to differences among consumers based on segments of one. This new strategy enables born-digital firms, and potentially other businesses where digitalisation can play a role, to build new kinds of competitive advantages based on data network effects.

These arguments have important implications for both international business (IB) and information systems (IS) theory. Much of the huge literature on entry into foreign markets (Shen et al., 2017) is built around the assumption that as MNEs expand internationally they need to invest in understanding proxies for differences in behaviour of local consumers compared with other country markets, driven by factors such as culture, demographics, or tastes. Now, born-digital MNEs can use AI algorithms to collect and analyse data to impute the revealed preferences of individuals as segments-of-one directly from their behaviour. This renders it unnecessary to invest in understanding indicators at the country level that were traditionally used to predict differences in behaviour. Countries, therefore, are not necessarily a fundamental unit of analysis in this new era of digital internationalisation, being replaced instead by personalisation for segments-of-one independent of geography. The resulting country-agnostic strategies for value creation focus is on increasing the global number of users and the share of wallet or time budget captured from each user.

In consequence, the types of foreign direct investment (FDI) required to internationalise, and its role, change. Rather than investments designed to generate information on proxies for users' preferences, such as local incomes, age distributions, or cultures, the focus of FDI will shift towards investments that support value capture and the local social licence to operate (Prno & Scott Slocombe, 2012). The results also suggest that the role of country of origin of effects in the process of internationalisation needs to be re-thought. Rather than cost structure in the country of origin, for example, the key factor may be the favourability of home country environment for developing and training advanced AI algorithms.

The paper also presents implications for the approach to the measurement of preferences commonly used in IS recommender systems, the theory of network effects, and associated first mover advantages in international expansion. It explains how AI can enable more accurate imputation of preferences based directly on interactions between users and content than is the case when using proxies such as user rankings or navigation data. The paper also complements the discussion of network economies by García-Canal, et al., outlined above by showing how data network effects can be generated by an increasing number of users responding to more, different offerings, can increase the probability of correctly identifying another user who has similar preferences for content with particular attributes. These effects reinforce the global first-mover advantages central to the analysis in the García-Canal, et al. paper.

While the paper develops its findings with a focus on born-digital multinationals they also consider broader implications for other types of firms with the potential to use AI to impute their consumers' individual revealed preferences more accurately. It argues that firms lie on a spectrum of potential to use AI to impute individual user preferences and pursue country-agnostic strategies that harness data network economies depending on three characteristics of its business: the level of frequent repeat buying of products within the same category, the number of purchase/consumption decisions per consumer, and the large variety of offerings of a similar type within each product category. The higher a business scores on each of these dimensions the greater the potential to use AI to pursue these strategies. Overall, therefore, the results carry across to a wide spectrum of businesses where digitalisation can play a role in value creation, but to a varying degree depending on purchase repetition and frequency and the economics of presenting potential consumers with offerings of similar types of products with different attributes.

Taken together, the two papers focusing on digitalisation and internationalisation in this special issue remind us that while digitalisation creates opportunities for new types of internationalisation strategies, the age-old tensions between simultaneously pursuing global scalability through geographic integration and local responsiveness explored in the international business literature in the

context of non-digital businesses (Prahalad & Doz, 1987) still play an important role in the digital era.

#### 4.2. International opportunity identification and valuation

In addition to impacting potential internationalisation processes, digitalization can also enable firms to create new international opportunities using digital platforms as well as the potential to construct a bundle of services that a platform conglomerate can offer to users. These types of initiatives can help in the quest for global leadership, but they are likely to require new ways of organising knowledge and activities in order to come to successful fruition.

The paper by Cusamano, Gawer, Yoffie, von Bargen, and Acquay, examines how “platformness” - the degree to which a company incorporates platform business model elements - affects the valuations of unicorn companies. By analyzing 959 unicorns as of December 2021, it revealed that platform businesses commanded significantly higher valuations compared to non-platform companies, though this premium varied substantially by region and was 129 % higher in North America. The regional variations appear driven by greater investor interest in platform businesses in the United States as well as other characteristics more common among North American unicorn platforms, such as having global network effects and being innovation-focused rather than transaction-focused. Innovation platforms (those enabling third-party complementary innovations through APIs) commanded 34 % higher valuations than transaction platforms (those connecting market sides like buyers and sellers). Platform unicorns with global network effects had approximately 26 % higher valuations than those limited to local or national network effects. The findings suggest investors placed particularly high value on platforms that can generate broader digital ecosystem with global reach, innovation capabilities, and strong network effects.

At a more micro level of analysis, Kryzhanivska et al. in this special issue analyse one type of these new organizational possibilities for internationalisation by digital firms. Specifically, the authors look at temporary teaming with external experts by a start-up as an organizational mechanism as it evolves over time. This enables them to draw on the literature on international entrepreneurship and temporary organising as theoretical frameworks (Alvarez & Barney, 2007; Einola & Alvesson, 2019). Drawing on interview data from a successful case of Finnish innovative startup the paper documents and interprets the iterative actions of the temporary team in defining the problem, searching for expertise, engaging experts, and utilizing mechanisms of collective mapping, challenging, and refining the international opportunities. The process involves a combination of accessing on-demand experts’ advice, collaboration, ideation, co-creation, and envisioning through which the temporary teams leverage opportunities for firm to develop its paths to markets digitally. It thus provides an example of how new organizational structures and processes can lead to different types of emerging opportunities as outcomes. The study also helps managers understand how digital temporary teams’ projects can be used to connect with international partners, customers and to benefit from external knowledge of experts.

These insights complement the one of the arguments presented by Santos and Williamson in the special issue concerning how digital platforms enable new forms of international entrepreneurship. Recall that this involves a very different organizational model designed to rapidly amass a large and diverse user base of consumers and suppliers and encourage frequent interactions that users to react to a large variety of different offerings. Detailed data on different aspects of these interactions with users, in turn, is then used by an AI algorithm to build up an accurate picture of each individual’s preferences. As more users respond to more, different offerings, the probability that the algorithm will also be able to more correctly identify another user who has revealed their preference for an offering that a particular user will also enjoy when presented. In this way, the entrepreneurial firms will benefit from what the authors term ‘collaborative data network effects’ that generate a positive cycle of increased user engagement and satisfaction as their users bases grow.

#### 4.3. Regulatory complexity

In addition to how new types of organizational forms enabled by digitalisation can aid the process of firms’ internationalisation, there are important issues related to the global governance of digital firms. Regulatory complexity, digital interdependence, and information security are significant risks related to global governance that challenge the digitization of international business (Curchod et al., 2020; Luo, 2021). While distributed patterns of value creation determined the circumstances that allowed digital platforms to emerge, the business models they have adopted have led to a centralized modality of value capture and a concentration of economic and social activity in a small number of large and powerful companies (Gawer, 2022). As these powerful digital firms operate across different countries and regulatory frameworks, this has proven to be a particularly challenging issue for governmental bodies and firms themselves. Cusumano et al. (this issue) also highlight how this is reflected in platform valuations by investors, given geographical expansion into more fragmented markets in Europe and Asia-Pacific potentially create additional costs and complexity for platform scaling. This is particularly evident in how platforms must navigate varying regulations and digital standards across jurisdictions.

For instance, the regulatory landscape governing digital firms is marked by a patchwork of rules, varying across global, national, state/provincial, and municipal jurisdictions, which further complicates the task of global governance. Different countries impose different regulations on issues such as data privacy, cybersecurity, and competition, creating conflicts and compliance challenges for multinational digital firms. For instance, the European Union’s GDPR prioritizes data privacy, while the United States tends to favor a more innovation-driven approach, with less stringent federal regulation. These discrepancies create legal uncertainty for firms that operate across borders, making it difficult to ensure compliance without significant cost and effort. Liminal movement (Garud et al., 2022) describes how platform-based business models alter in response to regulation. Although this concept was developed after studying Uber’s entry strategies at the state- and municipal-level in the US, one could see how such a dialectical interaction between regulators and digital firms could play out at the national and global governance levels.

In this issue, Gawer and Bonina highlight the antitrust risks of dominant platforms, particularly for the global South. As they note, while these issues have been increasingly acknowledged in the global North and have even given rise in Europe to a new tide of regulation specifically intended to curb big tech platform abuses, the situation in the global South is different and calls for a rigorous yet more nuanced approach. Using a World Bank global database of antitrust actions complemented by secondary data, Gawer and Bonina (this issue) find that two types of platform business models (transaction platforms and hybrid platforms) give rise to distinct competitive concerns and elicit different responses from enforcement authorities. Their findings suggest the need for global standards, governance models, institutional infrastructure, and new, international institutions. Moreover, emerging technologies like AI and blockchain add layers of complexity to the regulatory environment, as they raise new ethical, legal, and security concerns.

#### 4.4. Digital interdependence and information security

Digital interdependence is the interaction and dependence of technologies on each other while performing work. As seen in Kryzhanivska et al.'s case study of the internationalisation of a digital firm in this issue, many technologies were required to perform the work. However, many of these digital interdependences between firms are invisible until something goes wrong. For instance, CrowdStrike's 2024 global outage grounded flights, disrupted banks and other financial institutions, and took news broadcasts off the air. When firms rely heavily on interconnected digital systems, a single failure can create cascading disruptions across industries and countries. The complexity of these relationships often makes it difficult to predict where vulnerabilities lie, complicating efforts to regulate and secure digital spaces effectively.

As global digital interdependence increases, the importance of information security becomes paramount. Digital firms are responsible for protecting not only their own data but also the vast amounts of information they handle on behalf of clients and users worldwide. Breaches of sensitive information can lead to significant economic and reputational damage, as well as geopolitical tension. For instance, the 2023 cyberattacks on critical infrastructure in multiple countries demonstrated the vulnerabilities that arise when digital governance lags behind technological advancements. Also, the Facebook–Cambridge Analytica data scandal in 2018 revealed the tensions between global reach, national sovereignty, and geopolitical rivalries. In addition to raising concerns for cybersecurity, data security, and data privacy, the scandal highlighted how the misuse of personal data by companies and political actors can undermine democratic processes, erode trust in institutions, and create vulnerabilities in national security.

#### 4.5. Platform design and social impact

Digital platforms and internationalisation of such digital firms offer opportunities for social enterprise and new 'social-mission platforms' (Logue, 2019). In this issue, Dessy et al. create a typology of social mission platforms that demonstrates the diversity of platform organizational forms and strategies in global context. The authors develop a conceptual framework highlighting four key dimensions along which SMPs make design choices: identity (social vs. commercial orientation), boundary (open vs. closed access), governance (non-interventionist vs. interventionist), and technology reliance (strong vs. weak). Importantly, they illustrate how these dimensions are interdependent, with choices in one dimension shaping and being shaped by choices in others. This configurational perspective reveals three distinct types of SMPs: fulcrums of social impact ecosystems, repositories of technological tools for social innovation, and matchmakers.

A key insight is that different SMP configurations involve tradeoffs and tensions between growth/scale and mission alignment, moving beyond existing literature that arguably over simplifies 'mission drift' as a concern (Logue & Grimes, 2022). For example, more open access can facilitate network effects and innovation, but makes it harder to ensure stakeholder actions align with the platform's social mission. SMPs' organising choices are shaped by their institutional context and funding sources, and this configurational approach begins to provide a more nuanced view of the diversity in SMP organizational forms and the complex interdependencies in their design choices. It opens up promising avenues for future research on SMP configurations, outcomes, competitive dynamics, and evolution over time.

### 5. Conclusions and future research

This collection of papers in this special issue outline both the value and further opportunity to further integrate economic, strategic, and organizational perspectives on digital platforms and internationalisation. With the advent of AI in its latest public, accessible form, digitalisation now takes another form and advancement, with no doubt implications for digital platforms, internationalisation, and strategy.

A promising avenue for future research is the structuring role of web APIs in digital innovation ecosystems. Recent research (Pujadas et al., 2024) suggests that web APIs serve as more than just interoperability mechanisms; they actively shape ecosystem governance, value creation, and competition dynamics. Future studies should explore how web APIs enable decentralized governance structures and distributed innovation, allowing firms to integrate external capabilities dynamically without centralized control. In particular, examining the interplay between web APIs, artificial intelligence, and data analytics could reveal new insights into how firms build digital advantage in global markets.

Additionally, understanding how digital platforms leverage APIs to create modular, networked structures that facilitate rapid scaling and global expansion remains a key area for further research. APIs may allow firms to operate without a traditional multinational structure by enabling seamless interoperability across borders, creating new models of internationalisation that rely on dynamic, distributed value networks rather than hierarchical organizational forms. However, this also raises regulatory challenges,

particularly around data privacy, security, and digital sovereignty in different national contexts. Moreover, the monetization of APIs as direct revenue sources—rather than just enablers of connecting digital ecosystems—suggests that firms may increasingly build business models around API-driven innovation. Investigating how firms capture value through API ecosystems, including through pay-per-call models and API marketplaces, can provide deeper insights into digital strategies in the platform economy (Pujadas et al., 2024). Future research should also examine the competitive pressures created by API standardization, replication, and multi-homing, particularly in sectors where firms rely heavily on API-based integrations.

Overall, the evolution of digital platforms and global strategy necessitates a reassessment of traditional international business theories. As firms navigate the complexities of AI, API-driven ecosystems, and decentralized governance structures, there is a critical need to refine theoretical models that account for these emerging digital platforms and infrastructures.

There is opportunity to more closely understand the early stages of platform design and architecture decisions, and their role in international opportunity creation. By doing so, there is potential to contribute directly to the class ideas often termed ‘born global’ by understanding linkages, mechanisms and boundary conditions in early internationalizing SMEs’ opportunity creation processes. This may include more novel methods such as digital ethnographies to understand the dynamics and relational structures in the early phases of being born digital and born global. There is also potential, from a regulatory perspective, to further study whether developing countries should use “infant industry” protection and regulation to enable local digital platforms to grow despite competition from global entrants, as well as to examine whether competition authorities should pay attention to minority stakes taken by global digital platforms in mergers in such contexts.

When and how geography and place matters – for scaling, for valuation, for impact – is also worthy of further valuation. This is particularly so for developing countries where digital leap frogging and local institutional structures may result in significant variation in platform adoption, scaling, and governance. For example:

- How does existing digital and/or institutional infrastructure support or hinder platform growth and scaling?
- What does cross-country comparative research reveal about how different contexts influence SMP configurations?
- How can firms optimize the balance between global standardization and local adaptation in digital environments? What is the role of digital capabilities in managing this tension?
- How do digital MNEs deal with the potential need for the development of complex local ecosystems to support locally in order to support viable internationalisation?
- How does AI enable new forms of transnational business models? What will be the evolution of competitive dynamics in AI-enabled global markets?
- How is the increasing national and international regulation of digital businesses impacting their ability to globalize and the capabilities required?
- How might some the findings from studying the internationalisation of digital-only firms apply to other industries where firms physical goods and services and local presence are an important to underpin the value chain, but where digital activities are playing an increasingly important role?

There is no doubt that the transformative power and potential of AI, as pervasive technological advancement, and whether as service, outcome or business model, will need to be investigated in all future work. It’s adoption and integration into business models, decision making, expansion (type and pace), and governance of digital platforms requires ongoing analysis and investigation. For example:

- How can born-digital MNEs use AI? How will this change the way platforms interface with customers? How will investors change valuations?
- What role will AI play in decisions regarding expansion or scaling modes? How might AI enable other internationalisation goals beyond market entry, such as strategic asset seeking?
- How will AI affect digital platforms and born digital MNEs and the facilitation of knowledge configuration across borders?
- How might different AI technologies impact the ability of born-global firms to understand local users’ preferences and the cost of training the necessary algorithms?
- How will this need to be governed? For example, how to develop effective multistakeholder agreements on AI and data governance across countries?

The evolving landscape of digital platforms and internationalisation presents both significant opportunities and complex challenges that warrant continued scholarly investigation. As digital technologies and AI capabilities reshape global business dynamics, understanding how firms navigate cross-border expansion, adapt to diverse regulatory environments, and balance global standardization with local responsiveness becomes increasingly critical for advancing both theory and practice at the intersection of international business, information systems and organizational innovation.

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